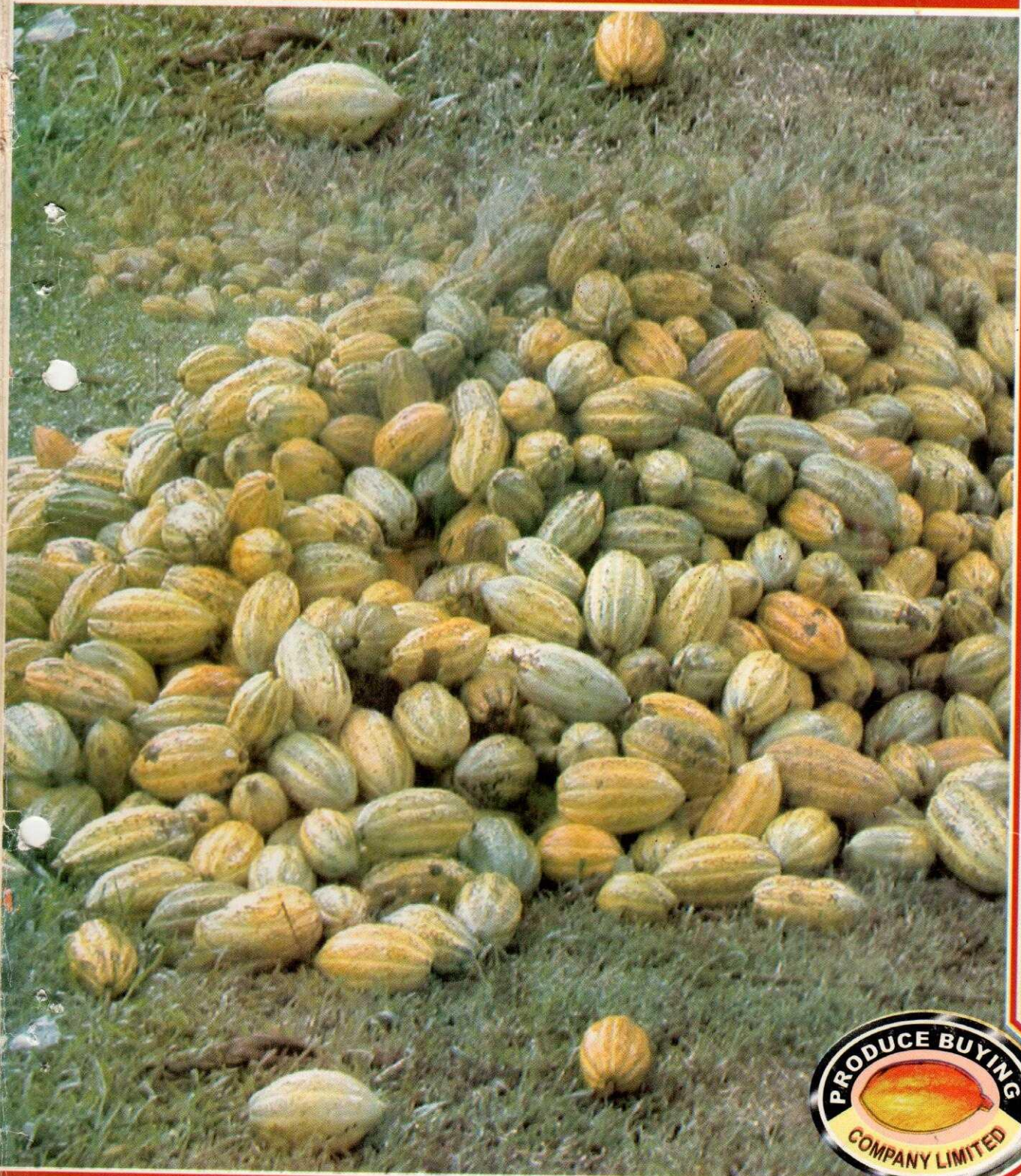


PRODUCE BUYING COMPANY LTD

2004/05

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PBC WINS GHANA CLUB (GC) 100
BEST COMPANY IN TRADING AWARD



PBC WINS 2004 GHANA CLUB (GC) 100

PRODUCE BUYING COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
30 SEPTEMBER 2005





PRODUCE BUYING COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

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PRODUCE BUYING COMPANY LIMITED

CORPORATE VISION

Develop and maintain the Produce Buying Company Limited as the leading cocoa dealer in Ghana.

CORPORATE MISSION

Purchase high quality cocoa beans from farmers, store and ensure prompt delivery of the graded and sealed beans to designated Take Over Centres internally and the export market in the most efficient and profitable manner.

OUR COMMITMENT

PBC's mission is to be pursued through a commitment to stakeholders as follows: -

1. **CUSTOMERS:** To satisfy cocoa farmers through quality service delivery and other incentive packages. Research institutions shall be encouraged to develop technologically improved methods of cocoa production and their adoption by farmers to increase yield.
2. **SHAREHOLDERS:** To conduct the Company's business in the most efficient and profitable manner by building on the goodwill that the Company enjoys from cocoa farmers and the experience of its field staff to enhance its market share to yield equitable returns on investments.
3. **EMPLOYEES:** To recruit and retain a well-developed and motivated workforce through equitable reward systems and improvement of the working environment to boost job satisfaction.



PRODUCE BUYING COMPANY LIMITED
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 5th Annual General Meeting of Produce Buying Company Limited will be held at the **OSU EBENEZER PRESBYTERIAN CHURCH HALL, OSU, Accra** on **FRIDAY 17TH MARCH, 2006** at 10.00 a.m. to transact the following business:

AGENDA

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 30th September 2005.
2. To re-elect the following Directors retiring by rotation pursuant to Section 60 of the Company's Regulations who being eligible, offer themselves for re-election:
 - * Dr. Wahab-Alhassan
 - * Mr. Andrew Antwi Boasiako
 - * Alhaji Yakubu Ziblim
3. To approve Non-Executive Directors' fees.
4. To appoint auditors and authorize the Directors to determine their remuneration.
5. To transact any other business appropriate to be dealt with at an Annual General Meeting.

BY THE ORDER OF THE BOARD

DATED THIS 17TH JANUARY, 2006

GODFREY OSEI AGGREY
THE SECRETARY

NOTE:

A member of the Company entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of him. A Proxy needs not be a member. A form of Proxy is attached and for it to be valid for the purpose of the meeting, it must be completed and deposited at the offices of the **REGISTRARS, NTHC LIMITED, MARTCO HOUSE, NO. D542/4, OKAI MENSAH LINK, ADABRAKA, ACCRA, P.O. BOX KIA 9563, AIRPORT-ACCRA** not less than 48 hours before the appointed time of the meeting.



