

**PRODUCE BUYING COMPANY LIMITED**

**PUBLIC SHARE  
OFFER FOR SALE**  
**MINI PROSPECTUS**

**ON BEHALF  
OF THE GOVERNMENT OF GHANA  
OF 384,000,000 ORDINARY SHARES  
OF NO PAR VALUE AT¢ 500 EACH**

**BY  
NTHC LIMITED  
& EBG STOCKBROCKERS LTD.,  
DATABANK BROKERAGE LTD.,  
CDH SECURITIES LTD.**

**OFFERS OPEN FROM  
WEDNESDAY, DECEMBER 1st, 1999 TO FRIDAY, JANUARY 14th, 2000**

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Responsibility for the accuracy of the information contained in this document lies with the Government of Ghana and the Directors of Produce Buying Company Ltd "[PBC]". Having taken all reasonable care to the best of their knowledge and belief, the Government of Ghana and the Directors of PBC regard information in this document as in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document has been delivered to the Registrar-General's Department in Ghana for registration. The Registrar of Companies, Ghana has not checked and will not check the accuracy of any statements made and accepts no responsibility therefor or for the financial soundness of the Company or the value of the securities concerned. This document was registered by the Registrar of Companies, Ghana on December 1st, 1999.

Application has been made to the Ghana Stock Exchange (GSE), a stock exchange approved in accordance with Section 280 of Ghana's Companies Code, 1963 (Act 179) as amended by Section 145 (2) of the Securities Industry Law 1993, (PNDC Law 333), for listing the shares hereby offered and other issued shares of the Company on the GSE. The GSE has given provisional approval for the listing of the said shares. No person has been authorized to give any information or to make any representation other than those contained in this document, and if given or made, such information or representation must not be relied upon as having been authorized.

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## **Produce Buying Company Limited**

*(Incorporated in Ghana with limited liability under the Company's Code, 1963 (Act 179) with registered No. 19,826)*

**OFFER FOR SALE  
ON BEHALF OF THE GOVERNMENT OF GHANA  
OF 384,000,000 ORDINARY SHARES OF NO PAR VALUE  
AT ¢500  
BY  
NTHC LTD. AND  
EBG Stockbrokers Ltd., Databank Brokerage Ltd., CDH Securities Ltd.**

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The distribution of this document and the offering of the shares in certain jurisdictions may be restricted by law; persons into whose possession this document comes are required by the PBC to inform themselves about, and observe, any such restrictions. This document does not constitute an offer to, and may not be used for the purpose of an offer to, or the solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or is unlawful.

Before deciding whether to apply for Shares, you should consider whether Shares are a suitable investment for you. Their value can go down as well as up. Past performance is not necessarily indicative of future performance. If you need advice, you should consult an appropriate professional adviser.

Neither the delivery of this document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

NTHC Ltd., and EBG Stockbrokerage Ltd., Databank Brokerage Ltd., CDH Securities Ltd., are acting solely for Produce Buying Company Ltd. and the Government of Ghana acting through the Divestiture Implementation Committee. Neither NTHC Ltd., and EBG Stockbrokerage Ltd., Databank Brokerage Ltd., CDH Securities Ltd., will be responsible to anyone other than Produce Buying Company Limited and the Government of Ghana for providing the protection offered to its customers or for providing advice in relation to such transactions.

Details of the Company's share capital and indebtedness are set out on Page iv.

PBC PROSPECTUS Dated 1st December, 1999

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## KEY MILESTONES AND EXPECTED TIME TABLE

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***1999***

Launching and Commencement of the Offer ..... *Wednesday, December 1, 9.00am*

***2000***

Offer Ends (*6 weeks*) ..... *Friday, January 14, 3.00pm*

Latest Date and Time for receipt of application forms ..... *Friday, January 14, 3.00pm*

Allotment begins ..... *Monday, January 17, 9.00am*

Allotment Period ends, Issue of Share Certificates commence.. *Friday, February 4, 3.00pm*

Final Despatch of Share Certificates ..... *Friday, February 25, 2000*

Dealings Commence on The Ghana Stock Exchange ..... *Friday, March 3, 2000*

All times are Greenwich Mean Time ["GMT"]. All dates provided are subject to change by the Managers of the offer in consultation with the Government of Ghana, the Divestiture Implementation Committee, and the Ghana Stock Exchange.

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### GUIDE TO COMPLETING THE APPLICATION FORM

#### APPLICATION FORM

<b>SUMMARY OF THE OFFER &amp; SHARE CAPITAL</b>		
<b>Share Offer</b>		
<i>The Offer.</i>	384,000,000 ordinary shares at ₵500 per share	
<b>Share Capital Following The Share Offer</b>		
<i>Authorized</i>		<i>Issued and Fully Paid<sup>4</sup></i>
20,000,000,000	Ordinary shares of no par value .....	480,000,000
1	Special rights redeemable preference share ("Golden Cocoa Share") of no par value.....	1
<b>Capitalization</b>		
	<i>September 30, 1999<sup>2</sup></i>	<i>September 30, 1998</i>
Stated Capital .....	[₵]: 49,142,769,000.-	10,000,000,000.-
Income Surplus Account .....	[₵]: (12,937,580,000.-)	(1,022,432,000.-)
<i>Total Shareholders' Equity</i> .....	[₵]: 36,205,190,000	8,977,568,000.-
Short Term Borrowings <sup>3</sup> .....	[₵]: 5,804,530,000.-	12,881,745,000.-
Long Term Borrowings .....	[₵]: 0.-	5,579,892,000.-
<i>Total Borrowing</i> .....	[₵]: 5,804,530,000.-	18,461,637,000.-
Total Capitalization .....	[₵]: 42,009,720,000.-	27,439,205,000.-
<i>Per Share Before Offer<sup>4</sup></i> .....	[₵]: 87.52	

<sup>1</sup> Assuming the over-allocation option is not exercised.

<sup>2</sup> Includes information from audited accounts for the 9-month period ending June 30<sup>th</sup>, 1999 and unaudited Management Accounts for the period July 1<sup>st</sup> -30<sup>th</sup> September, 1999 to complete the 1999 business year.

<sup>3</sup> Short Term Borrowings include current amounts due on loans and credits due to Cocobod

<sup>4</sup> Assumes the share offer is fully taken up, no exercise of the over-allocation option for the Company to issue new shares, and includes PBC Employees and GCCSFA special share transfers from Government.

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## DIRECTORS AND CORPORATE INFORMATION

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<b>Directors<sup>5</sup>:</b>	<b>Dr. J.C. London,</b> <i>Chairman</i> <b>Col. M.K. Amuzu</b> <b>Mr. Haruna Maamah</b> <b>Maj. (rtd.) D.S. Ablorh-Quarcoo</b> <b>Ms. Nancy Yelpoe</b> <b>Mr. J.N. Naatuu</b> <b>Nana Yiadom Boakye</b> <b>Mr. Francis Akpoh,</b> <i>Staff Representative</i> <b>Mr. K. Asante Poku,</b> <i>Managing Director</i>		
<b>Secretary to the Board &amp; Legal Advisor:</b>	<b>Mrs. Abena Kwarkoa Asafu-Adjei</b>		
<b>Auditors:</b>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <b>Parnell Kerr Forster</b>  Chartered Accountants,  Farrar Avenue  P. O. Box 1219, Accra, Ghana </td> <td style="width: 50%; vertical-align: top;"> <b>Asafo Adjei &amp; Partners</b>  Chartered Accountants  P. O. Box 15110  Accra-North, Ghana </td> </tr> </table>	<b>Parnell Kerr Forster</b> Chartered Accountants, Farrar Avenue P. O. Box 1219, Accra, Ghana	<b>Asafo Adjei &amp; Partners</b> Chartered Accountants P. O. Box 15110 Accra-North, Ghana
<b>Parnell Kerr Forster</b> Chartered Accountants, Farrar Avenue P. O. Box 1219, Accra, Ghana	<b>Asafo Adjei &amp; Partners</b> Chartered Accountants P. O. Box 15110 Accra-North, Ghana		
<b>Registered Office:</b>	Dzorwulu Junction/Achimota Road, Accra, Ghana.		
<b>Registrars:</b>	<b>NTHC Ltd.</b> P.O. Box 9563, Airport-Accra Martco House, No D542/4, Okai Mensah Link Adabraka, Accra, Ghana		

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<sup>5</sup> The Board of Directors will be restructured subsequent to the flotation to strengthen the Board, provide effective management, and to ensure sound leadership in the interest of all shareholders.

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## ADVISORS TO THE SHARE OFFER

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**Sponsors To The  
Listing On The Ghana  
Stock Exchange:**

**NTHC Ltd.**  
P.O. Box 9563, Airport-Accra  
Martco House,  
No D542/4, Okai Mensah Link  
Adabraka, Accra, Ghana

<b>Managers Of The Offer:</b>	<p><b>Lead Manager Of The Offer</b> <b>NTHC Ltd.</b> P.O. Box 9563, Airport-Accra Martco House, No D542/4, Okai Mensah Link Adabraka, Accra, Ghana</p>	<p><b>Co-Managers Of The Offer</b> <b>EBG Stockbrokers Ltd.</b> No.19, 7<sup>th</sup> Avenue, Ridge West, Accra <b>Databank Brokerage Ltd.</b> 5<sup>th</sup> Floor Tower Block, SSNIT Pension House, Accra <b>CDH Securities Ltd.</b> 3<sup>rd</sup> Floor Tower Block, SSNIT Pension House, Accra</p>
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**Reporting Accountants:**

**James Quagraine & Co.**  
Chartered Accountants & Management Consultants  
P.O. Box 3947, Accra  
1<sup>st</sup> Floor, SSNIT Trust Towers  
Farrar Avenue, Adabraka,  
Accra, Ghana.

**Legal Advisor:**

**Ntrakwah & Co.**  
P. O. Box 12556  
No.4, Watson Avenue  
Adabraka, Accra, Ghana.

**Registrar:**

**NTHC Ltd.**  
P.O. Box 9563, Airport-Accra  
Martco House,  
No D542/4, Okai Mensah Link  
Adabraka, Accra, Ghana

**Principal Receiving  
Banks:**

**Ghana Commercial Bank Ltd.**  
**SSB Bank Ltd.**  
**Agricultural Development Bank Ltd.**  
**Ecobank Ghana Ltd.**  
**The Trust Bank Ltd.**  
**Ghana International Bank, London, U.K.**



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## ADVISORS TO THE VENDOR

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In the process of the divestiture of the Produce Buying Company Limited, the Government of Ghana as the sole shareholder first through the Ghana Cocoa Board and then directly through the Minister of Finance, and acting by the Divestiture Implementation Committee ["DIC"] appointed an Emos Consultancy Ltd. Team of Advisors to advise on the divestiture strategy for the privatization of the Produce Buying Company Ltd., and to implement the agreed strategy. The Advisory Team comprised the following expert groups and responsible persons.

