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A STUDY TO PRIVATIZE THE
LIBERIA SUGAR CORPORATION, INC.
IN MARYLAND COUNTY

LIBERIA

Report by:

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Center for Privatization
2000 Pennsylvania Avenue, N.W. --Washington, D.C. 20006

Project No. 111

February 1989

Prepared for the
Bureau for Private Enterprise
U.S. Agency for International Development

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Executive Summary

The sugar factory in Maryland County has profit potential if privatized, and operated by experienced sugar personnel. Achieving its full potential will require mobilization of financial resources and management expertise but every indication is that the area can grow sugar cane and the factory can process the cane into sugar to meet Liberia's needs. The current capacity of the plant is equal to Liberia's requirements and there is room for expansion.

Operations from 1977 to 1981 failed because good quality cane was not available to the factory in sufficient quantity. Assuming that this problem can be successfully dealt with, the estate could in fact eventually become profitable, largely because of the high cost of imported sugar in Liberia. The tables at the back of the report provide a ten-year forecast of the financial results based on key data summarized in Exhibit 4. The conclusion is that an investor could recover the initial investment to re-start the sugar factory, could achieve net after-tax profits in the fifth year, rising in surplus thereafter; and that the operation could have significant value at the end of 10 years.

The immediate need is to attract potential investors. The capital requirements are large and involve, in addition to the purchasing price, substantial amounts of working capital (approximately L\$18 million) during the first three years of operation. Interest in lending to the re-started business has been expressed by financial sources in Liberia. No interest in purchasing the machinery and equipment is expected because no world market exists for factory equipment of the type at Barrake.

An operating factory and plantation would bring a number of benefits to Liberia. The obvious benefits are employment for the county as well as savings in foreign exchange, and income from both sale of the business and tax revenue to the Government of Liberia (GOL). At present this facility is a burden on the national budget and its utilization would benefit the entire country.

Scope of Work

The scope of work for this assignment included the following steps:

A) The Role of the Sugar Industry Expert was to Examine Technical Aspects of Sugar Estate, Including Machinery and Other Facilities

- Determine operational capacity of machinery and equipment, including working condition and production capacity
- Determine whether adequate sugar is grown locally to supply the needs of the plant; determine approximate sugar supply prices
- Examine domestic and export sugar market. Gather information regarding world sugar prices, c.i.f. prices of sugar, and Liberian tariffs on sugar
- Estimate market value of plant and equipment based on liquidation of the plant; include approximate dismantling and removal costs
- Provide assumptions for going concern viability analysis and valuation to financial analyst
- Identify possible purchasers of the plant and determine if possible their approach to a purchase, as well as their other expectations
- Assist in developing a marketing strategy for the divestiture.

B) The Financial Analyst was to Conduct Financial Analysis and Valuation, and Develop the Divestiture Strategy

- Collect and tabulate historical financial information
- Estimate cash flow based upon realistic assumptions required to achieve profitability
- If the sugar estate is to be sold as a going concern, prepare a valuation using a discounted cash flow method
- Review legal obstacles to privatization
- Recommend privatization strategy, including divestiture steps, potential purchasers, timing of divestiture, and resolution of legal obstacles.

Introduction

A feasibility study in 1972, which assessed the potential for growing sugar cane in several areas of Liberia, concluded that Maryland County provided the best climate and soil conditions for growing the crop. The study also provided recommendations and suggestions for the development of a complete sugar industry from growing sugar cane to milling and refining a premium grade granulated sugar.

That study, undertaken in an era of a dynamic worldwide sugar industry, envisioned a plantation and facility capable of producing 75,000 to 80,000 tons of finished sugar each year, of which 50,000 tons were destined for the U.S.A. alone. The facility subsequently built at Barrake, north of Harper, was designed with a production capacity of about 20% of that tonnage or 15-20,000 tons per year. The original feasibility study had proposed a total personnel of 2,574 employees (for 80,000 tons of sugar) whereas the Barrake mill employed a staff of 2,760 employees in 1978 to produce only 2,465 tons of refined sugar. This tonnage was the maximum produced in one year during the four years of operation. The maximum personnel proposed in this report is 857 employees.

