# PBC LTD

*Premium Quality Service*

# ANNUAL REPORT

## 2015 / 2016

Accountants &
business advisers

# PBC LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS

## 30TH SEPTEMBER 2016

# PBC LIMITED

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

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# PBC LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 16th Annual General Meeting of **PBC LIMITED** will be held at the **EBENEZER PRESBYTERIAN CHURCH HALL, OSU** on the **13TH DAY OF JULY, 2017** at **10:00 a.m.** to transact the following business:-

**AGENDA**

1. (a) To receive, consider and adopt the Report of the Directors, Auditors and Financial Statements for the year ended 30th September, 2016

   (b) Chief Executive Officer's review of Operations

2. To approve changes in Directorship by Directors retiring

3. To appoint new Directors

4. To authorise the Directors to fix the remuneration of the Auditors; Messrs Pannel Kerr Forster (PKF)

**DATED THIS 19TH DAY OF JUNE, 2017 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, for it to be valid for the purpose of the meeting, 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 forty-eight (48) hours before the appointed time of the meeting.

# PBC LIMITED

## CORPORATE INFORMATION

## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

| | | | |
|---|---|---|---|
| **BOARD OF DIRECTORS** | Capt.Kwadjo Adunkwa Butah(Rtd) | - | Chairman |
| | Mr. Maxwell Kojo Atta-Krah | - | Director/ CEO |
| | Prof. Basil Clarence Frans Lokko | - | Director |
| | Mrs. Mabel Oseiwa Quakyi | - | Director |
| | Mr. Abraham Amaliba | - | Director |
| | Mr. Hayford Kofi Nimoh | - | Director |
| | Prof. Mohammed Salifu | - | Director |
| | Mr. Matthew Boadu Adjei | - | Director |
| | Mr. Thomas Dzoleto Kwami | - | Director |
| | Mr. Emmanuel Karikari Gyamfi | - | Director |
| | Mr. Stephen Baba Kumasi | - | Director |
| **SECRETARY** | Mrs. Edem Ama Sekyi | | |
| **TOP MANAGEMENT** | Mr. Maxwell Kojo Atta-Krah | - | Chief Executive Officer |
| | Nana Agyenim Boateng I | - | DCEO-Operations |
| | Mr. Joseph Osei-Manu | - | DCEO-Finance and Administration |
| **AUDITORS** | PKF<br>Chartered Accountants<br>Farrar Avenue<br>P. O. Box 1219<br>Accra | | |
| **SOLICITOR** | Mrs. Edem Ama Sekyi<br>PBC Limited<br>No. 106, Olusegun Obasanjo Way<br>Dzorwulu Junction<br>Accra | | |
| **REGISTERED OFFICE** | No. 106, Olusegun Obasanjo Way<br>Dzorwulu Junction<br>Accra | | |
| **BANKERS** | Barclays Bank of Ghana Limited<br>Ecobank Ghana Limited<br>Ghana Commercial Bank Limited<br>Societe General Ghana<br>Standard Chartered Bank Ghana Limited<br>Universal Merchant Bank Ghana Limited<br>Agricultural Development Bank Ghana Limited<br>Cal Bank Limited<br>National Investment Bank Ghana Limited<br>Stanbic Bank Ghana Limited | | |

## BOARD CHAIRMAN'S STATEMENT

Distinguished Shareholders, Ladies and Gentlemen, it is my pleasure to welcome you to the 16th Annual General Meeting of your Company and to present to you the Annual Report and Financial Statement for the year ended 30th September, 2016.

In the year under review PBC Limited continued to pursue its agenda of targeting a market share of 35% in the Cocoa Industry. To this end, our determination to provide quality service to farmers and to ensure adequate return to Shareholders while motivating the workforce has been relentless.

Your Company has been striving to be the best managed Company and to establish a successful partnership with its Shareholders, Farmers, its Client, Staff and other Stakeholders. In order to implement the Company's strategic goals, PBC focused on expanding its Certification Programme to reach more farmers, rekindled its efforts to provide Bank Guarantees to ensure sufficient flow of funds from the Ghana Cocoa Board (COCOBOD), endeavoured to submit Seed Fund Guarantees early enough to COCOBOD to ensure adequate fund requirements for cocoa purchase operations at the beginning of each season and move at least seventy percent (70%) of purchases at Societies to Depots and to Take-Over-Centres through prompt evacuation.

## OVERVIEW OF OPERATING ENVIRONMENT

The year under review saw the persistence of the daunting effects of national economic challenges. This had been attributed to the Bank of Ghana Prime Rate which stood at 26%, increases in utility charges, increases in taxes, high petroleum product prices and some substantial depreciation in the Cedi against the major international trading currencies.

## FINANCIAL PERFORMANCE

The unfavourable general economic conditions exemplified by high inflation and price increases, increased exchange and interest rates experienced in the 2015/2016 financial year caused significant operational challenges for the Company.

Despite lower volumes of cocoa purchased the total earnings for the year was GH¢1,891.33 Million, up 28.6% over the previous year. However, with the 21% increase in Producer Price of Cocoa announced by the Regulator, the Company had to rely on additional borrowed funds for its operations during the period, as funding from COCOBOD was unusually delayed and this resulted in a 29% increase in financial costs. Consequently, your Company recorded a loss of GH¢15.86 Million.

As required by the International Financial Reporting Standards (IFRS), the financial statement was consolidated to show a Consolidated Financial Position of PBC Limited and its Subsidiary, the Golden Bean Hotel resulting in your Company reporting a Net Loss of GH¢17.58 Million.

## OUR STRATEGY

PBC Limited is committed to enhancing the Shareholders' value in our quest to expand the business. The Board organized a strategic session in January 2017 to review a 5-year Strategic Plan and improve key objectives that would be followed through. We will continue to invest in IT infrastructure designed to form the pivot of our operations and offer cutting-edge technology services to our stakeholders and farmers.

## CORPORATE SOCIAL RESPONSIBILITY

As part of the Company's efforts to support and intervene in social needs and circumstances, PBC sponsored a number of socio-economic development projects to enhance the livelihood of the farming communities in which it operates, as well as made donations towards cultural festivals.

## OUTLOOK AND CONCLUSION

Looking into the future, we anticipate the Shea Nut Factory to be fully operational during the first quarter of the year with its greater potential as a revenue generating outlet, providing a major contribution to the fortunes of the PBC Group.

We shall pursue our intent to get some Equity Fund injection into the Capital structure of the Company. We also intend to revalue the Company's landed assets to reflect a higher and truer capital base.

The Company will continue to adopt a more progressive marketing posture by expanding its field operations to combat the intense competition and implement more responsive and scientific monitoring strategies to ensure operational efficiency and reduce losses encountered in the cocoa purchasing activities.

The Golden Bean Hotel is expected to develop new and viable lines of services to attract increased patronage and revenue.

At this point, I wish most regrettably to inform you of the retirement of Mr. Maxwell Kojo Atta-Krah, who has been the MD/CEO of the Company for the past seven (7) years and has come to the end of his contract. May I, on your behalf and that of the Board and Staff, express sincere thanks and appreciation for his dedication and invaluable contribution towards the growth and wellbeing of PBC, and to wish him well in his future endeavours.

Finally, I would like to take this opportunity to thank my fellow Directors for their dedication and commitment over the past year and to thank Management, Staff and our loyal and dedicated Farmers for their untiring efforts.

**NAVAL CAPTAIN KWADJO ADUNKWA BUTAH (RTD.)**
**CHAIRMAN OF THE BOARD**

## CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

This Report for the first time consolidates the financial statements of the mother company PBC Ltd and that of one of its subsidiaries (Golden Bean Hotel Ltd) which has gained full autonomy and is in full operation.

The 2015/16 Financial Year saw the Company still struggling to overcome its chronic operational headache of dealing with an over-bearing, huge annual finance cost. Against this setback and operating under an improbable condition in overcoming it, the company posted a Loss of GH¢15.859 million. The Subsidiary also made a Loss of GH¢1.726 million giving rise to a Total Loss of GH¢17.650 million for the Group in the year.

This Loss, coming on the back of Losses made in previous years has caused a significant erosion of the Group's Equity Capital to create a Net deficit of GH¢1.020 million after Consolidation.

