# PBC LTD

# Annual Report

## 2012 / 2013

*Premium Quality Service*

PKF

Accountants &
business advisers

# PBC LIMITED

## FINANCIAL STATEMENTS

## 30TH SEPTEMBER 2013

# PBC LIMITED
## FINANCIAL STATEMENTS

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 13th Annual General Meeting of **PBC LIMITED** will be held at the **OSU EBENEZER PRESBYTERIAN CHURCH HALL, OSU, ACCRA** on **FRIDAY, 28TH MARCH, 2014** at 10:00 a.m. to transact the following ordinary and special business:-

**AGENDA**

1. (a) To receive, consider and adopt the Report of the Directors, Auditors and the Financial Accounts for the year ended 30th September, 2013

   (b) Managing Director's review of Operations

2. To adopt the re-constitution of the eleven (11) member Board of Directors as follows:

| | |
|---|---|
| Government of Ghana (MOFEP) | 3 representatives |
| Soc. Sec. and Nat. Ins. Trust (SSNIT) | 3 representatives |
| Minority Shareholders (Institutions) | 1 representative |
| Minority Shareholders (Individuals) | 1 representative |
| Cocoa, Coffee and Shea nuts Farmers Assoc. | 1 representative |
| PBC Staff | 1 representative |
| Managing Director | 1 |

3. To approve changes in Directorship by Directors retiring
4. To elect new Directors
5. To re-appoint the Auditors and authorise the Directors to fix their remuneration
6. To borrow from Agence Francais de Development (AFD) on behalf of Shareholders in excess of the Company's Stated Capital, an amount of Thirty Million United States Dollars (USD30,000,000.00) to finance the construction of new sheds and depots.
7. To approve the sale of the company's property number TDC/IND/A/16/1 at Tema to the Ghana Cocoa Board.

**DATED THIS 13TH FEBRUARY, 2014 BY ORDER OF THE BOARD**

**EDEM AMA SEKYI (MRS.)**
**COMPANY 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/her. A proxy need not be a member of the Company. 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 later than 48 hours before the appointed time of the meeting.

# PBC LIMITED
## CORPORATE INFORMATION
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | | | |
|---|---|---|---|
| **BOARD OF DIRECTORS** | Dr. John Frank Abu | - | Chairman |
| | Maxwell Kojo Atta-Krah | - | Managing Director |
| | Hon. Ernest Kofi Yakah (MP) | - | Director |
| | Mabel Oseiwa Quakyi (Mrs.) | - | Director |
| | Michael Owusu Manu | - | Director |
| | Kofi Graham | - | Director |
| | Juliana Asante (Mrs.) | - | Director |
| | Hon. Sampson Ahi (MP) | - | Director |
| | Yaw Sarpong | - | Director |
| | Stephen Baba Kumasi | - | Director |
| | Abraham T. D. Okine | - | Director |
| **SECRETARY** | Edem Ama Sekyi (Mrs.) | | |
| **TOP MANAGEMENT** | Maxwell Kojo Atta-Krah | - | Managing Director |
| | Joseph Osei Manu | - | DMD-Finance and Administration |
| | George Kwadwo Boateng | - | DMD-Operations |

**AUDITORS**

PKF
Chartered Accountants
Farrar Avenue
P. O. Box 1219
Accra

**SOLICITOR**

Edem Ama Sekyi (Mrs.)
PBC Limited
No. 106, Olusegun Obasanjo Way
Dzorwulu Junction
Accra

**REGISTERED OFFICE**

No. 106, Olusegun Obasanjo Way
Dzorwulu Junction
Accra

**BANKERS**

Barclays Bank of Ghana Limited
Ecobank Ghana Limited
Ghana Commercial Bank Limited
Societe Generale Ghana Limited
Standard Chartered Bank Ghana Limited
Merchant Bank Limited
Agricultural Development Bank Limited
Cal Bank Limited
National Investment Bank Limited
Stanbic Bank Ghana Limited

## CHAIRMAN'S REPORT

Distinguished Shareholders, Ladies and Gentlemen,

I welcome you once again to the 13th Annual General Meeting of PBC Ltd and present to you the Annual Report and Statement of Accounts of the Company for the financial year ended 30th September, 2013.

The World economic conditions during the year which created a reduced consumption/demand for chocolate/cocoa in the country's traditional markets, impacted negatively on the Ghanaian economy. Reducing International Market prices translated into reduced earnings for the industry creating serious financial challenges for stakeholders. As a result, the Company which has shown continuous growth and profitability for the last couple of years found itself in a Loss situation at the end of the year.

The company recorded a Net Loss of GH¢8.832 million in the year under review as against a profit of GH¢10.073 million for the previous year, a significant 187% decrease.

The above results emanated from the following:

1. A decreased national Cocoa output from 879,240 tonnes the previous year to 835,466 tonnes in the year under review led to reduced purchases by the company from 312,313 to 295,252 tonnes culminating in a reduction of Gross Earnings by Gh¢ 5.954million.

2. The staggering Finance cost that has plagued the company for some time continued to be a major challenge in the year under review. The Financial Statement presented indicated that about 46.2% of the Company's Gross Operational Earnings was used to pay for Finance charges as against the previous year's 39.9%.

The inability of the Industry Regulator Ghana Cocoa Board (COCOBOD) to provide adequately for the Fund needs of the company for cocoa purchases compelled it to seek additional funds from the money market at very high cost leading to a situation where about 50% of Company earnings were used to service Finance cost.

It is worth noting that in the year under review, the interest rate charged by COCOBOD on loans granted to the Company was 16% as against the 22-25% rate charged by the Commercial Banks. The over-reliance on the short term borrowing from Banks for cocoa purchases caused a higher than proportionate increase in Finance Cost over the years.

It is recalled that at last year's Annual General Meeting, the Board of Directors sought and obtained approval from the Shareholders to undertake a RIGHTS ISSUE to raise Two Hundred Million Ghana Cedis as working capital for the company. In the commentary accompanying the resolution, it was indicated that **"it will enable the Company to stay on a path of sustained satisfactory performance, achieve higher growth, be able to operate more effectively and efficiently amidst the stringent competition from other LBCs and continue to lead Internal Cocoa Marketing Operations to the greater benefit of Shareholders".**

The recapitalization of the Company by a Rights Issue was part of measures intended by the Board and Management to help reduce the strangulating Finance cost and put the Company on the path of sustained profitability and growth.

Giant steps have been taken towards bringing it into fruition and the company is presently awaiting the input of the majority shareholder to get the process initiated.

3. Finally in the midst of the constraints declared, the Buyer's Margin remained the same for the third year running despite the rising operational and other related costs during the year.

These operational predicaments naturally therefore led to the situation where the company's profitability capacity got completely eroded.

**OPERATING RESULTS**

Dear Shareholder, the Company's total revenue decreased from GH¢1.163 billion, to GH¢1.123 billion, a marginal decrease of 3.4% due mainly to the decrease in cocoa purchases arising from poor national cocoa production.

The total operational and administrative expenditure increased by 12% from GH¢70.237 million to GH¢78.8 million due principally to general increases in prices of inputs, logistics and other administrative set-ups.

Finance cost increased by 10% from the already high level of GH¢47.174 million to GH¢51.955 million due to the circumstances already explained. The Company's performance during the year resulted in a net loss of GH¢8.832 million, a decrease in profit of 187.7% from the previous year's figure of GH¢10.073 million.

Our Balance Sheet shows a negative growth in Shareholders' equity by 19.2% from GH¢48.917 million to GH¢39.520 million.

Basic Earnings Per Share (EPS) reduced by 187.6% from the previous figure of GH¢0.0210 to GH¢0.0184 indicating a very unimpressive Shareholders Earning arising out of the reduced total comprehensive income for the year.

