



COCOA PROCESSING COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS
30 SEPTEMBER 2019

COCOA PROCESSING COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

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COCOA PROCESSING COMPANY LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS	<p>Kwaku Owusu Baah (Dr) (<i>Chairman</i>) Nana Agyenim Boateng (<i>Managing Director</i>) Hon. Ben Abdullah Banda Philomena Okyere (Mrs) Emmanuel Ray Ankrah Joe Forson Douglas Boateng (Prof) Abdul Samed-Adams</p>
REGISTERED OFFICE	<p>Cocoa Processing Company Limited Heavy Industrial Area Private Mail Bag Tema</p>
SOLICITORS	<p>A. Ossei-Aidooh & Co 1st Floor, Design House, Community 2 P. O. Box CE 11295 Tema</p> <p>Apex Lawconsult 1st Floor, Oburdum Fie, Labone P. O. Box GP 4889 Accra</p>
COMPANY SECRETARY	<p>Sheila Minkah-Premo Apex Lawconsult 1st Floor, Oburdum Fie, Labone P. O. Box GP 4889 Accra</p>
AUDITOR	<p>KPMG Chartered Accountants 13 Yiyiwa Drive, Abelenkpe P. O. Box GP 242 Accra</p>
BANKERS	<p>Absa Ghana Limited <i>(formerly Barclays Bank of Ghana Limited)</i> ADB Bank Limited Bank of Ghana Ecobank Ghana Limited GCB Bank Limited Prudential Bank Limited Societe Generale Ghana Limited United Bank for Africa (Ghana) Limited</p>
REGISTRAR	<p>NTHC Limited Marteo House P. O. Box 9563 Airport Accra</p>

**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 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The 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 2019 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, 2019 (Act 992). In addition, the Directors are responsible for the preparation of the Report of the Directors.

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.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

GOING CONCERN CONSIDERATION AND STATE OF AFFAIRS OF THE COMPANY

The Company incurred a loss of US\$3.4 million (2018: US\$12.0 million) for the year and at 30 September 2019, the Company's total liabilities exceeded its total assets by US\$22.4 million (2018: US\$33.9 million).

A substantial part of the Company's liabilities are due to the majority shareholder, Ghana Cocoa Board (COCOBOD) and a syndicate of banks. During the 2018 financial year, the terms of the Company's loan from COCOBOD were renegotiated due to the Company's default of principal and interest repayments. In the current financial year, although the principal repayments are not yet due, there have been defaults in the payment of interest on the loan. COCOBOD, through a letter of support, has however indicated that it will not call for repayment of the amounts due in a manner that would jeopardise the operations of the Company.

The Company has also defaulted on the renegotiated terms of its loan from the syndicate of banks. Management is currently in discussions with African Export-Import Bank to obtain a US\$70 million loan facility and plans to use a portion of this loan to settle outstanding amounts due to the syndicate of banks as well as to support its working capital requirements. Management expects the agreement to be signed and the first tranche of the loan to be disbursed from December 2020.

Additionally, the Company's operational performance was impacted significantly by a reduction in the supply of cocoa beans between 2012 and 2017. Financial performance however saw a marked improvement between 2017 to 2019, due to measures put in place by the Board of Directors and Management, and a renewed support from COCOBOD to supply cocoa beans for production.

The measures put in place to turn around the Company and make it profitable in the near future include the following:

- i. Cost reduction measures: The Company entered into an arrangement with Captive Energy Company Limited on 9 October 2019 to produce steam and power using bio-waste materials. The project is expected to be completed in 15 months. On completion, the Company will incur a monthly charge of US\$414,000 for the generation of steam and power which represents a reduction of the Company's current utility costs by 40% per annum. The Company has also constructed six depth bore-holes which has reduced the cost of water by US\$135,000 per annum.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
COCOA PROCESSING COMPANY LIMITED (CONT'D)**

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

- ii. Investment in infrastructure and machinery: The Company obtained a loan facility of GH¢16 million from Prudential Bank Limited under the Government of Ghana's Ministry of Trade and Industry Stimulus Package Programme for the acquisition of equipment for the Company's confectionery factory. The loan agreement was signed on 6 November 2019 but took a retrospective effect to cover the first drawdown which was received from the Bank on 16 July 2019. As at the date of approval of these financial statements, the Company had acquired a number of the equipment and had put them into use. The equipment are intended to expand the annual capacity of the confectionery factory from 3,000MT to 15,000MT. The Company has also commenced activities for the retooling of its aged cocoa factory lines and the expansion of the current capacity of 64,500MT to 87,657 MT.
- iii. Expand revenue base: The Company continues to expand its revenue-earning base and has identified the following areas to help maintain this drive:
- Secure additional tolling arrangement with relevant parties
 - Improve visibility of Goldentree confectionery products to increase local consumption by opening new depots in Takoradi, Sunyani and Tamale by December 2020.
 - Introduce an instant drinking chocolate to be known as Goldentree instant drinking chocolate
 - Introduce a wide array of new products in the confectionery market segment

Owing to the COVID-19 pandemic, the Company has also seen a significant slowdown in sales for the 2019/2020 financial year. Unaudited revenue for the year ended 30 September 2020 amounted to US\$13.4 million representing a decrease of 53% from the revenue recognised for the year ended 30 September 2019. The decrease is mainly due to a fall in the export of the Company's semi-finished cocoa products. With the easing of restrictions imposed to curb the spread of the pandemic across the world, management expects to make progress with respect to the Company's exports in the coming months. Management also plans to make inroads into other African markets with its semi-finished cocoa products in order to broaden its export base and thereby increase revenue and improve financial performance.

The Directors acknowledge that the Company's ability to continue to operate as a going concern is dependent on the successful and sustained execution of the measures detailed above. These conditions give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that cash flows arising from the normal course of business will be available to finance future operations of the Company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

NATURE OF BUSINESS/PRINCIPAL ACTIVITIES

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

HOLDING COMPANY

The Company is 57.73% owned by Ghana Cocoa Board, a corporate body domiciled in Ghana.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
COCOA PROCESSING COMPANY LIMITED (CONT'D)**

FINANCIAL STATEMENTS/BUSINESS REVIEW

The state of affairs of the Company is as follows:

	2019 US\$	2018 US\$
Loss before tax	4,308,017	7,215,102
Loss after tax	3,362,109	12,011,647
Total assets	145,924,285	124,411,596
Total liabilities	168,323,678	158,329,087
Total equity	<u>(22,399,393)</u>	<u>(33,917,491)</u>

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

PARTICULARS OF ENTRIES IN THE INTERESTS REGISTER DURING THE FINANCIAL YEAR

The Company did not maintain an Interests Register because no Director had interest in any contract.

CORPORATE SOCIAL RESPONSIBILITY

A total of US\$8,742 (2018: US\$3,973) was spent under the Company's social responsibility programme with key focus on agriculture.

CAPACITY BUILDING OF DIRECTORS TO DISCHARGE THEIR DUTIES

On appointment to the Board, Directors are provided with full, formal and tailored programmes of induction, to enable them gain in-depth knowledge about the Company's business, the risks and challenges faced, the economic knowledge and the legal and regulatory environment in which the Company operates. Programmes of strategic and other reviews, together with the other training programmes provided during the year, ensure that Directors continually update their skills, knowledge and familiarity with the Company's businesses. This further provides insights about the industry and other developments to enable them effectively fulfil their role on the Board and Board Audit Committees.

AUDIT FEES

The audit fee for the year is US\$37,000 (2018: US\$37,000).

APPROVAL OF THE REPORT OF THE DIRECTORS

The Report of the Directors of Cocoa Processing Company Limited was approved by the Board of Directors on 2020 and were signed on their behalf by:

SIGNATURE

SIGNATURE

NAME

NAME



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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Cocoa Processing Company Limited ("the Company"), which comprise the statement of financial position at 30 September 2019, 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 information as set out on pages 11 to 62.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 September 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992).

Basis for Qualified Opinion

The Company's plant and machinery have been significantly underutilized as the Company has been operating below capacity for a number of years. This is an indicator of impairment and the Company should have assessed impairment in line with the requirements of International Financial Reporting Standard IAS 36, *Impairment of Assets*, which requires an entity to assess whether there is any indication that an asset may be impaired at the end of each reporting period. Where any such indication exists, the entity is required to estimate the recoverable amount of the asset. The Company has not carried out an impairment assessment even though an impairment indicator exists at year end. In this circumstance, we were unable to determine whether any material adjustments might have been necessary to be recognized in property, plant and equipment, deferred tax liability, net loss and retained earnings. Our opinion in the prior year was modified in respect of the above matter. Our opinion on the current period's financial statements is also modified because of the effects of this matter on the comparability of the current period's figures and the corresponding figures.

The Company carried out a revaluation of its property, plant and equipment. Based on the results of the revaluation, a reconciliation exercise was carried out between the Company's fixed asset register and listing of property, plant and equipment items contained in the valuation report in order to verify the completeness of assets that were revalued. The exercise identified certain assets in the fixed asset register which could not be traced to the listing of revalued assets. Similarly, certain assets could not be traced from the listing of revalued assets to the Company's fixed asset register. We were therefore unable to ascertain the completeness of assets revalued during the year and hence could not confirm the accuracy of the changes in fair values included in the Company's property, plant and equipment and revaluation surplus/deficit in the statement of financial position and the accuracy of the depreciation charge included in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

In addition, the Company's inventories in the statement of financial position includes technical spare parts amounting to US\$1,486,563. Management did not maintain a perpetual inventory management system for technical spare parts to accurately record issues and receipts of technical spare parts during the year. In addition, management did not perform a full count of technical spare parts inventories during the year-end inventory count exercise. As a result, we were unable to satisfy ourselves by alternative means concerning the existence of all inventory quantities of technical spare parts held by the Company at 30 September 2019. In this circumstance, we were unable to determine whether adjustments might have been necessary in respect of technical spare part inventories and retained earnings in the statement of financial position, the loss for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.



