



# PRODUCE BUYING COMPANY LIMITED



## ANNUAL REPORT

2001 / 2002

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 2<sup>nd</sup> Annual General Meeting of Produce Buying Company Limited will be held at the Trade Fair Centre on 25<sup>th</sup> April 2003 at 10 a.m. to transact the following business:

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 30<sup>th</sup> September 2002 together with the Report of the Auditors.
2. To re-elect the following Directors retiring by rotation pursuant to Section 60 of the Company's Regulations who being eligible, offer themselves for re-election:
  - Dr. Wahab Al-Hassan
  - Alhaji Ziblim Yakubu
  - Mr. Andrew Boasiako
3. To approve Non-Executive Director' s fees
4. To authorise the directors to determine the remuneration of the auditors.
5. To consider and, if thought fit, to pass the following as a Special Resolution: "That the Company be and is hereby authorised in accordance with its Regulations and subject to Sections 61&62 of the Companies Code 1963 (Act 179) to purchase its own Shares up to a maximum of five percent (5%) of the number of issued shares"
6. To transact any other business appropriate to be dealt with at an Annual General Meeting.

Dated this 10<sup>th</sup> day of March, 2003

BY ORDER OF THE BOARD.

**ABENA K. ASAFU-ADJEI (MRS.)**  
**THE SECRETARY**



**PRODUCE BUYING COMPANY LIMITED**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2002**

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**PRODUCE BUYING COMPANY LIMITED  
FINANCIAL STATEMENTS  
30 SEPTEMBER 2002**



**PKF**



**PRODUCE BUYING COMPANY LIMITED**  
**BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE**

**BOARD OF DIRECTORS:** Nana Timothy Aye Kusi - Chairman  
Mr. Emmanuel Owusu Boakye - Managing Director  
Mr. Emmanuel Otchere  
Hon. Mrs Angelina Baiden-Amisah  
Dr. Wahab-Alhasan  
Mr. J. Buatsie  
Dr. Y. A. Duodu  
Mr. Andrew Antwi Boasiako  
Alhaji Yakubu Ziblim

**SECRETARY:** Mrs. Abena Asafu-Adjei

**TOP MANAGEMENT:** Mr. Emmanuel Owusu Boakye -Managing Director  
Mr. Anthony Osei Boakye -Dep.Managing Director(Operations)  
Mr. P.K. Owusu -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 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<sup>th</sup> 2002.

World commodity indices which had declined to their lowest ebb over previous years had not fully recovered by the beginning of the financial year under review. The world cocoa market continued to experience bearish pressures due to availability of large stock of cocoa beans coupled with projected increases in production in Ghana and Cote D'Ivoire and low demand for cocoa beans. The generally low prices of cocoa on the International Markets compelled the Producer Price Review Committee (PPRC) to increase Producer Price and Buyers' Take Over Margin marginally, against the background of increasing operating costs. The rally of world cocoa prices in the course of 2001/02 Main Crop however, triggered smuggling activities along the borders of the country leading to reduction of produce available for purchase by Licensed Buying Companies, which undoubtedly adversely affected the volume of cocoa purchased by your company. In order to stem the tide of smuggling, Government had to increase Producer Price in the middle of the season.

National cocoa production fell from 395,588 tonnes in 2000/01 to 338,904.68 tonnes during the 2001/02 financial year mainly due to smuggling and disease. The Company however made a slight recovery of market share from 38% in the previous year to 42% in the current year. The Board and Management are determined to improve the performance of the Company to recapture its lost market share in the very near future.

The Company deepened the bonds with its cherished cocoa farmers during the year by hosting PBC Annual Farmers Awards in all regions and districts. The award scheme which was expanded this year to cover over 7,800 farmers throughout the country had the theme "Farmer satisfaction through quality service delivery". It is the resolve of your Board to forge closer relationship with our hardworking cocoa farmers to sustain their confidence in the Company.

Competition in the internal cocoa marketing has heightened with the entry of new and aggressive expatriate companies who do not rely on Cocobod for funding, thereby having the flexibility to purchase cocoa without any break throughout the year.

**Operating Results**

During the year 131,994 tonnes and 4,958 tonnes of cocoa were purchased for the 2001/02 Main Crop and 2002 Light Crop seasons respectively. With Producer Price of ₦4,384,000 per tonne at the beginning of the Main Crop season, increasing to ₦6,200,000 during the latter part of the season and throughout the Light Crop season coupled with Buyers' Take Over Margin of ₦699,245, the Company achieved Turnover of ₦717 billion. An increase of 19% over previous year's performance due mainly to increase in Producer Price and Margins.

