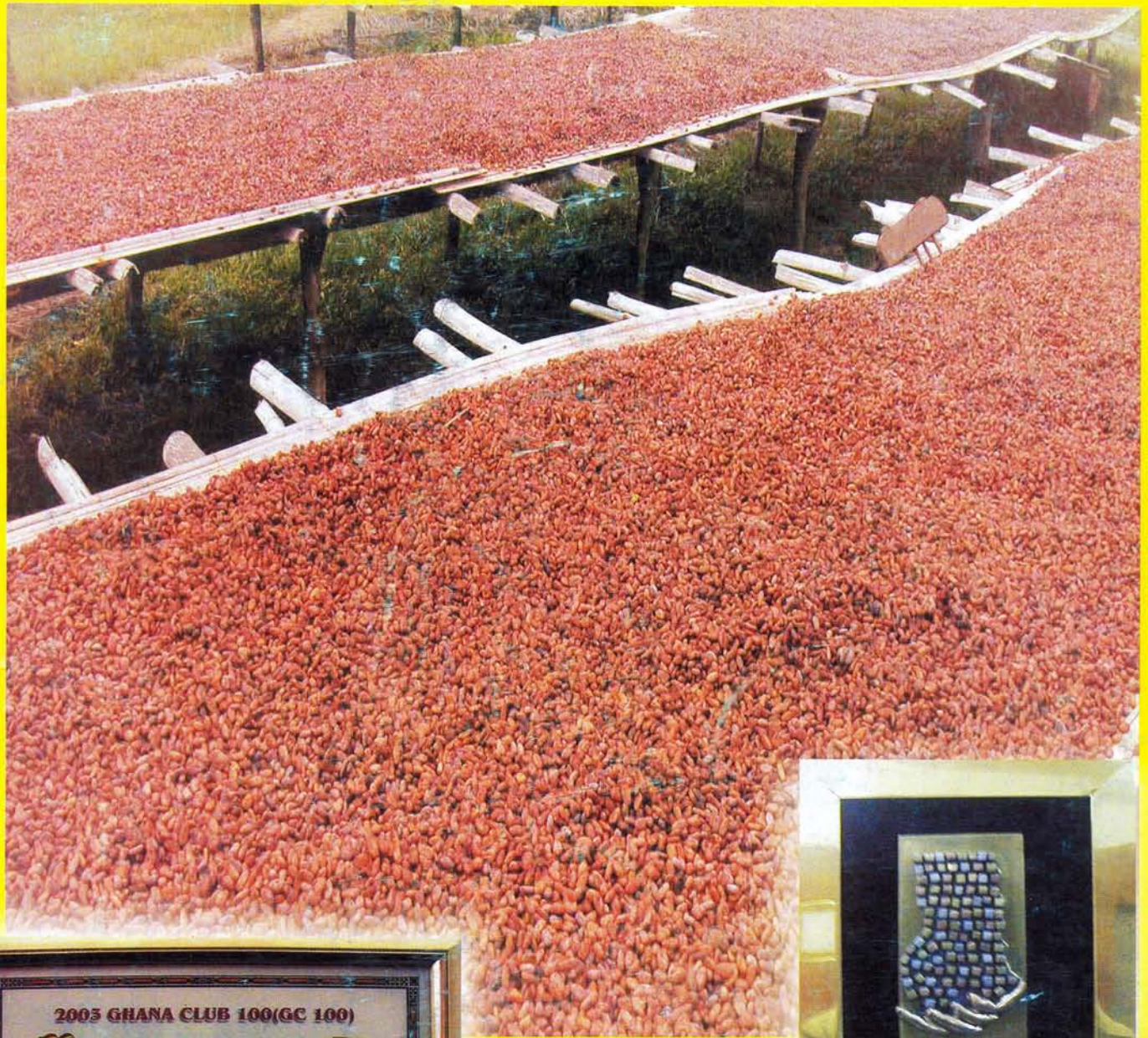




ANNUAL REPORT

2003/04



**PBC WINS GHANA CLUB (GC) 100
BEST COMPANY IN TRADING AWARD**



**PBC WINS 2003 GHANA CLUB (GC) 100
2ND BEST COMPANY AWARD**

PRODUCE BUYING COMPANY LTD



PRODUCE BUYING COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL
STATEMENTS

30 SEPTEMBER 2004





PRODUCE BUYING COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2004

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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.

OUR COMMITMENT

PBC's mission is to be pursued through a commitment to stakeholders as follows: -

- CUSTOMERS: To satisfy cocoa farmers through quality service delivery and other incentive packages. Research Institutions shall be encouraged to develop technologically improved methods of cocoa production and their adoption by farmers to increase yield.
- SHAREHOLDERS: To conduct the Company's business in the most efficient and profitable manner by building on the goodwill that the Company enjoys from cocoa farmers and the experience of its field staff to enhance its market share to yield equitable returns on investments.
- EMPLOYEES: To recruit and retain a well-developed and motivated workforce through equitable reward systems and improvement of the working environment to boost job satisfaction.



