



Accountants &
business advisers

**PRODUCE BUYING COMPANY
LIMITED**

FINANCIAL STATEMENTS

30 SEPTEMBER 2008

PRODUCE BUYING COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2008

CONTENTS	PAGE
COMPANY INFORMATION	1
CHAIRMAN'S STATEMENT	2-4
MANAGING DIRECTOR'S REVIEW	5-8
REPORT OF THE DIRECTOR'S	9-11
REPORT OF THE AUDITOR'S	12-13
PROFIT AND LOSS ACCOUNT	14
BALANCE SHEET	15
STATEMENT OF CHANGES IN EQUITY	16
CASH FLOW STATEMENT	17
NOTES TO THE FINANCIAL STATEMENTS	18-50
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT	51-53

PRODUCE BUYING COMPANY LIMITED

CORPORATE INFORMATION

YEAR ENDED 30 SEPTEMBER 2008

BOARD OF DIRECTORS	Nana Timothy Aye Kusi	-	Chairman
	Anthony Osei Boakye	-	Managing Director
	Hon. Mrs A. Baiden-Amisah	-	Director
	Hon. Kofi Frimpong	-	Director
	Joseph Buatsie	-	Director
	Dr. Y. A. Duodu	-	Director
	Andrew Antwi Boasiako	-	Director
	Alhaji Yakubu Ziblim	-	Director
K. Ayirebi- Frimpong	-	Director	

SECRETARY Godfrey Osei Aggrey

TOP MANAGEMENT	Anthony Osei Boakye	-	Managing Director
	George Kwadwo Boating	-	DMD-Operations
	Joseph Osei Manu	-	DMD-Finance and Administration

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

SOLICITOR Godfrey Osei Aggrey
Olusegun Obasanjo Road
Dzorwulu Junction
Accra

REGISTERED OFFICE Olusegun Obasanjo Road
Dzorwulu Junction
Accra

BANKERS Barclays Bank of Ghana Limited
Ecobank Ghana Limited
Ghana Commercial Bank Limited
SG-SSB Bank Limited
Standard Chartered Bank Ghana Limited
Merchant Bank

PRODUCE BUYING COMPANY LIMITED

CHAIRMAN'S STATEMENT

Distinguished Shareholders,

It is my greatest pleasure and honour to welcome you to the 8th Annual General Meeting of the Produce Buying Company Limited and to respectfully present to you the Annual Report and Statement of Accounts of your Company for the Financial Year ended September 30, 2008.

The Board and Management of your Company have over the years instituted a number of financial and operational interventions to reverse the down turn of the Company's fortunes and profitability. It is worthy to note that these measures have begun to yield the desired results, with the Company registering a significant profit before tax of GH¢2.95 million in the financial year under review as against a modest amount of GH¢0.388 million recorded in the previous year.

This significant jump in financial performance was achieved amidst intense competition in the internal cocoa market; numerous uncontrollable challenges in the cocoa industry, escalating oil prices and the increase in inflation and interest rates over the later part of the year confirming our resolve to put the Company on the path of growth and sustained profitability.

COCOA PRODUCTION

During the year, the positive effects of government intervention in cocoa production such as fertilizer supply, disease and pest control, increases in producer price and payment of bonuses to farmers yielded positive results which translated into increases in cocoa production. National cocoa production consequently, increased by 11% from 614,532 tonnes in 2006/07 to 680,385 tonnes during the year under review. Similarly, your Company increased its purchases by 12% from 186,051 tonnes in 2006/07 to 208,482 tonnes during the year and achieved a market share of 31%.

OPERATIONAL RESULTS

Dear Shareholders, your Company recorded an impressive performance in the 2007/08 financial year. As stated earlier, a net profit before tax of GH¢2.95 million was achieved representing 660.6% improvement over the GH¢0.388 million recorded last year. The net profit after tax was GH¢2.110 million. This represents 28.7% after tax return on Capital employed.

Our balance sheet showed a strong growth as Shareholder's equity increased by 47.4% from GH¢4.989 million to GH¢7.353 million.

The good performance by your Company was attributable to increased volumes of cocoa purchases, cost control measures, investment and operational strategies instituted by Board and 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 the revenues and earnings over the years.

DIVIDEND

Distinguished Ladies and Gentlemen, the deficit on our income surplus accounts resulting from losses incurred in the previous years was cleared during the year under review.

The income surplus balance before appropriation as at the end of the year is GH¢1.653 million. The Board is therefore recommending a dividend of GH¢0.0015 per share amounting to GH¢0.720 million for payment. This amount represents 34% of after tax profit and 44% of balance on the income surplus account.

PBC SHARE BUY-BACK

I am pleased to inform you that the share buyback scheme approved at the last Annual General Meeting (AGM) is on-going. The Company has so far committed GH¢100,000 towards the successful implementation of the scheme.

AMENDMENT OF REGULATIONS

As you are aware, operations of the GSE Securities Depository Company Ltd. Began on November 14, 2008 with the voluntary deposit by investors of share certificates for immobilization. This is in accordance with s. 12(2) of the Central Securities Depository Act, 2007 (Act733), and is only the first of various steps to be taken in Ghana Stock Exchange's quest to make the transition from the use of paper share certificates to electronic book entry securities. S.12(1)(a) and (b) of the Act also provides as follows:

- “12(1) An issuer of securities to the public may
- (a) issue a security in uncertificated or dematerialized form where it is authorized in its board of directors,
 - (b) convert a certificated security into an uncertificated security where it is authorized in its regulations and by a resolution of its board of directors.”

In pursuance of this, the Council of the Exchange has decided that, at the next step, all listed companies are to amend their company regulations at their Annual General Meetings in 2009 to allow for the issues of and/or conversion to dematerialized securities.

The exchange council also decided that with effect from January, 2009, all new or additional securities being listed should be electronic securities that have been admitted into the GSE Securities Depository.

The amendment of the Regulations of listed companies in compliance of the Exchange's request will enhance the rate at which securities are placed in the

depository, make for more efficient and less cumbersome keeping of shareholding records, and ultimately improve liquidity in the capital market. The Board is therefore recommending that members support the proposed amendment.

INVESTMENT

Dear shareholder, the programme to diversify the revenue base of the Company through increased freight earnings by the Company's articulated trucks is on course. Consequently, during the year, the Company again entered into finance lease arrangement with two financial institutions to acquire forty-five (45) Cargo trucks, (10) articulated trucks and (6) tractors to replace old and over-aged vehicles which had been a wasteful drain on the Company's finances.

During the year under review, the Company also ventured into the sheanut operations in the Northern part of Ghana.

SOCIAL SERVICES

Your Company continued to play its role as an effective agent of change in the communities it operates. During the year the Company supported some electrification and water projects as well as other development projects in selected cocoa growing areas to improve the living standard of their inhabitants.

PBC Annual Farmers Award Ceremonies were held in all cocoa growing regions where a number of farmers were honoured for their loyalty and dedicated services.

OUTLOOK

The Board and Management will be spurred on by our current successes towards our goal of maintaining PBC Ltd as the leading cocoa dealer in Ghana. The Board and Management intend to rationalize the operational activities of the Company through society and district re-organisation to ensure efficiency and reduced operating costs.

The Board shall ensure that Management manages efficiently the huge investment committed in the revamping of the haulage unit to enable it rake in the desired revenue.

Distinguished Ladies and Gentlemen,

I wish to conclude by expressing my appreciation to you Shareholders, for your faith and confidence in our Company, loyal and dedicated Cocoa Farmers, Management and Staff of the Company for their untiring efforts to improve performance and profitability of the Company, finally to you my colleagues on the Board for your tremendous support during the year.

Thank you.

Nana Timothy Aye Kusi
Chairman

PRODUCE BUYING COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The Company registered significant growth in both volume of cocoa purchases, total revenue and operating profit during the year under review. Net Profit before tax increased by 660.6% from GH¢0.388 to GH¢2.95 million. It is heartening to note that the operational and financial strategies aimed at reducing operating cost through quick recycling of seed fund as well as other cost control measures worked well. We shall continue to implement operational procedures set out in our Medium Term Corporate Plan which has its first year of implementation in the year under review.