### **Emos Consultancy Limited**

6<sup>th</sup> Floor, SSNIT Trust Towers,  
Farrar Avenue, Adabraka,  
P. O. Box AN 11448, Accra, Ghana  
*Kodwo Edisi Ampofo - Project Director*

### **Lead Advisor**

### **Abt Associates Inc.:**

55 Wheeler St.  
Cambridge, MA, 02138-1168, USA  
*Dr. Ulrich F.W. Ernst - Privatization Expert*

### **Privatization Advisor**

### **James Quagraine & Co.:**

P. O. Box 3947, Accra  
1<sup>st</sup> Floor, SSNIT Trust Towers  
Farrar Avenue, Adabraka  
Accra, Ghana  
*George Afedez Hayford - Principal Consultant*

### **Financial Due Diligence**

### **Ntrakwah & Co.:**

P. O. Box 12556  
No. 4, Watson Avenue  
Adabraka, Accra, Ghana  
*Felix Ntrakwah - Legal Expert*

### **Legal Advisor**

### **Primetime Ltd.:**

P. O. Box AN 5458  
Accra-North, Accra, Ghana  
*Kwaku Mensa-Bonsu - Media/Publicity Consultant*

### **Media Advisor**

### **NTHC Ltd.:**

P. O. Box 9563, Airport-Accra  
Martco House  
N. D542/4, Okai Mensah Link  
Adabraka, Accra, Ghana  
*Dr. A. W. N. Q. Barnor - Senior Investment Banker*

### **Share Flotation Advisor**



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## TABLE OF DEFINITIONS

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<b>GSE</b>	Ghana Stock Exchange
<b>SRC</b>	Securities Regulatory Commission
<b>SIL</b>	Securities Industry law
<b>ICCO</b>	International Cocoa Council
<b>Cocobod</b>	Ghana Cocoa Board
<b>GCCSFA</b>	Ghana Cocoa, Coffee & Sheanut Farmers Association
<b>PBC</b>	Produce Buying Company Limited
<b>CMC</b>	Cocoa Marketing Company
<b>QCD</b>	Quality Control Division of Cocobod
<b>CRIG</b>	Cocoa Research Institute of Ghana
<b>CSD</b>	Cocoa Services Division
<b>LBCs</b>	Licensed Buying Companies
<b>EU</b>	European Union
<b>USA</b>	United States of America
<b>IMF</b>	International Monetary Fund
<b>World Bank</b>	International Bank for Reconstruction & Development
<b>ERP</b>	Economic Recovery Programme
<b>SAP</b>	Structural Adjustment Programme
<b>ECA</b>	Exchange Control Act
<b>DIC</b>	Divestiture Implementation Committee

## SECTION 1: Basis And Purpose Of The Share Offer

### 1.1 The Basis Of The Share Offer

The Government of Ghana is restructuring Ghana's economy to privatize wealth creation activities and make the private sector the principal engine of growth. The cocoa sector is therefore being liberalized and privatized to improve its efficiency and value creation for the core producers – farmers. As part of these measures, the Government of Ghana in 1998 confirmed the divestiture of the Produce Buying Company Ltd., then a subsidiary of Ghana Cocoa Board. In preparation for PBC's privatization, the Company's assets were re-valued in November 1998 by a consortium of valuation firms. The Company has since then been converted into a public limited liability company under the Companies Code 1963 (Act 179) and its shares transferred from Ghana Cocoa Board to the Minister of Finance on behalf of the Government of Ghana. The Government, pursuant to the divestiture objective, is selling up to 80% of its equity holding in PBC, out of which 25% (or 20% of current issued shares) and 6.25% (or 5% of current issued shares) are being allocated to Ghana Cocoa Coffee and Sheanut Farmers Association [GCCSFA] and PBC employees respectively in special share ownership schemes.

### 1.2 Purpose Of The Share Offer

Cocoa is at the core of Ghana's economy, though cocoa export has lost its leading role as the key foreign exchange earner in recent years. But, the cocoa sector has been a significant beneficiary of the current private-sector oriented economic regime. Privatization and related liberalization of Ghana's competitive environment introduced through the launching of the Economic Recovery Program (ERP) in 1983, and the subsequent Structural Adjustment Program (SAP) have realigned incentive structures in the economy towards productive activities like cocoa farming.

The previous vicious cycle of taxation and producer price decline in real terms has given way to progressive appreciation in the producer prices paid to farmers, and recovery in output. Under a new regime established with the "*Regulations and Guidelines for the Privatisation of Internal Marketing of Cocoa*", private sector firms were allowed to participate and compete with the PBC in the internal purchasing of cocoa for sale to the Cocoa Marketing Company which handles the export of the produce.

Another major step was taken in 1998 with the setting up of a "*Cocoa Sector Strategy Task Force*" which recommended the restructuring of the industry to improve the incentive framework to farmers through higher producer prices tied to world market price trends and lower Government taxation of exports. Another dimension was the "*leveling*" of the playing field through removal of the monopoly advantages enjoyed by PBC and reciprocal freeing of PBC's business from public sector administrative oversight through privatization. In response to these environmental challenges, PBC's management took a major step in late 1998 to restructure the company and drew up a program to realign operations, rationalize staff cost to bring it in line with its current market position, and infuse efficiency into its operations. This restructuring is currently at the completion stage.

Government's decision to privatize the PBC therefore falls in line with the company's efforts to strengthen its competitive posture and return its operations to profitability to enable a privatized PBC to compete effectively with its private sector competitors.

The divestiture of the PBC is the next major step in the restructuring of the cocoa industry and regulatory regime. It will return the business of cocoa into private hands and revert the Ghana Cocoa Board into a policy and regulatory agency. It will also enable market incentives and competition to operate under an overall national policy framework to enhance production and increase value creation in the cocoa industry.



### 1.3 Summary Of The Offer

The Government of Ghana is the sole shareholder of the Produce Buying Company Limited. The PBC Share offer consists of the sale of 384,000,000 of the issued shares of the company. The offer is being made to interested investors, institutions and individuals, resident in Ghana and in other ECOWAS countries and to residents, institutions and individuals in a limited number of countries whose laws permit them to invest under the terms of the share offer.

The Offer Price is c500 per share. The minimum purchase quantity is 100 shares, and multiples of 20 shares thereafter. The offer will start on Wednesday December 1st, at 9.00am GMT and close on Friday January 14th, 2000 at 3.00pm GMT, unless the period is extended by the Managers in consultation with the Government of Ghana, the Divestiture Implementation Committee, and the Ghana Stock Exchange.

If the Offer is over-subscribed, the over-subscription will be allocated first in priority to the Company up to 5% of the issued shares and thereafter equally to the Company and any Government shares in reserve to enable the PBC issue and allot additional shares up to 10% of current issued shares to raise funds to supplement its working capital.

### 1.4 The Company

Produce Buying Company (PBC) evolved from the produce department of the Ghana Cocoa [Marketing] Board. It was incorporated as the Produce Buying Division Limited on November 13th, 1981 as a 100% state-owned enterprise and a subsidiary of Ghana Cocoa Board [Cocobod]. It was granted a certificate to commence business on November 18th, 1981. By a special resolution of its Board of Directors, the name was changed to Produce Buying Company Limited on October 27th, 1983. By a shareholder's agreement dated September 15th, 1999 pursuant to the divestiture objectives of the Ghana Government, the PBC shareholding was transferred from the Ghana Cocoa Board to the Minister of Finance on behalf of the Government of Ghana.

The PBC's business is cocoa, the leading farming crop and a corner stone of the Ghanaian economy, with 800,000 farming families linked to it.

### 1.5 Authorized Business

The nature of the business which the Company is authorised to carry on are:

- To acquire and take over as a going concern the activities and business of the Produce Buying Division of the Ghana Cocoa [Marketing] Board.
- To buy, collect, store, transport, or otherwise deal in cocoa, coffee, sheanuts, and shea butter produced in Ghana, and to sell same to the Ghana Cocoa [Marketing] Board.
- To carry out arrangements, financial or otherwise, and to contract with the Ghana Cocoa [Marketing]<sup>1</sup> Board for the purchase of cocoa, coffee, sheanuts, and shea butter.
- To appoint agents or enter into arrangements with any company, firm, or any person or group of persons with a view to carrying on the business of the Company.

**1.6 Summary Financial Information<sup>2</sup>:** The following provides key financial information from the company .

<i>Selected Balance Sheet Information for the Period Ended,</i>						
	Jun. 1999	Sep. 1998	Sep. 1997	Sep. 1996	Sep. 1995	Sep. 1994

<sup>1</sup> Now Ghana Cocoa Board pursuant to PNDC Law 81 of 1984 and PNDC Law 265 of 1991.

<sup>2</sup> 1999 includes information from audited accounts for the 9-month period ending June 30, 1999.



	€ million	€ million	€ million	€ million	€ million	€ million
<b>ASSETS</b>						
Bank and Cash Balances .....	935.41	1,861.07	591.28	5,797.17	4,353.75	416.88
Accounts Receivable.....	9,613.92	3,969.65	3,176.03	11,944.21	2,754.92	14,273.53
Inventory Stocks .....	62,499.97	18,094.75	12,369.30	17,841.20	6,260.86	1,124.37
Investments .....	<b>582.90</b>	2,591.57	1,744.97	1,002.39	597.74	2,181.33
<b>Fixed Assets .....</b>	<b>32,869.41</b>	<b>14,397.95</b>	<b>15,265.26</b>	<b>10,667.93</b>	<b>11,015.48</b>	<b>11,354.06</b>
	<b>106,501.61</b>	<b>40,914.99</b>	<b>33,146.84</b>	<b>47,252.90</b>	<b>24,982.75</b>	<b>29,350.17</b>
<b>CLAIMS ON ASSETS</b>						
Bank Overdraft .....	12,829.38	3,226.33	6,000.62	4,885.85	3,119.75	5,497.99
Accounts Payable .....	54,467.43	12,706.64	4,808.64	24,873.92	5,304.99	10,197.56
Cocobod Inputs .....	0.00	9,655.41	5,220.33	4,306.76	3,979.26	2,136.72
Taxation .....	169.15	769.15	818.48	1,218.48	687.08	16.13
<b>Long Term Loans .....</b>	<b>0.00</b>	<b>5,579.89</b>	<b>5,295.14</b>	<b>792.25</b>	<b>792.25</b>	<b>792.25</b>
<b>Shareholders Funds .....</b>	<b>39,035.66</b>	<b>8,977.57</b>	<b>11,003.63</b>	<b>11,175.64</b>	<b>11,099.42</b>	<b>10,709.52</b>
	<b>106,501.61</b>	<b>40,914.99</b>	<b>33,146.84</b>	<b>47,252.90</b>	<b>24,982.75</b>	<b>29,350.17</b>

*Selected Profit and Loss Information for the Period Ended.*

Turnover .....	536,540.99	595,268.85	348,996.59	314,385.13	194,622.64	86,457.85
Cost of Sales .....	(462,825.28)	(506,147.70)	(285,660.16)	(257,484.18)	(166,203.04)	(73,681.12)
Gross Profit .....	73,715.71	89,121.15	63,336.43	56,900.95	28,419.60	12,776.73
Freight & Other Income .....	6,473.31	10,128.20	2,661.17	1,007.38	1,043.34	6,944.13
Direct Operating Expenses ...:	(48,089.50)	(62,453.86)	(36,395.49)	(41,126.10)	(17,919.83)	(8,955.37)
Admin. & General Expenses ..:	(41,184.19)	(38,130.79)	(29,774.12)	(16,174.61)	(10,482.26)	(10,089.85)
<b>Profit/(Loss) after Tax .....</b>	<b>(9,084.68)</b>	<b>(2,026.06)</b>	<b>(172.01)</b>	<b>76.22</b>	<b>389.90</b>	<b>709.52</b>
<b>Dividends .....</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## **SECTION 2:        The Business Of Produce Buying Company Limited**

### **2.1        Description of Business**

Produce Buying Company Limited basically buys cocoa beans from farmers, stores them in purpose built sheds at the village/society level, and sells to government at a guaranteed price. The purchased beans are carted to collection depots where they are inspected, graded and sealed by the Quality Control Division (QCD) of Cocobod before their final evacuation and delivery to appointed take-over points of the Cocoa Marketing Company (CMC). The company is then paid the take-over margin, which is a markup over the producer price paid to the farmers and all linked to the f.o.b price per ton. The Company also earns additional income from “secondary evacuation” of about 30% of its purchases to takeover centres.

### **2.2        Organization & Employment**

The company has its Head Office in Accra (Dzorwulu). It is governed by a 9-member Board of Directors appointed by the shareholders of the company. An executive management comprising the Managing Director, a General Manager-Operations, Financial Controller and six departmental heads, run the daily affairs of the company. Most of this team have worked in the company for years, and also acquired valuable experience working in other divisions and subsidiaries of the Cocobod.

PBC has two levels of non-management employees : unionized staff and senior staff. The unionized staff are covered by a Collective Bargaining Agreement (CBA) between PBC and the Industrial and Commercial Workers Union (ICU) re-negotiated on 22<sup>nd</sup> August, 1999. The CBA details the relevant terms and conditions of employment. The Senior Staff have up till date been covered by Ghana Cocoa Board senior staff conditions of service as the company was a subsidiary of Ghana Cocoa Board. It is expected that subsequent to privatization, a dedicated PBC Senior Staff Conditions of Service will be put in place.

