

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR HALF YEAR ENDED 31ST MARCH, 2010**

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.

B. 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.

C. **DEPRECIATION**

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

The estimated rates of depreciation 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.

D. **INTANGIBLE ASSETS**

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

E. **INVENTORIES**

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

F. **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.

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. **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.

I. 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
INCOME STATEMENT
FOR HALF YEAR ENDED 31 MARCH, 2010

INCOME STATEMENT	NOTE	2010 GH¢	2009 GH¢
Revenue	4	486,776,297	444,913,476
Cost of Sales		(433,456,210)	(410,166,366)
Gross Profit		53,320,087	34,747,110
Other Income	6	1,577,338	1,671,899
Direct Operating Expenses		(14,293,239)	(11,162,184)
General and Administrative Expenses	5	(7,829,453)	(6,650,985)
Operating profit before financing cost		32,774,733	18,605,840
Net Finance Expenses	7	(19,726,500)	(11,664,399)
Profit before Taxation		13,048,233	6,941,441
Income Tax Expense	8a	(3,262,058)	(1,735,360)
Profit for the period transferred to Income Surplus Account		9,786,175	5,206,081
INCOME SURPLUS ACCOUNT			
		2010 GH¢	2009 GH¢
Balance at 1 October		5,981,312	1,653,065
Net Profit for the half year		9,786,175	5,206,081
Balance at 31 March		15,767,487	6,859,146

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)

PRODUCE BUYING COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

BALANCE SHEET	NOTE	2010 GH¢	2009 GH¢
Non-Current Assets			
Property, plant and equipment	10	25,178,476	22,602,561
Intangible assets	11	41,544	20,236
Long term investment	9	698,182	945,455
Total non-current assets		25,918,202	23,568,252
Current Assets			
Inventories	12	27,722,016	21,735,298
Trade and other receivables	13	44,079,871	7,737,544
Short term investments	14	450,386	869,856
Cash and cash equivalents	15	7,170,415	8,431,734
Total current assets		79,422,688	38,774,432
Total assets		105,340,890	62,342,684
Equity			
Stated Capital	21	4,914,377	4,914,377
Share Deals Account	21	-	1,882
Retained earnings	21	15,767,487	6,859,146
Other reserves	21	536,818	784,091
Total equity		21,218,682	12,559,496
Liabilities			
Deferred tax liability	8b	1,725,266	763,853
Finance Lease	20	2,650,150	2,870,427
Medium term loan	19	4,879,789	7,891,444
Preference share capital	21	100	100
Total non-current liabilities		9,255,305	11,525,824
Bank Overdraft	17	13,562,398	18,303,885
Short Term Loan	18	55,144,788	15,660,559
Medium term loan (current portion)	19	1,298,840	1,334,091
Finance Lease (current portion)	20	864,259	1,009,377
Trade and other payables	16	526,600	665,109
Income Tax liability	8a	3,470,018	1,284,343
Total current liabilities		74,866,903	38,257,364
Total liabilities		84,122,208	49,783,188
Total liabilities and equity		105,340,890	62,342,684

PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 MARCH 2010

	2010	2009
	GH¢	GH ¢
Cash Flows from Operating Activities		
Profit before taxation	13,048,233	6,941,441
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	1,571,912	957,098
Interest Received	(117,715)	(182,289)
Interest expense	19,844,215	11,846,688
Operating Profit Before Working Capital Changes	34,346,645	19,562,938
Change in inventories	(5,216,212)	6,634,312
Change in trade and other receivables	(11,814,257)	4,737,399
Change in trade and other payables	(11,646,377)	(6,862,369)
Cash generated from operations	5,669,799	24,072,280
Income taxes paid	(172,561)	(20,030)
Net cash flow from operating activities	5,497,238	24,052,250
Cash flow from investing activities		
Interest Received	117,715	182,289
Interest paid	(19,844,215)	(11,846,688)
Payments to acquire assets	(1,247,621)	(8,671,478)
Net Cash used in Investing Activities	(20,974,121)	(20,335,877)
Cash flows from Financing Activities		
Short Term Loan	11,965,788	(14,319,441)
Short Term Investment	4,782,932	(484,638)
Finance Lease	(206,929)	203,604
Medium Term Loan	(1,310,709)	1,168,734
Net Cash used in Financing Activities	15,231,082	(13,431,741)
Net Increase in Cash and Cash equivalents	(245,801)	(9,715,368)
Cash and Cash equivalents at 1 October	(6,146,182)	(156,783)
Cash and Cash equivalents at 31 March	(6,391,983)	(9,872,151)

Analysis of changes in cash and cash equivalents.