The existing mill facility was built under the auspices of the Government of Taiwan after they had concluded an exhaustive second study in August 1973. By the end of 1974, clearing of land by the Liberian Government had commenced. Work had also started on the access and arterial roads, enabling the installation of equipment in the mill yard and buildings by 1975. The construction and installation work was completed by the end of 1976. After the testing of the mill equipment in the latter half of 1976, the facility was ready for production in January 1977. The following production data were obtained from an internal company report dated June 1981.

Table 1
SELECTED PRODUCTION DATA

	1977-78	1978-79	1979-80	1980-81
Total Cane Crushed (tons)	45,698	34,823	51,813	23,314
Daily average cane milled (tons)	1,056	1,039	1,053	890
Sucrose (%)	6.6	10.11	7.8	9.1
Duration of campaign (days)	205	95	180	135
Actual milling time (days)	43	34	49	26
Daily average cane hauled (days)	223	367	288	173
Sugar against cane (%)	2.9	6.43	3.5	5.8
Total Sugar produced (tons)	1,295	2,465	2,132	1,367
Refined Sugar (tons)	320	241	199	---
A-Grade Sugar (tons)	975	2,224	1,933	1,367
Tons of cane to produce one ton of sugar	35.3	14.1	24.3	17.1

The last line of the foregoing information can be compared to a key industry operational guideline.

The industry average for sugar produced per tons of cane is approximately 1 ton of sugar to 10 tons of cane and many operations achieve a 1 to 7 ratio. The foregoing summary indicates that, in the second grinding season, the results (1 to 14.1) approach the required average. The results for the remaining years indicate very poor quality cane, poor harvesting methods or both. In one crop season, 38,000 tons of cane was left unharvested in the field.

This situation and the excessive numbers of personnel cited previously were two major reasons why the company ceased operations on October 12, 1981. Other factors, not as serious but avoidable, contributed to the exhaustion of resources that eventually forced closure.

All of the above-mentioned problems can be solved and none of them contradicts the convincing arguments for growing sugar cane in Maryland county and milling it at Barrake. The conclusion is that the operation can be successful, providing that the investment in re-starting plantation and mill operations is made and that the problems previously experienced are resolved.

Liberia's Demand for Sugar and Related Foreign Exchange Requirements

During 1987, Liberia imported about 20,300 tons of sugar and sugar products, according to statistics accumulated by the Ministry of Planning and provided by the Ministry of Commerce and Industry:

Table 2
LIBERIA SUGAR IMPORTS - 1987

Classification	Kilos	Pounds	Tons
Sugar & Honey	9,082,890	19,982,358	9,991
Sugar Beet	85,546	188,201	94
Refined Sugar	8,663,559	19,059,829	9,530
Molasses	1,145	2,519	1
Sugar Syrups - Not Flavored or Colored	5,385	11,847	6
Other Sugar	2,942	6,472	3
Sugar Confectionery & Preparations	467,620	1,028,764	514
Sugar Confectionary & (Excluding Gum)	177,898	391,376	196
Total Imported Sugar & Sugar Products - Tons			20,335

The cost of these imports varies substantially, but the cost per ton of refined sugar and sugar and honey for the month of October 1988 was about L\$615 per ton. These imports represent an approximate foreign exchange cost of L\$12 million per year to the Government of Liberia.

A successful sugar industry producing the majority of the country's requirements would incur foreign exchange costs of L\$2.0 to L\$2.5 million per year for fertilizer, chemicals and equipment. The resulting net savings in foreign exchange, therefore, should be no less than L\$7 million per year after the service of foreign debt incurred to restart the plantation and mill.

The estimated net foreign exchange savings to the GOL could provide for the service of the foreign debt incurred by the government for the original development of the facility. The repayment terms of those debts were not part of this study.