PERFORMANCE REVIEW

Turnover for cocoa operations increased from GH191.856 million to GH¢242.324 million, an increase of 26% due to increase in volume of cocoa purchased, producer price and buyers take over margins. With a general increase in national cocoa production from 614,532 tonnes in 2006/07 to 680,385 tonnes in 2007/08, correspondingly, the Company's tonnage purchased increased by 12% from 186,051 tonnes to 208,482 tonnes. The Company's market share was 31%.

Turnover for Haulage services increased from GH¢1.327 million to GH¢3.155 million an increase of 138% due to the increase in the quantity of cocoa hauled at the secondary level by our articulated and cargo trucks.

This boost in haulage revenue is highly attributable to the increase in the Company's share of the Secondary level evacuation as a result of the revamping of the haulage unit which brought in new fleet of both cargoes and articulated trucks purchased last year.

Cost of sales for cocoa operations increased by 25% from GH¢170.326 million to GH¢212.275 million due mainly to increase in producer price and volume of purchases. Direct cost of haulage service also increased from GH¢0.739 to GH¢2.494 million, an increase of 238% attributable to increase in the quantity of cocoa carted by the Company's trucks in the secondary level evacuation and a number of over aged vehicles whose maintenance continue to substantially add to cost.

Out of the total turnover and associated cost of sales, the Company recorded a gross profit of GH¢30.709 million as compared to last year's gross profit of GH¢22.118 million, an increase of 39% was thus registered.

Direct Operating Expenses increased by 9.5% over the previous year figure of GH¢10.026 million to GH¢10.979 million. Direct cost is activity based and therefore the increase in volume of purchases triggered off the corresponding increase in that cost.

Major cost components in the direct cost that increase within the year include: Agency Commission, Depreciation of operational Equipment and Machines, Motor Vehicle Insurance, Handling Charges and Casual Labour/Security.

Agency commission increased by 36% from GH¢3.205 million to GH¢4.360 million mainly due to high volume of cocoa purchased and the payment of competitive commission to Marketing Clerks.

Depreciation of operational equipment and machines increased by 92.4% from GH¢0.707 to GH¢1.362 million and motor vehicle insurance also increased by 57.8% from GH¢61,632 to GH¢97,266 mainly due to the purchase of new fleet of haulage trucks.

Handling charges increased by 83.1% from GH¢540,576 to GH¢989,659 and Casual Labour/Security also increased 57.2% from GH¢308,754 to GH¢485,314 mainly due to the payment of competitive price for services for labour to secure and handle the produce.

However, there are other components within the Direct Operating Expenses that saw reduction in cost. These include Motor Vehicle Repairs and Maintenance, Motor Vehicle Running, Primary Level Road Freight and Akuafu Cheque Commission.

Motor Vehicle Repairs and Maintenance reduced by 12.6% from GH¢535,633 to GH¢468,023 and Motor Vehicle Running also reduced by 45.7% from GH¢572,638 to GH¢310,691 mainly due to the heavy reliance on the new fleet of vehicle for both primary and secondary evacuation.

Primary level road freight reduced by 61.6% from GH¢1.745 million to GH¢0.670 million due to the almost complete take over of the primary level evacuation by the Company's cargo trucks.

Akuafu cheque commission reduced by 60.3% from GH¢530,514 to GH¢210,727 as a results of the reduction of the rate charged by operating Banks following Management negotiation with officials of those Banks.

General and Administrative Expenses which is made up of Staff Cost, Office Cost and Estate and Property Cost rose by 41.6% from GH¢7.467 million to GH¢10.576 million.

The increase in the Salaries of Staff and its associated cost such as Social Security Fund, Provident Fund, Car Maintenance Allowance, Medial Expenses, Utilities, etc, as well as the need to improve the human resource capacity of the Company through some Welfare Schemes and training accounted for the increase in staff cost by 27.9% from HG¢5.924 million of the previous years to GH¢7.574 million.

Estate and Property Cost increased by 142.2% from the previous year of GH¢0.422 million to GH¢1.022 million mainly due to the major repairs and renovation carried out on Company office, equipment and especially sheds and depots which sometimes appear in a very deplorable state after many year of use. Beside, the year under review saw an unprecedented construction of new sheds/depots for cocoa storage.

Office cost also increased by 72.7% from GH¢4.163 million to GH¢7.191 million. Significant components that greatly contributed to this increase in office cost include

depreciation and amortization of Company's assets, printing and stationery and electricity.

With the total expenses (excluding financing cost) increasing by 23.2% from GH¢17.493 million to GH¢21.555 million, Gross profit of GH¢30.709 million and other income of GH¢1.948 million the Company registered an operating profit before financing cost of GH¢5.893 million compared to the previous year's figure of GH¢3.553 million, a significant increase of 65.8%. Net finance cost on the other hand increased by 31% from GH¢6.208 million to GH¢8.153 million attributable to the Company's continuous heavy reliance on expensive Bank overdraft which stem from sometimes the erratic nature of flow of relatively cheaper funds from Cocoa Board for cocoa purchases.

Other income decreased slightly by 1.1% from GH¢1.969 million to GH¢1.948 million during the year. This decrease is caused by a decrease of 58.9% of shortages recoveries from GH¢1.705 million to GH¢0.700 million which is counteracted by an increase of the total of Rent Income, Sundry Income, Assets Disposal Gains and Staff Loan Discount Recycle by 372% from GH¢0.265 million to GH¢1.248 million.

The net profit before tax for the year came up to GH¢2.949 million as compared to the previous year's figure of GH¢0.388 million, a significant increase of about 660.6%.

The Company continued to play its role as a good corporate citizen by paying its taxes to the Internal Revenue Services. In the course of the year, the Company paid GH¢267,105 to IRS based on self assessment of our estimated corporate income tax.

KEY PERFORMANCE RATIOS

With improvement in the Company's financial standing certain key performance indicators also show significant improvement. Basic earning per share increased by 2100% from GH¢0.0002 to GH¢0.0044.

Return on Capital Employed (ROCE) also increased from the previous year of 2.49% to 28.7% for the year under review.

The balance sheet also showed a strong growth with shareholders equity increased by 47.4% from GH¢4.989 million to GH¢7.353 million for the year. The Price/Earning (P/E) ratio has also reduced significantly from previous year figure of 1100 to 50.

SOCIAL SERVICE

In pursuant of the Company's policy to help in the development of Agriculture, especially cocoa sector, your Company donated a total of GH¢4,000 in the form of cash and other farming inputs towards the 2008 National Farmers Day Award Ceremony which took place in Nkawie.

During the year, the Company supplied roofing sheets, bags of cement and other building materials to some communities in selected cocoa growing areas for their development projects.

As the Company's finance continues to improve, we shall expand and increase our donations to communities to improve the living conditions of our farmers and society at large. In the ensuing year, the Company intends to provide portable drinking water to some farming communities thorough the construction of boreholes in those areas.

OUTLOOK

The year under review marks the first year of the implementation of our 3-year Medium Term Corporate Plan. Management is determined to build on the success so far achieved to set the Company on sustainable growth path for the ensuing years.

Management shall monitor the huge investment committed in the revamping of the haulage unit to ensure that the desired results are achieved.

Management shall continue its ICT programme by complete computerization of its major activities and increase the supply of computer hardware to the operational regions to ensure timely and accurate flow of information.

The Company shall modify the PBC Best Farmer Award Scheme to take care of some "on the spot farm gate" incentives to farmers. This promotional sale will greatly motivate the generality of our farmer population and boost the Company's cocoa purchases in order to increase our market share.

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 referred to as "Operational Guidelines" which seek to set relevant targets of the beginning for each year for both field and office staff.

I 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 teamwork, we all shall re-position our Company on the path of sustained profitability.

Thank you.

Anthony Osei Boakye
Managing Director

PRODUCE BUYING COMPANY LIMITED
REPORT OF THE DIRECTORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

In accordance with the requirements of Section 132 of the Companies Code 1963 (Act 179), we the Board of Directors of Produce Buying Company Limited, present herewith the annual report on the state of affairs of the company for the year ended 30 September, 2008.