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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in Ghana and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 28 of the financial statements, which indicates that the Company incurred a loss of US\$3.4 million (2018: US\$12.0 million) during the year ended 30 September 2019 and, as of that date, the Company's total liabilities exceeded its total assets by US\$22.4 million (2018: US\$33.9 million). As stated in Note 28, these events or conditions, along with other matters as set forth in Note 28, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections, we have determined the matter described below to be the key audit matter to be communicated in our report.

Revenue recognition, US\$28,433,361 (2018: US\$28,264,711)

Refer to Note 4(i) and Note 15 of the financial statements

The key audit matter

The revenue of the Company is generated from the sale of high quality chocolates, confectionery and semi-finished cocoa products to both foreign and local markets.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when control over the goods have been transferred to the customer. There is a time lag between issues of goods to customers and receipts of those goods close to the year end. Revenue may be recorded when control has not been transferred to the customer.

How the matter was addressed in our audit

Our audit procedures included the following:

- Evaluation of control activities over revenue recognition and testing of key controls put in place by management.
- Analysis of revenue by developing an expectation of the current year revenue amount and comparing the amount to the Company's actual results and obtaining reasons for variances.



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

- Testing timeliness of revenue recognition by comparing individual sales transactions to delivery documents after year-end.
- Analysis of a sample of sales transactions to verify appropriate accounting treatment in line with IFRS 15, *Revenue from Contracts with Customers*.
- Assessment of the adequacy of the Company's disclosures in respect of revenue in line with IFRS 15, *Revenue from Contracts with Customers*.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 2019 (Act 992) and Corporate Information, which we obtained prior to the date of this auditor's report, and the Chairman's Report and Managing Director's report which are expected to be made available to us after that date. Other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, the Company should have accurately reconciled property, plant and equipment in the revaluation report to assets listed in the fixed assets register, carried out an impairment assessment of its property, plant and equipment and maintained a perpetual inventory management system to accurately record and value technical spare parts inventory. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Report of the Directors affected by the effects of these matters.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992)

We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.

Except for the matters described in the *Basis for Qualified Opinion* section of our report, proper books of account have been kept, so far as appears from our examination of those books.

The statements of financial position and comprehensive income are in agreement with the accounting records and returns.

We are independent of the Company under audit pursuant to Section 143 of the Companies Act, 2019 (Act 992).

The engagement partner on the audit resulting in this independent auditor's report is Evelyn Addico (ICAG/P/1478).

KPMG

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FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2020/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

12 October 2020

COCOA PROCESSING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019

Assets	Note	2019 US\$	2018 US\$
Property, plant and equipment	7	126,804,747	108,383,558
Non-current assets		<u>126,804,747</u>	<u>108,383,558</u>
Inventories	8	8,228,910	5,643,060
Current tax assets	6(c)	6,283	3,263
Trade and other receivables	9	9,811,571	10,098,018
Cash and cash equivalents	10(a)	1,072,774	283,697
Current assets		<u>19,119,538</u>	<u>16,028,038</u>
Total assets		<u>145,924,285</u>	<u>124,411,596</u>
Equity			
Share capital	14(a,b)	26,071,630	26,071,630
Revaluation reserve	14(c)	56,508,182	43,168,101
Fair value reserve	14(d)	6,293,536	6,293,536
Retained earnings	14(e)	(111,272,741)	(109,450,758)
Total equity		<u>(22,399,393)</u>	<u>(33,917,491)</u>
Liabilities			
Loans and borrowings	12(b)	14,507,042	30,857,327
Employee benefit obligations	13	3,199,963	1,375,888
Deferred tax liabilities	6(d)	20,687,331	18,417,106
Trade and other payables	11	55,547,794	55,547,794
Non-current liabilities		<u>93,942,130</u>	<u>106,198,115</u>
Bank overdraft	10(b)	955,704	1,516,386
Trade and other payables	11	26,086,341	24,099,410
Loans and borrowings	12(b)	47,339,503	26,515,176
Current liabilities		<u>74,381,548</u>	<u>52,130,972</u>
Total liabilities		<u>168,323,678</u>	<u>158,329,087</u>
Total equity and liabilities		<u>145,924,285</u>	<u>124,411,596</u>

The financial statements of the Company were approved by the Board of Directors on 9th October, 2020 and were signed on their behalf by:

SIGNATURE

Unaban Chuan Boah

NAME

SIGNATURE

Norma Archim Bontenari

NAME

The notes on pages 16 to 62 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 US\$	2018 US\$
Revenue	15	28,433,361	28,264,711
Cost of sales	16	(23,661,338)	(27,476,274)
Gross profit		<u>4,772,023</u>	<u>788,437</u>
Other income	17	983,548	825,880
Selling and distribution costs	29	(265,996)	(441,622)
General and administrative expenses	30	(4,811,357)	(4,462,336)
Impairment loss on trade and other receivables	25(b)(i)	(418,860)	(164,745)
Operating profit/(loss)		<u>259,358</u>	<u>(3,454,386)</u>
Finance income	21	6,060	52,495
Finance costs	22	(4,573,435)	(3,813,211) ⁴
Loss before tax	18	<u>(4,308,017)</u>	<u>(7,215,102)</u>
Income tax expense	6(a)	945,908	(4,796,545)
Loss for the year		<u>(3,362,109)</u>	<u>(12,011,647)</u>
Other comprehensive income, net of tax			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property, plant and equipment	7	19,470,901	-
Remeasurements of defined benefit liability	13(b)	(1,374,562)	89,638
Related tax	6(d)	(3,216,132)	119,050
Other comprehensive income		<u>14,880,207</u>	<u>208,688</u>
Total comprehensive income		<u><u>11,518,098</u></u>	<u><u>(11,802,959)</u></u>
Loss per share			
Basic loss per share	23	(0.0016)	(0.0059)
Diluted loss per share	23	<u>(0.0016)</u>	<u>(0.0059)</u>

The notes on pages 16 to 62 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Share capital US\$	Revaluation reserve US\$	Fair value reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 October 2018		26,071,630	43,168,101	6,293,536	(109,450,758)	(33,917,491)
Total comprehensive income						
Loss for the year		-	-	-	(3,362,109)	(3,362,109)
Other comprehensive income for the year		-	16,010,477	-	(1,130,270)	14,880,207
Total comprehensive income		-	16,010,477	-	(4,492,379)	11,518,098
Transfers within equity						
Revaluation reserve transferred	14(c)	-	(2,670,396)	-	2,670,396	-
Total transfers within equity		-	(2,670,396)	-	2,670,396	-
Balance at 30 September 2019		26,071,630	56,508,182	6,293,536	(111,272,741)	(22,399,393)

The notes on pages 16 to 62 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

	Note	Share capital US\$	Revaluation reserve US\$	Fair value reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 October 2017		26,071,630	44,862,994	-	(99,342,692)	(28,408,068)
Total comprehensive income						
Loss for the year		-	-	-	(12,011,647)	(12,011,647)
Other comprehensive income for the year				6,293,536	208,688	6,502,224
Total comprehensive income				6,293,536	(11,802,959)	(5,509,423)
Transfers within equity						
Revaluation reserve transferred	14(c)	-	(1,694,893)	-	1,694,893	-
Total transfers within equity			(1,694,893)	-	1,694,893	-
Balance at 30 September 2018		26,071,630	43,168,101	6,293,536	(109,450,758)	(33,917,491)

The notes on pages 16 to 62 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 US\$	2018 US\$
Cash flows from operating activities			
Loss for the year		(3,362,109)	(12,011,647)
<i>Adjustments for:</i>			
Depreciation	7	3,649,319	3,787,534
Finance costs	22	4,573,435	3,813,211
Finance income	21	(6,060)	(52,495)
Impairment loss on trade receivables	25(b)(i)	418,860	164,745
Income tax expense	6(a)	(945,908)	4,796,545
Effect of movement in exchange rates		(1,048,958)	(1,294,038)
		-----	-----
<i>Changes in:</i>		3,278,579	(796,145)
Inventories		(2,585,850)	(183,253)
Trade and other receivables		(235,781)	(5,500,116)
Trade and other payables		2,128,777	6,029,251
Employee benefits		449,513	168,824
		-----	-----
Cash generated from operating activities		3,035,238	(281,439)
Interest paid	22	(1,861,835)	(1,973,982)
Income taxes paid	6(c)	(3,020)	(3,263)
		-----	-----
Net cash from/(used in) operating activities		1,170,383	(2,258,684)
		-----	-----
Cash flows from investing activities			
Interest received	21	6,060	52,495
Acquisition of property, plant and equipment	7	(2,599,607)	(153,277)
		-----	-----
Net cash used in investing activities		(2,593,547)	(100,782)
		-----	-----
Cash flows from financing activities			
Proceeds from loans and borrowings	12(a)	1,815,125	-
		-----	-----
Net cash from financing activities		1,815,125	-
		-----	-----
Net increase/(decrease) in cash and cash equivalents		391,961	(2,359,466)
Cash and cash equivalents at 1 October	10	(1,232,689)	(163,766)
Effect of movement in exchange rates on cash held		957,798	1,290,543
		-----	-----
Cash and cash equivalents at 30 September	10	117,070	(1,232,689)
		=====	=====

The notes on pages 16 to 62 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

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 2019 relate 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 2019 (Act 992).

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, 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 benefits to employees.

c. Functional and presentation currency

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

d. 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.

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 September 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 13 – Measurement of defined benefit obligations: Key actuarial assumptions
- Note 25(b)(i) – Measurement of expected credit loss (ECL) allowance for trade receivables: Key assumptions in determining the average loss rate

Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Company regularly reviews significant unobservable inputs and valuation adjustments.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Measurement of fair values (cont'd)

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset and liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company initially applied IFRS 15 (see a) and IFRS 9 (see b) from 1 October 2018. A number of other new standards are also effective from 1 October 2018 but they do not have a material impact on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except for separately presenting impairment loss on trade receivables (see b).

