



COCOA PROCESSING COMPANY PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

30 SEPTEMBER 2021

COCOA PROCESSING COMPANY PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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COCOA PROCESSING COMPANY PLC

CORPORATE INFORMATION
30 SEPTEMBER 2021

BOARD OF DIRECTORS

Kwaku Owusu Baah (Dr)
Nana Agyenim Boateng
Hon. Ben Abdullah Banda
Philomena Okyere (Mrs)
Emmanuel Ray Ankrah (Mr)
Joe Forson (Mr)

Douglas Boateng (Prof)
Abdul Samed-Adams (Mr)
Vincent Okyere Akomeah

Chairman
Managing Director
Member
Member
Member
Member- resigned, 30
December 2021
Member
Member
Member - appointed, 18
December 2020

REGISTERED OFFICE

Cocoa Processing Company Plc
Heavy Industrial Area
Private Mail Bag
Tema

SOLICITORS

A. Ossei-Aidooh & Co
1st Floor, Design House, Community 2
P. O. Box CE 11295
Tema

Apex Lawconsult

1st Floor, Oburdum Fie, Labone
P. O. Box GP 4889
Accra

COMPANY SECRETARY

Sheila Minkah-Premo
Apex Lawconsult
1st Floor, Oburdum Fie, Labone
P. O. Box GP 4889
Accra

AUDITOR

Ernst & Young
Chartered Accountants
60 Rangoon Lane
Cantonments City
Accra
Ghana

BANKERS

Absa Bank Ghana Limited
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

REGISTRAR

NTHC Limited
Martco House
P. O. Box 9563
Airport, Accra

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
COCOA PROCESSING COMPANY PLC**

The Directors present their report and the financial statements of the Company for the year ended 30 September 2021.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements that give a true and fair view of Cocoa Processing Company Plc, comprising the statements of financial position at 30 September 2021, and the statements of comprehensive income, changes in equity and cash flows for the year 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\$15.09m (2020: US\$18.6 m) for the year ended 30 September 2021, and as of that date its current liabilities exceeded its current assets by US\$113m (2020: US\$108.82m). In addition, total liabilities exceeded its total assets by US\$49.59m (2020: S\$38.2m).

A substantial part of the Company's liabilities is due to the majority shareholder, Ghana Cocoa Board (COCOBOD), a syndicate of banks led by Absa and Prudential Bank US\$43.6m, US\$24.8m and US\$4.51m respectively. During the year, the Company defaulted on both the principal and interest repayment to respective banks and COCOBOD.

The Company's loss-making position is significantly driven by unavailability of cocoa beans to process due to insufficient cashflow during the year.

The Directors have been in discussions with Africa Export-Import Bank (Afreximbank) to obtain a US\$86.7m loan facility. Management plans to use this loan to settle amounts due to the syndicate of banks, support its working capital requirements and retool its property, plant, and equipment to expand production capacity. Management expects the agreement to be signed by December 2023 and the first tranche disbursed by January 2024. The ability of the Company to return to profitability and also settle the liabilities due within twelve months is dependent of the Afreximbank loan. At the date of this report, discussions with Afreximbank have not yet been finalised.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore, may be unable to realize its assets and discharge its liabilities in the normal course of business.

COCOBOD as at 30 September 2022 has converted loan of US\$32m and trade accounts payable of US\$55 to deposit for shares pending finalisation of a legal requirement to recognise it as stated capital.

COCOA PROCESSING COMPANY PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

The Directors have considered the following matters, in combination with the above mitigation and plans, in making the going concern assumption:

- Resumption of cocoa beans supply by COCOBOD on regular basis, resulting in increased production subsequent to the reporting date.
- New turnaround strategies – reduction of cost, investment in infrastructure, expansion of revenue base and product market.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

NATURE OF BUSINESS/PRINCIPAL ACTIVITIES

The Company is registered to manufacture 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 (COCOBOD), a company incorporated in Ghana.

FINANCIAL STATEMENTS/BUSINESS REVIEW

The financial results of the Company for the year ended 30 September 2021 are set out in the financial statements, highlights of which are as follows:

	2021 US\$	2020 US\$
Loss before tax	(15,169,927)	(19,596,460)
Loss after tax	(15,088,714)	(18,642,694)
Total assets	160,034,555	152,506,410
Total liabilities	209,620,970	190,669,153
Total equity	<u>(49,586,415)</u>	<u>(38,162,743)</u>

The Directors do not recommend the payment of dividend.

PARTICULARS OF ENTRIES IN THE INTERESTS REGISTER DURING THE FINANCIAL YEAR

No Director had any interest in contracts and proposed contracts with the Company during the year under review, hence there were no entries recorded in the Interests Register as required by Sections 194(6), 195(1)(a) and 196 of the Companies Act 2019, (Act 992).

COCOA PROCESSING COMPANY PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

RELATED PARTY TRANSACTIONS

Information regarding Directors' interests in ordinary shares of the Company and remuneration is disclosed in note 26 to the financial statements. No Director has interest in any shares or loan stock of the Company. Related party transactions and balances are also disclosed in note 24 to the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

No expenditure was incurred (2020: US\$2,700) under the Company's social responsibility programme.

COCOA PROCESSING COMPANY PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

BOARD OF DIRECTORS

Profile

Executive	Qualification	Outside board and management position
Nana Agyenim Boateng	Diploma, Transport & Fleet Management	Managing Director of CPC

Non-executive

Dr. Kwaku Owusu Baah	Agriculture Economist Msc Agriculture Bsc Agriculture	Former Director of Economic Studies, Inter-African Coffee Organization Currently Technical Advisor to Government of Canada
Hon Ben Abdallah Banda	LLB (University Of Ghana) Barrister at Law (Ghana School of law)	Former Member of Parliament
Prof. Douglas Boateng	BSc. Transport Planning and Management, Cranfield University. MSc. Logistics in Manufacturing Systems, University of Central England. Doctor of Engineering, University of Warwick Diploma in Company Direction, Institute of Directors	Board Chairman, Public Procurement Authority
Vincent Okyere Akomeah	BA Economics Master's degree, Economic Policy Management	Managing Director of CMC
Mr Emmanuel Ray Ankrah	Post Graduate Diploma, Strategic Financial Management Chartered Accountant	Deputy CEO (Finance & Admin), COCOBOD
Mrs Philomena Okyere	Associate Member, Chartered Institute of Professional Financial Managers	Board of MASLOC.
Mr Abdul Samed-Adams	He holds an HND in Secretaryship and Management Studies from the Accra Polytechnic (2014) BCOM (Management), University of Cape Coast	Local Union Chairman of CPC

Age category	Number of directors
Up to - 40 years	1
41 - 60 years	4
Above 60 years	3

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

ROLE OF THE BOARD

The Directors are responsible for the long-term success of the Company, determine the strategic direction of the Company and review operating, financial and risk performance. There is a formal schedule of matters reserved for the board of Directors, including approval of the Company's annual business plan, the Company's strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, all guarantees, treasury policies, the financial statements, the Company's dividend policy, transactions involving the issue or purchase of Company shares, borrowing powers, appointments to the Board, alterations to the memorandum and articles of association, legal actions brought by or against the Company, and the scope of delegations to Board committees, subsidiary boards and the management committee. Responsibility for the development of policy and strategy and operational management is delegated to the Executive Directors and a management committee, which as at the date of this report includes the Executive Directors.

INTERNAL CONTROL SYSTEMS

The Directors have overall responsibility for the Company's internal control systems and annually reviews their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Executive Directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the Company as at the reporting date and no significant failings or weaknesses were identified during this review.

PROFESSIONAL DEVELOPMENT AND TRAINING

On appointment to the Board, Directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Company's business, the risks and strategic challenges the Company faces, and the economic, competitive, legal and regulatory environment in which the Company operates.

There were, however, no formal capacity building training programs organised during the year.

CONFLICTS OF INTEREST

The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

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

BOARD BALANCE AND INDEPENDENCE

The composition of the board of Directors and its Committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is independent on appointment and all non-Executive Directors are independent as it pertains to the management of the Company. The continuing independent and objective judgement of the non-Executive Directors have been confirmed by the Board of Directors.