PRODUCE BUYING COMPANY LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS:

Nana Timothy Aye Kusi - Chairman
Mr. Emmanuel Owusu Boakye - Managing Director
Mr. Emmanuel Otchere
Hon. Mrs. Angelina Baiden-Amissah
Dr. Wahab-Alhassan
Mr. J. Buatsie
Dr. Y. A. Duodu
Mr. Andrew Antwi Boasiako
Alhaji Yakubu Ziblim

SECRETARY:

Mr. Godfrey Osei Aggrey

TOP MANAGEMENT:

Mr. Emmanuel Owusu Boakye - Managing Director
Mr. Anthony Osei Boakye - Dep. Managing Director (Operations)
Mr. P.K. Owusu - Dep. Managing Director (Finance & Admin)

AUDITORS:

Pannell Kerr Forster
Chartered Accountants
Farrar Avenue
P.O. Box 1219
Accra

REGISTERED OFFICE:

ACHIMOTA ROAD
DZORWULU JUNCTION
ACCRA



PRODUCE BUYING COMPANY LIMITED
CHAIRMAN'S STATEMENT

Distinguished Shareholders, Ladies and Gentlemen,

It is with great pleasure that I welcome you once again to the Annual General Meeting of the Produce Buying Company Limited and present to you the Annual Report and Statement of Accounts of the Company for the financial year ended September, 30th 2005.

The 2004/05 financial year was a very challenging year for the cocoa industry. A number of developments which impacted negatively on the performance of the industry included the following:

- a) Reduction in the FOB price from \$1,650 to \$1,440.
- b) Reduction in buyer's take over margins from ₵1,105,000 to ₵963,000 per tonne.
- c) Increase in operating costs triggered by fuel price increases and other attendant effects.
- d) The purple bean problem.

The 2004/05 Main Crop cocoa season opened with a reduced average cocoa Free On Board (FOB) price of \$1,440 as against previous year's projection of \$1,650 per tonne. The price reduction reflected the generally bearish world cocoa market during the period which was underpinned by a prediction of a global surplus. The relatively low world cocoa prices compelled the Producer Price Review Committee (PPRC) to reduce buyers take over margins from ₵1,105,000 per tonne in 2004 to ₵963,000 per tonne in 2005 against a background of increasing operating cost triggered by fuel price increases.

The initial loss in revenue, as a result of the decrease in buyers' margins was worsened by the purple bean problem when the 2004/05 main crop season opened. The confusion created by the uncertainty in the categorization and grading of cocoa with high level purple content by the industry regulators led to the stock pile of huge volumes of cocoa bought by all Licensed Buying Companies (LBCs) in the country. In fact by the 6th week of the 2004/05 main crop season, only 15% of cocoa purchased by your company had been sealed by the Quality Control Division of Cocobod, as against 53% for the same period last year. The low grading and sealing position meant that the Company had to lock its working capital, which are all borrowed funds into stocks. By week 6 ending 2nd December 2004, the company was carrying cocoa stocks worth ₵696 billion which had not been sealed. Unfortunately, interest on the funds tied into the stocks continued to accumulate and the Company had to service it, in order to maintain its high credit worthiness with the banks and the Ghana Cocoa Board.

In the midst of the extreme operational difficulties, your Company showed great determination by capturing additional 6% of the market share to raise its market share of the internal cocoa market from 33% to 39%. Your Company also kept faith with the Ghanaian cocoa farmer by purchasing cocoa throughout the season even when most LBCs folded up their operations. It is the resolve of your Board to forge closer relationship with our hardworking cocoa farmers to maintain their confidence in the Company.

Cocoa Production

National Cocoa production fell from 739,894 tonnes in 2003/04 to 582,503 tonnes. Your Company accordingly also recorded a reduction in volume purchased from 244,597 tonnes last year to 225,358 tonnes during the year. The slight reduction in volume purchased and reduction in Buyers' Margins adversely affected both revenue and profits.

Operating Results

Dear shareholders, the unfavourable operational environment outlined above put a severe strain on the Company's finances forcing us to record net operational loss of ₵31 billion during the year.

The operational loss recorded during the year which is a marked deviation from the impressive performance of your Company in recent past has engaged the attention of the Board and Management of the Company. Investigations revealed that most of the factors that led to this year's losses were external and affected all LBCs, some of which have gone out of business.

Our review of operations revealed that the huge stock hold up increased the company finance cost beyond tolerable limits; initial rejections of stocks up-country and the ports as a result of the confusion in categorization and grading also led to huge produce losses and shortages. These findings have been forwarded to the Ghana Cocoa Board and the Ministry of Finance & Economic Planning for possible redress.

Also, both the Board of Directors and Management have taken far reaching administrative and legal actions against Company staff whose actions or inactions aggravated the problems and were thus found to be culpable.

Dividend

Much as the Directors view the losses incurred as due to external factors which we hope are temporary, we are determined to reverse the unfortunate downturn in our performance through a series of measures to be taken firstly with Cocobod and Ministry of Finance and Economic Planning and thus put the Company back on the path of profitability once again.

In view of these unexpected losses during the financial year, it will not be possible to declare dividend for the year. The Directors therefore, do not recommend the payment of dividend for the year ended 30th September, 2005.

Awards

Dear Shareholders, during the year under review your Company was once again featured prominently in the prestigious Ghana Club 100 by placing third in the overall ranking and for the second time running was adjudged the Leading Trading Company in Ghana for 2003/2004 at the same forum.

In addition, the Company received plaques, certificates and commendation for its assistance in infrastructural projects and support of trade and economic development at the regions in which we operate.

Outlook

The major operational challenges which confronted the cocoa industry during the year demand that we re-strategise our operations to counter some of the externalities. Your Directors are exploring all available avenues to ensure those problems encountered in the year do not recur. The Board shall continue to dialogue with the industry regulators and the supervising ministry to remove some of the bottlenecks and compensate the Company if the external problems are not resolved in good time.

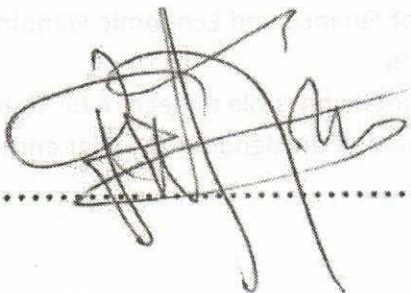
After the successful implementation of the first Medium Term Corporate Plan, the Board has approved a second Corporate Plan for the Company which focuses on devising strategies for achieving appreciable improvement in the Company's market share and the achievement of specified corporate objectives. The Board and Management shall continue to adopt strategies aimed at increasing Revenues to put our Company back on the path of sustained profitability.