Results of Operations

	<u>2008</u> GH¢	<u>2007</u> GH¢
Turnover	<u>245,478,455</u>	<u>193,182,770</u>
Profit before Tax of	2,949,395	387,794
From which is deducted provision for The estimated income tax liability of	<u>(838,945)</u>	<u>(263,263)</u>
Leaving a Net Profit after tax of	2,110,450	124,531
To which is added the restated retained Earnings under IFRS at 1 October 2007	<u>(457,385)</u>	<u>(581,916)</u>
Resulting in a balance carried To the Balance Sheet of	<u>1,653,065</u>	<u>(457,385)</u>

Dividend

A final dividend of GH¢0.0015 per share amounting to GH¢720,000 has been proposed by the directors for the year ended 30 September 2008.

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".

Changes in Financial Reporting Framework

In line with changes in the financial reporting framework announced by the Institute of Chartered Accountants of Ghana in consultation with other regulatory bodies, the company adopted International Financial Reporting Standards (IFRS) as the reporting framework with effect from 1 October 2007; as a result, the attached financial statements have been prepared in accordance with IFRS.

Comparative financial information which was prepared in accordance with Ghana Accounting Standards (GAS) has also been restated accordingly. The impact of the change in comparative results and position has been disclosed in note 35 of the attached financial statements.

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

Retirement and Re-Election of Directors

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

Auditors

A resolution proposing the re-appointment of the company's auditors, Messrs Pannell Kerr Forster will be put before the Annual General Meeting 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 2008, which materially affect the accounts of the Company for the year ended on that date.

BY ORDER OF THE BOARD

.....Director

.....Director

ACCRA

.....2008

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PRODUCE BUYING COMPANY LIMITED
ON THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2008**

Report on the Financial Statements

We have audited the accompanying financial statements of Produce Buying Company Limited which comprise the balance sheet as of September 30, 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not had sight of the Title Deed of the sheds and buildings as stated in the Company's books to establish the company's ownership of these assets. However as stated in Note 25, the Government has undertaken to ensure that Ghana Cocoa Board takes all steps required of it under the Ceding Agreement of June 30, 1999 to effectuate the cession of assets to Produce Buying Company Limited.

Opinion

In our opinion, subject to any adjustment that might have been found to be necessary had we been able to satisfy ourselves as to the title deeds referred to above, the financial statements give a true and fair view of the financial position of Produce Buying Company Limited as of September 30, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Ghana Companies Code, 1963 (Act 179).

Report on Other Legal and Regulatory Requirements

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

- I We have obtained all the information and explanations which to the best of our knowledge and beliefs were necessary for the purpose of our audit.

- II In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books, and

- III The company's balance sheet and profit and loss account are in agreement with the books of accounts.

Farrar Avenue, Accra

**PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS**

..... **2008**

PRODUCE BUYING COMPANY LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	NOTES	2008 GH ¢	Restated 2007 GH ¢
Revenue	6	245,478,455	193,182,770
Cost of Sales		(214,769,353)	(171,064,521)
Gross Profit		30,709,102	22,118,249
Other Income	8	1,948,415	1,969,837
Direct Operating Expenses		(10,979,054)	(10,025,845)
General and Administrative Expenses	7	(10,575,625)	(7,466,932)
Operating profit before financing cost		11,102,838	6,595,309
Net Finance Expenses	9	(8,153,443)	(6,207,515)
Profit before Taxation		2,949,395	387,794
Income Tax Expense	10a	(838,945)	(263,263)
Profit for the year transferred to Income Surplus Account		2,110,450	124,531

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Balance at 1 October	(457,385)	(581,916)
Net Profit for the year	2,110,450	124,531
Balance at 30 September	1,653,065	(457,385)
Basic earning per share (Ghana cedis per share)	GH¢0.0044	GH¢0.0002
Diluted earning per share (Ghana cedis per share)	GH¢0.0044	GH¢0.0002

PRODUCE BUYING COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2008

	NOTES	2008 GH ¢	Restated 2007 GH ¢
Non-Current Assets			
Property, plant and equipment	13a	13,774,901	5,223,208
Intangible assets	14	23,126	-
Long term investment	12	945,455	691,055
Total non-current assets		14,743,482	5,914,263
Current Assets			
Inventories	15	28,369,610	5,338,376
Income tax assets	10b	430,987	311,095
Trade and other receivables	16	12,474,943	8,411,516
Short term investments	17	385,218	14,020,442
Cash and cash equivalents	18	11,063,421	2,336,893
Total current assets		52,724,179	30,418,322
Total assets		67,467,661	36,332,585
Equity			
Stated Capital	24	4,914,377	4,914,377
Share Deals Account	24	1,882	1,882
Retained earnings		1,653,065	(457,385)
Other reserves		784,091	529,691
Total equity		7,353,415	4,988,565
Liabilities			
Deferred tax liability	11a	763,853	72,121
Finance Lease	23	2,719,793	-
Medium term loan	22	4,135,860	2,719,793
Preference share capital	24	100	100
Total non-current liabilities		7,619,606	2,792,014
Bank Overdraft	20	11,220,204	11,903,628
Short Term Loan	21	29,980,000	14,000,000
Medium term loan (current portion)	22	2,810,551	1,734,777
Finance Lease (current portion)	23	956,407	-
Trade and other payables	19	7,527,478	913,601
Total current liabilities		52,494,640	28,552,006
Total liabilities		60,114,246	31,344,020
Total liabilities and equity		67,467,661	36,332,585

A r o e t e o r o2008

.....Director

.....Director

PRODUCE BUYING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2008

CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share Capital GH¢	Retained Earnings GH¢	Share Deals GH¢	Other Reserves GH¢	Total Equity GH¢
Balance at 01.10.06 (Restated)	4,914,377	(581,916)	1,982	282,500	4,616,943
Total recognised Income and Expenses	-	124,531	-	-	124,531
Movement in available for sale asset	-	-	-	247,191	247,191
Reclassification of preference shares	-	-	(100)	-	(100)
Balance at 30.09.07 (Restated)	<u>4,914,377</u>	<u>(457,385)</u>	<u>1,882</u>	<u>529,691</u>	<u>4,988,565</u>
Balance at 01.10.07 (Restated)	4,914,377	(457,385)	1,882	529,691	4,988,565
Total recognised Income and Expenses	-	2,110,450	-	-	2,110,450
Movement in available for sale asset	-	-	-	254,400	254,400
Balance at 30.09.08	<u>4,914,377</u>	<u>1,653,065</u>	<u>1,882</u>	<u>784,091</u>	<u>7,353,415</u>

PRODUCE BUYING COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008 GH ¢	Restated 2007 GH ¢
Cash flows from operating activities		
Profit before taxation	2,949,395	387,794
<u>Adjustment for:</u>		
Depreciation and Amortisation charges	1,809,586	882,891
Interest Received	(1,209,642)	(35,383)
Profit on Asset Disposals	(262,308)	-
Interest expense	9,363,085	6,242,898
Operating Profit Before Working Capital Changes	12,650,116	7,478,200
Change in inventories	(23,031,234)	619,553
Change in trade and other receivables	(4,063,427)	1,052,758
Change in trade and other payables	6,613,877	56,307
Cash generated from operations	(7,830,668)	9,206,818
Income taxes paid	(267,105)	(337,720)
Net cash flow from operating activities	(8,097,773)	8,869,098
Cash flow from investing activities		
Interest Received	1,209,642	35,383
Proceeds from disposal of Fixed Assets	314,598	-
Payment to acquire Long Term Investment	-	(136,364)
Payments to acquire assets	(10,436,695)	(3,480,796)
Net Cash used in Investing Activities	(8,912,455)	(3,581,777)
Cash flows from Financing Activities		
Interest paid	(9,363,085)	(6,242,898)
Short Term Loan	15,980,000	14,000,000
Seed Fund/Produce Finance	-	(4,204,143)
Finance Lease	3,676,200	-
Medium Term Loan	2,491,841	4,454,570
Net Cash used in Financing Activities	12,784,956	8,007,529
Net Increase in Cash and Cash equivalents	(4,225,272)	13,294,850
Cash and Cash equivalents at 1 October	4,453,707	(8,841,143)
Cash and Cash equivalents at 30 September	228,435	4,453,707
Cash and Cash Equivalents.		
Cash in Hand and at Bank	11,063,421	2,336,893
Bank overdraft and loans	(11,220,204)	(11,903,628)
Treasury Bills/Call Deposits	385,218	14,020,442
	228,435	4,453,707