For the PBC Ltd, notable factors that impacted negatively on the Company's finances and which ultimately culminated in the heavy loss include among others:

i. Reduction in National Cocoa Production due to unfavourable weather conditions which caused a corresponding reduction in cocoa purchased and delivered by the Company.

ii. Generally unfavourable economic conditions exemplified by high inflation and interest rates which triggered off general price increases in goods and services.

iii. The Company's continued reliance on excessive Short Term borrowing at high interest charges to supplement the inadequate COCOBOD Funds for cocoa purchases leading to very high Finance Cost. This has been worsened in the year by the need for increased level of Funds as the Producer Price for cocoa increased by 21%.

The loss of GH¢1.726 million experienced by the subsidiary, Golden Bean Hotel Limited (GBHL) is mainly due to an initial huge depreciation cost normally associated with start-up businesses of its kind.

## PERFORMANCE REVIEW

The review focuses on comparing key performance indicators, revenue earned and expenditure incurred and the general financial standing of the Company (PBC Ltd) and its subsidiary GBHL to that of the previous year.

Turnover for cocoa operations increased from GH¢1.413 billion to GH¢1.868 billion, an increase of 32.1% due to the increase in Producer Price of cocoa purchased. With a marginal increase of 4.6% in National Cocoa output (due mainly to unfavourable weather conditions) from 740,254 tonnes in 2014/15 to 774,226 tonnes in 2015/16, the Company's purchases similarly increased by 4% from 230,989 tonnes in 2014/15 to 240,297 tonnes in 2015/16.

Turnover for the haulage services, increased marginally from GH¢22.114 million to GH¢22.333 million, an increase of 0.1% due to the slight increase in the quantity of cocoa hauled at the secondary level by our articulator and cargo trucks. Turnover for Sheanut reduced from GH¢35.660 million in the previous year to GH¢1.406 million. In the previous year, sheanut purchased was sold off in the raw form to individual and institutional buyers due to the technical challenge then facing the PBC Ltd Shea Factory, Buipe resulting in higher revenue. In the year under review, the sheanut purchased was stocked for sale to the Buipe Shea Factory in anticipation of it being fully operational following its expected successful revamping and retooling.

On the subsidiary, GBHL, the Total Revenue earned for the year amounted to GH¢9.336 million, an increase of 14.6% over the previous year's figure of GH¢8.147 million attributable mainly to improvements in acitivities for increased patronage of services provided.

Cost of sales of cocoa operations increased by 32.4% from GH¢1.260 billion to GH¢1.668 billion due to the increase in producer price of cocoa purchased and delivered.

Direct cost of Haulage services decreased marginally from GH¢18.016 million to GH¢17.402 million despite the slight increase in volumes hauled at the secondary level by our articulated and cargo trucks. Again an indication of improved level of efficiency in the activity.

Cost of Sales of sheanut operations reduced from GH¢26.577 million to GH¢1.205 million due to the inability of the Company to deliver sheanut to the Buipe Factory because of its technical challenges.

For the subsidiary GBHL, the Cost of Sales increased slightly from GH¢4.660 million to GH¢4.783 million due to general price increases of inputs for the various revenue generating activities.

Out of the Total Revenue and the associated Cost of Sales, the parent Company, PBC Ltd recorded a Gross Profit of GH¢204.255 million as compared to last year's figure of GH¢166.405 million, an increase of 22.7%. The Gross Profit of GH¢204.255 million was earned through the following corporate activities:

i) Cocoa Operations - GH¢199.123 million
ii) Sheanut Operations - GH¢201,400
iii) Haulage Services - GH¢4.931 million

The GBHL had a Gross Profit of GH¢4.553 million as compared to GH¢3.487 million recorded in the previous year.

Direct operating Expenses of PBC Ltd increased marginally by 0.9% over the previous year's figure of GH¢74.343 million to GH¢75.003 million. An indication of improved efficiency in operations despite the general worsened environment of increases in the cost of inputs and operational logistics.

General and Administrative Expenses which is made up of Staff Cost, Office Cost and Estate Cost rose by 17.8% from GH¢39.408 million to GH¢46.436 million. The composition of this increase is as follows:

i) Staff Cost increased by 13.24% from GH¢29.389 million to GH¢33.279 million in the year under review mainly due to the increase in staff salaries as a means to motivate the workforce.

ii) Office Cost also increased by 28.8% from GH¢6.971 million to GH¢8.977 million. Significant components that contributed greatly to this increase in office cost include Depreciation and Amortization of non-operational assets, Printing and Stationery, Electricity Cost and Bank Charges.

iii) Estate & Property Cost increased by 37.1% from GH¢3.047 million to GH¢4.178 million due mainly to the need to urgently rehabilitate some sheds and depots which were in very deplorable state. Again, there was a high demand for rent increase for the various offices and sheds rented and occupied at our operational areas.

For PBC Ltd, Total Expenses (excluding Finance Cost) increased by 6.8% from GH¢113.751 million to GH¢121.438 million. The Company thus registered an operating profit before financing cost of GH¢93.887 million as compared to the previous year's figure of GH¢92.662 million, an increase of 1.3%.

Net Finance Cost however increased by 29.6% from GH¢85.135 million to GH¢110.305 million mainly due to the Company's continuous over reliance on Short Term borrowings for cocoa purchase because of the inadequate funding from the traditional Cocoa Board source. The relatively high cost associated with such borrowings in the regime of increased Interest Rates accounted for this high Finance Cost. The Finance Cost which constitutes about 54% of Gross Profit was a jump from the previous year figure of 51%.

Other income decreased by 72.3% from GH¢40.008 million to GH¢11.070 million during the year. The large decrease is as a result of the Profit earned on disposal of the Company's Car Park and offices to COCOBOD which was included as part of Other Income in the previous year.

With regards to the GBHL, General Administrative Expenses increased from GH¢6.054 million in the previous year to GH¢6.325 million an increase of 4.5%. The most significant expenditure that affected the level of profitability of the Hotel is the depreciation charge, by an amount of GH¢3,056,533 million in the year under review.

The parent Company PBC Ltd recorded a loss of GH¢15,024,166 million after taking an Income Tax Credit of GH¢558,458 million. With the subsidiary GBHL also registering a loss of GH¢1,726,178 million, the PBC Ltd Group Net Loss amounted to GH¢17,650,344 million.

**KEY FINANCIAL PERFORMANCE INDICATORS**

Key Financial Indicators on the Parent Company's activities reduced significantly in line with the decrease in the Company's level of profitability.

i) Basic Earnings Per Share (EPS) decreased by 139.7% from GH¢0.0131 to (GH¢0.0330).

ii) Return on Capital Employed (ROCE) also decreased from the previous year's figure of 32.5% to (442.7%)
iii) The balance sheet showed a negative growth in shareholder's equity by 81.4% from GH¢19.274 million to GH¢3.582 million.

For the Subsidiary Golden Bean Hotel Ltd. (GBHL):

i) Basic Earnings Per Share (EPS) increased from (GH¢0.087) to (GH¢0.054)
ii) Return on Capital Employed (ROCE) also increased from the previous year's figure of (9.55%) to (6.23%).
iii) The balance sheet showed a reduced growth in Shareholders' equity by 5.86% from GH¢29.438 million to GH¢27.712 million.

**OUTLOOK**

The Company again, had a serious setback in its profitability and growth as a result of the heavy loss experienced during the year under review. The staggering Finance Cost continued to pose a serious challenge to the Company's profitable operations and growth and threatens to the survival of the Company as a going concern. The Losses realized as a result of this cost, continue to erode the worth of the Shareholder's Equity and reduces Company credibility to both Investors and Financiers.

Management and the Board will continue to pursue the long-standing intent of Recapitalization of the Company through either a Right Issue or Private Placement. This would afford the Company access to Equity Funds that would naturally eliminate or reduce the Short Term borrowing from the banks for the cocoa operations and consequently, drastically reduce the huge Finance Cost.

It would further increase the depleted Equity of the Company and give it a stronger and more acceptable financial stance. The Company will continue to put in place the needed measures to improve its operational capacities and efficiency to enhance its market presence and market share in an attempt to return the Company onto a path of sustained growth and profitability, once the reliance on Loans from the banks is curtailed.