**INVESTMENT**

Within the year under review, the Company has continued with its three major projects which were earlier reported at the Annual General Meeting of the preceding year.
They are:

I) The rehabilitation of the Head Office building to stop the severe structural deterioration of the building and put it in a better shape and form to make it safe to work in.

II) The Storm Drainage and compound development Project which is intended to solve the perennial flooding which had confronted the Company over the years.

III) The Access Road Project to facilitate easy and safe entry and exit of the Head Office premises and the relocation of its main gate to eliminate its serving as the main flood water inlet to the head office premises.

It is expected that these three mega projects will be completed within the first quarter of 2014.

It is heartwarming to announce that the technical deficiencies of the Shea Butter plant have now been finally corrected. It is therefore expected that the Factory will re-open for full operations in the first quarter of 2014.

Dear Shareholder, you may please recall that it was also indicated in the previous years annual report that the Company is in the process of establishing a 52-room 3-star hospitality facility at Nhyiaeso, Kumasi. This hospitality facility christened the "GOLDEN BEAN HOTEL" is also to become operational within the First Quarter of 2014. The necessary operational arrangements are currently being finalized.

With these two projects coming on line, we believe that they will contribute positively to enlarge the company's earnings and give the company, a far better result at the end of the ensuing year. Within the dwindling level of profitability and Cash Flow, the Company could not finance the rehabilitation of sheds and depots. A significant number of the Company sheds and depots which are dotted all over the cocoa growing areas are in a dilapidated state. Consequently, the Company has sought the assistance of a development institution Agence Francais de Development (Afd) for a development loan to enable it carry out a massive rehabilitation of sheds and depots to improve the Company's storage capacity.

**SOCIAL SERVICES**

The Company continues to provide assistance to communities in which it operates to enhance their living conditions as part of its social responsibilities programme.

During the year under review, the Company undertook a number of projects as part of its social services to our rural communities.

Notable among them are:

- Support to the Congo Society of Sefwi Wiawso 'A' District, W/N Region in the construction of a 5-Unit classroom for the community school
- Support for the construction of the Tweako to Benteleso road in the Esiama District, Western South Region
- Support for the SOS – Hermann Gmeiner International College to raise funds for quality health care delivery for under Privileged Children
- Sponsorship to the Otumfuo Osei Tutu Charity Foundation to support the 3rd Otumfuo Teacher Awards
- Sponsorship to the Nursing & Midwifery Training College, Korle-bu to help renovate Students accommodation and the procurement of Equipment
- Sponsorship to the Essam Government Hospital for the 2013 Blood Donation Programme
- Sponsorship towards the 2013 Cocoa Festival
- Sponsorship of the health screening of cocoa farmers by the KNUST Medical Students Association
- Medical support to a Commission Marketing Clerk (CMC) at Abisawa Society, Bodi'B' District for his son who was diagnosed with a hole in heart disease.

Through the Company's participation in the traceability programme with TOUTON an international company, a number of farming communities have benefited from the provision of farming inputs and other logistics from the premium earned. It is the intention of the Company to expand the traceability programme to many communities in the years ahead to enhance the welfare packages of farmers.

Dear Shareholder, during the year, the Company was once again featured prominently in the prestigious Ghana Club 100 by placing fourth in the overall ranking and was also adjudged the Leading Service Company for 2012 at the same forum.

**DIVIDEND**

In view of the unexpected losses during the financial year, it will unfortunately not be possible to declare a dividend for the year. The Directors therefore do not recommend the payment of Dividends for the year ended 30th September, 2013.

Much as the Directors' view the losses incurred as due to external factors which were out of the control of the company. The company is therefore determined to reverse the unfortunate downturn through a series of measures to be taken firstly with COCOBOD and the Majority Shareholder to enable us put the Company back on the path of profitability once again.

**OUTLOOK**

The major operational challenges which confronted the cocoa industry during the year, demand that we re-strategize to ensure that the problems encountered in the year do not recur. The company shall continue to dialogue with the Industry Regulator and the supervising Ministry to lessen the bottle necks of the industry and compensate the Company if the industry problems are not resolved in good time.

The Company will continue to re-organise its internal operational system to help meet the current challenges in the Cocoa Industry for better performance in the years ahead.

Serious monitoring mechanisms have been in place to manage the various investment projects being undertaken to ensure timely completion for optimal returns.

Finally, I wish to thank you, Shareholders for your continued confidence and keen interest in the Company.

I also wish to extend a hand of gratitude to the Management, Staff and fellow Directors for their invaluable support during the year.

**DR. JOHN FRANK ABU**
**CHAIRMAN**

## PBC BOARD REPRESENTATION

Over the years PBC's produce buying operations can be described as being of a routine, fast "turnaround time" nature, requiring a fully mandated and functioning Board at all times. It is worth noting that the wholesale replacement of Board appointees at every change of Government has posed serious challenges to the company from the non-continuity of corporate policy and the break in institutional memory amongst others.
This state of affairs has caused anxiety amongst concerned shareholders who have been justifiably vocal about what they have always perceived as inappropriate.
To address this trend of events it has now been agreed to have the Board of the company populated as is the case in best practice, through proportional representation of shareholding in the company.
The Board representation has therefore been structured as follows:

| SHAREHOLDER | HOLDING | SEATS |
|---|---|---|
| Government of Ghana | 36.69% | - 3 reps |
| SSNIT | 38.1% | - 3 reps |
| Minority Shareholders ( Institutions) | 16.58% | - 1 rep |
| Minority Shareholders (Individuals) | 7.55% | - 1 rep |
| Farmers Association | 0.58% | - 1 rep |
| PBC Employees | 1.07% | - 1 rep |
| Managing Director | - | - 1 |

In furtherance of the above it has become necessary to nominate the Minority shareholders representatives to the Board of the company.

**a. Seat for Institutions**

21 institutions holding 16.58%
Lead institution – African Tiger Holdings Ltd. holds 7.92% representing 47.7% of the total Institutional holdings. Since the entire rearrangement for the composition of the Board is to be based on shareholding, the company is therefore being nominated to present its representative to be considered for a seat on the Board.

**b. Seat for Individuals**

On the advice of the Registrars for the company (NATIONAL TRUST HOLDING COMPANY LTD.) to the Directors, nominations could be made out of individuals considered to be active contributors to discussions at General Meetings. Referencing from Minutes of previous meetings therefore, four individual shareholders have been proposed by the Registrars.

Consents have been sought from these four who have subsequently submitted their Profiles. The General Meeting will therefore need to consider these nominations and select one as the representative of all Individual shareholders to the Board of the company.

## RECAPITALISATION OF PBC

As a result of the rather precarious financial stance of the company, with the lack of the requisite funds to enable PBC to function more efficiently and profitably to the benefit of shareholders, it was considered to undertake a Share floatation through a RIGHTS ISSUE to raise an amount of GhS. 200 million as Working Capital.
This it was explained, would provide the necessary funds for the cocoa purchases and eliminate or lessen the company's high dependence on Borrowings from Banks at the very prohibitive costs. While pursuing this agenda, Management has made touch with an institution that is prepared to offer the needed funds under very friendly terms.
This will be through a revolving credit that would be granted at the beginning of each cocoa season and retired at the end of the season. It will be recalled that members at the Extraordinary General Meeting of 29th September, 2010 authorized Directors to borrow on behalf of shareholders in excess of the Company's Stated Capital to the limit of the value of cocoa purchases for every year. This proposition will therefore be consumed under that approval.

