



Accountants &  
business advisers

**PRODUCE BUYING COMPANY  
LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2007**

**PRODUCE BUYING COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED 30 SEPTEMBER 2007**

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**PRODUCE BUYING COMPANY LIMITED**  
**COMPANY INFORMATION**

**BOARD OF DIRECTORS:**

Nana Timothy Aye Kusi	-	Chairman
Mr. Anthony Osei Boakye		Managing Director
Mr. Emmanuel Otchere		Director
Hon. Mrs. Angelina Baiden-Amissah		Director
Hon. Kofi Frimpong		Director
Mr. J. Buatsie		Director
Dr. Y. A. Duodu		Director
Mr. Andrew Antwi Boasiako		Director
Alhaji Yakubu Ziblim		Director
Mr K. Ayirebi-Frimpong		Director

**SECRETARY:** Mr. Godfrey Osei Aggrey

**TOP MANAGEMENT:**

Mr. Anthony Osei Boakye	-Managing Director
Mr. George Kwadwo Boateng	-Dep. Managing Director (Operations)
Mr. Joseph Osei Manu	-Dep. Managing Director (Finance & Administration)

**AUDITORS:**

Pannell Kerr Forster  
Chartered Accountants  
Farrar Avenue  
P.O. Box 1219  
Accra

**REGISTERED OFFICE:**

ACHIMOTA ROAD  
DZORWULU JUNCTION  
ACCRA

# **PRODUCE BUYING COMPANY LIMITED**

## **CHAIRMAN'S STATEMENT**

Distinguished Shareholders,

I am very pleased to welcome you once again to the Annual General Meeting of the Produce Buying Company Limited and have the pleasure to present to you the Annual Report and Statement of Accounts of your company for the Financial Year ended September 30, 2007.

The 2006/07 Financial year has been an eventful but successful year during which the Board and Management took far reaching measures to reverse the decline in the company's performance and to put it back on a track of sustainable profitability.

In spite of the intense competition in the internal Cocoa market, the numerous challenges in the cocoa industry coupled with the low national cocoa output experienced in the year under review, your company managed to achieve a modest net profit after tax of GH¢713,605 and a market share of 30.4%.

This modest profit achieved after two continuous years of losses, is an indication that the company has resurrected from its poor performance and ready to take off to higher heights in terms of growth and profitability.

### **FARMER RELATIONS**

The company deepened the bonds with its cherished cocoa farmers during the year by hosting PBC Annual Farmers Award ceremonies in all the cocoa growing regions where about 1500 farmers were given various awards. The Award Scheme which has been expanded over the years to motivate and reward loyal farmers had the theme "PBC and Cocoa Farmers - A better future"

It is the resolve of your Board and Management to widen the Company's frontiers of assistance to farmers by undertaking other social and community responsibilities in the ensuing years.

### **COCOA PRODUCTION**

National cocoa production reduced from 740,000 tonnes in 2005/06 to 614,532 tonnes during 2006/07 financial year mainly due to unfavourable weather conditions experienced. Similarly, your company's volume of purchases decreased by 23% from 242,473 tonnes in 2005/06 to 186,051 tonnes representing 30.4% of the market share during the year.

The Board and Management have adopted strategic measures as contained in the Company's Medium Term Corporate Plan to improve the company's operational activities with the view of recapturing and sustaining a market share of at least 35%.

### **OPERATING RESULTS**

Cocoa purchases for the 2006/07 financial year totaling 186,051 tonnes were made up of 178,432 tonnes and 7619 tonnes for the 2006/07 main crop and 2007 light crop seasons

respectively. With producer price of GH¢915 per tonne and Buyer's Take over Margin of GH¢116, the company achieved a turnover of GH¢195.112 million, a decrease of 21.5% over the previous years performance.

Dear Shareholders, I am pleased to inform you that despite the significant reduction of the company's turnover and its attendant reduction in gross profit, the company's net profit before tax increased by 156.6% over previous years figure of a loss of GH¢1.261 million to GH¢713,605 during the year's under review.

It is gratifying to note that, the keen interest shown by shareholders and the very useful suggestions made by members during last annual general meeting, in addition to sound financial and strategic policies fashioned out by the Board and Management accounted for this modest gains.

It is the hope and prayer of the Board and Management that these modest gains will be improved upon in the ensuing years.

## **DIVIDEND**

Distinguished Ladies and Gentlemen, the deficit on our Income Surplus Account resulting from losses incurred over the last two years, has the effect of off-setting any gains we made during the year. By the end of the year under review, we had been able to reduce the deficit from GH¢ 642,175 a year earlier to GH¢ 191,833. It is for this reason that the company is not in a position to pay dividends this year. Every effort shall be made to continue to clear the deficit so as to pave the way for dividend payment in the very near future.

## **INVESTMENT**

As promised in our last year's report to you, Distinguished Shareholders, we talked about the need for the company to diversify its revenue base through increased freight earnings by the company's articulated trucks. To this end, your company secured a GH¢ 8.5million medium term loan from two financial institutions to acquire 100 cargo trucks and 30 articulator trucks. The official launch of these vehicles was performed by the Honourable Minister of Finance on the 9<sup>th</sup> day of November 2007. It is expected that, by this feat the company's revenue will be significantly boosted through increased secondary cocoa evacuation, a function which is largely sub-contracted. Again there were also replacements of some tractors, trekking vehicles and other operational equipment during the year. Major rehabilitation, renovation as well as construction of some storage sheds and depots, were also carried out. These exercises were aimed at improving cocoa storage facilities, quick evacuation, and increased field supervision and monitoring.