Again the Company will continue to participate and expand its certification programme with Touton and other International Cocoa Trading Companies as a vehicle to provide farming inputs and logistics from the premium earned by our loyal farmers.

With the establishment of the Input and Certification Unit, the Company intends to provide on-farm assistance, such as supply of inputs, farm mapping and other husbandry activities to enhance the farms of our loyal farmers. This will also serve as a platform to attracting many farmers to boost the company's market share.

Management will continue to monitor, supervise and effectively and efficiently manage the two subsidiaries in order to receive sizable contributions from them into the total earning vaults of the Group.

Finally, I wish to thank the Board of Directors, Management and staff of the Company for their immense help and contribution during the year in spite of the challenges and look forward to success in the years ahead.

**MAXWELL KOJO ATTA-KRAH.**
**CHIEF EXECUTIVE OFFICER**

# PBC LIMITED
## REPORT OF THE DIRECTORS
## ON THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

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 and its subsidiary for the year ended 30th September, 2016.

| | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|
| Turnover | **1,900,674** | **1,891,337** | 1,470,973 |
| (Loss)/Profit before tax of | **(18,098)** | **(16,482)** | 7,527 |
| From which is deducted provision for the estimated income tax liability of | **448** | **558** | (1,257) |
| Leaving a net (loss)/profit after tax of | **(17,650)** | **(15,924)** | 6,270 |
| To which is added the retained earnings as at 1st October | **(1,005)** | **1,806** | (4,464) |
| Resulting in a balance carried to the balance sheet of | **(18,655)** | **(14,118)** | 1,806 |

**Dividend**

No dividends are recommended by the Directors for the year ended 30th September, 2016.

**Nature of Business**

The nature of the business which the company is authorised to carry on is;

- 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.

- to undertake such other businesses or investments as shall be given prior approval by members of the Company in General Meeting.

**Corporate Status**

On the 15th of September, 1999 the Company was incorporated as a limited liability company under the Companies Act, 1963 (Act 179). On the 19th of May, 2000 the company 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.

**Subsidiaries**

PBC Ltd has two wholly owned subsidiaries: PBC Shea Ltd and Golden Bean Hotel Ltd.

PBC Shea Limited, is a company incorporated in Ghana. The Company is permitted by its regulations to carry on, the business of buying sheanuts, other nuts and oil plants processing, marketing and other related business.

Golden Bean Hotel Limited is a company incorporated in Ghana. The Company is permitted to own, operate and carry on the business of hoteliers and other activities related thereto.

**Directors**

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

| **Names** | | | **Date of first appointment** | **Date of retirement** |
|---|---|---|---|---|
| Captain Kwadjo Adunkwa Butah(Rtd) | - | Chairman | 28.03.2014 | - |
| Mr. Maxwell Kojo Atta-Krah | - | CEO/Member | 01.12.2009 | 31.12.2016 |
| Prof. Basil Clarence Frans Lokko | - | Member | 28.03.2014 | - |
| Mr. Abraham Amaliba | - | Member | 28.03.2014 | - |
| Mrs. Mabel Oseiwa Quakyi | - | Member | 23.10.2009 | - |
| Mr. Hayford Kofi Nimoh | - | Member | 15.04.2014 | - |
| Prof. Mohammed Salifu | - | Member | 11.11.2014 | - |
| Mr. Stephen Baba Kumasi | - | Member | 25.03.2011 | - |
| Mr. Matthew Boadu Adjei | - | Member | 28.03.2014 | - |
| Mr. Thomas Dzoleto Kwami | - | Member | 28.03.2014 | - |
| Mr. Emmanuel Karikari Gyamfi | - | Member | 24.06.2015 | - |

## Auditors

A resolution authorising Directors to fix the remuneration of the Company's auditors, PKF will be put before the Annual General Meeting in accordance with Section 134(11) of the Companies Act, 1963 (Act 179).

## Events after Reporting Date

The Directors confirm that no matters have arisen since 30th September, 2016 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, 2016**

PKF

Accountants &
business advisers

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PBC LIMITED AND ITS SUBSIDIARY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2016

**Report on the Financial Statements**

We have audited the accompanying financial statements of PBC Limited and its subsidiary GBHL which comprise the consolidated statement of financial position as of 30th September, 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 (IFRS) 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.

**Emphasis of Matter**
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.

Without qualifying our opinion based on going concern, we draw attention to Note 36 of the financial statements, which indicate that the Company and the Group had suffered a net loss of GH¢15.92 million and GH¢17.65 million respectively for the year ended 30th September, 2016. At the balance sheet date the Company and the Group had a net current liability of GH¢147.1 million and GH¢149.2 million respectively and a net asset of GH¢3.5 million and a net liability of GH¢1.0 million.

**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 and its subsidiary as of 30th September, 2016 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 belief 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 consolidated statement of financial position and consolidated statement of profit or loss and other 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/2016/039)**
**Chartered Accountants**
**Farrar Avenue**
**P. O. Box GP 1219**
**Accra.**

**30th December, 2016**

# PBC LIMITED
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

| | NOTES | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|---|
| **Revenue** | *6* | **1,900,674** | **1,891,337** | 1,470,972 |
| Cost of Sales | | **(1,691,866)** | **(1,687,082)** | (1,304,567) |
| **Gross Profit** | | **208,808** | **204,255** | 166,405 |
| Other Income | *8* | **11,070** | **11,070** | 40,008 |
| Direct Operating Expenses | | **(75,098)** | **(75,003)** | (74,343) |
| General and Administrative Expenses | *7* | **(52,729)** | **(46,499)** | (39,408) |
| **Operating profit before financing cost** | | **92,051** | **93,823** | 92,662 |
| Net Finance Expenses | *9* | **(110,149)** | **(110,305)** | (85,135) |
| **(Loss)/Profit before Taxation** | | **(18,098)** | **(16,482)** | 7,527 |
| Income Tax Expense | *10a* | **448** | **558** | (1,256) |
| **(Loss)/Profit for the year transferred to Income Surplus Account** | | **(17,650)** | **(15,924)** | 6,271 |
| **Other Comprehensive Income** | | | | |
| Available-for-Sale Financial Assets | | **167** | **167** | (1,033) |
| **Total Other Comprehensive Income** | | **167** | **167** | (1,033) |
| **Total Comprehensive Income for the year** | | **(17,483)** | **(15,757)** | 5,238 |
| **Basic earning per share (GH¢)** | | **(0.0369)** | **(0.0333)** | 0.0131 |
| **Diluted earning per share (GH¢)** | | **(0.0369)** | **(0.0333)** | 0.0131 |

# PBC LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30TH SEPTEMBER 2016

| | NOTES | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | *13a* | **146,179** | **116,506** | 100,756 |
| Intangible Asset | *16* | **458** | **0** | 0 |
| Investment in Subsidiaries | *14* | **37,556** | **69,806** | 69,806 |
| Available for sale financial assets | *12* | **2,865** | **2,865** | 2,698 |
| **Total non-current assets** | | **187,058** | **189,177** | 173,260 |
| **Current assets** | | | | |
| Inventories | *15* | **64,087** | **62,187** | 59,388 |
| Account receivables | *17* | **104,553** | **110,797** | 125,456 |
| Short term investments | *18* | **2,972** | **1,972** | 24,840 |
| Current Tax | *10b* | **30** | **0** | 0 |
| Cash and cash equivalents | *19* | **60,254** | **58,511** | 43,796 |
| **Total current assets** | | **231,896** | **233,467** | 253,480 |
| **Total assets** | | **418,954** | **422,644** | 426,740 |
| **Equity** | | | | |
| Stated capital | *25a* | **15,000** | **15,000** | 15,000 |
| Retained earnings | *25c* | **(18,655)** | **(14,118)** | 1,806 |
| Other reserves | *25d* | **2,635** | **2,635** | 2,468 |
| **Total equity** | | **(1,020)** | **3,517** | 19,274 |
| **Non-current liabilities** | | | | |
| Deferred tax liability | *11a* | **1,461** | **1,167** | 1,725 |
| Finance lease | *24* | **1,891** | **1,891** | 3,479 |
| Medium term loan | *23a* | **7,216** | **7,216** | 7,238 |
| EDAIF Loan | *23b* | **9,000** | **9,000** | 0 |
| Long term loan | *23c* | **19,285** | **19,285** | 13,352 |
| **Total non-current liabilities** | | **38,853** | **38,559** | 25,794 |
| **Current liabilities** | | | | |
| Bank overdraft | *21* | **292,147** | **292,147** | 236,413 |
| Short Term Loan | *22* | **70,065** | **70,065** | 123,601 |
| Medium term loan (current portion) | *23a* | **6,514** | **6,514** | 7,214 |
| Finance lease (current portion) | *24* | **1,167** | **1,167** | 1,167 |
| Account payables | *20* | **11,228** | **10,675** | 13,277 |
| **Total current liabilities** | | **381,121** | **380,568** | 381,672 |
| **Total liabilities** | | **419,974** | **419,127** | 407,466 |
| **Total liabilities and equity** | | **418,954** | **422,644** | 426,740 |

