

PBC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST DECEMBER, 2014

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.

PBC LIMITED

BALANCE SHEET

BALANCE SHEET	NOTE	2014 GH¢	2013 GH¢
Non-Current Assets			
Property, plant and equipment	10	75,392,544	81,309,718
Investment in Subsidiaries	20	57,533,966	15,838,055
Long term investment	9	3,854,547	3,527,274
Total non-current assets		136,781,057	100,675,047
Current Assets			
Inventories	11	256,319,589	430,010,561
Trade and other receivables	12	254,558,949	180,041,648
Short term investments	13	32,100,000	74,100,000
Cash and cash equivalents	14	77,674,510	44,050,134
Total current assets		620,653,048	728,202,343
Total assets		757,434,105	828,877,390
Equity			
Stated Capital	22a	15,000,000	15,000,000
Retained earnings	22c	14,641,431	24,553,520
Other reserves	22e	3,624,144	3,296,831
Total equity		33,265,575	42,850,351
Liabilities			
Deferred tax liability	8b	468,481	1,791,969
Income Tax liability	8a	6,368,509	3,059,684
Finance Lease	21	4,687,374	0
Medium term loan	18	7,426,062	11,905,246
Long Term Loan	19	8,334,072	5,262,033
Preference share capital	22b	100	100
Total non-current liabilities		27,284,598	22,019,032
Bank Overdraft	16	160,852,739	196,936,713
Short Term Loan	17	528,000,000	555,250,174
Medium term loan (current portion)	18	3,193,053	4,279,637
Finance Lease (current portion)	21	926,811	784,489
Trade and other payables	15	3,911,329	6,756,994
Total current liabilities		696,883,932	764,008,007
Total liabilities		724,168,530	786,027,039
Total liabilities and equity		757,434,105	828,877,390

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

3 SEGMENT REPORTING

Class of Business	PRODUCE		HAULAGE		TOTALS	
	2014 GH¢	2013 GH¢	2014 GH¢	2013 GH¢	2014 GH¢	2013 GH¢
Segment Revenue	<u>676,333,138</u>	<u>340,337,317</u>	<u>5,524,845</u>	<u>3,284,051</u>	<u>681,857,983</u>	<u>343,621,368</u>
Segment Cost	<u>602,937,432</u>	<u>307,798,136</u>	<u>1,657,454</u>	<u>1,313,620</u>	<u>604,594,886</u>	<u>309,111,756</u>
Segment Results	<u>73,395,706</u>	<u>32,539,181</u>	<u>3,867,391</u>	<u>1,970,431</u>	<u>77,263,097</u>	<u>34,509,612</u>
Unallocated expenses					<u>(30,414,318)</u>	<u>(18,300,532)</u>
Results from Operating activities					<u>46,848,779</u>	<u>16,209,080</u>
Other Income					586,123	950,787
Net Finance Cost					<u>(21,960,867)</u>	<u>(10,505,254)</u>
Corporate tax expense					<u>(6,368,509)</u>	<u>(1,218,896)</u>
Profit for the year					<u>19,105,526</u>	<u>5,435,717</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

	2014	2013
	GH ¢	GH ¢
4 REVENUE		
Sale of Produce	676,333,138	340,337,317
Services (Haulage)	5,524,845	3,284,051
	<u>681,857,983</u>	<u>343,621,368</u>
5 ADMINISTRATIVE AND GENERAL EXPENSES including the following:		
Depreciation and amortisation	317,837	235,450
Auditors Remuneration	10,867	9,000
Directors emoluments	63,392	88,711
Subscriptions and Donations	28,113	26,122
	<u>420,209</u>	<u>359,283</u>
6 OTHER INCOME		
Rent Income	32,545	469,978
Recoveries from Shortages/Haulages	553,078	473,731
Sundry Income	500	7,078
	<u>586,123</u>	<u>950,787</u>
7 NET FINANCE EXPENSES		
Interest Income	44,056	698,103
Bank and Produce loan interest	(22,004,922)	(11,203,357)
	<u>(21,960,866)</u>	<u>(10,505,254)</u>