## **OUTLOOK**

The company shall continue to explore avenues to reduce operating cost and ensure quick recycling of Seed Fund. The favorable macroeconomic environment of falling interest rates, stable local currency, low inflation rate and the renewed interest of financial institutions in the company will be fully exploited to ensure the access of cheaper sources of funds to complement seed funding from Ghana Cocoa Board.

The Board of Directors has approved the company's Medium Term Corporate Plan which aims at propelling the company to achieve efficiency in both its financial and operational activities by drawing on its organizational strength. We are aware of the increasing competition and complexity of the market environment in which we operate and shall gear ourselves to meet the new challenges as they unfold.

Your company's leadership position in the internal cocoa market will be maintained and improved in the ensuing years.

As market leaders, we shall continue to provide high quality service and motivation to our cherished farmers and adopt healthy competitive practices in line with the role and regulations of the market.

Distinguished Ladies and Gentlemen, I shall conclude by expressing appreciation to you shareholders, for your interest and confidence in our company, to our numerous farmers, for their loyalty and commitment; to management and staff of the company, for their modest performance and to you, my colleagues on the Board, for your tremendous support and advice.

**Nana Timothy Aye Kusi**

**Chairman**

## **PRODUCE BUYING COMPANY**

### **MANAGING DIRECTOR'S REVIEW OF OPERATIONS**

The year under review was another eventful but successful year for the company. Although the company registered a significant reduction in both volume of cocoa purchased and total revenue, net profit before tax increased by 156.6% over last year's figure of a loss of GH¢1.261 million to GH¢713,605 this year because of the prudent cost control measures instituted in this year. This year's performance has therefore laid down a solid foundation for the achievement of targets in our Medium Term Corporate Plan.

#### **PERFORMANCE REVIEW**

Turnover decreased from GH¢248.662 million to GH¢195.113 million, a decrease of 21.5% due mainly to a decrease in volume of cocoa purchased. With the general decline in national cocoa production from 740,000 tonnes in 2005/06 to 614,532 tonnes due to unfavourable weather conditions, the company's tonnage purchased reduced by 23% from 242,473 tonnes in 2005/06 to 186,051 tonnes this year.

Cost of sales also decreased by 22% from GH¢222.530 million to GH¢173.222 million due to a decrease in volume of cocoa delivered resulting in a gross profit of GH¢21.890 million compared to last year's gross profit of GH¢26.131 million, a decrease of 16.2% was thus registered due mainly to the decrease in the volume of cocoa delivered.

Direct operating expenses decreased by 31.8% over the previous year's figure of GH¢22.602 million to GH¢15.407 million. Two major cost items which accounted for the significant reduction in Direct Operating Expenses are the Direct Cost and Finance Cost. Direct Cost is activity based and therefore with the reduction of volume of cocoa purchased, the direct cost went down correspondingly from GH¢11.233 million to GH¢7.681 million, a decrease of 31.6%. Finance cost also decreased by 32% from GH¢11.369 million to GH¢7.726 million due to prudent cost control measures and strategies put in place to ensure quick turnaround time of the company seed funds.

However, Administrative and General Expenses which is made up of staff cost, office cost and Estate and Property cost rose by 15.1% from GH¢6.428 million to GH¢7.398 million. The increase in the salaries of staff and the recruitment of some staff to fill vacant positions as well as to improve the human resource capacity of the company accounted for the increase in staff cost by 15.3% from GH¢5.265 million of the previous year to GH¢6.073 million. Estate and Property Cost increased by 67.5% from the previous year figure of GH¢251,900 to GH¢421,864 mainly due to the major repairs and renovation carried out on company offices, equipment, sheds and depots within the year. Office cost however reduced slightly by 0.9% from GH¢911,400 to GH¢902,791.

With the total expenses decreasing by 21.4% from GH¢29.031 million to GH¢22.804 million and Gross profit of GH¢21.890 million, the company registered an operating loss of GH¢914,643 compared to the previous year's operating loss of GH¢2.899 million, a significant reduction of 68.4%

Other income decreased slightly by 0.6% from GH¢1.637 million to GH¢1.628 million during the year. The decrease was propelled by a decrease of 44.9% in freight earnings from secondary

evacuation from GH¢1.069million to GH¢ 588,332 during the year due to the use of over aged vehicles and over reliance on private haulers. However, other non-operational income items comprising interest income, recoveries, Sundry income and rent income also increased by 82.9% from GH¢586,600 to GH¢1.040million. The net profit for the year came up to GH¢713,605 as compared to a loss of GH¢1.261 million for last year. The company continued to play its role as a good corporate citizen by paying its taxes to the Internal Revenue Service (IRS). In course of the year the company paid GH¢337,720 to IRS based on self-assessment of our estimated corporate income tax despite the losses incurred over the last two years. The cumulative effect of the modest gain in profitability during the year resulted in the increase in shareholders fund by 10.5% from GH¢4.274 million to GH¢4.725 million

## **SOCIAL SERVICES**

In pursuant of the company's policy to help in the development of Agriculture especially the cocoa sector, your company donated a total of GH¢4,000 in the form of cash and other farming inputs towards the 2007 farmers day Award ceremony which took place in Wa. The company continued to play its role as an effective agent of change in the communities it operates. During the year the company supported some developmental projects for some traditional areas to improve the living standards of their inhabitants. Your company shall not neglect its social responsibilities and obligations in the year ahead. As the company's finance continues to improve, we shall expand and increase our donations to communities to improve the living conditions of our farmers and society at large. In the ensuring year the company intends to provide portable water to farming communities through the construction of boreholes in those areas.

