



Produce Buying Company Ltd.

Annual Report

2009/2010





PRODUCE BUYING COMPANY LIMITED

FINANCIAL STATEMENT

30 SEPTEMBER 2010

PKF

Accountants &
business advisers





PRODUCE BUYING COMPANY LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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PRODUCE BUYING COMPANY LIMITED CORPORATE VISION

FOR THE YEAR ENDED 30 SEPTEMBER 2010

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 in the most efficient and profitable manner.

OUR COMMITMENT

PBC'S mission is to be pursued through a commitment as follow:

CUSTOMERS: To satisfy cocoa farmers through quality services 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.

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
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting of Produce Buying Company Limited will be held at the **OSU EBENEZER PRESBYTERIAN CHURCH HALL, OSU, Accra** on **FRIDAY 25TH MARCH, 2011** 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, 2010.
2. To declare a dividend
3. To approve changes in Directorship of the Company: -
 - ❖ **Alhaji Yakubu Ziblim** - **SSNIT Representative** - **Retiring**
 - ❖ **Mr. J.M.K. Ampiaw** - **Farmers Representative** - **Retiring**
4. To elect the following Directors:-
 - ❖ **Mr. A. T. D. Okine** - **To represent SSNIT**
 - ❖ **Mr. Stephen Baba Kumasi** - **To represent Farmers**
5. To appoint auditors and authorize the Directors to determine their remuneration
6. To approve Non-Executive Directors fees
7. To transact any business appropriate to be dealt with at an Annual General Meeting

BY THE ORDER OF THE BOARD

DATED THIS 1ST FEBRUARY, 2011

EDEM AMA SEKYE (MRS.)
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
CORPORATE INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2010

BOARD OF DIRECTORS	Dr. John Frank Abu Kojo Atta-Krah Hon. Ernest Kofi Yakah (MP) Mabel Oseiwa Quakyi (Mrs.) Ebenezer Tei Quartey James M. K. Ampiaaw Kofi Graham Cecilia Nyann (Ms) Nana Kwame Nkrumah I Alhaji Yakubu Ziblim Yaw Sarpong	- Chairman - Managing Director - Director - Director - Director - Director - Director - Director - Director - Director
SECRETARY	Edem Ama Sekyi (Mrs)	
TOP MANAGEMENT	Kojo Atta-Krah George Kwadwo Boateng Joseph Osei Manu	- Managing Director - DMD-Operations - DMD-Finance and Administration
AUDITORS	Pannell Kerr Forster Chartered Accountants Farrar Avenue P. O. Box 1219 Accra	
SOLICITOR	Edem Ama Sekyi (Mrs) Olusegun Obasanjo Road Dzorwulu Junction Accra	
REGISTERED OFFICE	Olusegun Obasanjo Road Dzorwulu Junction Accra	
BANKERS	Barclays Bank of Ghana Limited Ecobank Ghana Limited Ghana Commercial Bank Limited SG-SSB Bank Limited Standard Chartered Bank Ghana Limited Merchant Bank	





PRODUCE BUYING COMPANY LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010

Distinguished Shareholders,

I am very pleased to welcome you once again to the 10th 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 30, 2010.

The 2009/10 financial year has been very remarkable for the Company in terms of both its operational and financial performances. The Company recorded an unprecedented high market share of 38% in relation to 35% the previous year and a profit before tax of GH ¢19.256million as against GH¢7.176million of the previous year. This impressive performance achieved by the Company through the collaborative efforts of the Board, Management and staff marks a major breakthrough in the efforts at achieving an improved and sustained profitability.

The company nonetheless continues to face various operational hurdles and high finance cost resulting from over-reliance on Bank Overdrafts for Cocoa purchases. The high finance cost as shown in the company's Financial Statements poses a serious challenge to the operational and financial capabilities of the Company. The Board and Management will continue to explore better funding arrangements in the coming years to lessen this cost and maintain it at an acceptable level.

COCOA PRODUCTION

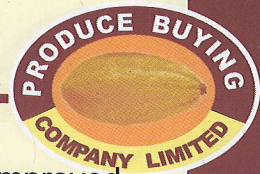
National Cocoa purchases decreased by 11% from 710,639 tonnes in 2008/09 to 632,026 tonnes during the year under review mainly as a result of smuggling to the neighbouring countries. The impact of this on the company's performance was a lower 4% reduction in purchases from 247,881 tonnes in 2008/09 to 238,967 tonnes in 2009/10. The lower reduction was mainly due to the resilience of the company and the very effective operational arrangements pursued.

OPERATING RESULTS

Dear Shareholders, your Company's excellent performance during the year resulted in a net profit after tax of GH¢14.113million, a significant increase of 172% over and above the previous year's figure of GH¢5.194 million. The net profit after tax also represents 57.8% after tax return on capital employed.

Our balance sheet also continued to show strong growth as shareholder's equity increased by 115.9% from GH¢11.316million to GH¢24.431million. Return on capital Employed (ROCE) also increased from the previous figure of 45.9% to 57.8%, indicating an improved outcome from fund utilization of your company.

It is gratifying to note that, the keen interest shown by shareholders and the very useful suggestions made by members during previous annual general meetings, in addition to sound financial and operational policies fashioned out by the Board and Management accounted for this highly impressive performance



To strengthen the capital base of the company for an even improved performance, your company found it necessary to increase its Stated Capital from GH¢ 4.9 million to GH¢15 million. This was made possible through a transfer of an amount of GH¢ 10.086 million from the Income Surplus Account to Stated Capital. This process was tabled before shareholders and approved at an Extraordinary meeting held on the 29th. of September 2010.

INVESTMENTS

Dear Shareholders, the programme of increased investment in the haulage activities of the company is on course as more articulated and cargo trucks and tractors are acquired to replace old and over-aged vehicles which had been a wasteful drain on the Company's finances.

The state-of-the-art Parking Lot built by the Company at Tema at a cost of GH¢1.9million has been completed and rented out to Ghana Cocoa Board for use by the numerous vehicles that throng the port city with cocoa.

At the Company's Annual General Meeting held last year members were informed of the establishment of a subsidiary Company PBC SHEA LTD. for processing of Sheanut for export. This project is progressing as scheduled and we are presently awaiting the arrival of the equipment for the processing plant which have been shipped from Brazil.

The site of the project has been completely fenced and contracts for other civil works for installation of the plant and provision of the necessary structures have been awarded. We are hopeful that the whole project would be completed by the middle of 2011.

The Company will continue to exploit other investment opportunities in order to widen the revenue base for sustainable profitability in the years ahead.

SOCIAL SERVICES

The Company continued to contribute towards the socio-economic development of the rural communities in which it operates. During the year, the Company supported a number of development projects in the area of electrification, water supply and repair of roads and bridges for a number of communities within the cocoa growing areas. This social/development contribution of the company as well as its positive operational impact was duly recognized by the Ashanti region which conferred a platinum award for 'OUTSTANDING CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF ASHANTI' on the company, at the 7th Ashanti Business Excellence Awards held in Kumasi.

As a Company that operates and believes in the culture of the people of our catchment area, a number of traditional areas have also been supported in the course of the year in the celebration of their annual festivals.

Again the Company supported the National Best Farmer Awards through a cash donation of GH¢10,000 to the Ministry of Food and Agriculture for the 2010 programme. Your company further continues with the traditional Promotional packages that it accords its farmers throughout the purchasing areas.





Finally, the generally outstanding performance of your company in the course of the year culminated in the enhanced lift of the company's recognition on the prestigious GHANA CLUB 100 from the position of 89th in 2009 to 34th in 2010. We are most hopeful to rise further to the single digit position in the not too distant future as we continue to strive harder.

DIVIDEND

Distinguished Ladies and Gentlemen, the income surplus balance before appropriation as at the end of the year is GH¢7.382million. In pursuance of our Corporate objective of ensuring equitable return on investments to shareholders, your Directors have proposed a dividend of GH¢0.0088 per share amounting to GH¢4.224million for payment. This amount constitutes 30% of after tax profit which is in line with Corporate dividend policy. This dividend payment is 138% over and above that of the previous year.

OUTLOOK

The 2009/10 financial year marked the tenth anniversary of the listing of the Company on the Ghana Stock Exchange and was celebrated with all pomp and pageantry. I am glad to note that your company gave a good account of its ten years existence on the exchange with the outstanding performance chalked, which has just been presented to you. Spurred by the current impressive performance, the Board and Management will not relent in their efforts to achieve more successes in the coming years to make Produce Buying Company the most preferred Company for investors.

As outlined in the Company's Fourth Medium Term Corporate plan the Company will increase its market presence in all cocoa growing areas as well as the financial and operational capacities in order to sustain the current profitability for the benefit of all stakeholders.

My personal advice to you as members of the PBC family is to hold on to your stocks firmly and wherever/whenever possible even build up on them since the future for your company is indeed most promising.

