

PBC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST DECEMBER, 2013

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.

PBC LIMITED
BALANCE SHEET

BALANCE SHEET	NOTE	2013 GH¢	2012 GH¢
Non-Current Assets			
Property, plant and equipment	10	81,309,718	56,465,131
Intangible assets	11	0	4,358
Long term investment	9	3,527,274	1,527,273
Total non-current assets		84,836,992	57,996,762
Current Assets			
Inventories	12	430,010,561	285,015,403
Trade and other receivables	13	195,879,703	195,346,299
Short term investments	14	74,100,000	80,120,990
Cash and cash equivalents	15	44,050,134	58,376,477
Total current assets		744,040,398	618,859,169
Total assets		828,877,390	676,855,931
Equity			
Stated Capital	21	15,000,000	15,000,000
Retained earnings		24,553,520	38,893,507
Other reserves		3,296,831	1,296,830
Total equity		42,850,351	55,190,337
Liabilities			
Deferred tax liability	8b	1,791,969	3,815,173
Income Tax liability	8a	3,059,684	3,907,747
Finance Lease	20	0	1,044,541
Medium term loan	19a	11,905,246	9,651,951
Long Term Loan	19b	5,262,033	5,262,033
Preference share capital	21	100	100
Total non-current liabilities		22,019,032	23,681,545
Bank Overdraft	17	196,936,713	188,149,603
Short Term Loan	18	555,250,174	402,168,245
Medium term loan (current portion)	19	4,279,637	2,136,702
Finance Lease (current portion)	20	784,489	693,589
Trade and other payables	16	6,756,994	4,835,910
Total current liabilities		764,008,007	597,984,049
Total liabilities		786,027,039	621,665,594
Total liabilities and equity		828,877,390	676,855,931

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

3 SEGMENT REPORTING

Class of Business	PRODUCE		HAULAGE		TOTALS	
	2013 GH¢	2012 GH¢	2013 GH¢	2012 GH¢	2013 GH¢	2012 GH¢
Segment Revenue	<u>340,337,317</u>	<u>387,578,215</u>	<u>3,284,051</u>	<u>4,117,265</u>	<u>343,621,368</u>	<u>391,695,480</u>
Segment Cost	<u>307,798,136</u>	<u>350,710,739</u>	<u>1,313,620</u>	<u>1,646,906</u>	<u>309,111,756</u>	<u>352,357,645</u>
Segment Results	<u>32,539,181</u>	<u>36,867,476</u>	<u>1,970,431</u>	<u>2,470,359</u>	<u>34,509,612</u>	<u>39,337,835</u>
Unallocated expenses					<u>(20,079,560)</u>	<u>(18,300,532)</u>
Results from Operating activities					<u>14,430,052</u>	<u>21,037,303</u>
Other Income					<u>950,787</u>	<u>848,857</u>
Net Finance Cost					<u>(10,505,254)</u>	<u>(13,618,324)</u>
Corporate tax expense					<u>(1,218,896)</u>	<u>(2,066,959)</u>
Profit for the year					<u>3,656,689</u>	<u>6,200,877</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

	2013	2012
	GH ¢	GH ¢
4 REVENUE		
Sale of Produce	340,337,317	387,578,215
Services (Haulage)	3,284,051	4,117,265
	<u>343,621,368</u>	<u>391,695,480</u>
5 ADMINISTRATIVE AND GENERAL EXPENSES including the following:		
Depreciation and amortisation	235,450	225,202
Auditors Remuneration	9,000	9,600
Directors emoluments	88,711	82,973
Subscriptions and Donations	26,122	64,973
	<u>359,283</u>	<u>382,748</u>
6 OTHER INCOME		
Rent Income	469,978	457,755
Recoveries from Shortages/Haulages	473,731	291,340
Sundry Income	7,078	99,762
Sale of Unserviceable items		
	<u>950,787</u>	<u>848,857</u>
7 NET FINANCE EXPENSES		
Interest Income	698,103	1,944,657
Bank and Produce loan interest	(11,203,357)	(15,562,981)
	<u>(10,505,254)</u>	<u>(13,618,324)</u>