PBC LIMITED

INCOME STATEMENT
FIRST QUARTER ENDED 31ST DECEMBER, 2014

INCOME STATEMENT	NOTE	2014 GH¢	2013 GH¢
Revenue	4	<u>681,857,983</u>	<u>343,621,368</u>
Cost of Sales		<u>(604,594,886)</u>	<u>(309,111,756)</u>
Gross Profit		77,263,097	34,509,612
Other Income	6	586,123	950,787
Direct Operating Expenses		(19,412,908)	(10,167,340)
General and Administrative Expenses	5	<u>(11,001,410)</u>	<u>(9,912,220)</u>
Operating profit before financing cost		47,434,902	15,380,839
Net Finance Expenses	7	<u>(21,960,867)</u>	<u>(10,505,254)</u>
Profit before Taxation		25,474,035	4,875,585
Income Tax Expense	8a	<u>(6,368,509)</u>	<u>(1,218,896)</u>
Profit for the quarter transferred to Income Surplus Account		<u><u>19,105,526</u></u>	<u><u>3,656,689</u></u>
INCOME SURPLUS ACCOUNT		2014 GH¢	2013 GH¢
Balance at 1 October		(4,464,095)	20,896,831
Net Profit for the quarter		<u>19,105,526</u>	<u>3,656,689</u>
Balance at 31 December		<u><u>14,641,431</u></u>	<u><u>24,553,520</u></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)

PBC LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31ST DECEMBER 2014

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 2014	-	-	6,368,509	(6,368,509)
	-		6,368,509	(6,368,509)

8b DEFERRED TAX

	2014	2013
Balance at 31 December	468,481	1,791,969

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

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 1.10.2014:	21,206,947	14,078,403	50,596,045	3,173,281	29,582,894	118,637,570
Additions during the quarter	20,156	1,729,478	-	128,215	687,265	2,565,114
Disposals						
Balance at 31.12.2014	21,227,103	15,807,881	50,596,045	3,301,496	30,270,159	121,202,684
Depreciation						
Balance at 1.10.2014:	2,780,257	10,126,994	28,049,364	2,261,807	-	43,218,422
Charge for the quarter	152,762	869,552	1,404,329	165,075	-	2,591,718
Released on Disposals						
Balance at 31.12.2014	2,933,019	10,996,546	29,453,693	2,426,882	-	45,810,140
Carrying amounts						
At 31.12.14	18,294,084	4,811,335	21,142,352	874,614	30,270,159	75,392,544
At 31.12.13	10,823,340	3,491,723	26,464,289	903,128	39,627,238	81,309,718

PBC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2014

2

CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share Capital	Retained Earnings	Other Reserves	Total Equity
	GHç	GHç	GHç	GHç
Balance at 01.10.14	15,000,000	(4,464,095)	3,500,467	14,036,372
Total recognised Income and Expenses	-	19,105,526	-	19,105,526
Movement in available for sale asset			123,677	123,677
Balance at 31.12.14	15,000,000	14,641,431	3,624,144	33,265,575

PBC LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2014

Cash Flows from Operating Activities	2014 GH ¢	2013 GH ¢
Profit before taxation	25,474,035	4,875,585
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	2,591,718	2,297,303
Interest Received	(44,055)	(698,103)
Interest expense	22,004,922	11,203,357
Operating Profit Before Working Capital Changes	50,026,620	17,678,142
Change in inventories	(221,543,711)	(373,095,776)
Change in trade and other receivables	(167,704,476)	(120,465,849)
Change in trade and other payables	(7,748,071)	(3,196,283)
Cash generated from operations	(346,969,638)	(479,079,766)
Income taxes paid	-	-
Net cash flow from operating activities	(346,969,638)	(479,079,766)
Cash flow from investing activities		
Interest Received	44,055	698,103
Interest paid	(22,004,922)	(11,203,357)
Payments to acquire assets	(2,565,114)	(1,684,452)
Net Cash used in Investing Activities	(24,525,981)	(12,189,706)
Cash flows from Financing Activities		
Short Term Loan	409,805,000	530,666,674
Medium Term Loan	(5,688,136)	(641,926)
Finance lease	(99,509)	(255,986)
Net Cash used in Financing Activities	404,017,355	529,768,762
Net Increase in Cash and Cash equivalents	32,521,736	38,499,290
Cash and Cash equivalents at 1 October	(83,599,965)	(191,385,869)
Cash and Cash equivalents at 31 December	(51,078,229)	(152,886,579)

Analysis of changes in cash and cash equivalents.