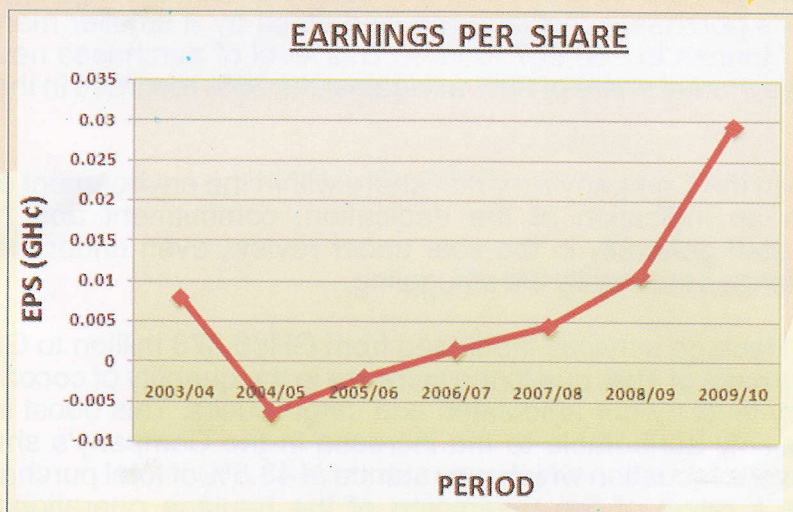
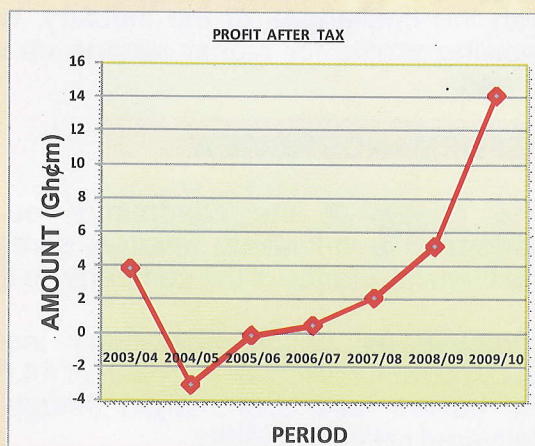
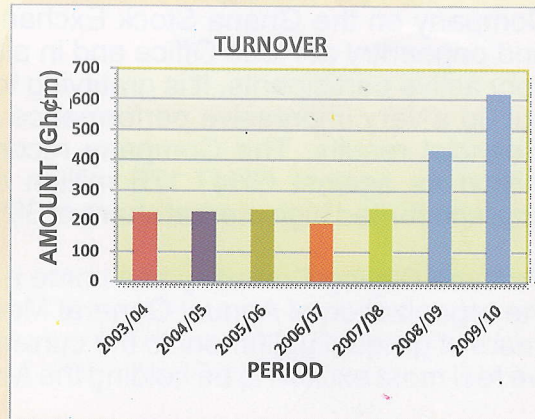
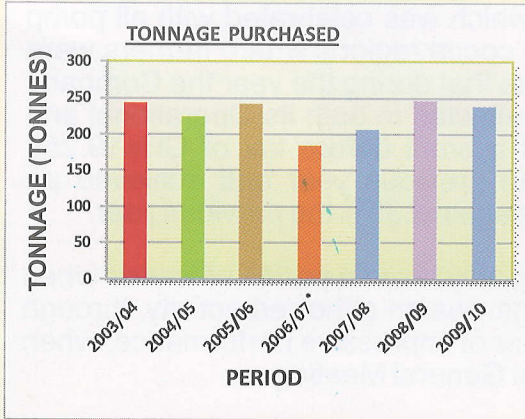
Finally, I wish to thank you Shareholders for your continued confidence and keen interest in our Company. I also wish to extend a hand of gratitude to Management and staff and fellow Directors for their invaluable support during the year.

Thank You

**JOHN FRANK ABU (DR)
CHAIRMAN**



PRODUCE BUYING COMPANY LIMITED
PERFORMANCE AT A GLANCE
 FOR THE YEAR ENDED 30 SEPTEMBER 2010





PRODUCE BUYING COMPANY LIMITED
MANAGING DIRECTOR'S REVIEW OF OPERATIONS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

The 2009/10 financial year marked the tenth anniversary of the listing of the Company on the Ghana Stock Exchange which was celebrated with all pomp and pageantry at Head Office and in all the cocoa regions where farmers were very active participants. It is gratifying to note that during the year the Company put up a very impressive performance as reflected in both its Operational and Financial results. The Company recorded a profit before tax of GH¢19.256 million as against GH¢7.176 million of the previous year and achieved an unprecedented high market share of 38% as against 35% the previous year.

Produce Buying Company has come a long way; from a period of losses when the organization of Annual General Meetings was an abhorred activity, through years of gradual upliftment to the current year of impressive performance, when we feel most excited to be holding the Annual General Meeting.

It is the resolve of the Board and Management to continue to adopt more pragmatic policies and programmes and institute proactive strategies to deal with the challenges of the industry, with the aim of increasing revenue and growing profits for higher returns on shareholder's investments in the years ahead.

PERFORMANCE REVIEW

The review of the Company's operations focuses on comparing key performance indicators, revenue earned and expenditure incurred, as well as the financial stance of the company to that of the previous year.

Turnover for cocoa operations increased from GH¢430.528 million to GH¢622.664 million an increase of 44.6% due to increase in producer price and the buyers take over margin though the volume of cocoa purchased and delivered reduced slightly.

With a reduction of 11% in national cocoa purchases from 710,639 tonnes in 2008/09 to 632,026 tonnes in 2009/10 due mainly to cocoa smuggling activities, the Company's purchases similarly reduced albeit by a smaller margin of 4% from 247,881 tonnes to 238,967 tonnes. This level of purchases nevertheless culminated in a market share of 38% as against the 35% recorded in the previous year.

The increase in the Company's market share within the environment of reduced purchases is an indication of the dedication, commitment and hard work exhibited by staff generally in the year under review, even under the extreme industry challenges especially the smuggling.

Turnover for Haulage services increased from GH¢6.878 million to GH¢10.239 million, an increase of 48% due to the increase in the quantity of cocoa hauled at the secondary level by our articulated and cargo trucks. This boost in haulage revenue is mainly attributable to the increase in the Company's share of the secondary level evacuation which now stands at 43.5% of total purchases. This has been as a result of the revamping of the haulage operations with the purchase of new fleet of both cargo and articulated trucks last year.





Cost of sales for cocoa operations increased by 43.9% from GH¢384.297 million to GH¢553.059 million due mainly to increase in producer price.

Direct cost of haulage service also increased from GH¢3.127 million to GH¢3.614 million, an increase of 15.6% attributable to increase in the quantity of cocoa carted by the Company's trucks at the secondary evacuation level.

Out of the turnover and the associated cost of sales, the Company recorded a gross profit of GH¢76.229 million as compared to last year's gross profit of GH¢49.982 million, an increase of 52.5%.

Direct Operating Expenses increased by 38.9% over the previous year's figure of GH¢16.538 million to GH¢22.975 million. This cost being activity based, it was expected that the reduction in volume of purchases by 4% should have triggered a corresponding reduction in this cost, but that could not be as a result of major cost components in the direct costs that saw increases within the year.

These include:

- Agency Commission,
 - Depreciation of operational Equipment and Machines,
 - Motor Vehicle Insurance,
 - Handling Charges and
 - Grading and Sealing Cost.
1. Agency commission increased by 23.5% from GH¢7.546 million to GH¢9.319 million mainly due to the need to pay competitive commission to attract and retain loyal Marketing Clerks.
 2. Depreciation of operational equipment and machines increased by 30.6% from GH¢2.956 million to GH¢3.862 million and motor vehicle insurance also increased by 33% from GH¢309,998 million to GH¢413,346 million mainly due to the purchase of additional fleet of haulage trucks during the year.
 3. Handling charges increased by 14% from GH¢1.413 million to GH¢1.612 million and Grading and Sealing cost also increased by 29% from GH¢185,635 million to GH¢239,576 million due mainly to increase in the cost of providing these services, arising from the increased producer price.
 4. General and Administrative Expenses which is made up of Staff Cost, Office Cost and Estate and Property rose by 33.3% from GH¢13.468 million to GH¢17.945 million. This is mainly attributed to increase in salaries of staff and payment of bonus to staff approved by the Board during the year under review.
 5. Office Cost also increased by 89% from GH¢2.028 million to GH¢3.833 million. Significant components of this increase in Office Cost include Advertising and publicity, Annual General Meeting Expenses, Subscription and Donation as well as Software Development and Maintenance.



