

2005/6

PRODUCE BUYING COMPANY LTD

ANNUAL REPORT



2004 GHANA CLUB 100 AWARDS



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: -

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.

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.

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 6th Annual General Meeting of Produce Buying Company Limited will be held at the **OSU EBENEZER PRESBYTERIAN CHURCH HALL, OSU, Accra** on **FRIDAY 23RD MARCH, 2007** 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, 2006.
2. To approve changes in Directorship of the Company:
 - (i) Dr. Wahab Alhassan, a representative of the Ministry of Finance & Economic Planning (Resigned on 1st April, 2006)
 - (ii) Mr. Emmanuel Otchere, a Government Nominee/Appointee (Retired on 1st February, 2007)
 - (iii) Mr. Robert Kwabena Poku Kyei, a representative of the Ministry of Finance & Economic Planning, nominated to replace Dr. Wahab Alhassan
3. 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. Yeboa Alex Duodu
Mr. Joseph Buatsie
4. To approve Non-Executive Directors' fees
5. To appoint auditors and authorize the Directors to determine their remuneration.
6. To transact any other business appropriate to be dealt with at an Annual General Meeting.

BY THE ORDER OF THE BOARD

DATED THIS 11TH JANUARY, 2007

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. D.542/4, 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 Retired
Mr. Anthony Osei Boakye		Managing Director
Mr. Emmanuel Otchere		Director
Hon. Mrs. Angelina Baiden-Amisshah		Director
Dr. Wahab-Alhasan		Director -Resigned
Mr. J. Buatsie		Director
Dr. Y. A. Duodu		Director
Mr. Andrew Antwi Boasiako		Director
Alhaji Yakubu Ziblim		Director

SECRETARY:

Mr. Godfrey Osei Aggrey

TOP MANAGEMENT:

Mr. Anthony Osei Boakye	-Managing Director
Mr. George Kwadwo Boateng	-Dep. Managing Director (Operations)
Mr. Joseph Osei Manu	-Dep. Managing Director (Finance & Administration)

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,

I am very pleased to welcome you once again to the Annual General Meeting of the Produce Buying Company Limited and have the pleasure to present to you the Annual Report and Statement of Accounts of your Company for the Financial Year ended September 30th 2006.

The 2005/06 Financial Year had been a very eventful and challenging year during which both the Board and Management had taken a lot of measures to avert the downward decline of the Company's profitability.

Nevertheless, a number of factors which adversely affected the Company's performance. Notable among these are:

- (a) The carry over effect of the purple bean problem of 2004/05 main crop season.
- (b) Initial lack of jute sacks and congestion at the Ports.
- (c) Increase in operating cost triggered by fuel price increases and other attendant effects.

The year under review opened with the carry over effect of the purple bean problem encountered in the previous year. Inasmuch as the Company made a strenuous efforts to achieve significant improvement in its performance in the current year, the 2004/05 Financial year's stocks declared could not be delivered, as most of them were rejected and confiscated as both sub standard and bad quality cocoa stock respectively. This problem however is attributable to the purple bean problem, experienced in the previous year.

The lack of jute sacks at the beginning of the year and the frequent congestions at the port also hampered the company's ability to quick delivery of cocoa at the Take over Points, and quick access to recycle funds which in turn, increased the company's stock holding cost, such as finance cost, discrepant cost and pilfering.

In the midst of all these competing operational difficulties, your Company was able to capture **33%** of the market share of the highly competitive internal cocoa market.

In spite of the intense competition, the Company did not shirk its national responsibility of being the buyer of last resort of cocoa in Ghana. The company, continued to purchase cocoa from inaccessible and difficult producing areas and it is still the only Licensed Buying Company (LBC) purchasing cocoa in the Volta Region, an area considered unprofitable and "no-go" area by other Licensed Buying Company's (LBC'S).

Your company also kept faith with the Ghanaian Cocoa Farmer by purchasing cocoa throughout the season even when most LBC's folded up their operations.

