

ANNUAL REPORT

2002 / 2003



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PRODUCE BUYING COMPANY LIMITED

PRODUCE BUYING COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003



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FOR THE YEAR ENDED 30 SEPTEMBER 2003

CONTENTS	PAGE
CORPORATE VISION	1
NOTICE OF ANNUAL GENERAL MEETING	2
BOARD OF DIRECTORS, OFFICIALS	3
CHAIRMAN'S STATEMENT	4-5
PERFORMANCE AT A GLANCE	6
MANAGING DIRECTOR'S REVIEW OF OPERATIONS	7-8
REPORT OF THE DIRECTORS	9-11
STATEMENT OF DIRECTORS' RESPONSIBILITIES	12
REPORT OF THE AUDITORS	13
PROFIT AND LOSS ACCOUNT/INCOME SURPLUS	14
BALANCE SHEET	15
CASH FLOW STATEMENT	16
NOTES TO THE FINANCIAL STATEMENTS	17-22
SHAREHOLDING DISTRIBUTION	23-24

PRODUCE BUYING COMPANY LIMITED

CORPORATE VISION

Develop and maintain the Produce Buying Company Limited as the leading cocoa dealer in Ghana.

CORPORATE MISSION

Purchase high quality cocoa beans from farmers, store and ensure prompt delivery of the graded and sealed beans to designated Take Over Centres internally and the export market in the most efficient and profitable manner.

CORPORATE OBJECTIVES

- *To satisfy cocoa farmers through quality service delivery and other incentive packages.*
- *To capture and maintain a sizable percentage of the internal cocoa market.*
- *To provide adequate and well-maintained storage facilities for cocoa purchased.*
- *To ensure prompt, efficient and cost-effective evacuation and handing over/export of cocoa purchased.*
- *To recruit and retain a well-developed and motivated workforce.*
- *To encourage research institutions to develop technologically improved methods of cocoa production and their adoption by farmers to increase yield.*
- *To conduct the Company's business in the most efficient and profitable manner to yield equitable return on investments to the satisfaction of shareholders and other stakeholders.*
- *Organisational values – To build on the goodwill that the Company enjoys from cocoa farmers and the experience of its field staff to enhance its market share.*



PRODUCE BUYING COMPANY LIMITED (PBC LTD.)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 3rd Annual General Meeting of Produce Buying Company Limited will be held at the Osu Ebenezer Presbyterian Church Hall, Osu, Accra, on Thursday 4th March, 2004 at 10.00 a.m. to transact the following business:

AGENDA

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 30th September 2003.
2. To declare a dividend
3. 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. Yeboah Alex Duodu
 - ❖ Mr. Emmanuel Otchere
 - ❖ Mr. Joseph Buatsie
4. To approve Non-Executive Directors' fees.
5. To appoint auditors and authorize the Directors to determine their remuneration.
6. To transact any other business appropriate to be dealt with at an Annual General Meeting.

BY THE ORDER OF THE BOARD

Dated this 8th day of January, 2004.

GODFREY OSEI AGGREY
THE SECRETARY

NOTE:

A member of the Company entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of him. A Proxy needs not be a member. A form of Proxy is attached and for it to be valid for the purpose of the meeting, it must be completed and deposited at the offices of the Registrars, NTHC Limited, Martco House, No. D542/4, Okai Mensah Link, Adabraka, Accra, P.O. Box KIA 9563, Airport-Accra not less than 48 hours before the appointed time of the meeting.

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: Mr. Godfrey Osei Aggrey

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,

It is with much pleasure that I welcome you all to the Annual General Meeting of the Produce Buying Company Limited and present to you the Annual Report and Statement of Accounts of your Company for the financial year ended September 30th 2003. Before presenting the details of your Company's operations for the year, permit me to give you a brief overview of developments in world and national cocoa markets.

The year under review saw world cocoa prices rallying from previous years decline to record very high prices. The generally bullish pressure on the international cocoa markets was due to projected world supply and demand situation which pointed to a third year deficit and supported by technical factors such as the unstable political situation in La Cote d'Ivoire.

The appreciable increase in the world cocoa prices enabled the Producer Price Review Committee (PPRC) to increase Producer Prices of cocoa and fix fairly realistic buyers take over margins for Licensed Buying Companies (LBCs).

National cocoa production increased significantly from 338,904.68 tonnes in 2001/02 to 496,793 tonnes during the 2002/03 financial year mainly due to farmers' response to government's consistent producer price increases and bonus payments; positive effects of government's cocoa diseases and pest control exercise and the cocoa hi-tech programme. Similarly, your Company increased its volume of purchases by 23% from 136,652 in 2001/02 to 167,998 representing 34% of the market share during the year under review. The Board and Management are determined to ensure that the Company remains the market leader by recapturing and holding part of its market share in the future.