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 October 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

IFRS 15 did not have a significant impact on the Company's accounting policies on revenue recognition. There was no material impact on transition to IFRS 15 on retained earnings, trade receivables and income taxes at 1 October 2018. There was no material impact on the Company's statement of financial position at 30 September 2019 and statements of comprehensive income and cash flows for the year ended 30 September 2019.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

(b) IFRS 9 Financial Instruments (cont'd)

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Company's approach was to include the impairment of trade receivables in selling and distribution costs. The Company has however elected to present impairment related to trade and other receivables separately on the statement of comprehensive income for the year ended 30 September 2018 to ensure the information presented is not misleading and is relevant to the users' understanding of the Company's financial statements.

Additionally, the Company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

The adoption of IFRS 9 did not have a material impact on the Company's retained earnings, trade receivables and income taxes at 1 October 2018. It also did not have a material impact on the Company's statement of financial position at 30 September 2019 and statements of comprehensive income and cash flows for the year then ended.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The table below and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at 1 October 2018 and its related carrying amount. The adoption of IFRS 9 did not have a material impact on the carrying amount of financial assets at 1 October 2018.

Financial assets

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 US\$	New carrying amount under IFRS 9 US\$
Trade and other receivables	25(a)	Loans and receivables	Amortised cost	10,001,903	10,001,903
Cash and cash equivalents	25(a)	Loans and receivables	Amortised cost	283,697	283,697
Total financial assets				10,285,600	10,285,600

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Financial liabilities

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 US\$	New carrying amount under IFRS 9 US\$
Bank overdraft	25(a)	Other financial liabilities	Other financial liabilities	1,516,386	1,516,386
Trade and other payables	25(a)	Other financial liabilities	Other financial liabilities	63,956,382	63,956,382
Loans and borrowings	25(a)	Other financial liabilities	Other financial liabilities	57,372,503	57,372,503
Total financial liabilities				122,845,271	122,845,271

(ii) *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract asset and debt investments at FVOCI, but not in investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 October 2018 will not result in a material impact on the Company's opening impairment allowance balance.

(iii) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 October 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(a) Foreign currency transactions

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

Non-monetary assets and liabilities are translated at historical exchange rates, if held at historical cost or exchange rates at the date that fair value was determined, if held at fair value and the resulting foreign exchange gains and losses are recognised in profit or loss.

Foreign currency gains and losses are generally recognised in general and administrative expenses or other income depending on whether the net exchange difference results in a gain or a loss.

(b) Financial instruments

(i) Recognition and initial measurement

Trade and other receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets - Policy applicable from 1 October 2018

On initial recognition, a financial asset is classified as measured at amortised cost. These financial assets comprise trade and other receivables and cash and cash equivalents (see (v)).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Business model assessment: Policy applicable from 1 October 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Financial assets - Business model assessment: Policy applicable from 1 October 2018 (cont'd)

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 October 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 October 2018 (cont'd)

Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 October 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets - Policy applicable before 1 October 2018

The Company classifies non-derivative financial assets into loans and receivables category.

Loans and receivables

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

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. Short-term receivables with no stated interest rate are measured at the transaction price if the effect of discounting is immaterial.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses are recognized in profit or loss. Other financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise trade and other payables, bank overdrafts and loans and borrowings. Short term payables with no stated interest rate are measured at the transaction price if the effect of discounting is immaterial.

(iii) *Derecognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cashflows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred financial asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(iii) *Derecognition*

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

(iv) *Offsetting of financial assets and liabilities*

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

Income and expenses are presented on a net basis when permitted by accounting standards, or for gains and losses arising from a Company of similar transactions.

(v) *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, short-term fixed deposits with an original maturity of three months or less, bank overdrafts which are payable on demand. All of the components of cash and cash equivalents form an integral part of the company's cash management.

(c) **Impairment**

(i) *Non-derivative financial assets*

Policy applicable from 1 October 2018

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Financial instruments and contract assets (cont'd)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;

Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default;
- restructuring of a debt or advance by the Company on terms that the Company would not consider otherwise;
or
- it is probable that the customer will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 October 2018

(i) *Financial assets*

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired include 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 and 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 the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company considers evidence of impairment for these assets at both individual and collective level. All individually significant financial assets are assessed for impairment on an individual basis.

Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

(d) **Share capital**

• *Ordinary shares*

Proceeds from the 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.

• *Preference shares*

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.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets 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 Cash Generating Unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell can be reliably determined.

All impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost and subsequently measured at revalued amounts less accumulated depreciation and any 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.

An increase in the carrying amount of an item of property, plant and equipment as a result of a revaluation is recognized in other comprehensive income and accumulated in equity under a revaluation reserve. The gain is however, recognized in profit or loss to the extent that it reverses a revaluation loss of the same asset previously recognized in profit or loss.

Decreases in the carrying amount of an asset that offset previous increases of the asset are charged against the revaluation reserve. Any additional decrease is charged to profit or loss.

The revaluation reserve included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by the Company.

Valuations are performed at most every five (5) years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

Any gain or loss on disposal 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.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (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 and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss, as incurred.

(iii) *Spare parts*

Spare parts and stand-by and servicing equipment held by the Company are generally classified as inventories. However, if major spare parts and stand-by and servicing equipment are expected to be used for more than one period or can be used only in connection with an item of property, plant and equipment, then they are classified as property, plant and equipment.

(iv) *Capital work-in-progress*

Items of property, plant and equipment under construction are 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 completed and in a location and condition necessary for it to be capable of operating in the manner intended by management.

(v) *Depreciation*

Depreciation is calculated to write off the gross value 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. Items of property, plant and equipment are depreciated from the date they are installed and available for use.

The estimated useful lives of property, plant and equipment for the current and comparative periods 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.

(g) **Inventories**

Inventories are measured at the lower of cost or net realisable value. Except for the cost of raw materials, which is calculated using the first-in, first-out (FIFO) principle, the cost of all other classifications of inventories are determined based on the weighted average cost principle.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(g) Inventories (cont'd)

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.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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 (a fund) 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 plans are expensed as the related service is provided.

(a) Social security

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) Staff 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.

The Company determines the net interest expense on the net defined benefits liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good to a customer.

The Company has initially applied IFRS 15 from 1 October 2018. Information about the Company's accounting policies relating to contracts with customers is provided in Note 15. The effect of initially applying IFRS 15 is described in Note 3.

(j) Finance income and finance costs

Finance income comprises interest income on invested funds or funds held in bank accounts. Interest income is recognised in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(k) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any related Company. All operating segments results are reviewed regularly by the board, identified as the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance and for which internal financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(l) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(m) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only when there is a legally enforceable right to offset and when the tax assets and liabilities relate to current taxes levied by the same taxation authority or either the same entity or different taxable entities where there is an intention to settle on a net basis.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(ii) *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised; such reductions are reversed when the probability of future taxable profits improve.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority.

(n) **New standards and interpretations issued and not yet effective**

A number of new standards and amendment to standards are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Standard/Interpretation		Effective date: Periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 19 amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
Conceptual Framework amendments	Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IAS 1 and 8	Amendments to the definition of Material	1 January 2020

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

IFRS 16 Leases (cont'd)

The standard is effective for annual periods beginning on or after 1 January 2019. The transitional requirements are different for lessees and lessors.

The Company plans to adopt the standard when it becomes effective but is yet to quantify the impact of the standard on its financial statements, hence the impact is unknown.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The Company plans to adopt the standard when it becomes effective. The Company does not expect the amended interpretation to have a significant impact on the its financial statements.

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments are required to be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. The Company plans to adopt the standard when it becomes effective. The Company does not expect the amended interpretation to have a significant impact on the its financial statements.

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Amendments to References to Conceptual Framework in IFRS Standards (cont'd)

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The Company does not intend to use the Framework as a reference for selecting its accounting policies in the absence of specific IFRS requirements and therefore does not expect this to impact the Bank significantly.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality and would therefore not have a significant impact on the Company.

5. OPERATING SEGMENTS

The Company has the following two divisions which are its reportable segments. These segments offer different products and hence require different production processes and marketing strategies.

Reportable segment	Products and services
Cocoa	- Cocoa liquor, cocoa butter, cocoa cake, cocoa powder - Tolling services
Confectionery	- Confectionery products

Information related to each reportable segment is set out below. Segment profit or loss before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(a) Segment results, assets and liabilities

Year ended 30 September 2019	Cocoa US\$	Reportable segments Confectionery US\$	Total US\$
Revenue	20,605,232	7,828,129	28,433,361
Gross profit	2,646,110	2,125,913	4,772,023
Other income	491,463	492,085	983,548
Selling and distribution costs	(73,036)	(192,960)	(265,996)
General and administrative expenses	(3,272,555)	(1,538,802)	(4,811,357)
Impairment loss on trade and other receivables	(125,658)	(293,202)	(418,860)
Operating (loss)/profit	(333,676)	593,034	259,358
Finance income	6,060	-	6,060
Finance costs	(4,309,961)	(263,474)	(4,573,435)
Depreciation	(3,042,472)	(606,847)	(3,649,319)
(Loss)/profit before tax	(4,637,577)	329,560	(4,308,017)
Reportable segment assets	118,847,707	27,076,578	145,924,285
Additions to property, plant and equipment	1,351,795	1,247,812	2,599,607
Reportable segment liabilities	140,373,692	27,949,986	168,323,678
Year ended 30 September 2018			
Revenue	21,285,347	6,979,364	28,264,711
Gross profit	(441,052)	1,229,489	788,437
Other income	619,410	206,470	825,880
Selling and distribution costs	(331,216)	(110,406)	(441,622)
General and administrative expenses	(3,346,752)	(1,115,584)	(4,462,336)
Impairment loss on trade and other receivables	(123,559)	(41,186)	(164,745)
Operating (loss)/profit	(3,623,169)	168,783	(3,454,386)
Finance income	39,371	13,124	52,495
Finance costs	(2,859,908)	(953,303)	(3,813,211)
Depreciation	(2,840,651)	(946,883)	(3,787,534)
Loss before tax	(6,443,706)	(771,396)	(7,215,102)
Reportable segment assets	93,308,697	31,102,899	124,411,596
Additions to property, plant and equipment	147,421	5,856	153,277
Reportable segment liabilities	118,746,815	39,582,272	158,329,087