1. Total expenses (excluding Financing Cost) increased by 36.4% from GH¢30.007 million to GH¢40.920 million.

The Company thus registered an operating profit before financing cost of GH¢37.659 million compared to the previous year's figure of GH¢21.823 million, a significant increase of 72.6%. Net financing cost also increased by 25.6% from GH¢14.647 million to GH¢18.402 million attributed mainly to the Company's continuous heavy reliance on Overdrafts for cocoa operations. The high finance cost is a serious challenge to the Board and Management and every effort is being applied to reduce this to a more acceptable level.

Other income increased by 27% from GH¢1.848 million to GH¢2.349 million during the year mainly due to receipts from the sale of Cocoa Sample Residue and the increase in shortages recoveries.

The net profit before tax for the year came up to GH¢19.256 million as compared to the previous year's figure of GH¢7.176 million, a significant increase of about 168.34%.

KEY PERFORMANCE INDICATORS

Key performance indicators of the Company's activities improved in line with the significant increase in the Company's profitability.

1. Basic Earnings per Share (EPS) increased by 172.2% from 0.0108 to GH¢0.0294.
2. Return on Capital Employed (ROCE) also increased from the previous year of 45.9% to 57.8%.
3. The balance sheet also showed a significant growth with shareholders equity moving from GH¢11.316 million to GH¢24.431 million, an increase of 115.9%.
4. The Price/Earning (P/E) ratio has also reduced significantly from previous year figure of 17.6 to 4.76. as a result of the improved earnings.

SOCIAL SERVICES

In exercising its corporate social responsibility, the Company contributed towards various developmental projects in the Communities in which it operates. Notable among them were electrification projects, water projects, repairs of roads and bridges as well as support to cultural activities in various locations.

It is gratifying to note that the Company was conferred with a Platinum Award for outstanding contribution to the economic development of Ashanti at the 7th Ashanti Business Excellence Awards held in Kumasi. This is a clear testimony of how far the Company's social responsibility has been felt and appreciated in our operating areas.

As "Friends of Farmers", The Company supported the National Best Farmer Award with a donation of GH¢10,000 to the Ministry of Food and Agriculture, while also continuing with our promotional programmes for farmers who sell to the company.



As a Company which derives its strength from the rural communities, the Company will not relent in its efforts at giving back to improve the living conditions of these communities as our finances improve.

OUTLOOK

The Company has completed its 4th 3-Year Medium Term Corporate Plan. Highlights of projections in the plan include the following:

1. The Company will adopt an aggressive marketing posture by expanding our field operations and presence to achieve a market share of 43% within the plan period.
2. The Company will partake in the Secondary Evacuation activities with the hope of hauling 50% of cocoa purchases within the period.
3. More emphasis will be laid on providing adequate and improved storage facilities, through conscious efforts at rehabilitating and renovating dilapidated sheds and depots as well as constructing new ones.
4. The expansion of the Company's ICT programme will also be pursued with all the vigour it deserves.
5. Management shall continue to adequately motivate workers through improvement of the working environment to boost job satisfaction and implement result-oriented performance-measurement-appraisal system to reward exceptional performance.
6. The Company will continue to pursue the programme towards the establishment of PBC-Shea Processing Plant. It is expected that PBC Ltd will purchase a total of 40,000 tonnes of sheanut annually within the plan period to feed the processing plant.

We wish to re-assure our Shareholders and Directors of our commitment to monitor the various investment projects undertaken by the Company to ensure that the desired results are achieved, in support of our efforts at maintaining PBC Ltd as the most preferred company for investors.

Finally, I wish to thank the Board of Directors, Management and staff of the Company for the outstanding performance during the year in spite of the challenges and look forward to higher successes in the years ahead.

Thank you.


M. KOJO ATTA-KRAH
MANAGING DIRECTOR



PRODUCE BUYING COMPANY LIMITED
REPORT OF THE DIRECTORS ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

In accordance with the requirements of Section 132 of the Companies Code 1963 (Act 179), we the Board of Directors of Produce Buying Company Limited, present herewith the annual report on the state of affairs of the company for the year ended 30 September, 2010.

Results of Operations

	<u>2010</u> GH¢	<u>2009</u> GH¢
Turnover	<u>632,902,845</u>	<u>437,405,123</u>
Profit before Tax of	19,256,444	7,176,133
From which is deducted provision for The estimated income tax liability of	<u>(5,143,902)</u>	<u>(1,982,588)</u>
Leaving a Net Profit after tax of	14,112,542	5,193,545
To which is added the retained Earnings as at 1 October	<u>5,981,312</u>	<u>(1,653,065)</u>
	20,093,854	6,846,610
Dividend paid during the year	<u>(1,769,434)</u>	<u>(717,180)</u>
Transfer to share deals account	<u>(50,000)</u>	<u>(148,118)</u>
Transfer to stated capital	<u>(10,085,623)</u>	0
Withholding tax on Transfer to capital	<u>(806,850)</u>	<u>0</u>
Resulting in a balance carried To the Balance Sheet of	<u>7,381,947</u>	<u>5,981,312</u>

Dividend

A final dividend of GH¢0.0088 per share amounting to GH¢4,234,000.00 has been proposed by the directors for the year ended 30th September 2010.



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 15th of September 1999, the company was incorporated as a Public Limited liability Company under the Companies Code 1963 (Act 179). On the 19th 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
Dr. John Frank Abu	- Chairman	23 October 2009
Mrs. Mabel Oseiwa Quakyi		√
Mr. Ebenezer Tei Quartey		√
Hon. Ernest Kofi Yakah (MP)		√
Mr. Kofi Graham		√
Mrs. Cecilia Nyann		√
Nana Kwame Nkrumah I		√
Mr. James M. K. Ampiaaw		24 April 2009
Mr. Yaw Sarpong		24 April 2009
Alhaji Yakubu Ziblim		01 February 2002
Mr. Kojo Atta-Krah	- Managing	01 December 2009

Auditors

A resolution proposing the re-appointment of the company's auditors, Messrs Pannell Kerr Forster will be put before the Annual General Meeting in accordance with Section 134(5) of the Companies Code 1963 (Act 179).

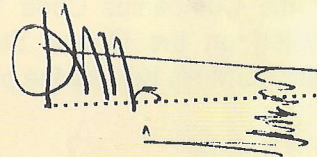


Events after Balance Sheet Date

The Directors confirm that no matters have arisen since 30th September 2010, which materially affect the financial statements of the Company for the year ended on that date.

BY ORDER OF THE BOARD

.....Director

.....Director

ACCRA

24th December.....2010



PRODUCE BUYING COMPANY LIMITED
CORPORATE GOVERNANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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:

Ms. Cecilia Nyann
Mr. Tei Quartey
Mr. Kofi Graham
Mrs. Mabel Quakyi

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 meetings. The Company has complied with the regulations of the Securities and Exchange Commission (L.11728 Regulations 61).

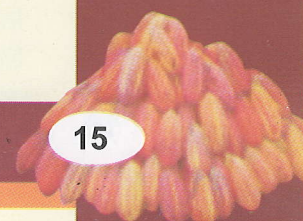
OPERATIONAL COMMITTEE

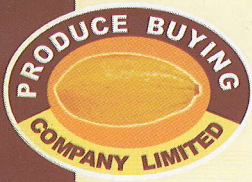
The Operational Committee of the Board is responsible for the review of operational report as presented by the Research, Monitoring and Evaluation Department through the Deputy Managing Director (Operations). The Committee also holds spot meeting on emergencies and makes recommendations to the Board.

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

Dr. John Frank Abu
Mr. Yaw Sarpong
Hon. Kofi Yakah
Mr. J. M. K. Ampiaaw
Mr. Tei Quartey

In attendance at the Committee's meeting are the Managing Director and the Deputy Managing Director (Operations).





HUMAN RESOURCE / COMPENSATION & GOVERNANCE COMMITTEE

The Committee is responsible for establishing a process for identifying, recruiting, appointing and providing on-going development for directors.

In addition, it is the responsibility of the Committee to identify individuals qualified to become board members, consistent with criteria approved by the Board and the Companies Code and to select, or to recommend that the Board select the director nominees for the next annual meeting of the shareholders. The Committee also has the responsibility to develop and recommend to the Board a set of corporate governance principles applicable to the Company and oversee the evaluation of the Board.

The Committee is made up of the following members:

Dr. John Frank Abu
Ms. Cecilia Nyann
Mrs. Mabel Quakyi
Alhaji Yakubu Ziblim
Mr. Yaw Sarpong

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

PROJECTS COMMITTEE

The Committee is responsible for the following:

- Shall handle and advise the Board on all matters relating to Project execution within the Company, specifically matters from the General Services Department, IT. Department and the Technical Department.
- To review and make recommendations to the Board on all aspects of projects undertaken or anticipated by the Company as may be referred to it by the Board.
- Shall evaluate and determine the quality of work on projects undertaken and advise Board accordingly.
- Shall generally be involved with matters that are tied to the physical assets of the Company and their development.