It is gratifying to report that your Company nearly doubled last year's profit by recording net profit before tax of ₦10.329 billion. I must say that, the keen interest shown by shareholders and very useful suggestions made by members during last annual general meeting, in addition to sound financial policies fashioned out by the Board and Management accounted for this impressive performance.

The Board of Directors and Management are making concerted efforts to reduce operating cost and are determined to put your Company on the path of sustained profitability.

Distinguished Ladies and Gentlemen, the deficit on our Income Surplus Account resulting from losses incurred by the Company prior to and during the year of privatization has the effect of off-setting any gains we made in our operations. By the end of the year under review, we had been able to reduce the deficit from ₦13.438 billion a year earlier to ₦7.966 billion. 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.



### **Working Capital**

The prudential requirement on unsecured single-party lending limit on Commercial Banks makes it impossible for the Company to obtain adequate seed fund guarantee from the Ghana Cocoa Board. As a result of this, the Company could not make significant impact on the market immediately the cocoa season was opened. The need for the Company to obtain some working capital cannot be over emphasized. I am pleased to report that as a result of the performance of your Company most banks are prepared to extend short term facilities to the Company which will give temporary financial cover during the season.

### **Investments**

The Board of Directors has approved a planned refurbishment and replacement of very old Tractors, Cargo and Articulated Trucks. During the year the Company took delivery of new Tractors and refurbished Cargo Trucks. This exercise will continue until the performance of the Company's fleet of vehicles is greatly enhanced.

### **Outlook**

The Company is making every effort to recapture part of its lost market share and is also making concerted efforts to reduce operating cost to ensure sustained profitability. As a result of the renewed interest of Financial Institutions in the Company, the sources of the seed fund guarantee has been expanded to ensure prompt receipt of funds for cocoa purchases.

The Board of Directors has approved the Management's Medium Term Corporate Plan which aims at realigning your Company for effective competition by drawing on its organizational strengths to improve operational efficiency. We shall continue to explore avenues to increase the Company's income through increased cocoa haulage to the Ports, a function which is largely subcontracted. In the medium term we have programmed to acquire articulated trucks to boost freight earnings.

The Board shall continue to encourage Management to find ways of reducing operating costs by improving seed fund recycling rate and reorganizing societies and district to make the Company more efficient.

We are aware of the increasing competitive and changing marketing environment in which we operate and shall gear ourselves to meet new challenges that may unfold.

As market leaders, we shall continue to provide high quality service to our farmers and adopt healthy competitive practices which will set proper standards for the Industry. Both the Board and Management shall adopt strategies to maintain our leadership in the internal marketing of cocoa in the ensuing years.

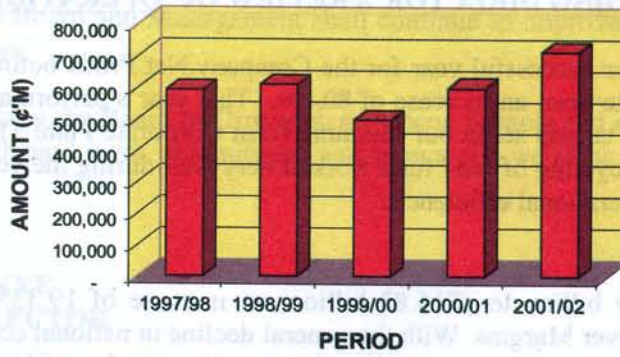
Distinguished Ladies and Gentlemen, I shall conclude by expressing my appreciation to you shareholders for your interest and confidence in our Company, our numerous farmers for their loyalty and the Ghana Cocoa Board for their continued support; to management and staff of the Company for the impressive performance registered so far and to you, my colleagues on the Board for your support and advice.

Thank you.

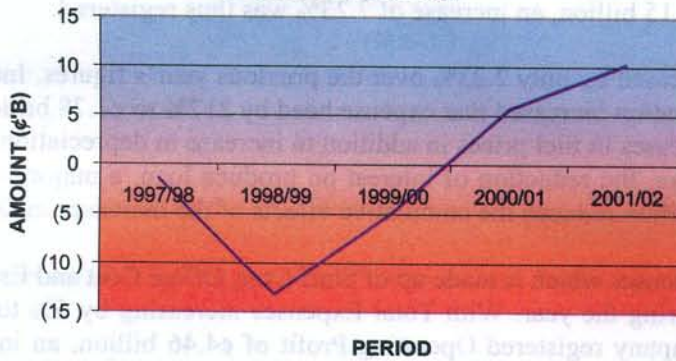
**NANA TIMOTHY AYE KUSI**  
**CHAIRMAN**