We shall continue to increase freight earnings from secondary evacuation by increasing the share of cocoa evacuated by the Company's articulated trucks to diversify our revenue base.

In the ensuing years, we will be guided by our corporate vision that is to develop and maintain the Produce Buying Company as the leading cocoa dealer in Ghana. As market leaders, we shall continue to adopt healthy competitive practices which will set proper standards for the Industry. We shall continue to encourage the use of Akuafu Cheques as the mode of payment of cocoa and keep proper records of farmers' purchases to assist in the prompt and accurate payment of farmers' bonus and award of scholarship to farmers' wards.

Finally, I wish to thank you, shareholders for your continued confidence and keen interest in our Company. I also wish to extend a hand of gratitude to Management and staff and fellow Directors for their invaluable support during the year.

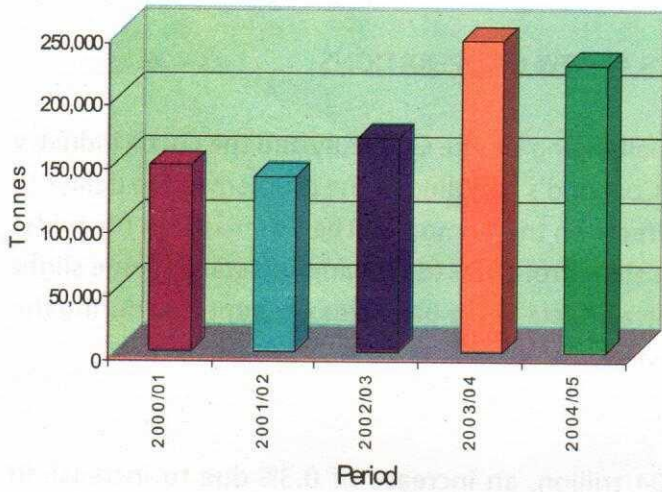
Thank you.