The Company operates a Provident Fund Scheme into which both employees and the Company make contributions. Government of Ghana, as part of the divestiture, is also allocating 5% of its equity shares in the PBC or 6.25% of the Offer Shares to the Company’s employees on special terms to provide incentives and motivate them for greater productivity.

### **2.3        Operational Structure**

There is a regional structure directly below Head office management which coordinates the activities of the districts. There are seven regional divisions operating in six political regions of the country; the Western Region, the largest cocoa producing area, has been divided for administrative purposes into Western North and Western South regions.

The ground operations are handled from the district offices which supervise and coordinate the activities of the village societies from where the cocoa is actually purchased.

In addition, the company maintains vehicles and equipment workshops at Tema, Dunkwa and Abuakwa near Kumasi to service the operational requirements of the company’s haulage trucks.

### **2.4        Assets of the Company**

#### *Key Assets*

The company’s assets, valued in November 1998 at ₵47.2 billion, comprise landed properties (residential, office/workshops, depots and sheds), tools of trade (weighing scales, safes, gratings, tarpaulins etc), office



and home furniture and equipment, and motor vehicles (haulage articulator trucks, cross- country and other vehicles).

Storage capacity of the sheds and depots is about 574,000 metric tons, sufficient to handle current total projected national production by year 2007. These assets are distributed over all the operational districts of the country.

The chart below presents a summary of how the company's assets are employed in core business and support capacity.

**PBC – COMPOSITE STRUCTURE OF FIXED ASSETS**



The logistical base and distribution is one of the major strengths of the company on the ground that gives it competitive edge over other LBCs, because the company has the capacity and capability to purchase and warehouse large inventory to support any stockpiling for economic or market advantage.

## **2.5 Cocoa Is PBC's Business: From the Farm to the Shed**

### *Cultivation & Gestation*

Cocoa is cultivated in the tropical rain forest ecological zone. From the nursery, the seedling is transplanted during the rainy season. Gestation period varies with the type of planting material – *Amelonado*, *Amazon* etc. but averages between 3 to 5 years.

### *Farm Maintenance*

Brushing of the plantation is undertaken twice in a year, but the trees may form a canopy and thus inhibit the growth of weeds. However, the resultant high humidity may cause the *Black pod* disease. Spraying is also recommended at this stage to control pests, particularly the *capsid bug*.

### *Harvesting*

After plucking and removing the beans from the pods, the beans are fermented in a mound of banana leaves for an average of six days, after which they are removed and sun-dried for between two to three weeks.

### *Low Technology Fermentation, Superior Flavor*

The fermentation process, an indigenous, low technology technique is the key to the high grade and preferred flavour of Ghana's cocoa, which earns it a premium price over the produce of other nations.

### *Packaging*

When the beans are dried to the required moisture content, they are bagged in jute sacks provided by the buying companies. The produce is then sent to the buying centres where the cocoa is inspected, weighed and paid for according to the guaranteed producer price set by the government for that crop year. Government of Ghana stands ready to buy all cocoa beans produced.

### *Purchasing Season*



Currently cocoa is purchased from farmers in two separate periods: the main crop season opens October and closes in April, and the minor or mid-crop season which opens in July and closes in August.

#### *Processing & Delivery For Payment*

During the course of buying from the farmers, the beans purchased and stored in the sheds are brought out and dried periodically, till a sufficient quantity has been purchased before they are hauled to the collection depots. It is here that the beans are inspected, graded and sealed by officers of the Quality Control Division (QCD) of Cocobod before being finally hauled to the takeover points designated by the Cocoa Marketing Company (CMC) for the buying company to earn its revenue (takeover margin).

## 2.6 The Competition

In 1993 the internal marketing of cocoa was liberalized after many years of PBC's monopoly. Since then, 19 companies have been licensed to purchase cocoa from the farmers for resale to the Cocoa Marketing Company.

The following table summarizes the market performance of the company since the participation of private sector LBCs in the internal purchasing of cocoa.

**PBC & The Competition: Share of National Cocoa Purchases : 1993/94 – 1997/98**

Market Participant	1993/94	1994/95	1995/96	1996/97	1997/98
<b>PBC Market Share .....</b>	79.88%	76.98%	75.07%	68.27%	68.81%
<i>Emerging Competitors Share :</i>					
<b>Cash Pro .....</b>	10.88%	14.27%	15.66%	17.52%	16.72%
<b>United Crop Protection .....</b>	7.78%	2.92%	3.22%	5.68%	-
<b>Kuapa Cocoa .....</b>	0.70%	0.86%	1.29%	2.28%	3.23%
<b>Adwumapa Buyers .....</b>	0.65%	1.94%	1.53%	2.70%	4.03%
<b>All Others.....</b>	0.11%	3.03%	3.23%	3.55%	7.21%
<b>TOTAL :</b>	100.00%	100.00%	100.00%	100.00%	100.00%

*SOURCE: Ghana Cocoa Board*

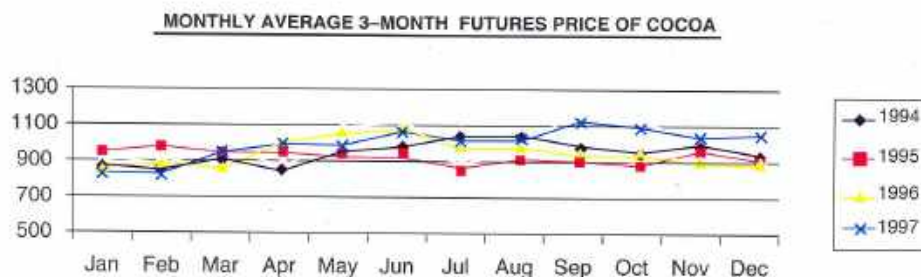
## 2.7 Pricing

#### *Export Prices & Commodity Markets*

The export price of cocoa is determined by trading trends on the international commodities futures market in North America and Europe.

As a result, the factors that shape demand are mostly outside the sphere of influence of the producer nations, including Ghana. There are therefore periods of wide price swings which affect the fortunes of the business.

The figure below presents a sample of the price movements within a year.



Source: Bank Of Ghana Quarterly Bulletins

#### *Local Industry Impact Of World Markets Price Movements*

Similarly, the takeover margins paid to the local buying companies have also been an annually determined percentage of the expected f.o.b price of cocoa. Thus the quantum of the amount of the takeover margin is directly dependent on the export price and the volume of purchases made by the company.

#### *Producer Pricing Structure: Splitting Export Income To Create Incentive Framework*

In order to sustain the current upward trend in production, pricing policy is being implemented that will see the percentage of FOB price guaranteed to farmers rise from the 50% in 1998 to 70% in 2004/05. This policy links production (farmers) directly to the market and also ensures the producer price stays competitive to those of neighboring countries to forestall re-emergence of large scale smuggling of the beans to those countries. It aims at establishing a price parity with or higher than prevailing levels in these countries as the basis for the producer price paid to Ghanaian Cocoa farmers.

#### *Projected Export Tax, Marketing Cost & Producer Price As % Of FOB Price*

Crop Year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Export Tax..... [%]	25.8	23.5	21.8	20.1	18.4	16.7	15.0
Marketing Costs [%]	18.2	16.5	16.2	15.9	15.6	15.3	15.0
Producer Price ...[%]	56.0	60.0	62.0	64.0	66.0	68.0	70.0

## 2.8 Key Profitability Factors In PBC's Operations

Some key factors have impacted PBC's profitability and will continue to do so in the future.

Takeover margins actually measure the revenue base for the operations of PBC and other Licensed Buying Companies [LBCs]. This reflects the difference between prices paid to farmers and those received from the world market net of external marketing costs and taxes and expressed as a percentage of the world price.

Takeover margins as a percentage of the FOB price/ton of cocoa have ranged between 10.0% and 15.0% over the past few years and are projected to stabilize around 15.0% as government reduces export tax on cocoa from current 25.0% to 15% by the 2004/2005 cocoa season.

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
--	-------------	-------------	-------------	-------------	-------------	-------------



Takeover Margin %	9.99	9.57	12.47	12.46	11.31	10.0
Government Taxes %	14.00 <sup>1</sup>	27.90	30.40	34.00	33.40	46.00
Farmers Producer Price %	64.00	57.20	42.97	38.94	41.78	30.42
World Market Price (\$/ton)	1,471	1,611	1,480	1,571	1,521	1,267
Ghana Cocoa Production (tons)	395,000	390,000	323,000	404,000	310,000	255,000

## 2.9 Major Financial Impact Of PBC Restructuring

More than any other development, the restructuring of the company in conjunction with the privatization will have a major positive impact on PBC's profit potential. The company's ongoing staff rationalization exercise will cut staff numbers from 3,055 to 680 and related costs from an estimated €31.1 billion for the year ending September 30, 1999 to an *estimated €18.0 billion for the year ending September 30, 2000, and €11.1 billion the following year.* This includes the conversion of 1,810 Marketing Clerks into "Agents-on-Commission" just like the rest of the LBCs in the industry.

These reductions in staff as well as other measures to control fixed costs are expected to reverse the losses of the past two years.

	1999 <sup>2</sup>	1998	1997	1996	1995	1994
Market Share	58.1%	68.81%	68.27%	75.07%	76.98%	79.88%
Employee Strength	3055	3155	3289	3181	3239	3482
Staff Costs - Absolute €bn.	32.10	26.47	22.21	9.60	7.25	7.88
Staff Cost % Turnover	5.23	4.45	6.36	3.05	3.73	9.11
Staff Cost % Takeover Margin	38.00	29.70	35.07	16.67	25.52	61.71

The company's financial history reflects stable turnover in real terms, though gross margins have fluctuated, falling to 15% in 1998 from about 18% in 1996 and 1997. At the same time, direct operating expense has increased significantly and administrative expenses have also trended upwards.

## 2.10 Prospects of the Company

- With the benefits of the restructuring and the significant reduction in fixed costs, coupled with the potential export and sale of 30% of purchases that may be allowed beginning from the 2000/2001 crop year, PBC is positioned to grow significantly in profitability.

<sup>1</sup> The 1999 decline in World Market price for cocoa has been absorbed by Government therefore shrinking the actual rate of taxes from the level of 25% to 14% as at June 1999.

<sup>2</sup> Market share estimates are provisional and employee strength will be 680 upon completion of the staff rationalization; the company's operations carried the full costs of the 3,055 employees for the year.



## SECTION 3 : Industry Review - Ghana's World Of Cocoa

### 3.1 The Beginnings Of Cocoa In Ghana

Cocoa (*Theobroma cacao*) was introduced into Ghanaian agriculture in the last quarter of the 19<sup>th</sup> century. It soon supplanted natural rubber and palm oil, the two major export commodities and assumed the role of the leading export crop and foreign exchange earner for the country. Starting with a pioneering export quantity of 121 lbs in 1885, and rising to 100,000 tons by 1920, production rose steadily, till it reached a record output of 568,000 tons in 1965, about 30% of the total world production. Production then started to decline till it hit a record low of 159,000 tons in 1984.

#### *Effects Of ERP/SAP And Resurgence*

Ghana's World Bank/IMF supported Economic Recovery Program [ERP] of 1983, and later the Structural Adjustment Program [SAP] enabled the realignment of the cedi/dollar exchange rate to reflect its true market value. As a result, the producer price as a percentage of f.o.b. price rose from 21% in 1983/84 to 45% in 1996/97 and over 60% in 1998/99. Farmers' response to this improved incentive framework was quite phenomenal as production rose over the period from 178,626 tons to an estimated 400,000 to 420,000 tons.

### 3.2 Economic Impact

#### *Role Of Cocoa Sector In Ghana's Economy*

The cocoa sector plays a key role in Ghana's economy and has always been a leading source of foreign exchange and nationally generated funding for the expansion in economic and social infrastructure including schools, hospitals, roads, etc. The industry is estimated to account for about 25% of employment, and 800,000 farming families are linked to it.