## **OUTLOOK**

Management has fashioned out a new 3-year medium Term Corporate plan with the objective of evolving strategies, programmes, systems and procedures to ensure prudent financial and operational management of the company to achieve its set target within the plan period. We plan to adopt an aggressive marketing posture by expanding our field operations in major cocoa growing areas to combat the intense competition in the internal cocoa market in the ensuring years. The company will continue to adopt appropriate and quick turnaround time of its funds to minimize finance and other related stockholding cost. The company once again honoured its farmers by hoisting the Annual PBC Farmers Awards in all cocoa regions under the theme "PBC and cocoa farmers – A better future" The award scheme which has been expanded over the years afforded the company the opportunity to reward and motivate loyal farmers.

Management shall continue to motivate workers through improvement of working environment and conditions, training and capacity building to boost job satisfaction and implement result-oriented performance appraisal system to reward exceptional performance.

We wish to re-assure our shareholders and directors of our commitment to our corporate vision of being the market leaders in the internal marketing of cocoa in Ghana and continue to provide the necessary leadership through the provision of high quality service to the farmers.

Finally I wish to thank the board of Directors, management and staff of the company for the modest performance during the year inspite of the huge challenges faced and look forward to improving performance in the year ahead.

**Anthony Osei Boakye**

**Managing Director**



**PRODUCE BUYING COMPANY LIMITED**  
**REPORT OF THE DIRECTORS**  
**ON THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

In accordance with the requirements of Section 132 of the Companies Code 1963 (Act 179), we the Board of Directors of the Produce Buying Company Limited, present herewith the annual report on the state of affairs of the company for the year ended 30 September, 2007.

**Results of Operations**

	<u>2007</u> GH¢	<u>2006</u> GH¢
Turnover	<u>195,112,656</u>	<u>248,662,200</u>
Profit/(Loss) before Tax of	<b>713,605</b>	(1,261,400)
From which is deducted provision for The estimated income tax liability of	<u>(263,263)</u>	<u>162,900</u>
Leaving a Net Profit/(Loss) after tax of	<b>450,342</b>	(1,098,500)
To which is added the Income Surplus Brought forward from the previous year of	<u>(642,175)</u>	<u>456,325</u>
Resulting in a balance carried To the Balance Sheet of	<u>(191,833)</u>	<u>(642,175)</u>

**Dividend**

The Directors do not recommend the payment of dividend for the year ended 30 September 2007.

**Nature of Business**

There has not been any change in the nature of business of the Company during the year. The principal activity of the Company during the year continued to be "To buy, collect, store, transport and otherwise deal in cocoa, coffee and sheanuts produced in Ghana on behalf of Ghana Cocoa Board".

**Corporate Status**

On the 15 of September 1999, the company was incorporated as a Public Limited liability Company under the Companies Code 1963 (Act 179). On the 19 of May 2000 the company was listed on the Ghana Stock Exchange and 30.2% of its shares were transferred and are currently held by the public.

**Authorised Share Capital**

There was no change in the Authorised or Issued Share Capital of the Company during the year.

## Directors

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

<b>Name</b>	<b>Date of Appointment</b>	<b>Date Resigned/ Retired</b>
Nana Timothy Aye Kusi - Chairman	1 February 2002	
Mr. Emmanuel Otchere	1 February 2002	1 February 2007
Hon. Mrs. A. Baiden-Amisshah	1 February 2002	
Hon. Kofi Frimpong	8 August 2007	
Mr. K. Ayirebi-Frimpong	27 August 2007	
Mr. J. Buatsie	1 February 2002	
Dr. Y. A. Duodu	1 February 2002	
Mr. A. Antwi Boasiako	1 February 2002	
Alhaji Yakubu Ziblim	1 February 2002	
Mr. Anthony Osei Boakye -Managing	1 September 2006	

## Retirement and Re-Election of Directors

In accordance with the regulations of the Company, and Section 298 of the Companies Code 1963 (Act 179), one third of the directors shall retire at the annual general meeting of the company. The following directors being eligible shall offer themselves for re-election as directors Nana Timothy Aye Kusi (Chairman) and Hon. Mrs. Angelina Baiden-Amisshah.

## Auditors

Pannell Kerr Forster will continue in office as Auditors of the Company in accordance with Section 134(5) of the Companies Code 1963 (Act 179).

## Events after Balance Sheet Date

The Directors confirm that no matters have arisen since 30 September 2007, which materially affect the accounts of the Company for the year ended on that date.

## BY ORDER OF THE BOARD

.....Director

.....Director

## ACCRA

.....2007

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
PRODUCE BUYING COMPANY LIMITED  
ON THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2007**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Produce Buying Company Limited which comprise the balance sheet as of September 30, 2007 and the income statement, and cash flow statement 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 Ghana Accounting Standards and in the manner required by the Companies Code, 1963 ( Act 179). 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 Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not had sight of the Title Deed of the sheds and buildings as stated in the Company's books to establish the company's ownership of these assets. However as stated in Note 19, the Government has undertaken to ensure that Ghana Cocoa Board takes all steps required of it under the Ceding Agreement of June 30, 1999 to effectuate the cession of assets to Produce Buying Company Limited.