Dear Shareholders, the Annual PBC Best Farmers Award Programme, which enable us to reward and interact with our loyal farmers, were held in all cocoa growing regions across the country. This programme, which has become a permanent feature on our calendar, is intended to deepen the bonds of friendship and co-operation with our cherished cocoa farmers.

COCOA PRODUCTION

National Cocoa production increased significantly from **582,503 tonnes in 2004/05 to 740,000 tonnes** during the **2005/06** financial year mainly due to farmers' response to government's consistent producer price increase and bonus payments; positive effects of government's cocoa mass spraying exercise and other agro-based interventions.



Similarly, your company increased its volume of purchases by 8% from 225,358 tonnes in 2004/05 to 242,473 tonnes representing 33% of the market share during the year under review.

The Board and management are determined to ensure that the company remains the market leader by recapturing and sustaining a significant market share in the future.

OPERATING RESULTS

Dear shareholders, the unfavourable operational environment attained, coupled with the carry over effect of the purple bean problem, impacted negatively on the company's finances, resulting in a net operating loss of 125 billion during the year.

The operational loss recorded during the year, though regrettable, is a slight improvement over the previous year's performance.

Nevertheless, this unfortunate development has engaged serious attention of the Board and Management of the company.

Our review of operations revealed that the operational loss incurred resulted from the inability to account and deliver the previous year's stocks due to quality failure causing a lot of rejections, and confiscations.

Hopefully, with the resolution of the purple bean, congestion and the jute sack problems, it is hoped that the company will perform better in the subsequent years.

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 thus found to be culpable. Such actions include seizure of properties, forfeiture of share certificate, interdictions, dismissals and imprisonments as the case may be. We wish to remark that a lot of legal cases against staff found in such circumstances are pending in various Law Courts in all the cocoa growing regions in Ghana.

DIVIDEND

In view of these unexpected losses, the Directors do not recommend the payment of dividend for the year ended 30th September 2006.

OUTLOOK

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. Both the Board and Management are determined to boost the company's revenues and at the same time reduce operating cost to ensure sustained profitability. To this end, the company had adopted a new approach to cocoa purchasing operations which took effect from the beginning of the 2006/07 Main Season. This new method is a strategy adopted to ensure that shortages and other related cost are kept to the barest minimum.

Efforts shall also be made to diversify our revenue base through freight earnings by the Company's articulated trucks.

In furtherance of this objective, the Company has acquired a medium term loan to commence its planned replacement of some of its old and dilapidated tractors, cargos and articulator trucks



As competition in the internal marketing of cocoa increases, our company shall continue to draw on its strength to provide the necessary leadership through the provision of high quality service to our farmers and adopt healthy competitive practices, which will set proper standards for the industry. We shall continue to encourage the use of Akuafo Cheques as the mode of payment of cocoa and keep proper records of farmers to assist in the prompt and accurate payment of farmers' bonus and award of scholarship to farmers' wards.

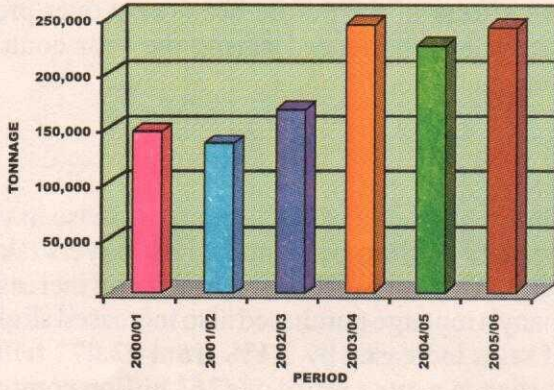
Finally, I wish to thank you Shareholders, for your continued confidence and keen interest in our company. I also wish to extend a hand of gratitude to Management and staff and fellow Directors for their invaluable support during the year.