	1st October 2014 GH ¢	Cash Flow	31st December 2014 GH ¢
Cash in Hand and at Bank	27,986,677	49,687,833	77,674,510
Bank overdraft	(159,123,779)	(1,728,960)	(160,852,739)
Short Term Investment	47,537,137	(15,437,137)	32,100,000
	(83,599,965)	32,521,736	(51,078,229)

PBC LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2014

9	LONG TERM INVESTMENTS	2014 GH¢	2013 GH¢
	Quoted Equity Investments	<u>3,854,547</u>	<u>3,527,274</u>

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

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

	2014 GH ¢	2013 GH ¢
12 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	209,060,206	160,405,691
Other receivables	38,524,986	16,515,475
Staff Loans and Advances	5,133,810	2,565,883
Staff Loans Discounted	(4,753)	(691)
Prepayments	1,844,700	555,290
	<u>254,558,949</u>	<u>180,041,648</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¢5,133,810(2013 - GH¢2,565,883)

	GH ¢	GH ¢
13 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	32,100,000	74,000,000
Treasury Bills	-	100,000
	<u>32,100,000</u>	<u>74,100,000</u>
14 CASH AND CASH EQUIVALENTS		
Bank Balances	77,669,010	44,047,634
Cash Balances	5,500	2,500
	<u>77,674,510</u>	<u>44,050,134</u>
15 ACCOUNTS PAYABLE		
Non-trade payables and accrued expenses	2,925,655	5,698,430
Accrued Charges	985,674	1,058,564
	<u>3,911,329</u>	<u>6,756,994</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

	2014	2013
	GH¢	GH¢
	<hr/>	<hr/>
11 INVENTORIES		
<u>Trading:</u>		
Cocoa	224,062,634	417,369,276
Sheanut	26,516,830	11,006,285
Non-Trading	<u>5,740,125</u>	<u>1,635,000</u>
	<u><u>256,319,589</u></u>	<u><u>430,010,561</u></u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

16	BANK OVERDRAFT	2014	2013
		GH ¢	GH ¢
	Ecobank Ghana Limited	39,956,230	5,191,865
	Ghana Commercial Bank	30,493,479	49,438,228
	Barclays Bank	20,217,347	49,795,496
	SG-SSB Limited	22,156,907	25,930,869
	SCB Ltd	17,406,483	18,992,224
	Stanbic Bank	11,164,279	17,131,915
	HFC	19,458,014	30,456,116
		160,852,739	196,936,713

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER 2014

	2014 GH ¢	2013 GH ¢
17 SHORT TERM LOANS		
Produce Loan (Seed Fund)	478,000,000	450,250,174
Bank Short Term Loan	50,000,000	105,000,000
	<u>528,000,000</u>	<u>555,250,174</u>
18 MEDIUM TERM LOAN		
SG-SSB	6,394,724	9,654,432
Ecobank Limited	1,423,187	2,070,285
NIB	2,825,599	4,497,263
Processing Fee	(24,395)	(37,097)
	<u>10,619,115</u>	<u>16,184,883</u>
Current portion payable within 12 months	3,193,053	4,279,637
Long term portion payable after 12 months	<u>7,426,062</u>	<u>11,905,246</u>
LONG TERM LOAN	2014	2013
19 Ghana Cocoa Board	<u><u>8,334,072</u></u>	<u><u>5,262,033</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 year 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.

	2014 GH ¢	2013 GH ¢
20 INVESTMENT IN SUBSIDIARIES		
Buipe Shea Nut Company Limited	28,901,966	15,838,055
Golden Bean Hotel Limited	28,632,000	0
Balance at 30 September	<u><u>57,533,966</u></u>	<u><u>15,838,055</u></u>

This represents PBC Limited investment in two subsidiaries, namely PBC Shea Ltd. and Golden Bean Hotel Limited. The PBC Shea Ltd. is a state of the art factory established to process sheanut into shea butter for export and it is located at Buipe in the Central Gonja District. The Golden Bean Hotel is a 50 Room hospitality facility located at Nyiaeso in the Kumasi Metropolis.

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

	<u>2014</u> <u>GH¢</u>	<u>2013</u> <u>GH¢</u>
21 FINANCE LEASE		
Current portion payable within 12 months	926,811	784,489
Long term portion payable after 12 months	4,687,374	-
	<u>5,614,185</u>	<u>784,489</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.

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

22 STATED CAPITAL

	2014		2013	
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	1,586,800	2,005,000	1,586,800
For consideration other than cash	477,995,000	13,413,200	477,995,000	13,413,200
	480,000,000	15,000,000	480,000,000	15,000,000
	<hr/> <hr/>	<hr/> <hr/>	<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	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
Total stated capital	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		100		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.

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014

c Share in treasury

Shares in Treasury as at 30 September 2014:-1,877,370 (2013 -1,907,170).

d Income surplus (Retained earning)

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

e Other reserves

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

	2014	2013
	GH¢	GH¢
Balance at 1st October	3,500,467	3,624,104
Revaluation	123,677	(327,273)
Balance at 30th September	<u>3,624,144</u>	<u>3,296,831</u>

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".