AUDITOR

The Audit Committee has responsibility delegated from the board of Directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor

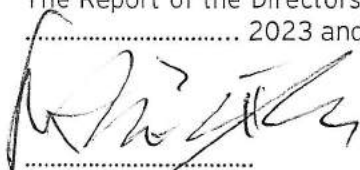
The Auditors, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office pursuant to Section 139(5d) of the Companies Act, 2019 (Act 992).

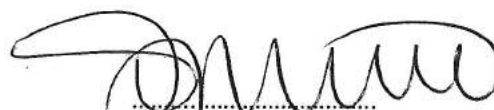
AUDIT FEES

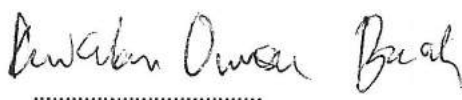
At 30 September 2021, the amount payable in respect of audit fees was US\$37,000 (2020: US\$37,000).


APPROVAL OF THE REPORT OF THE DIRECTORS

The Report of the Directors of Cocoa Processing Company Plc, was approved by the Board of Directors on 2023 and were signed on their behalf by:


SIGNATURE


SIGNATURE


NAME 18/07/2023


NAME 18/07/2023

ANNUAL REPORTS AND FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 US\$	2020 US\$
Revenue from contract with customers	17(a)	41,835,142	13,645,898
Cost of sales	18	(46,828,569)	(16,678,361)
Gross loss		(4,993,427)	(3,032,463)
Other income	19	471,579	1,092,456
Selling and distribution costs	31	(686,492)	(625,074)
General and administrative expenses	32	(4,219,164)	(5,043,612)
Impairment loss on trade and other receivables	27(b)(i)	(391,925)	(379,796)
Operating loss		(9,819,429)	(7,988,489)
Finance income	23	56,411	60,699
Finance costs	24	(5,406,909)	(11,668,670)
Loss before tax	20	(15,169,927)	(19,596,460)
Income tax expense	6(a)	81,213	953,766
Loss for the year		(15,088,714)	(18,642,694)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability, net of tax		170,503	97,677
Related FX effect on remeasurement of defined benefit	15(b)	(3,327)	-
Related deferred tax effect on remeasurement of defined benefit	6(d)	-	(20,849)
Change in estimate - Deferred tax on revaluation surplus	6(d)	3,497,866	(2,694,775)
Other Comprehensive income		3,665,042	(2,617,947)
Total comprehensive income		(11,423,672)	(21,260,641)
Loss per share			
Basic loss per share	25	(0.0074)	(0.0091)
Diluted loss per share	25	(0.0074)	(0.0091)

The notes on pages 17 to 57 form an integral part of these financial statements.

Note	Share capital US\$	Revaluation reserve US\$	Fair value reserve US\$	Retained earnings US\$	Total equity US\$
	26,071,630	56,508,182	6,293,536	(111,272,741)	(22,399,393)
6(d)	-	-	-	(18,642,694)	(18,642,694)
6(d), 13(b)	-	(2,694,775)	-	-	(2,694,775)
	-	-	-	76,828	76,828
	-	(2,694,775)	-	(18,565,866)	(21,260,641)
14(a)	-	-	5,439,108	-	5,439,108
14(c)(v)	-	-	-	58,183	58,183
	-	-	5,439,108	58,183	5,497,291
16(c)	-	(1,466,260)	-	1,466,260	-
	-	(1,466,260)	-	1,466,260	-
	26,071,630	52,347,147	11,732,644	(128,314,164)	(38,162,743)

ment under the Government of Ghana's Ministry of Trade and Industry Stimulus Package Programme on a
ent for the Company's confectionery factory (note 14(c)(v)).

financial statements.

ANNUAL REPORTS AND FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 US\$	2020 US\$
Revenue from contract with customers	17(a)	41,835,142	13,645,898
Cost of sales	18	<u>(46,828,569)</u>	<u>(16,678,361)</u>
Gross loss		(4,993,427)	(3,032,463)
Other income	19	471,579	1,092,456
Selling and distribution costs	31	(686,492)	(625,074)
General and administrative expenses	32	(4,219,164)	(5,043,612)
Impairment loss on trade and other receivables	27(b)(i)	<u>(391,925)</u>	<u>(379,796)</u>
Operating loss		(9,819,429)	(7,988,489)
Finance income	23	56,411	60,699
Finance costs	24	<u>(5,406,909)</u>	<u>(11,668,670)</u>
Loss before tax	20	(15,169,927)	(19,596,460)
Income tax expense	6(a)	<u>81,213</u>	<u>953,766</u>
Loss for the year		<u>(15,088,714)</u>	<u>(18,642,694)</u>
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability, net of tax		170,503	97,677
Related FX effect on remeasurement of defined benefit	15(b)	(3,327)	-
Related deferred tax effect on remeasurement of defined benefit	6(d)	-	(20,849)
Change in estimate - Deferred tax on revaluation surplus	6(d)	<u>3,497,866</u>	<u>(2,694,775)</u>
Other Comprehensive income		<u>3,665,042</u>	<u>(2,617,947)</u>
Total comprehensive income		<u>(11,423,672)</u>	<u>(21,260,641)</u>
Loss per share			
Basic loss per share	25	(0.0074)	(0.0091)
Diluted loss per share	25	<u>(0.0074)</u>	<u>(0.0091)</u>

The notes on pages 17 to 57 form an integral part of these financial statements.

ANNUAL REPORTS AND FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	Share capital US\$	Revaluation reserve US\$	Fair value reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 October 2020		26,071,630	52,347,147	11,732,644	(128,314,164)	(38,162,743)
Total comprehensive income for the year						
Loss for the year		-	-	-	(15,088,714)	(15,088,714)
Other comprehensive income for the year						
Remeasurements of defined benefit liability, net of tax	6(d)	-	-	-	167,176	167,176
Change in estimate on deferred tax for revaluation surplus		-	3,497,866	-	-	3,497,866
Total comprehensive income			3,497,866	-	(14,921,538)	(11,423,672)
Transfers within equity						
Revaluation reserved transferred		-	(1,429,603)	-	1,429,603	-
Balance at 30 September 2021		26,071,630	54,415,410	11,732,644	(141,806,099)	(49,586,415)

The notes on pages 17 to 57 form an integral part of these financial statements.

ANNUAL REPORTS AND FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	Share capital US\$	Revaluation reserve US\$	Fair value reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 October 2019		26,071,630	56,508,182	6,293,536	(111,272,741)	(22,399,393)
Total comprehensive income for the year						
Loss for the year		-	-	-	(18,642,694)	(18,642,694)
Other comprehensive income for the year						
Change in estimate - Deferred tax on revaluation surplus	6(d)	-	(2,694,775)	-	-	(2,694,775)
Remeasurements of defined benefit liability, net of tax	6(d),13(b)	-	-	-	76,828	76,828
Total comprehensive income		-	(2,694,775)	-	(18,565,866)	(21,260,641)
Transaction with owners of the Company						
Day 1 gain on fair valuation of loans and borrowings	14(a)	-	-	5,439,108	-	5,439,108
Contributed by Government of Ghana**	14c(v)	-	-	-	58,183	58,183
Total comprehensive income		-	-	5,439,108	58,183	5,497,291
Transfers within equity						
Revaluation reserve transferred	16(c)	-	(1,466,260)	-	1,466,260	-
Total transfers within equity		-	(1,466,260)	-	1,466,260	-
Balance at 30 September 2020		26,071,630	52,347,147	11,732,644	(128,314,164)	(38,162,743)

**This represents interest subsidy provided by the Government of Ghana's Ministry of Trade and Industry Stimulus Package Programme on a loan obtained by the Company for the acquisition of equipment for the Company's confectionery factory (note 14c(v)).

The notes on pages 17 to 57 form an integral part of these financial statements.