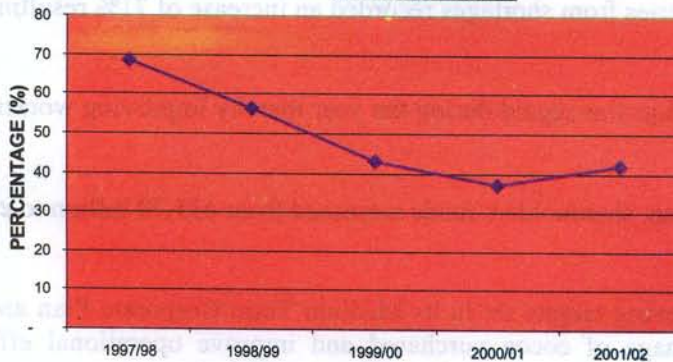
**TURN OVER**



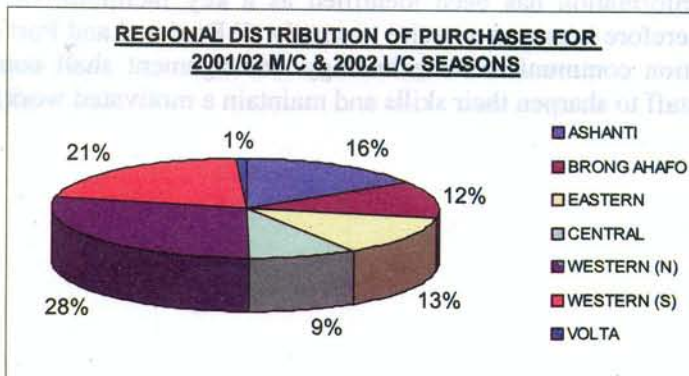
**PROFIT BEFORE TAX**



**MARKET SHARE**



**REGIONAL DISTRIBUTION OF PURCHASES FOR 2001/02 M/C & 2002 L/C SEASONS**





**PRODUCE BUYING COMPANY LIMITED**  
**MANAGING DIRECTOR'S REVIEW OF OPERATIONS**

The year under review was another successful year for the Company. Net Profit before tax increased from ₦5.723 billion to ₦10.329 billion during the year, an increase of 80.6%. This year's performance has therefore laid a solid foundation for the achievement of targets set in our Medium Term Corporate Plan. The strategy adopted to reduce operating cost and ensure quick recycling of seed fund worked very well during the year and we hope to build on it in the ensuing years to improve operational efficiency.

**Performance Review**

Turnover increased from ₦600.69 billion to ₦716.83 billion, an increase of 19.33% due mainly to increase in Producer Price and Buyers Take Over Margins. With the general decline in national cocoa production from 395,588 tonnes to 338,904 tonnes the Company's tonnage purchased reduced by 6% from 146,366 tonnes to 136,952 tonnes due partly to smuggling. However, the Company gained 3.9% of the market share. Cost of sales also increased by 22% to ₦616 billion due to increase in Producer Price of cocoa resulting in a gross profit of ₦99.9 billion, compared to last year's gross profit of ₦93.15 billion, an increase of 7.23% was thus registered.

Direct Operating Expenses increased by only 2.23% over the previous year's figures. Increased reliance on private Hauliers for primary level evacuation increased that expense head by 217% to ₦1.78 billion cedis. Increase in motor vehicle running cost due to increases in fuel prices in addition to increase in depreciation charged contributed to the increase in Direct Cost. However, the reduction of interest on produce loan, a major cost component, by 11.62% from ₦29.06 billion to ₦25.68 billion reduced the cumulative effects of the increases in Direct Cost.

Administrative and General Expenses which is made up of Staff Cost, Office Cost and Estate and Property Cost rose by 13.54% to ₦25.54 billion during the year. With Total Expenses increasing by 5% to ₦95.43 billion, and Gross Profit at ₦99.9 billion, the Company registered Operating Profit of ₦4.46 billion, an increase of 94.57% over the previous year's performance of ₦2.29 billion.

Other income of ₦5.86 billion, made up of freight earnings from secondary evacuation, interest received, profit on disposal of fixed assets and recoveries from shortages recorded an increase of 71% resulting in Net Profit before tax of ₦10.329 billion.

The short term loan of ₦11.54 billion was repaid during the year thereby improving working capital ratio from 1.51 to 1.98.

With profit after tax of ₦5.47 billion, shareholders funds increased from ₦35.70 billion to ₦41.17 billion.

**Outlook**

The Company is focused on achieving targets set in its Medium Term Corporate Plan and shall continue to adopt strategies that will increase tonnage of cocoa purchased and improve operational efficiency to reduce direct operational cost.