PRODUCE BUYING COMPANY LIMITED
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 4th Annual General Meeting of Produce Buying Company Limited will be held at the **OSU EBENEZER PRESBYTERIAN CHURCH HALL, OSU, Accra** on **FRIDAY 18TH FEBRUARY, 2005** 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 2004.
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:

Nana Timothy Aye Kusi
Mrs. Angelina Baiden-Amissah

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 11TH JANUARY, 2005

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-Amissah
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:

ACHIMOTAROAD
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, 30th 2004.

Bullish pressures which characterized world cocoa prices during previous years abated slightly leading to reduction in cocoa prices on the International Cocoa Markets in the course of the year.

Cocoa Production

During the year, the positive effects of government's intervention in cocoa diseases and pest control, increases in producer price of cocoa and the payment of bonuses to farmers yielded the desirable results and translated into increases in cocoa production. National cocoa production consequently, increased from **496,793 tonnes** in 2002/03 to a historic record of **739,894 tonnes** during the year under review. Similarly, your Company increased its tonnage purchased by **46%** from **167,998 tonnes** in 2002/03 to **244,597 tonnes** during the year. The significant increase in output impacted positively on both revenue and profits.

Operating Results

Dear shareholders, your Company put in another sterling performance in the 2003/04 financial year. A net profit before tax of **¢57 billion** was achieved, representing **39%** improvement over the **¢41 billion** recorded last year. The net profit after tax was **¢38 billion**. This represents after tax cedi return on capital employed of **45%**.

Our balance sheet showed strong growth as Shareholders equity increased by **42%** after providing for dividend.

The impressive performance by your Company was attributable to heavy volumes of cocoa purchased and prudent cost control measures instituted by management during the year. Both the Board and Management are determined to continue with the adoption of innovative strategies to sustain the consistent growth in revenues and earnings over the years.

Dividend

Ladies and Gentlemen in pursuance of our corporate objective of conducting the Company's business in the most efficient and profitable manner to yield equitable return on investment to shareholders, your Directors have recommended the payment of dividend of **¢25 per share** amounting to **¢11.9 billion** and representing **66%** increase over last year's dividend payment.

In addition to this, your Company's share price on the Ghana Stock Exchange appreciated tremendously during the year under review. PBC share price appreciated by **177%** from **¢1,300** to **¢3,600** per share by the end of the year. The Company once again ranked fifth among the top ten best performers on the Exchange.

Awards

Dear Shareholders, during the year under review your Company was adjudged second in the prestigious Ghana Club 100 and was also adjudged the Leading Trading Company in Ghana at the same forum. The Ministry of Agriculture also acknowledged our support to the National Farmers day programme by awarding us with a Certificate.

Furthermore, in recognition of our support to the regions in which we operate, two regions, Ashanti and Volta, awarded us with plaques and citations in support of trade and investment fora in those regions.

Outlook

The implementation of our Medium Term Corporate Plan has succeeded in putting our Company in a profitable position. The Board and Management shall continue to adopt strategies aimed at increasing profitability in the years ahead.

Efforts shall also be made to boost freight earnings from secondary evacuation by increasing the use of the Company's articulated trucks to diversify our revenue base.

The Company shall continue to explore avenues to reduce operating cost and ensure quick recycling of capital.

With the favourable macro economic environment of falling interest rates, stable local currency, local cocoa production, the future of your Company looks very bright.

I shall end by expressing my profound appreciation to Management and members of staff for their dedication to the Company. I also wish to extend a hand of gratitude to you shareholders for your support of the Company and finally to my fellow Directors for their invaluable support during the year.

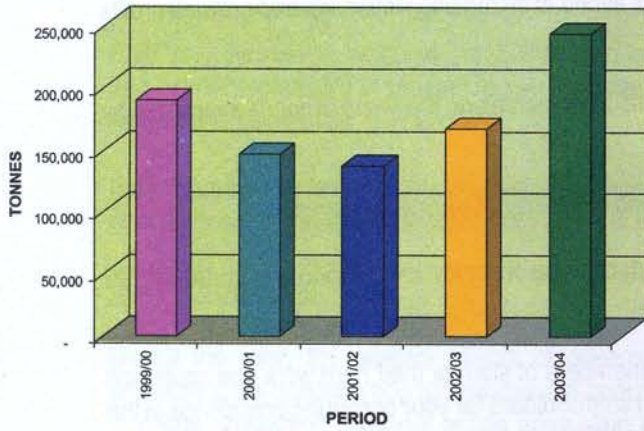
Thank you.