PBC LIMITED

INCOME STATEMENT
FIRST QUARTER ENDED 31ST DECEMBER, 2013

INCOME STATEMENT	NOTE	2013 GH¢	2012 GH¢
Revenue	4	<u>343,621,368</u>	<u>391,695,480</u>
Cost of Sales		<u>(309,111,756)</u>	<u>(352,357,645)</u>
Gross Profit		34,509,612	39,337,835
Other Income	6	950,787	848,857
Direct Operating Expenses		(10,167,340)	(10,535,778)
General and Administrative Expenses	5	<u>(9,912,220)</u>	<u>(7,764,754)</u>
Operating profit before financing cost		15,380,839	21,886,160
Net Finance Expenses	7	<u>(10,505,254)</u>	<u>(13,618,324)</u>
Profit before Taxation		4,875,585	8,267,836
Income Tax Expense	8a	<u>(1,218,896)</u>	<u>(2,066,959)</u>
Profit for the quarter transferred to Income Surplus Account		<u>3,656,689</u>	<u>6,200,877</u>
INCOME SURPLUS ACCOUNT		2013 GH¢	2012 GH¢
Balance at 1 October		20,896,831	32,692,630
Net Profit for the quarter		<u>3,656,689</u>	<u>6,200,877</u>
Balance at 31 December		<u>24,553,520</u>	<u>38,893,507</u>

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

KOJO ATTA-KRAH

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Kojo Atta-krah
MANAGING DIRECTOR

J. OSEI MANU

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

PBC LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31ST DECEMBER 2013

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 2013	(1,840,788)		(1,218,896)	(3,059,684)
	(1,840,788)		(1,218,896)	(3,059,684)
		-	-	-
		-	-	-

8b DEFERRED TAX

	2013	2012
Balance at 31 December	1,791,969	3,815,173

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

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 1.10.2013:	12,977,409	11,962,355	51,113,064	2,743,839	38,457,937	117,254,604
Additions during the quarter	81,075	363,841	-	70,235	1,169,301	1,684,452
Disposals						
Balance at 31.12.2013	13,058,484	12,326,196	51,113,064	2,814,074	39,627,238	118,939,056
Depreciation						
Balance at 1.10.2013:	2,143,808	8,188,087	23,233,308	1,766,832	-	35,332,035
Charge for the quarter	91,336	646,386	1,415,467	144,114	-	2,297,303
Released on Disposals						
Balance at 31.12.2013	2,235,144	8,834,473	24,648,775	1,910,946	-	37,629,338
Carrying amounts						
At 31.12.13	10,823,340	3,491,723	26,464,289	903,128	39,627,238	81,309,718
At 31.12.12	9,477,126	4,384,312	26,529,086	785,295	15,289,312	56,465,131

PBC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2013

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 01.10.13	15,000,000	20,896,831		3,624,104	39,520,935
Total recognised Income and Expenses	-	3,656,689	-	-	3,656,689
Movement in available for sale asset				(327,273)	(327,273)
Balance at 31.12.13	15,000,000	24,553,520	-	3,296,831	42,850,351

PBC LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2013

Cash Flows from Operating Activities	2013	2012
	GH ¢	GH ¢
Profit before taxation	<u>4,875,585</u>	<u>8,267,836</u>
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	2,297,303	2,084,754
Interest Received	(698,103)	(1,944,657)
Interest expense	<u>11,203,357</u>	<u>15,562,981</u>
Operating Profit Before Working Capital Changes	17,678,142	23,970,914
Change in inventories	(373,095,776)	(213,308,647)
Change in trade and other receivables	(120,465,849)	(58,559,705)
Change in trade and other payables	<u>(3,196,283)</u>	<u>(5,764,020)</u>
Cash generated from operations	(479,079,766)	(253,661,458)
Income taxes paid	-	(2,000,000)
Net cash flow from operating activities	(479,079,766)	(255,661,458)
Cash flow from investing activities		
Interest Received	698,103	1,944,657
Interest paid	(11,203,357)	(15,562,981)
Payments to acquire assets	<u>(1,684,452)</u>	<u>(2,245,980)</u>
Net Cash used in Investing Activities	(12,189,706)	(15,864,304)
Cash flows from Financing Activities		
Short Term Loan	505,437,674	291,532,343
Short Term Investment	25,229,000	(79,302,065)
Medium Term Loan	(641,926)	(2,769,851)
Finance lease	<u>(255,986)</u>	<u>-</u>
Net Cash used in Financing Activities	529,768,762	209,460,427
Net Increase in Cash and Cash equivalents	38,499,290	(62,065,335)
Cash and Cash equivalents at 1 October	(191,385,869)	(67,707,791)
Cash and Cash equivalents at 31 December	(152,886,579)	(129,773,126)

Analysis of changes in cash and cash equivalents.