The Committee is made up of the following members:

Alhaji Yakubu Ziblim
Hon. Kofi Yakah
Mr. Kofi Graham
Mr. J. M. K. Ampiaw

In attendance at the Committee's meeting are the Managing Director and the Dep. Managing Director (Operations).



PRODUCE BUYING COMPANY LIMITED
PROFILE OF DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

1. MR. STEPHEN BABA KUMASI

Mr. Stephen Baba Kumasi has been nominated for appointment to the PBC Board of Directors by the Ghana Cocoa Coffee Shea-nut Farmers Association as the Farmers representative.

Mr. Stephen B. Kumasi was born on 14th June, 1957 in Accra and hails from Zongoyire, Zebilla in the Upper East Region of Ghana. He obtained his Middle School Leaving Certificate in the year 1975 and has since worked as a career farmer.

He has to date many enviable awards including Regional Best Farmer in 1991 and 1995, First Runner Up, Best Shea Nut Picker in 1997 and crowned with the outstanding title of National Best Farmer in the year 2000.

Mr. Stephen B. Kumasi has interest in local governance and has worked in the Bawku West District Assembly at various times as an Elected Member or Government appointee for Zongoyire with additional responsibilities for the Assembly's Disaster and Agricultural Subcommittee.

Presently, Mr. Stephen B. Kumasi is an Assembly Member, Bawku West District, Board Member, Action Aid International (Ghana), Regional Chairman, Seed Producers Association of Ghana and the Upper East Regional Chief Farmer. He is also happily married with three children.





PRODUCE BUYING COMPANY LIMITED
PROFILE OF DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. MR. ABRAHAM TETTEH DIAN OKINE

Mr. Abraham Tetteh Dian Okine has been nominated for appointment to the PBC Board of Directors by the Social Security and National Insurance Trust (SSNIT) as its representative.

Mr. A. T. D. Okine, who was born on 17th September, 1954 is a career Trade Unionist. He has held various positions in Trades Union Administration since 1975 and is experienced in Industrial Relations, Negotiations, Collective Bargaining, Union Administration, Trade Union education and organization.

Some of his educational qualifications include an Advance Certificate in Trade Unionism, Diploma in Collective Bargaining etc. and has participated in several local and international Seminars/Workshops.

He was the General Secretary of the Public Services Workers Union of the Ghana TUC and awarded in 1984 for his invaluable contribution to the Union during its Silver Jubilee Celebrations and at the National May Day awards in 1999.

Mr. A. T. D. Okine has been Board Member of some reputable institutions and was a member of TUC's 3-Member Team that worked with Government and Employers to draft the new Labour Act, 2003 (Act 651) as well as member of the 3-Member team that drafted the current Ghana TUC Constitution.

Currently, he is a Board member of the Labour Enterprise Trust (LET), Accra Brewery and GAFCO, National Coordinator for Building Woodworkers International, member of the Executive Board of the Ghana TUC, member of the National Tripartite Committee of Ghana as well as a member of the SSNIT Board of Trustees.

Mr. A. T. D. Okine is a lay member of the Joint Anglican Diocesan Council. He is happily married with three children and enjoys reading, researching and organizing.



PRODUCE BUYING COMPANY LIMITED
STATEMENT OF DIRECTORS RESPONSIBILITIES
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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 end of the financial year and of its Profit and Loss for the year.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments 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 statement.





Accountants &
business advisers

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PRODUCE BUYING COMPANY LIMITED
ON THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2010**

Report on the Financial Statements

We have audited the accompanying financial statements of Produce Buying Company Limited which comprise the statement of financial position as of September 30, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



We have not had sight of the Title Deed of the sheds and buildings ceded to the company by Ghana Cocoa Board as stated in the Company's books to establish the company's ownership of these assets. However as stated in Note 25, the Government 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 financial position of Produce Buying Company Limited as of September 30, 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Code, 1963 (Act 179).

Report on Other Legal and Regulatory Requirements

The Companies Code, 1963, (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

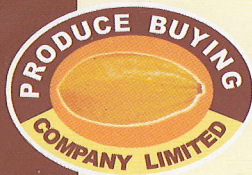
- I Except for the Title Deed of the sheds and buildings ceded to the company by Ghana Cocoa Board, we have obtained all the information and explanations which to the best of our knowledge and beliefs were necessary for the purpose of our audit.
- II In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books, and
- III The company's statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

Farrar Avenue, Accra

**PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS**

24th December

..... 2010



PRODUCE BUYING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	NOTES	2010 GH¢	2009 GH¢
Revenue	6	632,902,845	437,405,123
Cost of Sales		(556,674,076)	(387,423,274)
Gross Profit		76,228,769	49,981,849
Other Income	8	2,349,911	1,848,359
Direct Operating Expenses		(22,975,080)	(16,538,187)
General and Administrative Expenses	7	(17,944,870)	(13,468,921)
Operating profit before financing cost		37,658,730	21,823,100
Net Finance Expenses	9	(18,402,286)	(14,646,967)
Profit before Taxation		19,256,444	7,176,133
Income Tax Expense	10a	(5,143,902)	(1,982,588)
Profit for the year transferred to Income Surplus Account		14,112,542	5,193,545
Other Comprehensive Income			
Available -for-Sale Financial Assets		872,728	0
Deferred tax on revaluation		(43,636)	0
Total Other Comprehensive Income		829,092	0
Total Comprehensive Income for the year		14,941,634	5,193,545
Basic earning per share (Ghana cedis per share)		GH¢0.0294	GH¢0.0108
Diluted earning per share (Ghana cedis per share)		GH¢0.0294	GH¢0.0108



PRODUCE BUYING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	NOTES	2010 GH¢	2009 GH¢
Non-Current Assets			
Property, plant and equipment	13a	29,427,640	25,496,007
Intangible assets	14	34,782	48,304
Available for sale financial asset	12	1,454,546	581,818
Total non-current assets		30,916,968	26,126,129
Current Assets			
Inventories	15	97,204,708	22,505,804
Trade and other receivables	16	32,555,979	32,265,614
Short term investments	17	5,120,954	5,233,318
Cash and cash equivalents	18	3,232,870	10,429,116
Total current assets		138,114,511	70,433,852
Total assets		169,031,479	96,559,981
Equity			
Stated capital	24a	15,000,000	4,914,377
Retained earnings	24c	7,381,947	5,981,312
Other reserves	24d	1,242,648	420,454
Total equity		23,624,595	11,316,143
Non-current liabilities			
Deferred tax liability	11a	2,472,541	1,725,266
Finance lease	23	2,685,168	3,282,148
Medium term loan	22	3,314,548	4,813,049
Preference share capital	24b	100	100
Total non-current liabilities		8,472,357	9,820,563
Current liabilities			
Bank overdraft	20	18,204,482	16,575,298
Income tax liability	10b	5,461,970	380,521
Short Term Loan	21	100,588,662	43,179,000
Medium term loan (current portion)	22	3,677,228	2,676,289
Finance lease (current portion)	23	581,500	439,190
Trade and other payables	19	8,420,685	12,172,977
Total current liabilities		136,934,527	75,423,275
Total liabilities		145,406,884	85,243,838
Total liabilities and equity		169,031,479	96,559,981

Approved by the Board on 23rd December 2010

 Director

 Director

PRODUCE BUYING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

CAPITAL AND RESERVES

2010

	Share Capital GH¢	Retained Earnings GH¢	Share Deals GH¢	Other Reserves GH¢	Total Equity GH¢
Balance at 1 October	4,914,377	5,981,312	0	420,454	11,316,143
Dividend paid during the year	0	(1,769,434)	0	0	(1,769,434)
Transfer to Share Deals Account	0	(50,000)	50,000	0	0
Payment for Share Buy back	0	0	(50,000)	0	(50,000)
Total recognised Income and Expenses	0	14,112,542	0	0	14,112,542
Transfer from Retained Earnings	10,085,623	(10,085,623)	0	0	0
Tax on transfer to Stated Capital	0	(806,850)	0	0	(806,850)
Movement in available for sale asset	0	0	0	872,728	872,728
Deferred tax on Other Reserves	0	0	0	(50,534)	(50,534)
Balance at 30 September	15,000,000	7,381,947	0	1,242,648	23,624,595

2009

Balance at 1 October	4,914,377	1,653,065	1,882	784,091	7,353,415
Dividend paid during the year	0	(717,180)	0	0	(717,180)
Transfer to Share Deals Account	0	(148,118)	148,118	0	0
Payment for Share Buy back	0	0	(150,000)	0	(150,000)
Total recognised Income and Expenses	0	5,193,545	0	0	5,193,545
Movement in available for sale asset	0	0	0	(363,637)	(363,637)
Balance at 30 September	4,914,377	5,981,312	0	420,454	11,316,143