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

1. REPORTING ENTITY

Produce Buying Company Limited is a company registered and domiciled in Ghana. The address of the company's registered office can be found on page 1 of the annual report. The company is authorised to buy, collect, store, transport and otherwise deal in cocoa, coffee and sheanuts produced in Ghana on behalf of Ghana Cocoa Board.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). These are the company's first set of financial statements prepared in accordance with IFRS and IFRS 1 has been applied. In accordance with the transitional requirements of these standards, the company has provided full comparative information. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the company is provided in note 35.

b. Basis of measurement

The Financial Statements were prepared on the historical cost basis except for financial instruments and other assets that are stated at fair values.

c. Functional and presentational currency

The financial statements are presented in Ghana cedis (GH¢) which is the company's functional currency.

d. Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 29.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the company and in preparing an opening balance sheet at 1 October 2006 for the purpose of transition to IFRS.

a. Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investment in shares and treasury bills, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instrument not at fair value through profit and loss, any directly attributable transaction cost. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses, if any.

Non-derivative financial instruments are categorised as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest rate method, less any impairment losses.
- Financial liabilities measured at amortised cost - this relates to all other liabilities that are not designated at fair value through profit or loss.
- Available-for-sale financial assets - The Company's investments in shares are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Off setting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iv) Stated capital (Share capital)

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference Shares

Preference share capital is classified as equity if it is non-redeemable or is redeemable but only at the company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by Board of Directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary.

Dividends thereon are recognised as distributions within equity upon approval by Board of Directors.

Repurchase of stated capital (treasury shares)

When stated capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an

increase in equity, and the resulting surplus or deficit on transaction is transferred to/from retained earnings.

(b) Leases

(i) Classification

Leases that the company assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases.

(ii) Lease Payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and as reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and Equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	-	3%
Plant and Machinery	-	20%
Motor vehicles	-	20%
Operational vehicles	-	10%
Furniture and equipment	-	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on disposal of property, plant and equipment are included in the income statement.

(d) Intangible Assets

Software

Software acquired by the company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred

in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(f) Trade and Other Receivables

Trade receivables are stated at amortised costs, less impairment losses. Specific allowances for doubtful debts are made for receivables of which recovery is doubtful.

Other receivables are stated at their cost less impairment losses.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank balances and these are carried at amortised cost in the balance sheet.

(h) Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognised as an expense in the income statement when they are due.

(i) Revenue

a Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, taxes and volume rebates. Revenue is recognised when the significant risks and rewards of the ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

b Sale of services

Revenue from services rendered is recognised in the income statement when the service is performed.

(j) Finance Income and Expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised in the income statement using the effective interest method. Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the income statement using the effective interest method.

(k) Impairment

a Financial assets

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

b Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

(l) Income tax

Income tax expense comprises current and deferred tax. The company provides for income taxes at the current tax rates on the taxable profits of the company.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Dividend

Dividend payable is recognised as a liability in the period in which they are declared.

(n) Post Balance Sheet Events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

(o) Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(p) Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(q) Comparatives

Where necessary the comparative information has been changed to agree to the current year presentation.

(r) New standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 September 2008, and have not been applied in preparing these financial statements.

- IAS 8 Operating Segments introduces the “management approach” to segment reporting. IAS 8, which becomes mandatory for the company’s 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the company’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the company presents segment information in respect of its business segments (see note 5). Under the management approach, the company will present segment information in respect of marketing and haulage.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the company’s 2009 financial statements and will constitute a change in accounting policy for the company.

In accordance with the transitional provisions the company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation will become mandatory for the 31 December 2009 financial statements. This amendment requires certain puttable instruments that meet the definition of a financial liability to be classified as equity if and only if they meet the required conditions. It is not expected to have any impact on the financial statements.
- IFRS 2 amendment Share based payment: vesting conditions and cancellations will become mandatory for the 31 December 2009 financial statements and applies retrospectively. The amendments apply to equity-settled share-based payment transactions and clarify what are vesting and “non-vesting conditions”. Vesting conditions are now limited to service conditions (as defined in the current IFRS 2) and performance conditions. Non-vesting conditions are conditions that do not determine whether the entity receives the services that entitle the counterparty to a

(r) New standards and interpretations not yet adopted

share-based payments are non-vesting conditions. Non-vesting conditions are taken into account in measuring the grant date fair value and thereafter there is no “true-up” for differences between expected and actual outcomes. These changes will have no impact on the company’s financial statements.

- IFRS 3 Business Combinations will become mandatory for the 31 December 2010 financial statements. This standard requires all future transaction costs relating to business combinations to be expensed and contingent purchase consideration recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree must be recognised in profit and loss. It is not expected to have any impact on the company’s financial statements.
- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the company’s 2008 financial statements, is not expected to have any effect on the financial statements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the company’s 2009 financial statements.
- IFRIC 14 and IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the company’s 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.

4. DETERMINATION OF FAIR VALUES

A number of the company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables due within 6-month period are not discounted as their carrying values approximate their fair values.

b Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

c Investments in equity

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

5. SEGMENT REPORTING

Segmental information is presented in respect of the company's business segments. The primary format and business segments, is based on the company's management and internal reporting structure.

The company's results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses which are managed centrally.

The two main business segments are:

- Produce sale of cocoa beans
- Haulage transporting of cocoa beans

The company does not have a geographical segment.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

5b SEGMENT REPORTING

Class of Business

	PRODUCE		HAULAGE		TOTALS	
	2008	2007	2008	2007	2008	2007
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Segment Revenue	242,323,550	191,855,589	3,154,905	1,327,181	245,478,455	193,182,770
Segment Results	30,048,379	21,529,916	660,723	588,333	30,709,102	22,118,249
Unallocated expenses					(21,554,679)	(17,492,777)
Results from Operating activities					9,154,423	4,625,472
Other Income					1,948,415	1,969,837
Net Finance Cost					(8,153,443)	(6,207,515)
Corporate tax expense					(838,945)	(263,263)
Profit for the year					2,110,450	124,531
Total Assets	55,538,020	32,464,718	11,929,641	3,867,867	67,467,661	36,332,585
Total Liabilities	53,167,835	26,861,950	6,946,411	4,482,070	60,114,246	31,344,020
Other Segment Items						
Depreciation & Amortisation	1,030,303	504,732	779,283	378,159	1,809,586	882,891

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

6 REVENUE	NOTES	2008 GH ¢	2007 GH ¢
Sale of Produce		242,323,550	191,855,589
Services (Haulage)		<u>3,154,905</u>	<u>1,327,181</u>
		<u>245,478,455</u>	<u>193,182,770</u>
7 ADMINISTRATIVE AND GENERAL EXPENSES include the following:-			
Depreciation and amortisation		1,809,586	882,891
Auditors Remuneration		20,125	17,250
Directors emoluments		70,208	37,344
Subscriptions and Donations		<u>55,601</u>	<u>43,621</u>
8 OTHER INCOME			
Rent Income		72,855	63,808
Recoveries from Shortages		700,451	1,705,204
Sundry Income		157,684	191,826
Commission on Fertilizer Sales		745,554	-
Asset Disposal Gain	13c	262,308	-
Staff Loan Discount Recycle		<u>9,563</u>	<u>8,999</u>
		<u>1,948,415</u>	<u>1,969,837</u>
9 NET FINANCE EXPENSES			
Interest Income		1,209,642	35,383
Bank and Produce loan interest		<u>(9,363,085)</u>	<u>(6,242,898)</u>
		<u>(8,153,443)</u>	<u>(6,207,515)</u>
10a INCOME TAX EXPENSE			
Current tax expense	10b	147,213	-
Deferred tax expense	11a	<u>691,732</u>	<u>263,263</u>
		<u>838,945</u>	<u>263,263</u>

Deferred tax expense relates to the origination and reversal of temporary differences.