Nana Timothy Aye Kusi

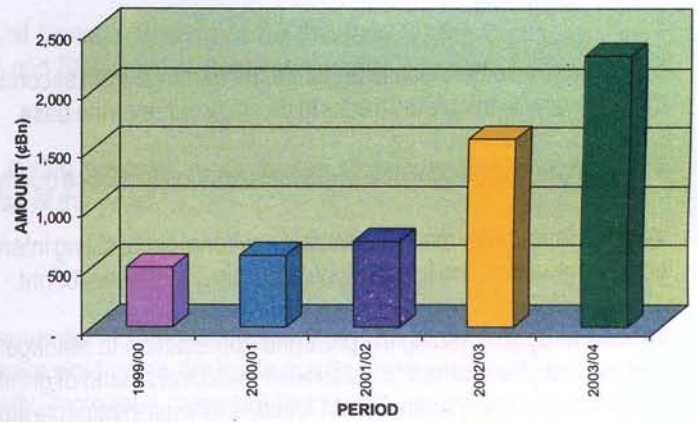
NANA TIMOTHY AYE KUSI
CHAIRMAN

PRODUCE BUYING COMPANY LTD PERFORMANCE AT A GLANCE

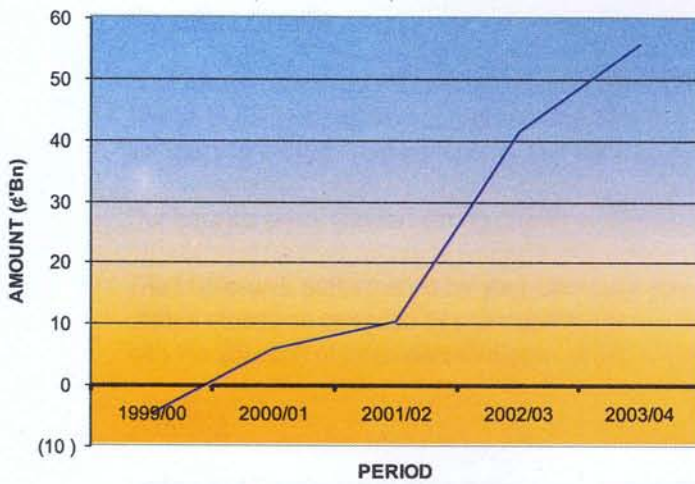
TONNAGE PURCHASED



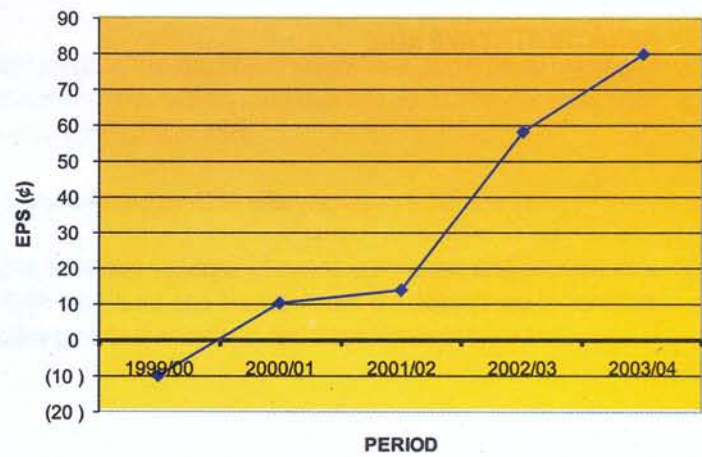
TURNOVER



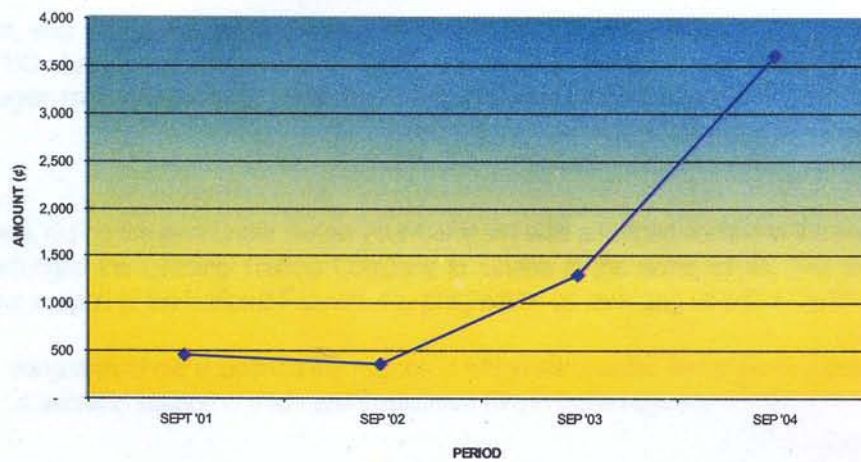
PROFIT BEFORE TAX



EARNINGS PER SHARE



PRICE PER SHARE





PRODUCE BUYING COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The 2003/04 financial year turned out to be a challenging but successful year for the Company. The Company continued to register significant growth in both volume of cocoa purchased, total revenue and operating profit during the year. Net Profit before tax increased by **39%** from **¢41 billion** in 2003 to **¢57 billion** during 2004. In sum, operating results exceeded targets set for the year, in spite of congestions experienced at the Ports by the Industry.