Cocoa is exported mostly as unprocessed beans. Processed beans (grindings) have averaged about 12% of total purchases since 1970 with 1993/94's grindings [18%] as the highest ever, though in absolute terms, 1967/68 had the highest tonnage of grindings, i.e. 63,184 tons. Given the wide fluctuations in world market prices, the general potential to add more value to raw cocoa beans before exporting is the logical direction to maintain or increase export earnings. It is indeed significant to note that La Cote d'Ivoire processes more cocoa than the United Kingdom and France.

#### *Low Yield, Low Technology, But Higher Flavour & Premium Prices*

Cocoa yields in Ghana are very low, compared to other major producers – e.g. 30% below the yields in Cote d'Ivoire and Malaysia. Production in Ghana has also always been through small-scale operations. However, it is this very small scale nature of Ghana's cocoa farming operations with intensive involvement of farmers in the harvesting, low-technology fermentation, and sun-drying, that also account for the superior fat content and preferred flavour of Ghana's cocoa beans and consequently earns the price premium on the world market.

Confectionery manufacturers in fact prefer to blend Ghana's Cocoa into those from other sources to improve the quality and flavour of their output. Another major advantage is that while price fluctuations may affect total revenue from cocoa sales, the demand for Ghana's cocoa beans relative to supply from other producers in the market is very robust even in periods of price decline.

### 3.3 The Role of Ghana's COCOBOD

Leading the cocoa industry in Ghana is the statutory monopoly Ghana Cocoa [Marketing] Board [Cocobod] established in 1948. It has the overall responsibility for development of the industry and until September 15th, 1999 operated with six functional divisions/subsidiaries as follows:

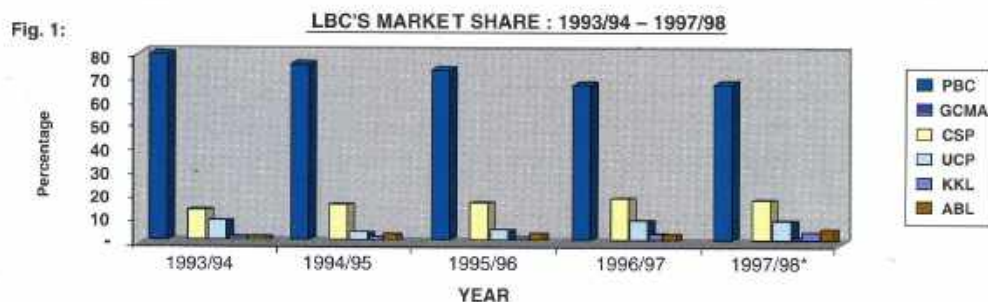
- (i) **Cocoa Marketing Company Ltd. (CMC)** handles exclusively the external marketing of cocoa beans, cocoa liquor and cocoa butter produced by the CPC-Portem. However, starting from 2000/2001, this monopoly may be loosened to allow LBCs like the PBC to start directly exporting 30% of their purchases.
- (ii) **Cocoa Processing Company Ltd. (CPC-Portem)** processes raw beans into semi-finished products, i.e., cocoa butter liquor, cake and powder.
- (iii) **Quality Control Division (QCD)** responsible for inspection, grading and sealing of cocoa, coffee and sheanut for export; fumigation and storage of cocoa.
- (iv) **Cocoa Services Division (CSD)** promotes productivity and production of cocoa and coffee through extension services to farmers; control of pests and diseases of cocoa and coffee.
- (v) **Cocoa Research Institute of Ghana (CRIG)**: investigates problems of cocoa, kola, coffee, sheanut and tallow tree; develops planting materials for use by farmers; researches into the development of other products from cocoa waste.
- (vi) **Produce Buying Company Ltd. (PBC)**: purchases, stores, and distributes cocoa to designated take-over centres agreed by the CMC. (transferred to Ghana Government September 15, 1999).

Through these divisions and subsidiaries, the COCOBOD has managed Ghana's cocoa industry to respond to the demands of policy trends and national economic developments.

### 3.4 Industry Structure, Competition & Potential

#### *Market Participation & Emerging Competitive Structure*

Data on the performance of the LBCs show that by the end of the 1999 crop season, the PBC's average share of the market was close to 60%, down from about 70% at the end of the 1998 crop season. The other major private competitor, Cashew & Spices Co. Ltd. (CSP) followed with 17% of the market in 1998. None of the others have 5% or more, but Kuapa Kookoo (KKL), Adwumapa Buyers (ABL), and Universal Crop Protection (UCP) could also become significant competitors.



\*SOURCE: GHANA COCOA BOARD; 1997/98 figures are provisional estimates



### Key Role Of Infrastructure And Logistic Support

A major focus of competitive dynamics is the role of logistics and infrastructure in the operations of market participants. Logistics and infrastructure play a major role in the profitability of the cocoa industry. Turnaround time for employment of capital and financing is directly impacted by the logistic support on the ground. These include: roads/railways and network linkage, storage capacity (*sheds, depots, warehouses*), transportation logistics and fleet maintenance capability, support logistics.

## 3.5 Linkages & Impact Of The International Cocoa Industry

### Background

Over 80% of cocoa produced in the country are sold as raw unprocessed beans on the world commodities market in Europe and North America. The demand side of the price equation is determined by consumer trends over which producers have no influence. On the supply side, there is an established positive correlation between production levels and producer price paid to farmers, but the size of each year's crop depends also on rainfall amount and pattern

International commodity markets and brokers determine the clearing prices for cocoa as well as influence supply responses in producer nations. Ghana, as a producer nation is thus a price taker with very little ability to influence the world market price and therefore her earnings from cocoa.

### Trends In International Production, Supply, & Competition

Global cocoa production stood at 2,742,000 tons in 1997/98. Cote d'Ivoire with 1.11 million tons, is the world's largest producer with a market share of 40.5%. Ghana takes the second spot with its 1997/98 production figure of about 390,000 tons and a market share of about 14.0%. Indonesia (325,000), Brazil (165,000), Nigeria (160,000), Cameroon (125,000) and Malaysia (85,000) follow in that order.

### International Demand Trends

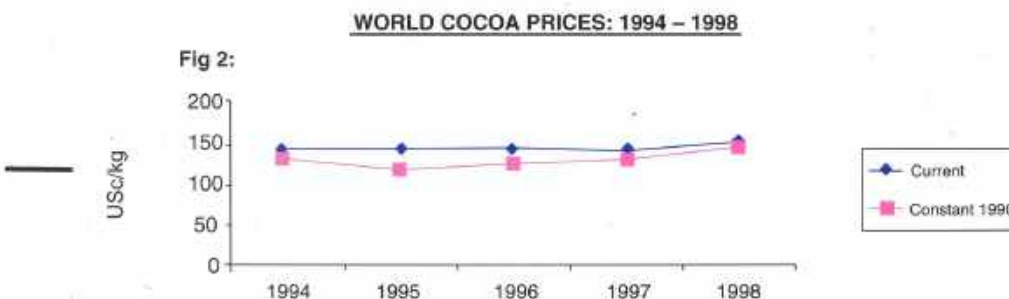
With regards to the demand for cocoa beans, represented by global grinding figures, 2.88 million tons of cocoa were processed worldwide in 1997/98 with the following distribution.

Country	1994/95	1995/96	1996/97	1997/98
Netherlands	350	385	402	420
United States	331	342	394	410
Germany	268	266	240	325
Cote d'Ivoire	110	140	160	200
Brazil	195	205	180	180
United Kingdom	254	191	173	175
France	107	113	106	110
Malaysia	100	95	95	95
Russia Federation	75	75	85	85
<b>World</b>	<b>2,530</b>	<b>2,713</b>	<b>2,828</b>	<b>2,876</b>

Source: ICCO

### Price Trends

World market prices, as seen from the chart below, have been fairly constant, appreciating slightly from 126.7 cents/kg in 1994 to 161.1 cents/kg in 1998 at constant 1990 prices. However, 1999 prices are projected to average 147.1 cents/kg, lower than the 1998 average but still above the recent trends.



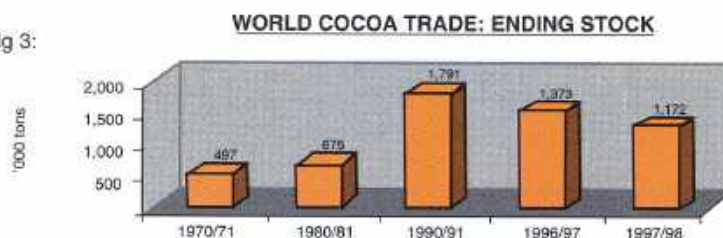


Source: ICCO

#### *Impact Of European Union Negotiation On Non-cocoa Butter Substitutes*

One issue that could lead to lower demand for cocoa and corresponding lower prices is the outcome of the European Union negotiations on the permissible quantities of non-cocoa butter in the manufacture of chocolates. If more cocoa is permitted to be substituted by non-cocoa and synthetic fats, the less cocoa would be demanded on the world market, which will exert a downward pressure on the price of the commodity for which appreciable stocks are already maintained as shown below.

Fig 3:



Source: ICCO

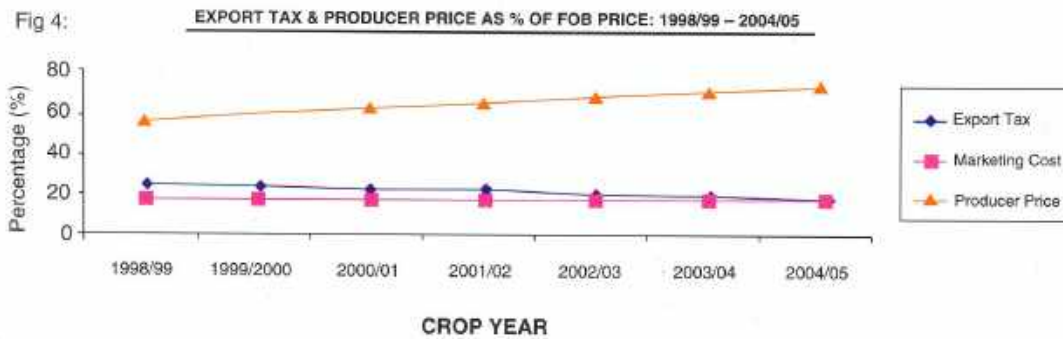
### **3.6 The Direction Of Ghana's Cocoa Sector Policy: Towards Market Competition**

#### *The Current Policy Direction: Towards Market Competition*

The first step in decontrolling the industry was the formulation of guidelines for the operation of private sector Licensed Buying Companies (LBC's) in the internal purchasing or marketing of cocoa. Cocoa farming and production has always been linked to the price and incentive structure, but the buying and export has been under state control. From the 2000/2001 cocoa season, government proposes to allow LBC's that purchase a minimum of 10,000 tons in each of two preceding consecutive years to directly sell 30% of their purchases on the world market.

In order to sustain the current upward trend in production, a pricing policy is being implemented that will see the percentage of FOB price guaranteed to farmers rise from the 56% in 1998 to 70% in 2004/05<sup>1</sup>. Figure below shows these projected trends in sharing cocoa revenue.

<sup>1</sup> World Market price developments for 1999 have distorted this policy target and made the guaranteed prices for 1999 actually closer to the 70% targeted for 2004/2005.



The reduction in the tax rate would result in loss of revenue to the government in the short run. However the positive correlation between producer price and production would lead to increased output in the long run and result in revenue increases.

#### *Restructuring Cocobod Into A Regulatory & Policy Agency*

Cocobod is being restructured to provide advisory and regulatory functions in the industry. Cocobod will formulate the rules and practices and ensure that the private sector companies operate within the set rules. All its market related functions are being privatized or hived off.

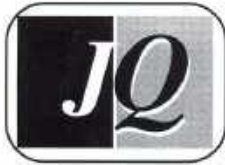
As a direct consequence, some aspects of Cocobod's functions currently performed through Cocoa Services Division is being merged with the Ministry of Food and Agriculture's extension services.

#### *Future Potential Of The Internal Purchasing Business In Ghana's Cocoa Industry*

The future for Ghana's cocoa industry and the internal purchasing business is privatization and liberalization to enable the private sector play the leading role in shaping the industry's future.