**Approved by the Board on ..30th December, 2016..**

……………………………**Director** ……………………………… **Director**

# PBC LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

**CAPITAL AND RESERVES**

| **Group** | **Stated Capital** | **Retained Earnings** | **Other Reserves** | **Total Equity** |
|---|---|---|---|---|
| **2016** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Balance at 1st October | 15,000 | (1,005) | 2,468 | 16,463 |
| Profit for the year | 0 | (17,650) | 0 | (17,650) |
| Movement in available for sale asset | 0 | 0 | 167 | 167 |
| **Balance at 30th September** | **15,000** | **(18,655)** | **2,635** | **(1,020)** |

| **Company** | | | | |
|---|---|---|---|---|
| **2016** | | | | |
| Balance at 1st October | 15,000 | 1,806 | 2,468 | 19,274 |
| Profit for the year | 0 | (15,924) | 0 | (15,924) |
| Movement in available for sale asset | 0 | 0 | 167 | 167 |
| **Balance at 30th September** | **15,000** | **(14,118)** | **2,635** | **3,517** |

| **Company** | | | | |
|---|---|---|---|---|
| **2015** | | | | |
| Balance at 1st October | 15,000 | (4,464) | 3,501 | 14,037 |
| Profit for the year | 0 | 6,270 | 0 | 6,270 |
| Movement in available for sale asset | 0 | 0 | (1,033) | (1,033) |
| Balance at 30th September | **15,000** | **1,806** | **2,468** | **19,274** |

# PBC LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

| | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/Profit before taxation | **(18,098)** | **(16,482)** | 7,527 |
| Adjustment for: | | | |
| Depreciation and Amortisation charges | **17,624** | **14,407** | 12,514 |
| Interest Received | **(1,942)** | **(1,742)** | (5,048) |
| Profit on Property, Plant and Equipment Disposals | **(453)** | **(453)** | (32,090) |
| Interest expense | **112,091** | **112,047** | 90,183 |
| **Operating profit before working capital changes** | **109,222** | **107,777** | 73,086 |
| Change in inventories | **(3,548)** | **(2,799)** | (24,612) |
| Change in trade and other receivables | **15,463** | **14,659** | (15,371) |
| Changes in Investment in Subsidiaries | **0** | **0** | (12,272) |
| Change in trade and other payables | **(2,730)** | **(2,602)** | 1,618 |
| **Cash generated from operations** | **118,407** | **117,035** | 22,449 |
| Income taxes paid | **(30)** | **0** | 0 |
| **Net cash flow from operating activities** | **118,377** | **117,035** | 22,449 |
| **Cash flow from investing activities** | | | |
| Interest Received | **1,942** | **1,742** | 5,048 |
| Proceeds from disposal of Assets | **780** | **780** | 10,919 |
| Payments to acquire Property, Plant and Equipment | **(30,735)** | **(30,484)** | (39,910) |
| **Net Cash used in Investing Activities** | **(28,013)** | **(27,962)** | (23,943) |
| **Cash flows from Financing Activities** | | | |
| Interest paid | **(112,091)** | **(112,047)** | (90,183) |
| Changes in Short Term Loan | **(53,536)** | **(53,536)** | 5,406 |
| Changes in Finance Lease | **(1,588)** | **(1,588)** | (1,068) |
| Changes in EDAIF Term Loan | **(722)** | **(722)** | (1,855) |
| Changes in Medium Term Loan | **9,000** | **9,000** | 0 |
| Changes in Long Term Loan | **5,933** | **5,933** | 5,017 |
| **Net Cash flows from Financing Activities** | **(153,004)** | **(152,960)** | (82,683) |
| **Net Decrease in Cash and Cash equivalents** | **(62,640)** | **(63,887)** | (84,177) |
| **Cash and Cash equivalents at 1st October** | **(166,281)** | **(167,777)** | (83,600) |
| **Cash and Cash equivalents at 30th September** | **(228,921)** | **(231,664)** | (167,777) |
| **Cash and Cash Equivalents.** | | | |
| Cash in Hand and at Bank | **60,254** | **58,511** | 43,796 |
| Bank overdraft | **(292,147)** | **(292,147)** | (236,413) |
| Treasury Bills/Call Deposits | **2,972** | **1,972** | 24,840 |
| | **(228,921)** | **(231,664)** | (167,777) |

## 1.0. 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;
- to appoint agents or enter into arrangement with any company, firm or any person orgroup of persons with the view to carrying on the business of the Company.
- to undertake such other businesses or investments as shall be given trior approval by members of the Company in General Meeting.

## 2.0 BASIS OF PREPARATION

### a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants Ghana (ICAG).

### b. Basis of measurement

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

### c. Functional and presentational currency

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

d. **Use of estimates and judgement**

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

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

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

## 3.0 SIGNIFICANT ACCOUNTING POLICIES

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

a. **Financial Instruments**

(i) **Non-derivative financial instruments**

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

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

Non-derivative financial instruments are categorised as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

- Financial liabilities measured at amortised cost - this relates to all other liabilities that are not designated at fair value through profit or loss.

- Available-for-sale financial assets - The Company's investments in shares are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

**(ii) Off setting**

Financial assets and liabilities are set off and the net amount presented in the balance sheet when and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

**(iii) Amortised cost measurement**

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

**(iv) Stated capital (Share capital)**

**Ordinary shares**

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

**Preference shares**

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

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

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

**Repurchase of stated capital (treasury shares)**

When stated capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Re purchased 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 re-assessed 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) New standards and interpretations not yet adopted:**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30th September, 2016 and have not been applied in preparing these financial statements. These are disclosed as follows:

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the completed version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1st January, 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory.

**IFRS 15** ***Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1$^{st}$ January, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15.

## 4.0 DETERMINATION OF FAIR VALUES

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

### (i) Trade and other receivables

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

(i) Produce – sale of cocoa beans and shea nuts

(ii) Haulage – transporting of cocoa beans

The Company does not have a geographical segment.