Ladies and Gentlemen, the Annual PBC Best Farmers awards programme which enable us to reward and interact with our loyal farmers were held in all cocoa growing Regions across the country. The theme for this year's programme was 'Sustaining PBC's Partnership with Farmers'. We intend to make this programme a permanent feature on our calendar to deepen the bonds of friendship and co-operation with our cherished cocoa farmers.

In spite of the intense competition, PBC did not shirk its national responsibility of being the buyer of last resort of cocoa in Ghana. The Company continued to purchase cocoa from low producing areas and is still the only LBC purchasing cocoa in the Volta Region.

Operating Results

Cocoa purchases for the 2002/03 financial year totaling 167,998 tonnes were made up of 148,084 tonnes and 19,914 tonnes for the 2002/03 Main Crop and 2003 Light Crop seasons respectively. With Producer Price of ₵8,500,000 per tonne and Buyers' Take Over Margin of ₵1,202,500, the Company achieved Turnover of ₵1,595 billion. An increase of 122% over previous year's performance due mainly to increase in volume of cocoa purchased, Producer Price and Margins.

Dear Shareholders, our Company's performance continues to improve year by year with tremendous growth in earnings. I am pleased to inform you, once again that the Company's Net Profit before tax increased by 299% from last year's figure of ₵10.329 billion to ₵41.216 billion this year. The implementation of financial policies and operational strategies as set out in our Corporate Plan by both Board and Management and encouragement and support you shareholders give us at annual general meetings account for the consistent impressive performance over the years.

We are determined to adopt innovative measures to sustain this robust growth in earnings.

Dividend

Ladies and Gentlemen I am pleased to report that the deficit on the Income Surplus Account of ₵13.43 billion we inherited in September, 2001 was cleared by the end of March 2003. The Income Surplus balance before appropriation as at the end of the year under review is ₵19.09 billion. The Board is therefore recommending a dividend of ₵15 per share amounting to ₵7.18 billion for payment.

In addition to this, the Company's shares ranked fifth among the top ten best performers on the Stock Exchange this year. PBC share price grew from €390 per share in May 2003 to €1,300 by October 2003 registering capital gains of 233% compared to the average gain on the Market of 136% over the same period.

PBC Share Buy Back

I am pleased to inform you that the share buy back scheme has been successfully completed. In all, 864,420 shares worth €1,008,811,000 were bought back by the company. Due to the impressive performance of your Company, most shareholders held back their shares and as a result the number of shares we purchased fell below the 5% we programmed to buy. As I explained last year, the Company intends to sell the shares on the Stock Exchange at a later date.

Working Capital

As a result of the consistent positive performance of the Company there is renewed confidence in the Company by financial institutions leading to the granting of both short and medium term credit to finance crop purchases, operational inputs & logistics and haulage trucks. In spite of these favourable developments, the prudential requirement on unsecured single-party lending limit on Commercial Banks continue to hinder our efforts to raise substantial seed fund guarantee from the banks to borrow money from the Ghana Cocoa Board for cocoa purchases.

The need for the Company to obtain some working capital cannot be over emphasized. In the ensuing year it might be desirable to retain substantial part of our earnings to build up adequate working capital to provide some financial cover during the cocoa season.

Investments

During the year the Company commenced a planned replacement of Tractors, Cargo, Articulator Trucks and trekking vehicles for its field staff aimed at improving evacuation, field supervision and monitoring. This exercise paid off well leading to reduction in shortages and improved recycling rate.

It is our intention to continue this exercise until the performance of the Company's fleet of vehicles is greatly enhanced.

Outlook

In the ensuing years we will be guided by our corporate vision that is to develop and maintain the Produce Buying Company as the leading cocoa dealer in Ghana. Both the Board and Management are determined to boost the company's revenues and at the same time reduce operating cost to ensure sustained profitability.

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

As competition in the internal marketing of cocoa increases, with the registration of more Licensed Buying Companies, our Company shall continue to draw on its strengths to provide the necessary leadership through the provision of high quality service to our farmers and adopt healthy competitive practices which will set proper standards for the Industry. We shall continue to encourage the use of Akuafu Cheques as the mode of payment of cocoa and keep proper records of farmers' purchases to assist in the prompt and accurate payment of farmers' bonus and award of scholarship to farmers' wards.

