

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST DECEMBER, 2012

1. ACCOUNTING POLICIES

A. REPORTING ENTITY

Produce Buying Company Limited is a company registered and domiciled in Ghana. The company is authorised to buy, collect, store, transport and otherwise deal in cocoa, coffee and sheanuts produced in Ghana on behalf of Ghana Cocoa Board.

BASIS OF PREPARATION

(i) Statement of Compliance

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

(ii) Basis of measurement

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

(iii) Functional and presentational currency

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

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

B. DEPRECIATION

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

The estimated useful lives are as follows:

Buildings	3%
Plant and Machinery	20%
Motor Vehicles	20%
Operational Vehicles	10%
Furniture and Equipment	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

C. INTANGIBLE ASSETS

Software acquired by the Company is stated at cost less accumulated impairment losses.

D. INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

E. TRADE AND OTHER RECEIVABLES

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

F. 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.

G. 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 and is recognised when the significant risk and rewards of the ownership have been transferred to the buyer.

(ii) Sale of Services

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

H. SEGMENT REPORTING

Segmental information is presented in respect of the Company's business segments and is based on the Company's management and internal reporting structure.

The two main business segments are:

Produce - Sale of Cocoa beans

Haulage - transporting of Cocoa beans.

PRODUCE BUYING COMPANY LIMITED

BALANCE SHEET

BALANCE SHEET	NOTE	2012 GH¢	2011 GH¢
Non-Current Assets			
Property, plant and equipment	10	56,465,131	38,516,161
Intangible assets	11	4,358	17,880
Long term investment	9	1,527,273	1,338,182
Total non-current assets		57,996,762	39,872,223
Current Assets			
Inventories	12	285,015,403	433,050,870
Trade and other receivables	13	195,346,299	91,558,549
Short term investments	14	80,120,990	160,449,320
Cash and cash equivalents	15	58,376,477	157,532,274
Total current assets		618,859,169	842,591,013
Total assets		676,855,931	882,463,236
Equity			
Stated Capital	21	15,000,000	15,000,000
Retained earnings		38,893,507	34,374,485
Other reserves		1,296,830	1,107,739
Total equity		55,190,337	50,482,224
Liabilities			
Deferred tax liability	8b	3,815,173	3,278,676
Income Tax liability	8a	3,907,747	7,193,681
Finance Lease	20	1,044,541	1,947,041
Medium term loan	19a	9,651,951	3,348,311
Long Term Loan	19b	5,262,033	5,262,033
Preference share capital	21	100	100
Total non-current liabilities		23,681,545	21,029,842
Bank Overdraft	17	188,149,603	
Short Term Loan	18	402,168,245	790,925,000
Medium term loan (current portion)	19	2,136,702	1,718,498
Finance Lease (current portion)	20	693,589	684,795
Trade and other payables	16	4,835,910	17,622,877
Total current liabilities		597,984,049	810,951,170
Total liabilities		621,665,594	831,981,012
Total liabilities and equity		676,855,931	882,463,236

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

3 SEGMENT REPORTING	PRODUCE		HAULAGE		TOTALS	
	2012 GH¢	2011 GH¢	2012 GH¢	2011 GH¢	2012 GH¢	2011 GH¢
Class of Business						
Segment Revenue	<u>387,578,215</u>	<u>277,707,463</u>	<u>4,117,265</u>	<u>3,681,971</u>	<u>391,695,480</u>	<u>281,389,434</u>
Segment Cost	<u>350,710,739</u>	<u>250,227,690</u>	<u>1,646,906</u>	<u>1,072,748</u>	<u>352,357,645</u>	<u>251,300,438</u>
Segment Results	<u>36,867,476</u>	<u>27,479,773</u>	<u>2,470,359</u>	<u>2,609,223</u>	39,337,835	30,088,996
Unallocated expenses					<u>(18,300,532)</u>	<u>(15,077,100)</u>
Results from Operating activities					21,037,303	15,011,896
Other Income					848,857	880,220
Net Finance Cost					<u>(13,618,324)</u>	<u>(11,097,457)</u>
Corporate tax expense					<u>(2,066,959)</u>	<u>(1,198,665)</u>
Profit for the year					<u>6,200,877</u>	<u>3,595,994</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

