

PBC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST DECEMBER, 2015

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 three main business segments are:

Produce - Sale of Cocoa beans

Sheanut - Sale of sheanut

Haulage - transporting of Cocoa beans.

PBC LIMITED**BALANCE SHEET**

BALANCE SHEET	NOTE	2015 GH¢	2014 GH¢
Non-Current Assets			
Property, plant and equipment	10	101,249,027	75,392,544
Investment in Subsidiaries	20	69,805,596	57,533,966
Long term investment	9	2,756,365	3,854,547
Total non-current assets		173,810,988	136,781,057
Current Assets			
Inventories	11	396,077,470	256,319,589
Trade and other receivables	12	412,654,604	254,558,949
Short term investments	13	73,616,666	32,100,000
Cash and cash equivalents	14	152,103,402	77,674,510
Total current assets		1,034,452,142	620,653,048
Total assets		1,208,263,130	757,434,105
Equity			
Stated Capital	22a	15,000,000	15,000,000
Retained earnings	22c	21,799,631	14,641,431
Other reserves	22e	2,525,962	3,624,144
Total equity		39,325,593	33,265,575
Liabilities			
Deferred tax liability	8b	1,725,042	468,481
Income Tax liability	8a	6,645,441	6,368,509
Finance Lease	21	3,347,579	4,687,374
Medium term loan	18	12,804,633	7,426,062
Long Term Loan	19	13,351,610	8,334,072
Preference share capital	22b	100	100
Total non-current liabilities		37,874,405	27,284,598
Bank Overdraft	16	140,768,081	160,852,739
Short Term Loan	17	980,745,409	528,000,000
Medium term loan (current portion)	18	3,797,690	3,193,053
Finance Lease (current portion)	21	1,122,644	926,811
Trade and other payables	15	4,629,308	3,911,329
Total current liabilities		1,131,063,132	696,883,932
Total liabilities		1,168,937,537	724,168,530
Total liabilities and equity		1,208,263,130	757,434,105

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2015

3 SEGMENT REPORTING	PRODUCE		SHEANUT		HAULAGE		TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Class of Business								
Segment Revenue	<u>983,209,696</u>	<u>676,333,138</u>	<u>1,036,000</u>	<u>-</u>	<u>8,849,520</u>	<u>5,524,845</u>	<u>993,095,216</u>	<u>681,857,983</u>
Segment Cost	<u>(878,144,425)</u>	<u>602,937,432</u>	<u>(904,400)</u>	<u>-</u>	<u>(3,982,284)</u>	<u>1,657,454</u>	<u>(883,031,109)</u>	<u>604,594,886</u>
Segment Results	<u>105,065,271</u>	<u>73,395,706</u>	<u>131,600</u>	<u>-</u>	<u>4,867,236</u>	<u>3,867,391</u>	<u>110,064,107</u>	<u>77,263,097</u>
Unallocated expenses							<u>(38,786,647)</u>	<u>(30,414,318)</u>
Results from Operating activities							<u>71,277,460</u>	<u>46,848,779</u>
Other Income							<u>1,072,760</u>	<u>586,123</u>
Net Finance Cost							<u>(45,692,458)</u>	<u>(21,960,867)</u>
Corporate tax expense							<u>(6,664,441)</u>	<u>(6,368,509)</u>
Profit for the year							<u>19,993,321</u>	<u>19,105,526</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2015

	2015	2014
	GH ¢	GH ¢
4 REVENUE		
Sale of Produce	983,209,696	676,333,138
Sheanut	1,036,000	-
Services (Haulage)	8,849,520	5,524,845
	<u>993,095,216</u>	<u>681,857,983</u>
5 ADMINISTRATIVE AND GENERAL EXPENSES including the following:		
Depreciation and amortisation	328,090	317,837
Auditors Remuneration	12,500	10,867
Directors emoluments	48,578	63,392
Subscriptions and Donations	18,525	28,113
	<u>407,693</u>	<u>420,209</u>
6 OTHER INCOME		
Rent Income	31,428	32,545
Recoveries from Shortages/Haulages	1,041,332	553,078
Sundry Income		500
	<u>1,072,760</u>	<u>586,123</u>
7 NET FINANCE EXPENSES		
Interest Income	163,808	44,056
Bank and Produce loan interest	(45,856,266)	(22,004,922)
	<u>(45,692,458)</u>	<u>(21,960,866)</u>