## SALE OF TEMA CAR PARK TO COCOBOD

The Ghana Cocoa Board (COCOBOD) approached the company last year and requested the sale of PBC's property at Tema for the expansion of its Holding capacity at that Take-over Centre. The Management and Directors of the company recommended the approval of the request on the reason that with the increased Holding capacity of the Regulator at the port, it will lessen the perennial problem LBCs face when loaded vehicles are left unattended to at port for weeks, due to inadequate warehouse space, thereby openingthe company up to losses from stock deterioration and costs, for funds withheld.
The process to obtain the approval of the General Meeting on this could not be concluded when it was laid last year.
The Ministry of Finance and Economic Planning (MOFEP) a major shareholder (36.69%) has requested the reconsideration of the subject by the General Meeting.
The Terms of the Sale as well as plans for the replacement of the facilities to be disposed of shall remain as agreed by the two institutions.

## STATUS OF PBC SHEA LTD

The company reported of the completion and start of operations of the Shea nut factory at Buipe at the last General Meeting. It was subsequently realized during operation of the plant that it was performing far less than was expected.

Numerous adjustments and alterations by the Suppliers, LDS Equipmentos of Brazil could not bring it to the expected delivery levels. Through an arranged opportunity, a visit was paid to another plant (Ghana Nuts Limited at Techiman). It then became evident that some vital components and elements required for shea nut processing were missing while others supplied, needed some modifications.

It was therefore agreed subsequently to suspend all operations to enable LDS get back to Brazil to manufacture and re-fabricate the various parts needed.

After a rather long wait, we are glad to report that all is now complete,

(i) Necessary modifications and additions to the plant have been perfected and re-installed;

(ii) Trials have been run with acceptable results;

(iii) Staff who were put on Compulsory Leave have now been re-called to position; and

(iv) Restocking of raw materials (shea nuts) has been effected to ensure uninterrupted supply for processing.

The factory is therefore ready to take off properly.

**STATUS OF GOLDEN BEAN HOTEL LTD**

Two years ago the General Meeting was informed of plans to diversify the Revenue base of the company, by converting the PBC Guest House in Kumasi into a commercial Hospitality facility.
Last year, the meeting was briefed on the status and expected completion time of the project and some selection was effected to enable some shareholders to witness the opening.
The GOLDEN BEAN HOTEL has now arrived in the Kumasi Metropolis to take position as a Top classHotel of choice and offer First class Hospitality service to the community.
The Soft-opening will come off on the 21st of March 2014 and the selected shareholders are all expected to be made part of the ceremony.

**DEVELOPMENT LOAN FROM AGENCE FRANCAIS de DEVELOPMENT (AFD)**

A most vital asset required for the successful running of the company's produce buying operations (Cocoa and Shea nuts) is availability of reliable Holding and Storage facilities. The company is currently using the following facilities:

| | | |
|---|---|---|
| 1. | Ceded to it from Cocobod | 108 |
| 2. | Rented from Cocobod | 1003 |
| 3. | Built by the company after the hive-off | 97 |
| 4. | Owned jointly by company and communities | 265 |
| 5. | Rented from private landlords. | 7085 |

Unfortunately most (over 75%) of these facilities are not in conditions that offer the best of service to the company. They are either not well constructed or have deteriorated in condition for lack of maintenance over the many years since they were put up.
The company has in recent times, tried to rehabilitate a small number of these facilities and sometimes even built new ones from funds generated internally, but these are but a drop in the ocean of structures needed to be provided. Over the longer term it is just impossible to rely on such internally generated funds to meet this need of the company.
The company's produce buying operations can certainly not be sustained over the long term if arrangements are not made to properly resource the company with these facilities.

held in these handicapped structures.
Management has therefore conducted a search for some support towards providing for this most essential requirement. Discussions with the Agence Francais de Development (Afd) has provided a probable support through the granting of a Development Assistance facility to the company for the purpose. Consideration is being made for the total amount of $30 million to be spread over a four year utilization period and repayable in fifteen years at a very concessionary interest charge.
The facility at the end of the planned execution period will provide the company with the following new constructions:

i. Two (2) 25,000 tonnes Strategic Sheds at Takoradi and Buipe
ii. Twelve (12) 1,000 tonnes sheds
iii. Ten (10) 500 tonnes sheds
iv. 1306, 100 tonnes sheds and
v. 600, 50 tonnes sheds.

The General Meeting is therefore being called upon to consider and approve the initiative to enable Management to continue the process to its logical conclusion.

# PBC LIMITED
## REPORT OF THE DIRECTORS ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2013

In accordance with the requirements of Section 132 of the Companies Act 1963 (Act 179), we the Board of Directors of PBC Limited, present herewith the annual report on the state of affairs of the company for the year ended 30th September 2013.

| **Results of Operations** | **2013** | **2012** |
|---|---|---|
| | **GH¢** | **GH¢** |
| Turnover | **1,123,237,029** | 1,162,927,098 |
| (Loss)/Profit before tax of | **(10,854,826)** | 13,725,310 |
| From which is deducted provision for the estimated income tax liability of, | **2,023,204** | (3,652,269) |
| Leaving a net (loss)/profit after tax of | **(8,831,622)** | 10,073,041 |
| To which is added the retained earnings as at 1st October | **32,692,630** | 30,778,491 |
| | **23,861,008** | 40,851,532 |
| Dividend paid during the year | **(2,964,177)** | (8,158,902) |
| Resulting in a balance carried to the balance sheet of | **20,896,831** | 32,692,630 |

**Dividend**

No dividends are recommended by the Directors for the year ended 30th September, 2013.

**Nature of Business**

There was an addition to the nature of authorised business of the Company during the year. The natures of the business which the company is authorised to carry on are;

- to acquire and take over as a going concern the activities and business of the Produce Buying Division of the Ghana Cocoa Marketing Board and all or any of the assets and liabilities of the said Produce Buying Division of Ghana Cocoa Marketing Board;
- to buy, collect, store, transport, process or otherwise deal in cocoa, coffee and sheanuts and shea butter and any other agricultural produce;

- to carry out arrangements, financial or otherwise for the purchase of cocoa and sell same to the Ghana Cocoa Board;
- to carry out arrangements, financial or otherwise for the purchase and sale of coffee, sheanuts, shea butter and other agricultural produce;
- to carry on business related and incidental to agricultural inputs, supply and services and estate development, and
- to appoint agents or enter into arrangement with any company, firm or any person or group of persons with the view to carrying on the business of the company.

**Corporate Status**

On the 15th of September, 1999 the company got incorporated as a Limited liability Company under the Companies Act, 1963 (Act 179). On the 19th of May, 2000 the company got 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 | - | 23.10.2009 |
| Dr. John Frank Abu | Chairman | - | 23.10.2009 |
| Mr. Kojo Atta-Krah | Managing | - | 01.12.2009 |
| Mr. Yaw Sarpong | | - | 24.04.2009 |
| Mrs. Mabel Oseiwa Quakyi | | - | 23.10.2009 |
| Hon. Ernest Kofi Yakah (MP) | | - | 23.10.2009 |
| Mr. Kofi Graham | | - | 23.10.2009 |
| Mr. Stephen Baba Kumasi | | - | 25.03.2011 |
| Mr. Abraham T. D. Okine | | - | 25.03.2011 |
| Hon. Sampson Ahi | | - | 28.03.2012 |
| Mrs. Juliana Asante | | - | 28.03.2012 |
| Mr. Michael Owusu Manu | | - | 28.03.2012 |

### Auditors

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

### Events after Reporting Date

The Directors confirm that no matters have arisen since 30th September, 2013 which materially affect the financial statements of the Company for the year ended on that date.