(b) Analysis of revenue by product

Cocoa segment	2019 US\$	2018 US\$
Cocoa butter	7,727,262	11,024,686
Cocoa liquor	963,233	142
Cocoa cake	778,887	1,929,336
Cocoa powder	1,379,278	682,109
Tolling	9,756,572	7,649,074

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(b) **Analysis of revenue by product (cont'd)**

	2019 US\$	2018 US\$
Confectionery segment		
Confectionery products	7,828,129	6,979,364
	<u>28,433,361</u>	<u>28,264,711</u>

(c) **Analysis of revenue by market segment**

	Export Sales US\$	Local Sales US\$	Total US\$
Year ended 30 September 2019			
Semi-finished products	10,603,825	244,835	10,848,660
Confectionery	190,423	7,637,706	7,828,129
Tolling	9,756,572	-	9,756,572
	<u>20,550,820</u>	<u>7,882,541</u>	<u>28,433,361</u>
Year ended 30 September 2018			
Semi-finished products	13,462,917	173,356	13,636,273
Confectionery	423,212	6,556,152	6,979,364
Tolling	7,649,074	-	7,649,074
	<u>21,535,203</u>	<u>6,729,508</u>	<u>28,264,711</u>

No individual customer contributed 10% or more to revenue.

6. TAXATION

(a) **Income tax expense**

	2019 US\$	2018 US\$
Deferred tax (credit)/expense	(945,908)	4,796,545

(b) **Reconciliation of effective tax rate**

Loss before tax	(4,308,017)	(7,215,102)
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COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(b) **Reconciliation of effective tax rate (cont'd)**

	2019 US\$	2018 US\$
Income tax using the domestic tax rate (25%)		
<i>Tax effect of:</i>		
Non-deductible expenses	(1,077,004)	(1,803,776)
Tax incentives	124,776	352,234
Recognition of previously unrecognised tax losses	-	657,197
Recognition of previously unrecognised deductible temporary differences	(507,060)	-
Derecognition of previously recognised deferred tax assets	(316,127)	-
Changes in estimates related to prior years	-	5,590,890
	829,507	-
	<u>(945,908)</u>	<u>4,796,545</u>
Effective tax rate	22%	(66%)

(c) **Current tax assets**

	Balance at 1/10/18 US\$	Payments US\$	Charged to profit or loss US\$	Balance at 30/9/19 US\$
2019				
2018	3,263	-	-	3,263
2019	-	3,020	-	3,020
	<u>3,263</u>	<u>3020</u>	<u>-</u>	<u>6,283</u>
2018				
2018	-	3,263	-	3,263
	<u>-</u>	<u>3,263</u>	<u>-</u>	<u>3,263</u>

No provision has been made for current tax in the current year (2018: Nil) as the Company's operational results adjusted for tax purposes result in a nil chargeable income. The above tax position is subject to agreement with the tax authorities.

(d) **Movement in deferred tax balances**

	Net at 1/10 US\$	Recognised in profit or loss US\$	Recognised in OCI US\$	Net at 30/9 US\$	Deferred tax assets US\$	Deferred tax liabilities US\$
2019						
Property, plant and equipment	18,417,106	(468,333)	3,460,424	21,409,197	-	21,409,197
Employee benefits	-	(324,415)	(244,291)	(568,706)	(568,706)	-
Trade and other receivables	-	(153,160)	-	(153,160)	(153,160)	-
Net tax liabilities	<u>18,417,106</u>	<u>(945,908)</u>	<u>3,216,133</u>	<u>20,687,331</u>	<u>(721,866)</u>	<u>21,409,197</u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(d) **Movement in deferred tax balances (cont'd)**

	Net at 1/10 US\$	Recognised in profit or loss US\$	Recognised in OCI US\$	Net at 30/9 US\$	Deferred tax assets US\$	Deferred tax liabilities US\$
2018						
Property, plant and equipment	19,211,450	(794,344)	-	18,417,106	-	18,417,106
Employee benefits	(105,858)	224,908	(119,050)	-	-	-
Trade and other receivables	(51,659)	51,659	-	-	-	-
Tax losses carried forward	(5,314,322)	5,314,322	-	-	-	-
	<u>13,739,611</u>	<u>4,796,545</u>	<u>(119,050)</u>	<u>18,417,106</u>	<u>-</u>	<u>18,417,106</u>

(e) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2019		2018	
	Gross amount US\$	Tax effect US\$	Gross amount US\$	Tax effect US\$
Deductible temporary differences	-	-	1,818,818	316,127
Tax losses	29,621,329	5,264,387	31,649,571	5,500,976
	<u>29,621,329</u>	<u>5,264,387</u>	<u>33,468,389</u>	<u>5,817,103</u>

(f) **Tax losses carried forward**

Tax losses for which no deferred tax asset was recognized in the current year expire as follows:

	2019 US\$	Expiry date	2018 US\$	Expiry date
2016	20,698,371	2021	22,726,613	2021
2017	5,891,168	2022	5,891,168	2022
2018	3,031,790	2023	3,031,790	2023
	<u>29,621,329</u>		<u>31,649,571</u>	

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

7. PROPERTY, PLANT & EQUIPMENT

2019

Valuation/Cost	Capital Work- In Progress US\$	Land, Buildings & Road Works US\$	Staff Bungalow and Flats US\$	Plant and Machinery US\$	Motor Vehicles US\$	Office Furniture & Equipment US\$	Laboratory Equipment US\$	Total US\$
At 1/10/18	11,509	47,268,536	562,150	80,989,838	345,423	330,974	164,899	129,673,329
Additions	2,330,268	-	-	177,142	-	80,648	11,549	2,599,607
Revaluation surplus Released on revaluation	-	(6,955,631) (3,076,986)	(84,438) (64,194)	26,278,705 (21,180,018)	172,647 (284,000)	12,554 (210,690)	47,064 (123,202)	19,470,901 (24,939,090)
At 30/9/19	2,341,777	37,235,919	413,518	86,265,667	234,070	213,486	100,310	126,804,747
Accumulated depreciation								
At 1/10/18	-	2,662,591	54,031	18,022,678	263,507	175,880	111,084	21,289,771
Charge for the year	-	414,395	10,163	3,157,340	20,493	34,810	12,118	3,649,319
Released on revaluation	-	(3,076,986)	(64,194)	(21,180,018)	(284,000)	(210,690)	(123,202)	(24,939,090)
At 30/9/19	-	-	-	-	-	-	-	-
Carrying amounts								
At 30/9/19	2,341,777	37,235,919	413,518	86,265,667	234,070	213,486	100,310	126,804,747
Cost comprising								
Cost of asset revalued	2,341,777	5,786,191	78,701	39,724,801	447,672	627,293	90,498	49,096,933
Revaluation surplus	-	34,523,533	399,011	67,720,836	70,397	(199,888)	133,014	102,646,903

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

7. PROPERTY, PLANT & EQUIPMENT (CONT'D)

2018	Capital Work- In Progress US\$	Land, Buildings & Road Works US\$	Staff Bungalow and Flats US\$	Plant and Machinery US\$	Motor Vehicles US\$	Office Furniture & Equipment US\$	Laboratory Equipment US\$	Total US\$
Valuation/Cost								
At 1/10/17	578,702	47,268,536	562,150	80,305,328	345,423	295,014	164,899	129,520,052
Additions	910	-	-	116,407	-	35,960	-	153,277
Transfer	(568,103)	-	-	568,103	-	-	-	-
At 30/9/18	11,509	47,268,536	562,150	80,989,838	345,423	330,974	164,899	129,673,329
Accumulated depreciation								
At 1/10/17	-	2,242,756	43,661	14,741,717	236,183	140,300	97,620	17,502,237
Charge for the year	-	419,835	10,370	3,280,961	27,324	35,580	13,464	3,787,534
At 30/9/18	-	2,662,591	54,031	18,022,678	263,507	175,880	111,084	21,289,771
Carrying amounts								
At 30/9/18	11,509	44,605,945	508,119	62,967,160	81,916	155,094	53,815	108,383,558
Cost comprising								
Cost of asset revalued	11,509	5,786,191	78,701	39,547,659	447,672	546,645	78,949	46,497,326
Revaluation surplus	-	41,482,345	483,449	41,442,179	(102,249)	(215,671)	85,950	83,176,003

Property, plant and equipment were revalued by Valuation and Investments Associates (Professional Valuers, Estate Agents and Property Consultants) on the basis of their open market values at 30 September 2019 and were incorporated into the books of the Company on that date. The valuers made use of the cost and market approaches in determining the fair value of property, plant and equipment. Both approaches assume that the assets will continue to be used for the same purposes as they were being used at the date of the valuer's inspection. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

7. PROPERTY, PLANT & EQUIPMENT (CONT'D)

The Company's property, plant and equipment have been used as security for loans from a syndicate of banks led by Absa Ghana Limited (formerly Barclays Bank of Ghana Limited) and loans and overdraft facility from Prudential Bank Limited.

There is an indication that the plant and machinery may be impaired as a significant portion of these assets have been idle for a number of years. The necessary information to assess impairment is not readily available to determine an impairment amount, if any.