The Price of Sugar in Liberia

Liberia imported sugar, sugar products, and related items totalling slightly over 20,000 tons in 1987. The landed cost of white granulated sugar in October 1988 was L\$828.44 per ton. The constituent costs are as follows:

	<u>F.O.B.</u> <u>Monrovia</u>	
Basic Cost	L\$ 615.00	per ton
Added Costs:		
Custom Duty	130.00	per ton
Inspection	9.22	per ton
Port Charge	9.22	per ton
Transport	20.00	per ton
Stabilization Fee	<u>45.00</u>	per ton
Total	L\$ <u>828.44</u>	per ton
Cost Per Pound	L\$ <u>0.414</u>	

The cost of refined sugar varies upwards from US\$ 280 per ton. The price on December 15, 1988, was US\$ 329 or L\$ 658 so that the price to the consumer in Liberia is directly related to the strength of the Liberian dollar on world markets. The retail market price of L\$.70 to L\$1.50 per pound or between L\$ 1,542 and L\$3,600 per metric ton makes it feasible to re-establish the sugar industry in Liberia.

The London Commodities Market quotes raw sugar at US\$ 260 per metric ton on December 5, 1988. Therefore the world price is approximately US 12 cents per pound of raw sugar. Allowing US 10 cents per pound for refining, packaging, and shipping results in an approximate world price of US 22 cents per pound, whereas the Liberia wholesale cost was US 41 cents per pound in October.

There are a number of factors that contribute to the differential in price, but the major factor is the small quantity required to service the Liberian market. In addition, there is no export sugar market available to a Liberian producer of granulated sugar given the domestic production costs. The world sugar market could assist the Liberian producer in the situation where there is substantial excess production so that the sale of this surplus, even below production costs, could be regarded as a contribution to overhead. However, the present capacity of the Maryland mill is not likely to generate surplus production for export. Increasing capacity would require major expansion of both the plantation and the mill. Such an expansion is not warranted given the relation between the world sugar price and the Liberian sugar production cost. The high level of these costs can only partially be attributed to the small size of the Barrake plant.

The prudent choice is to operate the Maryland facility exclusively for the domestic market on an efficient basis to reduce the cost of sugar to consumers. This study uses a sale price for the Barrake sugar of \$800 per ton which is the same price used for projections in the original feasibility study. That price should be maintained until at least the seventh year of operation.

Status of Plant and Equipment

A memorandum record of Fixed Assets accounts as of June 30, 1981, provides the following information in Liberian dollars:

Table 3
FIXED ASSET ACCOUNT BALANCES (6/30/81)

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land Clearing & Preparation	\$ 2,388,624	\$404,399	\$1,984,225
Buildings	3,780,000	634,532	3,145,418
Plant & Machinery	6,810,525	1,573,542	5,236,983
Miscellaneous Equipment	103,240	44,703	58,537
Office Furniture & Equipment	226,25	200,775	25,483
Motor Vehicles	3,001,186	2,024,297	976,889
Capital work	136,660	-----	136,660
	\$16,446,493	\$4,882,248	\$11,564,245

If the plant and machinery had a market value, they might have been sold during the seven years since shut-down in October 1981.

The fact that they were not sold and, to our knowledge, did not attract any inquiries reflects major factors that any potential buyer would consider, namely:

- The productive capacity of the plant is small when compared to other factories available in the world market. Several sugar factories are available for sale in areas close to major consumers of sugar (3 plants in Hawaii and at least 5 in Puerto Rico).
- Dismantling, crating and shipping of a sugar factory is a costly endeavor with inherent hazards to both seller and buyer, against which no reasonable protection is available.

In addition to the foregoing, selling or moving the factory would involve major write-offs of assets that have going-concern values as a sugar factory, but no value for any other use. The only possible alternative would be to find another use of the plant with similar revenue generation possibilities. The foundations, the 90 foot chimney, the boilers and most of the main building would be virtually useless or underutilized for any other purpose. If the equipment was moved, most of the extensive pipe and tubing network would have to be re-fabricated at the new location.

The cost of building and equipment renovation required to restart the factory is estimated to be \$4,825,000, which includes \$3 million for service and repairs to the factory equipment; \$1 million for mill yard equipment; and \$400,000 to replace the roof on the factory building. These figures are increased to include the necessary purchase of new equipment and appear in Exhibit 4 under Capital Expenditures for Plantation and Factory.