## **Opinion**

In our opinion, subject to any adjustment that might have been found to be necessary had we been able to satisfy ourselves as to the title deeds referred to above, the financial statements give a true and fair view of the financial position of Produce Buying Company Limited as of September 30, 2007 and of its financial performance and its cash flows for the year then ended in accordance with Ghana Accounting Standards and comply with the Ghana Companies Code, 1963 (Act 179).

## **Report on Other Legal and Regulatory Requirements**

The Ghana Companies Code, 1963, (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- I 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 balance sheet and profit and loss account are in agreement with the books of accounts.

**Farrar Avenue, Accra**

**PANNELL KERR FORSTER  
CHARTERED ACCOUNTANTS**

..... **2007**

**PRODUCE BUYING COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	NOTES	2007 GH ¢	2006 GH ¢
<b>TURNOVER</b>		<u>195,112,656</u>	<u>248,662,200</u>
<b>COST OF SALES</b>		<u>(173,222,319)</u>	<u>(222,530,400)</u>
<b>GROSS PROFIT</b>		<u>21,890,337</u>	<u>26,131,800</u>
<b>DIRECT OPERATING EXPENSES</b>	2	<u>(15,407,199)</u>	<u>(22,601,700)</u>
<b>ADMIN. &amp; GENERAL EXPENSES</b>	3	<u>(7,397,781)</u>	<u>(6,428,800)</u>
<b>TOTAL EXPENSES</b>		<u>(22,804,980)</u>	<u>(29,030,500)</u>
<b>OPERATING LOSS</b>		<u>(914,643)</u>	<u>(2,898,700)</u>
<b>OTHER INCOME</b>	4	<u>1,628,248</u>	<u>1,637,300</u>
<b>NET PROFIT / (LOSS) BEFORE TAXATION</b>		<u>713,605</u>	<u>(1,261,400)</u>
<b>TAXATION</b>	6	<u>(263,263)</u>	<u>162,900</u>
<b>NET PROFIT / (LOSS) AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT</b>		<u><u>450,342</u></u>	<u><u>(1,098,500)</u></u>

**INCOME SURPLUS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

<b>BALANCE AT 1 OCTOBER</b>	<u>(642,175)</u>	456,325
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>	<u>450,342</u>	<u>(1,098,500)</u>
<b>BALANCE AT 30 SEPTEMBER</b>	<u><u>(191,833)</u></u>	<u><u>(642,175)</u></u>

# PRODUCE BUYING COMPANY LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	NOTES	2007 GH ¢	2006 GH ¢
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>7</b>	<b>5,223,208</b>	2,625,303
<b>LONG TERM INVESTMENT</b>	<b>8</b>	<b>161,364</b>	25,000
		<b>5,384,572</b>	2,650,303
<b>CURRENT ASSETS</b>			
Stocks	<b>9</b>	<b>3,480,526</b>	6,996,725
Accounts Receivable	<b>10</b>	<b>10,562,418</b>	8,365,219
Short Term Investments	<b>11</b>	<b>14,020,442</b>	164,318
Bank and Cash Balances	<b>12</b>	<b>2,336,893</b>	814,953
		<b>30,400,279</b>	16,341,215
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	<b>13</b>	<b>11,903,628</b>	9,820,414
Short Term Loan	<b>16</b>	<b>14,000,000</b>	0
Accounts Payable	<b>14</b>	<b>2,633,028</b>	841,944
Seed Fund Loan		<b>0</b>	4,204,143
National Reconstruction Levy	<b>5</b>	<b>86,456</b>	86,456
Taxation	<b>6a</b>	<b>(325,430)</b>	(250,973)
Dividend	<b>15</b>	<b>15,350</b>	15,350
		<b>28,313,032</b>	14,717,334
<b>NET CURRENT ASSETS</b>		<b>2,087,247</b>	1,623,881
		<b>7,471,819</b>	4,274,184
<b>NON CURRENT LIABILITIES</b>			
Medium Term Loan	<b>17</b>	<b>(2,747,293)</b>	0
		<b>4,724,526</b>	4,274,184
<b>REPRESENTED BY</b>			
Stated Capital	<b>18</b>	<b>4,914,377</b>	4,914,377
Share Deals Account	<b>20</b>	<b>1,982</b>	1,982
Income Surplus Account		<b>(191,833)</b>	(642,175)
		<b>4,724,526</b>	4,274,184