ANNUAL REPORTS AND FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 US\$	2020 US\$
Cash flows from operating activities			
Loss for the year		(15,169,927)	(18,642,694)
Adjustments for:			
Depreciation	7	5,977,402	6,252,684
Finance Cost	24	5,406,909	11,668,670
Finance Income	23	-	(60,699)
Impairment loss on trade receivables	27(b)(i)	391,925	379,796
Write down of inventory	8(b)	(66,046)	70,626
Income tax expense	6(a)	-	(953,766)
Employee benefit obligation		233,383	905,372
Unrealised exchange difference	20b	<u>82,664</u>	<u>(827,962)</u>
		(3,143,690)	(1,207,973)
Changes in working capital:			
o Inventories		(5,897,054)	(12,666,179)
o Trade and other receivables		(8,420,868)	2,430,114
o Prepayments		4,758,337	(1,450,751)
o Trade and other payables		<u>17,995,444</u>	<u>12,899,891</u>
Cash generated from /(used in) operating activities		5,292,169	5,102
Interest paid	14(a)	(375,989)	(1,407,020)
Income taxes paid	6(c)	(11,080)	-
Employee benefits paid		<u>(78,214)</u>	<u>-</u>
Net cashflow generated from/ (used in) operating activities		<u>4,826,886</u>	<u>(1,401,918)</u>
Cash flows from investing activities			
Interest received	23	-	60,699
Purchase of property, plant and equipment	7	<u>(3,861,617)</u>	<u>(1,652,297)</u>
Net cashflow used in investing activities		<u>(3,861,617)</u>	<u>(1,591,598)</u>
Cash flows from financing activities			
Proceeds from Loans and borrowings	14(a)	186,318	2,342,961
Repayments of borrowings		<u>(371,380)</u>	<u>-</u>
Net cash flow (used in)/generated from financing activities		<u>(185,062)</u>	<u>2,342,961</u>
Net increase/(decrease) in cash and cash equivalents		780,207	(650,555)
Cash and cash equivalents at the beginning of the year	12	1,860,820	1,849,236
Effect of movement in exchange rates on cash held		<u>(38,229)</u>	<u>662,139</u>
Cash and cash equivalents at the end of the year	12	<u>2,602,798</u>	<u>1,860,820</u>

The notes on pages 17 to 57 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

1. REPORTING ENTITY

Cocoa Processing Company Plc is a Company registered and domiciled in Ghana. The financial statements at and for the year ended 30 September 2021 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) as issued by the International Accounting Standards Board 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 2021 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 15 - Measurement of defined benefit obligations: Key actuarial assumptions
- Note 27(b)(i) - Measurement of expected credit loss (ECL) allowance for trade receivables: Key assumptions in determining the average loss rate

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

2. BASIS OF PREPARATION (CONTINUED)

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.

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

A number of new standards and interpretations are effective from 1 October 2020, but they do not have a material effect on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

(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.



Building a better
working world

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Cantonments City, Accra, Ghana
P. O. Box KA 16009
Airport Accra, Ghana

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ey.com

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cocoa Processing Company Plc set out on pages 12 to 57 which comprise the statement of financial position as at 30 September 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cocoa Processing Company Plc as at 30 September 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by of the Companies Act, 2019 (Act 992)

Basis for opinion

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

Material Uncertainty related to going concern

We draw attention to note 30 of these financial statements which states that the Company incurred a net loss of US\$15.09m (2020: US\$18.64m) for the year ended 30 September 2021 and, as of that date, the Company's current liabilities exceeded its current assets by US\$113m (2020: US\$108.82m) and total liabilities also exceeded total assets by US\$49.59m (2020: US\$38.2m). As stated in the note, these conditions along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as going concern and therefore may be unable to realise its assets and settle its liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Employee Benefit Obligations	
<p>As at 30 September 2021, the Company calculated and recorded defined benefit plan liabilities of US\$4.09m for its qualified employees, which is significant on the Company's overall statement of financial position. These benefits were made available to the employees based on collective bargaining agreement with employee union. Significant estimates are made in determining the key assumptions used in the determination of the defined benefit obligations, as a result the Management engaged an independent actuary to assist them in the computation of the defined benefit plan liabilities.</p> <p>We considered the computation of the defined benefit plan liabilities to be a key audit matter due to the magnitude of the amounts, management judgement applied, and the technical expertise required to determine these amounts. Management has made appropriate disclosure on this on Note 15 in the financial statements.</p>	<p>Our procedure includes assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company.</p> <p>We engaged our internal specialist to assess the appropriateness of the method and assumptions used in the computation as included on the actuarial report.</p> <p>We have also performed the following procedures, amongst others to assess the underlying data provided to the actuary in determining the obligation</p> <ul style="list-style-type: none"> • We tested samples of the employees' details used in the computation of the defined benefit plan liabilities to the Human resource records • We evaluated key assumptions used in the valuation, in particular the discount rate, future salaries increases, and mortality rates, with the support of our actuarial specialist • We also considered the adequacy of the disclosures made on the defined benefit plan liabilities in Note 15 to the financial statements

Other information

The Directors are responsible for the other information. The other information comprises information included in the 57-page document titled "Annual Reports and Financial Statements for the year ended 30 September 2021". Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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Other Matter

The financial statements of the Company for the year ended 30 September 2020, were audited by another Auditor who expressed an unmodified opinion with a material uncertainty related to going concern on those statements on 30 November 2021.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements 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.

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

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



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

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.

Report on other legal and regulatory requirements

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

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books;
- iii) The statement of financial position and the statement of comprehensive income (statement of profit or loss and other comprehensive income) of the Company are in agreement with the underlying books of account;
- iv) In our opinion, to the best of our information and according to the explanations given to us, the accounts give the information required under the Act, in the manner so required and give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for the financial year then ended;
- v) We are independent of the Company 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 Ferdinand Gunn (ICAG/P/1149).

Ernst & Young (ICAG/F/2023/126)
Chartered Accountants
Accra, Ghana

Date: 18/07/2023

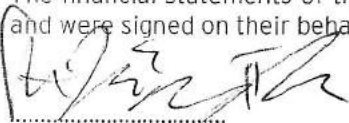
COCOA PROCESSING COMPANY PLC


ANNUAL REPORTS AND FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Note	2021 US\$	2020 US\$
Assets			
Non-current assets			
Property, plant and equipment	7	<u>120,088,574</u>	<u>122,204,360</u>
Total Non-current assets		<u>120,088,574</u>	<u>122,204,360</u>
Current assets			
Inventories	8	26,787,563	20,824,463
Current tax assets	6(c)	17,363	6,283
Trade and other receivables	9	8,910,416	1,178,071
Prepayments	10	435,188	5,193,525
Fixed deposit investments	11	2,644,210	2,476,982
Cash and cash equivalents	12(a)	<u>1,151,241</u>	<u>622,726</u>
Total Current assets		<u>39,945,981</u>	<u>30,302,050</u>
Total assets		<u>160,034,555</u>	<u>152,506,410</u>
Equity and Liabilities			
Equity			
Share capital	16(a,b)	26,071,630	26,071,630
Revaluation reserve	16(c)	54,415,410	52,347,147
Fair value reserve	16(d)	11,732,644	11,732,644
Retained earnings	16(e)	<u>(141,806,099)</u>	<u>(128,314,164)</u>
Total equity		<u>(49,586,415)</u>	<u>(38,162,743)</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	14(b)	33,556,428	25,437,500
Employee benefit obligations	15	4,097,967	3,659,007
Deferred tax liabilities	6(d)	<u>18,870,111</u>	<u>22,449,189</u>
Total non-current liabilities		<u>56,524,506</u>	<u>51,545,696</u>
Current liabilities			
Bank overdraft	12(b)	1,192,653	1,238,889
Trade and other payables	13	112,542,230	94,534,026
Loans and borrowings	14(b)	<u>39,361,581</u>	<u>43,350,542</u>
Total current liabilities		<u>153,096,464</u>	<u>139,123,457</u>
Total liabilities		<u>209,620,970</u>	<u>190,669,153</u>
Total equity and liabilities		<u>160,034,555</u>	<u>152,506,410</u>

The financial statements of the Company were approved by the Board of Directors on 2023
and were signed on their behalf by:


SIGNATURE


SIGNATURE

Kuehn Omgun Beah
NAME 18/09/2023

E RAY ANIKRAH
NAME 18/09/2023

The notes on pages 17 to 57 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets - Business model assessment (cont'd)

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

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.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities – Classification, subsequent measurement and gains and losses (cont'd)

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.