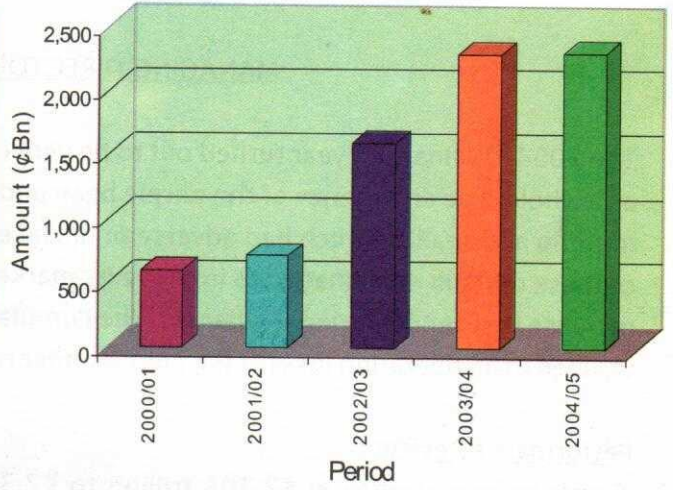
NANA TIMOTHY AYE KUSI
CHAIRMAN

**PRODUCE BUYING COMPANY
PERFORMANCE AT A GLANCE**

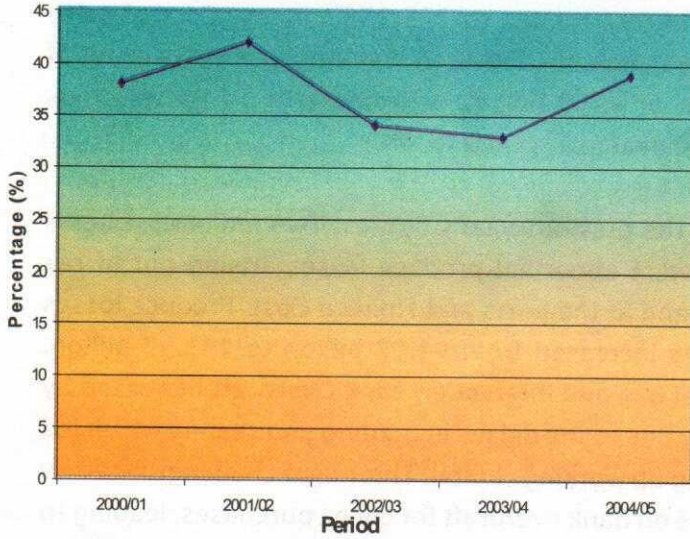
TONNAGE PURCHASED



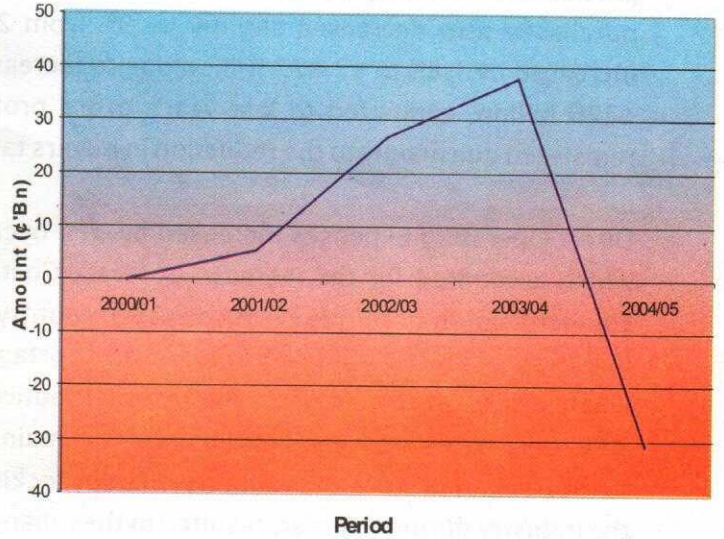
TURNOVER



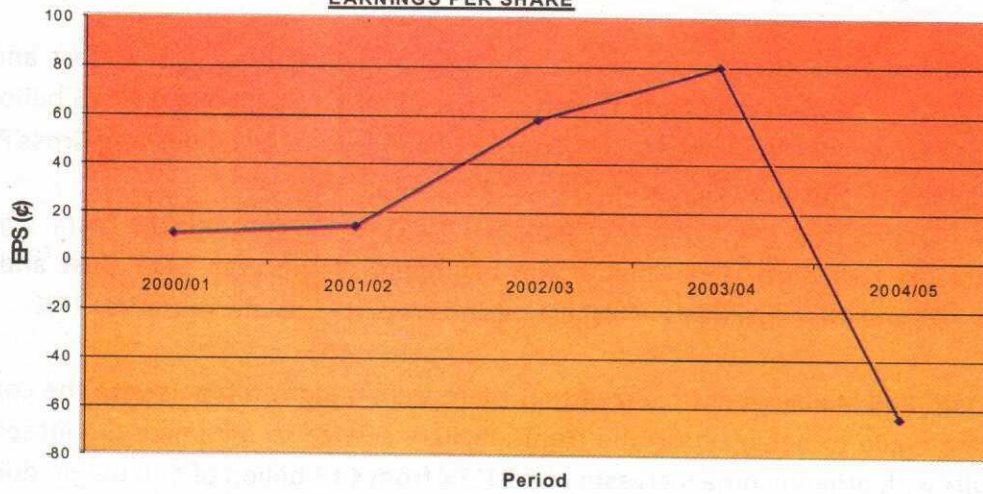
MARKET SHARE



PROFIT AFTER TAX



EARNINGS PER SHARE





PRODUCE BUYING COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The 2004/05 financial year turned out to be very challenging for the Company and the cocoa industry as a whole. The emergence of the purple bean and Cocobod's handling of the problem led to delays in grading and sealing which had adverse financial effects on the Company. The Company, in the midst of these difficulties managed to improve its market share from 33% to 39% and registered some slight increase in revenue during the period. The cumulative effects of the problems encountered during the year led to an operating loss for the period under review.

Performance Review

Turnover increased from ₦2.298 trillion to ₦2.304 trillion, an increase of 0.3% due to increase in volume of cocoa delivered. Producer price remained the same at ₦9 million per tonne whilst buyers take over margins reduced from ₦1,105,509 in 2003/04 to ₦963,954 per tonne. With national cocoa production declining by 26% from 736,894 tonnes to 582,503 tonnes, the Company's tonnage purchased also decreased slightly by 9% from 244,597 tonnes to 225,358 tonnes. Cost of sales increased by 1.8% to ₦2.077 trillion due to increase in volume delivered resulting in a gross profit of ₦226 billion, compared to last year's gross profit of ₦256 billion, a decrease of 11.6% was thus registered due mainly to the reduction in buyers take over margins by 14.6%.

Direct Operating Expenses increased by 37% over the previous year's figures. Two major cost items which accounted for the increase in Direct Cost were abnormal produce losses arising out of re-standardisation of purple bean cocoa up-country and at the ports and Finance Cost. Produce losses made up of re-standardisation loss and shortages increased from ₦4.97 billion to ₦41.57 billion. Finance cost which comprises interest on Produce Loan and Interest on Bank Overdraft increased by 34% and 28% respectively. This increase was mainly due to the delays in grading and sealing which led to the holding of stocks up-country, thereby locking up working capital. This major challenge faced by the Industry during the year, resulted in the reliance on bank overdraft for cocoa purchases, leading to high interest charges and higher than budgeted produce losses and shortages.

Administrative and General Expenses which is made up of Staff Cost, Office Cost and Estate and Property Cost rose by 6.6% from previous year's figure of ₦48.26 billion to ₦51.46 billion during the year. With Total Expenses increasing by 30% from ₦212 billion to ₦278 billion, and Gross Profit at ₦226 billion, the Company registered Operating Loss of ₦51 billion.

It is worthy to note that the Company managed to curb all controllable costs significantly to accommodate the reduction in revenue at the beginning of the year. Staff Cost and Office Cost increased by 10% and 8% respectively whilst Estate and Property Cost decreased by 36%.

When the Board and Management realized that there were major problems with the core operation, attempts were made to enhance income from ancillary service to minimize the losses. This effort yielded results with other income increasing by 51.3% from ₦13 billion to ₦20 billion during the year. The increase was propelled by increase of 63% in freight earnings from secondary evacuation to ₦16 billion during the year. Other non-operational income items comprising interest income, recoveries from shortages and profit on sale of assets also increased by 13.7%. As a result of the increases in other income the Net Loss for the year came to ₦31 billion.

The Company was able to reduce its outstanding tax obligations with the Internal Revenue Service by paying **¢9.3 billion** on its corporate tax account and clearing the balance on the National Reconstruction Levy account.

The cumulative effects of the adverse operational performance resulted in the reduction of Shareholders funds by 37% from ¢85 billion to **¢54 billion**. The Board and management are determined to reverse this trend within the short term period.

In a bid to consolidate our market share the Company once again honoured its farmers by hosting the Annual PBC Farmers Awards in all regions and districts under the theme "The cocoa farmer, the marketing clerk and the Akuafu Cheque – the way forward." The award scheme which was held in the various cocoa regions also educated farmers on proper fermentation and general farm husbandry practices to reduce the purple bean and improve quality of cocoa. The programme was very successful and has contributed in the consolidation of our market share during the on-going 2005/06 main crop season.

Social Services

The harsh conditions faced by the company during the year under review reduced the Company's capacity to engage in the provision of social amenities in the farming communities. However, the Company continued to support various electrification and water projects in selected cocoa growing communities across the country on a reduced scale. Also, some traditional authorities were supported in other developmental projects to improve the living standards of their inhabitants. This assistance was given in addition to the usual supply of cement, roofing sheets and the repair of roads and bridges in the rural communities.

Outlook

The enormous operational challenges encountered by the cocoa industry during the year require a serious evaluation of the current relationship between LBCs and Cocobod and its Divisions who regulate the cocoa industry. As a Company, we intend to position ourselves to draw on our organizational strengths to improve operational efficiency. We have succeeded in achieving an aspect of this objective by capturing additional 6% of the market share and controlled discretionary cost during the year under review.

We shall continue to adopt aggressive marketing posture by expanding our field operations in major cocoa growing areas to combat the intense competition in the Internal cocoa Market in the ensuing years.

Management shall continue to adequately motivate workers through improvement of working environment to boost job satisfaction and implement result-oriented performance measurement appraisal system to reward exceptional performance.

We once again wish to re-assure our shareholders and directors of our commitment to our corporate vision of being the market leaders in the internal marketing of cocoa in Ghana and continue to provide the necessary leadership through the provision of high quality service to our farmers.

In our determination to reverse the downward trend we find ourselves this year, efforts have been made by the Board and Management to address some of the concerns of the industry during the year. Particularly, the Company in conjunction with other LBCs petitioned the Ministry of Finance and Economic Planning to convene several stakeholders meetings which culminated in a communiqué resolving;

- ✍ the handling of the purple bean problem
- ✍ delays in grading and sealing and
- ✍ easing of congestion at the Ports. Some of the issues have been published in the newspapers.

Finally, I wish to express my utmost gratitude to the Board of Directors for providing guidance and direction during these trying times. We also express our appreciation to members of staff of the Company and other stakeholders for giving us the needed support during the year.

Thank you.



