

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST DECEMBER, 2011

1. ACCOUNTING POLICIES

A. REPORTING ENTITY

Produce Buying Company Limited is a company registered and domiciled in Ghana. The company is authorised to buy, collect, store, transport and otherwise deal in cocoa, coffee and sheanuts produced in Ghana on behalf of Ghana Cocoa Board.

BASIS OF PREPARATION

(i) Statement of Compliance

The financial statements have been prepared in accordance with international Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standard Boards (IASB).

(ii) Basis of measurement

The financial statements were prepared on the historical cost basis except for financial instruments and other assets that are stated at fair value.

(iii) Functional and presentational currency

The financial statements are presented in Ghana cedis (GH¢) which is the company's functional currency.

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

B. DEPRECIATION

Items of property, plant and equipment are measured at Cost less accumulated depreciation and impairment losses.

The estimated useful lives are as follows:

Buildings	3%
Plant and Machinery	20%
Motor Vehicles	20%
Operational Vehicles	10%
Furniture and Equipment	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

C. INTANGIBLE ASSETS

Software acquired by the Company is stated at cost less accumulated impairment losses.

D. INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

E. TRADE AND OTHER RECEIVABLES

Trade receivables are stated at amortised costs, less impairment losses. Specific allowance for doubtful debts are made for receivables of which recovery is doubtful. Other receivables are stated at their cost less impairment losses.

F. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents comprise Cash on hand and bank balances and these are carried at amortised Cost in the balance sheet.

G. REVENUE

(i) Sale of goods

Revenue from the Sale of goods is measured at the fair value of the consideration received or receivable net of returns, trade discounts, taxes and volume rebates and is recognised when the significant risk and rewards of the ownership have been transferred to the buyer.

(ii) Sale of Services

Revenue from services rendered is recognised in the income statement when the Service is performed.

H. SEGMENT REPORTING

Segmental information is presented in respect of the Company's business segments and is based on the Company's management and internal reporting structure.

The two main business segments are:

Produce - Sale of Cocoa beans

Haulage - transporting of Cocoa beans.

PRODUCE BUYING COMPANY LIMITED

BALANCE SHEET

BALANCE SHEET	NOTE	2011 GH¢	2010 GH¢
Non-Current Assets			
Property, plant and equipment	10	38,516,161	28,853,537
Intangible assets	11	17,880	31,402
Long term investment	9	1,338,182	1,890,910
Total non-current assets		39,872,223	30,775,849
Current Assets			
Inventories	12	433,050,870	431,475,789
Trade and other receivables	13	91,558,549	202,869,890
Short term investments	14	160,449,320	14,195,199
Cash and cash equivalents	15	157,532,274	22,246,607
Total current assets		842,591,013	670,787,485
Total assets		882,463,236	701,563,334
Equity			
Stated Capital	21	15,000,000	15,000,000
Share Deals Account	21	-	-
Retained earnings		34,374,485	15,759,581
Other reserves		1,107,739	1,679,012
Total equity		50,482,224	32,438,593
Liabilities			
Deferred tax liability	8b	3,278,676	2,472,541
Income Tax liability	8a	7,193,681	8,254,515
Finance Lease	20	1,947,041	2,348,509
Medium term loan	19a	3,348,311	4,354,899
Long Term Loan	19b	5,262,033	-
Preference share capital	21	100	100
Total non-current liabilities		21,029,842	17,430,564
Bank Overdraft	17		76,917,480
Short Term Loan	18	790,925,000	564,130,000
Medium term loan (current portion)	19	1,718,498	2,235,124
Finance Lease (current portion)	20	684,795	825,995
Trade and other payables	16	17,622,877	7,585,578
Total current liabilities		810,951,170	651,694,177
Total liabilities		831,981,012	669,124,741
Total liabilities and equity		882,463,236	701,563,334

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

3 SEGMENT REPORTING

Class of Business	PRODUCE		HAULAGE		TOTALS	
	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
Segment Revenue	<u>277,707,463</u>	<u>326,455,914</u>	<u>3,681,971</u>	<u>2,853,052</u>	<u>281,389,434</u>	<u>329,308,966</u>
Segment Cost	<u>250,227,690</u>	<u>295,149,000</u>	<u>1,072,748</u>	<u>1,033,505</u>	<u>251,300,438</u>	<u>296,182,505</u>
Segment Results	<u>27,479,773</u>	<u>31,306,914</u>	<u>2,609,223</u>	<u>1,819,547</u>	30,088,996	33,126,461
Unallocated expenses					<u>(15,077,100)</u>	<u>(13,632,461)</u>
Results from Operating activities					15,011,896	19,494,000
Other Income					880,220	502,985
Net Finance Cost					<u>(11,097,457)</u>	<u>(8,826,806)</u>
Corporate tax expense					<u>(1,198,665)</u>	<u>(2,792,545)</u>
Profit for the year					<u>3,595,994</u>	<u>8,377,634</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