With privatization and liberalization will come increased competition and pressure on operating costs. Margins will also be directly exposed to the pressures of price changes in the international commodity markets. There is of course the upside; higher income potential from less government take from the marketing and tax arrangements.

**SECTION 4: The Financial Potential : 1999, 2000-2001**



**James Quagraine & Co**

**James Quagraine & Co.  
P.O. Box 3947 Accra  
1<sup>st</sup> Floor SSNIT Trust Towers,  
Farrar Avenue, Adabraka,  
Accra.**

The Directors  
Produce Buying Company Limited.  
Private Mail Bag, Accra-North  
Dzorwulu Junction/Achimota Road, Accra

The Directors  
NTHC Limited,  
Martco House,  
No. D542/4 Okai Mensah Link, Adabraka,  
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The Directors  
EBG Stockbrokers Limited,  
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Private Mail Bag, GPO, Accra.

The Directors  
Databank Brokerage Limited,  
5<sup>th</sup> Floor Tower Block, SSNIT Pension House,  
Private Mail Bag, Ministries, Accra.

The Directors  
CDH Securities Limited,  
3<sup>rd</sup> Floor, Tower Block, SSNIT Pension House,  
P.O. Box 14911, Accra-North

18<sup>th</sup> October, 1999

Dear Sirs:

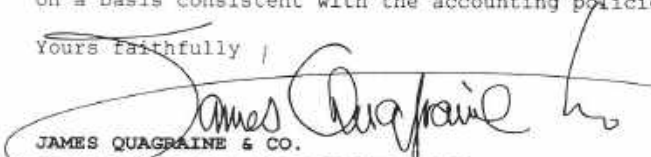
**PROFIT FORECASTS**

We have reviewed the accounting policies and calculations for the profit forecast of Produce Buying Company Limited for the period 1st July 1999 to 30th September 2001 as set out in Section 4 of this prospectus.

The profit forecast for which the directors are solely responsible include the results shown by the audited accounts for the nine months period to June 30th 1999.

In our opinion the foregoing profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled using the assumptions made by the directors of the company set out in Section 4 of the prospectus and is presented on a basis consistent with the accounting policies currently adopted by the Company.

Yours faithfully,

  
JAMES QUAGRAINE & CO.  
CHARTERED ACCOUNTANTS

PRODUCE BUYING COMPANY LIMITED  
1999 SHARE OFFER MINI PROSPECTUS



**4.1 Performance Potential For The Period  
July, 1999 – September, 2001: Balance Sheets**

	<b>ACTUAL</b>	<b>ESTIMATED</b>	<b>PROJECTIONS</b>	
	<b>Jun. 1999</b>	<b>Sep. 1999</b>	<b>Sep. 2000</b>	<b>Sep. 2001</b>
	<b>¢ million</b>	<b>¢ million</b>	<b>¢ million</b>	<b>¢ million</b>
<b>ASSETS</b>				
Bank and Cash Balances .....	935.41	217.27	534.54	801.81
Accounts Receivable.....	9,613.92	15,195.75	19,797.87	25,447.30
Inventory Stocks .....	<u>62,499.97</u>	<u>9,314.42</u>	<u>9,984.00</u>	<u>10,459.66</u>
	<b>73,049.30</b>	<b>24,727.44</b>	<b>30,316.41</b>	<b>36,708.77</b>
<b>INVESTMENTS</b>				
Call Accounts .....	74.04	56.65	6,789.82	35,491.55
Government Securities .....	258.86	252.40	2,951.80	3,009.60
Other Securities .....	<u>250.00</u>	<u>250.00</u>	<u>250.00</u>	<u>250.00</u>
	<b>582.90</b>	<b>559.05</b>	<b>9,991.62</b>	<b>38,751.15</b>
Fixed Assets .....	<u><b>32,869.41</b></u>	<u><b>31,202.85</b></u>	<u><b>24,286.68</b></u>	<u><b>20,136.89</b></u>
<b>TOTAL ASSETS.....:</b>	<b>106,501.61</b>	<b>56,489.34</b>	<b>64,594.71</b>	<b>95,596.81</b>
<b>CLAIMS ON ASSETS</b>				
Bank Overdraft .....	12,829.38	5,804.53	0.00	0.00
Trade Creditors (Produce Loan) .....	51,000.00	9,870.50	5,500.00	8,000.00
Accrued Charges .....	35.00	379.18	277.21	298.87
Other Sundry Creditors .....	3,432.42	3,968.23	2,253.49	3,768.27
Cocobod Inputs .....	0.00	92.56	0.00	0.00
Taxation .....	169.15	169.15	991.73	3,316.95
Proposed Dividend.....	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,392.11</u>
<b>Sub-total Claims .....</b>	<b>67,465.95</b>	<b>20,284.15</b>	<b>9,022.43</b>	<b>22,776.20</b>
<b>SHAREHOLDERS FUNDS</b>				
Stated Capital .....	25,867.84	49,142.77	61,142.77	61,142.77
Income Surplus .....	(10,107.11)	(12,937.58)	(5,570.49)	11,677.84
Capital Surplus .....	<u>23,274.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Sub-total Equity.....:</b>	<b>39,035.66</b>	<b>36,205.19</b>	<b>55,572.28</b>	<b>72,820.61</b>
<b>TOTAL EQUITY &amp; CLAIMS.:</b>	<b>106,501.61</b>	<b>56,489.34</b>	<b>64,594.71</b>	<b>95,596.81</b>

4.2 Performance Potential For The Period  
July, 1999 – September, 2001: Operating Statements

	ACTUAL	ESTIMATED	PROJECTIONS	
	Jun. 1999	Sep. 1999	Sep. 2000	Sep. 2001
	£ million	£ million	£ million	£ million
<b>INCOME:</b>				
Turnover .....	536,540.99	613,443.79	657,935.46	710,153.53
Cost of Sales .....	(462,825.28)	(528,974.16)	(567,000.00)	(594,000.00)
Gross Profit .....	73,715.71	84,469.63	90,935.46	116,153.53
Freight and Other Income .....	6,473.31	9,233.48	6,508.00	7,158.00
	<b>80,189.02</b>	<b>93,703.11</b>	<b>97,443.46</b>	<b>123,311.53</b>
<b>EXPENDITURE</b>				
Staff Cost .....	24,228.27	32,087.70	18,036.39	11,122.19
Agency/Commissions Cost .....	5,586.66	5,780.06	4,295.57	9,551.85
Transport Cost .....	3,815.49	4,365.70	6,304.96	6,777.84
Direct Cost .....	14,193.67	16,086.50	16,645.34	14,131.65
Office Cost .....	2,356.12	2,819.30	1,436.80	1,580.48
Estate & Property Cost .....	505.77	884.32	1,729.10	1,902.01
Finance Cost .....	33,400.58 <sup>1</sup>	36,676.15	30,745.14	32,729.48
<b>OPERATING COSTS.....:</b>	<b>(84,086.56)</b>	<b>(98,699.73)</b>	<b>(79,193.30)</b>	<b>(77,795.50)</b>
<b>DEPRECIATION.....:</b>	<b>(5,187.13)</b>	<b>(6,918.53)</b>	<b>(6,916.17)</b>	<b>(7,607.79)</b>
	<b>(89,273.69)</b>	<b>(105,618.26)</b>	<b>(86,109.47)</b>	<b>(85,403.29)</b>
Profit/(Loss) before Tax .....	(9,084.67)	(11,915.15)	11,333.99	37,908.24
Taxation .....	(0.00)	(0.00)	(3,966.90)	(13,267.80)
<b>Profit/(Loss) After-tax .....</b>	<b>(9,084.67)</b>	<b>(11,915.15)</b>	<b>7,367.09</b>	<b>24,640.44</b>
<b>Dividend .....</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(7,392.11)</b>
<b>Profit/(Loss) After-tax and Dividend ...:</b>	<b>(9,084.67)</b>	<b>(11,915.15)</b>	<b>7,367.09</b>	<b>17,248.33</b>
<b>INCOME SURPLUS ACCOUNT</b>				
Beginning Balance .....	(1,022.43)	(1,022.43)	(12,937.58)	(5,570.49)
Profit After-tax and Dividend .....	(9,084.67)	(11,915.15)	7,367.09	17,248.33
Ending Balance .....	(10,107.11)	(12,937.58)	(5,570.49)	11,677.84

<sup>1</sup> Finance cost for the year ended September 30, 1999 includes current year interest charges of £1.21 billion on Cocobod Loans to PBC now converted to equity.



### 4.3 Performance Potential For The Period July, 1999 – September, 2001: Key Assumptions

#### 4.3.1 Ghana Cocoa Industry Conditions & Revenue Basis

- a. New pricing policy designed to increase incentives to farmers by increasing their percentage of F.O.B. price will be maintained to increase producer price to 70% of F.O.B. price per ton in the medium term. This will consequently increase output and expand the market for the internal purchasing of cocoa.
- b. Annual cocoa output will increase from estimated 395,000 tons in 1998/99 season in equal amounts to 500,000 tons by 2004, and stabilize at that level.
- c. Export Tax on cocoa at 23.5% in 1998 and reduced to about 14% in 1999 on account of world market conditions will not rise above 15% in the medium term to 2003/2004.
- d. Government policy will allow Licensed Buying Companies, including PBC, to start to directly export and sell 30% of their purchases on the world market from 2000/2001 cocoa season. The effect of export sales will be to increase overall margins.
- e. "Takeover margins" in quantum are expected to increase (apart from any increase due to export sales) as government taxes reduce and the incentive framework strengthens to create an expanding market for cocoa production, purchasing and export.

#### 4.3.2 Business Development Potential For Produce Buying Company Limited

- a. PBC's market share will remain constant at 60% during the forecast period.
- b. The Company will not initiate or undertake any vertical integration to exploit other opportunities in the cocoa industry, except the expected 30% export.
- c. PBC will not initiate or undertake any horizontal integration except for the logistics support required to maintain the continuing capability to haul 30% of its purchases in "secondary evacuation".
- d. Restructuring and staff rationalization currently at completion stage will reduce staff from 3,055 to about 680, and cut staff costs and related direct costs from estimated €32.1 billion for 1999 to about €18.0 billion if affected staff stay at post till December 31, 1999 while awaiting settlement of their severance awards estimated at €65.4 billion.
- e. All severance awards and related costs of the rationalization exercise will be borne by Government of Ghana, with no adverse impact on PBC's operations or profitability.
- f. PBC's participation in the "secondary evacuation" of its purchases will not exceed 30%.



- g. Efficiency gains from the privatization will not exceed 5% in 2000 and 2.5% in 2001, reducing to 1.0% annually for the succeeding three years.

#### 4.3.3 World Cocoa Market Conditions

The world market price currently depressed below trend levels, still retains the potential for small increases in the medium term. However, any increase is not expected to exceed 10% over the forecast period.

#### 4.3.4 Macro-economic Conditions And Financial Returns

- a. The following macroeconomic indications are expected over the forecast period:

Macroeconomic Indication	Current Trend	Medium Term	Worst Trend Level
Inflation .....	12.0%	5.0%	15.0%
Cedi/US\$ Depreciation ...:	6.0%	9.0%	15.0%

- b. 1-year Treasury Bill rates currently in the 19%-20% range is expected to decline to 15% in the near to medium term as inflation rates continue to trend downwards.
- c. As a consequence of improving stability in the macroeconomic environment, financing costs will decline from the present 24.5% on produce loan or drawings from the "cocoa seed fund" to below 20% in the medium term.