	1st October	Cash Flow	31st December
	2013		2012
	GH ¢		GH ¢
Cash in Hand and at Bank	<u>9,384,898</u>	34,665,236	<u>44,050,134</u>
Bank overdraft	(200,770,767)	3,834,054	(196,936,713)
	<u>(191,385,869)</u>	<u>38,499,290</u>	<u>(152,886,579)</u>

PBC LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2013

9	LONG TERM INVESTMENTS	2013 GH¢	2012 GH¢
	Quoted Equity Investments	<u>3,527,274</u>	<u>1,527,273</u>

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

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

	2013 GH ¢	2012 GH ¢
13 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	160,405,691	161,780,348
Other receivables	32,353,530	30,837,411
Staff Loans and Advances	2,565,883	2,267,500
Staff Loans Discounted	(691)	(9,520)
Prepayments	555,290	470,560
	195,879,703	195,346,299

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¢2,565,883(2012 - GH¢2,267,500)

	GH ¢	GH ¢
14 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	74,000,000	80,000,000
Treasury Bills	100,000	120,990
	74,100,000	80,120,990
15 CASH AND CASH EQUIVALENTS		
Bank Balances	44,047,634	58,375,277
Cash Balances	2,500	1,200
	44,050,134	58,376,477
16 ACCOUNTS PAYABLE		
Trade payables due to related parties	-	-
Non-trade payables and accrued expenses	5,698,430	3,701,270
Accrued Charges	1,058,564	1,134,640
	6,756,994	4,835,910

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

	2013 GH¢	2012 GH¢
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	67,608	46,348
Amortisation for the quarter		3,380
Balance at 31 December	<u>67,608</u>	<u>49,728</u>
Carrying amount		
At 31 December	<u>-</u>	<u>17,880</u>
This relate to the cost of purchased computer software.		
12 INVENTORIES		
<u>Trading:</u>		
Cocoa	417,369,276	273,996,519
Sheanut	11,006,285	9,777,555
Non-Trading	<u>1,635,000</u>	<u>1,241,329</u>
	<u><u>430,010,561</u></u>	<u><u>285,015,403</u></u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

17	BANK OVERDRAFT	<u>2013</u> GH ¢	<u>2012</u> GH ¢
	Ecobank Ghana Limited	5,191,865	39,006,567
	Ghana Commercial Bank	49,438,228	60,185,739
	Barclays Bank	49,795,496	45,590,679
	SG-SSB Limited	25,930,869	25,389,764
	SCB Ltd	18,992,224	-
	Stanbic Bank	17,131,915	-
	HFC	30,456,116	17,976,854
		<u>196,936,713</u>	<u>188,149,603</u>

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER 2013

	2013 GH ¢	2012 GH ¢
18 SHORT TERM LOANS		
Produce Loan (Seed Fund)	450,250,174	402,168,245
Bank Short Term Loan	105,000,000	-
	<u>555,250,174</u>	<u>402,168,245</u>
MEDIUM TERM LOAN		
19a Barclays Bank	-	-
SG-SSB	9,654,432	5,404,098
Ecobank Limited	2,070,285	3,654,172
NIB	4,497,263	2,822,076
Processing Fee	(37,097)	(91,693)
	<u>16,184,883</u>	<u>11,788,653</u>
Current portion payable within 12 months	4,279,637	2,136,702
Long term portion payable after 12 months	<u>11,905,246</u>	<u>9,651,951</u>
LONG TERM LOAN	2013	2012
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.

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

	<u>2013</u> <u>GH¢</u>	<u>2012</u> <u>GH¢</u>
20 FINANCE LEASE		
Current portion payable within 12 months	784,489	693,589
Long term portion payable after 12 months	-	1,044,541
	<u>784,489</u>	<u>1,738,130</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.

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

21 STATED CAPITAL

	2013		2012	
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>
Total stated capital		<hr/> <hr/> 100		<hr/> <hr/> 15,000,100

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

PBC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013

c Share in treasury

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

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".