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.

(c) **Impairment**

(i) *Non-derivative financial assets*

Financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments and contract assets

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:

- o 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
- o the financial asset is more than 270 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:

- o significant financial difficulty of the customer;

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

- o a breach of contract such as a default or being more than 270 days past due;
- o restructuring of a debt or advance by the Company on terms that the Company would not consider otherwise; or
- o 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(d) *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.

(e) *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.

(f) *Property, plant and equipment*(i) *Recognition and measurement*

Items of property, plant and equipment are initially recognised and subsequently measured at cost with the exception of land and building which are 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *Recognition and measurement (cont'd)*

An increase in the carrying amount of an item of land and building 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.

(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 straight-line method 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Depreciation (cont'd)

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. The cost of all classifications of inventories are determined using the first-in, first-out (FIFO) 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.

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) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank adjusted for reconciling items and cash 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(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.

(j) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when when performance obligation is satisfied per IFRS 15.

Information about the Company's accounting policies relating to contracts with customers is provided in Note 17.

(k) 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.

(l) 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 of Directors, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The entity has a grant from the government of Ghana in respect to a proportion of the interest expense of its loan from Prudential Bank Plc. This is recognised as part of other income in its financial statements.

(p) New standards and interpretations issued and not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4 which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement?
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) New standards and interpretations issued and not yet effective continued

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the company's financial statements

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The company is currently assessing the impact of the amendments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

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
Confectionery	- Tolling services - 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.

(a) Segment results, assets and liabilities

	Reportable segments		
Year ended 30 September 2021	Cocoa US\$	Confectionery US\$	Total US\$
Revenue	33,144,764	8,690,378	41,835,142
Cost of sales	(40,459,144)	(6,369,425)	46,828,569
Gross loss	(7,314,380)	2,320,953	(4,993,427)
Other income	288,594	182,985	471,579
Selling and distribution costs	(464,848)	(221,644)	(686,492)
General and administrative expenses	(2,863,104)	(1,356,060)	(4,219,164)
Impairment loss on trade and other receivables	-	(391,925)	(391,925)
Operating loss	(10,353,738)	534,309	(9,819,429)
Finance income	56,411	-	56,411
Finance costs	(4,365,588)	(1,041,321)	(5,406,909)
Depreciation	(4,746,990)	(1,230,431)	(5,977,421)
Loss before tax	<u>(14,662,915)</u>	<u>(507,012)</u>	<u>(15,169,927)</u>
Reportable segment assets	128,027,644	32,006,911	160,034,555
Additions to property, plant and equipment	2,896,212	965,404	3,861,616
Reportable segment liabilities	<u>171,869,447</u>	<u>37,751,523</u>	<u>209,620,970</u>

5. OPERATING SEGMENTS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

(a) Segment results, assets and liabilities (cont'd)

Year ended 30 September 2020	Reportable segments		Total US\$
	Cocoa US\$	Confectionery US\$	
Revenue	6,317,593	7,328,305	13,645,898
Gross profit	(4,272,619)	1,240,156	(3,032,463)
Other income	423,300	669,156	1,092,456
Selling and distribution costs	(395,530)	(229,544)	(625,074)
General and administrative expenses	(3,839,527)	(1,204,085)	(5,043,612)
Impairment loss on trade and other receivables	-	(379,796)	(379,796)
Operating (loss)/profit	(8,084,376)	95,887	(7,988,489)
Finance income	60,699	-	60,699
Finance costs	(11,043,485)	(625,185)	(11,668,670)
Depreciation	(4,376,470)	(1,876,214)	(6,252,684)
Loss before tax	<u>(19,010,078)</u>	<u>(586,382)</u>	<u>(19,596,460)</u>
Reportable segment assets	124,069,872	28,436,538	152,506,410
Additions to property, plant and equipment	1,239,223	413,074	1,652,297
Reportable segment liabilities	<u>156,447,602</u>	<u>34,221,551</u>	<u>190,669,153</u>

(b) Analysis of revenue by product

	2021 US\$	2020 US\$
Cocoa segment		
Cocoa butter	18,845,654	1,238,739
Cocoa liquor	6,057,541	308,402
Cocoa cake	6,281,879	491,034
Cocoa powder	1,959,696	1,131,339
Tolling	-	3,148,079
Confectionery segment		
Confectionery products	<u>8,690,372</u>	<u>7,328,305</u>
	<u>41,835,142</u>	<u>13,645,898</u>

5. OPERATING SEGMENTS (CONTINUED)

(c) Analysis of revenue by market segment (cont'd)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Export Sales US\$	Local Sales US\$	Total US\$
Year ended 30 September 2021			
Semi-finished products	33,135,577	9,188	33,144,765
Confectionery	365,587	8,324,790	8,690,377
Tolling	-	-	-
	<u>33,501,164</u>	<u>8,333,978</u>	<u>41,835,142</u>

(c) Analysis of revenue by market segment

	Export Sales US\$	Local Sales US\$	Total US\$
Year ended 30 September 2020			
Semi-finished products	3,038,459	131,055	3,169,514
Confectionery	93,888	7,234,417	7,328,305
Tolling	<u>3,148,079</u>	-	<u>3,148,079</u>
	<u>6,280,426</u>	<u>7,365,472</u>	<u>13,645,898</u>

6. TAXATION

(a) Income tax expense

	2021 US\$	2020 US\$
Deferred tax credit recognised in profit or loss	(81,213)	(953,766)
Deferred tax credit recognised in other comprehensive income	<u>(3,497,866)</u>	<u>-</u>

(b) Reconciliation of effective tax rate

Loss before tax	<u>(15,168,313)</u>	<u>(19,596,460)</u>
Income tax using the domestic tax rate (16.91%)	<u>(2,577,266)</u>	<u>(4,899,115)</u>
<i>Tax effect of:</i>		
Non-deductible expenses	287,320	2,931,092
Recognition of previously unrecognised tax losses	<u>(1,535,324)</u>	-
Recognition of previously unrecognised deductible temporary differences	1,249,701	(366,944)
Current year loss for which no deferred tax recognised	1,311,002	822,251
Changes in estimates related to prior years	<u>(2,314,512)</u>	<u>558,950</u>
	<u>(3,579,079)</u>	<u>(953,766)</u>
Effective tax rate	23.59%	4.87%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

6. TAXATION (CONTINUED)

(c) Current tax assets

	Balance at 01-Oct US\$	Payments US\$	Charged to profit or loss US\$	Balance at 30-Sep US\$
<u>2021</u>				
2018	3,263	-	-	3,263
2019	3,020	-	-	3,020
2020	-	-	-	-
2021	-	<u>11,080</u>	-	<u>11,080</u>
	<u>6,283</u>	<u>11,080</u>	-	<u>17,363</u>

	Balance at 01-Oct US\$	Payments US\$	Charged to profit or loss US\$	Balance at 30-Sep US\$
<u>2020</u>				
2018	3,263	-	-	3,263
2019	3,020	-	-	3,020
2020	-	-	-	-
	<u>6,283</u>	-	-	<u>6,283</u>

No provision has been made for current tax in the current year (2019: 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\$
<u>2021</u>						
Property, plant and equipment	23,698,980	(1,331,003)	(3,497,866)	18,870,111	-	18,870,111
Employee benefits	(969,791)	969,791	-	-	-	-
Trade and other receivables	(253,253)	253,253	-	-	-	-
Inventories	(26,747)	26,747	-	-	-	-
Net tax liabilities	<u>22,449,189</u>	<u>(81,212)</u>	<u>(3,497,866)</u>	<u>18,870,111</u>	-	<u>18,870,111</u>

6. TAXATION (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Net at 1/10	Recognised in profit or loss	Recognised in OCI	Net at 30/9	Deferred tax assets	Deferred tax liabilities
2020	US\$	US\$	US\$	US\$	US\$	US\$
Property, plant and equipment	21,409,197	(404,992)	2,694,775	23,698,980	-	23,698,980
Employee benefits	(568,706)	(421,934)	20,849	(969,791)	(969,791)	-
Trade and other receivables	(153,160)	(100,093)	-	(253,253)	(253,253)	-
Inventories	-	(26,747)	-	(26,747)	(26,747)	-
Net tax liabilities	<u>20,687,331</u>	<u>(953,766)</u>	<u>2,715,624</u>	<u>22,449,189</u>	<u>(1,249,791)</u>	<u>23,698,980</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 profits will be available against which the Company can use the benefits therefrom.