#### 4.3.5 Growth Rates & Revenue Inflows

The expected growth rates in PBC's business and revenue on the 60% participation in the internal purchasing of cocoa, and output expanding from current levels with constant "takeover margins" and "export margin", and export premium from 2001 are as follows:

Revenue Indication	Sept.1999	Sept. 2000	Sept. 2001
National Cocoa Output ...:	395,000 tons	420,000 tons	440,000 tons
PBC Purchases (60%).....:	230,000 tons	252,000 tons	264,000 tons
Takeover Margin per ton ..:	¢360,854	¢360,854	¢360,854
Direct Export Quantity ...:	Nil	Nil	79,200 tons
Export Margin per ton .....	Nil	Nil	¢94,450
Export Premium per ton ..:	Nil	Nil	¢49,000
Growth Rate .....	Nil	Nil	10%

#### 4.3.6 Cost Changes In Key Operating Areas

- a. **General Operations:** On the basis of the restructured operations with merged districts in some regions, and completion of staff rationalization, overall costs of operations will reduce by 30% over the trend indications, and increases will be 10% annually thereafter over the years 2000 and 2001.
- b. **Financing-use of "produce loans":** On the basis of a more efficient operation from privatized management, and logistics management, turnaround time for deployment of "produce loans" funding will reduce costs of financing in the company's operations.

- c. **Financing-bank borrowing:** On the basis of PBC raising an estimated minimum of €12 billion to €24 billion by the issue and allotment of additional 24,000,000 shares to 48,000,000 shares or 5% to 10% of current issued shares, the Company's reliance on short term bank borrowings will reduce and thereby cut related interest charges.

#### 4.3.7 *Audited Operating Results, Estimates And Forecasts*

The analysis presented in above tables in Sections 7.1 and 7.2 reflect the actual audited results from the Company's operations for the 9-month period ending June 30, 1999, and estimates for the full year ending September 30, 1999 including unaudited management accounts for the period July 1<sup>st</sup>, 1999 to September 30<sup>th</sup>, 1999.

The results for the year ended September 30, 1999 also show the changes in key balance sheet items pursuant to the divestiture objectives of the sole shareholder. Loans totaling €15,867,839,000 were converted to equity, and a capital surplus of €23,274,930,000 resulting from revaluation of assets was transferred to stated capital. Interest cost for the period also includes current interest on the loans converted to equity, and depreciation includes amounts resulting from the capitalization of revaluation surplus.

The forecasts for the period 2000, and 2001, reflect the budgeted estimates of the Company's operations as approved by the Board and adjusted by divestiture advisors in relevant areas to reflect considerations on the potential of the privatized Company's operations.

#### 4.3.8 *Depreciation, Corporate Taxes, Dividends*

- a. Depreciation will continue to be charged for the Company's assets on the same basis as current accounting policies.
- b. Corporate income taxes are assumed at the rate of 35% of profits.
- c. Dividend payout is assumed to be a minimum of 30% of profit after tax beginning from year-end 2001 when the income surplus account is expected to be positive.



## **SECTION 5: Risk Factors In The Investment Decision**

An investment in the securities of a Company entails certain investment risks. In considering a purchase of PBC ordinary shares being offered, prospective investors should consider carefully the following potential risks of an investment in the company, including any relevant information contained in this prospectus.

### *Production Risk*

Cocoa production in the country is subject to the vagaries of the weather and other environmental and natural hazards. Drought, unfavourable rainfall distribution, bush fires, and pests all affect the quantum of production in any year. The production then determines the actual size of the market in which the company purchases cocoa.

### *Price Risk*

Cocoa prices on the international commodities market are quite volatile and are influenced by factors most of which are outside the control of the company. Demand for cocoa products and their derivatives are also sensitive to changes in consumer tastes, consumer acceptance of synthetic and other substitutes, and new scientific discoveries which relate to cocoa products or cocoa substitutes. All these affect the price of cocoa either positively or negatively. But, in addition to Government's policy of "buying all cocoa produced in Ghana" at a guaranteed price and the company's considerable expertise in responding to these developments, government cocoa sector policy has always been managed to support the growth of the cocoa sector.

### *Foreign Exchange Risk*

This is the exposure to fluctuations in the value of the major currencies, the sterling and the United States dollar, in which the price of cocoa is set on the world market, and also fluctuation in the value of the local currency, the cedi, against these major currencies. These affect the value of the amounts realized from sale of the produce and the value of inputs required for the operation of the company.

### *Competition*

Ghana's economy is still undergoing significant structural changes and businesses have to constantly expect competition in all areas of operation. The admission of private sector companies into the internal marketing of cocoa is but the first of a series of reforms planned to restructure the cocoa industry. As more companies enter the business and those already in it become more vigorous, PBC will face even stiffer competition, and will have to be more efficient to maintain or improve its market share.

### *Governance and Management*

PBC has been managed as a typical state-owned enterprise [SOE] with strong non-business administrative oversight over its commercial operations and there may be initial uncertainties in governance and management approach as the Company moves from the status of an SOE to a private sector business and management orientation. To strengthen the Company's governance, ensure effective management and sound leadership in the interest of all shareholders, Government of Ghana and the Produce Buying Company Limited have entered into a Memorandum of Understanding with the institutional investor consortium who have indicated they will take up 63.75% of the Offer Shares. The related post-flotation governance and management arrangements will include restructuring the Board of Directors to bring in strong representation from the institutional investors.

### *Market Stability*

Sale of substantial amount of the Company's ordinary shares in the market immediately following the offering could adversely affect the prevailing market price. To prevent this occurrence, the principal shareholders consisting of the Government of Ghana (for any shares not taken up in the offer), and certain Ghanaian institutional investors who have indicated they will take up 244,800,000 shares or 51% of the company's equity shares have agreed to a standstill/lock-up of their holdings for *periods of 360 days and 3 years respectively* following the listing of the shares on the Ghana Stock Exchange.



## SECTION 6: Description Of The Offer

### *The Share Offer*

The offer for public subscription is an open cash offer.

The offer will be made to all interested investors, institutions and individuals, resident in Ghana and, residents, institutions and individuals in a limited number of other countries whose laws allow them to invest under the conditions of the offer. Certain Ghanaian institutional investors have indicated that they will take up 244,800,000 shares which will amount to an aggregate 63.75% of the total equity shares on offer, or 51% of the PBC equity shares. The Managers of the share offer also expect to underwrite 67,200,000 shares which will amount to an aggregate 17.50% of the total equity shares on offer, or 14% of the PBC equity shares.

384,000,000 ordinary shares of no par value representing, approximately, eighty percent (80%) of the issued shareholding of the company, are being offered for subscription under the offer. The Ghana Government expects to raise an amount of €192.0 billion from the proceeds of this offer including cash and deferred payments. The sole shareholder, Government of Ghana, will apply the proceeds generally to any appropriate purposes for which national revenue is raised including funding certain costs related to PBC's restructuring.

### *The Application*

Each application must be for a minimum of 100 shares, and in multiples of 20 shares thereafter. The latest time for receipt of application forms is January 14th, 2000<sup>1</sup>.

If your application is successful, in whole or in part, a share certificate in respect of the shares for which your application has been accepted will be sent to you. If there is excess demand under the share offer, you may receive fewer shares than you might have expected to receive on the basis of the maximum amount you had expressed a willingness to invest in the share offer.

If your application is not accepted or is accepted in part or if the amount of the application divided by the offered price does not equal a whole number of shares, a refund for the appropriate amount, without interest, will be returned to you by February 4th, 2000<sup>2</sup> or three (3) weeks after the offer closes (excluding holidays).

The right is reserved to present for payment all cheques, bankers drafts, and money postal orders on receipt. It is a condition of the offer that all cheques or other remittances must be honored on first presentation. No interest will be paid to applicants on any moneys held on behalf of applicants or on behalf of the Government.

### *Minimum Subscription*

The Government of Ghana, sole shareholder, has set 25% of the offer shares as the minimum to be subscribed from this offer. In the event that this minimum is not achieved, all Application monies will be returned to Applicants.

### *Over Subscription: Allotment & Issue Of Additional Shares :*

In the case of an over subscribed share offer, the Government may grant approval to the Managers to offer additional shares, and the Company may also issue and allot new ordinary

<sup>1</sup> The Managers in consultation with the Government of Ghana, the DIC, and the Ghana Stock Exchange, may extend the offer period.

<sup>2</sup> If the offer period closing date is extended, this date will also be extended accordingly.

shares up to 48,000,000 shares or 10% of the issued shares, to meet the demand for the offering at the offer price of €500 per share. The over-subscription will be allocated first in priority to the Company up to 5% of issued shares and thereafter equally between the Company's issue and Government shares in reserve.

*Registration :*

The Register of the members of the Company will be maintained by NTHC Ltd., Martco House, No. D542/4, Okai Mensah Link, Adabraka, P. O. Box 9563, Airport, Accra, Ghana. Shares allotted pursuant to the offer will be registered in the Register along with the shares already issued.

*Dealings :*

It is expected that dealings in the offer shares will commence on an unconditional basis on the Ghana Stock Exchange and can only take place through a licensed dealing member of the Exchange. The shares will be traded on the Ghana Stock Exchange in cedis and dealings are expected to take place in lots of 100 shares among the licensed dealers. Under the law as it currently stands, short selling (i.e. where the seller does not own the relevant shares nor have the unconditional right to sell them at the time of sale) on or through the Ghana Stock Exchange is a criminal offence.

*Listing:*

Application has been made to the Ghana Stock Exchange for all of the 480,000,000 ordinary shares outstanding and any additional shares issued as described herein to be admitted to the First Official List. The Ghana Stock Exchange has given provisional approval for the listing of the said shares.

*Dividend Withholding Tax :*

Under current Ghanaian legislation, tax is withheld from dividend payments by the Company at the rate of 10 per cent. No further Ghanaian tax is payable on dividends received.

*Capital Gains*

Exemption on capital gains tax on disposal of securities was first granted on November 12, 1990, the date of commencement of operations of the GSE, for a period of five years.

By the Capital Gains (Amendment) Act 1996 (Act 513) the period of exemption from the payment of capital gains tax on securities listed on the exchange was extended for another five (5) years commencing 11<sup>th</sup> November 1995 and ending 11<sup>th</sup> November 2000.

*Gift Tax*

Liability to gift tax may arise by gift of shares in the Company if the open market value of the shares at the time of the gift exceeds €50,000.00 (*subject to certain exemptions*). The tax is payable by the donee of the gift. The applicable statutory rate varies from five (5) percent to fifteen (15) percent depending on the value of the gift.

*Stamp Duty*

The Stamp Duty (Amendment) Act 1996 (Act 510) has granted foreigners as well as Ghanaians general exemption from all stamp duties in respect of transfers of shares in companies listed on the Ghana Stock Exchange.

*Restrictions on Foreign share Ownership of Listed Securities*

Non-Resident foreign portfolio shareholders are restricted to a maximum of 10% shareholdings in any one listed security, for a single investor.



Total non-resident foreign shareholding cannot exceed seventy-four (74) percent for any one listed security. Ghanaians resident abroad and foreigners resident in Ghana are not subject to these restrictions. There is no restriction on the repatriation of capital, dividends, and interest payments on any listed securities.

Shareholding in PBC, as indicated in Government of Ghana Assurances, is to be granted dispensation from this restriction to facilitate the Company's access to international financing and expand the financing possibilities in its seasonal need for liquidity. There is clearly a strong national interest in PBC's continued ability to raise international financing for its operations. Local financial institutions are currently unable to fund the relatively large financial requirements for Ghana's annual cocoa buying without resort to international syndication. The Company may therefore require support, alliances, and direct linkages to international funding sources consistent with the international nature of its business. These linkages will necessitate unrestricted holdings in its shares to enable the capital markets both local and international to provide financing opportunities which the Company can explore to strengthen its operations and support its role in safeguarding the national interest in the cocoa industry.

#### *Exchange Control Act*

Exchange control is currently governed by the Exchange Control Act (ECA) which imposes restrictive measures on the dealings in and transfers of foreign currency. The effect of the law is however subject to amendment by the Central Bank.

With regard to external residents, general dispensation has been granted by the Bank of Ghana Notice No. BG/EC/93/1 dated June 22nd, 1993, which removes all restrictions in parts IV and V of the ECA with respect to securities listed on the GSE. It grants permission for external residents to deal in securities listed on the Exchange without prior Exchange Control approval, and assures full and free foreign exchange remittability of original capital or principal amounts, any gains, dividends or interest payments, and related earnings and refunds in respect of investments made by external residents in such securities.