Approved by the Board on .....2007

.....Director

..... Director

**PRODUCE BUYING COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	2007 GH ¢	2006 GH ¢
<b>Cash flows from operating activities</b>		
<b>Operating Profit / (Loss)</b>	<b>713,605</b>	<b>(1,261,400)</b>
<u>Adjustment for:</u>		
Depreciation	882,891	719,300
Interest Received	(35,383)	(96,200)
Interest Paid	3,228,398	7,969,900
	<b>4,075,906</b>	<b>8,593,000</b>
<b>Operating Profit Before Working Capital Changes</b>	<b>4,789,511</b>	<b>7,331,600</b>
Decrease in Stocks	3,516,199	8,162,400
(Increase)/Decrease in Accounts Receivable	(2,197,199)	2,591,400
Increase / (Decrease) in Accounts Payable	1,791,084	(626,100)
<b>Cash generated from operations</b>	<b>7,899,595</b>	<b>17,459,300</b>
Tax Paid	(337,720)	(202,600)
<b>Cash flows from Investing activities</b>		
Interest Received	35,383	96,200
Interest Paid	(3,228,398)	(7,969,900)
Proceeds from disposal of Fixed Assets	0	6,036
Payment to acquire Long Term Investment	(136,364)	0
Payments to acquire fixed assets	(3,480,796)	(257,200)
<b>Net Cash used in Investing Activities</b>	<b>(6,810,175)</b>	<b>(8,124,864)</b>
<b>Net Cash Inflow/Outflow Before Financing</b>	<b>751,700</b>	<b>9,131,836</b>
<b>Cash flows from Financing Activities</b>		
Uncashed Dividend Cheque	0	15,046
Short Term Loan	14,000,000	0
Seed Fund Loan	(4,204,143)	(6,372,143)
Medium Term Loan	2,747,293	0
<b>Net Cash used in Financing Activities</b>	<b>12,543,150</b>	<b>(6,357,097)</b>
<b>Net Increase in Cash and Cash equivalents</b>	<b>13,294,850</b>	<b>2,774,739</b>
<b>Cash and Cash equivalents at 1 October</b>	<b>(8,841,143)</b>	<b>(11,615,882)</b>
<b>Cash and Cash equivalents at 30 September</b>	<b>4,453,707</b>	<b>(8,841,143)</b>
<b>Cash and Cash Equivalents.</b>		
Cash in Hand and at Bank	2,336,893	814,953
Overdrafts	(11,903,628)	(9,820,414)
Treasury Bills/Call Deposits	14,020,442	164,318
	<b>4,453,707</b>	<b>(8,841,143)</b>

# PRODUCE BUYING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 1. ACCOUNTING POLICIES

The significant accounting policies adopted by the Company and which have been used in preparing these financial statements are stated below:

#### a. Basis of Accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets.

#### b. Fixed Assets and Depreciation

Depreciation is provided to write off the value of fixed assets over their estimated useful lives. The annual depreciation rates of fixed assets are as follows:-

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

#### c. Investments

Investments are shown at cost.

#### d. Investment Income

Investment income is accounted for when it is actually earned and received.

#### e. Stocks

Stocks of Produce (cocoa and other produce) and Non-Trading Stocks have been valued at the lower of cost and net realisable value.

#### f. Debtors

Debtors appear at face value less a specific provision for debts considered to be doubtful.

#### g. Turnover

Turnover comprises the producer price and take over margins paid by Ghana Cocoa Board. Turnover is recorded when cocoa purchased are delivered and taken over by Ghana Cocoa Board.

#### h. Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into New Ghana Cedis at exchange rates ruling at the end of the period. Gains and losses resulting from foreign currency translation or exchange are included in the profit and loss for the period.

#### i. Taxation

The company provides for income taxes on its taxable profits.

#### g. Deferred Income Tax

Deferred Income Tax is provided, using balance sheet liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amount in the balance sheet.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.



**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

**2. DIRECT OPERATING EXPENSES** include depreciation of GH¢707,703 on Plant, Machinery and Motor Vehicles (2006-GH¢574,400)

**3. ADMINISTRATIVE AND GENERAL EXPENSES** include the following:-

	<b>2007</b>	2006
	<b>GH ¢</b>	GH ¢
Depreciation-Land & Buildings, Furniture & Equipme	<b>175,187</b>	144,900
Auditors Remuneration	<b>17,250</b>	13,000
Directors Fees and Expenses	<b>37,344</b>	26,500
Subscriptions	<b>36,891</b>	25,300

**4. OTHER INCOME**

Freight Income	<b>588,333</b>	1,068,700
Rent Income	<b>63,808</b>	42,400
Recoveries from Shortages	<b>748,898</b>	404,100
Sundry Income	<b>191,826</b>	25,900
Interest & Investment Income	<b>35,383</b>	96,200
	<b>1,628,248</b>	1,637,300

**5 NATIONAL RECONSTRUCTION LEVY**

<b>Year of Assessment</b>	<b>Balance at 1 October</b>	<b>Payment during the year</b>	<b>Charge for the year</b>	<b>Balance at 30 September</b>
2001-2003	87,156	0	0	<b>87,156</b>
2004	(700)	0	0	<b>(700)</b>
	<b>86,456</b>	0	0	<b>86,456</b>

**PRODUCE BUYING COMPANY LIMITED**  
**NOTE TO THE FINANCIAL STATEMENT**  
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**6a TAXATION**

Year of Assessment	Balance at 1 October	Payment during the year	Charge for the year	Balance at 30 September
Corporate Tax	GH ¢	GH ¢	GH ¢	GH ¢
1995-2002	(5,500)	0	0	(5,500)
2003	400	0	0	400
2004	1,007,500	0	0	1,007,500
2005	(887,800)		0	(887,800)
2006	(174,431)	0	0	(174,431)
2007	0	(337,720)	0	(337,720)
	<u>(59,831)</u>	<u>(337,720)</u>	<u>0</u>	<u>(397,551)</u>
<b>Deferred Tax</b>				
2006	(191,142)	0		(191,142)
2007	0	0	263,263	263,263
	<u><b>(250,973)</b></u>	<u><b>(337,720)</b></u>	<u><b>263,263</b></u>	<u><b>(325,430)</b></u>

The amount provided for income tax is calculated at the rate of 25% of the Adjusted Profit and is subject to agreement with Internal Revenue Service.