# PBC LIMITED

## NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

**5b SEGMENT REPORTING**

| CLASS OF BUSINESS | COCOA | | SHEANUT | | HAULAGE | | HOTEL | | TOTALS |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2016 | 2015 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Segment Revenue | **1,867,598** | 1,413,199 | **1,406** | 35,660 | **22,333** | 22,113 | **9,337** | **1,900,674** | 1,470,972 |
| Segment Cost | **(1,668,475)** | (1,259,974) | **(1,205)** | (26,577) | **(17,402)** | (18,016) | **(4,784)** | **(1,691,866)** | (1,304,567) |
| Segment Results | **199,123** | 153,225 | **201** | 9,083 | **4,931** | 4,097 | **4,553** | **208,808** | 166,405 |
| **Unallocated expenses** | | | | | | | | **(127,827)** | (113,751) |
| Results from Operating activities | | | | | | | | **80,981** | 52,654 |
| Other Income | | | | | | | | **11,070** | 40,008 |
| Net Finance Cost | | | | | | | | **(110,149)** | (85,135) |
| Corporate tax expense | | | | | | | | **448** | (1,256) |
| (Loss)/Profit for the year | | | | | | | | **(17,650)** | 6,271 |
| | | | PRODUCE | | HAULAGE | | HOTEL | | |
| Total Assets | | | **369,414** | 381,569 | **53,230** | 45,171 | **38,561** | **461,205** | 426,740 |
| Total Liabilities | | | **406,244** | 388,368 | **13,730** | 19,098 | **10,849** | **430,823** | 407,466 |
| **Other Segment Items** | | | | | | | | | |
| Depreciation & Amortisation | | | **9,172** | 7,418 | **5,235** | 5,096 | **3,056** | **17,463** | 12,514 |

| | | Group | Company | Company |
|---|---|---|---|---|
| | | 2016 | 2016 | 2015 |
| **6 REVENUE** | **NOTES** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Sale of Produce | | **1,869,004** | **1,869,004** | 1,448,859 |
| Services (Haulage) | | **22,333** | **22,333** | 22,114 |
| Service (Hotel) | | **9,337** | **0** | 0 |
| | | **1,900,674** | **1,891,337** | 1,470,973 |

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

| | | | | |
|---|---|---|---|---|
| Depreciation and amortisation | | **4,517** | **1,423** | 1,132 |
| Auditors Remuneration | | **85** | **60** | 50 |
| Directors emoluments | | **310** | **265** | 291 |
| Subscriptions and Donations | | **567** | **364** | 169 |

**8 OTHER INCOME**

| | | | | |
|---|---|---|---|---|
| Rent Income | | **103** | **103** | 128 |
| Recoveries from Shortages | | **2,453** | **2,453** | 1,517 |
| Sundry Income | | **4,093** | **4,093** | 1,990 |
| Asset Disposal Gain | **13c** | **453** | **453** | 32,090 |
| Cocoa Sweeping Proceeds | | **3,810** | **3,810** | 4,122 |
| Exchange Gain | | **152** | **152** | 157 |
| Staff Loan Discount Recycle | | **6** | **6** | 4 |
| | | **11,070** | **11,070** | 40,008 |

**9 NET FINANCE EXPENSES**

| | | | | |
|---|---|---|---|---|
| Interest Income | | **1,942** | **1,742** | 5,048 |
| Bank and Produce loan interest | | **(112,091)** | **(112,047)** | (90,183) |
| | | **(110,149)** | **(110,305)** | (85,135) |

**10a INCOME TAX EXPENSE**

| | | | | |
|---|---|---|---|---|
| Current tax expense | **10b** | **0** | **0** | 0 |
| Deferred tax expense | **11a** | **448** | **558** | (1,256) |
| | | **448** | **558** | (1,256) |

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

**10b CURRENT TAX**

**Group**

| **Year of Assessment** | **Balance at 1st October** | **Tax paid/refund** | **Charge for the year** | **Balance at 30th September** |
|---|---|---|---|---|
| **Corporate Tax** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| 2015 | 18 | 0 | 0 | **18** |
| 2016 | 0 | 12 | 0 | **12** |
| | 18 | 12 | 0 | **30** |

**Company**

| **Year of Assessment** | **Balance at 1st October** | **Tax paid/refund** | **Charge for the year** | **Balance at 30th September** |
|---|---|---|---|---|
| **Corporate Tax** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| 2015 | 0 | 0 | 0 | **0** |
| 2016 | 0 | 0 | 0 | **0** |
| | 0 | 0 | 0 | **0** |

Tax liabilities up to and including the 2012 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:

| | **Group 2016 GH¢'000** | **Company 2016 GH¢'000** | **Company 2015 GH¢'000** |
|---|---|---|---|
| (Loss)/Profit before tax | **(18,098)** | **(16,482)** | 7,527 |
| Income tax using the domestic tax rate | **(4,525)** | **(4,121)** | 1,882 |
| Non-deductible expenses | **4,424** | **3,676** | 3,160 |
| Tax exempt revenue | **(544)** | **(151)** | (8,218) |
| Tax incentive not recognised in the income statement | **644** | **595** | 3,176 |
| Deferred tax | **448** | **558** | (1,256) |
| Current tax credit | **448** | **558** | (1,256) |
| **Effective tax rate (%)** | **(2.47)** | **(3.38)** | (16.69) |

| | Group | Company | Company |
|---|---|---|---|
| **11a DEFERRED TAX** | **2016** | **2016** | **2015** |
| | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Balance at 1st October | **1,909** | **1,725** | 469 |
| Charge to the Income Statement | **(448)** | **(558)** | 1,256 |
| Balance at 30th September | **1,461** | **1,167** | 1,725 |

### 11b RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following

| **Group** | | | **2016** | | | **2015** |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | Assets | Liabilities | Net |
| | **GH¢'000** | **GH¢'000** | **GH¢'000** | GH¢'000 | GH¢'000 | GH¢'000 |
| PPE | **5,947** | **(4,486)** | **1,461** | 5,740 | (4,058) | 1,682 |
| Others | **43** | **0** | **43** | 43 | 0 | 43 |
| | **5,990** | **(4,486)** | **1,504** | 5,783 | (4,058) | 1,725 |

| **Company** | | | **2016** | | | **2015** |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | Assets | Liabilities | Net |
| | **GH¢'000** | **GH¢'000** | **GH¢'000** | GH¢'000 | GH¢'000 | GH¢'000 |
| PPE | **5,604** | **(4,437)** | **1,167** | 5,740 | (4,058) | 1,682 |
| Others | **43** | **0** | **43** | 43 | 0 | 43 |
| | **5,647** | **(4,437)** | **1,210** | 5,783 | (4,058) | 1,725 |

| **12 AVAILABLE FOR SALE FINANCIAL ASSET** | **Group** | **Company** | **Company** |
|---|---|---|---|
| | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Quoted Equity Investments | **2,865** | **2,865** | 2,698 |

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

# PBC LIMITED

## NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30TH SEPTEMBER 2016

### 13a PROPERTY, PLANT AND EQUIPMENT

| GROUP | Land and Buildings | Plant and Machinery | Motor Vehicles | Furnit./Fitt. & Equip. | Capital W.I.P | Total |
|---|---|---|---|---|---|---|
| **Cost** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Balance at 1.10.2015: | 44,355 | 16,435 | 71,782 | 13,788 | 43,697 | 190,057 |
| Additions during the year | 1,020 | 4,152 | 11,165 | 826 | 13,562 | 30,725 |
| Transfers to Land and Buildings and Motor Vehicles | 7,169 | 0 | 114 | 0 | (7,283) | 0 |
| Disposals | 0 | 0 | (712) | 0 | 0 | (712) |
| **Balance at 30.9.2016** | **52,544** | **20,587** | **82,349** | **14,614** | **49,976** | **220,070** |
| **Depreciation** | | | | | | |
| Balance at 1.10.2015 | 3,541 | 12,105 | 35,488 | 5,678 | 0 | 56,812 |
| Charge for the year | 1,224 | 2,440 | 10,743 | 3,057 | 0 | 17,464 |
| Released on Disposals | 0 | 0 | (385) | 0 | 0 | (385) |
| **Balance at 30.9.2016** | **4,765** | **14,545** | **45,846** | **8,735** | **0** | **73,891** |
| **Carrying amounts** | | | | | | |
| **At 30.9.2016** | **47,779** | **6,042** | **36,503** | **5,879** | **49,976** | **146,179** |
| At 30.9.2015 | 16,077 | 4,035 | 35,951 | 996 | 43,697 | 100,756 |

## 13b PROPERTY, PLANT AND EQUIPMENT

| COMPANY | Land and Buildings | Plant and Machinery | Motor Vehicles | Furnit./Fitt. & Equip. | Capital W.I.P | Total |
|---|---|---|---|---|---|---|
| **Cost** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| Balance at 1.10.2015 | 19,228 | 16,019 | 71,335 | 3,744 | 43,697 | 154,023 |
| Additions during the year | 993 | 4,115 | 11,125 | 689 | 13,562 | 30,484 |
| Transfers to Land and Buildings and Motor Vehicles | 7,169 | 0 | 114 | 0 | (7,283) | 0 |
| Disposals | 0 | 0 | (712) | 0 | 0 | (712) |
| **Balance at 30.9.2016** | **27,390** | **20,134** | **81,862** | **4,433** | **49,976** | **183,795** |
| **Depreciation** | | | | | | |
| Balance at 1.10.2015 | 3,151 | 11,984 | 35,384 | 2,748 | 0 | 53,267 |
| Charge for the year | 889 | 2,331 | 10,653 | 534 | 0 | 14,407 |
| Released on Disposals | 0 | 0 | (385) | 0 | 0 | (385) |
| **Balance at 30.9.2016** | **4,040** | **14,315** | **45,652** | **3,282** | **0** | **67,289** |
| **Carrying amount** | | | | | | |
| **At 30.9.2016** | **23,350** | **5,819** | **36,210** | **1,151** | **49,976** | **116,506** |
| At 30.9.2015 | 16,077 | 4,035 | 35,951 | 996 | 43,697 | 100,756 |