**BY ORDER OF THE BOARD**

..............................**Director** ..............................**Director**

30th December ..............................**2013**

PKF

Accountants & business advisers

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

# PBC LIMITED

**ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2013**

## Report on the Financial Statements

We have audited the accompanying financial statements of PBC Limited which comprise the statement of financial position as of 30th September, 2013 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 Act, 1963 (Act 179) Securities and Exchange Commission Regulations, 2003 (LI 1728) and Ghana Stock Exchange Membership Regulations, 1991 (LI 1510) as amended. 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 the 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 Deeds for 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 30th June, 1999 to effectuate the cession of assets to PBC 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 PBC Limited as of 30th September, 2013 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 Act, 1963 (Act 179), Securities and Exchange Commission Regulations, 2003 (LI 1728) and Ghana Stock Exchange Membership Regulations, 1991 (LI 1510) as amended.

**Report on Other Legal and Regulatory Requirements**

*The Companies Act 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 Deeds 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.

PKF

.......................................................

**Signed by: F. Bruce-Tagoe (ICAG/P/1087)**
**For and on behalf of**
**PKF: (ICAG/F/2013/039)**
**Chartered Accountants**
**Farrar Avenue**
**P. O. Box GP 1219,**
**Accra.**

19th December
..........................................**2013**

# PBC LIMITED

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | NOTES | 2013 GH¢ | 2012 GH¢ |
|---|---|---|---|
| **Revenue** | 6 | 1,123,237,029 | 1,162,927,098 |
| Cost of Sales | | (1,011,004,274) | (1,044,739,602) |
| **Gross Profit** | | 112,232,755 | 118,187,496 |
| Other Income | 8 | 7,674,913 | 12,948,894 |
| Direct Operating Expenses | | (48,594,404) | (43,773,858) |
| General and Administrative Expenses | 7 | (30,212,458) | (26,463,142) |
| **Operating profit before financing cost** | | 41,100,806 | 60,899,390 |
| Net Finance Expenses | 9 | (51,955,632) | (47,174,080) |
| **(Loss)/Profit before Taxation** | | (10,854,826) | 13,725,310 |
| Income Tax Expense | 10a | 2,023,204 | (3,652,269) |
| **(Loss)/Profit for the year transferred to Income Surplus Account** | | (8,831,622) | 10,073,041 |
| **Other Comprehensive Income** | | | |
| Available -for-Sale Financial Assets | | 2,400,001 | (370,909) |
| **Total Other Comprehensive Income** | | 2,400,001 | (370,909) |
| **Total Comprehensive Income for the year** | | (6,431,621) | 9,702,132 |
| **Basic earning per share (GH¢)** | | (0.0184) | 0.0210 |
| **Diluted earning per share (GH¢)** | | (0.0184) | 0.0210 |

# PBC LIMITED
## STATEMENT OF FINANCIAL POSITION
## AS AT 30TH SEPTEMBER 2013

| | NOTES | 2013 GH¢ | 2012 GH¢ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | 13a | 81,922,569 | 56,300,525 |
| Intangible assets | 14 | 0 | 7,738 |
| Available for sale financial asset | 12 | 3,854,547 | 1,454,546 |
| **Total non-current assets** | | 85,777,116 | 57,762,809 |
| **Current Assets** | | | |
| Inventories | 15 | 56,914,785 | 71,706,756 |
| Trade and other receivables | 16 | 75,413,854 | 136,786,594 |
| Short term investments | 17 | 99,329,000 | 815,925 |
| Cash and cash equivalents | 18 | 9,384,898 | 22,199,991 |
| **Total current assets** | | 241,042,537 | 231,509,266 |
| **Total assets** | | 326,819,653 | 289,272,075 |
| **Equity** | | | |
| Stated capital | 24a | 15,000,000 | 15,000,000 |
| Retained earnings | 24c | 20,896,831 | 32,692,630 |
| Other reserves | 24d | 3,624,104 | 1,224,103 |
| **Total equity** | | 39,520,935 | 48,916,733 |
| **Non-current liabilities** | | | |
| Deferred tax liability | 11a | 1,791,969 | 3,815,173 |
| Finance lease | 23 | 0 | 1,210,580 |
| Medium term loan | 22a | 10,767,492 | 7,831,189 |
| Long term loan | 22b | 5,262,033 | 5,262,033 |
| Preference share capital | 24b | 100 | 100 |
| **Total non-current liabilities** | | 17,821,594 | 18,119,075 |
| **Current liabilities** | | | |
| Bank overdraft | 20 | 200,770,767 | 89,899,782 |
| Income tax liability | 10b | 1,840,788 | 3,840,788 |
| Short Term Loan | 21 | 49,812,500 | 110,635,902 |
| Medium term loan (current portion) | 22a | 6,059,317 | 6,522,071 |
| Finance lease (current portion) | 23 | 1,040,475 | 737,794 |
| Trade and other payables | 19 | 9,953,277 | 10,599,930 |
| **Total current liabilities** | | 269,477,124 | 222,236,267 |
| **Total liabilities** | | 287,298,718 | 240,355,342 |
| **Total liabilities and equity** | | 326,819,653 | 289,272,075 |

**Approved by the Board on** 19th December **2013**

.............................**Director** .............................**Director**

# PBC LIMITED

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

**CAPITAL AND RESERVES**

**2013**

| | Stated Capital GH¢ | Retained Earnings GH¢ | Other Reserves GH¢ | Total Equity GH¢ |
|---|---|---|---|---|
| Balance at 1st October | 15,000,000 | 32,692,630 | 1,224,103 | 48,916,733 |
| Dividend paid during the year | 0 | (2,964,177) | 0 | (2,964,177) |
| Total recognised Income and Expenses | 0 | (8,831,622) | 0 | (8,831,622) |
| Movement in available for sale asset | 0 | 0 | 2,400,001 | 2,400,001 |
| **Balance at 30th September** | **15,000,000** | **20,896,831** | **3,624,104** | **39,520,935** |

**2012**

| | Stated Capital GH¢ | Retained Earnings GH¢ | Other Reserves GH¢ | Total Equity GH¢ |
|---|---|---|---|---|
| Balance at 1 October | 15,000,000 | 30,778,491 | 1,595,012 | 47,373,503 |
| Dividend paid during the year | 0 | (8,158,902) | 0 | (8,158,902) |
| Total recognised Income and Expenses | 0 | 10,073,041 | 0 | 10,073,041 |
| Movement in available for sale asset | 0 | 0 | (370,909) | (370,909) |
| **Balance at** | **15,000,000** | **32,692,630** | **1,224,103** | **48,916,733** |

# PBC LIMITED
## STATEMENT OF CASH FLOW
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | **(10,854,826)** | 13,725,310 |
| Adjustment for: | | |
| Depreciation and Amortisation charges | **8,143,516** | 6,845,467 |
| Interest Received | **(453,875)** | (2,409,054) |
| Profit on Property, Plant and Equipment Disposals | **(42,952)** | (153,189) |
| Interest expense | **52,409,507** | 49,583,134 |
| **Operating profit before working capital changes** | **49,201,370** | 67,591,668 |
| Change in inventories | **14,791,971** | 45,865,918 |
| Change in trade and other receivables | **61,372,740** | (76,031,897) |
| Change in trade and other payables | **(646,653)** | (7,219,886) |
| **Cash generated from operations** | **124,719,428** | 30,205,803 |
| Income taxes paid | **(2,000,000)** | (5,270,000) |
| **Net cash flow from operating activities** | **122,719,428** | 24,935,803 |
| **Cash flow from investing activities** | | |
| Interest Received | **453,875** | 2,409,054 |
| Proceeds from disposal of Assets | **42,952** | 171,737 |
| Payments to acquire Property, Plant and Equipment | **(33,757,822)** | (26,015,155) |
| **Net Cash used in Investing Activities** | **(33,260,995)** | (23,434,364) |
| **Cash flows from Financing Activities** | | |
| Interest paid | **(52,409,507)** | (49,583,134) |
| Dividend paid during the year | **(2,964,177)** | (8,158,902) |
| Short Term Loan Paid | **(60,823,402)** | (39,289,682) |
| Finance Lease Repayment | **(907,899)** | (737,794) |
| Medium Term Loan Received | **2,473,549** | 6,921,182 |
| **Net Cash flows from Financing Activities** | **(114,631,436)** | (90,848,330) |
| **Net Decrease in Cash and Cash equivalents** | **(25,173,003)** | (89,346,891) |
| **Cash and Cash equivalents at 1 October** | **(66,883,866)** | 22,463,025 |
| **Cash and Cash equivalents at 30 September** | **(92,056,869)** | (66,883,866) |
| **Cash and Cash Equivalents.** | | |
| Cash in Hand and at Bank | **9,384,898** | 22,199,991 |
| Bank overdraft | **(200,770,767)** | (89,899,782) |
| Treasury Bills/Call Deposits | **99,329,000** | 815,925 |
| | **(92,056,869)** | (66,883,866) |