Thank You

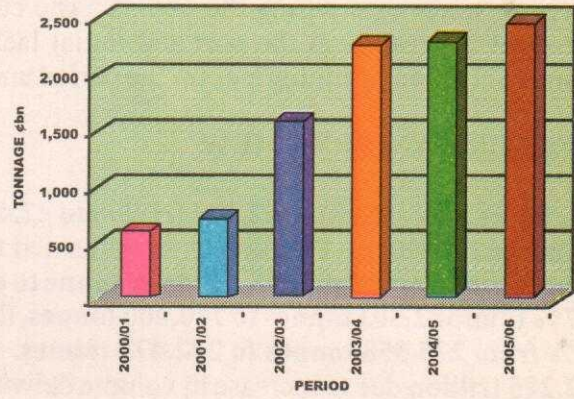
Nana Timothy Aye Kusi
Chairman

PRODUCE BUYING COMPANY LTD PERFORMANCE AT A GLANCE

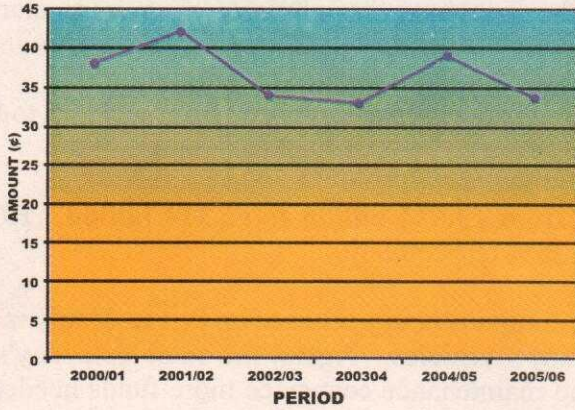
TONNAGE PURCHASED



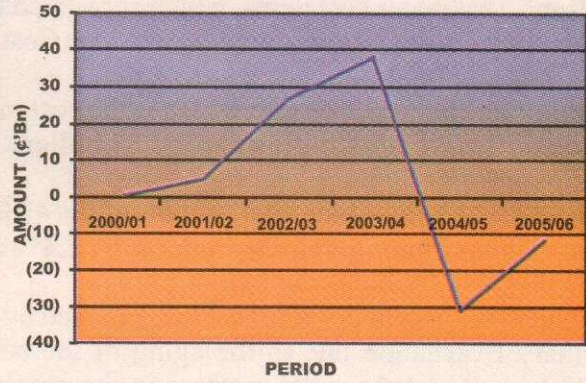
TURNOVER



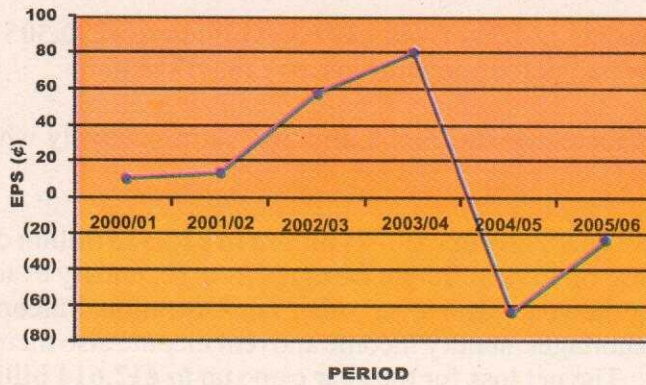
MARKET SHARE



PROFIT AFTER TAX



EARNINGS PER SHARE





PRODUCE BUYING COMPANY LIMITED **MANAGING DIRECTOR'S REVIEW OF OPERATIONS**

The 2005/06 financial year turned out to be eventful and challenging to the Company. Though the purple bean problems had been resolved, it left in its trail a carry over implications that had huge financial effects on the company.

The Company in the midst of these managed to capture **33%** of the market share and registered a modest increase in revenue during the period. The cumulative effects of the purple bean carry over problem, frequent congestion at the port and initial lack of jute sacks experienced during the year contributed immensely to an operating loss for the period under review.