	2021		2020	
	Gross amount US\$	Tax effect US\$	Gross amount US\$	Tax effect US\$
Tax losses	<u>16,631,962</u>	<u>2,825,754</u>	<u>12,992,765</u>	<u>3,248,191</u>
	<u>16,631,962</u>	<u>2,825,754</u>	<u>12,992,765</u>	<u>3,248,191</u>

(f) Tax losses carried forward

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

	2021 US\$	Expiry date	2020 US\$	Expiry date
2017	3,765,245	2022	3,788,290	2021
2018	2,150,227	2023	3,765,245	2022
2019	-		2,150,227	2023
2020	3,289,003	2025		
2021	<u>7,427,487</u>	2026	<u>3,289,003</u>	2025
	<u>16,631,962</u>		<u>12,992,765</u>	

COCOA PROCESSING COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

7. PROPERTY, PLANT & EQUIPMENT

2021

	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 1/10/20	867,634	37,235,919	413,519	89,330,789	234,070	274,804	100,310	128,457,044
Additions	2,971,132	-	-	495,690	-	378,497	16,297	3,861,616
At 30/9/21	<u>3,838,766</u>	<u>37,235,919</u>	<u>413,519</u>	<u>89,826,479</u>	<u>234,070</u>	<u>653,301</u>	<u>116,607</u>	<u>132,318,660</u>
Accumulated depreciation								
At 1/10/20	-	473,134	9,215	5,308,317	221,020	219,209	21,789	6,252,684
Charge for the year	-	473,321	9,248	5,408,966	13,050	48,454	24,364	5,977,402
At 30/9/21	-	<u>946,455</u>	<u>18,463</u>	<u>10,717,283</u>	<u>234,070</u>	<u>267,663</u>	<u>46,153</u>	<u>12,230,086</u>
Carrying amounts								
At 30/9/21	<u>3,838,766</u>	<u>36,289,464</u>	<u>395,056</u>	<u>79,109,196</u>	<u>-</u>	<u>385,638</u>	<u>70,454</u>	<u>120,088,574</u>

7. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

COCOA PROCESSING COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2020

	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 1/10/19	2,341,777	37,235,919	413,519	86,265,667	234,070	213,486	100,310	126,804,747
Additions	421,649	-	-	1,169,330	-	61,318	-	1,652,297
Transfers	(1,895,792)	-	-	1,895,792	-	-	-	-
At 30/9/20	<u>867,634</u>	<u>37,235,919</u>	<u>413,519</u>	<u>89,330,789</u>	<u>234,070</u>	<u>274,804</u>	<u>100,310</u>	<u>128,457,044</u>
Accumulated depreciation								
At 1/10/19	-	-	-	-	-	-	-	-
Charge for the year	-	473,134	9,215	5,308,317	221,020	219,209	21,789	6,252,684
At 30/9/20	-	<u>473,134</u>	<u>9,215</u>	<u>5,308,317</u>	<u>221,020</u>	<u>219,209</u>	<u>21,789</u>	<u>6,252,684</u>
Carrying amounts								
At 30/9/20	<u>867,634</u>	<u>36,762,785</u>	<u>404,304</u>	<u>84,022,472</u>	<u>13,050</u>	<u>55,595</u>	<u>78,521</u>	<u>122,204,360</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

Depreciation has been charged as follows:

	2021 US\$	2020 US\$
Cost of sales (note 18)	5,906,586	5,803,240
Selling and distribution costs (note 31)	13,050	221,020
General and administrative expenses (note 32)	57,785	228,424
	<u>5,977,421</u>	<u>6,252,684</u>

8. INVENTORIES

a.

	2021 US\$	2020 US\$
Raw materials	7,003,219	584,100
Packaging materials	2,923,784	2,570,452
Finished goods	13,461,053	16,124,383
Technical spare parts	1,586,455	1,601,693
Fuel and lubricants	62,645	74,961
Work in progress	1,815,487	-
Write-down	(65,080)	(131,126)
	<u>26,787,563</u>	<u>20,824,463</u>

b. Write down of inventory

	2021 US\$	2020 US\$
Opening balance	(131,126)	(201,852)
Movement	(66,046)	70,626
Closing balance	<u>(65,080)</u>	<u>(131,126)</u>

9. TRADE AND OTHER RECEIVABLES

	2021 US\$	2020 US\$
Trade receivables	9,900,097	1,809,920
Allowances for credit losses (27b)	(1,633,511)	(1,241,586)
Net trade receivables	8,266,586	568,334
Staff debtors	643,830	564,534
Other receivables	-	45,203
	<u>8,910,416</u>	<u>1,178,071</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

13. TRADE AND OTHER PAYABLES

	2021 US\$	2020 US\$
Trade payables	84,994,830	70,701,536
Taxes and duties	16,355,038	22,308,239
Other payables	11,192,362	1,524,251
	<u>112,542,230</u>	<u>94,534,026</u>

Included in trade payables is an amount of USD 83M due to related party (See Note 26).

14. LOANS AND BORROWINGS

(a)
2021

	Barclays Bank syndicated loans US\$	Cocobod loan US\$	Prudential Bank US\$	Total US\$
Balance at 1 October	22,602,085	41,985,795	4,200,162	68,788,042
Drawdowns	-	-	186,318	186,318
Interest charges	2,211,860	1,601,108	857,115	4,670,083
Principal repayments	-	-	(162,716)	(162,716)
Interest repayments	-	-	(217,019)	(217,019)
Government subsidy	-	-	(208,664)	(208,664)
Effect of changes in exchange rates	-	-	(138,035)	(138,035)
Balance at 30 September	<u>24,813,945</u>	<u>43,586,903</u>	<u>4,517,162</u>	<u>72,918,009</u>

2020

	Barclays Bank syndicated loans US\$	Cocobod loan US\$	Prudential Bank US\$	Total US\$
Balance at 1 October	21,964,864	38,247,249	1,634,432	61,846,545
Drawdowns	-	-	2,342,961	2,342,961
Interest charges	1,776,788	2,158,589	536,142	4,471,519
Interest repayments	(1,139,567)	-	(89,366)	(1,228,933)
Government subsidy	-	-	(58,183)	(58,183)
Modification loss	-	7,019,065	-	7,019,065
Fair value adjustment	-	(5,439,108)	-	(5,439,108)
Effect of changes in exchange rates	-	-	(165,824)	(165,824)
Balance at 30 September	<u>22,602,085</u>	<u>41,985,795</u>	<u>4,200,162</u>	<u>68,788,042</u>

14. LOANS AND BORROWINGS (CONTINUED)

2021

2020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	US\$	US\$
Analysis of Interest paid		
Interest repayments on loans and borrowings	217,019	1,228,933
Interest on bank overdrafts	<u>158,970</u>	<u>178,087</u>
	<u>375,989</u>	<u>1,407,020</u>

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

	2021 US\$	2020 US\$
Non-Current	33,556,428	25,437,500
Current	<u>39,361,581</u>	<u>43,350,542</u>
	<u>72,918,009</u>	<u>68,788,042</u>

(c) Details of the loans are as follows:

	2021 US\$	2020 US\$
(i) Absa Bank Ghana Limited led Syndicate US Dollar Loan I	9,396,818	9,396,819
(ii) Absa Bank Ghana Limited led Syndicate US Dollar Loan II	15,417,127	13,205,266
(iii) Ghana Cocoa Board (COCOBOD) Dollar Loan	43,586,903	41,985,795
(iv) Prudential Bank Limited Loan 1	962,856	963,986
(v) Prudential Bank Limited Loan 11	<u>3,554,305</u>	<u>3,236,176</u>
	<u>72,918,009</u>	<u>68,788,042</u>

- i. This represents the balance on a twenty-two million Euro (Euro 22 million) loan facility from a syndicate of banks led by Absa Bank 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. 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 a revised maturity date of March 2020 and interest rate was revised to the aggregate of the prevailing 6-month USD LIBOR rate plus a margin of 9.19%. The loan is yet to be repaid although it matured in March 2020. Management is engaging the lead bank for an extension to the maturity date.
- 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 Absa Bank 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. 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 2020 and the interest rate revised to the aggregate of the prevailing 6-month USD LIBOR rate plus a margin of 9.19%. The loan is yet to be repaid although it matured in March 2020. Management is engaging the lead bank for an extension to the maturity date.