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2013

### 1. REPORTING ENTITY

PBC 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 acquire and take over as a going concern the activities and business of the Produce Buying Division of the Ghana Cocoa Marketing Board and all or any of the assets and liabilities of the said Produce Buying Division of Ghana Cocoa Marketing Board;
- to buy, collect, store, transport, process or otherwise deal in cocoa, coffee and sheanuts and shea butter and any agricultural produce;
- to carry out arrangements, financial or otherwise for the purchase of cocoa and sell same to the Ghana Cocoa Board;
- to carry out arrangements, financial or otherwise for the purchase and sale of coffee, sheanuts, shea butter and other agricultural produce;
- to carry on business related and incidental to agricultural inputs, supply and services and estate development, and;
- to appoint agents or enter into arrangement with any company, firm or any person or group of persons with the view to carrying on the business of the company.

### 2. 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. 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 reporting 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 2013 and were either not relevant to PBC Limited or had no impact on the Company's Financial Statements:**

| | Amendments/Improvements | Effective date |
|---|---|---|
| IFRS 9 | IFRS 9. Financial Instruments – Classification and Measurement. | 1st January 2013 |
| IAS 19 | Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects. | 1st January 2013 |
| IFRS 13 | Fair Value Measurement | 1st January 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities. | 1st January 2013 |
| IAS 28 | Investments in Associates – Reissued as IAS 28, Investments in Associates and Joint Ventures (as amended in 2011) | 1st January 2013 |
| | | |

**(s) New standards and interpretations not yet adopted**

| | Amendments/Improvements | Effective date |
|---|---|---|
| IFRS 9 | Financial Instruments<br><br>IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities.. | 1st January 2015 |
| IFRS 12 | Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) | 1st January 2014 |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | 1st January 2014 |
| | | |

## 4. 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.

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

**b SEGMENT REPORTING**

**Class of Business**

| | PRODUCE | | HAULAGE | | TOTALS | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **GH¢** | GH¢ | **GH¢** | GH¢ | **GH¢** | GH¢ |
| Segment Revenue | **1,107,713,884** | 1,147,270,287 | **15,523,145** | 15,656,811 | **1,123,237,029** | 1,162,927,098 |
| Segment Cost | **(1,002,677,950)** | (1,036,228,705) | **(8,326,324)** | (8,510,897) | **(1,011,004,274)** | (1,044,739,602) |
| Segment Results | **105,035,934** | 111,041,582 | **7,196,821** | 7,145,914 | **112,232,755** | 118,187,496 |
| **Unallocated expenses** | | | | | **(78,806,862)** | (70,237,000) |
| Results from Operating activities | | | | | **33,425,893** | 47,950,496 |
| Other Income | | | | | **7,674,913** | 12,948,894 |
| Net Finance Cost | | | | | **(51,955,632)** | (47,174,080) |
| Corporate tax expense | | | | | **2,023,204** | (3,652,269) |
| Profit for the year | | | | | **(8,831,622)** | 10,073,041 |
| Total Assets | **285,852,085** | 253,900,297 | **40,967,568** | 35,371,778 | **326,819,653** | 289,272,075 |
| Total Liabilities | **269,431,434** | 224,053,708 | **17,867,284** | 16,301,634 | **287,298,718** | 240,355,342 |
| **Other Segment Items** | | | | | | |
| Depreciation & Amortisation | **3,467,526** | 2,895,983 | **4,675,990** | 3,949,484 | **8,143,516** | 6,845,467 |

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | NOTES | 2013 | 2012 |
|---|---|---|---|
| **6 REVENUE** | | **GH¢** | **GH¢** |
| Sale of Produce | | **1,107,713,884** | 1,147,270,287 |
| Services (Haulage) | | **15,523,145** | 15,656,811 |
| | | **1,123,237,029** | 1,162,927,098 |

**7 ADMINISTRATIVE AND GENERAL EXPENSES** include the following:-

| | | | |
|---|---|---|---|
| Depreciation and amortisation | | **786,870** | 636,921 |
| Auditors Remuneration | | **36,000** | 33,000 |
| Directors emoluments | | **271,930** | 307,036 |
| Subscriptions and Donations | | **179,887** | 205,307 |

**8 OTHER INCOME**

| | | | |
|---|---|---|---|
| Rent Income | | **1,842,511** | 2,663,563 |
| Recoveries from Shortages | | **1,394,818** | 1,445,256 |
| Sundry Income | | **175,685** | 470,496 |
| Asset Disposal Gain | **13c** | **42,952** | 153,189 |
| Cocoa Sweeping Proceeds | | **2,518,084** | 1,047,004 |
| Commission on Fertilizer Sales | | **1,691,300** | 7,159,823 |
| Staff Loan Discount Recycle | | **9,563** | 9,563 |
| | | **7,674,913** | 12,948,894 |

**9 NET FINANCE EXPENSES**

| | | | |
|---|---|---|---|
| Interest Income | | **453,875** | 2,409,054 |
| Bank and Produce loan interest | | **(52,409,507)** | (49,583,134) |
| | | **(51,955,632)** | (47,174,080) |

**10a INCOME TAX EXPENSE**

| | | | |
|---|---|---|---|
| Current tax expense | **10b** | **0** | (3,115,772) |
| Deferred tax expense | **11a** | **2,023,204** | (536,497) |
| | | **2,023,204** | (3,652,269) |

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

# PBC LIMITED

## NOTE TO THE FINANCIAL STATEMENT
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 10b TAXATION

| Year of Assessment | Balance at 1 October | Payments during the year | Charge for the year | Balance at 30 September |
|---|---|---|---|---|
| Corporate Tax | GH¢ | GH¢ | GH¢ | GH¢ |
| 1995-2002 | 5,500 | 0 | 0 | **5,500** |
| 2003-2007 | 392,051 | 0 | 0 | **392,051** |
| 2008 | 119,892 | 0 | 0 | **119,892** |
| 2009 | (554,072) | 0 | 0 | **(554,072)** |
| 2010 | 725,401 | 0 | 0 | **725,401** |
| 2011 | (4,683,788) | 2,000,000 | 0 | **(2,683,788)** |
| 2012 | 154,228 | 0 | 0 | **154,228** |
| 2013 | 0 | 0 | 0 | **0** |
| | (3,840,788) | 2,000,000 | 0 | **(1,840,788)** |

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.