	2011	2010
	GH ¢	GH ¢
4 REVENUE		
Sale of Produce	277,707,463	326,455,914
Services (Haulage)	3,681,971	2,853,052
	<u>281,389,434</u>	<u>329,308,966</u>
5 ADMINISTRATIVE AND GENERAL EXPENSES including the following:		
Depreciation and amortisation	129,950	135,693
Auditors Remuneration	8,000	7,000
Directors emoluments	48,139	23,752
Subscriptions and Donations	91,731	14,272
	<u>277,820</u>	<u>180,717</u>
6 OTHER INCOME		
Rent Income	369,929	13,715
Recoveries from Shortages/Haulages	166,346	475,748
Sundry Income	317,024	6,569
Sale of Unserviceable items	26,921	6,953
	<u>880,220</u>	<u>502,985</u>
7 NET FINANCE EXPENSES		
Interest Income	887,381	130,343
Bank and Produce loan interest	(11,984,838)	(8,957,149)
	<u>(11,097,457)</u>	<u>(8,826,806)</u>

PRODUCE BUYING COMPANY LIMITED

INCOME STATEMENT
FIRST QUARTER ENDED 31ST DECEMBER, 2011

INCOME STATEMENT	NOTE	2011 GH¢	2010 GH¢
Revenue	4	<u>281,389,434</u>	<u>329,308,966</u>
Cost of Sales		<u>(251,300,438)</u>	<u>(296,182,505)</u>
Gross Profit		30,088,996	33,126,461
Other Income	6	880,220	502,985
Direct Operating Expenses		(8,211,294)	(9,151,109)
General and Administrative Expenses	5	<u>(6,865,806)</u>	<u>(4,481,352)</u>
Operating profit before financing cost		15,892,116	19,996,985
Net Finance Expenses	7	<u>(11,097,457)</u>	<u>(8,826,806)</u>
Profit before Taxation		4,794,659	11,170,179
Income Tax Expense	8a	<u>(1,198,665)</u>	<u>(2,792,545)</u>
Profit for the quarter transferred to Income Surplus Account		<u>3,595,994</u>	<u>8,377,634</u>
INCOME SURPLUS ACCOUNT		2011 GH¢	2010 GH¢
Balance at 1 October		30,778,491	7,381,947
Net Profit for the quarter		<u>3,595,994</u>	<u>8,377,634</u>
Balance at 31 December		<u>34,374,485</u>	<u>15,759,581</u>

The Financial statement do not contain untrue statement, misleading facts or omit material facts to the best of my knowledge.

KOJO ATTA-KRAH

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Kojo Atta-krah
MANAGING DIRECTOR

J. OSEI MANU

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J. OSEI MANU
DEP. MANAGING DIRECTOR (F&A)

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2011

8a TAXATION

Year of Assessment Corporate Tax	Balance at 1 October GH ¢	Payments during the year GH ¢	Charge for the year GH ¢	Balance at 30 September GH ¢
First Quarter 2011	(5,995,016)	-	(1,198,665)	(7,193,681)
	(5,995,016)	-	(1,198,665)	(7,193,681)
		-	-	-
		-	-	-

8b DEFERRED TAX

	2011	2010
Balance at 31 December	3,278,676	2,472,541

PRODUCE BUYING COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE QUARTER ENDED 31 DECEMBER 2011

Cash Flows from Operating Activities	2011	2010
	GH ¢	GH ¢
Profit before taxation	<u>4,794,659</u>	<u>11,170,179</u>
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	1,434,887	1,392,202
Interest Received	(887,381)	(130,343)
Interest expense	<u>11,984,838</u>	<u>8,957,149</u>
Operating Profit Before Working Capital Changes	17,327,003	21,389,187
Change in inventories	(315,478,196)	(334,271,081)
Change in trade and other receivables	(30,803,852)	(170,313,911)
Change in trade and other payables	<u>(196,939)</u>	<u>(835,107)</u>
Cash generated from operations	(329,151,984)	(484,030,912)
Income taxes paid	-	-
Net cash flow from operating activities	(329,151,984)	(484,030,912)
 Cash flow from investing activities		
Interest Received	887,381	130,343
Interest paid	(11,984,838)	(8,957,149)
Payments to acquire assets	<u>(2,811,805)</u>	<u>(814,719)</u>
Net Cash used in Investing Activities	(13,909,262)	(9,641,525)
 Cash flows from Financing Activities		
Short Term Loan	641,099,416	463,541,338
Short Term Investment	(135,549,281)	(9,074,245)
Medium Term Loan	(2,419,601)	(493,917)
Long Term Loan	<u>5,262,033</u>	<u>-</u>
Net Cash used in Financing Activities	503,130,534	453,973,176
 Net Increase in Cash and Cash equivalents	160,069,288	(39,699,261)
Cash and Cash equivalents at 1 October	(2,437,014)	(14,971,612)
Cash and Cash equivalents at 31 December	<u>157,632,274</u>	<u>(54,670,873)</u>

Analysis of changes in cash and cash equivalents.