PERFORMANCE REVIEW

Turnover increased from **€2.304 trillion to €2.486 trillion**, an increase of **7.9%** due to increase in volume of cocoa delivered. Producer price remained the same at **€9 million** per tonne whilst buyers take over margins increased from **€963,954 per tonne to €1,062,000**. With national cocoa production increasing by **27%** from **582,503 tonnes to 740,000 tonnes**, the company's tonnage purchased also increased slightly by **8%** from **225,358 tonnes to 242,473 tonnes**. Cost of sales increased by **7.1%** from **€2.077 trillion to €2.225 trillion** due to increase in volume delivered resulting in a gross profit of **€261 billion** compared to last year's gross profit of **€226 billion**, an increase of **15.2%** was thus registered due mainly to the increase in margin and the volume of cocoa delivered.

Direct operating expenses increased by **0.06%** over the previous year's figure of **€225.9 billion to €226 billion**. Two major cost items, which accounted for the slight increase in Direct Cost, were primary level evacuation cost and Repair and Maintenance Cost.

Primary level evacuation cost which is the cost incurred in the delivery of cocoa from societies to Depots increased from **€7.538 billion to €15.251 billion**.

Repair and Maintenance cost increased by **47.8%** from **€3.534 billion to €5.224 billion**. However finance cost and produce losses reduced by **4.3%** and **36%** respectively.

The increase in primary level cost was caused by the company heavy reliance on Private Hauliers for the Primary Evacuation due to the aging of the company's vehicles. Again, the same company's aging vehicles accounted for the increase in the repair and maintenance cost since more funds needed to be committed in order to put the few roadworthy vehicles into operation.

Administrative and General Expenses which is made up of Staff Cost, Office Cost and Estate and Property Cost rose by **24.9%** from previous year's figure of **€51.465 billion to €64.288 billion** during the year.

With total expenses increasing by **4.7%** from **€277.350 billion to €290.305 billion**, and **Gross Profit of €261 billion**, the Company registered operating loss of **€28.987 billion**.

Staff Cost and office cost increased by **25.1%** and **26.7%** respectively whilst Estate and Property cost increased by **15%**.

Other income decreased by **16.9%** from **€19.704 billion to €16.373 billion** during the year. The decrease was propelled by a decrease of **36%** in freight earnings from secondary evacuation from **€16.714 billion to €10.687 billion** during the year. However, other non-operational income items comprising interest income, recoveries from shortages, sundry income and rent income also increased by **90.1%** from **€2.990 billion to €5.686 billion**. The net loss for the year came up to **€12.614 billion** as compared to **€30.782 billion** last year.



Despite the previous year's operational loss incurred, the company paid **€2.026 billion** to Internal Revenue Service based on self-assessment of our estimated corporate income tax.

The cumulative effect of the adverse operational performance resulted in the reduction of shareholders funds by **20.3% from €53.728 billion to €42.743 billion**. The Board and management take serious view about this downturn of the company's fortune and have put in place a lot of measures and strategies to reverse this trend.

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. This programme which has become a permanent feature on the company's calendar afforded management the opportunity to interact with our loyal farmers and educate them on the need to take advantage of the various Government inspired micro-finance schemes to increase their farms for greater yield.

SOCIAL SERVICES

The serious financial problems experienced by the company during the year reduced the Company's capacity to discharge its social responsibilities to the farming communities. However, some traditional authorities were supported in other developmental projects such as electrification and water supply 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 company has been saddled with operational problems such as shortages, which really affected its finances for the last two years. We intend to position ourselves to draw on our organisational strength to improve operational efficiency. To this end, the company had adopted a new approach to cocoa purchasing operations, which took effect from the beginning of the 2006/07 main season. This new method is a strategy adopted to ensure that shortages and other related cost are kept to the barest minimum.