The successful implementation of our Medium Term Corporate plan has laid a firm foundation for consistent efficient performance during this year and in the future. The remarkable performance over the years has been well received on the Ghana Stock Exchange with tremendous improvement in the Company's share price, appreciating from **¢1,300** at the beginning of the year to **¢3,600** currently.

Performance Review

Turnover increased from **¢1.595 trillion** to **¢2.296 trillion**, an increase of **44%** due to increase in volume of cocoa purchased, producer price and buyers take over margins. With the general increase in national cocoa production from **496,793 tonnes** to **736,894 tonnes**, the Company's tonnage purchased increased by **46%** from **167,998 tonnes** to **244,597 tonnes**. The Company's market share was **33%**. Cost of sales increased by **46%** from **¢1.398 trillion** to **¢2.040 trillion** due to increase in Producer Price of cocoa resulting in a gross profit of **¢257 billion**, compared to last year's gross profit of **¢197 billion**, an increase of **30%** was thus registered.

Direct Operating Expenses increased by **27%** over the previous year's figures. One major cost component which accounted for the increase in Direct Cost was Finance Cost. Interest on Produce Loan and Interest on Bank Overdraft increased by **51%** and **150%** respectively. This increase was mainly due to the increase in turnover, coupled with the congestion at the Ports which led to the holding of stocks up-country, thereby locking up working capital. This major challenge faced by the Industry during the year, resulted in the reliance on bank overdraft for cocoa purchases, leading to high interest charges and higher than budgeted produce losses and shortages.

Akuafu Cheque commission however, reduced by **12%** following the reduction of the commission (rate) by **50%** at the beginning of the year.

Agency Commission increased by **112%** due, mainly to high volume of cocoa purchased and payment of competitive commission to Marketing Clerks.

Administrative and General Expenses which is made up of Staff Cost, Office Cost and Estate and Property Cost rose by **33%** from **¢36.29 billion** to **¢48.26 billion** during the year. With Total Expenses increasing by **28%** from **¢166 billion** to **¢213 billion**, and Gross Profit at **¢257 billion**, the Company registered Operating Profit of **¢44 billion**, an increase of **40%** over the previous year's performance of **¢31 billion**.

Other income of **¢13 billion**, made up of freight earnings from secondary evacuation, interest received and recoveries from shortages recorded an increase of **34%** resulting in Net Profit before tax of **¢57 billion**. Income from secondary evacuation, a profit centre of the Company, also increased by **39%** during the year. Management intends to strengthen the Haulage Unit of the Company to diversify its revenue sources.

The Company continued to play its role as a good corporate citizen by promptly paying corporate taxes to the Internal Revenue Service during the year. A total of **¢18 billion** made up of balance on previous and current years' taxes were paid this year. National Reconstruction Levy of **¢1.4 billion** was also paid, in addition to withholding taxes of **¢8.6 billion**.

Shareholders funds increased by **42%** from **¢60 billion** to **¢85 billion** after providing for dividend of **¢11.9 billion**.

Social Services

In pursuance of one of our corporate objectives of encouraging research institutions to develop technologically improved methods of cocoa production and their adoption by farmers to increase yield, your Company donated **¢30 million** to the Faculties of Agriculture of the Kwame Nkrumah University of Science & Technology and the University of Ghana to assist them in purchasing computers to enhance research, teaching and learning.

The Company continued to play its role as an effective agent of change in the communities it operates. During the year, the Company supported various electrification and water projects in selected cocoa growing communities across the country. Additionally, some traditional authorities were supported in other developmental projects to improve the living standards of their inhabitants. These supports were given in addition to the usual supply of cement, roofing sheets and the repair of roads and bridges in the rural communities.

Your Company shall not neglect its social responsibility and obligations in the years ahead. As the Company's finances continue to improve, we shall expand and increase our donations to communities to improve the living conditions of our farmers and society at large.

Outlook

The year 2003/04 marked the last year of our 3-year Medium Term Corporate Plan. In order to sustain the momentum gathered during the past three years, Management has fashioned out a new 3-year Medium Term Corporate Plan with the objective of building on the foundation laid so far to improve on the operational efficiency achieved.

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 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.

The Company once again honoured its farmers by hosting the Annual PBC Farmers Awards in all cocoa regions and districts under the theme **"Organizing cocoa farmers towards optimal production for economic empowerment"**. The award scheme which was further expanded this year to cover about **3,000** farmers throughout the country was very successful and is yielding the desired results.