E. OWUSU BOAKYE
MANAGING DIRECTOR



PRODUCE BUYING COMPANY LIMITED
REPORT OF THE DIRECTORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

In accordance with the requirements of Section 132 of the Companies Code 1963 (Act 179), we the Board of Directors of the Produce Buying Company Limited, present herewith the annual report on the state of affairs of the company for the year ended 30 September, 2005.

Results of Operations

	<u>2005</u> ¢'million	<u>2004</u> ¢'million
Turnover	<u>2,304,175</u>	<u>2,296,821</u>
(Loss)/Profit before Tax	(30,782)	57,188
National Reconstruction Levy	0	(1,430)
	(30,782)	55,758
From which is deducted provision for The estimated income tax liability	<u>(373)</u>	<u>(17,625)</u>
Leaving a (Loss)/Net Profit after tax of	(31,155)	38,133
To which is added the Income Surplus Brought forward from the previous year of	<u>35,869</u>	<u>10,708</u>
	4,714	48,841
Transfer to Share Deals Account	(150)	(1,000)
Proposed Dividend - Nil (2004 - ¢25)	<u>(0)</u>	<u>(11,972)</u>
Resulting in a balance carried To the Balance Sheet of	<u>4,564</u>	<u>35,869</u>

Dividend

The Directors do not recommend the payment of dividend for the year ended 30 September 2005.

Nature of Business

There has not been any change in the nature of business of the Company during the year. The principal activity of the Company during the year continued to be "To buy, collect, store, transport and otherwise deal in cocoa, coffee and sheanuts produced in Ghana on behalf of Ghana Cocoa Board.

Corporate Status

On the 15 of September 1999, the company was incorporated as a Public Limited liability Company under the Companies Code 1963 (Act 179). On the 19 of May 2000 the company was listed on the Ghana Stock Exchange and 30.2% of its shares were transferred and are currently held by the public.

Authorised Share Capital

There was no change in the Authorised or Issued Share Capital of the Company during the year.



Directors

The Directors of the Company who held office during the year are as follows:

Name		Date of Appointment
Nana Timothy Aye Kusi	Chairman	1 February 2002
Mr. Emmanuel Otchere		1 February 2002
Hon. Mrs Angelina Baiden-Amissah		1 February 2002
Dr. Wahab-Alhassan		1 February 2002
Mr. Emmanuel Owusu Boakye	Managing	1 February 2002
Mr. J. Buatsie		1 February 2002
Dr. Y. A. Duodu		1 February 2002
Mr. Andrew Antwi Boasiako		1 February 2002
Alhaji Yakubu Ziblim		1 February 2002

Retirement and Re-Election of Directors

In accordance with the regulations of the Company, and Section 298 of the Companies Code 1963 (Act 179), one third of the directors shall retire at the annual general meeting of the company. The following directors being eligible shall offer themselves for re-election as directors, Dr. Wahab Alhassan, Mr. Antwi Boasiako and Alhaji Yakubu Ziblim.

Auditors

Pannell Kerr Forster will continue in office as Auditors of the Company in accordance with Section 134(5) of the Companies Code 1963 (Act 179).

Events After Balance Sheet Date

The Directors confirm that no matters have arisen since 30 September 2005, which materially affect the accounts of the Company for the year ended on that date.

BY ORDER OF THE BOARD

Director

Director

ACCRA

22ND DECEMBER 2005



PRODUCE BUYING COMPANY LIMITED
CORPORATE GOVERNANCE

The Company respects the standards of good corporate governance, which include transparency, accountability and rights of all shareholders.

AUDIT AND FINANCE COMMITTEE

In line with its corporate governance principles, the Board has an Audit & Finance Committee made up of the following non-executive directors:

Nana Timothy Aye Kusi	-	Chairman
Mr. Emmanuel Otchere	-	Member
Dr. Wahab Alhassan	-	Member
Dr. Yeboah Duodu	-	Member
Mr. Joseph Buatsie	-	Member
Mr. Andrew Antwi Boasiako	-	Member

In attendance at the committee's meetings are the Managing Director and the Deputy Managing Director (Finance & Administration)

The Committee reviews and makes recommendations to the Board on all aspects of the audit and financial reporting processes of the Company. The activities of the Committee include holding of regular quarterly meetings. The Company has complied with the regulations of the Securities and Exchanges Commission (L.I. 1728 Regulation 61) and has submitted to the Commission two (2) reports on its activities for the year 2005 as requested.

OPERATIONAL COMMITTEE

The Operational committee of the Board is responsible for the review of operational reports as presented by the Research, Monitoring and Evaluation Department through the Deputy Managing Director (Operations). The Committee also holds spot meetings on emergencies and makes recommendations to the Board.

The Committee is made up of the following non-executive directors;

Dr. Yeboah Duodu	-	Chairman
Hon. Mrs. Angelina Baiden Amisshah	-	Member
Mr. Joseph Buatsie	-	Member
Alhaji Ziblim	-	Member

In attendance at the committee's meetings are the Managing Director and the Deputy Managing Director (Operations)

PRODUCE BUYING COMPANY LIMITED
PROFILE OF RETIRING DIRECTORS

1. **DR. WAHAB ALHASSAN**

He was born on 15th March, 1951.

His home town is Tamale in the Northern Region.

He attended Tamale Secondary School, University of Cape-Coast, University of Ghana, Legon and Chiba University, Japan.

He holds a BSc (Education); MSc (Statistics) and PHD (Statistics)

He was a Science and Mathematics Tutor; Research Officer, West African Examination Council; Statistical Advisor, Ghana Statistical Service and currently Director of Research, Ministry of Finance and Economic planning. Dr. Wahab Alhassan is a nominee of the Ministry of Finance on the Board.

2. **MR. ANDREW ANTWI BOASIAKO**

He was born on 12th May 1961 and hails from Nkenkansu in the Ashanti Region.

He is a product of Opoku Ware Secondary School, University of Cape-Coast, Ghana Institute of Management and Public Administration and Paris Graduate School of Management.

He holds a BSc (Commerce); Post Graduate Diploma in Business Administration and Masters in Business Administration (MBA).

He taught at Philips Commercial College from 1980 to 1983. He Served under the National Mobilisation Programme as a District Accounting Officer in the Eastern Region.

He is presently the Central Regional Accountant of PBC Ltd. and is the PBC Staff nominee on the Board.

3. **ALHAJI YAKUBU ZIBLIM**

He was born on the 28th day of May, 1955 at Yendi.

He attended Navrongo Secondary School and proceeded to The University of Ghana.

He holds a Bachelor of Arts Degree, a Post Graduate Diploma in Public Administration, Diploma in Project Analysis, a Certificate in Productivity Improvement and a Certificate in Pension Reform in Sub-Saharan Africa.