PRODUCE BUYING COMPANY LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 GH¢	2009 GH¢
Cash flows from operating activities		
Profit before taxation	19,256,444	7,176,133
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	4,156,400	3,196,170
Interest Received	(735,305)	(376,553)
Loss/(Profit) on Property, Plant and Equipment Disposals	19,813	(399,806)
Interest expense	19,137,591	15,023,520
Operating profit before working capital changes	41,834,943	24,619,464
Change in inventories	(74,698,904)	5,863,806
Change in trade and other receivables	(290,365)	(19,790,671)
Change in trade and other payables	(3,752,292)	4,645,499
Cash generated from operations	(36,906,618)	15,338,098
Income taxes paid	(172,562)	(209,667)
Net cash flow from operating activities	(37,079,180)	15,128,431
Cash flow from investing activities		
Interest Received	735,305	376,553
Proceeds from disposal of Assets	67,618	399,806
Payment to acquire Intangible Assets	0	(38,700)
Payments to acquire Property, Plant and Equipment	(8,161,942)	(14,903,754)
Net Cash used in Investing Activities	(7,359,019)	(14,166,095)
Cash flows from Financing Activities		
Interest paid	(19,137,591)	(15,023,520)
Payment for Share Buy Back	(50,000)	(150,000)
Dividend paid during the year	(1,769,434)	(717,180)
Short Term Loan Received	57,409,662	13,199,000
Finance Lease (Repayment)/Received	(454,670)	45,138
Medium Term Loan (Repayment)/Received	(497,562)	542,927
Net Cash from Financing Activities	35,500,405	(2,103,635)
Net Decrease in Cash and Cash equivalents	(8,937,794)	(1,141,299)
Cash and Cash equivalents at 1 October	(912,864)	228,435
Cash and Cash equivalents at 30 September	(9,850,658)	(912,864)
Cash and Cash Equivalents.		
Cash in Hand and at Bank	3,232,870	10,429,116
Bank overdraft	(18,204,482)	(16,575,298)
Treasury Bills/Call Deposits	5,120,954	5,233,318
	(9,850,658)	(912,864)



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.0. REPORTING ENTITY

Produce Buying Company Limited is a company registered and domiciled in Ghana. The address of the company's registered office can be found on page 1 of the annual report. 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.

2.0 BASIS OF PREPARATION

a. Statement of compliance

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

b. Basis of measurement

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

c. Functional and presentational currency

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

d. Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 29.

3.0 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the company.

a. Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investment in shares and treasury bills, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instrument not at fair value through profit and loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses, if any.

Non-derivative financial instruments are categorised as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest rate method, less any impairment losses.
- Financial liabilities measured at amortised cost - this relates to all other liabilities that are not designated at fair value through profit or loss.
- Available-for-sale financial assets - The Company's investments in shares are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Off setting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iv) Stated capital (Share capital)

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference Shares

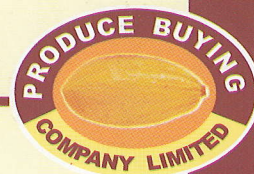
Preference share capital is classified as equity if it is non-redeemable or is redeemable but only at the company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by Board of Directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary.

Dividends thereon are recognised as distributions within equity upon approval by Board of Directors.

Repurchase of stated capital (treasury shares)

When stated capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on transaction is transferred to/from retained earnings.



(b) Leases

(i) Classification

Leases that the company assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases.

(ii) Lease Payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and as reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and Equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably.



The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods 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. Gains and losses on disposal of property, plant and equipment are included in the income statement.

(d) Intangible Assets

Software

Software acquired by the company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.



(f) Trade and Other Receivables

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

Other receivables are stated at their cost less impairment losses.

(g) 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.

(h) Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognised as an expense in the income statement when they are due.

(i) 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. Revenue is recognised when the significant risks and rewards of the ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

(ii) Sale of services

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

(j) Finance Income and Expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised in the income statement using the effective interest method. Dividend income is recognised in the statement of comprehensive income statement on the date that the company's right to



receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the income statement using the effective interest method.

(k) Impairment

(i) Financial assets

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

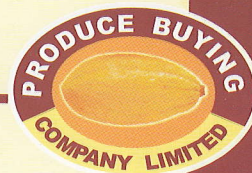
The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

(l) Income tax

Income tax expense comprises current and deferred tax. The company provides for income taxes at the current tax rates on the taxable profits of the company.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial



reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Dividend

Dividend payable is recognised as a liability in the period in which they are declared.

(n) Event After Balance Sheet Date

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

(o) Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information based on the internal reports regularly reviewed by the company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the company presents segment information in respect of its business segments (see note 5). Under the management approach, the company will present segment information in respect of marketing and haulage.

(p) Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



(q) Borrowing Cost

Borrowing costs shall be recognised as an expense in the period in which they are incurred, except to the extent that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when: expenditures for the asset are being incurred; borrowing costs are being incurred; and activities that are necessary to prepare the asset for its intended use or sale are in progress

Capitalisation of borrowing cost shall be suspended during extended periods in which active development is interrupted. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

(r) The following standards, amendments and interpretations were also applicable for the year ended 30th September 2010 and were either not relevant to Produce Buying Company Limited or had no impact on the Company's Financial Statements:

Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation';

Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate';

IFRIC 13 'Customer Loyalty Programmes';

IFRIC 15 'Agreements for the Construction of Real Estate'.

- IFRS 3 (revised) 'Business Combinations'

- Amendment to IFRS 2 'Share-based Payment: Group Cash-settled Share-based Payment Transactions'



(s) New standards and interpretations not yet adopted

- **IFRS 9 'Financial Instruments'**

The IASB issued IFRS 9 in November 2009. The standard introduces new requirements for the classification and measurement of financial assets and is applicable for accounting periods beginning on or after 1st January 2013.

- **IAS 24 (revised) 'Related Party Disclosures'**

The IASB issued IAS 24 (revised) in November 2009. The revisions provide a partial exemption from the disclosure requirements for government-related entities and simplify the definition of a related party. The revisions are applicable for accounting periods beginning on or after 1st January 2011 and are not expected to have a material impact on the company's financial statements.

- **Other standards, amendments and interpretations**

Up to the end of 2009, IFRIC issued IFRIC 17 'Distribution of Non-cash Assets to Owners', applicable for accounting periods beginning on or after 1st July 2009, IFRIC 19 'Extinguishing Financial Liabilities with Equity', applicable for accounting periods on or after 1st July 2010, amendments to IFRIC 14 'Prepayment of a Minimum Funding Requirement', applicable for accounting periods on or after 1st January 2011 and amendments to IAS 32 'Classification of Rights Issues', applicable for accounting periods beginning on or after 1st February 2010. These amendments and interpretations are not expected to have a material impact on the Company's financial statements.

4.0 DETERMINATION OF FAIR VALUES

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.



(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables due within 6-month period are not discounted as the carrying values of approximate their fair values.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

(iii) Investments in equity

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

5 SEGMENT REPORTING

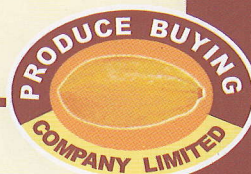
Segmental information is presented in respect of the company's business segments. The primary format and business segments, is based on the company's management and internal reporting structure.

The company's results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses which are managed centrally.

The two main business segments are:

- Marketing – sale of cocoa beans
- Haulage – transporting of cocoa beans

The company does not have a geographical segment.



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

5b SEGMENT REPORTING

Class of Business	PRODUCE		HAULAGE		TOTALS
	2010 GH¢	2009 GH¢	2010 GH¢	2009 GH¢	
Segment Revenue	622,664,309	430,527,527	10,238,536	6,877,596	632,902,845
Segment Cost	(553,059,865)	(384,296,607)	(3,614,211)	(3,126,667)	(387,423,274)
Segment Results	69,604,444	46,230,920	6,624,325	3,750,929	76,228,769
Unallocated expenses					(40,919,950)
Results from Operating activities					35,308,819
Other Income					2,349,911
Net Finance Cost					(18,402,286)
Corporate tax expense					(5,143,902)
Profit for the year					14,112,542
Total Assets	145,503,933	76,754,810	23,527,546	19,805,171	169,031,479
Total Liabilities	135,148,440	74,033,162	10,258,444	11,210,676	145,406,884
Other Segment Items					85,243,838
Depreciation & Amortisation	1,887,037	1,307,021	2,269,363	1,889,149	4,156,400
					3,196,170





PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

6 REVENUE	NOTES	2010 GH¢	2009 GH¢
Sale of Produce		622,664,309	430,527,527
Services (Haulage)		10,238,536	6,877,596
		<u>632,902,845</u>	<u>437,405,123</u>
7 ADMINISTRATIVE AND GENERAL EXPENSES include the following:-			
Depreciation and amortisation		294,528	239,829
Auditors Remuneration		28,000	24,150
Directors emoluments		151,951	88,697
Subscriptions and Donations		107,620	86,984
		<u>582,100</u>	<u>439,660</u>
8 OTHER INCOME			
Rent Income		140,495	70,712
Recoveries from Shortages		1,052,705	564,074
Sundry Income		137,467	87,684
Asset Disposal Gain	13b	0	399,806
Cocoa Sweeping Proceeds		1,009,681	716,520
Staff Loan Discount Recycle		9,563	9,563
		<u>2,349,911</u>	<u>1,848,359</u>
9 NET FINANCE EXPENSES			
Interest Income		735,305	376,553
Bank and Produce loan interest		(19,137,591)	(15,023,520)
		<u>(18,402,286)</u>	<u>(14,646,967)</u>
10a INCOME TAX EXPENSE			
Current tax expense	10b	4,447,161	1,021,175
Deferred tax expense	11a	696,741	961,413
		<u>5,143,902</u>	<u>1,982,588</u>

Deferred tax expense relates to the origination and reversal of temporary differences.