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

| | Group 2016 | Company 2016 | Company 2015 |
|---|---|---|---|
| | **GH¢** | **GH¢** | **GH¢** |
| Cost | **712** | **712** | 4,524 |
| Accumulated Depreciation | **(385)** | **(385)** | (2,465) |
| Net Book Value | **327** | **327** | 2,059 |
| Sale Proceeds | **(780)** | **(780)** | (34,149) |
| **Profit on Disposal** | **453** | **453** | (32,090) |

| | | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|---|
| **14** | **INVESTMENT IN SUBSIDIARIES** | | | |
| | PBC Shea Limited | **37,556** | **37,556** | 37,556 |
| | Golden Bean Hotel Limited | **0** | **32,250** | 32,250 |
| | **Balance at 30th September** | **37,556** | **69,806** | 69,806 |

This represent PBC Limited investment in two subsidiaries, namely PBC Shea Limited and Golden Bean Hotel Limited. The PBC Shea Limited is a state of the art factory established to process sheanut into shea butter for export and it is located at Buipe in the Central Gonja District. The Golden Bean Hotel is a fifty (50) Room hospitality facility located at Nyiaeso in the Kumasi Metropolis.

| | | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|---|
| **15** | **INVENTORIES** | | | |
| | <u>Trading</u> | | | |
| | Cocoa | **7,653** | **7,653** | 44,043 |
| | Sheanut | **38,248** | **38,248** | 7,357 |
| | Agro Inputs | **6,766** | **6,766** | 0 |
| | Food and Beverage | **355** | **0** | 0 |
| | <u>Non-Trading</u> | **-** | | |
| | Spare Parts | **2,934** | **2,934** | 1,520 |
| | Tarpaulin Stocks | **1,449** | **1,449** | 2,256 |
| | Technical Stores | **1,644** | **99** | 255 |
| | Printing and Stationery | **506** | **506** | 444 |
| | Fuel and Lubricants | **948** | **948** | 994 |
| | Tyres and Batteries | **3,570** | **3,570** | 2,519 |
| | Stencil Ink | **14** | **14** | 0 |
| | | **64,087** | **62,187** | 59,388 |
| **16** | **INTANGIBLE ASSETS** | | | |
| | Balance at 1st October | **793** | **0** | 0 |
| | Additions during the year | **10** | **0** | 0 |
| | **Balance at 31st September** | **803** | **0** | 0 |
| | **Amortisation** | | | |
| | Balance at 1st October | **185** | **0** | 0 |
| | Amortisation for the year | **160** | **0** | 0 |
| | **Balance at 31st December** | **345** | **0** | 0 |
| | **Carrying amount** | | | |
| | **At 31st September** | **458** | **0** | 0 |

This relates to Computer Software and amortisation is recognised in administrative and general expenses.

| | | Group | Company | Company |
|---|---|---|---|---|
| | | 2016 | 2016 | 2015 |
| 17 | ACCOUNTS RECEIVABLES | GH¢ | GH¢ | GH¢ |
| | Trade receivables due from customers | **22,158** | **21,288** | 52,599 |
| | Other receivables | **75,453** | **82,639** | 67,792 |
| | Staff Loans and Advances | **3,923** | **3,895** | 1,677 |
| | Prepayments | **3,031** | **2,987** | 3,395 |
| | Staff Loans Discounted | **(12)** | **(12)** | (7) |
| | | **104,553** | **110,797** | 125,456 |

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¢3,923,000** (2015 - GH¢1,677,351).

| | | Group 2016 GH¢ | Company 2016 GH¢ | Company 2015 GH¢ |
|---|---|---|---|---|
| 18 | SHORT TERM INVESTMENTS | | | |
| | Fixed Deposit | **1,080** | **80** | 17,073 |
| | Treasury Bills | **1,887** | **1,887** | 1,580 |
| | Call | **5** | **5** | 6,187 |
| | | **2,972** | **1,972** | 24,840 |
| 19 | CASH AND CASH EQUIVALENTS | | | |
| | Bank Balances | **9,262** | **7,521** | 11,269 |
| | RCPA Account and Cash Balances | **50,992** | **50,990** | 32,527 |
| | | **60,254** | **58,511** | 43,796 |
| 20 | ACCOUNTS PAYABLES | | | |
| | Trade Payables | **42** | **0** | 0 |
| | Non-Trade Payables and Accrued Expenses | **7,504** | **7,195** | 8,449 |
| | Accrued Charges | **3,682** | **3,480** | 4,828 |
| | | **11,228** | **10,675** | 13,277 |

| | Group | Company | Company |
|---|---|---|---|
| | 2016 | 2016 | 2015 |
| **21 BANK OVERDRAFT** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Ecobank Ghana Limited | **3,046** | **3,046** | 6,783 |
| Ghana Commercial Bank | **159,992** | **159,992** | 101,477 |
| Barclays Bank Ghana Limited | **20,468** | **20,468** | 30,693 |
| Societe General Ghana | **15,537** | **15,537** | 25,433 |
| Stanbic Bank | **0** | **0** | 20,681 |
| Standard Chartered Bank | **5** | **5** | 0 |
| HFC Bank Limited | **0** | **0** | 20,475 |
| Energy Bank Ghana Limited | **1** | **1** | 1,666 |
| Zenith Bank Ghana Limited | **1,316** | **1,316** | 0 |
| Universal Merchant Bank | **19,932** | **19,932** | 18,784 |
| United Bank for Africa Ghana Limited | **14,696** | **14,696** | 10,193 |
| uniBank Ghana Limited | **0** | **0** | 125 |
| GT Bank Ghana Limited | **0** | **0** | 68 |
| Sahel Sahara Bank Ghana Limited | **0** | **0** | 35 |
| National Investment Bank Ghana Limited | **49,996** | **49,996** | 0 |
| Bank of Africa Ghana Limited | **7,158** | **7,158** | 0 |
| | **292,147** | **292,147** | 236,413 |

**Ecobank Ghana Limited**

The Company has an overdraft facility of GH¢5,000,000 with the bank. The facility expires on 31st October, 2017 at an interest rate of 28.95%.

**GCB bank limited**

The Company has an overdraft facility of GH¢140,000,000 with the bank. The facility is to support Cocoa purchases. The facility expires on 30th September, 2017 at an interest rate of 29.0%.

**Barclays Bank Ghana Limited**

The Company has an overdraft facility of GH¢20,000,000 with Barclays Bank Ghana Limited. The interest rate is at 7.25% per annum above the Bank's Base Rate.

**Societe General Ghana**

The Company has an overdraft facility of GH¢25,000,000 with the bank. Interest rate is at 27.5% per annum. The facility expires on 30th September, 2017.

**Zenith Bank Ghana Limited**

The Company has an overdraft facility of GH¢20,000,000 with the bank. Interest rate is at 28.0% per annum. The facility expires in November, 2017.

**Universal Merchant Bank Ghana Limited**

The Company has an overdraft facility of GH¢20,000,000 with Universal Merchant Bank Ghana Limited. Interest rate is at 28.55% per annum. The facility expires on 31st August, 2017.

**United Bank for Africa Ghana Limited**

The Company has an overdraft facility of GH¢20,000,000 with United Bank for Africa Ghana Limited. Interest rate is at 28.82% per annum. The facility expires on 30th September, 2017.