PBC LIMITED

INCOME STATEMENT
FIRST QUARTER ENDED 31ST DECEMBER, 2015

INCOME STATEMENT	NOTE	2015 GH¢	2014 GH¢
Revenue	4	<u>993,095,216</u>	<u>681,857,983</u>
Cost of Sales		<u>(883,031,109)</u>	<u>(604,594,886)</u>
Gross Profit		110,064,107	77,263,097
Other Income	6	1,072,760	586,123
Direct Operating Expenses		<u>(26,364,181)</u>	<u>(19,412,908)</u>
General and Administrative Expenses	5	<u>(12,422,466)</u>	<u>(11,001,410)</u>
Operating profit before financing cost		72,350,220	47,434,902
Net Finance Expenses	7	<u>(45,692,458)</u>	<u>(21,960,867)</u>
Profit before Taxation		26,657,762	25,474,035
Income Tax Expense	8a	<u>(6,664,441)</u>	<u>(6,368,509)</u>
Profit for the quarter transferred to Income Surplus Account		<u>19,993,321</u>	<u>19,105,526</u>
INCOME SURPLUS ACCOUNT		2015 GH¢	2014 GH¢
Balance at 1 October		1,806,310	(4,464,095)
Net Profit for the quarter		<u>19,993,321</u>	<u>19,105,526</u>
Balance at 31 December		<u>21,799,631</u>	<u>14,641,431</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 2015

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 2015	-	(19,000)	6,664,441	6,645,441
	-	(19,000)	6,664,441	6,645,441

8b DEFERRED TAX

	2015	2014
Balance at 31 December	1,725,042	468,481

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2015

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 1.10.2015:	19,228,366	16,019,256	71,335,093	3,744,126	43,696,327	154,023,168
Additions during the quarter	100,000	2,011,426	318,956	47,121	1,674,631	4,152,134
Disposals						
Balance at 31.12.2015	19,328,366	18,030,682	71,654,049	3,791,247	45,370,958	158,175,302
Depreciation						
Balance at 1.10.2015:	3,151,332	11,983,838	35,383,924	2,747,851	-	53,266,945
Charge for the quarter	138,528	957,562	2,373,677	189,563	-	3,659,330
Released on Disposals						
Balance at 31.12.2015	3,289,860	12,941,400	37,757,601	2,937,414	-	56,926,275
Carrying amounts						
At 31.12.15	16,038,506	5,089,282	33,896,448	853,833	45,370,958	101,249,027
At 31.12.14	18,294,084	4,811,335	21,142,352	874,614	30,270,159	75,392,544

PBC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2015

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CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share Capital	Retained Earnings	Other Reserves	Total Equity
	GH¢	GH¢	GH¢	GH¢
Balance at 01.10.15	15,000,000	1,806,310	2,467,780	19,274,090
Total recognised Income and Expenses	-	19,993,321	-	19,993,321
Movement in available for sale asset			58,182	58,182
Balance at 31.12.15	15,000,000	21,799,631	2,525,962	39,325,593

PBC LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2015

Cash Flows from Operating Activities	2015 GH ¢	2014 GH ¢
Profit before taxation	<u>26,657,762</u>	<u>25,474,035</u>
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	3,659,330	2,591,718
Interest Received	(163,808)	(44,055)
Interest expense	<u>45,856,266</u>	<u>22,004,922</u>
Operating Profit Before Working Capital Changes	76,009,550	50,026,620
Change in inventories	(336,689,362)	(221,543,711)
Change in trade and other receivables	(287,198,785)	(167,704,476)
Change in trade and other payables	<u>(8,647,682)</u>	<u>(7,748,071)</u>
Cash generated from operations	(556,526,279)	(346,969,638)
Income taxes paid	<u>19,000</u>	<u>-</u>
Net cash flow from operating activities	(556,507,279)	(346,969,638)
Cash flow from investing activities		
Interest Received	163,808	44,055
Interest paid	(45,856,266)	(22,004,922)
Payments to acquire assets	<u>(4,152,134)</u>	<u>(2,565,114)</u>
Net Cash used in Investing Activities	(49,844,592)	(24,525,981)
Cash flows from Financing Activities		
Short Term Loan	857,106,318	409,805,000
Medium Term Loan	2,150,475	(5,688,136)
Finance lease	<u>(175,841)</u>	<u>(99,509)</u>
Net Cash used in Financing Activities	859,080,952	404,017,355
Net Increase in Cash and Cash equivalents	252,729,081	32,521,736
Cash and Cash equivalents at 1 October	(167,777,094)	(83,599,965)
Cash and Cash equivalents at 31 December	<u>84,951,987</u>	<u>(51,078,229)</u>

Analysis of changes in cash and cash equivalents.