He is a District Co-ordinating Director (Director of Administration), a Member of Board of Directors of SSNIT, the Chairman, Board of Directors of the Kumasi Abattoir Co-operative Limited, Vice President of the African Pension Forum and the National President, Civil Servant Association. He was nominated to represent SSNIT on the Board.



PRODUCE BUYING COMPANY LIMITED
STATEMENT OF DIRECTORS RESPONSIBILITIES

The Companies Code, 1963 (Act 179) requires the Directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its Profit or Loss for that year.

- * In preparing these financial statements the directors are required to:
- * select suitable accounting policies and apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements: and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Code 1963. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The above statement which should be read in conjunction with the statement of the Auditors responsibilities set out on page 9 is made with a view to distinguishing for shareholders, the respective responsibilities of the Directors and the Auditors in relation to the financial statements.



**REPORT OF THE AUDITORS
TO THE MEMBERS OF PRODUCE BUYING COMPANY LIMITED
ON THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2005**

PKF

We have audited the financial statements on pages 17 to 19, which have been prepared under the accounting policies set out on page 20.

Respective Responsibilities of Directors and Auditors

As described on page 15, the Company's Directors are responsible for the preparation of the financial statements.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion thereon.

Basis of Opinion

We have conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgement made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we required in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

We have obtained all the information and explanations that we considered necessary except on the title deeds.

We have not had sight of the Title Deeds of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets.

However as stated in Note 18b & c, the Government of Ghana has undertaken to ensure that Ghana Cocoa Board takes all steps required of it under the Ceding Agreement of June 30, 1999.

Subject to any adjustment that might have been found to be necessary had we been able to satisfy ourselves as to the title deeds referred to above, in our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2005 and of its Profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Code, 1963 (Act 179).

Pannell Kerr Forster
**PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS**

Farrar Avenue
Accra

22ND DECEMBER 2005



PRODUCE BUYING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	NOTES	2005 c'million	2004 c'million
TURNOVER		2,304,175	2,296,821
COST OF SALES		(2,077,311)	(2,040,198)
GROSS PROFIT		226,864	256,623
DIRECT OPERATING EXPENSES	2	(226,528)	(164,625)
ADMIN. & GENERAL EXPENSES	3	(51,465)	(48,260)
TOTAL EXPENSES		(277,993)	(212,885)
OPERATING (LOSS)/PROFIT		(51,129)	43,738
OTHER INCOME	4	20,347	13,450
NET (LOSS)/PROFIT BEFORE TAXATION		(30,782)	57,188
NATIONAL RECONSTRUCTION LEVY	5	0	(1,430)
TAXATION	6	(373)	(17,625)
NET (LOSS)/PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		(31,155)	38,133

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

BALANCE AT 1 OCTOBER		35,869	10,708
NET (LOSS)/PROFIT FOR THE YEAR		(31,155)	38,133
		4,714	48,841
TRANSFER TO SHARE DEALS ACCOUNT	19	(150)	-1,000
PROPOSED DIVIDEND	16	0	-11,072
BALANCE AT 30 SEPTEMBER		4,564	35,869



PRODUCE BUYING COMPANY LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2005

	NOTES	2005 €'million	2004 €'million
FIXED ASSETS	7	30,934	33,360
LONG TERM INVESTMENT	8	250	250
		31,184	33,610
CURRENT ASSETS			
Stocks	9	151,591	196,616
Accounts Receivable	10	109,568	70,812
Short Term Investments	11	1,620	3,250
Bank and Cash Balances	12	8,283	12,259
		271,062	282,937
CURRENT LIABILITIES			
Bank Overdraft	13	126,062	125,880
Accounts Payable	14	14,680	22,265
Seed Fund Loan		105,762	56,124
Current Portion-Medium Term Loan	15	0	4,148
National Reconstruction Levy	5	865	865
Taxation	6	1,146	10,024
Dividend	16	3	11,972
		248,518	231,278
NET CURRENT ASSETS		22,544	51,659
NET ASSETS		53,728	85,269
REPRESENTED BY			
Stated Capital	17	49,144	49,144
Share Deals Account	19	20	256
Income Surplus Account		4,564	35,869
		53,728	85,269

Approved by the Board on 22nd December 2005

 Director

 Director



PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 ¢'million	2004 ¢'million	
Cash flows from operating activities			
Operating (Loss)/Profit	(30,782)	57,188	
Adjustment for:			
Depreciation	8,475	7,947	
Profit on Sale of Fixed Assets	362	0	
Interest Received	(1,136)	1,492	
Interest Paid	81,167	61,183	
	88,144	67,638	
Operating Profit Before Working Capital Changes	57,362	124,826	
Decrease in Stocks	45,025	(156,611)	
(Increase) in Accounts Receivable	(38,756)	(57,839)	
Increase in Accounts Payable	(7,585)	8,184	
Cash generated from operations	56,046	(81,440)	
Tax Paid	(9,251)	(18,480)	
Reconstruction Levy Paid	0	(1,437)	
	(9,251)	(19,917)	
Cash flows from Investing activities			
Interest Received	1,136	1,492	
Interest Paid	(81,167)	(61,183)	
Receipts from Fixed Assets	362	0	
Payments to acquire fixed assets	(6,049)	(10,148)	
Net Cash used in Investing Activities	(85,718)	(69,839)	
Cash flows from Financing Activities			
Payment of Dividend	11,969	7,187	
Purchase of Shares	(386)	935	
Seed Fund Loan	49,638	56,124	
Medium Term Loan	(4,148)	(4,148)	
Net Cash used in Financing Activities	33,135	43,854	
Net Increase in Cash and Cash equivalents	(5,788)	(127,342)	
Cash and Cash equivalents at beginning of period	(110,371)	16,971	
Cash and Cash equivalents at end of period	(116,159)	(110,371)	
Analysis of changes in cash and cash equivalents.			
	At 1 Oct. 2004 ¢'million	Cash Flows ¢'million	At 30 Sept. 2005 ¢'million
Cash in Hand and at Bank	12,259	(3,976)	8,283
Overdrafts	(125,880)	(182)	(126,062)
Treasury Bills/Call Deposits	3,250	(1,630)	1,620
	(110,371)	(5,788)	(116,159)



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

1. ACCOUNTING POLICIES

The significant accounting policies adopted by the Company and which have been used in preparing these financial statements are stated below:

a. Basis of Accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets.

b. Fixed Assets and Depreciation

Depreciation is provided to write off the value of fixed assets over their estimated useful lives. The annual depreciation rates of fixed assets are as follows:-

Buildings	3%
Plant and Machinery	20%
Motor Vehicles	25%
Furniture and Equipment	20%

c. Investments

Investments are shown at cost.