We shall continue to expand the frontiers of our field of operations in major cocoa growing areas to stem off the intense competition in the internal cocoa market in the ensuing years. This programme has started earnestly with the creation of two new Regional offices and three operational districts in the Western Region.

Management shall continue to adequately motivate workers through improvement of working environment and training 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.

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

Anthony Osei Boakye
Managing Director



PRODUCE BUYING COMPANY LIMITED
REPORT OF THE DIRECTORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

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, 2006.

Results of Operations

	<u>2006</u> €'million	<u>2005</u> €'million
Turnover	<u>2,486,622</u>	<u>2,304,175</u>
Loss before Tax of	(12,614)	(30,782)
National Reconstruction Levy of	<u>0</u>	<u>0</u>
	(12,614)	(30,782)
From which is deducted provision for The estimated income tax liability of	<u>1,629</u>	<u>(373)</u>
Leaving a Net Loss after tax of	(10,985)	(31,155)
To which is added the Income Surplus Brought forward from the previous year of	<u>4,564</u>	<u>35,869</u>
	(6,421)	4,714
Transfer to Share Deals Account of and Proposed Dividend -Nil	<u>0</u>	(150)
	<u>0</u>	<u>(0)</u>
Resulting in a balance carried To the Balance Sheet of	(6,421)	4,564

Dividend

The Directors do not recommend the payment of dividend for the year ended 30 September 2006.

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	Date Resigned Retired
Nana Timothy Aye Kusi	Chairman	1 February 2002	
Mr. Emmanuel Otchere		1 February 2002	
Hon. Mrs Angelina Baiden-Amissah		1 February 2002	
Dr. Wahab-Alhasan		1 February 2002	1 April 2006
Mr. Emmanuel Owusu Boakye	Managing	1 February 2002	1 September 2006
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	
Mr. Anthony Osei Boakye	Managing	1 September 2006	

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, Mr. Joseph Buatsie and Dr. Yeboah Alex Duodu.

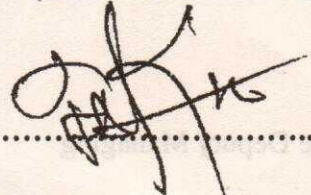
Auditors

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

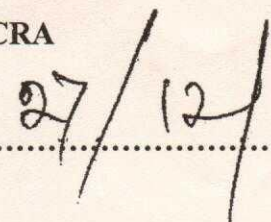
The Directors confirm that no matters have arisen since 30 September 2006, which materially affect the accounts of the Company for the year ended on that date.

BY ORDER OF THE BOARD


.....Director


.....Director

ACCRA


.....2006



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. 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. Yeboa Duodu	-	Chairman
Hon. Mrs. Angelina Baiden Amissah	-	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 LTD
PROFILE OF RETIRING DIRECTORS

1. **DR. YEBOAH ALEX DUODU**

Dr. Yeboah Alex Duodu was born on January 1, 1937. He is an Entomologist/Insect Pest Management Specialist.

He holds BSc Degree in Agriculture, MSc (Pure and Agricultural Entomology and PHD (Pure and Agricultural Entomology)

From 1972 to 1977 he worked as a Research officer at the Crops Research Institute in Kumasi. He became a Senior Research Officer from 1977 to 1983. In 1983 he rose to be a Principal Research officer.

From 1985 to 1986, Dr. Duodu was a Plant Protection Adviser for F.A.O. in Laos. Before then he was a Part-time Lecturer at the University of Science and Technology, Kumasi. From 1989 to 1993 he worked as F.A.O. integrated insect pest Management Specialist in Guyana. He was a Consultant to F.A.O. for (a) Suriname in 1993 (b) Ghana in 1988, (c) Sierra Leone in 1987 (d) F.A.O. Headquarters Rome from 1987 to 1988.

Dr. Duodu was also a Consultant for Sasakawa Global 2000 to Uganda in 1997. Again he was a UNDP Consultant to the West African Rice Development Association in 1995.