Accurate and timely flow of information has been identified as a key facilitator of effective monitoring and supervision. Management has therefore begun an exercise to supply all Regional and Port offices with Computers to lay the foundation for information communication technology. Management shall continue its human resource capacity building by retraining staff to sharpen their skills and maintain a motivated workforce.

Every effort is being made to acquire more haulage trucks to facilitate speedy evacuation of produce from buying centres. The Company continued and indeed expanded the PBC Best Farmer award scheme during the year to cover many farmers. The Board and Management shall continue to improve the scheme to establish closer bond with our hardworking farmers.

I shall end by thanking the Board of Directors, our cocoa farmers and staff for an impressive performance so far. It is my hope that with hard work, commitment and team work, we all shall put our Company on the path of sustained profitability.

Thank you.

**E. OWUSU BOAKYE**  
**MANAGING DIRECTOR**



**PRODUCE BUYING COMPANY LIMITED**  
**REPORT OF THE DIRECTORS**  
**ON THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

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, 2002.

**RESULTS OF OPERATIONS**

	<u>2002</u> ¢'000	<u>2001</u> ¢'000
Turnover	<u>716,836,706</u>	<u>600,699,781</u>
Profit before Tax	10,329,287	5,723,838
National Reconstruction Levy	<u>(258,232)</u>	<u>(143,096)</u>
	10,071,055	5,580,742
From which is deducted provision for The estimated income tax liability	<u>(4,599,088)</u>	<u>0</u>
Leaving a Net Profit after tax of	5,471,967	5,580,742
To which is added the Income Surplus Brought forward from the previous year of	<u>(13,438,199)</u>	<u>(19,018,941)</u>
Resulting in a (Deficit) balance carried To the Balance Sheet of	<u>(7,966,232)</u>	<u>(13,438,199)</u>

**DIVIDEND**

The Directors do not recommend the payment of any dividend for the year ended 30 September 2002.

**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:

<u>NAME</u>		<u>DATE OF APPOINTMENT</u>
Nana Timothy Aye Kusi	Chairman	1 February 2002
Mr. Emmanuel Otchere		1 February 2002
Hon. Mrs Angelina Baiden-Amissah		1 February 2002
Dr. Wahab-Alhasan		1 February 2002
Mr. Emmanuel Owusu Boakye	Managing	1 February 2002
Mr. J. Buatsie		1 February 2002
Dr. Y. A. Duodu		1 February 2002
Mr. Andrew Antwi Boasiako		1 February 2002
Alhaji Yakubu Ziblim		1 February 2002

## CHANGES IN TOP MANAGEMENT

On 9 January, 2002, the appointment of Mr. K. Asante -Poku, Managing Director and Mr. P. K.Opoku - Mensah General Manager Operations were terminated.

Mr. Emmanuel Owusu Boakye and Mr. Anthony Osei Boakye were appointed as Managing Director and Deputy Managing Director (Operations) respectively. Mr. P.K. Owusu, the then Financial Controller was appointed Deputy Managing Director (Finance and Administration).

## RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the regulations of the Company, and Section 298 of the Companies Code (Act 179) 1963, one third of the directors shall retire at the annual general meeting of the company. The directors being eligible shall offer themselves for re-election as directors.

## 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 2002 which materially affect the accounts of the Company for the year ended on that date.

**BY ORDER OF THE BOARD**

**NANA TIMOTHY AYE KUSI**  
.....**Director**

**E. OWUSU BOAKYE**  
.....**Director**

**ACCRA**

**27<sup>TH</sup> FEBRUARY,**  
.....**2003**



**PRODUCE BUYING COMPANY LIMITED**  
**STATEMENT OF DIRECTORS RESPONSIBILITIES**

The Companies Code, 1963 (Act 179) requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its Profit or Loss for that year.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Code 1963. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The above statement which should be read in conjunction with the statement of the Auditors responsibilities set out on page 8 is made with a view to distinguishing for shareholders, the respective responsibilities of the Directors and the Auditors in relation to the financial statements.

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF PRODUCE BUYING COMPANY LIMITED  
ON THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2002**

We have audited the financial statements on pages 9 to 18, which have been prepared under the accounting policies set out on page 12.

**Respective Responsibilities of Directors and Auditors**

As described on page 7, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion thereon.

**Basis of Opinion**

We have conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgement made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we required in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

We have obtained all the information and explanations which we considered necessary except on the title deeds.

We have not had sight of most of the Title Deeds of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets.

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, in our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2002 and of its Profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Code, 1963 (Act 179).