14. LOANS AND BORROWINGS (CONTINUED)

- 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 was initially 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 interest amounts from October 2016 when the five-year moratorium

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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 up to August 2020. Under the modified terms, should the Company default in repayments, interest rate will revert to 5%. The Company defaulted on the modified terms and interest was reverted to 5% during the year. The loan is due to expire on 31 July 2030.

- iv. This represents the outstanding balance on a loan facility of US\$731,362 (GH¢10 million) obtained from Prudential Bank Limited on 31 October 2020 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\$2,598,825 at 30 September 2021 (2020: US\$2,088,249). 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.
- v. This represents the outstanding balance on a loan facility of US\$2,803,266 (GH¢16 million) obtained 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 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\$2,598,825 at 30 September 2021 (2020: US\$2,088,249). 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%. Under the terms of the loan agreement, 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.

15. 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 5-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)	2021 US\$	2020 US\$
Defined benefit obligation	<u>4,097,967</u>	<u>3,659,007</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

15. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(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:

	2021 US\$	2020 US\$
Balance at 1 October	<u>3,659,007</u>	<u>3,199,963</u>
<i>Included in profit or loss</i>		
Current service costs	233,382	184,283
Interest costs	577,856	455,056
Exchange difference	<u>(126,888)</u>	<u>-</u>
	<u>684,350</u>	<u>639,339</u>
<i>Included in OCI</i>		
Remeasurement of (gain)/loss:		
Actuarial (gain)/loss	(170,503)	(97,677)
Exchange difference	<u>3,327</u>	<u>-</u>
	<u>(167,176)</u>	<u>(97,677)</u>
<i>Other</i>		
Benefits paid	<u>(78,214)</u>	<u>(82,618)</u>
Balance at 30 September	<u>4,097,967</u>	<u>3,659,007</u>

(c) *Actuarial assumption*

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

	2021 US\$	2020 US\$
Discount rate	19.50%	16.50%
Salary inflation rate	15.50%	12.50%

(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-Sep-21		
Discount rate (1% movement)	(226,171)	250,759
Salary inflation (1% movement)	251,411	(227,056)
30-Sep-20		
Discount rate (1% movement)	219,471	(198,629)
Salary inflation (1% movement)	224,810	(206,376)

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.

16. SHARE CAPITAL AND RESERVES

NOTES TO THE FINANCIAL STATEMENTS
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(a) Authorised shares

	2021 US\$	2020 US\$
Ordinary shares of no par value	<u>20,000,000,000</u>	<u>20,000,000,000</u>
Preference share of no par value	<u>1</u>	<u>1</u>
Issued and fully paid		

	2020		2020	
	Number	Amount	Number	Amount
	'm	US\$	'm	US\$
Ordinary shares for cash	<u>2,038</u>	<u>26,071,559</u>	<u>2,038</u>	<u>26,071,559</u>

(b) Preference shares

	2021		2020	
	Number	Amount	Number	Amount
	'm	US\$	'm	US\$
	<u>1</u>	<u>71</u>	<u>1</u>	<u>71</u>
		<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

	2021 US\$	2020 US\$
Balance at 1 October	52,347,147	56,508,182
Change in estimate-deferred tax on revaluation surplus	3,497,866	(2,694,775)
Transfer to retained earnings	<u>(1,429,603)</u>	<u>(1,466,260)</u>
	<u>54,415,410</u>	<u>52,347,147</u>

(d) Fair value reserve

	2021 US\$	2020 US\$
Balance at 1 October	11,732,644	6,293,536
Gain on fair valuation of loans and borrowings	<u>-</u>	<u>5,439,108</u>
Balance at 30 September	<u>11,732,644</u>	<u>11,732,644</u>

(e) Retained earnings

This represents the residual of cumulative annual results, realised portions of the revaluation reserve and loan interest contribution by government.

17. REVENUE FROM CONTRACT WITH CUSTOMERS

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(a)			
	<i>Revenue streams</i>	2021	2020
		US\$	US\$
	<i>Sale of goods</i>		
	(i) Local sales	8,333,978	7,365,438
	(ii) Export sales	<u>33,501,164</u>	<u>3,132,381</u>
		<u>41,835,142</u>	<u>10,497,819</u>
	<i>Rendering of Service</i>		
	Tolling fees	-	3,148,079
		<u>41,835,142</u>	<u>13,645,898</u>
	Timing of revenue recognition		
	Goods transferred at a point in time	<u>41,835,142</u>	<u>13,645,898</u>

Tolling revenue represents fees charged on cocoa beans processed on behalf of third parties. There was no tolling revenue for 2021 (2020: 3,148,079).

(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 policy
Local sales (Semi-finished products, confectionery products)	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. Most sales are cash based. Credit sales are made against post-dated cheques to cover amounts owed and bank guarantees provided by the customers.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. The contracts held with the Company's customers do not permit the customer to return goods purchased from the Company.
Export sales (Semi-finished products, confectionery products)	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.	Revenue is recognised when the products are loaded on-board the ship and confirmed by the bill of lading. The contracts held with the Company's customers do not permit the customer to return goods purchased from the Company.

NOTES TO THE FINANCIAL STATEMENTS
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17. REVENUE FROM CONTRACT WITH CUSTOMERS (CONTINUED)

(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 policy
Tolling	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".	Revenue is recognised over time as the services are provided over time. The stage of completion for determining the amount of revenue to recognise is assessed based on completion of a physical portion of contract work

18. COST OF SALES

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

	2021 US\$	2020 US\$
Raw and packaging materials consumed	34,018,643	5,280,742
Depreciation	5,906,586	5,803,240
Direct Labour	1,102,086	1,197,414
Other production overheads	5,801,254	4,396,965
	<u>46,828,569</u>	<u>16,678,361</u>

19. OTHER INCOME

	2021 US\$	2020 US\$
Sale of sacks, scraps and other items	66,094	61,360
Net Exchange gain	116,891	336,187
Discount received on sales tax*	79,930	324,121
Government subsidy	<u>208,664</u>	<u>370,788</u>
	<u>471,579</u>	<u>1,092,456</u>

* Under the new Benchmark policy introduced by the Government of Ghana during the year, the Company received a 50% discount on all sales taxes filed with Ghana Revenue Authority with effect from 04 April 2020.

20a. LOSS BEFORE TAX

Loss before tax is stated after charging the following:

	Note	2021 US\$	2020 US\$
Depreciation recognised in cost of sales	18	5,906,586	5,803,240
Depreciation recognized in selling and distribution expenses	31	13,050	221,020
Depreciation recognised in general and administrative expenses	32	57,785	228,424
Auditor's remuneration	32	37,000	37,000
Directors' remuneration	21	74,456	114,164
Donations	32	-	8,675
Impairment (reversal)/loss on trade receivables	27(b)(i)	391,925	379,796

20b. Unrealised exchange differences

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	2021
	US\$
Trade receivables	296,598
Trade payables	12,760
Borrowings	(138,035)
Cash and cash equivalents	38,229
Employee benefit	(126,888)
	<u>82,664</u>

21. DIRECTORS' REMUNERATION

	2021	2020
	US\$	US\$
Directors' fees and allowances	<u>74,456</u>	<u>114,164</u>

22. PERSONNEL EXPENSES

	2021	2020
	US\$	US\$
Salaries	2,480,386	1,933,306
Social security contributions	220,499	226,467
Provident fund contributions	121,355	122,234
Employee benefit obligation	233,382	905,372
Other costs	<u>1,202,577</u>	<u>1,699,924</u>
	<u>4,258,200</u>	<u>4,887,303</u>

Other costs include canteen, transportation, medical expenses etc.