**6b DEFERRED TAX**

	2007 GH ¢	2006 GH ¢
Balance at 01 October	(191,142)	0
Charge / (Credit) to P&L for the year	263,263	(191,142)
Balance at 30 September	<u><b>72,121</b></u>	<u><b>(191,142)</b></u>

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7 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 ¢
<b>Cost/Revaluation</b>						
Balance at 1.10.2006:	2,799,217	2,042,406	3,482,265	569,503	31,118	8,924,509
Additions during the year :	642,695	485,373	2,221,123	131,605	0	3,480,796
Transfers	31,118				(31,118)	0
Disposals	0	0	0	(1,610)		(1,610)
<b>Balance at 30.9.2007</b>	<b>3,473,030</b>	<b>2,527,779</b>	<b>5,703,388</b>	<b>699,498</b>	<b>0</b>	<b>12,403,695</b>
<b>Depreciation</b>						
Balance at 1.10.2006:	668,551	1,864,177	3,278,302	488,176	0	6,299,206
Charge for the year	104,191	151,587	556,116	70,997	0	882,891
Disposals	0	0	0	(1,610)	0	(1,610)
<b>Balance at 30.9.2007</b>	<b>772,742</b>	<b>2,015,764</b>	<b>3,834,418</b>	<b>557,563</b>	<b>0</b>	<b>7,180,487</b>
<b>NET BOOK VALUE AT 30.9.07</b>	<b>2,700,288</b>	<b>512,015</b>	<b>1,868,970</b>	<b>141,935</b>	<b>0</b>	<b>5,223,208</b>
<b>NET BOOK VALUE AT 30.9.06</b>	<b>2,130,665</b>	<b>178,229</b>	<b>203,964</b>	<b>81,327</b>	<b>31,118</b>	<b>2,625,303</b>

The fixed Assets were revalued in November 1998 by the following valuers at open market values.

Eastern and Volta Regions	-	Consolidated Properties Limited
Accra-Tema Area	-	Valuation and Investments Associates
Ashanti Region	-	Surveying and Development Associates
Central Region	-	James and Ayanga & Partners
Western Region	-	George Deh & Company

**8 LONG TERM INVESTMENT**

This represents 727,273 number of equity shares of no par value purchased from Ghana Commercial Bank Limited.

	2007 GH ¢	2006 GH ¢
Balance as at 1 October.	25,000	25,000
Additions during the year (Right Issue)	136,364	0
Balance as at 30 September.	<b>161,364</b>	25,000

**PRODUCE BUYING COMPANY LIMITED**  
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<b>9 STOCKS</b>	<b>2007</b>	<b>2006</b>
	<b>GH ¢</b>	<b>GH ¢</b>
Trading - Cocoa	<b>2,126,117</b>	6,068,316
<u>Non-Trading</u>		
Spare Parts	<b>122,891</b>	112,569
Tarpaulin Stocks	<b>296,333</b>	56,697
Jute Sacks/ Twine	<b>262,070</b>	262,070
Technical Stores	<b>89,735</b>	23,384
Stationery	<b>216,017</b>	120,072
Fuel and Lubricants	<b>186,057</b>	141,948
Motor Cycle/ Helmet	<b>162</b>	162
Other Stock/Matchets	<b>8,993</b>	2,076
Tyres and Batteries	<b>156,934</b>	186,283
Stencil Ink	<b>15,217</b>	23,148
	<b>3,480,526</b>	6,996,725

**10 ACCOUNTS RECEIVABLE**

Trade Debtors	<b>5,884,547</b>	6,457,104
Other Debtors	<b>3,967,758</b>	1,347,589
Staff Loans and Advances	<b>430,209</b>	391,569
Prepayments	<b>279,904</b>	168,957
	<b>10,562,418</b>	8,365,219

- 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¢430,209 (2006 - GH¢391,749).

	<b>GH ¢</b>	<b>GH ¢</b>
<b>11 SHORT TERM INVESTMENTS</b>		
Call <input type="checkbox"/> Fixed Deposits	<b>13,779,124</b>	0
Treasury Bills	<b>241,318</b>	164,318
	<b>14,020,442</b>	164,318

**12 BANK AND CASH BALANCES**

Bank Balances	<b>2,336,833</b>	814,854
Cash Balances	<b>60</b>	99
	<b>2,336,893</b>	814,953

**PRODUCE BUYING COMPANY LIMITED**  
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	<b>2007</b>	<b>2006</b>
	<b>GH ¢</b>	<b>GH ¢</b>
<b>13 BANK OVERDRAFT</b>		
Balances as at 30 September	<u><b>11,903,628</b></u>	<u>9,820,414</u>

The Company has overdraft facilities totaling GH ¢37 million with its bankers which are secured by cocoa stocks and receivables.

**14 ACCOUNTS PAYABLE**

Trade Creditors	10,262	26,675
Other Creditors	855,739	802,269
Current Portion of Medium Term Loan	1,734,777	0
Accrued Charges	<u>32,250</u>	<u>13,000</u>
	<u><b>2,633,028</b></u>	<u>841,944</u>

**15 DIVIDEND**

Balance at 1 October	15,350	304
Uncashed cheque	<u>0</u>	<u>15,046</u>
Balance at 30 September	<u><b>15,350</b></u>	<u>15,350</u>