### 10c Reconciliation of effective tax rate

The tax charge in the Income Statement differs from the hypothetical amount that would arise using the statutory income tax rate. This is explained as follows:

| | 2013 | 2012 |
|---|---|---|
| | GH¢ | GH¢ |
| (Loss)/Profit before tax | **(10,854,826)** | 13,725,310 |
| Income tax using the domestic tax rate | **(2,713,707)** | 3,431,328 |
| Non-deductible expenses | **2,069,040** | 1,823,175 |
| Tax exempt revenue | **(10,738)** | (38,297) |
| Tax incentive not recognised in the income statement | **655,404** | (2,100,433) |
| Deferred tax | **2,023,204** | 536,497 |
| Current tax charges | **2,023,204** | 3,652,270 |
| **Effective tax rate (%)** | **(18.64)** | 26.61 |

# PBC LIMITED
## NOTE TO THE FINANCIAL STATEMENT
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 1a DEFERRED TAX

| | 2013 | 2012 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1st October | **3,815,173** | 3,278,676 |
| Charge to the Income Statement | **(2,023,204)** | 536,497 |
| Balance at 30th September | **1,791,969** | 3,815,173 |

### 1b RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | Assets | Liabilities | Net |
| | **GH¢** | **GH¢** | **GH¢** | GH¢ | GH¢ | GH¢ |
| Property, plant and equipments | **0** | **1,748,634** | **1,748,634** | 0 | 3,771,838 | 3,771,838 |
| Other Reserves | **(25,744)** | **69,079** | **43,335** | (25,744) | 69,079 | 43,335 |
| | **(25,744)** | **1,817,713** | **1,791,969** | (25,744) | 3,840,917 | 3,815,173 |

### 12 AVAILABLE FOR SALE FINANCIAL ASSET

| | GH¢ | GH¢ |
|---|---|---|
| Quoted Equity Investments | **3,854,547** | 1,454,546 |

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

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 13a PROPERTY, PLANT AND EQUIPMENT

| 2013 | Land and Buildings GH¢ | Plant and Machinery GH¢ | Motor Vehicles GH¢ | Furnit./Fitt. & Equip. GH¢ | Building W.I.P GH¢ | Total GH¢ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1.10.2012: | 11,316,245 | 9,541,590 | 45,311,637 | 2,096,348 | 15,289,312 | 83,555,132 |
| Additions during the year | 58,727 | 2,420,765 | 5,859,777 | 647,491 | 24,771,062 | 33,757,822 |
| Transfer | 1,602,437 | 0 | 0 | 0 | (1,602,437) | 0 |
| Disposals | 0 | 0 | (58,350) | 0 | 0 | (58,350) |
| **Balance at 30.9.2013** | 12,977,409 | 11,962,355 | 51,113,064 | 2,743,839 | 38,457,937 | 117,254,604 |
| **Depreciation** | | | | | | |
| Balance at 1.10.2012: | 1,754,247 | 6,345,173 | 17,777,926 | 1,377,261 | 0 | 27,254,607 |
| Charge for the year | 389,561 | 1,842,914 | 5,513,732 | 389,571 | 0 | 8,135,778 |
| Released on Disposals | 0 | 0 | (58,350) | 0 | 0 | (58,350) |
| **Balance at 30.9.2013** | 2,143,808 | 8,188,087 | 23,233,308 | 1,766,832 | 0 | 35,332,035 |
| **Carrying amount** | | | | | | |
| **At 30.9.2013** | **10,833,601** | **3,774,268** | **27,879,756** | **977,007** | **38,457,937** | **81,922,569** |
| At 30.9.2012 | 9,561,998 | 3,196,417 | 27,533,711 | 719,087 | 15,289,312 | 56,300,525 |

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 13b PROPERTY, PLANT AND EQUIPMENT

| 2012 | Land and Buildings GH¢ | Plant and Machinery GH¢ | Motor Vehicles GH¢ | Furnit./Fitt. & Equip. GH¢ | Building W.I.P GH¢ | Total GH¢ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1.10.2011: | 9,023,729 | 7,441,498 | 38,741,397 | 1,695,061 | 775,048 | 57,676,733 |
| Additions during the year | 806,196 | 2,100,092 | 6,706,996 | 401,287 | 16,000,584 | 26,015,155 |
| Transfers | 1,486,320 | 0 | 0 | 0 | (1,486,320) | 0 |
| Disposals | 0 | 0 | (136,756) | 0 | 0 | (136,756) |
| **Balance at 30.9.2012** | **11,316,245** | **9,541,590** | **45,311,637** | **2,096,348** | **15,289,312** | **83,555,132** |
| **Depreciation** | | | | | | |
| Balance at 1.10.2011: | 1,412,759 | 4,913,418 | 13,119,343 | 1,095,350 | 0 | 20,540,870 |
| Charge for the year | 341,488 | 1,431,755 | 4,776,791 | 281,911 | 0 | 6,831,945 |
| Released on Disposals | 0 | 0 | (118,208) | 0 | 0 | (118,208) |
| **Balance at 30.9.2012** | **1,754,247** | **6,345,173** | **17,777,926** | **1,377,261** | **0** | **27,254,607** |
| **Carrying amounts** | | | | | | |
| **At 30.9.2012** | **9,561,998** | **3,196,417** | **27,533,711** | **719,087** | **15,289,312** | **56,300,525** |
| At 30.9.2011 | 7,610,970 | 2,528,080 | 25,622,054 | 599,711 | 775,048 | 37,135,863 |

### 13c Profit on disposal of Property, Plant and Equipment

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| Cost | **58,350** | 136,756 |
| Accumulated Depreciation | **(58,350)** | (118,208) |
| Net Book Value | **0** | 18,548 |
| Sale Proceeds | **(42,952)** | (171,737) |
| **Profit on Disposal** | **42,952** | 153,189 |

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 | 2012 |
|---|---|---|
| **14 INTANGIBLE ASSETS** | **GH¢** | **GH¢** |
| Balance at 1st October | **67,608** | 67,608 |
| Acquisition | **0** | 0 |
| Balance at 30th September 2013 | **67,608** | 67,608 |
| **Amortisation** | | |
| Balance at 1st October | **59,870** | 46,348 |
| Amortisation for the year | **7,738** | 13,522 |
| Balance at 30th September 2013 | **67,608** | 59,870 |
| **Carrying amount** | | |
| At 30th September | **0** | 7,738 |

This relate to the cost of computer software.

**15 INVENTORIES**

| | 2013 | 2012 |
|---|---|---|
| Trading | | |
| Cocoa | **41,716,899** | 56,887,295 |
| Sheanut | **10,941,283** | 9,854,145 |
| Non-Trading | | |
| Spare Parts | **665,673** | 124,007 |
| Tarpaulin Stocks | **830,234** | 1,229,265 |
| Technical Stores | **598,043** | 1,160,780 |
| Printing Stationery | **321,439** | 370,071 |
| Fuel and Lubricants | **616,865** | 584,524 |
| Other Stock/Matchets | **0** | 4,450 |
| Tyres and Batteries | **1,220,772** | 1,490,387 |
| Stencil Ink | **3,577** | 1,832 |
| | **56,914,785** | 71,706,756 |

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **16 ACCOUNTS RECEIVABLE** | | |
| Trade receivables due from customers | **23,443,084** | 88,032,022 |
| Other receivables | **47,566,158** | 43,349,642 |
| Staff Loans and Advances | **3,312,216** | 3,632,522 |
| Prepayments | **1,093,087** | 1,782,121 |
| Staff Loans Discounted | **(691)** | (9,713) |
| | **75,413,854** | 136,786,594 |

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¢3,312,216** (2012 - GH¢3,632,522).