Relocating the mill elsewhere in Liberia would result in higher costs than the cost of rehabilitation. Dismantling, crating, and erection, in addition to the major cost of new building construction, would be incurred without any added assurance of successful operations. The cost of starting in a new location would be greater than re-starting the present plant, because land would have to be cleared and housing would have to be built to replace the units at Barrake.

Operational Capacity of the Mill

The rated input capacity of the mill equipment is 50 tons of cane per hour or 1000 tons of cane per day. The mill is capable of operating for 150 to 200 days per year. The total processing capacity is, therefore, 150,000 to 200,000 tons of cane per year.

The tonnage for the 1979-80 season, 51,813 tons, was the maximum input tonnage achieved during the prior four years of operation.

Besides representing a major under-utilization of the mill capacity, the low tonnage has at least two other serious effects. First, the labor cost per ton of cane milled and sugar produced is excessive. A second major operational weakness caused by inferior cane is that the sucrose content of the cane decreases rapidly if the cane is not milled within 24 hours. Examination of mill reports for the four years of operations reveals that, because of the low tonnage milled per day, seven days from cane cutting to milling was a regular occurrence. In at least one year, a significant portion of the sugar produced was of inferior quality and could not be sold. This situation indicates that the cane cutting operation and delivery of cane to the mill was too slow and that immature cane or cane of an uneven degree of maturity was milled.

Condition of Building, Mill Equipment and Other Machinery

Inspection of the factory indicates that when operations ended in 1981, an effort was made to leave the plant floor and equipment as clean as possible. The plant was "moth-balled" and closed in an orderly manner and has been kept relatively close to that standard over the years.

Considerable time, tools and electric power would be required to perform a detailed examination of each major piece of equipment to assess its present condition. A complete test of the piping and vessels would require a supply of water and firing of the boilers. None of this could be attempted in the time available. See exhibit 7 for a listing of the principal units of factory equipment.

Some evidence of rust is present and the floors in the mill are beyond repair in some of the elevated areas. The rust and weathering situation is escalating rapidly because of the extremely poor condition of the roof. In another year, more of the equipment will be exposed to rain, and deterioration will become entrenched and irreversible shortly thereafter. The mill yard equipment will have to be replaced and some repairs are required in several areas.

There is an abundance of spare parts. Because the inventory has not been catalogued it was not possible to form an opinion on its adequacy. It is likely, given the large quantity of bushings, pipe fittings and similar items, that overstocking of some items and a shortage of others is the real situation.

Some of the major equipment spare parts include a number of large gears and a replacement electric drive for each mill. There are 27 mill rolls available for the 12 roll mill-train. All of these items are long-wearing so that the mill-training has sufficient major spare parts for many years.

None of the plantation equipment is in working condition. All tractors and trucks are also unusable. The mechanical workshop, where skeletons of field units of all kinds are stacked and abandoned, requires a major cleanup. The machine and carpentry shops are essentially empty. Many of the spare parts for the mill equipment are stored in two of the three warehouses. A tool crib and the mechanical workshop spare parts depot are empty.

The various manuals and technical drawings for the equipment and facilities are stored in a rather careless manner but appear to be essentially complete. The office furniture and equipment are in very poor or unsalvageable condition.

The Available Supply of Sugar Cane

According to Ministry of Agriculture 1987 production estimates, only 3,120 acres of sugar cane were grown in Maryland. The average farm of 1.2 acres is only slightly below the national average of 1.4 acres. No county averages more than 1.5 acres per farm.

The cane produced is used or traded within the growing area and tonnage required for a mill of Barrake's processing capacity is not available. The quality or sucrose content of the cane grown throughout Liberia is below the standard required for milling purposes. Volunteer and small diameter cane cannot be milled; such cane will not produce enough sugar to warrant starting the mill and would actually cause damage to the various units of sugar processing equipment. Ensuring availability of quality sugar cane requires recognition of some basic facts that include:

- The proper variety of cane for the soil and climatic conditions must be selected
- The selected variety of cane should be grown in a controlled environment of a professionally run plantation, which ensures maximum yield per acre
- The mature cane must be harvested and delivered to the mill according to requirements that maximize production capabilities -- to do otherwise is a waste of resources.