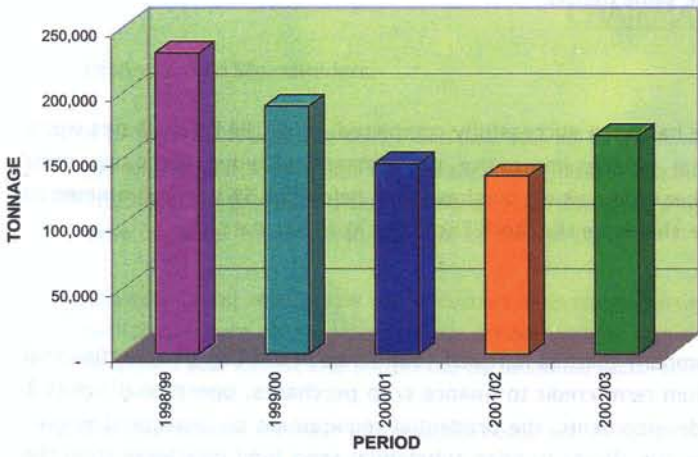
I shall conclude by expressing my appreciation to our loyal and dedicated cocoa farmers, management and staff of the Company for their untiring efforts to improve performance and profitability of the Company, to you shareholders for your faith and confidence in our Company and finally to my colleagues on the Board for their tremendous support during the year.

Thank you.