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

10b TAXATION

Year of Assessment	Balance at 1 October	Payments during the year	Charge for the year	Balance at 30 September
Corporate Tax	GH ¢	GH ¢	GH ¢	GH ¢
1995-2002	5,500	-	-	5,500
2003-2007	392,051	-	-	392,051
2008	-	267,105	(147,213)	119,892
	<u>397,551</u>	<u>267,105</u>	<u>(147,213)</u>	<u>517,443</u>
N R L				
2004	(86,456)	-	-	(86,456)
	<u>311,095</u>	<u>267,105</u>	<u>(147,213)</u>	<u>430,987</u>

Tax liabilities up to and including the 2005 year of assessment have been agreed with the tax authorities. The remaining liabilities are however subject to agreement with the tax authorities.

National Reconstruction Levy (NRL); This relates to a levy imposed on companies by the Government on profits before tax between 2001 and 2005. This levy has been abolished.

10c Reconciliation of effective tax rate

	2008	2007
	GH ¢	GH ¢
Profit before tax	<u>2,949,395</u>	<u>387,794</u>
Income tax using the domestic tax rate	737,349	95,171
Non-deductible expenses	596,136	313,666
Tax exempt revenue	(65,577)	(8,845)
Tax incentive not recognised in the income statement	(1,120,695)	(399,992)
Deferred tax	<u>691,732</u>	<u>263,263</u>
Current tax charges	<u>838,945</u>	<u>263,263</u>
Effective tax rate	28%	68%

PRODUCE BUYING COMPANY LIMITED
NOTE TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

11a DEFERRED TAX

	2008	2007
	GH¢	GH¢
Balance at 01 October	72,121	(191,142)
Charge to the Income Statement	691,732	263,263
Balance at 30 September	<u>763,853</u>	<u>72,121</u>

11b RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following

	2008			2007		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Property, plant and equipments	-	789,597	789,597	-	239,906	239,906
Others	(25,744)	-	(25,744)	(167,785)	-	(167,785)
	<u>(25,744)</u>	<u>789,597</u>	<u>763,853</u>	<u>(167,785)</u>	<u>239,906</u>	<u>72,121</u>

12 LONG TERM INVESTMENTS

	2008	2007
	GH¢	GH¢
Quoted Equity Investments	<u>945,455</u>	<u>691,055</u>

This represent 727,273 of equity shares of no par value held in Ghana Commercial Bank Limited

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

13a PROPERTY, PLANT AND EQUIPMENT

2008	Land and Buildings GH ¢	Plant and Machinery GH ¢	Motor Vehicles GH ¢	Furniture & Fitting GH ¢	Building W.I.P GH ¢	Total GH ¢
Cost						
Balance at 1.10.2007:	3,473,030	2,527,779	5,703,388	699,498	-	12,403,695
Additions during the year	464,114	816,139	8,282,250	109,207	736,077	10,407,787
Disposals	(66,700)	-	(76,711)	(12,710)	-	(156,121)
Balance at 30.9.2008	3,870,444	3,343,918	13,908,927	795,995	736,077	22,655,361
Depreciation						
Balance at 1.10.2007:	772,742	2,015,764	3,834,418	557,563	-	7,180,487
Charge for the year	118,114	369,768	1,237,113	78,809	-	1,803,804
Released on Disposals	(16,008)	-	(76,711)	(11,112)	-	(103,831)
Balance at 30.9.2008	874,848	2,385,532	4,994,820	625,260	-	8,880,460
Carrying amounts						
At 30.9.08	2,995,596	958,386	8,914,107	170,735	736,077	13,774,901
At 30.9.07	2,700,288	512,015	1,868,970	141,935	-	5,223,208

Security

At 30 September 2008 properties with a carrying amount of GH¢190,000(2007; GH¢190,000) are subject to a registered debenture to secure bank loans.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

13b PROPERTY, PLANT AND EQUIPMENT

2007	Land and Buildings GH ¢	Plant and Machinery GH ¢	Motor Vehicles GH ¢	Furniture & Fitting GH ¢	Building W.I.P GH ¢	Total GH ¢
Cost						
Balance at 1.10.2006:	2,799,217	2,042,406	3,482,265	569,503	31,118	8,924,509
Additions during the year :	642,695	485,373	2,221,123	131,605	-	3,480,796
Transfers	31,118	-	-	-	(31,118)	-
Disposals	-	-	-	(1,610)	-	(1,610)
Balance at 30.9.2007	<u>3,473,030</u>	<u>2,527,779</u>	<u>5,703,388</u>	<u>699,498</u>	<u>-</u>	<u>12,403,695</u>
Depreciation						
Balance at 1.10.2006:	668,551	1,864,177	3,278,302	488,176	-	6,299,206
Charge for the year	104,191	151,587	556,116	70,997	-	882,891
Disposals	-	-	-	(1,610)	-	(1,610)
Balance at 30.9.2007	<u>772,742</u>	<u>2,015,764</u>	<u>3,834,418</u>	<u>557,563</u>	<u>-</u>	<u>7,180,487</u>
Carrying amount						
At 30.9.07	<u>2,700,288</u>	<u>512,015</u>	<u>1,868,970</u>	<u>141,935</u>	<u>-</u>	<u>5,223,208</u>
At 30.9.06	<u>2,130,665</u>	<u>178,229</u>	<u>203,964</u>	<u>81,327</u>	<u>31,118</u>	<u>2,625,303</u>

13c Profit on disposal of Property, Plant and Equipments

	2008 GH¢	2007 GH¢
Cost	156,121	1,610
Accumulated Depreciations	<u>(103,831)</u>	<u>(1,610)</u>
Net Book Value	52,290	-
Sale Proceeds	<u>(314,598)</u>	<u>-</u>
Profit on Disposal	<u>262,308</u>	<u>-</u>

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

14 INTANGIBLE ASSETS	2008	2007
	GH¢	GH¢
Balance at 1 October	-	-
Acquisition	28,908	-
Balance at 30 September	28,908	-
Amortisation		
Balance at 1 October	-	-
Amortisation for the year	5,782	-
Balance at 30 September	5,782	-
Carrying amount		
At 30 September 2008	23,126	-

This relate to the cost of purchased computer software.

15 INVENTORIES

Trading

Cocoa	25,025,637	3,983,967
Sheanut	2,299,663	-

Non-Trading

Spare Parts	110,324	122,891
Tarpaulin Stocks	197,665	296,333
Jute Sacks/ Twine	174,714	262,070
Technical Stores	57,024	89,735
Printing Stationery	163,274	216,017
Fuel and Lubricants	235,995	186,057
Motor Cycle/ Helmet	-	162
Other Stock/ Matchets	4,037	8,993
Tyres and Batteries	89,917	156,934
Stencil Ink	11,360	15,217
	28,369,610	5,338,376

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008	2007
	GH ¢	GH ¢
16 ACCOUNTS RECEIVABLE		
Trade receivables due from customers	5,565,978	3,791,173
Other receivables	6,111,842	3,967,758
Staff Loans and Advances	675,019	430,209
Staff Loans Discounted	(47,965)	(57,528)
Prepayments	170,069	279,904
	12,474,943	8,411,516
	12,474,943	8,411,516

- a. Prepayments represent the unexpired portion of certain expenditure spread on time basis.
- b. The maximum amount due from employees of the Company during the year did not exceed GH¢675,019 (2007 - GH¢430,209).