Management shall continue to adequately motivate workers through improvement of working environment to boost job satisfaction and implement result-oriented performance measurement 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 our farmers.

Finally, I wish to thank the Board of Directors, Management and Staff of the Company for the outstanding performance during the year in spite of the challenges faced and look forward to improving our performance in the years ahead.

Thank you.

Emmanuel Owusu Boakye

E. OWUSU BOAKYE

MANAGING DIRECTOR



PRODUCE BUYING COMPANY LIMITED
REPORT OF THE DIRECTORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

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, 2004.

Results of Operations

	<u>2004</u> ¢'000	<u>2003</u> ¢'000
Turnover	2,296,821	1,595,200
Profit before Tax	57,188	41,215
National Reconstruction Levy	<u>(1,430)</u>	<u>(1,030)</u>
	55,758	40,185
From which is deducted provision for The estimated income tax liability	<u>(17,625)</u>	<u>(13,124)</u>
Leaving a Net Profit after tax of	38,133	27,061
To which is added the Income Surplus Brought forward from the previous year of	<u>10,708</u>	<u>(7,966)</u>
	48,841	19,095
Transfer to Share Deals Account	<u>(1,000)</u>	<u>(1,200)</u>
Proposed Dividend ¢25 per share (2003 - ¢15)	<u>(11,972)</u>	<u>(7,187)</u>
Resulting in a balance carried To the Balance Sheet of	<u>35,869</u>	<u>10,708</u>

Dividend

The Directors recommend the payment of dividend at ¢25 per share for the year ended 30 September 2004

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:

Name		Date of Appointment
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, Nana Timothy Aye Kusi and Hon. Mrs. Angelina Baiden-Amissah.

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 2004, 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

Emmanuel Owusu Boakye Director

ACCRA

21ST DECEMBER 2004

PRODUCE BUYING COMPANY LIMITED
PROFILE OF DIRECTORS

1. NANA TIMOTHY AYE KUSI

Nana Timothy Aye Kusi was born on 9th January 1932. He is a Management Consultant/Traditional Chief.

He holds an MBA degree. From 1953 to 1961 he worked as a School Teacher. From 1970 to 1972 He worked with Lever Brothers Gh. Limited as a Brand/Product Manager and was made the Personnel Manager from 1972 to 1974. He became the Group Personnel Manager with PZ/Cussons Gh. Limited from 1974 to 1981. From 1982 to 1987 he was a Senior Lecturer at GIMPA. He became an Executive Director (HRM) with the State Enterprises Commission from 1987 to 1992 and is now a Management Consultant with Peak Management Services.

2. HON. ANGELINA BAIDEN-AMISSAH (MRS)

Hon. Angelina Baiden-Amissah (Mrs) was born on 8th February, 1954 and is an Educationist.

She holds a Diploma in Home Economics and a Bachelor of Education Degree in Home Economics and Integrated Science.

She has twenty-one (21) years Teaching Experience and four (4) years Parliamentary Experience.

Hon. Mrs Baiden-Amissah was once the Ag. Vice Principal of Holy Child College, Takoradi and Substantive Assistant Headmistress, Kinbu Secondary Technical School from 1996 – 2000. She was also the Assistant Director of Education, Trainer of Trainers for School Reforms from 1985-1988. She also led the Western Region delegation to Cote D'Ivoire independence anniversary celebrations in 1980.

She is currently serving on the Parliamentary Service Board and National Petroleum Tender Board

Presently she is the Member of Parliament for the Shama Constituency.



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 9 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 2004**

PKF

We have audited the financial statements on pages 14 to 22, which have been prepared under the accounting policies set out on page 17.

Respective Responsibilities of Directors and Auditors

As described on page 8, 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 2004 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**

21ST DECEMBER 2004



PRODUCE BUYING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

	NOTES	2004 €'million	2003 €'million
TURNOVER		2,296,821	1,595,200
COST OF SALES		(2,040,198)	(1,398,285)
GROSS PROFIT		256,623	196,915
DIRECT OPERATING EXPENSES	2	(164,625)	(129,438)
ADMIN. & GENERAL EXPENSES	3	(48,260)	(36,285)
TOTAL EXPENSES		(212,885)	(165,723)
OPERATING PROFIT		43,738	31,192
OTHER INCOME	4	13,450	10,023
NET PROFIT BEFORE TAXATION		57,188	41,215
NATIONAL RECONSTRUCTION LEVY	5	(1,430)	(1,030)
		55,758	40,185
TAXATION	6	(17,625)	(13,124)
NET PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		38,133	27,061