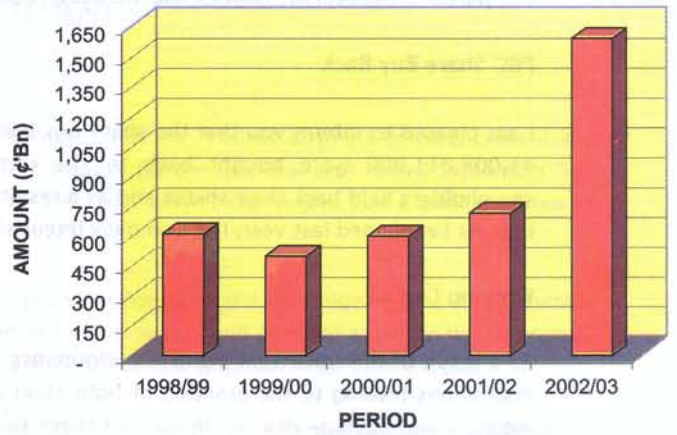
NANA TIMOTHY AYE KUSI
CHAIRMAN

PRODUCE BUYING COMPANY LTD PERFORMANCE AT A GLANCE

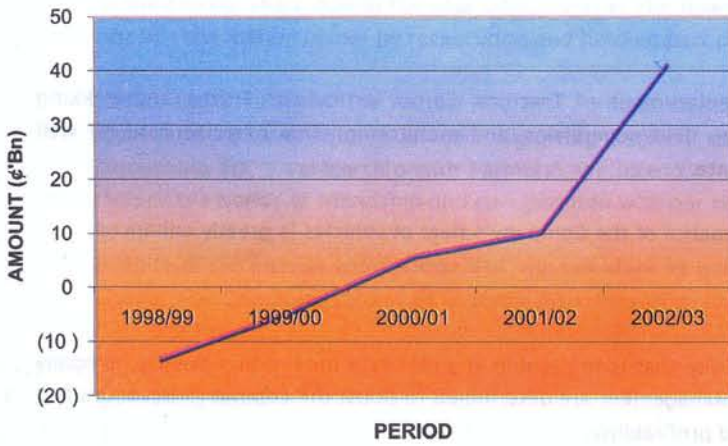
TONNAGE PURCHASED



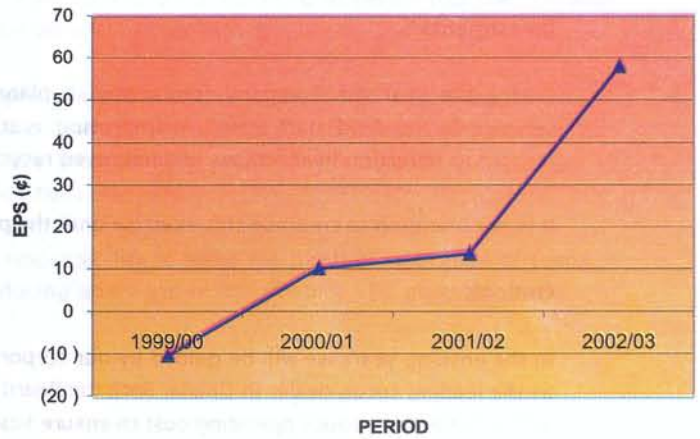
TURNOVER



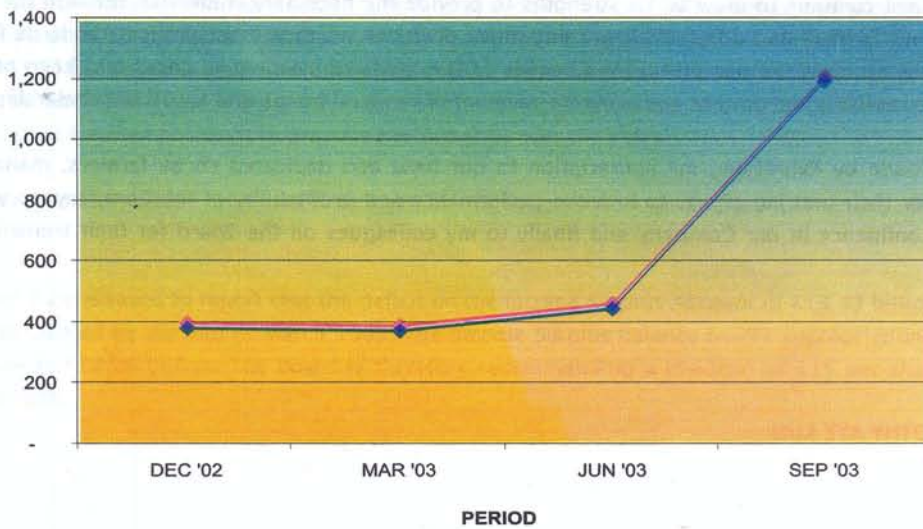
PROFIT BEFORE TAX



EARNINGS PER SHARE



PRICE PER SHARE



PRODUCE BUYING COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The Company registered significant growth in both volume of cocoa purchased, total revenue and operating profit during the year under review. Net Profit before tax increased by 299% from ₵10.329 billion to ₵41.216 billion. It is heartening to note that the operational and financial strategies aimed at reducing operating cost through quick recycling of seed fund are working very well. We shall continue to implement operational procedures set out in our Medium Term Corporate Plan to achieve our set targets.

Performance Review

Turnover increased from ₵716.83 billion to ₵1.595 trillion, an increase of 122% due to increase in volume of cocoa purchased, producer price and buyers take over margins. With the general increase in national cocoa production from 338,904 tonnes to 496,793 tonnes the Company's tonnage purchased increased by 23% from 136,952 tonnes to 167,998 tonnes. The Company's market share was 34%. Cost of sales increased by 127% to ₵1.398 trillion due to increase in Producer Price of cocoa resulting in a gross profit of ₵196.9 billion, compared to last year's gross profit of ₵99.9 billion, an increase of 97% was thus registered.

Direct Operating Expenses increased by 78% over the previous year's figures. Cost items that recorded increases are jute sacks & twine and grading and sealing which increased by 35% and 96% respectively due mainly to high volume of cocoa purchased; Agency Commission recorded an increase of 169% due to the payment of competitive commission to Marketing Clerks.

Our continuous reliance on the Akafo Cheque as a medium of payment for cocoa purchased was manifested in the increase of 125% to ₵8.75 billion in Akafo Cheque commission paid to banks. Interest on Produce loan and bank charges also increased in proportion with the increase in turnover during the year.

Administrative and General Expenses which is made up of Staff Cost, Office Cost and Estate and Property Cost rose by 60.7% to ₵36.28 billion during the year. With Total Expenses increasing by 73.64% to ₵165.72 billion, and Gross Profit at ₵196.9 billion, the Company registered Operating Profit of ₵31.19 billion, an increase of 598% over the previous year's performance of ₵4.46 billion.

Other income of ₵10.02 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 ₵41.22 billion.

The Company continued its tradition of prompt payment of corporate taxes to the Internal Revenue Service during the year. A total of ₵6.37 billion made up of balance on previous and current years' taxes were paid this year. National Reconstruction Levy of ₵409 million was also paid.

Social Services

Your Company continued to play its role as an effective agent of change in the communities it operates. During the year, over ₵69.8 million was expended on repair of roads and bridges in the rural communities. Additionally, roofing sheets and cement worth ₵271.5 million were transferred to the various cocoa buying centres to repair and renovate storage facilities to improve and beautify our farming villages. The Company also supported various electrification and water projects in some selected communities and donated ₵10 million to the Ghana Heart Foundation at the Korle Bu Teaching Hospital during the year.

Management is determined to maintain the Company's reputation as a good corporate citizen especially in its areas of operation in the future.

Shareholders funds increased by 46% from €41.17 billion to €60.04 billion after providing for dividend of €7.18 billion

Outlook

The year 2003/04 marks the last year of our 3-year Medium Term Corporate Plan. Management is determined to build on the successes so far achieved to draw new 3-year Medium Term Plan to set the company on a sustainable growth path for the ensuing years.

Management shall continue the computerization programme with the supply of computer hardware to selected District Offices to ensure timely and accurate flow of information.

Every effort is being made to improve the performance of our Company through continuous training and development of its workforce. Management has devised result-oriented performance measurement indicators which seek to set targets at the beginning of each season for both field and office staff. The system which began last season at the Regional level shall be moved to districts to ensure that staff give off their best.