**16 SHORT TERM LOANS**

	<b>GH ¢</b>	<b>GH ¢</b>
Balance as at 30.09.07	<u><b>14,000,000</b></u>	<u>0</u>

The Company has been granted a Short Term Loan of GH¢ 30,000,000 by Barclays Bank to finance cocoa bean purchase during the 2007/2008 crop season, non inventory such as jute sacks spare part and to meet other operational expenses. The facility is secured by, Debenture over the company assets comprising stocks to be stored in Cocobod warehouses, or debtors (mainly Cocobod). This will be upstamped to cover the exposure. The Repayment of the facility is 180 days after the initial drawdown. Interest will be calculated on a semi-annual at a rate equal to the 182-day GOG Treasury Bill plus 3.0%

**17 MEDIUM TERM LOAN**

Current portion payable within 12 months	1,734,777	0
Long term portion payable after 12 months	2,747,293	0
Balance as at 30.09.07	<u><b>4,482,070</b></u>	<u>0</u>

The Company has been granted a Medium Term Loan of GH¢ 8,253.000 by Barclays Bank and Standard Chartered Bank to finance the purchase of Articulator trucks, Cargo trucks, Station wagons and Salon vehicles for operations. The facility is secured by, Assignment of receivables, Specific charges over vehicles to be purchased and financed by the Banks.

The repayment of the facility is for 36 months from drawdown including 3 months moratorium. The interest rate is at Base rate of 19.5% minus 4.0% and SCB base rate minus 3% (16.49%) respectively for the Banks.

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2007</b>		<b>2006</b>	
<b>18 STATED CAPITAL</b>				
<b>a) Authorised Number of</b>				
i) Preference share(“Golden Cocoa Share”)	<u>1</u>		<u>1</u>	
ii) Ordinary Shares of no par value	<u>20,000,000,000</u>		<u>20,000,000,000</u>	
<b>b) Issued and fully paid</b>	<b>Number</b>	<b>GH ¢</b>	<b>Number</b>	<b>GH ¢</b>
i) Preference Share (“Golden Cocoa Share”)	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
ii) Ordinary Shares :				
For cash consideration	<u>2,005,000</u>	<u>1,586,800</u>	2,005,000	1,586,800
For consideration other than cash	<u>477,995,000</u>	<u>3,327,477</u>	477,995,000	3,327,477
Total Ordinary shares	<u>480,000,000</u>	<u>4,914,277</u>	480,000,000	4,914,277
iii) Total Pref/Ordinary shares	<u>480,000,001</u>	<u>4,914,377</u>	480,000,001	4,914,377
c) There is no unpaid liability on any share and there are no calls or installments unpaid in respect of any share.				
d) Shares in Treasury as at 30 September 2007:-1,246,467 (2006 - 1,246,467).				
e) One (1) special rights redeemable preference share known as “Golden Cocoa Share” has been allotted as fully paid in accordance with the company’s regulations.				

**19 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 the PBC in the said assets”

**20 SHARE DEALS ACCOUNT**

	<b>2007</b>	<b>2006</b>
	<b>GH ¢</b>	<b>GH ¢</b>
Balance brought forward	<u>1,982</u>	<u>1982</u>

**21 CAPITAL COMMITMENTS/CONTINGENCIES**

There were no capital commitments and contingencies as at 30 September 2007.

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

**22 20 LARGEST SHAREHOLDERS**

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Percentage Holding (□)</b>
1 Social Security □ National Insurance Trust	182,879,412	38.10
2 Ministry of Finance - Government of Ghana	176,112,259	36.69
3 NTHC/Institutional Investor Consortium	58,746,819	12.24
4 NTHC Limited	8,991,934	1.87
5 Current PBC Employees/Commission Agents	5,127,577	1.07
6 GCCSFA/Farmers - Individuals	1,547,307	0.32
7 GCCFA/Farmers - Association	1,250,000	0.26
8 State Insurance Company Limited	1,000,000	0.21
9 Yirenkyi Samuel Ernest Mr.	1,000,000	0.21
10 DBL/Galtere International Fund	1,000,000	0.21
11 BBGN/SSB As Custodian For Eaton □ance	382,428	0.08
12 BBGN/Bank of New York Brussels Branch	354,118	0.07
13 MSL Portfolio	208,216	0.04
14 Akoto- Bamfo Edmund	208,065	0.04
15 Aluworks Limited	200,000	0.04
16 CSL -AM/Aluworks Staff Provident Fund	200,000	0.04
17 Merban Investment Holding Limited	199,600	0.04
18 Enterprise Insurance Company Limited	188,716	0.04
16 □anguard Assurance Company Limited	140,000	0.03
17 Star Assurance Company Limited	118,500	0.02

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23 SHAREHOLDING DISTRIBUTION**

<b>Category</b>	<b>Numbers of Shareholders</b>	<b>Total Holding</b>	<b>Percentage Holding (%)</b>
1 - 1,000	14,483	5,204,318	1.08
1,001 - 5,000	2,351	5,960,600	1.24
5,001 - 10,000	2,094	15,534,943	3.24
Over 10,000	723	453,300,139	94.44
<b>Total</b>	<b>19,651</b>	<b>480,000,000</b>	<b>100.00</b>

**24 DIRECTORS SHAREHOLDING**

<b>NAME</b>	<b>NO.OF SHARES</b>
Nana Timothy Aye Kusi - Chairman	18,700
Mr. Joseph Buatsie	3,000
Mr. Andrew Antwi Boasiako	7,500
Mr. Anthony Osei Boakye	7,000
	<b>36,200</b>