The last item, the harvesting of cane, bears repeating. The subject was a concern as early as 1977. In another report in 1980, various remedies were suggested indicating that the problem was never resolved. A photograph of two cane cutters at work and discussion with a former employee indicate that improvements could be made in organizing the cane cutting, deployment of cutters and delivery equipment, and in the actual process of cane cutting and the gathering of harvested cane. The methods previously used resulted in the cane cutters averaging only 600 lbs. of cane per day.

An industry minimum standard is 10 times that or 3 tons per day. Many cane cutters in Iran, Pakistan, and other parts of the world achieve five and six

tons per day. The correction of the low productivity in cane cutting at the Maryland plantation thus must have a high priority.

Marketing Information for the Divestiture

The underlying principle assumed throughout this study is that the plantation and factory must be directed by experienced sugar mill operators. Therefore the preferred investors should be involved in sugar production at the present time, or ought to recognize the need to employ capable plantation and factory management personnel.

Information regarding the proposed privatization of this mill directed to the various sugar associations in several parts of the world could utilize data from this study in a brochure to solicit interest. The brochure should emphasize the following:

- The area has excellent soil and climatic conditions
- Available land is virtually unlimited
- The existing factory requires some renovation but is in good condition and hardly used
- The price of sugar in Liberia is high by world standards and the Company, if operated efficiently, would enjoy a dominant market position
- The size of the factory is adequate to meet current market needs
- Cost of labor is low and, though unskilled, there is an ample supply
- There is a strong desire in the government to support an operator/buyer who provides assurance of support for the socio-economic interests of the people of Liberia. This would require investment in housing, a school at the site, clinic, social amenities, and a program of involvement in the Maryland County community.

Prospective investors should be encouraged to visit the mill site. The contents of this study could be made available to the prospective investor in a tender document, which will be discussed below.

Possible Purchasers of the Plant

It is noted previously in this report that it is unlikely that a purchaser could be found to buy the plant for relocation purposes. The plant, therefore, has no market value other than as a going concern.

The facility is considered to have profitable possibilities if operated, where it is, by developing a strong plantation organization that can guarantee an adequate supply of cane. The previous operation did not fail because of any defect in mill operations. The operation collapsed because of an inadequate quantity of sugar cane.

The key to success will be strong plantation management with a skilled, hard-working support staff. It follows that the greatest need is a staff of professional personnel with experience in sugar plantation operations.

The time allocated to this study did not allow for an investor search among interests in the world sugar industry.

While discussing the plant with a few of Liberia's business people and bankers, there appears to be interest within Liberia in the future of the Liberia Sugar Corporation. However, there is no interest in assuming the liabilities of the corporation, as the local investors realize that the operation could not be profitable if required to service old debts. Therefore, the liabilities should be retained by the government when the operation is sold.

A cursory investigation revealed that it should not be difficult to raise L\$3 million or L\$6 million of the required L\$21-23 million from local investors. The amount that would ultimately be available would depend upon the experience of the management team, the type of external financing and the equity position assumed by the principal investors.

The proposed capital expenditures include over L\$3 million for employee housing, which has a very high priority and would be required by the GOL. While

some savings are possible, proposals to operate the facility must include a solid commitment to a housing program.

The Status of Privatization in Liberia

The second annual seminar on private sector development in August 1988 conducted by the Ministry of Planning and Economic Affairs considered national objectives, policies, and strategies for privatization.

The summary proceedings of this seminar indicate that from the early 1980's, privatization has been considered, but "that Liberia's conversion to privatization as reflected in recent policy pronouncements have not been accompanied by any meaningful program of action." The proceedings refer to a strategy for privatization that identifies three categories of public corporations:

- a) Those that should remain in the public sector
- b) Those in which the government would seek joint venture participation with the private sector
- c) Those that the government would be prepared to sell outright to the private sector.