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 take this opportunity to thank the Board of Directors, Management and Staff of the Company for the impressive performance during the year. 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 2003

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, 2003.

RESULTS OF OPERATIONS

	<u>2003</u>	<u>2002</u>
	¢'000	¢'000
Turnover	1,595,199,717	716,836,706
Profit before Tax	41,215,754	10,329,287
National Reconstruction Levy	<u>(1,030,394)</u>	<u>(258,232)</u>
	40,185,360	10,071,055
From which is deducted provision for The estimated income tax liability	<u>(13,124,041)</u>	<u>(4,599,088)</u>
Leaving a Net Profit after tax of	27,061,319	5,471,967
To which is added the Income Surplus Brought forward from the previous year of	<u>(7,966,232)</u>	<u>(13,438,199)</u>
	19,095,087	(7,966,232)
Transfer to Share Deals Account	<u>(1,200,000)</u>	
Proposed Dividend (¢15 per share)	<u>(7,187,019)</u>	<u>0</u>
Resulting in a balance carried To the Balance Sheet of	<u>10,708,068</u>	<u>(7,966,232)</u>

DIVIDEND

The Directors recommend the payment of dividend at ¢15 per share for the year ended 30 September 2003

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

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, Dr. Yeboah Duodu, Mr. Joseph Buatsie and Mr. Emmanuel Otchere

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 2003, 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

8th JANUARY 2004

PRODUCE BUYING COMPANY LTD
PROFILE OF DIRECTORS

1. DR. YEBOAH ALEX DUODU

Dr. Yeboah Alex Duodu was born on 1st January, 1937. He is an Entomologist/Insect Pest Management Specialist.

He holds Bsc Degree in Agriculture, Msc. (Pure and Agricultural Entomology and P H D. (Pure and Agric Entomology).

From 1972 to 1977 he worked as a Research Officer at the Crops Research Institute in Kumasi. He became a Senior Research Officer from 1977 to 1983. In 1983 he rose to be a Principal Research Officer.

From 1985 to 1986, Dr. Duodu was a plant Protection Adviser for F.A.O. in Laos. Before then he was a Part-time Lecturer at the University of Science And Technology, Kumasi. From 1989 to 1993 he worked as F.A.O Integrated Insect pest Management Specialist in Guyana. He was a Consultant to F.A.O for (a) Suriname in 1993 (b) Ghana in 1988, (c) Sierra Leone in 1987 (d) F.A.O Headquarters Rome from 1987 to 1988. Dr. Duodu was also a Consultant for Sasakawa- Global 2000 to Uganda in 1997. Again he was a UNDP Consultant to the West African Rice Development Association in 1995.

2. MR. EMMANUEL OTCHERE

Mr. Emmanuel Otchere was born on 26th April 1941. He is a Management Consultant. He holds a Bsc. Degree in Mechanical Engineering.

He worked with Shell Ghana limited as an Engineer from 1969 to 1973. From 1973 he worked in the National Investment Bank and became The Director of The Development Banking Division before retiring in 2000.

Presently he works as a Management Consultant with J.S ADDO Consultants, Accra.

3. MR. JOSEPH BUATSIE

Mr. Joseph Buatsie was born on 11th September, 1955.

He is an Agriculturist and a Public servant.

He holds a Bsc. (Hons.) Degree in Agriculture.

His career started as an Assistant Research Officer (Marketing) in the Ghana Timber Marketing Board from 1974-1975.

He became an Assistant Inspector of Produce in the Produce Inspection Division of COCOBOD from 1975-1977.

He was promoted to become an Inspector of Produce from 1977 to 1980. From 1980 to 1982 he became a Senior Inspector of Produce and rose to a Principal inspector of Produce from 1982 to 1985. He became a Chief Inspector of Produce from 1985 to 1986. From 1986 to 2002 he became the Deputy Executive Director PID/QCD.

Presently Mr. Buatsie is the Executive Director of The Quality Control Division of COCOBOD (ie from 2002 to date).

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 that 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 13 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 2003**

We have audited the financial statements on pages 14 to 16, which have been prepared under the accounting policies set out on page 17.

Respective Responsibilities of Directors and Auditors

As described on page 12, 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 that we considered necessary except on the title deeds.

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.