2. **MR. JOSEPH BUATSIE**

Mr. Joseph Buatsie was born on September 11, 1955. He is an Agriculturist and a Public servant. He holds a BSc (hons.) Degree in Agriculture.

His career started as an Assistant Research Officer (Marketing) in the Ghana Timber Marketing Board from 1974 to 1975.

He became an Assistant Inspector of Produce Inspection Division of COCOBOD from 1975 to 1977.

He was promoted to become an Inspector of produce from 1977 to 1980. From 1980 to 1982 he became a senior Inspector of Produce and rose to a Principal inspector of Produce from 1982 to 1985. He became a Chief Inspector of Produce from 1985 to 1986. From 1986 to 2002 he was the Deputy Executive Director PID/QCD.

Presently Mr. Buatsie is the Executive Director of The Quality Control Division of COCOBOD (ie from 2002 to date).



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 in the Report of the Auditors is made with a view to distinguishing for shareholders, the respective responsibilities of the Directors and the Auditors in relation to the financial statements.



PKF

Accountants &
business advisers

REPORT OF THE AUDITORS
TO THE MEMBERS OF PRODUCE BUYING COMPANY LIMITED
ON THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2006

We have audited the accompanying balance sheet of Produce Buying Company Limited as of 30 September 2006 and the related statements of income and cash flows for the year then ended.

Respective Responsibilities of Directors and Auditors

These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgement made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our 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 17, 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 to effectuate the cession of assets to Produce Buying Company Limited.

Opinion

In our opinion, 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, the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2006 and of its Loss and cash flow for the year then ended and have been properly prepared in accordance with the Companies Code, 1963 (Act 179) and the Ghana National Accounting Standards.

Farrar Avenue
Accra

17th December 2006

Pannell Kerr Forster

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS



PRODUCE BUYING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	NOTES	2006 ¢'million	2005 ¢'million
TURNOVER		2,486,622	2,304,175
COST OF SALES		(2,225,304)	(2,077,311)
GROSS PROFIT		261,318	226,864
DIRECT OPERATING EXPENSES	2	(226,017)	(225,885)
ADMIN. & GENERAL EXPENSES	3	(64,288)	(51,465)
TOTAL EXPENSES		(290,305)	(277,350)
OPERATING LOSS		(28,987)	(50,486)
OTHER INCOME	4	16,373	19,704
NET LOSS BEFORE TAXATION		(12,614)	(30,782)
NATIONAL RECONSTRUCTION LEVY	5	0	0
		(12,614)	(30,782)
TAXATION	6	1,629	(373)
NET LOSS AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		(10,985)	(31,155)

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2006


BALANCE AT 1 OCTOBER		4,564	35,869
NET LOSS FOR THE YEAR		(10,985)	(31,155)
		(6,421)	4,714
TRANSFER TO SHARE DEALS ACCOUNT	18	0	(150)
BALANCE AT 30 SEPTEMBER		(6,421)	4,564

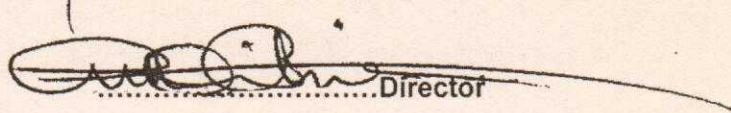


PRODUCE BUYING COMPANY LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2006

	NOTES	2006 ¢'million	2005 ¢'million
PROPERTY, PLANT & EQUIPMENT	7	26,253	30,934
LONG TERM INVESTMENT	8	250	250
		26,503	31,184
 CURRENT ASSETS			
Stocks	9	69,967	151,591
Accounts Receivable	10	83,654	109,568
Short Term Investments	11	1,643	1,620
Bank and Cash Balances	12	8,149	8,283
		163,413	271,062
 CURRENT LIABILITIES			
Bank Overdraft	13	98,204	126,062
Accounts Payable	14	8,419	14,680
Seed Fund Loan		42,041	105,762
National Reconstruction Levy	5	865	865
Taxation	6	(2,509)	1,146
Dividend	15	153	3
		147,173	248,518
NET CURRENT ASSETS		16,240	22,544
NET ASSETS		42,743	53,728
 REPRESENTED BY			
Stated Capital	16	49,144	49,144
Share Deals Account	18	20	20
Income Surplus Account		(6,421)	4,564
		42,743	53,728