*Pannell Kerr Forster*

**PANNELL KERR FORSTER  
CHARTERED ACCOUNTANTS**

Farrar Avenue  
Accra

*27 February*  
.....2003



**PRODUCE BUYING COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	NOTES	2002 ¢'000	2001 ¢'000
TURNOVER		<u>716,836,706</u>	<u>600,699,781</u>
COST OF SALES		<u>(616,935,070)</u>	<u>(507,540,600)</u>
GROSS PROFIT		<u>99,901,636</u>	<u>93,159,181</u>
DIRECT OPERATING EXPENSES	2	(69,896,538)	(68,369,096)
ADMIN. & GENERAL EXPENSES	3	<u>(25,541,613)</u>	<u>(22,496,111)</u>
TOTAL EXPENSES		<u>(95,438,151)</u>	<u>(90,865,207)</u>
OPERATING PROFIT		4,463,485	2,293,974
OTHER INCOME	4	<u>5,865,802</u>	<u>3,429,864</u>
NET PROFIT BEFORE TAXATION		10,329,287	5,723,838
NATIONAL RECONSTRUCTION LEVY	5	<u>(258,232)</u>	<u>(143,096)</u>
		10,071,055	5,580,742
TAXATION	6	<u>(4,599,088)</u>	<u>0</u>
NET PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		<u><u>5,471,967</u></u>	<u><u>5,580,742</u></u>

**INCOME SURPLUS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

BALANCE AT 1 OCTOBER	(13,438,199)	(19,018,941)
NET PROFIT FOR THE YEAR	<u>5,471,967</u>	<u>5,580,742</u>
BALANCE AT 30 SEPTEMBER	<u><u>(7,966,232)</u></u>	<u><u>(13,438,199)</u></u>



**PRODUCE BUYING COMPANY LIMITED**

**BALANCE SHEET**

**AS AT 30 SEPTEMBER 2002**

	NOTES	2002 ¢'000	2001 ¢'000
<b>FIXED ASSETS</b>	7	24,177,025	24,065,226
<b>LONG TERM INVESTMENT</b>	8	250,000	250,000
		<u>24,427,025</u>	<u>24,315,226</u>
<b>CURRENT ASSETS</b>			
Stocks	9	15,553,979	14,344,107
Accounts Receivable	10	4,093,397	4,641,067
Short Term Investments	11	4,388,028	3,117,846
Bank and Cash Balances	12	9,870,303	11,471,715
Taxation	6	0	194,853
		<u>33,905,707</u>	<u>33,769,588</u>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	13	1,330,771	2,241,778
Accounts Payable	14	11,450,256	8,466,436
Short Term Loan	15	0	11,537,309
National Reconstruction Levy	5	248,425	133,721
Taxation	6	4,125,743	0
		<u>17,155,195</u>	<u>22,379,244</u>
<b>NET CURRENT ASSETS</b>		<u>16,750,512</u>	<u>11,390,344</u>
<b>NET ASSETS</b>		<u>41,177,537</u>	<u>35,705,570</u>
<b>REPRESENTED BY</b>			
Stated Capital	16	49,143,769	49,143,769
Income Surplus Account		(7,966,232)	(13,438,199)
		<u>41,177,537</u>	<u>35,705,570</u>

Approved by the Board on ..... 27TH February, 2003

NANA TIMOTHY AYE KUSI  
.....Director

E. OWUSU BOAKYE  
.....Director



**PRODUCE BUYING COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	NOTES	2002 ¢'000	2001 ¢'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>18a</b>	<u><b>41,881,831</b></u>	<u><b>39,516,924</b></u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest Received		2,069,247	681,657
Interest Paid		<u>(25,682,353)</u>	<u>(29,061,189)</u>
		<u><b>(23,613,106)</b></u>	<u><b>(28,379,532)</b></u>
<b>TAXATION PAID</b>		<u><b>(278,492)</b></u>	<u><b>(200,000)</b></u>
<b>RECONSTRUCTION LEVY PAID</b>		<u><b>(143,528)</b></u>	<u><b>(9,375)</b></u>
<b>CAPITAL EXPENDITURE</b>			
Receipts from Fixed Assets		545,805	0
Payments to acquire fixed assets		<u>(6,275,424)</u>	<u>(1,520,369)</u>
		<u><b>(5,729,619)</b></u>	<u><b>(1,520,369)</b></u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Treasury Bills/Call Deposits		<u>(1,270,182)</u>	<u>(1,881,523)</u>
<b>FINANCING</b>			
Short Term loans		<u>(11,537,309)</u>	<u>(380,334)</u>
		<u><b>(11,537,309)</b></u>	<u><b>(380,334)</b></u>
<b>(DECREASE)/INCREASE IN CASH</b>	<b>18c</b>	<u><b>(690,405)</b></u>	<u><b>7,155,166</b></u>