8. INVENTORIES

	2019	2018
	US\$	US\$
Raw materials	1,399,924	232,285
Packaging materials	2,216,018	2,494,822
Finished goods	3,063,246	1,495,058
Technical spare parts	1,486,563	1,347,070
Fuel and lubricants	63,159	73,825
	<u>8,228,910</u>	<u>5,643,060</u>

In 2019, inventories of US\$12,744,341 (2018: US\$15,872,112) were recognised as an expense and included in cost of sales. The write down of inventories to net realisable value amounted to nil (2018: US\$83,164).

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	US\$	US\$
Trade receivables	2,370,230	6,816,788
Staff debtors	772,231	743,107
Prepayments	104,552	129,463
Other receivables	4,483,742	978,634
Fixed deposit investments	2,080,816	1,430,026
	<u>9,811,571</u>	<u>10,098,018</u>

The maximum amount due from employees of the Company during the year was US\$790,225 (2018: US\$826,511).

The Company's syndicated loan facility is secured by an assignment of export contracts and receivables amounting to a maximum of eighty percent (80%) of all receivables.

The fixed deposit investments, which are rolled over on a quarterly basis at an interest rate of 2% per annum, have been used as collateral for the overdraft facility with Prudential Bank Limited. The Company is restricted from accessing the investment until the overdraft facility is discharged.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

10. CASH AND CASH EQUIVALENTS

(a)	2019 US\$	2018 US\$
Cash at bank	1,041,658	268,793
Cash in hand	27,711	11,329
91-day treasury bills	3,405	3,575
Cash and cash equivalents in the statement of financial position	-----	-----
Bank overdraft	1,072,774	283,697
	(955,704)	(1,516,386)
Cash and cash equivalents in the statement of cash flows	-----	-----
	<u>117,070</u>	<u>(1,232,689)</u>
(b) Bank overdraft		
Prudential Bank Limited (GH¢ based facility)	955,704	1,516,386
	<u>955,704</u>	<u>1,516,386</u>

In 2019, Prudential Bank Limited renewed the Company's overdraft facility of US\$1,136,062 (GH¢6 million) to supplement the Company's working capital for a period of twelve months. Interest is charged at 22% per annum. The facility is secured with a portion of the Company's fixed deposit of US\$2,088,249 at 30 September 2019 (2018: US\$1,430,026). At 30 September 2019, the Company had exceeded the overdraft limit by US\$21,960 (2018: US\$246,303). Subsequent to the year end, management regularised the balance on the facility by injecting funds into the overdraft bank account.

11. TRADE AND OTHER PAYABLES

	2019 US\$	2018 US\$
Trade payables	59,288,235	61,884,883
Other payables	22,345,900	17,762,321
	-----	-----
	<u>81,634,135</u>	<u>79,647,204</u>

Trade and other payables are classified in the statement of financial position as follows:

	2019 US\$	2018 US\$
Current	26,086,341	24,099,410
Non-current	55,547,794	55,547,794
	-----	-----
	<u>81,634,135</u>	<u>79,647,204</u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

11. TRADE AND OTHER PAYABLES (CONT'D)

Included in trade and other payables is an amount of US\$55,843,688 (2018: US\$59,592,982) payable to Cocoa Marketing Company Limited, a related party of the Company. Out of this amount, US\$55,547,794 has been offered to the Company on a moratorium basis starting from March 2020 to February 2021. Proceeds from the Company's sales are received into its Bank of Ghana account, out of which a portion is transferred to Cocoa Marketing Company Limited as payment towards the supply of raw cocoa beans to the Company.

12. LOANS AND BORROWINGS

(a)

2019	Barclays Bank syndicated loans US\$	Cocobod loan US\$	Prudential Bank US\$	Total US\$
Balance at 1 October	20,829,003	36,543,500	-	57,372,503
Drawdowns	-	-	1,815,125	1,815,125
Interest charges	2,500,038	1,703,749	157,300	4,361,087
Payments	(1,364,177)	-	(285,310)	(1,649,487)
Effect of changes in exchange rates	-	-	(52,683)	(52,683)
Balance at 30 September	<u>21,964,864</u>	<u>38,247,249</u>	<u>1,634,432</u>	<u>61,846,545</u>
2018				
Balance at 1 October	20,198,019	41,628,791	-	61,826,810
Interest charges	2,314,488	1,208,245	-	3,522,733
Payments	(1,683,504)	-	-	(1,683,504)
Fair value measurement adjustment	-	(6,293,536)	-	(6,293,536)
Balance at 30 September	<u>20,829,003</u>	<u>36,543,500</u>	<u>-</u>	<u>57,372,503</u>

(b) Loans and borrowings are classified in the statement of financial position as follows:

	2019 US\$	2018 US\$
Current	47,339,503	26,515,176
Non-current	14,507,042	30,857,327
	<u>61,846,545</u>	<u>57,372,503</u>

(c) Details of the loans are as follows:

(i) Barclays Bank of Ghana Limited led Syndicate US Dollar Loan	9,489,469	9,310,502
(ii) Barclays Bank of Ghana Limited led Syndicate US Dollar Loan	12,475,395	11,518,501
(iii) Ghana Cocoa Board (Cocobod) Dollar Loan	38,247,249	36,543,500
(iv) Prudential Bank Limited Loan	396,245	-
(v) Prudential Bank Limited Loan	1,238,187	-
	<u>61,846,545</u>	<u>57,372,503</u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

- (c) Details of the loans are as follows: (cont'd)
- i. This represents the balance on a twenty-two million Euro (Euro 22 million) loan facility from a syndicate of banks led by Barclays Bank of Ghana Limited for the expansion of production capacity from 25,000 metric tonnes to 65,000 metric tonnes. The other participating banks are SG-SSB Bank Limited and Ecobank Ghana Limited. The loan facility is secured with fixed and floating charges over the assets of the Company. Although disbursement of the loan started in September 2003, the facility agreement was formally signed on 18 February 2005. The syndicated loan is denominated and repayable in Euros over 5 years in equal quarterly instalments after a one-year moratorium. Interest on the facility is charged at EURIBOR plus 2.5% per annum. In 2014, the loan was converted to a US dollar-based facility with maturity date revised to March 2019 and interest rate revised to the aggregate of the prevailing 6-month USD LIBOR rate plus a margin of 9.19%. In 2019, the maturity date of the loan was revised to March 2020.
 - ii. This represents the outstanding balance on another loan facility of twenty-two million US Dollars (US\$22 million) from the syndicate of banks in (i) above led by Barclays Bank of Ghana Limited for the expansion of production capacity. The loan facility is secured by an assignment of export contracts and receivables amounting to a maximum of eighty percent (80%) of all receivables and fixed and floating charges over the assets of the Company stamped to cover the overall exposure as well as debentures over the debt service reserve account of the Company. Although disbursement of the loan started in September 2003, the facility agreement was formally signed on 18 February 2005. The syndicated loan is denominated and repayable in US Dollars over 5 years in equal quarterly instalments after a one-year moratorium. Interest on the facility is charged at LIBOR plus 3.32% per annum. In 2014, the maturity date was revised to March 2019 and the interest rate revised to the aggregate of the prevailing 6-month USD LIBOR rate plus a margin of 9.19%. In 2019, the maturity date of the loan was revised to March 2020.
 - iii. This represents balances on COCOBOD's current account which were converted into a medium-term loan in September 2011. The amount of US\$32,022,146 is repayable over ten years from September 2011 with a five-year moratorium on the principal at an interest rate per annum of 5%. The Company defaulted on the repayment of the principal and the payment of interest charges on the loan and accrued for the unpaid interest beginning from October 2016, when the five-year moratorium expired. On 1 December 2017, COCOBOD substantially modified the terms of the loan, revising the loan interest from 5% per annum to 1.5% per annum with a moratorium on principal repayments from March 2020 to August 2020 with a new principal repayment schedule. Should the Company default on these new terms, interest per annum will revert to 5%.
 - iv. This represents the outstanding balance on a loan facility of US\$568,031 (GH¢3 million) from Prudential Bank Limited acquired on 31 October 2018 to augment the Company's working capital requirements. The loan facility is secured by existing assignment and general charge over all the Company's factory plant and machinery located at Tema and with a portion of the Company's fixed deposit of US\$2,088,249 at 30 September 2019 (2018: US\$1,430,026). Interest is charged at a rate of 22% per annum which represents the Ghana Reference Rate of 16.12% plus a risk premium of 5.88% or such other rate as shall be determined by the Bank from time to time. The loan is payable on a quarterly instalment basis and will expire on 31 October 2020.
 - v. During the year, the Company obtained a loan facility of US\$3,029,500 (GH¢16 million) from Prudential Bank Limited under the Government of Ghana's Ministry of Trade and Industry Stimulus Package Programme for the acquisition of equipment for the Company's confectionery factory. The loan agreement was signed on 6 November 2019 but took a retrospective effect to cover the first drawdown which was received from the Bank on 16 July 2019.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(c) Details of the loans are as follows: (cont'd)

The loan facility is secured by existing assignment and general charge over all the Company's factory plant and machinery located at Tema, existing assignment of 10% of the expected revenue from Touton Cocoa Processing Company, assignment of local and export proceeds from the Company's confectionery operations and with a portion of the Company's fixed deposit of US\$2,088,249 at 30 September 2019 (2018: US\$1,430,026). Interest is charged at a rate of 20% per annum which represents the Ghana Reference Rate of 16.11% plus a risk premium of 3.89%. The Ministry of Trade and Industry shall pay 50% of the interest on the facility while the Company shall pay the remaining 50%. The loan tenor is for a period of 60 months including a six-month moratorium on both principal and interest payments from the date of disbursement. The loan is repayable in equal quarterly instalments and will expire on 9 October 2024.

13. EMPLOYEE BENEFIT OBLIGATIONS

The Company contributes to a post-employment defined benefit plan for its employees. The plan was started on 1 January 2006 and has a 2-year qualifying period. In accordance with the terms of the plan, the qualifying employees are entitled to receive a lump sum payment based on their salaries at the time of exit.