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

10b TAXATION

Year of Assessment	Balance at 1 October	Payments during the year	Charge for the year	Balance at 30 September
	GH¢	GH¢	GH¢	GH¢
Corporate Tax				
1995-2002	5,500	0	0	5,500
2003-2007	392,051	0	0	392,051
2008	119,892	0	0	119,892
2009	(811,508)	0	0	(811,508)
2010	0	172,562	(4,447,161)	(4,274,599)
	<u>(294,065)</u>	<u>172,562</u>	<u>(4,447,161)</u>	<u>(4,568,664)</u>
Capital Tax				
Transfer to Stated Capital	0	0	(806,850)	(806,850)
N R L				
2004	(86,456)	0	0	(86,456)
	<u>(380,521)</u>	<u>172,562</u>	<u>(5,254,011)</u>	<u>(5,461,970)</u>

Tax liabilities up to and including the 2005 year of assessment have been agreed with the tax authorities. The remaining liabilities are however subject to agreement with the tax authorities.

National Reconstruction Levy (NRL); This relates to a levy imposed on companies by the Government on profits before tax between 2001 and 2005. This levy has been abolished.

10c Reconciliation of effective tax rate

	2010	2009
	GH¢	GH¢
Profit before tax	19,256,444	7,176,133
Income tax using the domestic tax rate	4,814,111	1,794,033
Non-deductible expenses	1,294,052	972,265
Tax exempt revenue	0	(99,952)
Tax incentive not recognised in the income statement	(1,661,002)	(1,645,173)
Deferred tax	696,741	961,413
Current tax charges	<u>5,143,902</u>	<u>1,982,588</u>
Effective tax rate	26.71%	27.63%

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

11a DEFERRED TAX

	2010	2009
	GH¢	GH¢
Balance at 01 October		763,853
Charge to the Income Statement	1,725,266	961,413
Charge to Other Reserves	696,741	50,534
Balance at 30 September	<u>2,472,541</u>	<u>1,725,266</u>

11b RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following

	2010		2009	
	Assets GH¢	Liabilities GH¢	Assets GH¢	Liabilities GH¢
Property, plant and equipments	0	2,422,007	0	1,725,266
Other Reserves	0	50,534	0	0
	<u>0</u>	<u>2,472,541</u>	<u>0</u>	<u>1,725,266</u>
		Net GH¢		Net GH¢
		2,422,007		1,725,266

12 AVAILABLE FOR SALE FINANCIAL ASSET

Quoted Equity Investments

	2010	2009
	GH¢	GH¢
Quoted Equity Investments	<u>1,454,546</u>	<u>581,818</u>

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



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13a PROPERTY, PLANT AND EQUIPMENT

2010	Land and Buildings GH¢	Plant and Machinery GH¢	Motor Vehicles GH¢	Furniture & Fitting GH¢	Building W.I.P GH¢	Total GH¢
Cost						
Balance at 1.10.2009:	4,136,434	4,649,609	25,105,961	968,839	1,953,515	36,814,358
Additions during the year	433,677	1,620,789	5,134,966	277,459	695,051	8,161,942
Disposals	0	0	(111,575)	0	0	(111,575)
Balance at 30.9.2010	4,570,111	6,270,398	30,129,352	1,246,298	2,648,566	44,864,725
Depreciation						
Balance at 1.10.2009:	1,000,942	2,919,647	6,672,289	725,473	0	11,318,351
Charge for the year	139,104	849,076	3,012,796	141,902	0	4,142,878
Released on Disposals	0	0	(24,144)	0	0	(24,144)
Balance at 30.9.2010	1,140,046	3,768,723	9,660,941	867,375	0	15,437,085
Carrying amount						
At 30.9.2010	3,430,065	2,501,675	20,468,411	378,923	2,648,566	29,427,640
At 30.9.2009	3,135,492	1,729,962	18,433,672	243,366	1,953,515	25,496,007

13b Profit on disposal of Property, Plant and Equipment

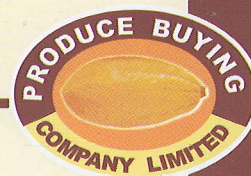
Cost	2010 GH¢	2009 GH¢
Accumulated Depreciations	111,575	744,757
Net Book Value	(24,144)	(744,757)
Sale Proceeds	(87,431)	0
(Loss)/Profit on Disposal	67,618	(399,806)
	(19,813)	399,806



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

13c PROPERTY, PLANT AND EQUIPMENT

2009	Land and Buildings GH¢	Plant and Machinery GH¢	Motor Vehicles GH¢	Furniture & Fitting GH¢	Building W.I.P GH¢	Total GH¢
Cost						
Balance at 1.10.2008:	3,870,444	3,343,918	13,908,927	795,995	736,077	22,655,361
Additions during the year	265,990	1,305,691	11,941,791	172,844	1,217,438	14,903,754
Disposals	0	0	(744,757)	0	0	(744,757)
Balance at 30.9.2009	4,136,434	4,649,609	25,105,961	968,839	1,953,515	36,814,358
Depreciation						
Balance at 1.10.2008:	874,848	2,385,532	4,994,820	625,260	0	8,880,460
Charge for the year	126,094	534,115	2,422,226	100,213	0	3,182,648
Released on Disposals	0	0	(744,757)	0	0	(744,757)
Balance at 30.9.2009	1,000,942	2,919,647	6,672,289	725,473	0	11,318,351
Carrying amounts						
At 30.9.09	3,135,492	1,729,962	18,433,672	243,366	1,953,515	25,496,007
At 30.9.08	2,995,596	958,386	8,914,107	170,735	736,077	13,774,901



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010	2009
4 INTANGIBLE ASSETS	GH¢	GH¢
Balance at 1 October	67,608	28,908
Acquisition	0	38,700
Balance at 30 September	<u>67,608</u>	<u>67,608</u>
Amortisation		
Balance at 1 October	19,304	5,782
Amortisation for the year	13,522	13,522
Balance at 30 September	<u>32,826</u>	<u>19,304</u>
Carrying amount		
At 30 September	<u>34,782</u>	<u>48,304</u>

This relate to the cost of purchased computer software.

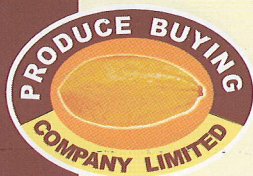
5 INVENTORIES

Trading

Cocoa	94,823,750	18,303,384
Sheanut	667,397	3,062,509

Non-Trading

Spare Parts	171,193	77,582
Tarpaulin Stocks	403,161	200,537
Technical Stores	22,404	39,932
Printing Stationery	248,390	276,571
Fuel and Lubricants	348,457	135,616
Other Stock/Matchets	885	7,943
Tyres and Batteries	515,474	396,920
Stencil Ink	3,597	4,810
	<u>97,204,708</u>	<u>22,505,804</u>



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010	2009
	GH¢	GH¢
16 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	26,215,357	19,585,844
Other receivables	5,154,336	11,403,331
Staff Loans and Advances	761,042	686,149
Prepayments	454,083	628,692
Staff Loans Discounted	(28,839)	(38,402)
	<u>32,555,979</u>	<u>32,265,614</u>

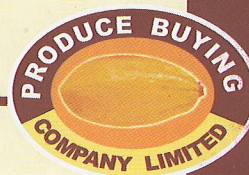
a. Prepayments represent the unexpired portion of certain expenditure spread on time basis.

b. The maximum amount due from employees of the Company during the year did not exceed GH¢761,042 (2009 - GH¢686,149).