	1st October	Cash Flow	31-Mar
	2009	GH¢	2010
	GH ¢	GH¢	GH ¢
Cash in Hand and at Bank	10,429,116	(3,258,701)	7,170,415
Bank overdraft	(16,575,298)	3,012,900	(13,562,398)
	(6,146,182)	(245,801)	(6,391,983)

PRODUCE BUYING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

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 01.10.09	4,914,377	5,981,312	-	420,454	11,316,143
Total recognised Income and Expenses		9,786,175			9,786,175
Movement in available for sale asset				116,364	116,364
Balance at 31.03.10	4,914,377	15,767,487	-	536,818	21,218,682

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

3 SEGMENT REPORTING	PRODUCE		HAULAGE		SHEANUT		TOTALS	
	2010	2009	2010	2009	2010	2009	2010	2009
Class of Business	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Segment Revenue	480,801,165	441,505,674	4,771,749	3,407,802	1,203,383	-	486,776,297	444,913,476
Segment Results	50,586,824	33,724,772	2,863,080	1,022,341	(129,817)	-	53,320,087	34,747,110
Unallocated expenses							(22,122,692)	(17,813,169)
Results from Operating activities							31,197,395	16,933,941
Other Income							1,577,338	1,671,899
Net Finance Cost							(19,726,500)	(11,664,399)
Corporate tax expense							(3,262,058)	(1,735,360)
Profit for the year							9,786,175	5,206,081

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

	2010	2009
	GH¢	GH ¢
4 REVENUE		
Sale of Produce	480,801,165	441,505,674
Services (Haulage)	4,771,749	3,407,802
Sheanut	1,203,383	-
	486,776,297	444,913,476
5 ADMINISTRATIVE AND GENERAL EXPENSES including the following:		
Depreciation and amortisation	357,319	190,844
Auditors Remuneration	10,500	8,500
Directors emoluments	53,212	46,036
Subscriptions and Donations	57,600	45,135
	478,631	290,515
6 OTHER INCOME		
Rent Income	27,103	39,586
Recoveries from Shortages/Haulage	1,522,887	472,596
Sundry Income	27,348	861,967
Sale of Unserviceable vehicle	-	297,750
	1,577,338	1,671,899
7 NET FINANCE EXPENSES		
Interest Income	117,715	182,289
Bank and Produce loan interest	(19,844,215)	(11,846,688)
	(19,726,500)	(11,664,399)

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

8a TAXATION

Year of Assessment Corporate Tax	Balance at 1 Oct GH ¢	Payments during the period GH ¢	Charge for the period GH ¢	Balance at 31 Mar GH ¢
Half year 2010	(294,065)	172,561	(3,262,058)	(3,383,562)
	(294,065)	172,561	(3,262,058)	(3,383,562)
N R L	(86,456)	-	-	(86,456)
	(380,521)			(3,470,018)

8b DEFERRED TAX

	2,010	2,009
Balance at 31 December	1,725,266	763,853

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

9	LONG TERM INVESTMENTS	2010	2009
			GH¢
	Quoted Equity Investments	698,182	945,455

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 HALF YEAR ENDED 31ST MARCH, 2010

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 1.10.2009:	4,136,434	4,649,609	25,105,961	968,839	1,953,515	36,814,358
Additions during the period	76,896	609,472	410,469	150,784		1,247,621
Disposals						
Balance at 31.03.2010	4,213,330	5,259,081	25,516,430	1,119,623	1,953,515	38,061,979
Depreciation						
Balance at 1.10.2009:	1,000,942	2,919,647	6,672,289	725,473	-	11,318,351
Charge for the period	64,200	322,452	1,113,455	65,045	-	1,565,152
Released on Disposals						
Balance at 31.03.2010	1,065,142	3,242,099	7,785,744	790,518	-	12,883,503
Carrying amounts						
At 31.03.10	3,148,188	2,016,982	17,730,686	329,105	1,953,515	25,178,476
At 31.03.09	2,968,984	1,665,867	16,869,402	207,842	890,466	22,602,561