(a)	2019 US\$	2018 US\$
Defined benefit obligation	3,199,963	1,375,888

(b) *Movement in net defined benefit liabilities*

A reconciliation from the opening balances to the closing balances for the defined benefit liability and its components is shown below:

	2019 US\$	2018 US\$
Balance at 1 October	1,375,888	1,296,702
<i>Included in profit or loss</i>	-----	-----
Current service costs	158,616	236,303
Interest costs	426,126	185,297
	-----	-----
	584,742	421,600
<i>Included in OCI</i>	-----	-----
Actuarial loss/(gain)	1,374,562	(89,638)
<i>Other</i>	-----	-----
Benefits paid	(135,229)	(252,776)
Balance at 30 September	<u>3,199,963</u>	<u>1,375,888</u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(c) *Actuarial assumption*

The following were the principal actuarial assumptions at the reporting date.

	2019	2018
Discount rate	16.00%	19.75%
Salary inflation rate	12.00%	10.00%

(d) *Sensitivity analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Defined benefit obligations	
	Increase US\$	Decrease US\$
30 September 2019		
Discount rate (1% movement)	(173,489)	192,087
Salary inflation (1% movement)	196,305	(179,791)
30 September 2018		
Discount rate (1% movement)	(30,505)	33,302
Salary inflation (1% movement)	104,917	(94,250)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

14. SHARE CAPITAL AND RESERVES

(a) **Authorised shares**

	2019	2018
Ordinary shares of no par value	20,000,000,000	20,000,000,000
Preference share of no par value	1	1

Issued and fully paid

	Number 'm	Amount US\$	Number 'm	Amount US\$
Ordinary shares for cash	2,038	26,071,559	2,038	26,071,559

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(b) **Preference shares**

Number 'm	Amount US\$	Number 'm	Amount US\$
1	71	1	71
	<u>26,071,630</u>		<u>26,071,630</u>

Ghana Cocoa Board, Ministry of Finance and Social Security and National Insurance Trust (SSNIT) hold special rights redeemable preference shares of no par value (the Golden Chocolate Share). These shares are non-voting but entitle the holder to receive notices of and to attend and speak at general meetings of members of the Company or at any separate meeting of the holders of any class of shares. On winding up, the shares have a preferential right to a return on capital, the value of which will be US\$71 per share. The shares do not attract dividend.

There are no outstanding shares in treasury and there is no unpaid liability on any share. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(c) **Revaluation reserve**

This represents the unrealised appreciation on the value of property, plant and machinery, following a revaluation exercise carried out at 30 September 2019. The revaluation surplus is recorded in equity as it is a non-distributable reserve. The movement on the revaluation reserve resulted from transfer made to the retained earnings account in respect of portions of the revalued components of the relevant assets which were used during the year and deemed realised from use.

(d) **Fair value reserve**

The fair value reserve represents day-one gain on the fair valuation of below market-rate loans and borrowings from shareholders of the Company.

(e) **Retained earnings**

This represents the residual of cumulative annual results and realised portions of the revaluation reserve.

15. REVENUE

(a) *Revenue streams*

	2019 US\$	2018 US\$
<i>Sale of goods</i>		
(i) Local sales	7,882,541	6,729,508
(ii) Export sales	10,794,248	13,886,129
	<u>18,676,789</u>	<u>20,615,637</u>
<i>Tolling</i>	9,756,572	7,649,074
	<u>28,433,361</u>	<u>28,264,711</u>

Tolling revenue represents fees charged on cocoa beans processed on behalf of third parties.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(b) *Performance obligations and revenue recognition policies*

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 October 2018)	Revenue recognition under IAS 18 (applicable before 1 October 2018)
Local sales (Semi-finished products, confectionery products)	<p>Customers obtain control of products when the goods are delivered to and have been accepted at the customer's premises. Invoices are generated at that point in time.</p> <p>Most sales are cash based. Credit sales are made against post-dated cheques to cover amounts owed and bank guarantees provided by the customers.</p>	<p>Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.</p> <p>The contracts held with the Company's customers do not permit the customer to return goods purchased from the Company.</p>	<p>Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. For local sales, transfer of risks and rewards occurs when the goods are delivered to the customer.</p>
Export sales (Semi-finished products, confectionery products)	<p>Customers obtain control of sales made to export third parties when the products are loaded on-board the ship and confirmed by the bill of lading. This establishes a present obligation for the customer to pay the Company, and there would have been a transfer of legal title.</p>	<p>Revenue is recognised when the products are loaded on-board the ship and confirmed by the bill of lading.</p> <p>The contracts held with the Company's customers do not permit the customer to return goods purchased from the Company.</p>	<p>Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. For export sales, transfer of risks and rewards occurs when the goods are loaded onto the relevant carrier at the port.</p>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(b) *Performance obligations and revenue recognition policies (cont'd)*

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 October 2018)	Revenue recognition under IAS 18 (applicable before 1 October 2018)
Tolling	<p>The Company offers the cocoa processing service to the customer and does not control the cocoa beans provided by the customer. The consideration is based on the fixed price per unit processed. Revenue is recognized "over time".</p> <p>The customer obtains control of the processed cocoa beans when the goods are available to be delivered from the customer's premises. A representative of the customer, who is stationed at the Company's premises, appends his signature on the waybill following which the goods move to the customer.</p>	Revenue is recognised when the goods are available to be delivered and a waybill has been authorised by both parties.	Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. For tolling sales, transfer of risks and rewards occurs when the goods are delivered to the customer.

16. COST OF SALES

This comprises raw materials, packaging materials and production costs as follows:

	2019 US\$	2018 US\$
Raw and packaging materials consumed	12,744,341	15,872,112
Depreciation	3,580,625	3,714,260
Other production overheads	7,336,372	7,889,902
	<u>23,661,338</u>	<u>27,476,274</u>

17. OTHER INCOME

Sale of sacks, scraps and other items	32,434	10,611
Net exchange gain	439,751	735,509
Endowment fund liquidation	-	71,384
Discount received on sales tax*	389,840	-
Sundry income	121,523	8,376
	<u>983,548</u>	<u>825,880</u>

* Under the new Benchmark policy introduced by the Government of Ghana during the year, the Company, from 4 April 2019, received a 50% discount on all sales taxes filed with Ghana Revenue Authority.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

18. LOSS BEFORE TAX

Loss before tax is stated after charging the following:

	Note	2019 US\$	2018 US\$
Depreciation recognised in cost of sales	16		
Depreciation recognized in selling and distribution expenses	29	3,580,625	3,714,260
Depreciation recognised in general and administrative expenses	30	20,492	27,324
Auditor's remuneration	30	48,202	45,950
Directors' remuneration	30	37,000	37,000
Net exchange gain	19	45,216	-
Donations	17	439,751	735,509
	30	11,114	9,258
		<u> </u>	<u> </u>

19. DIRECTORS' REMUNERATION

Directors' fees and allowances

45,216	-
<u> </u>	<u> </u>

The Company's Board of Directors was dissolved in 2017. The current Board of Directors was inaugurated in January 2019. There was no sitting board for the year ended 30 September 2018 and therefore no board expenses were incurred.

20. PERSONNEL EXPENSES

	2019 US\$	2018 US\$
Wages and salaries		
Social security contributions	2,093,967	2,096,453
Provident fund contributions	174,805	177,972
Employee benefit obligation	94,875	100,325
Other costs	856,959	625,069
	1,640,776	1,980,334
	<u> </u>	<u> </u>
	4,861,382	4,980,153
	<u> </u>	<u> </u>

Other costs include canteen, transportation, medical expenses etc.

Employee categories

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

	2019	2018
Junior staff		
Senior staff	170	212
Management staff	70	40
	19	14
	<u> </u>	<u> </u>
	259	266
	<u> </u>	<u> </u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

21. FINANCE INCOME

	2019	2018
	US\$	US\$
Interest income	6,060	52,495
	<u>6,060</u>	<u>52,495</u>

22. FINANCE COSTS

Interest on loans and borrowings	4,361,087	3,522,733
Interest on bank overdrafts	212,348	290,478
	<u>4,573,435</u>	<u>3,813,211</u>

Finance costs amounting to US\$2,711,600 (2018: US\$1,839,229) remained unpaid at year-end.

23. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share at 30 September 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of outstanding ordinary shares.

There were no potential dilutive ordinary shares. Loss per share is calculated as follows:

Loss attributable to ordinary shareholders (basic and diluted)

	2019	2018
	US\$	US\$
Loss for the year attributable to the owners of the Company	(3,362,109)	(12,011,647)
	<u>(3,362,109)</u>	<u>(12,011,647)</u>

Weighted average number of ordinary shares (basic and diluted)

	2019	2018
	Number	Number
Issued ordinary shares at beginning	2,038,074,176	2,038,074,176
Effect of conversion of debt to equity	-	-
Weighted average number of ordinary shares at 30 September	<u>2,038,074,176</u>	<u>2,038,074,176</u>
Basic loss per share	(0.0016)	(0.0059)
Diluted loss per share	(0.0016)	(0.0059)

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

24. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Parent and Ultimate Controlling Party

The Company is a subsidiary of Ghana Cocoa Board, a corporate body domiciled in Ghana, established by the Ghana Cocoa Board Act, 1984 (PNDCL 81). The ultimate controlling party of the Company is the Government of Ghana. The Company purchases raw cocoa beans from Ghana Cocoa Board through Cocoa Marketing Company Limited, a subsidiary of Ghana Cocoa Board.