**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**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. 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	25%
Furniture and Equipment	20%

c. Investments

Investments are shown at cost.

d. Stocks

Stocks of Produce (cocoa and other produce) have been valued by Management at their book values while Non-Trading Stocks have been valued at cost less known shortages and losses or provision thereof.

e. Debtors

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

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

2. **DIRECT OPERATING EXPENSES** include depreciation of ₦4,920,125,000 on Plant, Machinery and Motor Vehicles (2001-₦4,110,099,000)

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

	2002 ₦'000	2001 ₦'000
Depreciation	1,169,945	1,141,112
Auditors Remuneration	64,000	55,000
Directors Fees and Expenses	47,014	37,440
Subscriptions	109,199	85,350

4. **OTHER INCOME**

	2002	2001
Freight Income	2,568,774	1,720,372
Rent Income	184,869	109,321
Recoveries from shortages	203,013	220,294
Sundry Income	367,649	698,220
Interest Received	2,069,247	681,657
Profit on Disposal of Fixed Assets	472,250	0
	<u>5,865,802</u>	<u>3,429,864</u>

5 **NATIONAL RECONSTRUCTION LEVY**

Year of Assessment	Balance at 1.10.2001 ₦'000	Payment during the year ₦'000	Charge for the year ₦'000	Balance at 30.9.2002 ₦'000
2001	133,721	0	0	133,721
2002	0	(143,528)	258,232	114,704
	<u>133,721</u>	<u>(143,528)</u>	<u>258,232</u>	<u>248,425</u>

6 **TAXATION**

Year of Assessment	Balance at 1.10.2001 ₦'000	Payment during the year ₦'000	Charge for the year ₦'000	Balance at 30.9.2002 ₦'000
1995-1999	105,147	0	0	105,147
2000	(100,000)	0	0	(100,000)
2001	(200,000)	(153,315)	761,625	408,310
2002	0	(125,177)	3,837,463	3,712,286
	<u>(194,853)</u>	<u>(278,492)</u>	<u>4,599,088</u>	<u>4,125,743</u>

The amount provided for income tax is calculated at the rate of 30% of the Adjusted Profit and is subject to agreement with Internal Revenue Service.

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**7 FIXED ASSETS**

	Land and Buildings ¢'000	Plant and Machinery ¢'000	Motor Vehicles ¢'000	Furniture & Fitting ¢'000	Building W.I.P ¢'000	Total ¢'000
<b>Cost</b>						
Balance at 1.10.2001 Cost	11,719,375	2,407,933	11,393,223	1,738,803	156,958	27,416,292
Revaluation	7,469,940	11,915,426	2,551,543	1,338,021	0	23,274,930
Additions during the year :						
Cost	170,823	1,688,959	3,778,121	672,514	121,965	6,432,382
Disposals/T transfers	0	0	(986,226)	(118,348)	(156,958)	(1,261,532)
<b>Balance at 30.9.2002</b>	<b>19,360,138</b>	<b>16,012,318</b>	<b>16,736,661</b>	<b>3,630,990</b>	<b>121,965</b>	<b>55,862,072</b>
<b>Depreciation</b>						
Balance at 1.10.2001 Cost	2,570,094	1,556,408	10,782,972	1,178,503	0	16,087,977
Revaluation	672,294	7,149,255	1,913,658	802,812	0	10,538,019
Charge for the year - Cost	356,706	663,431	1,235,724	321,535	0	2,577,396
- Revaluation	224,100	2,383,085	637,885	267,604	0	3,512,674
Disposals	0	0	(986,226)	(44,793)	0	(1,031,019)
<b>Balance at 30.9.2002</b>	<b>3,823,194</b>	<b>11,752,179</b>	<b>13,584,013</b>	<b>2,525,661</b>	<b>0</b>	<b>31,685,047</b>
<b>NET BOOK VALUE AT 30.9.02</b>	<b>15,536,944</b>	<b>4,260,139</b>	<b>3,152,648</b>	<b>1,105,329</b>	<b>121,965</b>	<b>24,177,025</b>
<b>NET BOOK VALUE AT 30.9.01</b>	<b>15,946,927</b>	<b>5,617,696</b>	<b>1,248,136</b>	<b>1,095,509</b>	<b>156,958</b>	<b>24,065,226</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 500,000 shares of no par value purchased from Ghana Commercial Bank Limited.