d. Investment Income

Investment income is accounted for when it is actually earned and received.

e. Stocks

Stocks of Produce (cocoa and other produce) and Non-Trading Stocks have been valued at the lower of cost and net realisable value.

f. Debtors

Debtors appear at face value less a specific provision for debts considered to be doubtful.

g. Turnover

Turnover comprises the producer price and take over margins paid by Ghana Cocoa Board. Turnover is recorded when cocoa purchased are delivered and taken over by Ghana Cocoa Board.

h. Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the end of the period. Gains and losses resulting from foreign currency translation or exchange are included in the profit and loss for the period.

i. Taxation

The company provides for income taxes on its taxable profits.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

2. DIRECT OPERATING EXPENSES include depreciation of €7,060 (million) on Plant, Machinery and Motor Vehicles (2004-€6,779 - million)

3. ADMINISTRATIVE AND GENERAL EXPENSES include the following:-

	2005 €'million	2004 €'million
Depreciation-Land & Buildings, Furniture & Equipment	1,415	1,168
Auditors Remuneration	115	95
Directors Fees and Expenses	254	180
Subscriptions	322	259

4. OTHER INCOME

	2005 €'million	2004 €'million
Freight Income	16,714	10,254
Rent Income	551	364
Recoveries from shortages	1,510	1,121
Sundry Income	74	219
Interest Received	1,136	1,492
Profit on Disposal of Fixed Assets	362	0
	<u>20,347</u>	<u>13,450</u>

5 NATIONAL RECONSTRUCTION LEVY

Year of Assessment	Balance at 1 October €'million	Payment during the year €'million	Charge for the year €'million	Balance at 30 September €'million
2001-2003	872	0	0	872
2004	7	0	0	(7)
2005	0	0	0	0
	<u>865</u>	<u>0</u>	<u>0</u>	<u>865</u>

6 TAXATION

Year of Assessment	Balance at 1 October €'million	Payment during the year €'million	Charge for the year €'million	Balance at 30 September €'million
1995-2002	55	0	0	(55)
2003	4	0	0	4
2004	10,075	0	0	10,075
2005	0	(9,251)	373	(8,878)
	<u>10,024</u>	<u>(9,251)</u>	<u>373</u>	<u>1,146</u>

The amount provided for income tax is calculated at the rate of 28% of the Adjusted Profit and is subject to agreement with Internal Revenue Service.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

7 FIXED ASSETS	Land and Buildings c'million	Plant and Machinery c'million	Motor Vehicles c'million	Furniture & Fitting c'million	Building W.I.P c'million	Total c'million
<u>Cost</u>						
Balance at 1.10.2004 Cost	14,304	7,875	31,349	3,503	1,066	58,097
Revaluation	7,470	11,915	2,552	1,338	0	23,275
Additions during the year :						
Cost	4,096	555	1,411	840	213	7,115
Disposals/Transfers	0	0	(353)	0	(1,066)	(1,419)
Balance at 30.9.2005	<u>25,870</u>	<u>20,345</u>	<u>34,959</u>	<u>5,681</u>	<u>213</u>	<u>87,068</u>
<u>Depreciation</u>						
Balance at 1.10.2004 Cost	3,725	4,494	20,239	2,404	0	30,862
Revaluation	1,345	11,915	2,552	1,338	0	17,150
Charge for the year - Cost	552	1,313	5,747	639	0	8,251
- Revaluation	224	0	0	0	0	224
Disposals	0	0	(353)	0	0	(353)
Balance at 30.9.2005	<u>5,846</u>	<u>17,722</u>	<u>28,185</u>	<u>4,381</u>	<u>0</u>	<u>56,134</u>
NET BOOK VALUE AT 30.9.05	<u>20,024</u>	<u>2,623</u>	<u>6,774</u>	<u>1,300</u>	<u>213</u>	<u>30,934</u>
NET BOOK VALUE AT 30.9.04	<u>16,704</u>	<u>3,381</u>	<u>11,110</u>	<u>1,099</u>	<u>1,066</u>	<u>33,360</u>

The fixed Assets were revalued in November 1998 by the following valuers at open market values.

Eastern and Volta Regions	-	Consolidated Properties Limited
Accra-Tema Area	-	Valuation and Investments Associates
Ashanti Region	-	Surveying and Development Associates
Central Region	-	James and Ayanga & Partners
Western Region	-	George Deh & Company

8 LONG TERM INVESTMENT

This represents 500,000 shares of no par value purchased from Ghana Commercial Bank Limited.



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

9 STOCKS	2005 ¢'million	2004 ¢'million
Trading - Cocoa	142,082	186,450
<u>Non-Trading</u>		
Spare Parts	1,494	894
Tarpaulin Stocks	348	1,215
Jute Sacks/Twine	3,821	4,693
Technical Stores	223	187
Stationery	1,521	1,209
Fuel and Lubricants	839	883
Motor Cycle/ Helmet	2	2
Other Stock/Matchets	79	45
Tyres and Batteries	889	654
Stencil Ink	293	384
	<u>151,591</u>	<u>196,616</u>
 10 ACCOUNTS RECEIVABLE		
Trade Debtors	97,336	65,072
Other Debtors	8,722	1,496
Staff Loans and Advances	2,923	3,055
Prepayments	587	1,189
	<u>109,568</u>	<u>70,812</u>
<p>a. Prepayments represent the unexpired portion of certain expenditure spread on time basis.</p> <p>b. The maximum amount due from employees of the Company during the year did not exceed ¢2,923 million (2004 - ¢3,055 million).</p>		
 11 SHORT TERM INVESTMENTS	¢'million	¢'million
Call & Fixed Deposits	200	3,062
Treasury Bills	1,420	188
	<u>1,620</u>	<u>3,250</u>
 12 BANK AND CASH BALANCES		
Bank Balances	8,278	12,255
Cash Balances	5	4
	<u>8,283</u>	<u>12,259</u>



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 €'million	2004 €'million
13 BANK OVERDRAFT		
Balances as at 30 September	<u>126,062</u>	<u>125,880</u>
<p>The Company has overdraft facilities totalling €200 billion with its bankers which are secured by cocoa stocks and receivables.</p>		
14 ACCOUNTS PAYABLE		
Trade Creditors	2,472	4,004
Other Creditors	12,093	14,984
Accrued Charges	115	3,277
	<u>14,680</u>	<u>22,265</u>
15 MEDIUM TERM LOAN		
<p>This is the balance on loan granted to the Company by Standard Chartered Bank for the purchase of vehicles, trucks, equipment and spare parts.</p>		
Balance	<u>0</u>	<u>4,148</u>
16 DIVIDEND		
Balance at 1 October	11,972	7,187
Paid during the year	11,969	7,187
Proposed dividend	0	11,972
Balance at 30 September	<u>3</u>	<u>11,972</u>