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 2003 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**

8th January 2004

PRODUCE BUYING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	NOTES	2003 €'000	2002 €'000
TURNOVER		<u>1,595,199,717</u>	<u>716,836,706</u>
COST OF SALES		<u>(1,398,284,875)</u>	<u>(616,935,070)</u>
GROSS PROFIT		<u>196,914,842</u>	<u>99,901,636</u>
DIRECT OPERATING EXPENSES	2	(129,437,924)	(72,864,467)
ADMIN. & GENERAL EXPENSES	3	<u>(36,284,586)</u>	<u>(22,573,684)</u>
TOTAL EXPENSES		<u>(165,722,510)</u>	<u>(95,438,151)</u>
OPERATING PROFIT		31,192,332	4,463,485
OTHER INCOME	4	<u>10,023,422</u>	<u>5,865,802</u>
NET PROFIT BEFORE TAXATION		41,215,754	10,329,287
NATIONAL RECONSTRUCTION LEVY	5	<u>(1,030,394)</u>	<u>(258,232)</u>
		40,185,360	10,071,055
TAXATION	6	<u>(13,124,041)</u>	<u>(4,599,088)</u>
NET PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		<u>27,061,319</u>	<u>5,471,967</u>

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

BALANCE AT 1 OCTOBER	(7,966,232)	(13,438,199)
NET PROFIT FOR THE YEAR	<u>27,061,319</u>	<u>5,471,967</u>
	19,095,087	(7,966,232)
TRANSFER TO SHARE DEALS ACCOUNT	(1,200,000)	0
PROPOSED DIVIDEND	<u>(7,187,019)</u>	<u>0</u>
BALANCE AT 30 SEPTEMBER	<u>10,708,068</u>	<u>(7,966,232)</u>

PRODUCE BUYING COMPANY LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2003

	NOTES	2003 ¢'000	2002 ¢'000
FIXED ASSETS	7	31,159,705	24,177,025
LONG TERM INVESTMENT	8	250,000	250,000
		31,409,705	24,427,025
CURRENT ASSETS			
Stocks	9	40,004,909	15,553,979
Accounts Receivable	10	12,972,934	4,093,397
Short Term Investments	11	5,349,297	4,388,028
Bank and Cash Balances	12	31,146,866	9,870,303
		89,474,006	33,905,707
CURRENT LIABILITIES			
Bank Overdraft	13	19,525,255	1,330,771
Accounts Payable	14	14,081,441	11,450,256
Current Portion-Medium Term Loan	15	4,148,227	0
National Reconstruction Levy	5	871,698	248,425
Taxation	6	10,878,819	4,125,743
Dividend	16	7,187,019	0
		56,692,459	17,155,195
NET CURRENT ASSETS		32,781,547	16,750,512
NET ASSETS			
Medium Term Loan	15	(4,148,226)	0
		60,043,026	41,177,537
REPRESENTED BY			
Stated Capital	17	49,143,769	49,143,769
Share Deals Account	18	191,189	0
Income Surplus Account		10,708,068	(7,966,232)
		60,043,026	41,177,537

Approved by the Board on 8th JANUARY 2004

Nana Timothy Aye Kusi Director

E. Owusu. Boakye Director

PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2003 €'000	2002 €'000
Cash flows from operating activities		
Net Profit before taxation	41,215,754	10,329,287
Depreciation	9,032,703	6,090,070
(Increase) in Stocks	(24,450,930)	(1,209,872)
(Increase)/Decrease in Accounts Receivable	(8,879,537)	547,670
Increase in Accounts Payable	2,631,185	2,983,820
Interest Received	(917,600)	(2,069,247)
Interest Paid	41,984,164	25,682,353
Profit on Sale of Fixed Assets	(430,700)	(472,250)
Net Cash flow from operating activities	<u>60,185,039</u>	<u>41,881,831</u>
Cash flows from Investing activities		
Interest Received	917,600	2,069,247
Interest Paid	(41,984,164)	(25,682,353)
Tax Paid	(6,370,965)	(278,492)
Reconstruction Levy Paid	(407,121)	(143,528)
Receipts from Fixed Assets	430,700	545,805
Payments to acquire fixed assets	(16,015,383)	(6,275,424)
Treasury Bills/Call Deposits	(961,269)	(1,270,182)
Net Cash used in Investing Activities	<u>(64,390,602)</u>	<u>(31,034,927)</u>
Cash flows from Financing Activities		
Purchase of Shares	(1,008,811)	0
Medium Term Loan	8,296,453	0
Short Term loans	0	(11,537,309)
Net Cash used in Financing Activities	<u>7,287,642</u>	<u>(11,537,309)</u>
Net Increase in Cash	<u>3,082,079</u>	<u>(690,405)</u>

Analysis of changes in cash

	At 1 Oct. 2002 €'000	Cash Flows €'000	At 30 Sept. 2003 €'000
Cash in Hand and at Bank	9,870,303	21,276,563	31,146,866
Overdrafts	(1,330,771)	(18,194,484)	(19,525,255)
TOTAL	<u>8,539,532</u>	<u>3,082,079</u>	<u>11,621,611</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