Approved by the Board on 27/12/2006


 Director


 Director

PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €'million	2005 €'million
Cash flows from operating activities		
Operating Loss	<u>(12,614)</u>	<u>(30,782)</u>
Adjustment for:		
Depreciation	7,193	8,475
Profit on disposal of Fixed Assets	0	(362)
Interest Received	(962)	(1,136)
Interest Paid	<u>79,699</u>	<u>81,167</u>
	<u>85,930</u>	<u>88,144</u>
Operating Profit Before Working Capital Changes	73,316	57,362
Decrease in Stocks	81,624	45,025
Decrease/(Increase) in Accounts Receivable	25,914	(38,756)
Decrease in Accounts Payable	<u>(6,261)</u>	<u>(7,585)</u>
Cash generated from operations	<u>174,593</u>	<u>56,046</u>
Tax Paid	<u>(2,026)</u>	<u>(9,251)</u>
Cash flows from Investing activities		
Interest Received	962	1,136
Interest Paid	(79,699)	(81,167)
Proceeds from disposal of Fixed Assets	60	362
Payments to acquire fixed assets	<u>(2,572)</u>	<u>(6,049)</u>
Net Cash used in Investing Activities	<u>(81,249)</u>	<u>(85,718)</u>
Cash flows from Financing Activities		
Payment of Dividend	0	(11,969)
Uncashed Dividend Cheque	150	0
Purchase of Shares	0	(386)
Seed Fund Loan	(63,721)	49,638
Medium Term Loan	0	(4,148)
Net Cash used in Financing Activities	<u>(63,571)</u>	<u>33,135</u>
Net Increase in Cash and Cash equivalents	27,747	(5,788)
Cash and Cash equivalents at 1 October	<u>(116,159)</u>	<u>(110,371)</u>
Cash and Cash equivalents at 30 September	<u>(88,412)</u>	<u>(116,159)</u>
Analysis of changes in cash and cash equivalents.		
	At 30 Sept. 2006 €'million	At 30 Sept. 2005 €'million
Cash in Hand and at Bank	8,149	8,283
Overdrafts	(98,204)	(126,062)
Treasury Bills/Call Deposits	1,643	1,620
	<u>(88,412)</u>	<u>(116,159)</u>



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

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.

g. Deferred Income Tax

Deferred Income Tax is provided, using balance sheet liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amount in the balance sheet.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

2. **DIRECT OPERATING EXPENSES** include depreciation of ₦5,744 (million) on Plant, Machinery and Motor Vehicles (2005-₦7,060 - million)

3. **ADMINISTRATIVE AND GENERAL EXPENSES** include the following:-

	2006 ₦'million	2005 ₦'million
Depreciation-Land & Buildings, Furniture & Equipment	1,449	1,415
Auditors Remuneration	130	115
Directors Fees and Expenses	265	254
Subscriptions	253	322

4. **OTHER INCOME**

	2006 ₦'million	2005 ₦'million
Freight Income	10,687	16,714
Rent Income	424	551
Recoveries from Hauliers	4,041	867
Sundry Income	259	74
Interest Received	962	1,136
Profit on Disposal of Fixed Assets	0	362
	<u>16,373</u>	<u>19,704</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)
	<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	(8,878)	0	0	(8,878)
2006		(2,026)	283	(1,743)
	<u>1,146</u>	<u>(2,026)</u>	<u>283</u>	<u>(597)</u>
Deferred Tax				
2006	0	0	(1,912)	(1,912)
	<u>1,146</u>	<u>(2,026)</u>	<u>(1,629)</u>	<u>(2,509)</u>