**National Investment Bank Ghana Limited**

The Company has an overdraft facility of GH¢50,000,000 with National Investment Bank Ghana Limited. Interest rate is at 30.0% per annum. The facility expires on 30th September, 2017.

**Bank of Africa Ghana Limited**

The Company has an overdraft facility of GH¢10,000,000 with Bank of Africa Ghana Limited. Interest rate is at 28.15% per annum. The facility expires on 30th September, 2017.

| | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|
| **22 SHORT TERM LOANS** | | | |
| Ecobank Ghana Limited | **60,000** | **60,000** | 60,000 |
| Zenith Bank Ghana Limited | **11,963** | **11,963** | 20,000 |
| Standard Chartered Bank Ghana Limited | **0** | **0** | 28,841 |
| Energy Bank Ghana Limited | **0** | **0** | 15,000 |
| | **71,963** | **71,963** | 123,841 |
| Processing Fee | **(1,898)** | **(1,898)** | (240) |
| | **70,065** | **70,065** | 123,601 |

**Ecobank Ghana Limited**

The Company has been granted a Revolving Short Term Loan facility of GH¢60,000,000 by Ecobank Ghana Limited. The facility expires on 30th November, 2017.

**Zenith Bank Ghana Limited**

The Company has been granted a Short Term Loan facility of GH¢20,000,000 by Zenith Bank Ghana Limited. The facility expires on 31st October, 2017.

**Standard Chartered Bank Ghana Limited**

The Company has been granted a Credit facility of GH¢32,000,000 by Standard Chartered Bank Ghana Limited. The facility expires on 31st October, 2015.

**Energy Bank Ghana Limited**

The Company has been granted a Short Term Loan facility of GH¢15,000,000.00 by the financial institution. The facility expires on 31st December, 2015.

## 23a MEDIUM TERM LOAN

| | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|
| Standard Chartered Bank Ghana Limited | **10,481** | **10,481** | 8,162 |
| Ecobank Ghana Limited | **0** | **0** | 171 |
| National Investment Bank | **299** | **299** | 1,224 |
| Societe General Ghana | **2,950** | **2,950** | 4,896 |
| | **13,730** | **13,730** | 14,453 |
| Processing Fee | **0** | **0** | (1) |
| | **13,730** | **13,730** | 14,452 |
| Current portion payable within 12 months | **6,514** | **6,514** | 7,214 |
| Long term portion payable after 12 months | **7,216** | **7,216** | 7,238 |

**Standard Chartered Bank Ghana Limited**

The bank granted a medium term loan facility of GH¢32,000,000 to the Company. The facility is due to expire in November, 2017 at an interest rate of 28% which is subject to changes in line with market conditions.

**National Investment Bank**

The company has a medium term facility of GH¢5,500,000. The facility is for a tenor of 60 months expiring in November 2016. Interest rate is at 16.0%.

**Societe General Ghana**

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

## 23b EDAIF LOAN

| | 2016 GH¢ | 2016 GH¢ | 2015 GH¢ |
|---|---|---|---|
| EDAIF Loan | **9,000** | **9,000** | 0 |

The Company has a medium term facility of GH¢11,400,000 ( equivalent of USD$3,000,000). The facility is to expire forty-eight (48) months from date of disbursement with a six (6) months moratorium on the principal only. The loan is to be use to purchase and install solvent extraction plant and deoiled cake fired boiler at the PBC Shea Limited factory. The interest rate is at 12.5% per annum.

## 23c LONG TERM LOAN

| | | | |
|---|---|---|---|
| Ghana Cocoa Board | **19,285** | **19,285** | 13,352 |

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, Shea Butter sale 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.

| | Group | Company | Company |
|---|---|---|---|
| | 2016 | 2016 | 2015 |
| **24 FINANCE LEASE** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Current portion payable within 12 months | **1,167** | **1,167** | 1,167 |
| Long term portion payable after 12 months | **1,891** | **1,891** | 3,479 |
| | **3,058** | **3,058** | 4,646 |

**Societe General Ghana**

The Company was granted a new Finance Lease during the year by Societe General Ghana of GH¢6,191,946. The facility was used to re-financed the purchase of twenty (20) Articulated Tractor Unit Heads and twenty (20) Massey Ferguson Tractors and Trailers purchased by PBC Limited with their own Funds. The facility is for a period of (60) months from initial drawing of the facility with an interest rate of 24% per annum fixed over the tenor.

The Company was on 30th August, 2013 granted a Finance Lease by Societe General Ghana 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% (i.e. 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

## 25 STATED CAPITAL

| **a Ordinary shares** | | **2016** | | **2015** |
|---|---|---|---|---|
| | **No. of Shares** | **Proceeds** | No. of Shares | Proceeds |
| | **000** | **GH¢'000** | 000 | GH¢'000 |
| Authorised Ordinary Shares of no par value | **20,000,000** | | 20,000,000 | |
| Issued and fully paid | | | | |
| For cash | **2,005** | **1,587** | 2,005 | 1,587 |
| For consideration other than cash | **477,995** | **13,413** | 477,995 | 13,413 |
| | **480,000** | **15,000** | 480,000 | 15,000 |

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**

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

The preference shares are redeemable (Golden Cocoa Share) and allotted to the Ministry of Finance on behalf of the Government of Ghana.

**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.

| | 2016 | 2015 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1st October | **2,468** | 3,501 |
| Revaluation | **167** | (1,033) |
| Balance at 30th September | **2,635** | 2,468 |

**e Shares in treasury**

Shares in Treasury as at 30th September 2016:-**1,877,370** (2015 - 1,877,370).

**26 TITLE DEEDS**

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 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 November 18, 1999 the Government of Ghana gave the following undertaking :

**a** "The Government has taken over the interest of the Ghana Cocoa Board (COCOBOD) in PBC Limited and accordingly undertakes to ensure that COCOBOD takes all steps required of it under the Ceding Agreement of June 30, 1999 executed between the COCOBOD and PBC including but not limited to the perfection of all interests and the execution of all documents to effectuate the cession of assets to PBC Limited".

**b** "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 Limited in the said assets".

**27 BASIC EARNINGS PER SHARE**

**Basic and Diluted earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of

| | | |
|---|---|---|
| (Loss)/Profit attributable to equity holders (GH¢ '000) | **(17,650)** | 6,270 |
| Weighted average number of ordinary shares ('000) | **478,123** | 478,123 |
| Basic earnings per share (Ghana cedis per share) | **(0.0369)** | 0.0131 |

**28 DIVIDEND**

No dividends are recommended by the directors for the year ended 30th September, 2016.

## 29 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 is 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.

**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;

| | Group 2016 GH¢'000 | Company 2016 GH¢'000 | Company 2015 GH¢'000 |
|---|---|---|---|
| Available for sale Financial Assets | **2,865** | **2,865** | 2,698 |
| Investment in Subsidiaries | **37,556** | **69,806** | 69,806 |
| Loans and Receivables | **104,553** | **110,797** | 125,456 |
| Cash and Cash Equivalents | **60,254** | **58,511** | 43,796 |
| | **205,228** | **241,979** | 241,756 |

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

| | | | |
|---|---|---|---|
| **Public Institutions** | **22,158** | **21,288** | 52,598 |

**Impairment Losses**

| | 2016 Gross GH¢'000 | 2016 Impairment GH¢'000 | 2015 Gross GH¢'000 | 2015 Impairment GH¢'000 |
|---|---|---|---|---|
| Past due 0 - 180 days | **22,158** | **0** | 52,598 | 0 |

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

| | 2016 GH¢'000 | 2015 GH¢'000 |
|---|---|---|
| Balance at 1st October | **22,158** | 52,598 |
| Impairment loss recognised | **0** | 0 |
| | **22,158** | 52,598 |

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.