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **17 SHORT TERM INVESTMENTS** | | |
| Call | **98,252,687** | 105,955 |
| Treasury Bills | **1,076,313** | 709,970 |
| | **99,329,000** | 815,925 |
| **18 CASH AND CASH EQUIVALENTS** | | |
| Bank Balances | **6,665,657** | 6,221,481 |
| RCPA Account and Cash Balances | **2,719,241** | 15,978,510 |
| | **9,384,898** | 22,199,991 |
| **19 ACCOUNTS PAYABLE** | | |
| Non-trade payables and accrued expenses | **8,684,614** | 9,067,598 |
| Accrued Charges | **1,268,663** | 1,532,332 |
| | **9,953,277** | 10,599,930 |

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **20 BANK OVERDRAFT** | | |
| Ecobank Ghana Limited | **0** | 5,959,205 |
| Ghana Commercial Bank Limited | **51,792,524** | 44,575,912 |
| Barclays Bank Ghana Limited | **49,767,111** | 4,200,925 |
| Societe Generale Ghana Limited | **25,403,512** | 27,287,434 |
| The Trust Bank Limited | **0** | 106,278 |
| Stanbic Bank Ghana Limited | **32,946,094** | 7,770,028 |
| Standard Chartered Bank Limited | **18,882,267** | 0 |
| HFC Bank Limited | **21,979,259** | 0 |
| | **200,770,767** | 89,899,782 |

**Ghana Commercial Bank Limited**

The company has an overdraft facility of GH¢50,000,000 with the bank. The facility expires on 30th September 2014 at an interest rate of 22.26%.

**Barclays Bank Ghana Limited**

The company has an overdraft facility of GH¢50,000,000 with Barclays Bank Ghana Limited. The Interest rate is at 4.75% per annum above the 91-day weighted average Treasury Bill Rate calculated after every ninety one days with effect from the date the facility becomes available to the borrower.

**Societe Generale Ghana Limited**

The company has an overdraft facility of GH¢25,000,000 with the bank. The interest rate is at 24.0% per annum. The facility expires on 30th September, 2014.

**Stanbic Bank Ghana Limited**

The company has an overdraft facility of GH¢35,000,000 with Stanbic Bank. The interest rate is at 17.5% per annum. The facility expires in November, 2013.

**Standard Chartered Bank**

The company has an overdraft facility of GH¢19,000,000 with the bank. Interest rate is at 24.0% per annum. The facility expires in 31st March, 2014.

**HFC Bank Ghana Limited**

The company has an overdraft facility of GH¢25,000,000 with HFC Bank Ghana Limited at an interest rate of 23.0% and the facility expires in 31st March, 2014.

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 | 2012 |
|---|---|---|
| | GH¢ | GH¢ |
| **21 SHORT TERM LOANS** | | |
| Ecobank Ghana Limited | **50,000,000** | 30,000,000 |
| First Banc Ghana Limited | **0** | 31,000,000 |
| Standard Chartered Bank | **0** | 30,000,000 |
| Stanbic Bank Ghana Limited | **0** | 15,000,000 |
| Produce Loan (Seed Fund) | **0** | 5,372,187 |
| | **50,000,000** | 111,372,187 |
| Processing Fee | **(187,500)** | (736,285) |
| | **49,812,500** | 110,635,902 |

**Ecobank Ghana Limited**

The Company has been granted a Short Term facility of GH¢60,000,000 by Ecobank Ghana Limited. The facility expires on 30th September, 2014

**First BanC Ghana Limited**

The Company has been granted a Short Term Loan facility of GH¢12,827,240 by the financial institution. The facility expires on 31stAugust, 2014.

**Standard Chartered Bank**

The company has a Short Term Loan facility of GH¢30,000,000 with the bank at an interest rate is at 17.0% per annum. The facility is due to expires on 30th September, 2013

**Stanbic Bank Ghana Limited**

The Company has been granted a Short Term facility of GH¢15,000,000 by Stanbic Bank Ghana Limited. The facility expires on 28th September, 2013. The interest rate is at the Bank's Ghana Cedi base rate was 22.0% per annum.

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **22a MEDIUM TERM LOAN** | | |
| Ecobank Limited | **2,458,763** | 3,202,767 |
| National Investment Bank Limited | **4,750,711** | 7,173,068 |
| Societe Generale Ghana Limited | **9,654,432** | 4,032,425 |
| | **16,863,906** | 14,408,260 |
| Processing Fee | **(37,097)** | (55,000) |
| | **16,826,809** | 14,353,260 |
| Current portion payable within 12 months | **6,059,317** | 6,522,071 |
| Long term portion payable after 12 months | **10,767,492** | 7,831,189 |

**Ecobank**

The bank granted a medium term loan facility of GH¢8,000,000 to the company. The facility is due to expire in November, 2013 and the interest rate was at bank's Base Rate (current 24.0% minus a spread of 3.75% per annum payable monthly in arrears.

An additional loan of GH¢3,500,000 (USD2,413,793.10) was granted by the bank to the company. The interest rate is at the bank's Dollar Base Rate of 8.0% per annum minus a spread of 3.0% payable monthly in arrears. The facility is for a tenor of sixty (60) months expiring on November 2015.

**National Investment Bank**

The company has a medium term facility of GH¢3,500,000 ( equivalent of USD2,413,793.10) The facility is to be repay by a monthly installments over a period of sixty (60) months and will expires in November 2015. Interest rate is at 8.0%.

An additional loan of GH¢5,500,000 was granted by the bank to the company at an interest rate of 16.0%. The facility is for a tenor of sixty (60) months expiring in November 2016.

**Societe Generale Ghana Limited**

The company has a medium term facility of GH¢10,000,000 with the bank. The interest rate is at 17.5% per annum. The facility expires on 30th September, 2017.

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **22b LONG TERM LOAN** | | |
| Ghana Cocoa Board | **5,262,033** | 5,262,033 |

The company was granted a long term loan of US$10,000,000 by Ghana Cocoa Board, towards the establishment of PBC Shea Limited a subsidiary of the company. The facility is for a period of eight years with a two year moratorium and it is secured by Cocoa Take Over receivables, Butter proceeds from the factory and a charge over the plant and equipment of PBC Shea Limited the interest rate is at 8.5% on a reducing balance basis.

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 | 2012 |
|---|---|---|
| **23 FINANCE LEASE** | **GH¢** | **GH¢** |
| Current portion payable within 12 months | **1,040,475** | 737,794 |
| Long term portion payable after 12 months | **0** | 1,210,580 |
| | **1,040,475** | 1,948,374 |

### Societe Generale Ghana Limited

The company has been granted a Finance Lease by SG 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 a six (6) months moratorium for the repayment of the principal amount granted.

**24 STATED CAPITAL**

**a Ordinary shares**

| | 2013 No. of Shares | 2013 Proceeds GH¢ | 2012 No. of Shares | 2012 Proceeds GH¢ |
|---|---|---|---|---|
| Authorised Ordinary Shares of no par value | **20,000,000,000** | | 20,000,000,000 | |
| Issued and fully paid | | | | |
| For cash | **2,005,000** | **1,586,800** | 2,005,000 | 1,586,800 |
| For consideration other than cash | **477,995,000** | **13,413,200** | 477,995,000 | 13,413,200 |
| | **480,000,000** | **15,000,000** | 480,000,000 | 15,000,000 |

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**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| No. of preference shares | 1 | **100** | 1 | 100 |

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

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

**c Retained earning/(Income surplus)**

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.

| | 2013 | 2012 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1st October | 1,224,103 | 1,595,012 |
| Revaluation | 2,400,001 | (370,909) |
| Balance at 30th September | 3,624,104 | 1,224,103 |

**e Share in treasury**

Shares in Treasury as at 30th September 2013:-1,907,170 (2012 - 1,907,170).