(b) Transactions during the year

The value of transactions between the Company and its related entities during the year was as follows:

	2019	2018
	US\$	US\$
Sale of goods		
Ghana Cocoa Board	290,640	308,098
Cocoa Marketing Company Limited	109,845	61,654
	<u>400,485</u>	<u>369,752</u>
 Purchase of raw cocoa beans		
Cocoa Marketing Company Limited	<u>9,155,000</u>	<u>11,405,300</u>
 <i>(c) Balances</i>		
Balances due from related parties were as follows:		
Ghana Cocoa Board	140,144	135,535
Cocoa Marketing Company Limited	155,296	51,644
	<u>295,440</u>	<u>187,179</u>
 Balances due to related parties were as follows:		
Ghana Cocoa Board		
Loans and borrowings	25,728,610	25,728,610
Accrued interest	12,518,639	10,814,890
	<u>38,247,249</u>	<u>36,543,500</u>
 Cocoa Marketing Company Limited		
Trade payables*	55,843,688	59,592,982
	<u>94,090,937</u>	<u>96,136,482</u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Balances due to related parties were as follows: (cont'd)

The outstanding balances are to be settled in cash.

*Included in trade payables is an amount of US\$55,547,794 on which COCOBOD, acting on behalf of Cocoa Marketing Company Limited, has offered a moratorium on repayment of one year starting from March 2020 to February 2021.

(d) *Transactions with key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly including any director of the Company, whether executive or otherwise. Key management personnel compensation during the year comprised the following:

	2019 US\$	2018 US\$
Short term employee benefits		
End of service benefits	101,678	96,499
	98,686	75,035
	-----	-----
	200,364	171,534
	=====	=====
Non-executive directors' compensation comprised the following:		
Directors' fees and allowances	15,100	-
	=====	=====

25. FINANCIAL RISK MANAGEMENT

Financial instruments – Fair values and risk management

(a) **Accounting classification and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	<u>Carrying amount</u>		<u>Fair value</u>	
	Amortised cost US\$	Other financial liabilities US\$	Total US\$	Level 3 US\$
2019				
Financial assets not measured at fair value				
Trade and other receivables*	9,645,315	-	9,645,315	
Cash and cash equivalents	1,072,774	-	1,072,774	
	-----	-----	-----	
	10,718,089	-	10,718,089	
	=====	=====	=====	

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

(a) **Accounting classification and fair values (cont'd)**

2019	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>Amortised cost</u> US\$	<u>Other financial liabilities</u> US\$	<u>Total</u> US\$	<u>Level 3</u> US\$
Financial liabilities not measured at fair value				
Trade and other payables*	-	62,462,444	62,462,444	56,190,583
Bank overdraft	-	955,704	955,704	
Cocobod loan	-	38,247,249	38,247,249	38,247,249
Bank loans	-	23,599,296	23,599,296	23,599,296
	-----	-----	-----	
	-	125,264,693	125,264,693	
	=====	=====	=====	
2018				
Financial assets not measured at fair value				
Trade and other receivables*	10,001,903	-	10,001,903	
Cash and cash equivalents	283,697	-	283,697	
	-----	-----	-----	
	10,285,600	-	10,285,600	
	=====	=====	=====	
Financial liabilities not measured at fair value				
Trade and other payables*	-	63,956,382	63,956,382	58,175,258
Bank overdraft	-	1,516,386	1,516,386	
Cocobod loan	-	36,543,500	36,543,500	36,543,500
Bank loans	-	20,829,003	20,829,003	20,829,003
	-----	-----	-----	
	-	122,845,271	122,845,271	
	=====	=====	=====	

*Statutory receivables and prepayments amounting to US\$166,256 (2018: US\$96,115) have been excluded from trade and other receivables while statutory obligations amounting to US\$19,171,691 (2018: US\$15,690,822) have been excluded from trade and other payables.

(b) **Risk management**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Company.

The Audit Committee gains assurances on the effectiveness of internal control and risk management from summary information relating to the management of identified risks; detailed reviews of the effectiveness of management of selected key risks; results of management's self-assessment processes over internal control; and independent work carried out by the Audit and Risk function, which provide the audit committee and management with results of procedures carried out on key risks, including extent of compliance with standards set on governance; and assurances over the quality of the Company's internal control.

The Company also has a control, compliance and ethics function in place, which monitors compliance with internal procedures and processes and assesses the effectiveness of internal controls.

The Company's risk management policies are established to identify and analyse risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training, standards and procedures, the Company aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company generally trades with pre-defined and selected customers. Credit exposure on trade receivable is covered by customers issuing post-dated cheques to cover amounts owed and bank guarantees provided by the customers. The Company's exposure to credit risk on other receivables mainly relates to receivables from the Company's employees in respect of loans granted them.

At 30 September 2019, the exposure to credit risk for trade and other receivables by type of customer or counterparty was as follows:

	2019 US\$	2018 US\$
Key distributors		
Individuals and companies	1,271,856	6,537,976
Employees	1,098,374	278,812
	772,231	743,107
	-----	-----
	<u>3,142,461</u>	<u>7,559,895</u>

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Expected credit loss assessment for trade and other receivables at 1 October 2018 and 30 September 2019

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. The ECLs are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The ECLs are based on actual credit loss experience over past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECL for trade and other receivables as at 30 September 2019.

2019

	Weighted-average loss rate - %	Impairment		Net US\$
		Gross US\$	allowance US\$	
Not past due (0-30 days)	8.69	1,935,360	168,271	1,767,089
Past due but not impaired (31-90 days)	22.01	661,582	145,608	515,974
Past due but not impaired (91-365 days)	71.73	308,349	221,182	87,167
Individually impaired	100.00	326,729	326,729	-
		3,232,020	861,790	2,370,230
		3,232,020	861,790	2,370,230
2018				
Not past due (0-30 days)	-	2,544,853	5,809	2,539,044
Past due but not impaired (31-90 days)	-	4,164,700	1,746	4,162,954
Past due but not impaired (91-365 days)	-	152,881	38,091	114,790
Individually impaired	-	397,284	397,284	-
		7,259,718	442,930	6,816,788
		7,259,718	442,930	6,816,788

The Company's syndicated loan facility is secured by an assignment of export contracts and receivables amounting to a maximum of eighty percent (80%) of all receivables.

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

	2019 US\$	2018 US\$
Balance at 1 October		
Impairment loss recognised	442,930	278,185
	418,860	164,745
Balance at 30 September	861,790	442,930

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Cash and bank balances

The Company held cash and cash equivalents of US\$1,045,063 at 30 September 2019 (2018: US\$272,368) which represents its maximum exposure. The bank balances are held with banks that are regulated by the Central Bank. The Company considers that its cash and bank balances have low credit risk and hence no impairment has been recognised with respect to these in the current year (2018: Nil).

(ii) **Liquidity risk**

Liquidity risk is the risk that the Company would either not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can access them only at excessive cost. The Company's approach to managing liquidity is to ensure that it maintains adequate liquidity to meet its liabilities as and when they fall due. The Company assesses its debt position every month. The Company also monitors the level of expected cash inflows on trade and other receivables on a daily basis. The Company however has a net current liability position. Measures have been put in place as disclosed in Note 28 to manage this position.

The following are contractual maturities of financial liabilities:

	Carrying amount US\$	Total US\$	Contractual cash flows		
			6mths or less US\$	6-12mths US\$	More than 12mths US\$
Year ended 30 September 2019					
Non-derivative financial liabilities					
Trade and other payables*	62,462,444	62,462,444	6,914,650	-	55,547,794
Bank overdraft	955,704	955,704	955,704	-	-
Cocobod loan	38,247,249	45,937,732	11,034,299	440,166	34,463,267
Bank loans	23,599,296	47,234,333	25,176,263	1,348,697	20,709,373
Balance at 30 September 2019	<u>125,264,693</u>	<u>156,590,213</u>	<u>44,080,916</u>	<u>1,788,863</u>	<u>110,720,434</u>
Year ended 30 September 2018					
Non-derivative financial liabilities					
Trade and other payables*	63,956,382	63,956,382	8,408,588	-	55,547,794
Bank overdraft	1,516,386	1,516,386	1,516,386	-	-
Cocobod loan	36,543,500	45,937,731	10,553,966	240,166	35,143,599
Bank loans	20,829,003	22,680,328	8,373,285	7,347,759	6,959,284
Balance at 30 September 2018	<u>122,845,271</u>	<u>134,090,827</u>	<u>28,852,225</u>	<u>7,587,925</u>	<u>97,650,677</u>

*Statutory obligations amounting to US\$19,171,691 (2018: US\$15,690,822) have been excluded from trade and other payables.

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Foreign currency risk

The Company is exposed to currency risk on sales, purchases and borrowing that are denominated in a currency other than the functional currency of the Company, the US Dollar. The Company has no policy on its exposure to foreign currency risk relating to its financial assets and financial liabilities. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Included in the statement of financial position are the following amounts denominated in currencies other than the functional currency of the Company.

<u>Assets</u>	2019	2018
<i>Trade and other receivables</i>		
GH¢		
Euro	1,513,549	4,188,363
	113,751	-
<i>Bank balances</i>		
GH¢		
Euro	525,832	825,512
	4,246	8,133
<u>Liabilities</u>		
<i>Trade and other payables</i>		
GH¢		
Euro	(1,730,778)	(1,489,734)
	(634,000)	(201,283)
<i>Bank loans and overdraft</i>		
GH¢	(955,704)	(7,163,558)

The following significant exchange rates applied during the year:

	Average rate		Reporting rate	
	2019	2018	2019	2018
GH¢				
Euro	5.0441	4.4691	5.2814	4.7241
	0.8858	0.8400	0.9116	0.8605

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of US\$ against all other currencies on the Company's profit or loss. This sensitivity analysis indicates the potential impact in profit or loss based upon the foreign currency exposures recorded at 30 September and it does not represent actual or future gains or losses. The sensitivity analysis is based on the percentage difference between the closing exchange rate and the average exchange rate per currency recognised in the course of the respective financial year.