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 2003

2. DIRECT OPERATING EXPENSES include depreciation of €7,738,083,000 on Plant, Machinery and Motor Vehicles (2002-€4,920,124,000)

3. ADMINISTRATIVE AND GENERAL EXPENSES include the following:-

	2003 €'000	2002 €'000
Depreciation-Land & Buildings, Furniture & Equipment	1,294,620	1,169,945
Auditors Remuneration	80,000	64,000
Directors Fees and Expenses	110,168	47,014
Subscriptions	129,512	109,199

4. OTHER INCOME

	2003	2002
Freight Income	7,376,084	2,568,774
Rent Income	240,896	184,869
Recoveries from shortages	647,862	203,013
Sundry Income	410,280	367,649
Interest Received	917,600	2,069,247
Profit on Disposal of Fixed Assets	430,700	472,250
	<u>10,023,422</u>	<u>5,865,802</u>

5 NATIONAL RECONSTRUCTION LEVY

Year of Assessment	Balance at 1.10.2002 €'000	Payment during the year €'000	Charge for the year €'000	Balance at 30.9.2003 €'000
2001	133,721	(130,597)	0	3,124
2002	114,704	(112,930)		1,774
2003		(163,594)	1,030,394	866,800
	<u>248,425</u>	<u>(407,121)</u>	<u>1,030,394</u>	<u>871,698</u>

6 TAXATION

Year of Assessment	Balance at 1.10.2002 €'000	Payment during the year €'000	Charge for the year €'000	Balance at 30.9.2003 €'000
1995-1999	105,147	0	0	105,147
2000	(100,000)	0	0	(100,000)
2001	408,310	(300,000)	0	108,310
2002	3,712,286	(3,880,522)	0	(168,236)
2003		(2,190,443)	13,124,041	10,933,598
	<u>4,125,743</u>	<u>(6,370,965)</u>	<u>13,124,041</u>	<u>10,878,819</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 2003

7	FIXED ASSETS	Land and Buildings €'000	Plant and Machinery €'000	Motor Vehicles €'000	Furniture & Fitting €'000	Building W.I.P €'000	Total €'000
	<u>Cost</u>						
	Balance at 1.10.2002 Cost	11,890,198	4,096,892	14,185,118	2,292,969	121,965	32,587,142
	Revaluation	7,469,940	11,915,426	2,551,543	1,338,021	0	23,274,930
	Additions during the year : Cost	419,481	2,102,045	12,731,407	701,455	182,960	16,137,348
	Disposals/Transfers	0	0	(653,250)	0	(121,965)	(775,215)
	Balance at 30.9.2003	19,779,619	18,114,363	28,814,818	4,332,445	182,960	71,224,205
	<u>Depreciation</u>						
	Balance at 1.10.2002 Cost	2,926,800	2,219,839	11,032,470	1,455,245	0	17,634,354
	Revaluation	896,394	9,532,340	2,551,543	1,070,416	0	14,050,693
	Charge for the year - Cost	369,128	970,659	4,384,339	433,790	0	6,157,916
	- Revaluation	224,098	2,383,085	0	267,604	0	2,874,787
	Disposals	0	0	(653,250)	0	0	(653,250)
	Balance at 30.9.2003	4,416,420	15,105,923	17,315,102	3,227,055	0	40,064,500
	NET BOOK VALUE AT 30.9.03	15,363,199	3,008,440	11,499,716	1,105,390	182,960	31,159,705
	NET BOOK VALUE AT 30.9.02	15,536,944	4,260,139	3,152,648	1,105,329	121,965	24,177,025

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 2003

9 STOCKS	2003 ¢'000	2002 ¢'000
Trading - Cocoa	30,243,531	2,763,263
<u>Non-Trading</u>		
Spare Parts	1,081,091	1,183,069
Tarpaulin Stocks	580,715	590,101
Jute Sacks/Twine	4,693,318	7,717,063
Technical Stores	203,934	136,161
Stationery	1,368,219	1,596,174
Fuel and Lubricants	642,907	252,245
Motor Cycle/ Helmet	1,616	1,746
Other Stock/Matchets	19,440	342,154
Tyres and Batteries	698,077	470,579
Stencil Ink	472,061	564,768
	<u>40,004,909</u>	<u>15,617,323</u>
Less Provision for obsolete stock	0	(63,344)
	<u>40,004,909</u>	<u>15,553,979</u>

10 ACCOUNTS RECEIVABLE

Other Debtors	1,084,493	1,495,816
Staff Loans and Advances	3,330,343	2,239,993
Trade Debtors	6,901,418	33,634
Prepayments	1,656,680	323,954
	<u>12,972,934</u>	<u>4,093,397</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 ¢3,330,343,000 (2002 - ¢2,239,993,000).