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

**7 FIXED ASSETS**

	Land and Buildings ¢'000	Plant and Machinery ¢'000	Motor Vehicles ¢'000	Furniture & Fitting ¢'000	Building W.I.P ¢'000	Total ¢'000
<b>Cost</b>						
Balance at 1.10.2001 Cost	11,719,375	2,407,933	11,393,223	1,738,803	156,958	27,416,292
Revaluation	7,469,940	11,915,426	2,551,543	1,338,021	0	23,274,930
Additions during the year :						
Cost	170,823	1,688,959	3,778,121	672,514	121,965	6,432,382
Disposals/Transfers	0	0	(986,226)	(118,348)	(156,958)	(1,261,532)
<b>Balance at 30.9.2002</b>	<b>19,360,138</b>	<b>16,012,318</b>	<b>16,736,661</b>	<b>3,630,990</b>	<b>121,965</b>	<b>55,862,072</b>
<b>Depreciation</b>						
Balance at 1.10.2001 Cost	2,570,094	1,556,408	10,782,972	1,178,503	0	16,087,977
Revaluation	672,294	7,149,255	1,913,658	802,812	0	10,538,019
Charge for the year - Cost	356,706	663,431	1,235,724	321,535	0	2,577,396
- Revaluation	224,100	2,383,085	637,885	267,604	0	3,512,674
Disposals	0	0	(986,226)	(44,793)	0	(1,031,019)
<b>Balance at 30.9.2002</b>	<b>3,823,194</b>	<b>11,752,179</b>	<b>13,584,013</b>	<b>2,525,661</b>	<b>0</b>	<b>31,685,047</b>
<b>NET BOOK VALUE AT 30.9.02</b>	<b>15,536,944</b>	<b>4,260,139</b>	<b>3,152,648</b>	<b>1,105,329</b>	<b>121,965</b>	<b>24,177,025</b>
<b>NET BOOK VALUE AT 30.9.01</b>	<b>15,946,927</b>	<b>5,617,696</b>	<b>1,248,136</b>	<b>1,095,509</b>	<b>156,958</b>	<b>24,065,226</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
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**8 LONG TERM INVESTMENT**

This represents 500,000 shares of no par value purchased from Ghana Commercial Bank Limited.

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>9 STOCKS</b>	<b>2002</b>	<b>2001</b>
	<b>¢'000</b>	<b>¢'000</b>
Trading - Cocoa	2,763,263	3,783,670
<b>Non-Trading</b>		
Spare Parts	1,183,069	759,240
Tarpaulin Stocks	590,101	406,041
Jute Sacks/Twine	7,717,063	3,377,854
Technical Stores	136,161	1,105,316
Stationery	1,596,174	1,426,906
Fuel and Lubricants	252,245	388,273
Motor Cycle/ Helmet	1,746	13,986
Other Stock/Matchets	342,154	1,904,444
Tyres and Batteries	470,579	368,901
Stencil Ink	564,768	872,820
	<u>15,617,323</u>	<u>14,407,451</u>
Less Provision for obsolete stock	(63,344)	(63,344)
	<u>15,553,979</u>	<u>14,344,107</u>

**10 ACCOUNTS RECEIVABLE**

Other Debtors	1,495,816	1,590,200
Staff Loans and Advances	2,239,993	1,690,439
Trade Debtors	33,634	1,162,424
Prepayments	323,954	198,004
	<u>4,093,397</u>	<u>4,641,067</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 year did not exceed ¢2,239,993,000(2001 - ¢1,690,439,000).

**11 SHORT TERM INVESTMENTS**

	<b>¢'000</b>	<b>¢'000</b>
Call Deposits	3,878,183	3,011,735
Treasury Bills	509,845	106,111
	<u>4,388,028</u>	<u>3,117,846</u>

**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	2002 €'000	2001 €'000
<b>12 BANK AND CASH BALANCES</b>		
Bank Balances	9,867,325	11,467,424
Cash Balances	<u>2,978</u>	<u>4,291</u>
	<u><b>9,870,303</b></u>	<u><b>11,471,715</b></u>
<b>13 BANK OVERDRAFT</b>		
Balances as at 30 September	<u><b>1,330,771</b></u>	<u><b>2,241,778</b></u>
The balances show a temporary overdrawn position.		
<b>14 ACCOUNTS PAYABLE</b>		
Trade Creditors	35,848	93,267
Other Creditors	10,111,638	8,079,271
Accrued Charges	<u>1,302,770</u>	<u>293,898</u>
	<u><b>11,450,256</b></u>	<u><b>8,466,436</b></u>

**15 SHORT TERM LOANS**

These are balances on loans granted to the Company for the purchase of cocoa. They include interest charges and guarantee fees.