	GH¢	GH¢
17 SHORT TERM INVESTMENTS		
Call	4,582,236	4,819,608
Treasury Bills	538,718	413,710
	<u>5,120,954</u>	<u>5,233,318</u>

18 CASH AND CASH EQUIVALENTS		
Bank Balances	2,868,236	9,996,079
Cash Balances	364,634	433,037
	<u>3,232,870</u>	<u>10,429,116</u>

19 ACCOUNTS PAYABLE		
Trade payables due to related parties	0	3,548
Non-trade payables and accrued expenses	8,242,447	11,384,582
Accrued Charges	178,238	784,847
	<u>8,420,685</u>	<u>12,172,977</u>



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 GH¢	2009 GH¢
20 BANK OVERDRAFT		
Ecobank Ghana Limited	2,834,764	5,246,044
Standard Chartered Bank	137,420	4,988,561
Ghana Commercial Bank	5,197,438	4,333,605
Agricultural Development Bank	9,121,730	0
SG-SSB Limited	913,130	1,965,028
Intercontinental Bank of Ghana	0	42,060
	18,204,482	16,575,298

Ecobank Ghana Limited

The company has an overdraft facility of GH¢5,000,000 with Ecobank Ghana Limited to finance working capital and other operational bills. Interest rate is at the bank's base rate (currently 24.25% per annum) minus a spread of 3.75% per annum payable monthly in arrears. The facility is, secure by assignment and domiciliation of take-over margin/receivables commensurate with EBG commitment. The facility expires on 30 September 2011.

Standard Chartered Bank

The company has an overdraft facility of GH¢30,000,000 with the bank as a bridging facility pending the conversion of Cocoa Take Over (CTO's) into cash by COCOBOD. Interest rate is at SCB base rate (currently 24% minus 4%) payable monthly in arrears and subject to review in line with market conditions. The facility is secured by general charge over cocoa stocks and debenture to be up stamped to GH¢35,000,000 three months after approval of the facility. The facility is due to expire on 31 March 2011.

Ghana Commercial Bank

The company has an overdraft facility of GH¢15,000,000 with the bank to support cocoa purchases operations during 2010/11 cocoa season. Interest rate is at 19.75% per annum or any rate to be determined by the Bank from time to time. The facility is secured by negative pledge over fixed assets of the company valued at GH¢25.2 million and assignment of stocks of cocoa beans to be purchased during the 2010/11 Cocoa season valued GH¢81 million and receivables from Ghana Cocoa Board. The facility expires on 30 June 2011.



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

SG-SSB Bank

The company has an overdraft facility of GH¢20,000,000 with the bank to support cocoa purchases during the 2010/11 main crop and 2009 light crop seasons. Interest rate is at 18.5% per annum and is subject to review in line with market trends and at the discretion of the Bank. The facility is secured by assignment of receivables on cocoa beans to be purchased and pledge over cocoa stocks. The facility expires on 30 September 2011.

Agricultural Development Bank

The company has an overdraft facility of GH¢30,000,000 with Agricultural Development Bank to finance part purchase of cocoa during the 2010/11 main crop season. Interest rate is at 20.95% per annum. The facility is secured by the assignment of cocoa stock to be purchased during the period. The facility expired on 30 September 2011.

	2010	2009
	GH¢	GH¢
21 SHORT TERM LOANS		
Bank Short Term Loan	101,500,000	9,000,000
Produce Loan (Seed Fund)	0	34,179,000
	<u>101,500,000</u>	<u>43,179,000</u>
Processing Fee	(911,338)	0
	<u>100,588,662</u>	<u>43,179,000</u>

Standard Chartered Bank

The company has a Short Term Loan facility of GH¢30,000,000 with the bank to meet temporary financing and trade need of the company. Interest rate is at SCB base rate (currently 24% minus 4%) payable monthly in arrears and subject to review in line with market conditions. The facility is secured by general charge over cocoa stocks and debenture to be up stamped to GH¢35,000,000 three months after approval of the facility. The facility is due to expire on 30 September 2011.

The bank also granted a Receivables Backed Commercial Notes of USD30,000,000 and GH¢28,600,000 with interest rates of 5% and 16.19% respectively to the company during the year. These facilities is to help the company meet its temporary financing and trade needs. The facilities are secured by general charge over cocoa stocks and debenture to be up stamped to GH¢35,000,000 three months after approval of the facility. The facility is due to expire on 30 September 2011.

Produce Loan (Seed Fund)

The Company was granted a Short Term Loan of GH¢167,000,000.00 by COCOBOD to finance Cocoa Bean and Sheanuts purchase during the 2009 light and 2008/09 Main Crop Seasons. Interest rate for the 2009 is 11% per annum and 16.5% per annum for the 2008/09. Main Crop Season.





PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

22 MEDIUM TERM LOAN

Barclays Bank Ghana Limited	1,875,000	3,375,000
Standard Chartered Bank	166,335	438,599
Ghana Commercial Bank Limited	0	23,509
Ecobank Limited	3,172,078	3,688,881
National Investment Bank	1,815,634	0
	<u>7,029,047</u>	<u>7,525,989</u>
Processing Fee	(37,271)	(36,651)
	<u>6,991,776</u>	<u>7,489,338</u>
Current portion payable within 12 months	<u>3,677,228</u>	<u>2,676,289</u>
Long term portion payable after 12 months	<u>3,314,548</u>	<u>4,813,049</u>

MEDIUM TERM LOANS (cont'd)**Standard Chartered Bank**

The company has a medium term facility of GH¢400,000 with the Bank to part finance the construction of a Trailer parking lot on the company's land for rental to other LBC's. Interest rate is at SCB base lending rate minus 3% (24.7% per annum), subject to review in line with market conditions. The facility is secured by assignment of receivables for GH¢52 million and a specific charge over 16 vehicles purchased and finance by SCB, stamped for GH¢2,000,000 and General charge over cocoa stocks. Stamped as LVB15881/06 to cover GH¢5,250,000. The facility will be repaid over a 36 month period and expires in August 2011.





PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Barclays Bank Ghana Limited

The Company has been granted a Medium (Flexi) Term Loan of GH¢6,000,000 by Barclays Bank to finance the purchase of motor vehicles. The facility is secured by a debenture registered over all the motor vehicles purchased and any security that is presently held or received by the bank and other banking facilities will also serve as security for the facility. The interest rate charge over the facility is 15.5% (BBG Cedi Base Rate of 19.5% as at June 2007 minus 4.0%). The facility is for a maximum period of 48 months, expiring on 30 June 2011.

Ecobank

The bank granted a medium term loan facility of GH¢8,000,000 to the company in the previous year. The facility was to be used to finance the purchase of Cargo Vehicles, Tractors, Tractor trailers and Articulator trailers to haul projected increase of Cocoa purchases. The facility was to be paid over 60 months installments commencing from the end of the month of initial disbursement and interest rate was at bank's Base Rate (current 24.25.0%) minus a spread 3.75% per annum payable monthly in arrears. The facility was secured by Assignment and domiciliation of Take-Over margins/receivables commensurate with EBG's commitment, Charge over the vehicles and Assignment and domiciliation of freight earnings. The facility is due to expire on November, 2013

An additional loan of GH¢3,500,000 (USD2,413,793.10) was granted by the bank to the company to finance the purchase of cargo vehicles, tractors, tractor trailers and articulator trailers to haul projected cocoa purchases from 2010/11 up to 2014/15 season. The facility is for a tenor of 60 months expiring on November 2015. The interest rate is at the bank's Dollar Base Rate of 8.0% per annum minus a spread of 3.0% annum payable monthly in arrears. The facility is secured by an assignment and domiciliation of Primary and Secondary Level Evacuation income commensurate with EGH's commitment, charge over articulated vehicles, cargo vehicles, tractors and tractor trailers to be financed and assignment and domiciliation of take-over margins/receivables commensurate with EGH's commitment.



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NOTES TO THE FINANCIAL STATEMENTS
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National Investment Bank

The company has a medium term facility of GH¢3,500,000 (equivalent of USD2,413,793.10) with the Bank to finance the purchase of articulators, 5 tonner cargo trucks, tractors and articulator trailers. Interest rate is at 8.0%. The facility is secured by an assignment of secondary evacuation receivables by the company vehicles proportionate to the loan, present and future assets of the company, the articulators, trucks and trailers and Directors of the company joint and several guarantee. The facility is to be repay by a monthly installments over a period of sixty (60) months and is to be expire on November 2015.

	2010	2009
	GH¢	GH¢
23 FINANCE LEASE		
Current portion payable within 12 months	581,500	439,190
Long term portion payable after 12 months	2,685,168	3,282,148
	3,266,668	3,721,338

SG-SSB Bank

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





PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

24 STATED CAPITAL

a Ordinary shares	2010		2009	
	No. of Shares	Proceeds GH¢	No. of Shares	Proceeds GH¢
Authorised Ordinary Shares of no par value	<u>20,000,000,000</u>		<u>20,000,000,000</u>	
Issued and fully paid				
For cash	2,005,000	1,586,800	2,005,000	1,586,800
For consideration other than cash	477,995,000	13,413,200	477,995,000	3,327,577
	<u>480,000,000</u>	<u>15,000,000</u>	<u>480,000,000</u>	<u>4,914,377</u>

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

b Preference shares

No. of preference shares	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
Total stated capital		<u>15,000,100</u>		<u>4,914,477</u>

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



PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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c Income surplus (Retained earning)

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

d Other reserves

This represent gains arising from fair value changes of available for sale financial asset held in Ghana Commercial Bank Limited.