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

BALANCE AT 1 OCTOBER		10,708	(7,966)
NET PROFIT FOR THE YEAR		38,133	27,061
		48,841	19,095
TRANSFER TO SHARE DEALS ACCOUNT	18	(1,000)	(1,200)
PROPOSED DIVIDEND		(11,972)	(7,187)
BALANCE AT 30 SEPTEMBER		35,869	10,708



PRODUCE BUYING COMPANY LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2004

	NOTES	2004 c'million	2003 c'million
FIXED ASSETS	7	33,360	31,159
LONG TERM INVESTMENT	8	250	250
		<u>33,610</u>	<u>31,409</u>
CURRENT ASSETS			
Stocks	9	196,616	40,005
Accounts Receivable	10	70,812	12,973
Short Term Investments	11	3,250	5,349
Bank and Cash Balances	12	12,259	31,147
		<u>282,937</u>	<u>89,474</u>
CURRENT LIABILITIES			
Bank Overdraft	13	125,880	19,525
Accounts Payable	14	78,339	14,081
Current Portion-Medium Term Loan	15	4,148	4,148
National Reconstruction Levy	5	865	872
Taxation	6	10,024	10,879
Dividend	16	11,972	7,187
		<u>231,278</u>	<u>56,692</u>
NET CURRENT ASSETS		<u>51,659</u>	<u>32,782</u>
NET ASSETS		85,269	64,191
Medium Term Loan	15	0	(4,148)
		<u>85,269</u>	<u>60,043</u>
REPRESENTED BY			
Stated Capital	17	49,144	49,144
Share Deals Account	18	256	191
Income Surplus Account		35,869	10,708
		<u>85,269</u>	<u>60,043</u>

Approved by the Board on 21st December 2004

Nancy Timothy, BSc Hons Director

Emmanuel Orono, BSc Hons Director



PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

	2004 €'million	2003 €'million
Cash flows from operating activities		
Operating Profit	57,188	41,215
Adjustment for:		
Depreciation	7,947	9,033
Profit on Sale of Fixed Assets	0	(431)
Interest Received	(1,492)	(917)
Interest Paid	61,183	41,984
	<u>67,638</u>	<u>49,669</u>
Operating Profit Before Working Capital Changes	124,826	90,884
(Increase) in Stocks	(156,611)	(24,451)
(Increase)/Decrease in Accounts Receivable	(57,839)	(8,879)
Increase in Accounts Payable	64,308	2,631
Cash generated from operations	<u>(25,316)</u>	<u>60,185</u>
Tax Paid	(18,480)	(6,371)
Reconstruction Levy Paid	(1,437)	(407)
	<u>(19,917)</u>	<u>(6,778)</u>
Cash flows from Investing activities		
Interest Received	1,492	917
Interest Paid	(61,183)	(41,984)
Receipts from Fixed Assets	0	431
Payments to acquire fixed assets	(10,148)	(16,015)
Treasury Bills/Call Deposits	2,099	(961)
Net Cash used in Investing Activities	<u>(67,740)</u>	<u>(57,612)</u>
Cash flows from Financing Activities		
Payment of Dividend	(7,187)	0
Purchase of Shares	(935)	(1,009)
Medium Term Loan	(4,148)	8,296
Net Cash used in Financing Activities	<u>(12,270)</u>	<u>7,287</u>
Net Increase in Cash and Cash equivalents	(125,243)	3,082
Cash and Cash equivalents at beginning of period	11,622	8,540
Cash and Cash equivalents at end of period	<u>(113,621)</u>	<u>11,622</u>

**Analysis of changes in cash
and cash equivalents.**

	At 1 Oct. 2003 €'000	Cash Flows €'000	At 30 Sept. 2004 €'000
Cash in Hand and at Bank	31,147	(18,888)	12,259
Overdrafts	(19,525)	(106,355)	(125,880)
	<u>11,622</u>	<u>(125,243)</u>	<u>(113,621)</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

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	25%
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 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.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

2. **DIRECT OPERATING EXPENSES** include depreciation of ₦6,779,000,000 on Plant, Machinery and Motor Vehicles (2003-₦7,738,000,000)

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

	2004 ₦'million	2003 ₦'million
Depreciation-Land & Buildings, Furniture & Equipment	1,168	1,295
Auditors Remuneration	95	80
Directors Fees and Expenses	180	110
Subscriptions	259	129
4. OTHER INCOME		
Freight Income	10,254	7,376
Rent Income	364	241
Recoveries from shortages	1,121	648
Sundry Income	219	410
Interest Received	1,492	917
Profit on Disposal of Fixed Assets	0	431
	13,450	10,023

5 NATIONAL RECONSTRUCTION LEVY

Year of Assessment	Balance at 1 October ₦'million	Payment during the year ₦'million	Charge for the year ₦'million	Balance at 30 September ₦'million
2001-2002	5	0	0	5
2003	867	(867)	0	-
2004		(570)	1,430	860
	872	(1,437)	1,430	865