**PRODUCE BUYING COMPANY LIMITED**  
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	2002		2001	
<b>16 STATED CAPITAL</b>				
<b>a) Authorised Number of :</b>				
i) Preference share("Golden Cocoa Share")	1		1	
ii) Ordinary Shares of no par value	20,000,000,000		20,000,000,000	
<b>b) Issued and fully paid :</b>	<b>Number</b>	<b>¢'000</b>	<b>Number</b>	<b>¢'000</b>
i) Preference Share ("Golden Cocoa Share")	1	1,000	1	1,000
ii) Ordinary Shares :				
For cash consideration	2,005,000	15,867,844	2,005,000	15,867,844
For consideration other than cash	477,995,000	33,274,925	477,995,000	33,274,925
Total Ordinary shares	480,000,000	49,142,769	480,000,000	49,142,769
iii) Total Pref/Ordinary shares	480,000,001	49,143,769	480,000,001	49,143,769

c) There is no unpaid liability on any share and there are no calls or installments unpaid in respect of any share.

d) 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.

**17 TITLE DEEDS**

Included in the ordinary shares issued for consideration other than cash is an amount of ¢9,540,000,000 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 Deeds of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets.

However, in a letter dated November 18, 1999 the Government of Ghana gave the following undertaking :

- a. "The Government has taken over the interest of the Ghana Cocoa Board(Cocobod) in PBC 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".
- b. "The Government further assures the investing public that in the event of Cocobod failing its obligations under the cession agreement, it will take such additional steps including but not limited to compulsory acquisition and arranging of payment of adequate compensation by Cocobod so as to concretise the interest of the PBC in the said assets".



**PRODUCE BUYING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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18a. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2002 ¢'000	2001 ¢'000
Net Profit before taxation	10,329,287	5,723,838
Depreciation	6,090,070	5,251,211
(Increase) in Stocks	(1,209,872)	(7,879,804)
Decrease in Accounts Receivable	547,670	2,232,639
Increase in Accounts Payable	2,983,820	5,809,508
Interest Received	(2,069,247)	(681,657)
Interest Paid	25,682,353	29,061,189
Profit on Sale of Fixed Assets	(472,250)	0
<b>Net Cash Inflow</b>	<b><u>41,881,831</u></b>	<b><u>39,516,924</u></b>

18b Reconciliation of net cash flow to movement in net debt (Note 18c)

Decrease in cash in the year	¢'000 <b>(690,405)</b>
Net Debt 1 Oct. 2001	<b>9,229,937</b>
Net Funds at 30 September 2002	<b><u>8,539,532</u></b>

18c ANALYSIS OF CHANGES IN NET DEBT

	At 1 Oct. 2001 ¢'000	Cash Flows ¢'000	At 30 Sept. 2002 ¢'000
Cash in Hand and at Bank	11,471,715	<b>(1,601,412)</b>	9,870,303
Overdrafts	(2,241,778)	<b>911,007</b>	(1,330,771)
<b>TOTAL</b>	<b><u>9,229,937</u></b>	<b><u>(690,405)</u></b>	<b><u>8,539,532</u></b>

**PRODUCE BUYING COMPANY LIMITED**

**20 LARGEST SHAREHOLDERS**

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Percentage Holding (%)</b>
1 Ministry of Finance - Government of Ghana	188,890,434	39.35
2 NTHC/Institutional Investor Consortium	145,629,231	30.34
3 Social Security & National Insurance Trust	96,000,000	20.00
4 NTHC Limited	9,423,034	1.96
5 Current PBC Employees	5,825,330	1.21
6 PBC Provident Fund	4,495,090	0.94
7 Tetteh Thomas Akwetey	2,350,310	0.49
8 GCCSFA/Farmers - Individuals	1,550,307	0.32
9 GCCSFA/Farmers - Association	1,250,000	0.26
10 State Insurance Company Limited	1,000,000	0.21
11 BBG Nominees Ltd./Royal Trust Corp. of Canada	352,000	0.07
12 Enterprise Insurance Limited	188,716	0.04
13 Paul Forjoe/Aramansah Ntेशie Forjoe (Mrs)	150,000	0.03
14 Attafuah Victor Dokyi	90,000	0.02
15 Biney Theophilus	50,000	0.01
16 Crusader Insurance Company Limited	50,000	0.01
17 Oppong Agyare Stephen	48,000	0.01
18 NTHC/SCB Account	42,094	0.01
19 Barkoh Joseph Henry	40,000	0.01
20 Teachers Fund	39,700	0.01
	<b>457,464,246</b>	<b>95.31</b>