This strategy appears in a report to the President dated September 30, 1982, and is followed by a listing of public corporations. The Liberian Sugar Corporation appears under categories b) and c) of that document with the proviso that the company be included in b) "if deal with China materializes" and c) "if deal with China falls through."

Six years have passed since the issuance of that document. The Bureau of State Enterprises and the Ministry of Planning both advise that there is no legislation that would prevent privatization of the sugar project. Thus we can infer that a structured privatization of this project that provides for socio-economic development of Maryland County and results in overall betterment of the people of Liberia would be favorably considered.

The opportunity to exact some long-term benefits for all sectors such as jobs and income for local residents, stabilization of the retail price of sugar and revenue through sales proceeds and taxes appear to be in the best interests of Government of Liberia and its people.

Divestiture Strategy

The privatization of the Liberia Sugar Corporation and the method of divestiture employed may have a strong impact on the future of the private sector development program in Liberia.

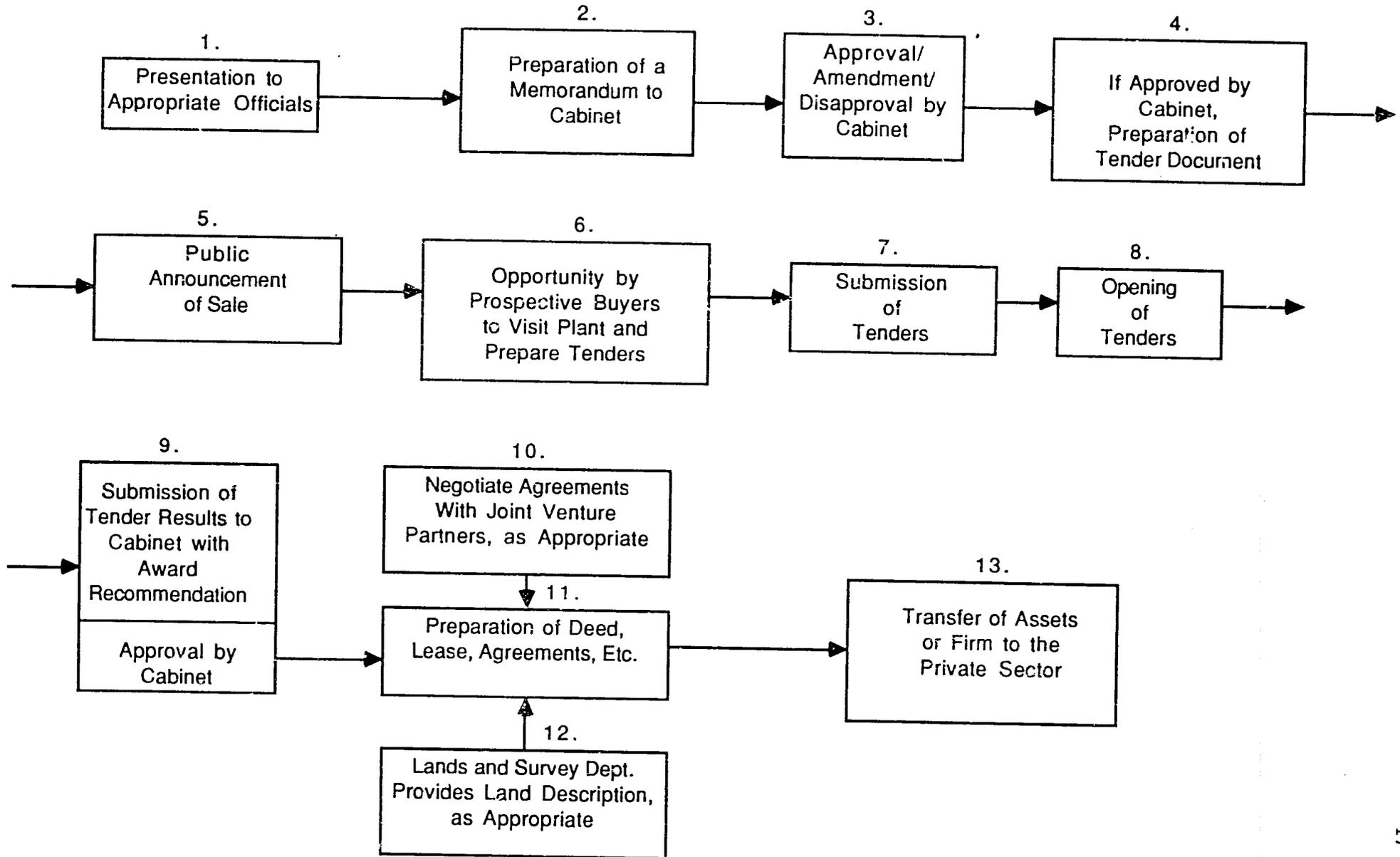
The present financial situation of the Corporation, i.e. the lack of a record of profits, the capital requirements to restart the operations and the status and condition of its assets, makes a stock flotation infeasible. We believe, therefore, that the corporation should be sold through a public tender process. In order for the operation to have a chance to become profitable and benefit the Liberian economy, the government would have to assume the current debt burden.