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

**30th September 2016**

| **Non-derivative financial liability** | **Amount** | **6 mths or less** | **6-12 mths** | **1-3 years** |
|---|---|---|---|---|
| | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Secured bank loans | 115,138 | 73,906 | 3,841 | 37,392 |
| Trade and other payables | 11,228 | 11,228 | 0 | 0 |
| Bank overdraft | 292,147 | 292,147 | 0 | 0 |
| **Balance at 30th September 2016** | **418,513** | **377,281** | **3,841** | **37,392** |
| **30th September 2015** | | | | |
| Secured bank loans | 156,051 | 127,792 | 4,190 | 24,069 |
| Trade and other payables | 13,277 | 13,277 | 0 | 0 |
| Bank overdraft | 236,413 | 236,413 | 0 | 0 |
| **Balance at 30th September 2015** | **405,741** | **377,482** | **4,190** | **24,069** |

**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 exposed to currency risk. Foreign currency risk refers to the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Company is exposed to foreign currency risk as a result of future transactions, foreign borrowings and investments in foreign companies, denominated in other foreign currencies.

The Company does not hedge foreign exchange fluctuations. Foreign exchange exposures are reviewed and controlled by management on a regular and frequent basis.

**Interest rate risk**

***Profile***

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | **Carrying amount** | |
|---|---|---|
| | **2016** | **2015** |
| ***Variable rate instrument*** | **GH¢'000** | **GH¢'000** |
| Financial liabilities | **407,285** | 392,464 |

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

The company did not have a fixed rate instrument at 30th September, 2016 and also at 30th September, 2015.

### 30 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 follow:

| | 30th September 2016 | | 30th September 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| ***Loans and Receivables*** | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Trade and Other Receivables | **104,553** | **104,553** | 125,456 | 125,456 |
| Cash and Cash Equivalents | **60,254** | **60,254** | 43,796 | 43,796 |
| Short Term Investments | **2,972** | **2,972** | 24,840 | 24,840 |
| | **167,779** | **167,779** | 194,092 | 194,092 |
| ***Available for Sale*** | | | | |
| Long Term Investment | **2,865** | **2,865** | 2,698 | 2,698 |
| Investment in Subsidiaries | **37,556** | **37,556** | 69,806 | 69,806 |
| | **40,421** | **40,421** | 72,504 | 72,504 |
| ***Other Financial Liabilities*** | | | | |
| Secured Bank Loan | **115,138** | **115,138** | 156,051 | 156,051 |
| Trade and Other Payables | **11,228** | **11,228** | 13,277 | 13,277 |
| Bank Overdraft | **292,147** | **292,147** | 236,413 | 236,413 |
| | **418,513** | **418,513** | 405,741 | 405,741 |

### 31 CAPITAL COMMITMENTS

There were no commitments for capital expenditure at the balance sheet date and at 30th September, 2016.

### 32 EMPLOYEE BENEFITS

**Deferred Contribution Plans**

**Tier 1- Social Security Scheme (Mandatory Contribution Scheme) - 13.0%**
Under a National Benefit Pension Scheme, the Company contributes 12.5% under the Social Security Law, 1991 (PNDCL 247) and 13% of employees basic salary to the Social Security and National Insurance Trust (SSNIT) in respect of Tier 1 under the new National Pension Act, 2008 (Act 766). The Company's obligation is limited to the relavant contributions which were settled on due dates. The pension liabilities and obligations however rest with SSNIT.

**Tier 2-Occupational Pension Scheme**
The Company also has a Provident Fund Scheme for staff under which the Company contributes a total of 5% of staff basic salary. The scheme is being privately administered by the Enterprise Trustees Limited (ETL), a National Pension Regulatory Authority accredited Company. This obligations under the scheme is limited to the relevant contribution and settled on the dates to the fund manager.

**Tier 3- Provident Fund Pension Scheme**
The Company also has a Provident Fund Scheme for staff under which the Company contributes a total of 5% of staff basic salary. The scheme is being privately administered by the Enterprise Trustees Limited (ETL), a National Pension Regulatory Authority accredited Company.

| | 2016 | 2015 |
|---|---|---|
| **33. RELATED PARTY TRANSACTIONS** | **GH¢'000** | **GH¢'000** |
| **Receivable** | **42,194** | 19,277 |

This represents cumulative payments for assets acquired and operational expenses on behalf of Golden Bean Hotel Limited a wholly owned subsidary which is into the hospitality industry. The amounts owed by the subsidiary are unsecured, interest free, and have no fixed term of repayment. The balance will be settled in cash. No guarantees have been given or received.

**Remuneration of Executive Director and other key management personnel**

| | | |
|---|---|---|
| Salaries and other short term benefits | **1,320** | 1,047 |
| Employer social security charges on emoluments | **150** | 126 |
| | **1,470** | 1,173 |

### 34. NUMBER OF SHARES IN ISSUE

Earning and dividend per share are based on 478,122,630 (2015; 478,122,630).

### 35. CONTINGENT LIABILITIES

Claims that could arise from pending suits against the Company at the year-end amounted to GH¢180,000 (2014; GH¢ nil)

### 36. GOING CONCERN

The Company and the Group had suffered a net loss of GH¢15.92 million and GH¢17.65 million respectively for the year ended 30th September, 2016. At the balance sheet date the Company and the Group had a net current liability of GH¢147.1 million and GH¢149.2 million respectively and a net asset of GH¢3.5 million and a net liability of GH¢1.0 million.

## 37 SHAREHOLDING DISTRIBUTION

| Category | Number of Shareholders | Total Holding | Percentage Holding (%) |
|---|---|---|---|
| 1 - 1,000 | 14,189 | 4,850,407 | 1.01 |
| 1,001 - 5,000 | 2,290 | 5,628,903 | 1.17 |
| 5,001 - 10,000 | 1,906 | 14,012,751 | 2.92 |
| 10,001 - 20,000 | 474 | 5,982,626 | 1.25 |
| 20,001 - 40,000 | 117 | 2,561,806 | 0.53 |
| 40,001 - 50,000 | 7 | 326,486 | 0.07 |
| Over 50,001 | 43 | 446,637,021 | 93.05 |
| **Total** | | **480,000,000** | **100.00** |

## 38 DIRECTORS SHAREHOLDING

The Directors named below held the following number of shares in the company as at 30th September, 2016.

| Names | 2016 | 2015 |
|---|---|---|
| Mr. Yaw Sarpong | **0** | 31,959 |
| Mr. Maxwell Kojo Attah-Krah | **69,750** | 9,750 |
| Mrs. Mabel Oseiwa Quakyi | **4,000** | 4,000 |
| Mr. Thomas Dzoleto Kwami | **184,637** | 100,737 |
| | **258,387** | 146,446 |

### 39 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 Mutual Fund Limited | 38,000,000 | 7.92 |
| 4 | NTHC/Institutional Investor Consortium | 14,050,719 | 2.93 |
| 5 | STD Noms /BNYM SANV/New Century Partners, LP | 12,008,105 | 2.50 |
| 6 | Current PBC Employees/Commission Agents | 5,140,575 | 1.07 |
| 7 | NTHC Limited | 4,891,934 | 1.02 |
| 8 | GCCSFA/Farmers - Individuals | 1,547,307 | 0.32 |
| 9 | GCCFA/Farmers - Association | 1,250,000 | 0.26 |
| 10 | Ansah, Micheal Owusu | 710,025 | 0.15 |
| 11 | SCBN/SSB Eaton Vance Tax-Managed Emerging Market Fund | 650,000 | 0.14 |
| 12 | SCBN/SSB Eaton Vance Structured Emerging Market Fund | 582,428 | 0.12 |
| 13 | STD Noms TVL PTY/Databank Ark Fund. | 540,000 | 0.11 |
| 14 | Nanka-Bruce, Richard Henry Morton | 315,400 | 0.07 |
| 15 | STD Noms/BNYM SANV/Wilmington Multi-Manager INTL Fund | 288,000 | 0.06 |
| 16 | Equity Focus Company Limited | 223,000 | 0.05 |
| 17 | Hoffmann Gerhard Ernest | 215,000 | 0.04 |
| 18 | Kwami Thomas & Janet. | 184,637 | 0.04 |
| 19 | STD Noms/BNYM SANV/Public Emplyment Retire. Assoc. of New Mexico. | 162,500 | 0.03 |
| 20 | EGH/Aluworks Tier 3 Provident Fund Scheme Master Distribution | 158,800 | 0.03 |
| **Total Holding by twenty largest Shareholders** | | **439,910,101** | **91.65** |
| **Totals of others** | | **40,089,899** | **8.35** |
| | | **480,000,000** | **100.00** |

# NOTES

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