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005		2004	
17 STATED CAPITAL				
a) Authorised Number of :				
i) Preference share("Golden Cocoa Share")	<u>1</u>		<u>1</u>	
ii) Ordinary Shares of no par value	<u>20,000,000,000</u>		<u>20,000,000,000</u>	
b) Issued and fully paid :	Number	c'million	Number	c'million
i) Preference Share ("Golden Cocoa Share")	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
ii) Ordinary Shares :				
For cash consideration	2,005,000	15,868	2,005,000	15,868
For consideration other than cash	<u>477,995,000</u>	<u>33,275</u>	<u>477,995,000</u>	<u>33,275</u>
Total Ordinary shares	<u>480,000,000</u>	<u>49,143</u>	<u>480,000,000</u>	<u>49,143</u>
iii) Total Pref/Ordinary shares	<u>480,000,001</u>	<u>49,144</u>	<u>480,000,001</u>	<u>49,144</u>
c) There is no unpaid liability on any share and there are no calls or installments unpaid in respect of any share.				
d) Shares in Treasury as at 30 September 2005:-1,246,467 (2004 - 1,125,023).				
e) One (1) special rights redeemable preference share known as "Golden Cocoa Share" has been allotted as fully paid in accordance with the company's regulations.				

18 TITLE DEEDS

- a. Included in the ordinary shares issued for consideration other than cash is an amount of €9,540,000,000 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 Deeds 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 the PBC in the said assets".

19 SHARE DEALS ACCOUNT

	2005	2004
	c'million	c'million
Balance brought forward	256	191
Transfer from Income Surplus	150	1,000
Purchase of Own Shares	<u>(386)</u>	<u>(935)</u>
	<u>20</u>	<u>256</u>

The movement on the Share Deals Account is the net result of sums transferred from Income Surplus and expended in the purchase of shares in compliance with section 63(2) of the Ghana Companies Code 1963 (Act 179)

20 CAPITAL COMMITMENTS/CONTINGENCIES

There were no capital commitments and contingencies as at 30 September 2005.



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

21 20 LARGEST SHAREHOLDERS

Shareholders	Number of Shares	Percentage Holding (%)
1 Ministry of Finance – Government of Ghana	176,112,259	36.69
2 NTHC/Institutional Investor Consortium	145,625,231	30.34
3 Social Security & National Insurance Trust	96,000,000	20.00
4 NTHC Limited	8,991,934	1.87
5 PBC Provident Fund	4,495,090	0.94
6 GCCSFA/Farmers – Individuals	1,547,307	0.32
7 GCCFA/Farmers – Association	1,250,000	0.26
8 State Insurance Company Limited	1,000,000	0.21
9 Yirenkyi Samuel Ernest Mr.	1,000,000	0.21
10 NTHC Limited Clients Account	201,200	0.04
11 MSL Portfolio	200,000	0.04
12 Merban Investment Holding Limited	199,600	0.04
13 Enterprise Insurance Company Limited	188,716	0.04
14 Akoto Bamfo Edmund	160,000	0.03
15 Vanguard Assurance Company Limited	140,000	0.03
16 DBL Trading A/C	129,620	0.03
17 Attafuah Victor Dokyi Mr.	90,000	0.02
18 CDH Insurance Company Limited	50,000	0.01
19 Oppong-Agyare Stephen Mr.	48,000	0.01
20 Aboagye-Debrah Kwame	40,500	0.01
	437,469,457	91.14



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

22 SHAREHOLDING DISTRIBUTION

Category	Numbers of Shareholders	Total Holding	Percentage Holding (%)
1 - 1,000	14,464	5,233,341	1.09
1,001 - 5,000	2,380	6,012,597	1.25
5,001 - 10,000	2,225	16,188,032	3.37
Over 10,000	522	452,566,030	94.29
Total	19,591	480,000,000	100.00

23 DIRECTORS SHAREHOLDING

NAME	NO. OF SHARES
Nana Timothy Aye Kusi - Chairman	18,700
Mr. Joseph Buatsie	3,000
Mr. Andrew Antwi Boasiako	7,500
	29,200



PRODUCE BUYING COMPANY LIMITED
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 ¢'million	2004 ¢'million
TURNOVER	<u>2,304,175</u>	<u>2,296,821</u>
COST OF SALES		
Opening Stock	186,450	30,243
Purchases	<u>2,074,521</u>	<u>2,201,377</u>
	2,260,971	2,231,620
<u>Less:</u>		
Shortages and Loss on Produce	41,578	4,972
Closing Stock	142,082	186,450
	<u>2,077,311</u>	<u>2,040,198</u>
 DIRECT OPERATING EXPENSES		
Agency Commission	30,834	31,393
Motor Vehicle – Repairs & Maintenance	3,534	4,559
Depreciation	7,060	6,779
Motor Vehicle Running	4,551	3,855
Road Freight–Primary Evacuation	7,538	6,763
Handling Charges	6,377	7,010
Casual Labour/Security	2,196	1,681
Produce Losses Account	41,578	4,972
Others	4,017	3,421
	<u>107,685</u>	<u>70,433</u>
 <u>Financial Cost</u>		
Interest on Loan & Guarantee Fee	81,167	61,183
Commission on Akafo Cheques	5,154	7,738
Bank Charges	<u>32,522</u>	<u>25,271</u>
	118,843	94,192
 TOTAL DIRECT OPERATING EXPENSES	<u>226,528</u>	<u>164,625</u>



PRODUCE BUYING COMPANY LIMITED
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 ¢'million	2004 ¢'million
ADMIN. & GENERAL EXPENSES		
<u>Staff Cost</u>		
Salaries and Wages	26,822	24,575
Social Security Fund	3,347	2,833
Provident Fund	1,890	1,576
Car Maintenance Allowance	3,672	2,785
Travel and Transport	804	1,162
Treasurers Allowance	1,520	1,530
Medical Expenses	807	828
Others	3,218	2,885
	42,080	38,174
 <u>Office Cost</u>		
Depreciation	1,415	1,168
Printing and Stationery	1,009	1,326
Electricity	792	658
Postages and Telephone	967	653
Advertising and Publicity	682	1,238
Audit Fees	115	95
Directors Fees & Expenses	254	180
Subscriptions	322	259
Others	1,640	1,076
	7,196	6,653
 <u>Estate & Property Cost</u>		
Rent of Offices & Sheds	981	1,601
Repairs & Renovation of Sheds	217	737
Repairs on Buildings & Equipment	771	772
Others	220	323
	2,189	3,433
 TOTAL ADMIN. & GENERAL EXPENSES	 51,465	 48,260