	2012	2011
	GH ¢	GH ¢
4 REVENUE		
Sale of Produce	387,578,215	277,707,463
Services (Haulage)	4,117,265	3,681,971
	<u>391,695,480</u>	<u>281,389,434</u>
5 ADMINISTRATIVE AND GENERAL EXPENSES including the following:		
Depreciation and amortisation	225,202	129,950
Auditors Remuneration	9,600	8,000
Directors emoluments	82,973	48,139
Subscriptions and Donations	64,973	91,731
	<u>382,748</u>	<u>277,820</u>
6 OTHER INCOME		
Rent Income	457,755	369,929
Recoveries from Shortages/Haulages	291,340	166,346
Sundry Income	99,762	317,024
Sale of Unserviceable items		26,921
	<u>848,857</u>	<u>880,220</u>
7 NET FINANCE EXPENSES		
Interest Income	1,944,657	887,381
Bank and Produce loan interest	(15,562,981)	(11,984,838)
	<u>(13,618,324)</u>	<u>(11,097,457)</u>

PRODUCE BUYING COMPANY LIMITED

INCOME STATEMENT
FIRST QUARTER ENDED 31ST DECEMBER, 2012

INCOME STATEMENT	NOTE	2012 GH¢	2011 GH¢
Revenue	4	<u>391,695,480</u>	<u>281,389,434</u>
Cost of Sales		<u>(352,357,645)</u>	<u>(251,300,438)</u>
Gross Profit		39,337,835	30,088,996
Other Income	6	848,857	880,220
Direct Operating Expenses		(10,535,778)	(8,211,294)
General and Administrative Expenses	5	<u>(7,764,754)</u>	<u>(6,865,806)</u>
Operating profit before financing cost		21,886,160	15,892,116
Net Finance Expenses	7	<u>(13,618,324)</u>	<u>(11,097,457)</u>
Profit before Taxation		8,267,836	4,794,659
Income Tax Expense	8a	<u>(2,066,959)</u>	<u>(1,198,665)</u>
Profit for the quarter transferred to Income Surplus Account		<u><u>6,200,877</u></u>	<u><u>3,595,994</u></u>
INCOME SURPLUS ACCOUNT		2012 GH¢	2011 GH¢
Balance at 1 October		32,692,630	30,778,491
Net Profit for the quarter		<u>6,200,877</u>	<u>3,595,994</u>
Balance at 31 December		<u><u>38,893,507</u></u>	<u><u>34,374,485</u></u>

The Financial statement do not contain untrue statement, misleading facts or omit material facts to the best of my knowledge.

KOJO ATTA-KRAH

.....
Kojo Atta-krah
MANAGING DIRECTOR

J. OSEI MANU

.....
J. OSEI MANU
DEP. MANAGING DIRECTOR (F&A)

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2012

8a TAXATION

Year of Assessment Corporate Tax	Balance at 1 October GH ¢	Payments during the year GH ¢	Charge for the year GH ¢	Balance at 30 September GH ¢
First Quarter 2012	(3,840,788)	2,000,000	(2,066,959)	(3,907,747)
	<u>(3,840,788)</u>	<u>2,000,000</u>	<u>(2,066,959)</u>	<u>(3,907,747)</u>
		-	-	-
		-	-	-

8b DEFERRED TAX

	2012	2011
Balance at 31 December	3,815,173	3,278,676
	<u>3,815,173</u>	<u>3,278,676</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

10 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings GH ¢	Plant and Machinery GH ¢	Motor Vehicles GH ¢	Furniture & Fitting GH ¢	Building W.I.P GH ¢	Total GH ¢
COST						
Balance at 1.10.2012:	11,316,245	9,541,590	45,311,637	2,096,348	15,289,312	83,555,132
Additions during the quarter		1,789,334	271,482	185,164		2,245,980
Disposals						
Balance at 31.12.2012	11,316,245	11,330,924	45,583,119	2,281,512	15,289,312	85,801,112
Depreciation						
Balance at 1.10.2012:	1,754,247	6,345,173	17,777,926	1,377,261	-	27,254,607
Charge for the quarter	84,872	601,439	1,276,107	118,956	-	2,081,374
Released on Disposals						
Balance at 31.12.2012	1,839,119	6,946,612	19,054,033	1,496,217	-	29,335,981
Carrying amounts						
At 31.12.12	9,477,126	4,384,312	26,529,086	785,295	15,289,312	56,465,131
At 31.12.11	7,587,120	3,595,909	25,299,996	671,729	1,361,407	38,516,161