#### *Offer Time Table*

	<b>DATE<sup>3</sup> and Time</b>
• Commencement of Offer	December 1st, 1999, 9.00am GMT
• Offer Ends (6 Weeks)	January 14th, 2000, 3.00pm GMT
• Allotment Period Begins	January 17th, 2000, 9.00am GMT
• Allotment Period Ends, Issue of share certificates commence	February 4th, 2000, 3.00pm GMT
• Despatch of Share Certificates	February 25th, 2000
• Listing and Trading on the Stock Exchange Begins	March 3rd, 2000

<sup>3</sup> These dates are subject to change by the Managers of the offer in consultation with Government of Ghana, the DIC, and the Ghana Stock Exchange.



## SECTION 7: Terms And Conditions Of The Offer

### 11.1 Introduction

- a. For purposes of the share offer, a “Qualifying Offer Applicant” means any natural person, corporation, partnership or other unincorporated association resident or incorporated in Ghana, an ECOWAS Territory or other Qualifying Territories.
- b. “Qualifying Territory” means any country whose laws permit the acquisition of shares under the PBC share offer.
- c. “ECOWAS Territory” means any country which is a member of ECOWAS.
- d. “Receiving Agents” means any bank or stockbroker appointed by the Managers of the share offer to receive and process applications for the share offer.

If you apply for Shares in the Produce Buying Company Limited “Share Offer” you will be agreeing with each of the Managers and the Ghana Government as set out below and accepting the conditions in 7.2 and 7.8.

### 7.2 General Conditions

- a. If you receive a copy of this document and/or Application Form in any territory other than Ghana, you may not treat it as constituting an invitation or offer to you, nor should you in any event use such Application Form, unless in the relevant territory such an invitation could lawfully be made to you without compliance with any unfulfilled registration or other legal requirements. It is your responsibility if you are outside Ghana and/or subject to the laws of any other territory and if you receive a copy of this document and/or an Application Form and wish to make an Application, to satisfy yourself as to full observance of any governmental or other consents and compliance with other necessary formalities, and to pay any transfer charges or other taxes or duties required to be paid in such territory in respect of the offer shares acquired by you under the offer.
- b. If you are a Qualifying Offer Applicant resident outside Ghana, you may apply for a specified number of shares by completing and returning an Application Form for a specified number of Offer Shares which you wish to acquire, by hand or by registered post to GHANA INTERNATIONAL BANK, 69 CHEAPSIDE, LONDON, EC2P2BB, not later than 3.00pm (Ghana Time) on January 14th, 2000. For applications delivered by hand, a cheque, bankers draft or cash for the relevant amount in US dollars or British Sterling equivalent of the Cedis price of the offer shares should accompany your Application Forms and should be in a form which will realise cleared funds for the full amount payable on application by 3.00pm (Ghana Time) on January 14th, 2000. For Applications delivered by registered post, funds should be remitted by bank transfer to the following account(s): “PBC SHARE OFFER USD Account No **0001695602** (for all US Dollar amounts), and “PBC SHARE OFFER STERLING Account No. **0001695601** (for all sterling amounts), at Ghana International Bank, 69 Cheapside, London, EC2 P2BB, for value not later than 3.00pm (Ghana Time) on January 14th, 2000.
- c. If you are a Qualifying Offer Applicant resident outside Ghana and a Receiving Agent has been appointed in your country of residence, you may return your Application Form by hand or by registered post to such Receiving Agent together with your remittance to realize cleared funds for the full amount payable on application by 3.00pm (Ghana Time) on January 14th, 2000.
- d. For the avoidance of doubt, payments accompanying Applications from residents in Ghana must be made in Cedis and, payments accompanying Applications from non-resident applicants must be made in US Dollars or British Pound Sterling for payments in US Dollar amounts and British Pound Sterling amounts respectively. For non-resident Applicants, *the cedis equivalent of the amount of offer shares being paid for, whether payment is made in US dollars or British Sterling will be credited and the same Cedi Offer Price (¢500 per share) will apply, but a uniform exchange rate of Cedis 3,400=US\$1.00, and Cedis 5,500=£1.00 will apply over the offer period.*

- e. Any application from outside Ghana which is not received, for any reason, from a Qualifying Offer Applicant by a Receiving Agent which will realise cleared funds for the full amount payable on application by 3.00pm (Ghana Time) on January 14th, 2000 shall be considered as invalid.
- f. All documents and remittances sent or delivered to or by applicants will be sent or delivered at their own risk.

### 7.3 Offer to purchase Shares

- a. You offer to purchase from the Ghana Government and Produce Buying Company Limited at Cedis 500 per Share the number of Offer Shares indicated in your application form (or any smaller number in respect of which your application is accepted) on these terms and conditions, and on the basis of the information contained in the Prospectus and subject to the Regulations of the Company. You agree that all payments and transactions in this PBC Share Offer, subsequent payments to you in any capacity will be denominated in cedis *except for refunds which will be made in the currency in which you paid for the offer shares.*
- b. You agree that your offer cannot be revoked prior to January 14th, 2000 and promise that any cheque, bankers' draft or money/postal order accompanying your application will be honoured on first presentation and that this paragraph constitutes a collateral contract between you, the company and the Ghana Government. It becomes binding when your application is posted to or, in the case of delivery by hand, received by, one of the Receiving Agents. All bank commissions and transfer and other charges must be paid by the applicant.
- c. No application will be considered by the Managers as representatives of the Government or treated as binding until after the closing of the Application List on January 14th, 2000, 1999.
- d. A thumbprint on an application form will be accepted instead of a signature thereon.
- e. If your application form is not completed correctly or is amended, or if any accompanying cheque, bankers' draft, money/postal order or other remittance is in the wrong currency or realises, on presentation, cleared funds, after 3.00 p.m. (Ghana time) on January 14th, 2000 and/or an amount which is less than the amount due in respect of the number of Shares applied for it may still be treated as valid. In these circumstances the Managers' decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to purchase a number of Offer Shares greater than the number specified in your application form.
- f. Applications must be for a minimum of 100 Shares. Applications for more than 100 Shares must be made in multiples of 20 Shares. If you apply for a number of Shares in excess of 100 and such excess is not a multiple of 20 Shares you will be treated as having applied for the number of Shares, being the next lowest multiple of 20 Shares.
- g. Any application may be rejected in whole or in part, if it is determined to be incomplete, illegible, or if it is determined that the Applicant is not eligible to participate in this Offer. Applications which are not rejected (or which are rejected only in part) may still be scaled down when there is over-subscription.

### 7.4 Acceptance of your offer

- a. Acceptance of your offer will be made (if your application is received, valid, processed and not rejected) either:
  - (i) by notifying the Ghana Stock Exchange of the basis of allocation in which case the acceptance will be on that basis; or



- (ii) by notifying acceptance to one of the Receiving Agents.

The acceptance may be of the whole or any part of your offer and, accordingly, the number of Offer Shares you offer to purchase may be scaled down.

- b. If your offer to purchase is accepted (in whole or in part), there will be a binding contract under which you will be required to purchase the Offer Shares in respect of which your offer has been accepted.
- c. The Produce Buying Company Limited Share Offer comprises Shares held by the Government of Ghana *and in the event of over-subscription, new shares issued by the company.*

#### **7.5 Payment for the Shares**

- a. You undertake to pay the purchase price for the Offer in respect of which your offer is accepted. The cheque or bankers' draft or other remittance accompanying your application may be presented for payment before acceptance of your offer, but this will not constitute acceptance of your offer, either in whole or in part. The proceeds of this presentation will be held pending acceptance and, if your offer is accepted, will be applied in discharging the purchase price for the Offer Shares in respect of which your offer is accepted. Following payment in full of the purchase price, the Company will arrange (and you authorise the Company so to do) for you to be entered on the Shareholders Register in respect of the Offer Shares which you have offered to purchase, and in respect of which your offer has been accepted.
- b. If your application is invalid, rejected or not accepted in full, the proceeds of the cheque or other remittance accompanying your application or the unused balance of those proceeds (as the case may be) will be refunded to you without interest and any interest received on all such proceeds will be retained by the Government of Ghana and the Company.
- c. If the remittance accompanying your application is not honoured on first presentation then, at any time until one of the Receiving Agents has received in cleared funds for the Offer Price in respect of an Offer Share, the Managers, on behalf of the government, may terminate the agreement to purchase that Offer Shares. This termination will be effected by notice being despatched to you. In the event of termination you will pay to the Managers on behalf of themselves and the Ghana Government on demand such amount as may be certified on their behalf as being necessary to compensate the Managers and the Government of Ghana for the losses, costs and expenses incurred or expected to be incurred as a result of the remittance not being honoured on first presentation and as a result of termination (taking into account any amounts paid under paragraph (b) above and any profit gained on the resale of the Offer Share).

#### **7.6 Warranties**

- a. You warrant that:
  - (i) You are a Qualifying Applicant;
  - (ii) In making your application you are not relying on any information or representation concerning the Company and/or the Offers or any of them not contained in the Prospectus. You agree that no person responsible for this document or any part of it will have any liability for any such other information or representation, and
  - (iii) If the laws of any place outside Ghana are applicable to your application, you have complied with all such laws and none of the Managers, the Ghana Government, the Company (in any capacity whatsoever), will infringe any laws outside Ghana as a result of the acceptance of your offer or any actions arising from your rights and obligations under



these terms and conditions and the Regulations of the Company.

- b. If the person signing, or making a thumb print on, the application form is not the applicant, that person warrants that he has authority to do so on behalf of the applicant and that this authority is vested in him by virtue of any power of attorney which (or a copy of which certified by a solicitor) accompanies the application.
- c. If the Applicant is other than a natural person, the person signing the Application Form warrants that he has authority to do so on behalf of the Applicant.

#### **7.7 Supply and disclosure of information**

- a. The Company, Government of Ghana, Managers, and their agents shall have full access to all information relating to, or deriving from, the cheque or bankers' draft or other remittance accompanying your application, and its processing. If the government or its agents request any further information about your application you must promptly disclose it to them.

#### **7.8 Miscellaneous**

- a. The rights and remedies of the Company, the Government of Ghana, and the Managers under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them, and the exercise or partial exercise of one will not prevent the exercise of others.
- b. If you deliver your application form to a Receiving Agent, you authorise the Government of Ghana and the Company and their respective agents to send any money returnable to you and a share certificate for the number of Shares for which your application is accepted to the Receiving Agent to which you delivered your application form for collection by you from such Receiving Agent, and you agree to produce the completed receipt from the bottom of the application form and/or other appropriate evidence of your entitlement to the certificate and/or returned monies to such Receiving Agent upon collection thereof. If your application was sent by post, you authorise the Government or its agents to send a share certificate for the number of Shares for which your application is accepted and/or a cheque for any money returnable by registered post to you at your address (or, in the case of joint applicants, the address of the first-named person) as set out in the application form.
- c. All documents and monies sent or delivered to or by you will be sent or delivered at your own risk. Any cheque, in regards to a refund, will be made payable to you (or the first person named in any joint application) and will be in the currency in which you applied for Offer Shares, and you agree and accept that a payment to you in the currency in which you applied for Offer Shares in this instance does not constitute a waiver of any part of 7.1(a) above.
- d. You agree to be bound by the Regulations of the Company once the Offer Shares you have agreed to purchase have been transferred to you.
- e. Your application, any acceptance of that application and the contract resulting therefrom will be governed by, and construed in accordance with, the laws of Ghana. For the exclusive benefit of the parties mentioned in the introduction to these terms and conditions you irrevocably submit to the jurisdiction of the Ghanaian courts in respect of these matters. This does not prevent an action being taken against you in any other jurisdiction.
- f. Words defined in the Prospectus and not defined in these terms and conditions have the same meanings in these terms and conditions and in your application form and in the guide to the application form as in the Prospectus. In the case of a joint application, references to an applicant in these terms and conditions are to each of the joint applicants and their liability is joint and several.