Employee categories

The number of employees at year end was as follows:

	2021	2020
Junior staff	192	194
Senior staff	67	68
Management staff	18	19
Temporary staff	<u>178</u>	<u>178</u>
	<u>455</u>	<u>459</u>

23. FINANCE INCOME

	2021	2020
	US\$	US\$
Interest income	<u>56,411</u>	<u>60,699</u>

Interest income arises from interest earned on investments.

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24. FINANCE COSTS

	2021 US\$	2020 US\$
Interest on loans and borrowings	4,670,083	4,471,518
Modifications loss	-	7,019,065
Interest on bank overdrafts	158,970	178,087
Unwinding of discount on ESB	<u>577,856</u>	<u>-</u>
	<u>5,406,909</u>	<u>11,668,670</u>

25. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share at 30 September 2022 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)

	2021 US\$	2020 US\$
Loss for the year attributable to the owners of the Company	<u>(15,088,100)</u>	<u>(18,642,694)</u>

Weighted average number of ordinary shares (basic and diluted)

	2021 Number	2020 Number
Issued ordinary shares at beginning	<u>2,038,074,176</u>	<u>2,038,074,176</u>
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	(0.0074)	(0.0091)
Diluted loss per share	(0.0074)	(0.0091)

26. 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 Plc, a subsidiary of Ghana Cocoa Board.

26. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) *Transactions during the year*

COCOA PROCESSING COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

	2021 US\$	2020 US\$
Sale of goods		
Ghana Cocoa Board	193,605	211,048
Cocoa Marketing Company Limited	<u>358,622</u>	<u>4,747</u>
	<u>552,227</u>	<u>215,795</u>
Purchase of raw cocoa beans		
Cocoa Marketing Company Limited	<u>37,480,449</u>	<u>14,864,750</u>
Others		
Interest on loans and borrowings - Ghana Cocoa Board	1,607,107	12,158,589
Interest subsidy on loans and borrowings - Government of Ghana	<u>208,664</u>	<u>58,183</u>

(c) Outstanding balances relating to transactions with related parties are as follow:

Due from related parties

	2021 US\$	2020 US\$
Ghana Cocoa Board	158,494	130,988
Cocoa Marketing Company Limited	<u>29,620</u>	<u>161,942</u>
	<u>188,114</u>	<u>292,930</u>

Amount due from related parties emanated from normal sales transactions and are subject to the Company's credit policy terms. All outstanding balances are to be settled in cash.

Due to related parties

	2021 US\$	2020 US\$
Ghana Cocoa Board		
Loans and borrowings (note 14(a))	26,641,850	27,308,567
Accrued interest (note 14(a))	<u>16,945,053</u>	<u>14,677,229</u>
	<u>43,586,903</u>	<u>41,985,796</u>
Cocoa Marketing Company Limited		
Trade payables (note 13)	<u>83,501,131</u>	<u>68,531,004</u>
	<u>127,088,034</u>	<u>110,516,800</u>

(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:

	2021 US\$	2020 US\$
Short term employee benefits (included in personnel expenses)	215,219	183,142
Defined benefits plan (included in employee benefit obligations)	<u>194,199</u>	<u>156,332</u>
	<u>409,419</u>	<u>339,474</u>

Non-executive Directors' compensation comprised the following

	2021 US\$	2020 US\$
Directors' fees and allowances	<u>74,456</u>	<u>28,821</u>

27. FINANCIAL RISK MANAGEMENT

(b) Risk management

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

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- 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.

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. The Company's maximum exposure to credit risk was as follow:

	2021 US\$	2020 US\$
Trade and other receivables	8,910,416	1,809,920
Fixed deposit on investments	2,644,210	2,476,982
Bank balances	<u>1,151,241</u>	<u>577,854</u>
	<u>12,705,867</u>	<u>4,864,756</u>

NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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. The Company reviews the balances on a periodic basis taking into consideration factors such as continued business or employment relationships and ability to offset amount against transactions due to the parties. Where such relationship does not exist, the amounts are impaired.

At 30 September 2021, the exposure to credit risk for trade and other receivables by type of customer or counterparty was as follows:

	2021 US\$	2020 US\$
Distributors	794,178	173,764
Individuals and companies	8,650,657	1,281,113
Employees	<u>455,242</u>	<u>355,043</u>
	<u>9,900,097</u>	<u>1,809,920</u>

Expected credit loss assessment for trade receivables

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.

Expected credit loss assessment for trade receivables

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 30 September 2021.

2021

	Weighted-average loss rate - %	Gross US\$	Impairment allowance US\$	Credit impaired
Current (not past due)	3	7,659,970	229,799	No
31-90 days past due	34.97	1,204,565	421,290	No
91-270 days past due	84.82	350,170	297,030	No
More than 270 days	100	<u>685,391</u>	<u>685,391</u>	Yes
		<u>9,900,097</u>	<u>1,633,511</u>	

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Expected credit loss assessment for trade receivables (cont'd)

2020

	Weighted-average loss rate - %	Gross US\$	Impairment allowance US\$	Credit impaired
Current (not past due)	12.5	562,235	68,299	No
31-90 days past due	40.96	65,921	30,109	No
91-270 days past due	85.15	99,510	60,924	No
More than 270 days	100	<u>1,082,254</u>	<u>1,082,254</u>	Yes
		<u>1,809,920</u>	<u>1,241,586</u>	

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 was as follows.

	2021 US\$	2020 US\$
Balance at 1 October	1,241,586	861,790
Impairment loss recognised	<u>391,925</u>	<u>379,796</u>
Balance at 30 September	<u>1,633,511</u>	<u>1,241,586</u>

Other receivables

No impairment has been recognised in respect of other receivables as the amount of impairment is considered insignificant due to the company's right to offset any unpaid portions against amount due to employees at the time of exit.

Cash and bank balances

The Company held cash and cash equivalents of US\$1,151,241 at 30 September 2021 (2020: US\$577,854) which represents its maximum exposure. The bank balances are held with banks that are regulated by the Central Bank. The Company considers that its bank balances have low credit risk and hence no impairment has been recognised with respect to these in the current year (2020: Nil).

(ii) **Liquidity risk**

Liquidity risk is the risk that the Company would either not have sufficient financial resources available to meet all of 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 30 to manage this position.

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (cont'd)

The following are contractual maturities of financial assets and liabilities:

Contractual cash flows

	Carrying amount US\$	Total US\$	6mths or less US\$	6-12mths US\$	More than 12mths US\$
Year ended 30 September 2021					
Non-derivative financial assets					
Trade and other receivables	8,910,416	8,910,416	8,910,416	-	-
Fixed deposit investments	2,644,210	2,644,210	45,385	2,598,825	-
Cash and bank	<u>1,151,241</u>	<u>1,151,241</u>	<u>1,151,241</u>	-	-
Balance at 30 September 2021	<u>12,705,867</u>	<u>12,705,867</u>	<u>10,107,042</u>	<u>2,598,825</u>	-
Non-derivative financial liabilities					
Trade and other payables*	96,066,189	96,066,189	96,066,189	-	-
Bank overdraft	1,192,653	1,192,653	-	1,192,653	-
COCOBOD loan	43,586,903	32,022,146	3,877,652	5,428,712	22,715,782
Bank loans	<u>29,610,286</u>	<u>46,141,444</u>	<u>8,166,017</u>	<u>13,306,203</u>	<u>24,669,224</u>
Balance at 30 September 2021	<u>170,456,031</u>	<u>175,422,432</u>	<u>108,109,858</u>	<u>19,879,640</u>	<u>47,385,006</u>
Year ended 30 September 2020					
Non-derivative financial assets					
Trade and other receivables	1,809,920	1,809,920	1,809,920	-	-
Fixed deposit investments	2,476,982	2,476,982	-	-	2,476,982
Cash and cash equivalents	<u>622,726</u>	<u>622,726</u>	<u>622,726</u>	-	-
Balance at 30 September 2020	<u>4,909,628</u>	<u>4,909,628</u>	<u>2,432,646</u>	-	<u>2,476,982</u>
Non-derivative financial liabilities					
Trade and other payables*	72,225,787	72,225,787	16,677,993	-	55,547,794
Bank overdraft	1,238,889	1,238,889	1,238,889	-	-
COCOBOD loan	41,985,795	49,913,814	17,198,573	2,281,479	30,433,762
Bank loans	<u>26,802,247</u>	<u>48,290,178</u>	<u>26,524,960</u>	<u>1,287,116</u>	<u>20,478,102</u>
Balance at 30 September 2020	<u>142,252,718</u>	<u>171,668,668</u>	<u>61,640,415</u>	<u>3,568,595</u>	<u>106,459,658</u>

*Statutory obligations amounting to US\$16,355,038 (2020: US\$22,308,239) have been excluded from trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

Foreign currency risk

The Company is exposed to currency risk on sales, purchases and borrowings 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.