	GH ¢	GH ¢
17 SHORT TERM INVESTMENTS		
Call & Fixed Deposits	69,820	13,779,124
Treasury Bills	315,398	241,318
	385,218	14,020,442
	385,218	14,020,442

18 CASH AND CASH EQUIVALENTS		
Bank Balances	10,984,515	2,336,833
Cash Balances	78,906	60
	11,063,421	2,336,893
	11,063,421	2,336,893

19 ACCOUNTS PAYABLE		
Trade payables due to related parties	11,234	10,262
Non-trade payables and accrued expenses	1,157,375	871,089
Accrued Charges	6,358,869	32,250
	7,527,478	913,601
	7,527,478	913,601

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008 GH ¢	2007 GH ¢
20 BANK OVERDRAFT		
Barclays Bank Ghana Limited	-	10,299,156
Ecobank Ghana Limited	619,957	505,227
Standard Chartered Bank	311,059	265,990
Ghana Commercial Bank	7,887,906	585,893
Agricultural Development Bank	586,017	-
Cal Bank	4,842	-
SG-SSB Limited	1,810,423	247,362
	11,220,204	11,903,628

Barclays Bank Ghana Limited

The company has an overdraft facility of GH¢12,000,000 with Barclays Bank Ghana Limited to finance the company's inventory, receivables and other operational bills. Interest rate is at the BBG Base rate (21.25% per annum) minus a spread of 1.75%. The facility is secured by a debenture over floating assets to be upstamped to cover BBG's exposure. The facility expired on 30 September 2007.

Ecobank Ghana Limited

The company has an overdraft facility of GH¢3,000,000 with Ecobank Ghana Limited to finance cocoa purchase for 2007/08 season, non-trade inventory (jute sacks, spares, fuel), receivables and other operational bills. Interest rate is at the bank's base rate (currently 19.25% per annum) minus 3.75%. Securities for the facility are hypothecation of insured stock of cocoa beans to be shared on a pairi passu basis with other lender banks and assignment and domiciliation of take-over margin. Receivables commensurate with EBG's commitment. The facility expires on 30 September 2008.

Standard Chartered Bank

The company has an overdraft facility of GH¢3,000,000 with the bank as a bridging facility pending the conversion of Cocoa Take Over (CTO's) into cash by COCOBOD. Interest rate is at 14% per annum compounded monthly and is subject to market conditions. The facility is secured by assignment of receivables for GH¢45 million and specific charge over 16 vehicles purchased and financed by SCB, stamped for GH¢1,500,000 LVB 5787/04

Ghana Commercial Bank

The company has an overdraft facility of GH¢15,000,000 with the bank to support cocoa purchases operations during 2007/08 cocoa season. Interest rate is at 13.75% per annum or any rate to be determined by the Bank from time to time. The facility is secured by negative pledge over fixed assets of the company valued at GH¢4.69 million and assignment of stocks of cocoa beans to be purchased during the 2007/08 Cocoa season valued GH¢60 million and receivables from Ghana Cocoa Board. The facility expires on 30 September 2008.

SG-SSB Bank

The company has an overdraft facility of GH¢10,000,000 with the bank to support cocoa purchases during the 2007/08 main crop and 2008 light crop seasons. Interest rate is at 13.5% per annum and is subject to review in line with market trends and at the discretion of the Bank. The facility is secured by assignment of receivables on cocoa beans to be purchased and pledge over cocoa stocks. The facility expires on 30 September 2008.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

BANK OVERDRAFT (cont'd)

Agricultural Development Bank

The company has an overdraft facility of GH¢3,000,000 with Agricultural Development Bank to finance part purchase of 220,000 metric tones of cocoa during the 2007/08 main crop season. Interest rate is at 14% per annum. The facility is secured by a Negative pledge over present and future assets of the company. The facility expired on 30 September 2008.

	2008	2007
	GH ¢	GH ¢
21 SHORT TERM LOANS		
Produce Loan (Seed Fund)	29,980,000	-
Barclays Bank	-	14,000,000
	29,980,000	14,000,000

Produce Loan (Seed Fund)

The Company has been granted a Short Term Loan of GH¢38,000,000.00 by COCOBOD to finance Cocoa Bean and Sheanuts purchase during the 2007/2008 light and 2008/09 Main Crop Seasons. Interest rate for the 2007/08 is 11% per annum and 16.5% per annum for the 2008/09 Main Crop Season.

Barclays Bank Limited

The Company has been granted a Short Term Loan of GH¢ 30,000,000 by Barclays Bank to finance cocoa bean purchase during the 2007/2008 crop season, non inventory such as jute sacks spare parts and to meet other operational expenses. The facility is secured by, Debenture over the company assets comprising stocks to be stored in Cocobod warehouses, or debtors (mainly Cocobod). This will be upstamped to cover the exposure. The Repayment of the facility is 180 days after the initial drawdown. Interest will be calculated on a semi-annual bases at a rate equal to the 182-day GOG Treasury Bill plus 3.0%. The facility expires on 29 September 2008.

22 MEDIUM TERM LOAN

Barclays Bank Ghana Limited	5,000,000	2,750,398
Standard Chartered Bank	1,318,636	1,731,672
Ghana Commercial Bank Limited	287,768	-
Ecobank Limited	375,000	-
Processing Fee	(34,993)	(27,500)
	6,946,411	4,454,570
Current portion payable within 12 months	2,810,551	1,734,777
Long term portion payable after 12 months	4,135,860	2,719,793

Standard Chartered Bank

The company has a medium term facility of GH¢2,253,000 with the Bank to finance the acquisition of 8 articulator trucks, 10 cargo trucks, 6 station wagons and 3 salon vehicles for operation. The loan is partly to finance the construction and rehabilitation of sheds and depots for cocoa storage. Interest rate is at SCB base lending rate minus 3% (16.49% per annum) compounded monthly and subject to market conditions. The facility is secured by assignment of receivables for GH¢45 million and a specific charge over 16 vehicles purchased and finance by SCB, stamped for GH¢1,500,000 LVB 5787/04. The facility will be repaid over a 36 month period and expires in October 2009.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

MEDIUM TERM LOANS (cont'd)

Barclays Bank Ghana Limited

The Company has been granted a Medium (Flexi) Term Loan of GH¢6,000,000 by Barclays Bank to finance the purchase of motor vehicles. The facility is secured by a debenture registered over all the motor vehicles purchased and any security that is presently held or received by the bank and other banking facilities will also serve as security for the facility. The interest rate charge over the facility is 15.5% (BBG Cedi Base Rate of 19.5% as at June 2007 minus 4.0%). The facility is for a maximum period of 48 months, expiring on 30 June 2011.

Ghana Commercial Bank

The company has a medium term facility of GH¢500,000 with the Bank to finance the purchase of weighing scales to enhance cocoa purchases. Interest rate is at 13.85% per annum (fixed) or any rate to be determined by the bank from time to time. The facility is secured by a Negative Pledge over fixed assets of the company valued at GH¢4.69 million - net book value of assets as at 30 June 2007, assignment of stocks of cocoa beans to be purchased during the 2007/08 cocoa season valued at GH¢60.0 million and receivables from Ghana Cocoa Board.

Ecobank

The bank has granted a medium term loan facility of GH¢400,000 to the company. The facility is to be used by the company to finance Operational Logistics, Operational Vehicles and Rehabilitation and Renting of warehouses in respect of its participation in the internal marketing of Sheanut beginning with the 2008/09 Sheanut Season. The facility is payable over 48 monthly installments commencing from the end of the month of initial disbursement and interest rate is at the bank's Base Rate (current 21.2%) minus a spread of 5.2% per annum payable monthly in arrears.