PRODUCE BUYING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2012

2 **CAPITAL AND RESERVES**

Reconciliation of movement in capital and reserves

	Share Capital	Retained Earnings	Share Deals	Other Reserves	Total Equity
	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at 01.10.12	15,000,000	32,692,630	-	1,224,103	48,916,733
Total recognised Income and Expenses	-	6,200,877	-	-	6,200,877
Movement in available for sale asset				72,727	72,727
Balance at 31.12.12	15,000,000	38,893,507	-	1,296,830	55,190,337

PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2012

Cash Flows from Operating Activities	2012 GH ¢	2011 GH ¢
Profit before taxation	<u>8,267,836</u>	<u>4,794,657</u>
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	2,084,754	1,434,887
Interest Received	(1,944,657)	(887,381)
Interest expense	<u>15,562,981</u>	<u>11,984,838</u>
Operating Profit Before Working Capital Changes	23,970,914	17,327,003
Change in inventories	(213,308,647)	(315,478,196)
Change in trade and other receivables	(58,559,705)	(30,803,852)
Change in trade and other payables	<u>(5,764,020)</u>	<u>(196,939)</u>
Cash generated from operations	(253,661,458)	(329,151,984)
Income taxes paid	<u>(2,000,000)</u>	<u>-</u>
Net cash flow from operating activities	(255,661,458)	(329,151,984)
Cash flow from investing activities		
Interest Received	1,944,657	887,381
Interest paid	(15,562,981)	(11,984,838)
Payments to acquire assets	<u>(2,245,980)</u>	<u>(2,811,805)</u>
Net Cash used in Investing Activities	(15,864,304)	(13,909,262)
Cash flows from Financing Activities		
Short Term Loan	291,532,343	641,099,416
Short Term Investment	(79,302,065)	(135,549,281)
Medium Term Loan	(2,769,851)	(2,419,601)
Long Term Loan	<u>-</u>	<u>5,262,033</u>
Net Cash used in Financing Activities	209,460,427	503,130,534
Net Increase in Cash and Cash equivalents	(62,065,335)	160,069,288
Cash and Cash equivalents at 1 October	(67,707,791)	(2,437,014)
Cash and Cash equivalents at 31 December	(129,773,126)	157,632,274

Analysis of changes in cash and cash equivalents.

	1st October 2012 GH ¢	Cash Flow	31st December 2012 GH ¢
Cash in Hand and at Bank	<u>22,191,991</u>	36,184,486	58,376,477
Bank overdraft	(89,899,782)	(98,249,821)	(188,149,603)
	<u>(67,707,791)</u>	<u>(62,065,335)</u>	<u>(129,773,126)</u>

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2012

9	LONG TERM INVESTMENTS	2012 GH¢	2011 GH¢
	Quoted Equity Investments	<u>1,527,273</u>	<u>1,338,182</u>

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

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

	2012 GH ¢	2011 GH ¢
13 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	161,780,348	84,126,479
Other receivables	30,837,411	6,560,320
Staff Loans and Advances	2,267,500	656,000
Staff Loans Discounted	(9,520)	(19,250)
Prepayments	470,560	235,000
	<u>195,346,299</u>	<u>91,558,549</u>

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

b. The maximum amount due from employees of the Company during the quarter did not exceed GH¢2267500(2011 - GH¢656,000)

	GH ¢	GH ¢
14 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	80,000,000	160,346,320
Treasury Bills	120,990	103,000
	<u>80,120,990</u>	<u>160,449,320</u>
15 CASH AND CASH EQUIVALENTS		
Bank Balances	58,375,277	157,531,774
Cash Balances	1,200	500
	<u>58,376,477</u>	<u>157,532,274</u>
16 ACCOUNTS PAYABLE		
Trade payables due to related parties	-	-
Non-trade payables and accrued expenses	3,701,270	8,116,715
Accrued Charges	1,134,640	9,506,162
	<u>4,835,910</u>	<u>17,622,877</u>

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2012

	2012 GH¢	2011 GH¢
	<u> </u>	<u> </u>
11 INTANGIBLE ASSETS		
Balance at 1 October	67,608	67,608
Acquisition	-	-
Balance at 31 December	<u>67,608</u>	<u>67,608</u>
Amortisation		
Balance at 1 October	59,870	46,348
Amortisation for the quarter	<u>3,380</u>	<u>3,380</u>
Balance at 31 December	<u>63,250</u>	<u>49,728</u>
Carrying amount		
At 31 December	<u>4,358</u>	<u>17,880</u>
This relate to the cost of purchased computer software.		
12 INVENTORIES		
<u>Trading:</u>		
Cocoa	273,996,519	432,063,620
Sheanut	9,777,555	-
Non-Trading	<u>1,241,329</u>	<u>987,250</u>
	<u>285,015,403</u>	<u>433,050,870</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