	1st October	Cash Flow	31st December
	2011		2011
	GH ¢		GH ¢
Cash in Hand and at Bank	<u>32,128,303</u>	125,503,971	<u>157,632,274</u>
Bank overdraft	(34,565,317)	34,565,317	-
	<u>(2,437,014)</u>	<u>160,069,288</u>	<u>157,632,274</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

10 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings GH ¢	Plant and Machinery GH ¢	Motor Vehicles GH ¢	Furniture & Fitting GH ¢	Building W.I.P GH ¢	Total GH ¢
COST						
Balance at 1.10.2011:	9,023,729	7,441,498	38,741,397	1,695,061	775,048	57,676,733
Additions during the quarter	44,600	1,371,161	679,547	130,138	586,359	2,811,805
Disposals						
Balance at 31.12.2011	9,068,329	8,812,659	39,420,944	1,825,199	1,361,407	60,488,538
Depreciation						
Balance at 1.10.2011:	1,412,759	4,913,418	13,119,343	1,095,350	-	20,540,870
Charge for the quarter	68,450	303,332	1,001,605	58,120	-	1,431,507
Released on Disposals						
Balance at 31.12.2011	1,481,209	5,216,750	14,120,948	1,153,470	-	21,972,377
Carrying amounts						
At 31.12.11	7,587,120	3,595,909	25,299,996	671,729	1,361,407	38,516,161
At 31.12.10	3,395,789	2,792,802	19,623,371	393,009	2,648,566	28,853,537

PRODUCE BUYING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2011

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CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share Capital	Retained Earnings	Share Deals	Other Reserves	Total Equity
	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at 01.10.11	15,000,000	30,778,491	-	1,595,012	47,373,503
Total recognised Income and Expenses	-	3,595,994	-	-	3,595,994
Movement in available for sale asset				(487,273)	
Balance at 31.12.11	15,000,000	34,374,485	-	1,107,739	50,482,224

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2011

9	LONG TERM INVESTMENTS	2011 GH¢	2010 GH¢
	Quoted Equity Investments	<u>1,338,182</u>	<u>1,890,910</u>

This represent **727,273** of equity shares of no par value held in
Ghana Commercial Bank Limited

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

	2011 GH ¢	2010 GH ¢
13 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	84,126,479	197,132,423
Other receivables	6,560,320	4,952,110
Staff Loans and Advances	656,000	697,650
Staff Loans Discounted	(19,250)	(25,813)
Prepayments	235,000	113,520
	<u>91,558,549</u>	<u>202,869,890</u>

- a. Prepayments represent the unexpired portion of certain expenditure spread on time basis.
- b. The maximum amount due from employees of the Company during the quarter did not exceed GH¢656,000(2010 - GH¢697,650)

	GH ¢	GH ¢
14 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	160,346,320	14,127,199
Treasury Bills	103,000	68,000
	<u>160,449,320</u>	<u>14,195,199</u>
15 CASH AND CASH EQUIVALENTS		
Bank Balances	157,531,774	22,246,347
Cash Balances	500	260
	<u>157,532,274</u>	<u>22,246,607</u>
16 ACCOUNTS PAYABLE		
Trade payables due to related parties	-	12,580
Non-trade payables and accrued expenses	8,116,715	856,450
Accrued Charges	9,506,162	6,716,548
	<u>17,622,877</u>	<u>7,585,578</u>

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2011

	2011 GH¢	2010 GH¢
11 INTANGIBLE ASSETS		
Balance at 1 October	67,608	67,608
Acquisition	-	-
Balance at 31 December	<u>67,608</u>	<u>67,608</u>
Amortisation		
Balance at 1 October	46,348	32,826
Amortisation for the quarter	<u>3,380</u>	<u>3,380</u>
Balance at 31 December	<u>49,728</u>	<u>36,206</u>
Carrying amount		
At 31 December	<u>17,880</u>	<u>31,402</u>
This relate to the cost of purchased computer software.		
12 INVENTORIES		
<u>Trading:</u>		
Cocoa	432,063,620	157,527,150
Sheanut	-	3,030,716
Non-Trading	<u>987,250</u>	<u>875,000</u>
	<u>433,050,870</u>	<u>161,432,866</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

17	BANK OVERDRAFT	<u>2011</u> GH ¢	<u>2010</u> GH ¢
	Ecobank Ghana Limited	-	5,197,920
	Stanbic Bank	-	20,353,836
	Ghana Commercial Bank	-	6,427,687
	Agricultural Development Bank	-	9,981,856
	SG-SSB Limited	-	20,418,873
	Zenith Bank	-	5,014,414
	NIB	-	9,304,711