23 FINANCE LEASE	2008	2007
	GH¢	GH¢
Current portion payable within 12 months	956,407	-
Long term portion payable after 12 months	2,719,793	-
	3,676,200	-

The company has been granted a Finance Lease by SG-SSB of GH¢4,000,000 for the purchase of 5 TGM (4x2) cargo trucks, 10 articulator trucks and 15 BMC cargo trucks. The facility is for a period of (7) years. The interest rate is at the bank's base rate of 20.75% less 2.5% (18.25%). The total Lease rental payable at the prevailing rate of 18.25% shall be GH¢6,606,778.62, and the Bank has granted six (6) months moratorium for the repayment of the principal amount granted.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

24 STATED CAPITAL

a Ordinary shares

	2008		2007	
	No. of Shares	Proceeds GH¢	No. of Shares	Proceeds GH¢
Authorised Ordinary Shares of no par value	<u>20,000,000,000</u>		<u>20,000,000,000</u>	
Issued and fully paid				
For cash	2,005,000	1,586,800	2,005,000	1,586,800
For consideration other than cash	477,995,000	3,327,477	477,995,000	3,327,477
	<u>480,000,000</u>	<u>4,914,277</u>	<u>480,000,000</u>	<u>4,914,277</u>

The holders of the ordinary shares are entitled to receive dividend declared from time to time and are entitled to one vote per share at meetings of the company.

b Preference shares

No. of preference shares	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
Total stated capital		<u>4,914,377</u>		<u>4,914,377</u>

The preference shares are redeemable (golden cocoa share) allotted to the Ministry of Finance on behalf of Government of Ghana.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

c Share in treasury

Shares in Treasury as at 30 September 2008:-1,246,467 (2007 - 1,246,467).

d Income surplus (Retained earning)

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

e Share deals

This represents the net effect of shares which the company repurchased into treasury that are available for reissue for the consideration of GH¢1,982 and reclassification of the proceeds of redeemable preference shares of GH¢100 from equity.

f Other reserves

This represents the gain arising from fair value changes of long term investment in Ghana Commercial Bank Limited shares

25 TITLE DEED

a Included in the ordinary shares issued for consideration other than cash is an amount of GH¢954,000 which represents part of the value of fixed assets ceded to Produce Buying Company Limited by Ghana Cocoa Board. As mentioned in our report , we have not had sight of the Title Deed of the sheds and buildings as stated in the Company's books to establish the Company's ownership of these assets. However, in a letter dated November 18, 1999 the Government of Ghana gave the following undertaking :

b "The Government has taken over the interest of the Ghana Cocoa Board(Cocobod) in PBC and accordingly undertakes to ensure that the Cocobod takes all steps required of it under the Ceding Agreement of June 30, 1999 executed between the Cocobod and PBC including but not limited to the perfection of all interests and the execution of all documents to effectuate the cession of assets to PBC".

c "The Government further assures the investing public that in the event of Cocobod failing its obligations under the cession agreement, it will take such additional steps including but not limited to compulsory acquisition and arranging of payment of adequate compensation by Cocobod so as to concretise the interest of PBC in the said assets".

26 EARNINGS PER SHARE

Basic and Diluted earnings per share

The calculation of basic and diluted earnings per share at 30 September 2008 was based on the profit attributable to ordinary shareholders of GH¢2,110,450 (2007; GH¢124,531) and a weighted average number of ordinary shares outstanding of 480 million (2007 ; 480 million)

27 DIVIDEND

Final dividend of GH¢0.0015 per share amounting to GH¢720,000 has been proposed for the year ended 30 September 2008.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

28 FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments;

- ^ Credit risk
- ^ Liquidity risk
- ^ Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established the Audit and Finance committee, which are responsible for developing and monitoring the company's risk management policies in their specified areas. The team includes selected members of executive management and report regularly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

The company's Audit and Finance Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of risk management framework in relation to the risks faced by the company. This committee is assisted in these functions by a risk management structure in all the units of the company which ensures a consistent assessment of risk management control and procedures.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Trade and other receivables

The company's exposure to credit risk is minimised as all sales are made to one individual customer. The company has transacted business with this customer over the years, there has not been much default in payment of outstanding debts.

Allowances for impairment

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of risk and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for homogeneous assets in respect of losses that have been incurred but not yet been identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

	2008	2007
	GH¢	GH¢
Available for sale Financial Assets	945,455	691,055
Loans and Receivables	12,908,126	22,489,486
Cash and Cash Equivalents	11,063,421	2,336,893
	24,917,002	25,517,434

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was;

Public Institutions	5,565,978	3,791,173
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Impairment Losses

	2008		2007	
	Gross GH¢	Impairment GH¢	Gross GH¢	Impairment GH¢
Past due 0 - 180 days	5,565,978	-	3,791,173	-

The movement in the allowance in respect of trade receivables during the year was as follows

	2008	2007
	GH¢	GH¢
Balance at 1 October	5,565,978	3,791,173
Impairment loss recognised	-	-
	5,565,978	3,791,173

Based on historical default rates, the company believes that no impairment is necessary in respect of trade receivables past due up to 180 days.

Liquidity risk

Liquidity risk is the risk that the company either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The company's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

The following are contractual maturities of financial liabilities;

30 September 2008

Non-derivative financial liability	Amount GH¢	6 mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Secured bank loans	40,602,611	31,863,479	1,883,479	6,855,653
Trade and other payables	7,527,478	7,527,478	-	-
Bank overdraft	11,220,204	11,220,204	-	-
Balance at 30 September 2008	59,350,293	50,611,161	1,883,479	6,855,653

30 September 2007

Non-derivative financial liability	Amount GH¢	6 mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Secured bank loans	18,454,570	7,839,888	7,867,389	2,747,293
Trade and other payables	913,601	913,601	-	-
Bank overdraft	11,903,628	11,903,628	-	-
	31,271,799	20,657,117	7,867,389	2,747,293

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The company is not exposed to currency risk as there are no transactions and balances denominated in currencies other than the functional currency.

Interest rate risk

Profile

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was;

	Carrying amount	
	2008 GH¢	2007 GH¢
Variable rate instrument		
Financial liabilities	51,822,815	30,385,198

Fair value sensitivity analysis for fixed rate instrument

The company did not have fixed rate instrument at 30 September 2008 and also at 30 September 2007

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

29 FAIR VALUES

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet are as follows;

	30 September 2008		30 September 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	GH¢	GH¢	GH¢	GH¢
<i>Loans and Receivables</i>				
Trade and Other Receivables	12,474,943	12,474,943	8,411,516	8,411,516
Cash and Cash Equivalents	11,063,421	11,063,421	2,336,893	2,336,893
Short Term Investments	385,218	385,218	14,020,442	14,020,442
	<u>23,923,582</u>	<u>23,923,582</u>	<u>24,768,851</u>	<u>24,768,851</u>
<i>Available for Sale</i>				
Long Term Investment	<u>945,455</u>	<u>945,455</u>	<u>691,055</u>	<u>691,055</u>
<i>Other Financial Liabilities</i>				
Secured Bank Loan	40,602,611	40,602,611	18,454,570	18,454,570
Trade and Other Payables	7,527,478	7,527,478	913,601	913,601
Bank Overdraft	11,220,204	11,220,204	11,903,628	11,903,628
	<u>59,350,293</u>	<u>59,350,293</u>	<u>31,271,799</u>	<u>31,271,799</u>

30 CAPITAL COMMITMENTS

There were no commitments for capital expenditure at the balance sheet date and at 30 September 2007

31 EMPLOYEE BENEFITS

Deferred Contribution Plans

Social Security

Under a National Deferred Benefit Pension Scheme, the company contributes 12.5% of employee basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pension. The company's obligation is limited to the relevant contribution, which were settled on due dates. The pension liabilities and obligations however, rest with SSNIT.

Provident Fund

The company has a provident fund scheme for the staff under which the company contribute 5% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settle on the dates to the fund manger.

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

32 SHAREHOLDING DISTRIBUTION

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

33 DIRECTORS SHAREHOLDING

The Directors named below held the following number of shares in the company as at 30 September 2008.