The amount provided for income tax is calculated at the rate of 25% 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 2006

7 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings ¢'million	Plant and Machinery ¢'million	Motor Vehicles ¢'million	Furniture & Fitting ¢'million	Building W.I.P ¢'million	Total ¢'million
Cost						
Balance at 1.10.2005:	25,870	20,345	34,959	5,681	213	87,068
Cost/Revaluation	2,122	79	89	184	311	2,785
Additions during the year :	0	0	(225)	(170)	(213)	(608)
Disposals/Transfers						
Balance at 30.9.2006	27,992	20,424	34,823	5,695	311	89,245
Depreciation						
Balance at 1.10.2005:	5,846	17,722	28,185	4,381	0	56,134
Cost/Valt Revaluation	840	920	4,823	610	0	7,193
Charge for the year - Cost	0	0	(225)	(110)	0	(335)
Cost/Valuation	6,686	18,642	32,783	4,881	0	62,992
Disposals						
Balance at 30.9.2006	21,306	1,782	2,040	814	311	26,253
NET BOOK VALUE AT 30.9.06	20,024	2,623	6,774	1,300	213	30,934
NET BOOK VALUE AT 30.9.05						

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 2006

9 STOCKS	2006 €'million	2005 €'million
Trading - Cocoa	60,683	142,082
<u>Non-Trading</u>		
Spare Parts	1,126	1,494
Tarpaulin Stocks	567	348
Jute Sacks/ Twine	2,620	3,821
Technical Stores	234	223
Stationery	1,201	1,521
Fuel and Lubricants	1,419	839
Motor Cycle/ Helmet	2	2
Other Stock/ Matchets	21	79
Tyres and Batteries	1,863	889
Stencil Ink	231	293
	<u>69,967</u>	<u>151,591</u>

10 ACCOUNTS RECEIVABLE

Trade Debtors	64,571	97,336
Other Debtors	13,476	8,722
Staff Loans and Advances	3,917	2,923
Prepayments	1,690	587
	<u>83,654</u>	<u>109,568</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 year did not exceed €3,917 (million)(2005 - €2,923 million).

11 SHORT TERM INVESTMENTS

	€'million	€'million
Call & Fixed Deposits	0	200
Treasury Bills	1,643	1,420
	<u>1,643</u>	<u>1,620</u>

12 BANK AND CASH BALANCES

Bank Balances	8,148	8,278
Cash Balances	1	5
	<u>8,149</u>	<u>8,283</u>



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 ¢'million	2005 ¢'million
13 BANK OVERDRAFT		
Balances as at 30 September	<u>98,204</u>	<u>126,062</u>
<p>The Company has overdraft facilities totalling ¢330 billion with its bankers which are secured by cocoa stocks and receivables.</p>		
14 ACCOUNTS PAYABLE		
Trade Creditors	267	2,472
Other Creditors	8,022	12,093
Accrued Charges	<u>130</u>	<u>115</u>
	<u>8,419</u>	<u>14,680</u>
15 DIVIDEND		
Balance at 1 October	3	11,972
Paid during the year	0	(11,969)
Uncashed cheque	<u>150</u>	<u>0</u>
Balance at 30 September	<u>153</u>	<u>3</u>



**PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	2006		2005	
16 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	¢'million	Number	¢'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 2006:-1,246,467 (2005 - 1,246,467).				
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.				

17 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".

18 SHARE DEALS ACCOUNT

	2006	2005
	¢'million	¢'million
Balance brought forward	20	256
Transfer from Income Surplus	0	150
Purchase of Own Shares	<u>0</u>	<u>(386)</u>
	<u>20</u>	<u>20</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)

19 CAPITAL COMMITMENTS/CONTINGENCIES

There were no capital commitments and contingencies as at 30 September 2006.

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