	1st October 2015 GH ¢	Cash Flow	31st December 2015 GH ¢
Cash in Hand and at Bank	<u>43,796,209</u>	108,307,193	<u>152,103,402</u>
Bank overdraft	(236,413,334)	95,645,253	(140,768,081)
Short Term Investment	<u>24,840,031</u>	<u>48,776,635</u>	<u>73,616,666</u>
	<u>(167,777,094)</u>	<u>252,729,081</u>	<u>84,951,987</u>

PBC LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2015

9	LONG TERM INVESTMENTS	2015 GH¢	2014 GH¢
	Quoted Equity Investments	<u>2,756,365</u>	<u>3,854,547</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 2015

	2015 GH ¢	2014 GH ¢
12 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	361,096,007	209,060,206
Other receivables	46,656,200	38,524,986
Staff Loans and Advances	2,353,120	5,133,810
Staff Loans Discounted	3,512	(4,753)
Prepayments	2,545,765	1,844,700
	<u>412,654,604</u>	<u>254,558,949</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¢2,353,120(2014 - GH¢5,133,810)

	GH ¢	GH ¢
13 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	73,616,666	32,100,000
Treasury Bills	1,580,034	-
	<u>73,616,666</u>	<u>32,100,000</u>
14 CASH AND CASH EQUIVALENTS		
Bank Balances	152,095,752	77,669,010
Cash Balances	7,650	5,500
	<u>152,103,402</u>	<u>77,674,510</u>
15 ACCOUNTS PAYABLE		
Non-trade payables and accrued expenses	4,365,345	2,925,655
Accrued Charges	2,876,000	985,674
	<u>7,241,345</u>	<u>3,911,329</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2015

	2015	2014
	GH¢	GH¢
	<hr/>	<hr/>
11 INVENTORIES		
<u>Trading:</u>		
Cocoa	359,168,775	224,062,634
Sheanut	31,716,248	26,516,830
Non-Trading	5,192,447	5,740,125
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	396,077,470	256,319,589
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PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2015

16	BANK OVERDRAFT	<u>2015</u> GH ¢	<u>2014</u> GH ¢
	Ecobank Ghana Limited	-	39,956,230
	Ghana Commercial Bank	40,064,423	30,493,479
	Barclays Bank	-	20,217,347
	SG-SSB Limited	26,133,024	22,156,907
	SCB Ltd	-	17,406,483
	Stanbic Bank	-	11,164,279
	HFC	-	19,458,014
	NIB	53,990,686	-
	UBA	14,037,581	-
	Bank Of Africa	6,542,367	-
		<u>140,768,081</u>	<u>160,852,739</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER 2015

	2015 GH ¢	2014 GH ¢
17 SHORT TERM LOANS		
Produce Loan (Seed Fund)	880,745,409	478,000,000
Bank Short Term Loan	100,000,000	50,000,000
	<u>980,745,409</u>	<u>528,000,000</u>
18 MEDIUM TERM LOAN		
Stanchart	11,318,276	-
SG-SSB	4,537,669	6,394,724
Ecobank Limited	-	1,423,187
NIB	747,669	2,825,599
Processing Fee	(1,291)	(24,395)
	<u>16,602,323</u>	<u>10,619,115</u>
Current portion payable within 12 months	3,797,690	3,193,053
Long term portion payable after 12 months	<u>12,804,633</u>	<u>7,426,062</u>
LONG TERM LOAN		
	2015 GH ¢	2014 GH ¢
19 Ghana Cocoa Board	<u>13,351,610</u>	<u>8,334,072</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.

	2015 GH ¢	2014 GH ¢
20 INVESTMENT IN SUBSIDIARIES		
Buipe Shea Nut Company Limited	37,555,596	28,901,966
Golden Bean Hotel Limited	32,250,000	28,632,000
Balance at 30 September	<u>69,805,596</u>	<u>57,533,966</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 Metropolies.

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2015

	2014	2013
	GH¢	GH¢
21 FINANCE LEASE		
Current portion payable within 12 months	1,122,644	926,811
Long term portion payable after 12 months	3,347,579	4,687,374
	4,470,223	5,614,185
	4,470,223	5,614,185

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 2015

c Share in treasury

Shares in Treasury as at 30 September 2015:- 1,877,370 (2014 -1,877,370).

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

	2015 GH¢	2014 GH¢
Balance at 1st October	2,467,780	3,500,467
Revaluation	58,182	123,677
Balance at 30th September	2,525,962	3,624,144

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".