**PRODUCE BUYING COMPANY LIMITED**  
**SCHEDULE TO THE PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>GH ¢</b>	<b>GH ¢</b>
<b>TURNOVER</b>	<b><u>195,112,656</u></b>	<b><u>248,662,200</u></b>
<b>COST OF SALES</b>		
Opening Stock	<b>6,068,306</b>	14,208,200
Purchases	<b><u>170,236,436</u></b>	<u>218,225,900</u>
	<b>176,304,742</b>	232,434,100
<b>Less</b>		
Shortages and Loss on Produce	<b>956,306</b>	3,835,400
Closing Stock	<b><u>2,126,117</u></b>	<u>6,068,300</u>
	<b><u>173,222,319</u></b>	<u>222,530,400</u>
<b>GROSS PROFIT</b>	<b><u>21,890,337</u></b>	<b><u>26,131,800</u></b>
<b>DIRECT OPERATING EXPENSES</b>		
Jute Bags and Twine	<b>7,299</b>	126,500
Grading and Sealing	<b>99,380</b>	126,300
Agency Commission	<b>3,056,175</b>	3,782,600
Motor Vehicle - Repairs & Maintenance	<b>535,633</b>	522,400
Depreciation	<b>707,703</b>	574,400
Motor Vehicle Running	<b>572,638</b>	563,100
Road Freight-Primary Evacuation	<b>1,745,333</b>	1,525,100
Handling Charges	<b>540,576</b>	608,100
Casual Labour/Security	<b>308,754</b>	274,600
Produce Losses Account	<b>0</b>	2,618,800
Produce Insurance	<b>23,322</b>	31,500
Repairs of Bridges	<b>15,281</b>	2,300
Bridge and Port Tolls	<b>6,997</b>	5,000
Motor Vehicle Insurance	<b>61,632</b>	114,500
Tarpaulin - Depots & Societies	<b>0</b>	357,800
	<b><u>7,680,723</u></b>	<u>11,233,000</u>
<b>Financial Cost</b>		
Interest on Produce Loan	<b>2,519,024</b>	6,865,900
Guarantee Fees	<b>709,374</b>	1,104,000
Commission on Akuafo Cheques	<b>530,514</b>	873,500
Bank Charges	<b><u>3,967,564</u></b>	<u>2,525,300</u>
	<b><u>7,726,476</u></b>	<u>11,368,700</u>
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b><u>15,407,199</u></b>	<b><u>22,601,700</u></b>

**PRODUCE BUYING COMPANY LIMITED**  
**SCHEDULE TO THE PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>GH ¢</b>	<b>GH ¢</b>
<b>GENERAL &amp; ADMIN. EXPENSES</b>		
<b>Staff Cost</b>		
Salaries and Wages	<b>3,740,117</b>	3,327,700
Social Security Fund	<b>467,402</b>	424,900
Provident Fund	<b>290,431</b>	236,100
Security Men's Allowance	<b>36,972</b>	44,000
Car Maintenance Allowance	<b>556,410</b>	480,300
Travel and Transport	<b>132,333</b>	63,100
Treasurers Allowance	<b>149,028</b>	180,000
Medical Expenses	<b>150,340</b>	123,600
Sundry Allowance	<b>282,169</b>	212,700
Overtime	<b>26,267</b>	19,800
Clothing/Uniform Allowance	<b>13,134</b>	5,200
Transfer Inconvenience	<b>26,600</b>	1,300
Drivers Inconvenience Allowance	<b>19,627</b>	15,700
Workmen's Compensation/Staff Insurance	<b>113,849</b>	30,200
Gratuity/Severance	<b>68,447</b>	100,900
	<b>6,073,126</b>	5,265,500

**PRODUCE BUYING COMPANY LIMITED**  
**SCHEDULE TO THE PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	2007 GH ¢	2006 GH ¢
<b>Office Cost</b>		
Depreciation	175,187	144,900
Printing and Stationery	80,059	155,600
Hotel Expenses	23,448	14,200
Electricity	78,679	84,300
Training Expenses	16,907	6,800
Entertainment	47,255	30,700
Postages and Telephone	96,607	88,400
Advertising and Publicity	123,695	63,800
Audit Fees	17,250	13,000
Cleaning Expenses	12,211	9,300
Directors Fees □ Expenses	37,301	26,500
Annual General Meeting	81,655	72,000
Water	15,550	12,400
Subscriptions □ Donations	43,621	32,100
Legal and Consultancy Fees	17,176	13,500
General Expenses	20,432	17,400
Bad debts written off	0	90,900
Provision for bad debts	0	1,100
Data Services	350	6,200
Motor □ehicle Insurance	15,408	28,300
	<b>902,791</b>	<b>911,400</b>
<b><u>Estate □ Property Cost</u></b>		
Rent of Offices □ Sheds	174,432	85,000
Repairs □ Renovation of Sheds	57,869	62,600
Repairs on Bungalows/Office Buildings	35,299	22,900
Repairs - Office Equip. □ Furniture	44,848	45,000
Repairs to Plant □ Equipment	49,981	5,000
Repairs - Bungalows Equipment □ Furniture	13,303	2,800
Ground Rent □ Rates, Sanitation	15,271	10,500
Rent on Bungalows	30,861	18,100
	<b>421,864</b>	<b>251,900</b>
<b>TOTAL ADMIN. □ GENERAL EXPENSES</b>	<b>7,397,781</b>	<b>6,428,800</b>
<b>TOTAL EXPENSES</b>	<b>22,804,980</b>	<b>29,030,500</b>
<b>OPERATING LOSS</b>	<b>(914,643)</b>	<b>(2,898,700)</b>