	2021 GH¢	Euro	2020 GH¢	Euro
Assets				
Trade and other receivables	12,022,439	75,133	6,530,880	52,630
Bank balances	1,611,891	73,590	889,031	70,499
Liabilities				
Trade and other payables	(12,805,400)	(214,613)	(4,945,091)	(3,081,387)
Bank loans and overdraft	(33,581,277)	-	(5,549,480)	-
Net exposure	(32,752,346)	(65,889)	(3,074,660)	(2,958,258)

The following significant exchange rates applied during the year:

	Average rate 2021	2020	Reporting rate 2021	2020
GH¢	5.689	5.5096	5.8663	5.6858
Euro	0.9926	1.1217	0.8635	0.8363

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis on currency risks (cont'd)

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

As of 30 September		2021			2020		
In US\$		Profit or loss impact:	Profit or loss impact:		Profit or loss impact:	Profit or loss impact:	
	% Change	Strengthening	Weakening	% Change	Strengthening	Weakening	
GH¢	±3.20	2,932	(2,932)	±3.20	558,944	(558,944)	
Euro	±3.25	6	(6)	±6.61	(233,688)	233,688	

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	
	2021	2020
	US\$	US\$
Fixed rate instruments		
Bank overdraft	1,192,653	1,238,889
Loans and borrowings	<u>48,104,064</u>	<u>45,972,578</u>
	<u>49,318,346</u>	<u>47,211,467</u>
Variable rate instruments		
Bank loan	<u>24,813,946</u>	<u>22,602,084</u>

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 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		2021			2020		
	% Change	Profit and Loss impact: US\$'000	Equity US\$'000	% Change	Profit and Loss impact: US\$'000	Equity US\$'000	
Syndicated loans	±0.0076	±168	±168	±2	±468,255	±468,255	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2021 was as follows:

	2021 US\$	2020 US\$
Total liabilities	209,620,971	190,669,153
Cash and cash equivalents	<u>(1,151,241)</u>	<u>(622,726)</u>
Net debt	<u>208,469,730</u>	<u>190,046,427</u>
Equity	<u>(52,636,595)</u>	<u>(49,586,415)</u>
Net debt to equity ratio at 30 September	<u>(4.20)</u>	<u>(4.98)</u>

28. CONTINGENT LIABILITIES

There were no contingent liabilities at year-end (2020: Nil).

29. CAPITAL COMMITMENTS

Capital commitments in relation to property, plant and equipment was US\$ 319,480 at year-end (2020: US\$0.74 million).

30. GOING CONCERN CONSIDERATION

The Company incurred a loss of US\$15.09m (2020: US\$18.6m) for the year ended 30 September 2021, and as of that date its current liabilities exceeded its current assets by US\$113m (2020: US\$108.82m). In addition, total liabilities exceeded its total assets by US\$49.59m (2020: S\$38.2m).

A substantial part of the Company's liabilities is due to the majority shareholder, Ghana Cocoa Board (COCOBOD), a syndicate of banks led by Absa and Prudential Bank US\$43.6m, US\$24.8m and US\$4.51m respectively. During the year, the Company defaulted on both the principal and interest repayment to respective banks and COCOBOD.

The Company's loss-making position is significantly driven by unavailability of cocoa beans to process due to insufficient cashflow during the year.

The Directors have been in discussions with Africa Export-Import Bank (Afreximbank) to obtain a US\$86.7m loan facility. Management plans to use this loan to settle amounts due to the syndicate of banks, support its working capital requirements and retool its property, plant, and equipment to expand production capacity. Management expects the agreement to be signed by December 2023 and the first tranche disbursed by January 2024.

30. GOING CONCERN CONSIDERATION (CONTINUED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

The ability of the company to return to profitability and also settle the liabilities due within twelve months is dependent of the Afreximbank loan. At the date of this report, discussions with Afreximbank have not yet been finalised.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore, may be unable to realize its assets and discharge its liabilities in the normal course of business.

COCOBOD as at 30 September 2022 has converted loan of US\$32m and trade accounts payable of US\$55 to deposit for shares pending finalisation of a legal requirement to recognise it as stated capital.

The Directors have considered the following matters, in combination with the above mitigation and plans, in making the going concern assumption:

- Resumption of cocoa beans supply by COCOBOD on regular basis, resulting in increased production subsequent to the reporting date.
- New turnaround strategies - reduction of cost, investment in infrastructure, expansion of revenue base and product market.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

31. SELLING AND DISTRIBUTION COSTS

	2021 US\$	2020 US\$
Personnel expenses (note 22)	111,094	232,516
Wharfage handling charges	185,260	28,582
Depot expenses	61,303	15,173
Vehicle running costs	71,651	75,745
Advertising expenses	207,709	33,499
Depreciation (note 7)	13,050	221,020
Other costs	36,425	18,539
	<u>686,492</u>	<u>625,074</u>

32. GENERAL AND ADMINISTRATIVE EXPENSES

	2021 US\$	2020 US\$
Personnel expenses (note 22)	3,045,020	3,401,610
AGM expenses	28,080	19,565
Auditor's remuneration	37,000	37,000
Directors' remuneration	74,456	114,164
Insurance	89,100	86,438
Rent and security	182,601	156,022
Professional and consultancy costs	71,702	254,708
Bank charges	66,393	106,375
Office-related expenses	115,125	373,478
Other cost	161,783	-
Water and electricity	280,000	257,153
Depreciation (note 7)	57,785	228,424
Donation	10,119	8,675
	<u>4,219,164</u>	<u>5,043,612</u>

33. EVENTS AFTER THE REPORTING PERIOD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

The Directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

SHAREHOLDING DISTRIBUTION AT 30 SEPTEMBER 2021

	No. of Shareholders	No. of Shares	% Holdings
1 - 1,000	27,708	12,591,889	0.62
1,001 - 5,000	18,925	38,862,940	1.91
5,001 - 10,000	1,487	11,474,290	0.56
Over 10,001	825	1,975,147,057	96.91
	<u>48,945</u>	<u>2,038,074,176</u>	<u>100</u>

TWENTY LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2021

	No. of Shares	% Holdings
1 Ghana Cocoa Board	1,176,599,176	57.73
2 Government of Ghana c/o Ministry of Finance	532,554,100	26.13
3 Social Security & National Insurance Trust	206,754,000	10.14
4 CPC ESSPA	7,287,709	0.36
5 Badu Collins K	4,957,900	0.24
6 Integra Wealth (Ghana) Limited	2,673,500	0.13
7 Donewell Life Company Limited	1,920,000	0.09
8 Ghana Reinsurance Company Limited - General Business	1,600,000	0.08
9 Agricultural Development Bank	1,600,000	0.08
10 Osei Isaac	1,583,900	0.08
11 Ofori Daniel	1,136,100	0.06
12 Baah Matthew Mensah	960,000	0.05
13 Otchere-Boateng Lordina Justina	800,000	0.04
14 Ghana Libyan Arab Holding Company	800,000	0.04
15 Beaudoin Ladda LB	800,000	0.04
16 E H Boohene Foundation	800,000	0.04
17 Tetteh Richard Amarh	552,000	0.03
18 Adjei Seth Adjete	550,000	0.03
19 NTHC Suspense Account	496,683	0.02
20 Insurance Compensation Fund	480,000	0.02
	<u>1,944,905,068</u>	<u>95.43</u>
Others	93,169,108	4.57
	<u>2,038,074,176</u>	<u>100</u>