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

	2011 GH ₵	2010 GH ₵
18 SHORT TERM LOANS		
Produce Loan (Seed Fund)	293,000,000	354,000,000
Bank Short Term Loan	497,925,000	101,500,000
CTOR Advances		108,630,000
	<u>790,925,000</u>	<u>564,130,000</u>
MEDIUM TERM LOAN		
19a Barclays Bank Ghana Limited	125,000	1,500,000
Standard Chartered Bank	-	133,000
Ecobank Limited	3,692,505	3,174,504
NIB	1,267,207	1,815,634
Processing Fee	(17,903)	(33,115)
	<u>5,066,809</u>	<u>6,590,023</u>
Current portion payable within 12 months	1,718,498	2,235,124
Long term portion payable after 12 months	<u>3,348,311</u>	<u>4,354,899</u>
LONG TERM LOAN		
	2011 GH ₵	2010 GH ₵
19b Ghana Cocoa Board	<u>5,262,033</u>	<u>-</u>

The company was granted a long term loan of US\$10,000,000 by Ghana Cocoa Board towards the establishment of PBC Shea Limited a subsidiary of the company. The facility is for a period of eight years with a two year moratorium, and it is secured by Cocoa Taken Over receivables, Butter proceeds from the factory and take over of the plant and equipment of PBC-Shea limited. Interest rate is at 8.5% on reducing balance basis.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

	<u>2011</u> GH¢	<u>2010</u> GH¢
20 FINANCE LEASE		
Current portion payable within 12 months	684,795	825,995
Long term portion payable after 12 months	<u>1,947,041</u>	<u>2,348,509</u>
	<u><u>2,631,836</u></u>	<u><u>3,174,504</u></u>

The company has been granted a Finance Lease by SG-SSB of GH¢4,000,000 for the purchase of 5 TGM (4x2) cargo trucks, 10 articulator trucks and 15 BMC cargo trucks. The facility is for a period of (7) years. The interest rate is at the bank's base rate of 20.75% less 2.5% (18.25%). The total Lease rental payable at the prevailing rate of 18.25% shall be GH¢6,606,778.62, and the Bank has granted six (6) months moratorium for the repayment of the principal amount granted.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

21 STATED CAPITAL

	2011		2010	
a Ordinary shares	No. of Shares	Proceeds GH¢	No. of Shares	Proceeds GH¢
Authorised Ordinary Shares of no par value	20,000,000,000		20,000,000,000	
	<hr/> <hr/>		<hr/> <hr/>	
Issued and fully paid				
For cash	2,005,000		2,005,000	1,586,800
For consideration other than cash	477,995,000		477,995,000	13,413,200
	480,000,000	-	480,000,000	15,000,000
	<hr/> <hr/>		<hr/> <hr/>	

The holders of the ordinary shares are entitled to receive dividend declared from time to time and are entitled to one vote per share at meetings of the company.

b Preference shares	No. of Shares	Proceeds	No. of Shares	Proceeds
No. of preference shares	1	100	1	100
	<hr/> <hr/>		<hr/> <hr/>	
Total stated capital		15,000,000		15,000,100
		<hr/> <hr/>		<hr/> <hr/>

The preference shares are redeemable (golden cocoa share) allotted to the Ministry of Finance on behalf of Government of Ghana.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2011

c Share in treasury

Shares in Treasury as at 30 September 2010:-1,931,068 (2009 - 1,246,467).

d Income surplus (Retained earning)

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

e Share deals

This represents the net effect of shares which the company repurchased into treasury that are available for reissue for the consideration of GH¢1,982 and reclassification of the proceeds of redeemable preference shares of GH¢100 from equity.

f Other reserves

This represents the gain arising from fair value changes of long term investment in Ghana Commercial Bank Limited shares

TITLE DEED

- a** Included in the ordinary shares issued for consideration other than cash is an amount of GH¢954,000 which represents part of the value of fixed assets ceded to Produce Buying Company Limited by Ghana Cocoa Board. As mentioned in our report , we have not had sight of the Title Deed of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets. However, in a letter dated November 18, 1999 the Government of Ghana gave the following undertaking :
- b** "The Government has taken over the interest of the Ghana Cocoa Board(Cocobod) in PBC and accordingly undertakes to ensure that the Cocobod takes all steps required of it under the Ceding Agreement of June 30, 1999 executed between the Cocobod and PBC including but not limited to the perfection of all interests and the execution of all documents to effectuate the cession of assets to PBC".
- c** "The Government further assures the investing public that in the event of Cocobod failing its obligations under the cession agreement, it will take such additional steps including but not limited to compulsory acquisition and arranging of payment of adequate compensation by Cocobod so as to concretise the interest of PBC in the said assets".