A strengthening/weakening of the US Dollar by the rates shown in the table, against the following currencies at 30 September would have increased/(decreased) equity and profit or loss by the amounts shown below.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Sensitivity analysis on currency risks (cont'd)

This analysis assumes that all other variables, in particular interest rates, remain constant.

As of 30 September	2019			2018			
	In US\$	% Change	Profit or loss impact: Strengthening	Profit or loss impact: Weakening	% Change	Profit or loss impact: Strengthening	Profit or loss impact: Weakening
GH¢		±4.70%	160,793	(160,793)	±5.71%	981,174	(981,174)
Euro		±2.63%	(12,353)	12,353	±2.44%	(4,047)	4,047

Interest rate risk

The Company has no policy of apportioning its exposure to interest rates between fixed rate and variable rate. At the end of the reporting period the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Nominal amount	
	2019 US\$	2018 US\$
Fixed rate instruments		
Bank overdraft	955,704	1,516,386
Cocobod loan	38,247,249	36,543,500
Bank loan	1,634,432	-
	<u>40,837,385</u>	<u>38,059,886</u>
Variable rate instruments		
Bank loan	21,964,864	20,829,003

Fair value sensitivity analysis for fixed rate instrument

The Company does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 200 basis points in interest rates at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant.

As of 30 September	2019			2018		
	% Change	Profit and Loss impact: US\$'000	Equity US\$'000	% Change	Profit and Loss impact: US\$'000	Equity US\$'000
Syndicated loans	±2%	±453,614	±453,614	±2%	±404,250	±404,250

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of equity. The Board of Directors monitors return on capital as well as the level of dividends distributed to ordinary shareholders.

There have been no changes to what the entity manages as capital. The strategy for capital maintenance as well as externally imposed capital requirements from the previous year remain the same. There are no externally imposed capital requirements.

The Board monitors capital using a ratio of net debt to equity. Net debt is calculated as total liabilities less cash and cash equivalents. Equity comprises all components of equity.

The Company's net debt to equity ratio at 30 September 2019 was as follows:

	2019	2018
	US\$	US\$
Total liabilities		
Cash and cash equivalents	168,323,678	158,329,087
Net debt	(1,072,774)	(283,697)
Equity	167,250,904	158,045,390
Net debt to equity ratio at 30 September	(22,399,393)	(33,917,491)
	(7.47)	(4.66)

26. CONTINGENT LIABILITIES

There were no contingent liabilities at year-end (2018: Nil).

27. CAPITAL COMMITMENTS

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

28. GOING CONCERN CONSIDERATION

The Company incurred a loss of US\$3.4 million (2018: US\$12.0 million) for the year and at 30 September 2019, the Company's total liabilities exceeded its total assets by US\$22.4 million (2018: US\$33.9 million).

A substantial part of the Company's liabilities are due to the majority shareholder, Ghana Cocoa Board (COCOBOD) and a syndicate of banks. During the 2018 financial year, the terms of the Company's loan from COCOBOD were renegotiated due to the Company's default of principal and interest repayments. In the current financial year, although the principal repayments are not yet due, there have been defaults in the payment of interest on the loan. COCOBOD, through a letter of support, has however indicated that it will not call for repayment of the amounts due in a manner that would jeopardise the operations of the Company.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

28. GOING CONCERN CONSIDERATION (CONT'D)

The Company has also defaulted on the renegotiated terms of its loan from the syndicate of banks. In 2020, the Company entered into an agreement with African Export-Import Bank to obtain a US\$70 million loan facility and plans to use a portion of this loan to settle outstanding amounts due to the syndicate of banks as well as to support its working capital requirements. The Directors expect to receive the first tranche of the loan to be disbursed from December 2020.

Additionally, the Company's operational performance was impacted significantly by a reduction in the supply of cocoa beans between 2012 and 2017. Financial performance however saw a marked improvement between 2017 to 2019, due to actions taken by the Board of Directors and Management, and a renewed support from COCOBOD to supply cocoa beans for production.

The measures put in place to turn around the Company and make it profitable in the near future include the following:

- i. **Cost reduction measures:** The Company entered into an arrangement with Captive Energy Company Limited on 9 October 2019 to produce steam and power using bio-waste materials. The project is expected to be completed in 15 months. On completion, the Company will incur a monthly charge of US\$414,000 for the generation of steam and power which represents a reduction of the Company's current utility costs by 40% per annum. The Company has also constructed six depth bore-holes to reduce the cost of water by about US\$168,000 to US\$220,000 per annum.
- ii. **Investment in infrastructure and machinery:** The Company obtained a loan facility of GH¢16 million from Prudential Bank Limited under the Government of Ghana's Ministry of Trade and Industry Stimulus Package Programme for the acquisition of equipment for the Company's confectionery factory. The loan agreement was signed on 6 November 2019 but took a retrospective effect to cover the first drawdown which was received from the Bank on 16 July 2019. As at the date of approval of these financial statements, the Company had acquired a number of the assets and had put them in use. The machines are intended to expand the annual capacity of the confectionery factory from 3,000MT to 15,000MT. The Company has also commenced activities for the retooling of its aged cocoa factory lines and the expansion of the current capacity of 64,500MT to 87,657 MT.
- iii. **Expand revenue base:** The Company continues to expand its revenue-earning base and has identified the following areas to help maintain this drive:
 - Secure additional tolling arrangement with relevant parties
 - Improve visibility of Goldentree confectionery products to increase local consumption by opening new depots in Takoradi, Sunyani and Tamale by December 2020
 - Introduce an instant drinking chocolate to be known as Goldentree instant drinking chocolate
 - Introduce a wide array of new products in the confectionery market segment

The Directors acknowledge that the Company's ability to continue to operate as a going concern is dependent on the successful and sustained execution of the measures detailed above. These conditions give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that cash flows arising from the normal course of business will be available to finance future operations of the Company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

29. SELLING AND DISTRIBUTION COSTS

	2019 US\$	2018 US\$
Personnel expenses		
Wharfage handling charges	25,011	196,973
Hiring of forklift trucks	66,081	48,015
Depot expenses	-	271
Vehicle running costs	30,728	14,009
Trade samples and promotions	56,299	77,593
Advertising expenses	-	9,852
Depreciation	32,509	46,456
Other costs	20,492	27,324
	34,876	21,129
	-----	-----
	<u>265,996</u>	<u>441,622</u>

30. GENERAL AND ADMINISTRATIVE EXPENSES

Personnel expenses		
Auditor's remuneration	3,983,261	3,548,474
Directors' remuneration	37,000	37,000
Insurance	45,216	-
Rent and security	71,136	111,443
Professional and consultancy costs	157,712	113,511
Bank charges	16,929	5,559
AGM expenses	93,910	63,226
Office-related and sundry expenses	22,320	20,383
Donations	171,656	364,325
Water and electricity	11,114	9,258
Depreciation	152,901	143,207
	48,202	45,950
	-----	-----
	<u>4,811,357</u>	<u>4,462,336</u>

31. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of a novel coronavirus, which originated in December 2019 in Hubei province, China. The WHO declared the coronavirus outbreak to be a pandemic on 11 March 2020 in recognition of its rapid spread across the globe, with over 150 countries, including Ghana and other African countries. The outbreak of COVID-19 and the necessary containment measures, which include travel bans, quarantines and social distancing protocols, have resulted in disruption to business and economic activity globally. At the date of authorization of the financial statements, the Company had seen a significant slowdown in sales for the 2019/2020 financial year. Unaudited revenue for the year ended 30 September 2020 amounted to US\$13.4 million representing a decrease of 53% from the revenue recognised for the year ended 30 September 2019.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONT'D)

31. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

The decrease was mainly due to a fall in the export of the Company's semi-finished cocoa products. With the easing of restrictions imposed to curb the spread of the pandemic across the world, management expects to make progress with respect to the Company's exports in the coming months. Management also plans to make inroads into other African markets with its semi-finished cocoa products in order to broaden its export base and thereby increase revenue and improve financial performance. The Company will continue to closely monitor the spread of COVID-19 and continue to assess its impact on the business.

No other events have occurred since the end of the reporting period that would have had a material effect on the financial statements or require disclosure.

SHAREHOLDING DISTRIBUTION AT 30 SEPTEMBER 2019

	No. of Shareholders	No. of Shares	% Holdings
1 – 1,000			
1,001 – 5,000	27,708	12,591,889	0.62
5,001 – 10,000	18,925	38,862,940	1.91
Over 10,001	1,487	11,474,290	0.56
	825	1,975,147,057	96.91
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	48,945	2,038,074,176	100.00
	=====	=====	=====

TWENTY LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2019

	No. of Shares	% Holdings
1. Ghana Cocoa Board		
2. Government of Ghana c/o Ministry of Finance	1,176,599,176	57.73
3. Social Security & National Insurance Trust	532,554,100	26.13
4. CPC ESSPA	206,754,000	10.14
5. Badu Collins K	7,289,309	0.36
6. Integra Wealth (Ghana) Limited	4,057,900	0.20
7. Donewell Life Company Limited	2,673,500	0.13
8. Ghana Reinsurance Company Limited – General Business	1,920,000	0.09
9. Agricultural Development Bank	1,600,000	0.08
10. Osei Isaac	1,600,000	0.08
11. Baah Matthew Mensah	1,583,900	0.08
12. Otchere-Boateng Lordina Justina	960,000	0.05
13. Ghana Libyan Arab Holding Company	800,000	0.04
14. Beaudoin Patrick	800,000	0.04
15. E H Boohene Foundation	800,000	0.04
16. Tetteh Richard Amarh	800,000	0.04
17. Adjei Seth Adjete	552,000	0.03
18. Teachers' Fund	550,000	0.03
19. NTHC	500,000	0.02
20. Insurance Compensation Fund	496,683	0.02
	480,000	0.02
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Others	1,943,370,568	95.35
	94,703,608	4.65
	-----	-----
	2,038,074,176	100.00
	=====	=====