	2010	2009
	GH¢	GH¢
Balance at 1st October 2009	420,454	784,091
Revaluation	872,728	(363,637)
Deferred tax current year	(43,636)	0
Deferred tax prior year	(6,898)	0
Balance at 30th September 2010	1,242,648	420,454

e Share in treasury

Shares in Treasury as at 30th September 2010: - 2,294,899 (2009 - 1,931,068).

25 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 Property, Plant and Equipment 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 :





PRODUCE BUYING COMPANY LIMITED
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- b "The Government has taken over the interest of the Ghana Cocoa Board (Cocobod) in PBC and accordingly undertakes to ensure that 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".

26 EARNINGS PER SHARE

Basic and Diluted earnings per share

The calculation of basic and diluted earnings per share at 30th September 2010 was based on the profit attributable to ordinary shareholders of GH¢14,112,542 (2009; GH¢5,193,545) and a weighted average number of ordinary shares outstanding of 480 million (2009 ; 480 million)

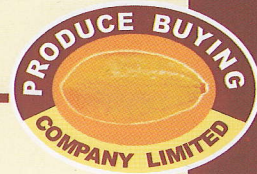
27 DIVIDEND

Final dividend of GH¢0.0088 per share amounting to GH¢4,234,000.00 has been proposed for the year ended 30th September 2010.

28 FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments;

Credit risk
Liquidity risk
Market risk



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This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established the Audit and Finance committee, which are responsible for developing and monitoring the company's risk management policies in their specified areas. The team includes selected members of executive management and report regularly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

The company's Audit and Finance Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of risk management framework in relation to the risks faced by the company. This committee is assisted in these functions by a risk management structure in all the units of the company which ensures a consistent assessment of risk management control and procedures.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Trade and other receivables

The company's exposure to credit risk is minimised as all sales are made to one individual customer. The company has transacted business with this customer over the years, there has not been much default in payment of outstanding debts.





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Allowances for impairment

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of risk and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for homogeneous assets in respect of losses that have been incurred but not yet been identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.



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Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

	2010 GH¢	2009 GH¢
Available for sale Financial Assets	1,454,546	581,818
Loans and Receivables	32,555,979	32,265,614
Cash and Cash Equivalents	3,232,870	10,429,116
	<u>37,243,395</u>	<u>43,276,548</u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was;

Public Institutions	<u>26,215,357</u>	<u>19,585,844</u>
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Impairment Losses

	2010		2009	
	Gross GH¢	Impairment GH¢	Gross GH¢	Impairment GH¢
Past due 0 - 180 days	<u>26,215,357</u>	<u>0</u>	19,585,844	0

The movement in the allowance in respect of trade receivables during the year was as follows

	2010 GH¢	2009 GH¢
Balance at 1 October	26,215,357	19,585,844
Impairment loss recognised	0	0
	<u>26,215,357</u>	<u>19,585,844</u>

Based on historical default rates, the company believes that no impairment is necessary in respect of trade receivables past due up to 180 days.

Liquidity risk

Liquidity risk is the risk that the company either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The company's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due.



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The following are contractual maturities of financial liabilities;

30 September 2010

Non-derivative financial liability	Amount	6 mths or less	6-12 mths	1-3 years
	GH¢	GH¢	GH¢	GH¢
Secured bank loans	110,847,106	102,718,016	2,129,374	5,999,716
Trade and other payables	8,420,685	8,420,685	0	0
Bank overdraft	18,204,482	18,204,482	0	0
Balance at 30 September 2010	137,472,273	129,343,183	2,129,374	5,999,716

30 September 2009

Secured bank loans	54,389,676	44,736,739	1,557,740	8,095,197
Trade and other payables	12,172,977	12,172,977	0	0
Bank overdraft	16,575,298	16,575,298	0	0
Balance at 30 September 2009	83,137,951	73,485,014	1,557,740	8,095,197

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The company is not exposed to currency risk as there are no transactions and balances denominated in currencies other than the functional currency.

Interest rate risk

Profile

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was;

Variable rate instrument	Carrying amount	
	2010	2009
	GH¢	GH¢
Financial liabilities	<u>129,051,588</u>	<u>70,964,974</u>

Fair value sensitivity analysis for fixed rate instrument

The company did not have fixed rate instrument at 30 September 2010 and also at 30 September 2009



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NOTES TO THE FINANCIAL STATEMENTS
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29 FAIR VALUES*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet are as follows:

	30 September 2010		30 September 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	GH¢	GH¢	GH¢	GH¢
Loans and Receivables				
Trade and Other Receivables	32,555,979	32,555,979	32,265,614	32,265,614
Cash and Cash Equivalents	3,232,870	3,232,870	10,429,116	10,429,116
Short Term Investments	5,120,954	5,120,954	5,233,318	5,233,318
	<u>40,909,803</u>	<u>40,909,803</u>	<u>47,928,048</u>	<u>47,928,048</u>
Available for Sale				
Long Term Investment	1,454,546	1,454,546	581,818	581,818
	<u>1,454,546</u>	<u>1,454,546</u>	<u>581,818</u>	<u>581,818</u>
Other Financial Liabilities				
Secured Bank Loan	110,847,106	110,847,106	54,389,676	54,389,676
Trade and Other Payables	8,420,685	8,420,685	12,172,977	12,172,977
Bank Overdraft	18,204,482	18,204,482	16,575,298	16,575,298
	<u>137,472,273</u>	<u>137,472,273</u>	<u>83,137,951</u>	<u>83,137,951</u>

30 CAPITAL COMMITMENTS

There were no commitments for capital expenditure at the balance sheet date and at 30 September 2010

31 EMPLOYEE BENEFITS*Deferred Contribution Plans**Social Security*

Under a National Deferred Benefit Pension Scheme, the company contributes 13.5% of employee basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pension. The company's obligation is limited to the relevant contribution, which were settled on due dates. The pension liabilities and obligations however, rest with SSNIT.

Provident Fund

The company has two provident fund schemes for the staff under which the company contribute a total of 10% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settle on the dates to the fund manager.



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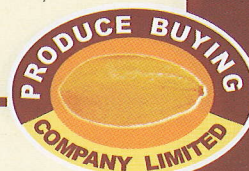
32 SHAREHOLDING DISTRIBUTION

Category	Total Holding	Percentage Holding (%)
1 - 1,000	5,029,479	1.05
1,001 - 10,000	20,424,108	4.25
Over 10,000	454,546,413	94.70
Total	<u>480,000,000</u>	<u>100.00</u>

33 DIRECTORS SHAREHOLDING

The Directors named below held the following number of shares in the company as at 30th September 2010.

Names	2010	2009
Dr. John Frank Abu	2,000	0
Mr. James M. K. Ampiaaw	100	100
Mr. Yaw Sarpong	31,959	31,959
	<u>34,059</u>	<u>32,059</u>



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34 20 LARGEST SHAREHOLDERS

Shareholders	Number of Shares	Percentage Holding (%)
1 Social Security & National Insurance Trust	182,879,412	38.10
2 Ministry of Finance - Government of Ghana	176,112,259	36.69
3 NTHC/Institutional Investor Consortium	58,746,819	12.24
4 NTHC Limited	8,991,934	1.87
5 Current PBC Employees/Commission Agents	5,498,634	1.15
6 GCCSFA/Farmers - Individuals	1,547,307	0.32
7 GCCFA/Farmers - Association	1,250,000	0.26
8 Yirenkyi Samuel Ernest Mr.	1,014,172	0.21
9 Galtere International Master Fund LP	1,000,000	0.21
10 BBGN/SSB Eaton Vance Tax-Managed Emerging Mkts Funds	650,000	0.14
11 SIC Insurance Company Limited	607,500	0.13
12 BBGN/SSB Eaton Vance Structured Emerging Mkts Funds	582,428	0.12
13 STD Noms TVL PTY/BNYM SANV/Em'ing Mkt Eqty Mgr Port 1-Paramtric	516,618	0.11
14 Merban Stockbrokers Limited-Portfolio	209,216	0.04
15 MTHL/Aluworks Staff Provident Fund	200,000	0.04
16 BBGN/Northern Trust Co. Avec 6314B	162,500	0.03
17 BBGN/CITIBANK Wilmington Multi Manager Int. Fund	162,500	0.03
18 BBGN/CITIBANK Wilmington International Equity Fund Select LP.	162,500	0.03
19 BBGN/JPMORGAN Chase Onshore 6178C	162,500	0.03
20 Merban Investment Holdings Limited	148,934	0.03
	440,605,233	91.64



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