- g. There is no stamp duty on dealings in shares listed or to be listed on the Ghana Stock Exchange.
- h. The Government of Ghana reserves the right, after consultation and with the agreement of the Company, and the Managers, and the Ghana Stock Exchange to extend the period of the Produce Buying Company Limited Share Offer, save that it will not be extended beyond February 25th, 2000 and/or to extend the Produce Buying Company Limited Share Offer to persons other than natural persons.
- i. Although the Government of Ghana, and the Company, will be co-operating with the Managers in connection with the co-ordination of the Produce Buying Company Limited Share Offer, it is the responsibility of the Managers to ensure full compliance with all applicable laws and regulations in relation to the Produce Buying Company Limited Share Offer and the solicitation of applications therefor. Neither the Government of Ghana nor the Company, accepts any responsibility in this regard.

## SECTION 8 Application Form, Completion Guide, And Return Instructions

### 8.1 Instructions For Completion Of Application Form

*Before completing an Application Form you should read this carefully.*

**PLEASE USE BLOCK/CAPITAL LETTERS.**

**PLEASE RETURN THE COMPLETED APPLICATION FORM BY *January 14th, 2000*.**

1. Multiple applications are not permitted. Please read **Note 7** and the Declaration carefully before you sign (or, if unable to sign, make your thumb print) above the line provided and date the form in the box provided.

The Application Form may be signed by someone else on your behalf if he/she is duly authorized to do so. An agent must enclose the original power of attorney appointing him/her (or, a copy certified by a notary public) unless he/she is a selling agent or financial intermediary and states the capacity in which he/she signs.

Application from illiterates should bear their right thumb print on the Application Form and be witnessed by an official of the bank or a broker at which the application is lodged, who must first have explained the meaning and must record in writing that he has given this explanation to the illiterate in the language understandable by him or her and that the illiterate appeared to have understood the same before affixing his or her thumb impression.

If applying for someone under the age of 18 years, you (rather than that person) must sign the Application Form.

2. Fill in your Surname (i.e. family name), all your forenames (i.e. First/Christian names) and the title by which you are addressed. In the case of a Corporate Applicant, your company name can be filled in here. Applications from corporations and partnerships must bear the institutions' common stamp and be completed under the hand of a duly authorized official who should also state his/her designation/title.

Only people of 18 years and above can buy shares in their own names. However, shares can be bought for a minor by a parent, grand parent or guardian of the minor. That adult can complete another application to buy shares in his/her own name. If you wish to apply with another adult, see **Note 8**.

3. Fill in the number of shares (**minimum is 100 shares and thereafter in multiples of 20**) that you are applying for and the amount of your payment (minimum is €50,000 ). Please use figures.

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<sup>1</sup> The Managers of the Offer may, in consultation with the Government of Ghana, the DIC, and the Ghana Stock Exchange, extend the Offer period beyond this date.



Your payment must be in a form which will realize cleared funds for the full amount payable by 3:00pm (GMT) on January 14th, 2000.

Cheques, money/postal orders and banker's drafts should be made payable to the Receiving Agent and crossed **PBC SHARE OFFER** and endorsed **COMMISSION TO DRAWER'S ACCOUNT**.

All bank commissions and transfer charges must be paid by the applicant.

*The Minimum Application is for 100 shares, and in multiples of 20 shares thereafter.*

When the basis of allocation under the PBC Share Offer is set, successful applicants will be allocated a number of shares. Any balance owing will be refunded.

4. Fill in your full postal address.
5. Provide the information for the bank where you wish to receive dividend payments. If you have no bank, leave blank. Ask the receiving agent for assistance if you have any difficulties.
6. Tick the relevant box to indicate your country of residence (i.e. whether or not you are resident in Ghana).
7. *By signing the Application Form you will be applying for Offer Shares on the terms and conditions set out in the Prospectus and in this Form. Proceedings may be instituted against anyone knowingly making a false declaration. This applies whether an Application is made solely or jointly with other persons.*
8. Joint Applicants.

You may apply jointly with up to three people, provided each applicant is an adult over 18 years of age. They should complete their names and sign the appropriate place by their name.

Power(s) of Attorney must be enclosed if anyone is signing on behalf of any joint applicant(s).

**PLEASE LEAVE THE BRANCH CODE AND FORM NUMBER BLANK. THIS WILL BE COMPLETED BY YOUR BANK OR BROKER.**

***PHOTOCOPIES Of Application Forms used MUST BE CLEAR AND CLEAN.***

## **8.2 Instructions For Return Of Your Application Form**

### **IN GHANA:**

You must return your completed Application Form, together with your payment by 3.00pm Ghana Time on January 14th, 2000 to any of the following Receiving Agents:

**Receiving Brokers:**

NTHC Limited  
Databank Brokerage Limited  
CAL Brokers Limited  
Gold Coast Securities Ltd.  
New World Investments Ltd.  
Sterling Securities Ltd.

EBG Stockbrokers Limited  
CDH Securities Limited  
First Atlantic Brokers Ltd.  
Merban Stockbrokers Ltd.  
SDC Brokerage Ltd.  
Strategic African Securities Ltd.

**Receiving Banks:**

Ghana Commercial Bank Limited  
Social Security Bank Limited  
The Trust Bank Limited  
Merchant Bank Ghana Limited  
Standard Chartered Bank Ghana Limited  
National Investment Bank Limited

Agricultural Development Bank Limited  
Ecobank Ghana Limited  
CAL Merchant Bank Limited  
First Atlantic Merchant Bank Limited  
Barclays Bank of Ghana Limited  
Prudential Bank Limited

**Receiving Rural Banks:**

Bia Torya Rural Bank (Bonsu Nkwanta, Western Region)    Kaaseman Rural Bank (Sefwi Kaase, Western Region)

**OUTSIDE GHANA:**

If you are a "Qualifying Applicant" applying for Offer Shares outside Ghana, you may return your completed application form and remittance by hand or registered post to **Ghana International Bank, 69 Cheapside, London, EC2 P2BB.**

For applications delivered by hand, your application form and cheque or draft (made out to "PBC SHARE OFFER" ) should be in a form which will realize cleared funds, for the full amount payable on application by 3.00pm (Ghana Time) on January 14th, 2000.

For applications delivered by registered post, funds should be remitted by bank transfer to "PBC SHARE OFFER USD Account No **0001695602** (for all US Dollar amounts), and "PBC SHARE OFFER STERLING Account No. **0001695601** (for all Sterling amounts), at **Ghana International Bank, 69 Cheapside, London, EC2 P2BB,** for value not later than 3.00pm (Ghana Time) on January 14th, 2000.

# GUIDE TO COMPLETING THE APPLICATION FORM

AFTER YOU HAVE COMPLETED THIS APPLICATION FORM YOU SHOULD DELIVER IT IN ACCORDANCE WITH THE STATED INSTRUCTIONS. POSTAL APPLICATIONS SHOULD BE RECEIVED BY 3PM GMT ON JANUARY 14TH 2000

## 1 Multiple applications are not permitted.

Please read the declaration in Box 7 carefully before you sign (or, if appropriate, make your thumb print) IN THE Box, and then date the form in the area provided.

- The application form may be signed by someone else on your behalf if he/she is duly authorized to do so. An agent must enclose the original power of attorney appointing him/her (or a copy certified by a solicitor) unless he/she is a selling agent or financial intermediary and states the capacity in which he/she signs.

If you are applying for the benefit of someone under the age of 18, you, rather than that person, must sign the application form.

## 2 Put in Box 2 your full name. Please use BLOCK/CAPITAL LETTERS.

Applications must not be made by anyone under 18, but a parent, grandparent or guardian of a child under 18 may apply for the benefit of that child. To do this you should put your name in the surname and forename sections of Box 2 and the full name of the child in the Account Name section in Box 5 under the Dividend payment details. You are not thereby precluded from making a single application for your own benefit.

If you wish to apply with another adult, see Note 8.

## 3 Put in Box 3 the number of Shares for which you are applying and the amount (in figures) of your payment, which must be in a form which will realize cleared funds for the full amount payable on application by 3:00 p.m. GMT on 14th January, 2000. Cheques, money/postal orders and bankers' drafts should be made payable to "PBC Share Offer", crossed A/c payee only and endorsed, where applicable, COMMISSION TO DRAWER'S ACCOUNT. The applicant must pay all bank commissions and transfer charges.

THE MINIMUM APPLICATION IS FOR ONE HUNDRED SHARES AND AN AMOUNT OF CEDIS 50,000

When the basis of allocation under the PBC Share Offer is set, successful applicants will be allocated a number of Shares. Any balance owing will be refunded. For example, if you wish to purchase 50,000 shares and your application is scaled down to 40,000 shares because of excess applications, you will be allocated 40,000 shares and receive a refund of CEDIS 5,000,000.

If you are foreign resident you will receive due refund in the currency you made the initial payment

## 4 Put in Box 4 your full address in BLOCK/CAPITAL LETTERS

Put in Box 5 the bank, branch and account number that you wish dividends attributable to any Shares allocated to be paid into. Otherwise leave blank.

## 6 Tick the relevant box on the application form to indicate your citizenship (whether or not you are resident in Ghana).

Also state your country of residence in the indicated box even if it is Ghana.

## 7 CAUTION

By signing an application form you will be applying for Offer Shares on the terms and conditions set out in the Prospectus and in this form. Proceedings may be instituted against anyone knowingly making a false declaration. This applies whether the application is made solely or jointly with other parties.

## 8 JOINT APPLICANTS

- You may apply jointly with up to three other people, providing each applicant is an adult over 18 years of age. They should complete and sign Box 8.
- Power(s) of attorney must be enclosed if anyone is signing on behalf of any joint applicant(s)

➤ PHOTOCOPIES OF APPLICATION FORMS USED MUST BE CLEAR AND CLEAN

➤ ENSURE THAT YOU RECEIVE THE COUNTERFOIL OF YOUR APPLICATION FORM FOR YOUR RECORDS



Before completing this form read carefully the **GUIDE TO COMPLETING THE APPLICATION FORM**  
**PRODUCE BUYING COMPANY LIMITED SHARE OFFER APPLICATION FORM**

**PLEASE USE BLOCK/CAPITAL LETTERS**

<b>1</b> Form Number :	Bank/Broker's Signature & Stamp		
Name :			Signature/Thumbprint ( above the line )
Receiving Agent/Branch Code :			
Date :			
<b>2</b> Surname/Company name:			
Forename(s) in full:		Amount Payable (Ghana Residents) ₵:	
State title if any, or Mr., Mrs., Ms, Alhaji etc.:		Amount Payable (Foreign Residents)£/\$	
<b>Applicant's Address Details:</b>		<b>Dividend payment details:</b>	
<b>4</b> Hse No./Street:	<b>5</b> Bank:		
P. O. Box	Branch:		
Town:	Branch Code:	Verify from Receiving Agent	
Region:	Account Number:		
Country :	Account Name:		
<b>6</b> Nationality: Ghanaian <input type="checkbox"/> other ECOWAS <input type="checkbox"/> Other <input type="checkbox"/>			<b>COUNTRY OF RESIDENCE :</b>
<b>7 Declaration:</b> I/We hereby apply for offer Shares on the terms and conditions set out in the Prospectus. I/We declare that I/we am/are a Qualifying Offer Applicant(s) and that to my/our knowledge there is no other application being made for my/our benefit (or that of any person for whose benefit) I/We am/are applying for PBC Shares for which I/we have applied on this form. I/we understand the caution in Note 7 of the Completion Guide.			
<b>8 Joint Applicants:</b> I/We join in this application and give the Declaration in Box 7 above			<b>DATE:</b>
Other Applicants	2nd Joint Applicant	3rd Joint Applicant	4th Joint Applicant
Surname: (Mr. Mrs. Miss Ms etc)			
Forename(s) in full:			
Signature or Thumbprint			
To be completed by Receiving Broker/Bank and then signed by applicant and retained by applicant as evidence of payment			
<b>PRODUCE BUYING COMPANY LIMITED SHARE OFFER : COUNTERFOIL</b>		<b>Form Number:</b>	
Surname/Organisation:	Applicant's Signature/Thumbprint	Bank/Broker's Signature & Stamp	
Forename(s) in full:			
Title (Mr./Mrs./Ms/Alhaji, etc.):			
Address (Hse No./Street)			
P. O. Box:                      Town:			
Region:			
Country:			
NUMBER OF SHARES:	Amount Paid[₵/\$/£]:	Agent Code:	