6 TAXATION

Year of Assessment	Balance at 1 October ₦'million	Payment during the year ₦'million	Charge for the year ₦'million	Balance at 30 September ₦'million
1995-1999	105	0	0	105
2000-2002	(160)	0	0	(160)
2003	10,934	(10,930)	0	4
2004	0	(7,550)	17,625	10,075
	10,879	(18,480)	17,625	10,024

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
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7 FIXED ASSETS

<u>Cost</u>	Land and Buildings ¢'million	Plant and Machinery ¢'million	Motor Vehicles ¢'million	Furniture & Fitting ¢'million	Building W.I.P ¢'million	Total ¢'million
Balance at 1.10.2003 Cost	12,310	6,199	26,263	2,994	183	47,949
Revaluation	7,470	11,915	2,552	1,338	0	23,275
Additions during the year :						
Cost	1,994	1,676	5,086	509	1,066	10,331
Disposals/Transfers	0	0	0	0	(183)	(183)
Balance at 30.9.2004	21,774	19,790	33,901	4,841	1,066	81,372

Depreciation

Balance at 1.10.2003 Cost	3,296	3,191	14,763	1,889	0	23,139
Revaluation	1,121	11,915	2,552	1,338	0	16,926
Charge for the year - Cost	429	1,303	5,476	515	0	7,723
- Revaluation	224	0	0	0	0	224
Disposals	0	0	0	0	0	0
Balance at 30.9.2004	5,070	16,409	22,791	3,742	0	48,012

NET BOOK VALUE AT 30.9.04

NET BOOK VALUE AT 30.9.03	16,704	3,381	11,110	1,099	1,066	33,360
	15,363	3,008	11,500	1,105	183	31,159

The fixed Assets were revalued in November 1998 by the following values 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 2004

9 STOCKS

	2004 c'million	2003 c'million
Trading - Cocoa	186,450	30,244
<u>Non-Trading</u>		
Spare Parts	894	1,081
Tarpaulin Stocks	1,215	581
Jute Sacks/Twine	4,693	4,693
Technical Stores	187	204
Stationery	1,209	1,368
Fuel and Lubricants	883	643
Motor Cycle/ Helmet	2	2
Other Stock/Matchets	45	19
Tyres and Batteries	654	698
Stencil Ink	384	472
	<u>196,616</u>	<u>40,005</u>

10 ACCOUNTS RECEIVABLE

Trade Debtors	65,072	6,901
Other Debtors	1,496	1,085
Staff Loans and Advances	3,055	3,330
Prepayments	1,189	1,657
	<u>70,812</u>	<u>12,973</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 c3,055,000,000 (2003 - c3,330,000,000).

11 SHORT TERM INVESTMENTS

	c'million	c'million
Call & Fixed Deposits	3,062	5,170
Treasury Bills	188	179
	<u>3,250</u>	<u>5,349</u>

12 BANK AND CASH BALANCES

Bank Balances	12,255	31,145
Cash Balances	4	2
	<u>12,259</u>	<u>31,147</u>



PRODUCE BUYING COMPANY LIMITED
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	2004 €'million	2003 €'million
13 BANK OVERDRAFT		
Balances as at 30 September	<u>125,880</u>	<u>19,525</u>
The Company has overdraft facilities totalling €200 billion with its bankers which are secured by cocoa stocks and receivables.		
14 ACCOUNTS PAYABLE		
Trade Creditors	60,128	671
Other Creditors	14,984	10,505
Accrued Charges	<u>3,277</u>	<u>2,905</u>
	<u>78,389</u>	<u>14,081</u>
15 MEDIUM TERM LOAN		
This is the balance on loan granted to the Company by Standard Chartered Bank for the purchase of vehicles, trucks, equipment and spare parts.		
Current Portion	4,148	4,148
Medium Term Portion	<u>0</u>	<u>4,148</u>
	<u>4,148</u>	<u>8,296</u>
16 DIVIDEND		
Balance at 1 October	7,187	0
Paid During the year	(7,187)	0
Proposed Dividend	<u>11,972</u>	<u>7,187</u>
Balance at 30 September	<u>11,972</u>	<u>7,187</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2004		2003	
17 STATED CAPITAL				
a) Authorised Number of :				
i) Preference share("Golden Cocoa Share")		1		1
ii) Ordinary Shares of no par value		20,000,000,000		20,000,000,000
b) Issued and fully paid :	Number	¢'million	Number	¢'million
i) Preference Share ("Golden Cocoa Share")	1	1	1	1
ii) Ordinary Shares :				
For cash consideration	2,005,000	15,868	2,005,000	15,868
For consideration other than cash	477,995,000	33,275	477,995,000	33,275
Total Ordinary shares	480,000,000	49,143	480,000,000	49,143
iii) Total Pref/Ordinary shares	480,000,001	49,144	480,000,001	49,144
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 2004:-1,125,023 (2003 - 865,420).				
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.				