17	BANK OVERDRAFT	<u>2012</u> GH ¢	<u>2011</u> GH ¢
	Ecobank Ghana Limited	39,006,567	-
	Ghana Commercial Bank	60,185,739	-
	Barclays Bank	45,590,679	-
	SG-SSB Limited	25,389,764	-
	HFC	17,976,854	-
		<u>188,149,603</u>	<u>-</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

	2012 GH ¢	2011 GH ¢
18 SHORT TERM LOANS		
Produce Loan (Seed Fund)	402,168,245	293,000,000
Bank Short Term Loan	-	497,925,000
	<u>402,168,245</u>	<u>790,925,000</u>
MEDIUM TERM LOAN		
19a Barclays Bank	-	125,000
SG-SSB	5,404,098	-
Ecobank Limited	3,654,172	3,692,505
NIB	2,822,076	1,267,207
Processing Fee	(91,693)	(17,903)
	<u>11,788,653</u>	<u>5,066,809</u>
Current portion payable within 12 months	2,136,702	1,718,498
Long term portion payable after 12 months	<u>9,651,951</u>	<u>3,348,311</u>
LONG TERM LOAN	2012	2011
19b Ghana Cocoa Board	<u>5,262,033</u>	<u>5,262,033</u>

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 year with a two year moratorium, and it is secured by Cocoa Taken Over receivables, Butter proceeds from the factory and take over of the plant and equipment of PBC-Shea limited.
Interest rate is at 8.5% on reducing balance basis.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

	<u>2012</u> GH¢	<u>2011</u> GH¢
20 FINANCE LEASE		
Current portion payable within 12 months	693,589	684,795
Long term portion payable after 12 months	<u>1,044,541</u>	<u>1,947,041</u>
	<u>1,738,130</u>	<u>2,631,836</u>

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

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

21 STATED CAPITAL

	2012		2011	
a Ordinary shares	No. of Shares	Proceeds GH¢	No. of Shares	Proceeds GH¢
Authorised Ordinary Shares of no par value	20,000,000,000		20,000,000,000	
	<hr/> <hr/>		<hr/> <hr/>	
Issued and fully paid				
For cash	2,005,000	1,586,800	2,005,000	1,586,800
For consideration other than cash	477,995,000	13,413,200	477,995,000	13,413,200
	480,000,000	15,000,000	480,000,000	15,000,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 Shares	Proceeds	No. of Shares	Proceeds
No. of preference shares	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total stated capital		15,000,000		15,000,100
		<hr/> <hr/>		<hr/> <hr/>

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

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2012

c Share in treasury

Shares in Treasury as at 30 September 2012:-1,907,170 (2011 - 2,057,170).

d Income surplus (Retained earning)

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

e Share deals

This represents the net effect of shares which the company repurchased into treasury that are available for reissue for the consideration of GH¢1,982 and reclassification of the proceeds of redeemable preference shares of GH¢100 from equity.

f Other reserves

This represents the gain arising from fair value changes of long term investment in Ghana Commercial Bank Limited shares

TITLE DEED

- a** Included in the ordinary shares issued for consideration other than cash is an amount of GH¢954,000 which represents part of the value of fixed assets ceded to Produce Buying Company Limited by Ghana Cocoa Board. As mentioned in our report , we have not had sight of the Title Deed of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets. However, in a letter dated November 18, 1999 the Government of Ghana gave the following undertaking :
- b** "The Government has taken over the interest of the Ghana Cocoa Board(Cocobod) in PBC and accordingly undertakes to ensure that the Cocobod takes all steps required of it under the Ceding Agreement of June 30, 1999 executed between the Cocobod and PBC including but not limited to the perfection of all interests and the execution of all documents to effectuate the cession of assets to PBC".
- c** "The Government further assures the investing public that in the event of Cocobod failing its obligations under the cession agreement, it will take such additional steps including but not limited to compulsory acquisition and arranging of payment of adequate compensation by Cocobod so as to concretise the interest of PBC in the said assets".