	¢'000	¢'000
11 SHORT TERM INVESTMENTS		
Call Deposits	5,349,297	3,878,183
Treasury Bills	0	509,845
	<u>5,349,297</u>	<u>4,388,028</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2003 ¢'000	2002 ¢'000
12 BANK AND CASH BALANCES		
Bank Balances	31,144,502	9,867,325
Cash Balances	<u>2,364</u>	<u>2,978</u>
	<u><u>31,146,866</u></u>	<u><u>9,870,303</u></u>
13 BANK OVERDRAFT		
Balances as at 30 September	<u><u>19,525,255</u></u>	<u><u>1,330,771</u></u>
 The balances show a temporary overdrawn position.		
The Company has been granted overdraft facilities by its bankers, Ghana Commercial Bank and Standard Chartered Bank.		
14 ACCOUNTS PAYABLE		
Trade Creditors	670,613	35,848
Other Creditors	10,505,271	10,111,638
Accrued Charges	<u>2,905,557</u>	<u>1,302,770</u>
	<u><u>14,081,441</u></u>	<u><u>11,450,256</u></u>
15 MEDIUM TERM LOAN		
This is the balance on loan granted to the Company by Standard Chartered Bank.		
Current Portion	4,148,227	0
Medium Term Portion	<u>4,148,226</u>	<u>0</u>
	<u><u>8,296,453</u></u>	<u><u>0</u></u>
16 DIVIDEND		
Proposed Dividend	<u><u>7,187,019</u></u>	<u><u>0</u></u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2003		2002	
17 STATED CAPITAL				
a) Authorised Number of :				
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) Issued and fully paid :	Number	¢'000	Number	¢'000
i) Preference Share ("Golden Cocoa Share")	<u>1</u>	<u>1,000</u>	<u>1</u>	<u>1,000</u>
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	<u>480,000,000</u>	<u>49,142,769</u>	<u>480,000,000</u>	<u>49,142,769</u>
iii) Total Pref/Ordinary shares	<u>480,000,001</u>	<u>49,143,769</u>	<u>480,000,001</u>	<u>49,143,769</u>
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 2003:- 865,420 (2002 - Nil)				
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.				

17a 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".

18 SHARE DEALS ACCOUNT

	2003	2002
	¢'000	¢'000
Transfer from Income Surplus	1,200,000	0
Purchase of Own Shares	<u>(1,008,811)</u>	<u>0</u>
	<u>191,189</u>	<u>0</u>

The movement on the Share Deals Account is the net result of sums transferred from Income Surplus and expended in the purchase of shares in compliance with section 63(2) of the Ghana Companies Code 1963 (Act 179)

PRODUCE BUYING COMPANY LIMITED

SHAREHOLDING DISTRIBUTION

Category	Number of Shareholders	Total Holding	Percentage Holding (%)
1 - 1,000	13,204	4,907,414	1.02
1,001 - 5,000	1,610	5,534,087	1.15
5,001 - 10,000	1,709	10,747,531	2.24
Over 10,000	103	458,810,968	95.59
Total	<u>16,626</u>	<u>480,000,000</u>	<u>100.00</u>

PRODUCE BUYING COMPANY LIMITED

20 LARGEST SHAREHOLDERS

Shareholders	Number of Shares	Percentage Holding (%)
1 Ministry of Finance - Government of Ghana	188,890,434	39.35
2 NTHC/Institutional Investor Consortium	145,626,231	30.34
3 Social Security & National Insurance Trust	96,000,000	20.00
4 NTHC Limited	9,441,934	1.97
5 Current PBC Employees	5,127,577	1.07
6 PBC Provident Fund	4,495,090	0.94
7 Ofori Barak Kyei Mr.	2,500,000	0.52
8 Tetteh Thomas Akwetey Mr.	2,350,310	0.49
9 GCCSFA/Farmers - Individuals	1,550,307	0.32
10 GCCSFA/Farmers - Association	1,250,000	0.26
11 State Insurance Company Limited	1,000,000	0.21
12 Yirenkyi Samuel Ernest Mr.	1,000,000	0.21
13 Ofori Daniel Mr.	352,000	0.07
14 NTHC Limited Clients Account	231,416	0.05
15 Enterprise Insurance Company Limited	188,716	0.04
16 Mankwah Blaise Ofoe Mr.	100,000	0.02
17 Attafuah Victor Dokyi Mr.	90,000	0.02
18 CDH Insurance Company Limited	50,000	0.01
19 Oppong-Agyare Stephen Mr.	48,000	0.01
20 Awuah Kwadwo Mr.	48,000	0.01
	<u>460,340,015</u>	<u>95.91</u>