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31ST MARCH, 2010

	2010 GH¢	2009 GH¢
11 INTANGIBLE ASSETS		
Balance at 1 October	67,608	28,908
Acquisition	-	-
Balance at 31 March	67,608	28,908
Amortisation		
Balance at 1 October	19,304	5,782
Amortisation for the period	6,760	2,890
Balance at 31 December	26,064	8,672
Carrying amount		
At 31 March	41,544	20,236

This relate to the cost of purchased computer software.

12 INVENTORIES

Trading:

Cocoa	25,462,500	17,781,558
Sheanut	1,697,516	3,299,240
Non-Trading	562,000	654,500
	27,722,016	21,735,298

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

	2010	2009
	GH¢	GH ¢
13 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	43,211,148	6,943,984
Other receivables	346,125	445,700
Staff Loans and Advances	525,500	365,660
Staff Loans Discounted	(38,402)	(52,500)
Prepayments	35,500	34,700
	44,079,871	7,737,544
	44,079,871	7,737,544

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¢325,000 (2009- GH¢365,660)

	GH¢	GH ¢
14 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	400,386	500,000
Treasury Bills	50,000	369,856
	450,386	869,856

15 CASH AND CASH EQUIVALENTS		
Bank Balances	7,168,215	8,430,484
Cash Balances	2,200	1,250
	7,170,415	8,431,734

16 ACCOUNTS PAYABLE		
Trade payables due to related parties	54,300	23,659
Non-trade payables and accrued expenses	416,250	545,000
Accrued Charges	56,050	96,450
	526,600	665,109
	526,600	665,109

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

17	BANK OVERDRAFT	2010	2009
		GH¢	GH ¢
	Ecobank Ghana Limited	2,462,412	13,225
	Standard Chartered Bank	1,820,930	28,594
	Ghana Commercial Bank	-	11,190,263
	Agricultural Development Bank	1,392,636	37,685
	SG-SSB Limited	7,886,420	7,034,118
		13,562,398	18,303,885

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31ST MARCH, 2010

	2010	2009
	GH¢	GH ¢
18 SHORT TERM LOANS		
Produce Loan (Seed Fund)	55,144,788	15,660,559
	55,144,788	15,660,559
19		
MEDIUM TERM LOAN		
Barclays Bank Ghana Limited	2,625,000	4,250,000
Standard Chartered Bank	233,000	512,117
Ghana Commercial Bank Limited	125,250	160,214
Ecobank Limited (Haulage)	3,007,030	4,024,137
Ecobank Limited (Parking Lot)	225,000	325,000
Processing Fees	(36,651)	(45,933)
	6,178,629	9,225,535
Current portion payable within 12 months	1,298,840	1,334,091
Long term portion payable after 12 months	4,879,789	7,891,444

PRODUCE BUYING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31ST MARCH, 2010

	2010	2009
	GH¢	GH¢
20 FINANCE LEASE		
Current portion payable within 12 months	864,259	1,009,377
Long term portion payable after 12 months	2,650,150	2,870,427
	3,514,409	3,879,804

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 HALF YEAR ENDED 31ST MARCH, 2010

21 STATED CAPITAL

	2010		2009	
	No. of Shares	Proceeds GH¢	No. of Shares	Proceeds GH¢
a Ordinary shares				
Authorised Ordinary Shares of no par value	20,000,000,000		20,000,000,000	
Issued and fully paid				
For cash	2,005,000	1,586,800	2,005,000	1,586,800
For consideration other than cash	477,995,000	3,327,477	477,995,000	3,327,477
	480,000,000	4,914,277	480,000,000	4,914,277

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.

	No. of Shares	Proceeds	No. of Shares	Proceeds
b Preference shares				
No. of preference shares	1	100	1	100
Total stated capital		4,914,377		4,914,377

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 HALF YEAR ENDED 31ST MARCH, 2010

c Share in treasury

Shares in Treasury as at 31March 2010:-1,246,467 (2009 - 1,246,467).

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".