**25 TITLE DEEDS**

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 now PBC Limited by Ghana Cocoa Board. As mentioned in our report, we have not had sight of the Title Deeds of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets. However, in a letter dated 18th November, 1999 the Government of Ghana gave the following undertaking.

b "The Government has taken over the interest of the Ghana Cocoa Board (Cocobod) in PBC and accordingly undertakes to ensure that Cocobod takes all steps required of it under the Ceding Agreement of 30th June, 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 2013 was based on the loss attributable to ordinary shareholders of (GH¢10,522,922), (2012; profit - GH¢10,073,041) and a weighted average number of ordinary shares outstanding of 480 million (2012 ; 480 million)

**27 DIVIDEND**

No dividends are recommended by the Directors for the year ended 30th September, 2013.

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 28 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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.

***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.

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

***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;

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| Available for sale Financial Assets | **3,854,547** | 1,454,546 |
| Loans and Receivables | **75,413,854** | 136,786,594 |
| Cash and Cash Equivalents | **9,384,898** | 22,199,991 |
| | **88,653,299** | 160,441,131 |

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

| | 2013 | 2012 |
|---|---|---|
| **Public Institutions** | **23,443,084** | 88,032,022 |

**Impairment Losses**

| | 2013 Gross GH¢ | 2013 Impairment GH¢ | 2012 Gross GH¢ | 2012 Impairment GH¢ |
|---|---|---|---|---|
| Past due 0 - 180 days | **23,443,084** | **0** | 88,032,022 | 0 |

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

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| Balance at 1st October | **23,443,084** | 88,032,022 |
| Impairment loss recognised | **0** | 0 |
| | **23,443,084** | 88,032,022 |

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.

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

**The following are contractual maturities of financial liabilities;**

(30th September 2013)

| Non-derivative financial liability | Amount | 6 mths or less | 6-12 mths | 1-3 years |
|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| Secured bank loans | 72,941,817 | 53,362,396 | 3,549,896 | 16,029,525 |
| Trade and other payables | 9,953,277 | 9,953,277 | 0 | 0 |
| Bank overdraft | 200,770,767 | 200,770,767 | 0 | 0 |
| **Balance at 30th September 2013** | **283,665,861** | **264,086,440** | **3,549,896** | **16,029,525** |

**30th September 2012**

| | | | | |
|---|---|---|---|---|
| Secured bank loans | 132,199,569 | 113,869,894 | 3,629,933 | 14,303,802 |
| Trade and other payables | 10,599,930 | 10,599,930 | 0 | 0 |
| Bank overdraft | 89,899,782 | 89,899,782 | 0 | 0 |
| Balance at 30th September 2012 | 232,699,281 | 214,369,606 | 3,629,933 | 14,303,802 |

**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;

| | Carrying amount | |
|---|---|---|
| | **2013** | 2012 |
| ***Variable rate instrument*** | **GH¢** | GH¢ |
| Financial liabilities | **273,712,584** | 222,099,351 |

**Fair value sensitivity analysis for fixed rate instrument**

The company did not have a fixed rate instrument at 30th September, 2013 nor at 30th September, 2012.

# PBC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 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;

| | 30th September 2013 | | 30th September 2012 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| ***Loans and Receivables*** | GH¢ | GH¢ | GH¢ | GH¢ |
| Trade and Other Receivables | **75,413,854** | **75,413,854** | 136,786,594 | 136,786,594 |
| Cash and Cash Equivalents | **9,384,898** | **9,384,898** | 22,199,991 | 22,199,991 |
| Short Term Investments | **99,329,000** | **99,329,000** | 815,925 | 815,925 |
| | **184,127,752** | **184,127,752** | 159,802,510 | 159,802,510 |
| ***Available for Sale*** | | | | |
| Long Term Investment | **3,854,547** | **3,854,547** | 1,454,546 | 1,454,546 |
| ***Other Financial Liabilities*** | | | | |
| Secured Bank Loan | **72,941,817** | **72,941,817** | 132,199,569 | 132,199,569 |
| Trade and Other Payables | **9,953,277** | **9,953,277** | 10,599,930 | 10,599,930 |
| Bank Overdraft | **200,770,767** | **200,770,767** | 89,899,782 | 89,899,782 |
| | **283,665,861** | **283,665,861** | 232,699,281 | 232,699,281 |

### 30 CAPITAL COMMITMENTS

There were no commitments for capital expenditure at the balance sheet date and at 30th September, 2012.

### 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.

***2nd & 3rd Tier Pension***

The Company contributes 5% and 2% respectively to the 2nd and 3rd Tier Pensions in accordance with the National Pensions Act, 2008 (Act 766).

***Provident Fund***

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

### 32 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 33 SHAREHOLDING DISTRIBUTION

| Category | Total Holding | Percentage Holding (%) |
|---|---|---|
| 1 - 1,000 | 5,082,178 | 1.06 |
| 1,001 - 10,000 | 20,200,286 | 4.21 |
| Over 10,001 | 454,717,536 | 94.73 |
| **Total** | **480,000,000** | **100.00** |

### 34 DIRECTORS SHAREHOLDING

The Directors named below held the following number of shares in the company as at 30th September 2013.

| Names | 2013 | 2012 |
|---|---|---|
| Dr. John Frank Abu | **18,631** | 16,631 |
| Mr. Yaw Sarpong | **31,959** | 31,959 |
| Mr. Kojo Attah-Krah | **69,750** | 9,750 |
| Mrs. Mabel Oseiwa Quakyi | **4,000** | 4,000 |
| Mr. Abraham T. D. Okine | **19,500** | 19,500 |
| Hon. Ernest Kofi Yakah (MP) | **250** | 250 |
| Mr. Michael Owusu-Manu | **1,000** | 1,000 |
| | **145,090** | **83,090** |

# PBC LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

### 35 TWENTY 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 | African Tiger Holding Limited | 38,000,000 | 7.92 |
| 4 | NTHC/Institutional Investor Consortium | 14,050,719 | 2.93 |
| 5 | SCBN/Standchart Mauritius Re Fleming Africa Fund Limited | 6,863,105 | 1.43 |
| 6 | Current PBC Employees/Commission Agents | 5,140,757 | 1.07 |
| 7 | SCBN/Mauritius Re Altree Custody Services Limited | 5,100,000 | 1.06 |
| 8 | NTHC Limited | 4,891,934 | 1.02 |
| 9 | GCCSFA/Farmers - Individuals | 1,547,307 | 0.32 |
| 10 | GCCFA/Farmers - Association | 1,250,000 | 0.26 |
| 11 | Yirenkyi Samuel Ernest Mr. | 1,014,172 | 0.21 |
| 12 | SCBN/SSB Eaton Vance Tax-Manager Emerging Market Fund | 650,000 | 0.14 |
| 13 | SCBN/Parametric - EVSEMF | 582,428 | 0.12 |
| 15 | STD Noms TVL PTY/Databank Ark Fund | 540,000 | 0.11 |
| 16 | STD Noms TVL PTY/BNYM SANV/Em'ing Mkt Eqty Mgr Port 1-P'mtric | 516,618 | 0.11 |
| 17 | STD Noms TVL PTY/BNYM SANV/Wilmington Multi-Manager Int. Fund | 288,000 | 0.06 |
| 18 | Hoffmann Gerhard Ernest | 215,000 | 0.04 |
| 19 | SCBN/JP Morgan Chase Offshore 6178C | 162,500 | 0.03 |
| 20 | MTHL/Aluworks Staff Provident Fund | 158,800 | 0.03 |
| **Total Holding by twenty largest Shareholders** | | **439,963,011** | **91.65** |
| **Total of others** | | **40,036,989** | **8.35** |
| | | **480,000,000** | **100.00** |

## NOTES

# GOLDEN BEAN HOTEL

at Nhyiaeso, Kumasi

**PBC LIMITED**
Private Mail Bag Accra - North
Tel: 779015 / 778063 / 778017
Fax: +233 (203) 779014
E-mail: pbc@ghana.com
Web: www.pbcgh.com