Names	2008	2007
Nana Timothy Aye Kusi - Chairman	18,700	18,700
Mr. Joseph Buatsie	3,000	3,000
Mr. Andrew Antwi Boasiako	7,500	7,500
Mr. Anthony Osei Boakye	7,000	7,000
	36,200	36,200

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

34 20 LARGEST SHAREHOLDERS

Shareholders	Number of Shares	Percentage Holding (%)
1 Social Security & National Insurance Trust	182,879,412	38.10
2 Ministry of Finance - Government of Ghana	176,112,259	36.69
3 NTHC/Institutional Investor Consortium	58,746,819	12.24
4 NTHC Limited	8,991,934	1.87
5 Current PBC Employees/Commission Agents	5,127,577	1.07
6 GCCSFA/Farmers - Individuals	1,547,307	0.32
7 GCCFA/Farmers - Association	1,250,000	0.26
8 State Insurance Company Limited	1,000,000	0.21
9 Yirenkyi Samuel Ernest Mr.	1,000,000	0.21
10 DBL/Galtere International Fund	1,000,000	0.21
11 BBGN/SSB Eaton Vance Tax-Managed Emerging Mkts Funds	650,000	0.14
12 BBGN/SSB As Custodian For Eaton Vance	382,428	0.08
13 BBGN/Bank of New York Brussels Branch	354,118	0.07
14 MSL Portfolio	208,216	0.04
15 Akoto- Bamfo Edmund	208,065	0.04
16 Aluworks Limited	200,000	0.04
17 BBGN/SSB Eaton Vance Structured Emerging Mkt Fund	200,000	0.04
18 BBGN/BNY Brussels Branch	162,500	0.03
19 BBGN/CITIBANK Wilmington Multi Manager Int. Fund	162,500	0.03
20 BBGN/CITIBANK Balentine Int. Equity Fund Select CP	162,500	0.03
	440,345,635	91.58

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

35a EXPLANATION TO TRANSITION TO IFRS

Reconciliation in Equity

As stated in note 2(a), these are the company's first financial statements prepared in accordance with IFRS,

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 30 September 2008, the comparative information presented in these financial statements for the year ended 30 September 2007 and in the preparation of an opening IFRS balance sheet at 1 October 2006 (the company's date of transition).

In preparing its opening IFRS balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Ghana Accounting Standards). An explanation of how the transition from the previous GAAP to IFRS has affected the company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Assets	Note	Effect of transition to IFRSs			Effect of transition to IFRSs		
		GAS 1 October 2006 GH¢	IFRSs 1 October 2006 GH¢	IFRSs 1 October 2006 GH¢	GAS 30 September 2007 GH¢	IFRSs 30 September 2007 GH¢	IFRSs 30 September 2007 GH¢
Stocks	a	6,996,725	(1,038,796)	5,957,929	3,480,526	1,857,850	5,338,376
Debtors	b	8,365,219	1,099,055	9,464,274	10,562,418	(2,150,902)	8,411,516
Short term investment		164,318	-	164,318	14,020,442	-	14,020,442
Cash and bank bal.		814,953	-	814,953	2,336,893	-	2,336,893
		16,341,215	60,259	16,401,474	30,400,279	(293,052)	30,107,227
Property, plant & Equip		2,625,303	-	2,625,303	5,223,208	-	5,223,208
Long term investment	c	25,000	282,500	307,500	443,864	247,191	691,055
Total Assets		18,991,518	342,759	19,334,277	36,067,351	(45,861)	36,021,490
Liabilities							
Bank overdraft		9,820,414	-	9,820,414	11,903,628	-	11,903,628
Short term loan		-	-	-	14,000,000	-	14,000,000
Trade & other payables		841,944	-	841,944	2,633,028	-	2,633,028
Seed fund loan		4,204,143	-	4,204,143	-	-	-
N R Levy		86,456	-	86,456	86,456	-	86,456
Taxation		(250,973)	-	(250,973)	(325,430)	-	(325,430)
Dividend		15,350	-	15,350	15,350	-	15,350
		14,717,334	-	14,717,334	28,313,032	-	28,313,032
Medium term loan		-	-	-	2,747,293	(27,500)	2,719,793
Total Liabilities		14,717,334	-	14,717,334	31,060,325	(27,500)	31,032,825
Equity							
Stated Capital		4,914,377	-	4,914,377	4,914,377	-	4,914,377
Income Surplus		(642,175)	60,259	(581,916)	(191,833)	(265,552)	(457,385)
Share deals		1,982	-	1,982	1,982	-	1,982
Other reserves	c	-	282,500	282,500	282,500	247,191	529,691
Shareholders funds		4,274,184	342,759	4,616,943	5,007,026	(18,361)	4,988,665
Total liabilities and shareholders' equity		18,991,518	342,759	19,334,277	36,067,351	(45,861)	36,021,490

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

EXPLANATION TO TRANSITION TO IFRS (cont'd)

The adjustments listed above have been described in the notes set out below;

a Effect of transaction to IFRS 30 September 2007

Under the previous Ghana Accounting Standards revenue was recognized when the Cocoa Taken Over (CTO) are received and not when risk and rewards have passed to the customer. This resulted in cost of sales (i.e. stocks) of GH¢1,858,250 for year 2008 included in year 2007 deferred and cost of sales (i.e. stocks) of GH¢400 for year 2007 included in year 2008 now captured.

Effect of transition to IFRS 30 September 2006

The cost of sales of GH¢1,116,534 that was captured in 2007 per GAS instead of 2006 per IFRS requirements is deducted from closing stock for 2006; and 2007 cost of sales amount of GH¢77,738 captured in 2006 per GAS instead of 2007 is added to the closing stock of 2006.

b Effect of transition to IFRS 30 September 2007

In accordance with IFRS, 2008 turnover of GH¢2,093,832 included in 2007 has been deferred, together with its corresponding receivables. Also receivable of GH¢458 was for 2007 which has been captured in 2008, this has been reversed. The staff loans given below market interest rates were fair valued and discounts of GH¢64,638 and GH¢1,889 for 2006 and 2007 respectively were set off against trade receivable for 2007. Again the staff loans discount recycle into income was taken to trade receivables and this amounted to GH¢8,999.

Effect of transition to IFRS 30 September 2006

The sales of GH¢1,250,641 recognised in 2007 per GAS instead of 2006 is added to debtors in 2006 as per IFRS and the sales of GH¢86,948 recognised in 2006 per GAS instead of 2007 is deducted from debtors balance for 2006. The staff loans discounts of GH¢64,638 is also deducted from trade receivables.

c Under the previous Ghana Accounting Standards investment was recognised at cost, under IFRS available-for-sales financial asset are to be recognised at fair value. The fair valuation of shares resulted in fair value gains of GH¢282,500 and GH¢247,191 for financial year 2006 and 2007 respectively.

d The effect on the income statement for the year ended 30 September 2007 was to decrease the previously reported profit of GH¢450,342 for the year by GH¢332,921.

Retained Earnings

		1 October 2006 GH¢	30 September 2007 GH¢
Prior year equity movement		-	60,259
Revenue & cost of sale adjustments	a,b	60,259	(325,811)
Total adjustment to equity		60,259	(265,552)

PRODUCE BUYING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

EXPLANATION TO TRANSITION TO IFRS (cont'd)

Reconciliation of profit for 2007

	Note	GAS GH¢	Effect of transition to IFRS GH¢	IFRS GH¢
Revenue	e	195,112,656	(1,929,886)	193,182,770
Cost of sales	f	(173,222,319)	(2,157,798)	(171,064,521)
Gross profit		21,890,337	227,912	22,118,249
Other income	g	1,628,248	(614,717)	1,013,531
General and admin expenses	h	(19,576,582)	(1,889)	(19,578,471)
		3,942,003	(388,694)	3,553,309
Finance cost	i	(3,228,398)	62,883	(3,165,515)
Profit before tax		713,605	(325,811)	387,794
Taxation		(263,263)	-	(263,263)
		450,342	(325,811)	124,531

The effects of adjustments on the income statement are described below

- e** Gross haulage income of GH¢1,327,181 reclassified from other income is added to revenue, GH¢86,948 sales for 2007 recognised in 2006, GH¢458 sales for 2007 recognised in 2008 and sales for other years of GH¢3,344,473 deferred from 2007 revenue.
- f** Cost of sales of GH¢738,847 for haulage added to cost of sales and GH¢1,116,534 and GH¢1,858,250 relating to cost of sales for 2006 and 2008 respectively are removed; GH¢77,739 and GH¢400 cost of sales included in 2006 and 2008 respectively were added to 2007 cost of sales.
- g** Net haulage income of GH¢588,333 and interest income of GH¢35,383 reclassified from other income.
- h** The discount on staff loans is added to staff cost and hence increases administrative expenses.
- i** Processing fee for future years of GH¢27,500 deferred and interest income of GH¢35,383 deducted to arrive at the net finance cost.