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

	2004 ¢'million	2003 ¢'million
Balance brought forward	191	0
Transfer from Income Surplus	1,000	1,200
Purchase of Own Shares	(935)	(1,009)
	256	191

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)

19 CAPITAL COMMITMENTS/CONTINGENCIES

There were no capital commitments and contingencies as at 30 September 2004.



PRODUCE BUYING COMPANY LIMITED
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT

	2004 c'million	2003 c'million
1 COST OF SALES		
Opening Stock	30,243	2,763
Purchases	2,201,377	1,426,729
	<u>2,231,620</u>	<u>1,429,492</u>
Less:		
Shortages and Loss on Produce	4,972	964
Closing Stock	186,450	30,243
	<u>2,040,198</u>	<u>1,398,285</u>
2 DIRECT OPERATING EXPENSES		
Agency Commission	31,393	14,756
Motor Vehicle - Repairs & Maintenance	4,559	2,585
Depreciation	6,779	7,738
Motor Vehicle Running	3,855	2,986
Road Freight-Primary Evacuation	6,763	2,340
Handling Charges	7,010	4,036
Produce Losses Account	4,972	964
Others	5,102	33,178
	<u>70,433</u>	<u>68,583</u>
Finance Cost		
Interest on Loan & Guarantee Fees	61,183	41,984
Commission on Akuafu Cheques	7,738	8,758
Bank Charges	25,271	10,113
	<u>94,192</u>	<u>60,855</u>
TOTAL DIRECT OPERATING EXPENSES	<u>164,625</u>	<u>129,438</u>

3 ADMIN. & GENERAL EXPENSES

Staff Cost

Salaries and Wages	24,575	17,347
Social Security Fund	2,833	1,976
Provident Fund	1,576	1,300
Car Maintenance Allowance	2,785	2,012
Travel and Transport	1,162	845
Treasurers Allowance	1,530	854
Medical Expenses	828	622
Other Staff Cost	2,885	2,023
	38,174	26,979

Office Cost

Depreciation	1,168	1,295
Printing and Stationery	1,326	1,012
Advertising and Publicity	1,238	927
Subscriptions	259	129
Audit Fees	95	80
Directors Fees & Expenses	180	110
Other Office Cost	2,387	2,099
	6,653	5,652

Estate & Property Cost

Rent of Offices & Sheds	1,601	1,999
Repairs & Renovation of Sheds	737	815
Repairs of Buildings & Equipment	772	717
Others	323	123
	3,433	3,654

TOTAL ADMIN. & GENERAL EXPENSES	48,260	36,285
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PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

18 20 LARGEST SHAREHOLDERS

Shareholders	Number of Shares	Percentage Holding (%)
1 Ministry of Finance - Government of Ghana	176,112,259	36.69
2 NTHC/Institutional Investor Consortium	146,626,231	30.34
3 Social Security & National Insurance Trust	96,000,000	20.00
4 NTHC Limited	8,991,934	1.87
5 Current PBC Employees/Commission Agents	5,127,577	1.07
6 PBC Provident Fund	4,495,090	0.94
7 Ofori Barak Kyei Mr.	2,100,000	0.44
8 GCCSFA/Farmers - Individuals	1,547,307	0.32
9 GCCFA/Farmers - Association	1,250,000	0.26
10 Yirenkyi Samuel Ernest Mr.	1,000,000	0.21
11 State Insurance Company Limited	1,000,000	0.21
12 Akoto Bamfo Edmund	208,065	0.04
13 MSL Portfolio	200,000	0.04
14 Merban Investment Holding Limited	199,600	0.04
15 Enterprise Insurance Company Limited	188,716	0.04
16 Vanguard Assurance Company Ltd.	140,000	0.03
17 DBL Trading Account	127,100	0.03
18 Attafuah Victor Dokyi Mr.	90,000	0.02
19 CDH Insurance Company Limited	50,000	0.01
20 Oppong-Agyare Stephen	48,000	0.01
	<u>445,501,879</u>	<u>92.61</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19 SHAREHOLDING DISTRIBUTION

Category	Numbers of Shareholders	Total Holding	Percentage Holding (%)
1 - 1,000	14,475	5,237,502	1.09
1,001 - 5,000	2,392	6,027,677	1.26
5,001 - 10,000	2,223	16,169,678	3.37
Over 10,000	520	452,565,143	94.28
Total	19,610	480,000,000	100.00

20 DIRECTORS SHAREHOLDING

Name	No. of Shares
Nana Timothy Aye Kusi	18,700
Mr. Joseph Buatsie	3,000
Mr. Andrew Antwi Boasiako	7,500
	29,200