The tendering process could be modeled on one already proven and successful in other developing countries. The process is illustrated in Exhibit 1 on the following page.

Step 4, preparation of the tender document, and Step 8, the opening of the tender, could be carried out with the help of a neutral party, such as an internationally recognized auditing firm. This would facilitate the process and protect the government from any allegation of favoritism or unfair conduct. This latter point can also facilitate future privatization activities by demonstrating that these transactions will be carried out in a fair, transparent manner. Our experience is that this stimulates investor interest in such properties and helps to stabilize the investment climate.

EXHIBIT 1

RECOMMENDED PRIVATIZATION STRATEGY



Historical Financial Information

Audited financial statements for Liberia Sugar Corporation, Inc., for the years after December 31, 1977, were not available for this study.

Thus, only an examination of the limited data and financial memoranda available was possible. Based on that, financial projections were developed to model a successful restart of the operation.

It became desirable to make sure that no confusion arose between historical financial information and estimated future financial data. For this reason, the name "Re-Start Sugar Company" is used to identify the financial schedules related to evaluating possible profitability of the project.

Historical financial data would have been an interesting reference but the information probably would have been of doubtful usefulness because it was obvious that very little about the initial operation would be the same. Hence it was critical to be selective with any historical records.

In some basic areas, the lack of information was inconvenient at best. In an audit report dated April 1981 by the General Auditing Office of the Government of Liberia, the following comment is made -- quote -- "We requested for the fixed assets register to check if all of the assets listed were recorded in the Register. The Register was never made available." -- end of quote.

A comprehensive list of fixed assets was not found. A general ledger for the year 1980-81 was located and, although not in balance, was one of the more useful sources of financial information available.

Pro Forma Profit and Loss Statement and Balance Sheet (Exhibits 2&3)

An assessment of the cost of dismantling and removing the plant and machinery, and the resulting salvage value brought the realization that this course of action was not a feasible option.

Since the physical state of the factory equipment and the various buildings at Barrake indicate that re-opening the plantation and the factory in the current location could be a realistic consideration, determining whether the operation could be profitable became the key question.

Various financial data were calculated from analyses of the plantation and factory activities. The import cost of sugar of over L\$800/ton provided the benchmark to measure profitability. Information pertaining to previous operations was utilized to identify operational problems. Important data and information were also obtained from the original feasibility study. Exhibit 2 demonstrates that a well-run operation could achieve net profits in the fifth year of operation.

The balance sheet (Exhibit 3) that follows the profit and loss statement states the position of some of the principal accounts at the end of each year.

Both of these reports were prepared conservatively. No recognition was given to either inventories or accounts payable. Introducing both would have involved hypothetical estimates that were not considered necessary to provide acceptable indicators of the Re-Start's financial position.

Income tax has been provided for at a rate of 40%. The normal rate is 50% on incomes over \$100,000 (35% on the first \$100,000). The 40% rate is concessionary and is used to indicate that a step-rating concession should be obtained until Re-Start is firmly established.

In lieu of income tax, a levy on gross sales, factory equipment rental or adjustment of the land rental based on production might be introduced. An

increase in land rental should also provide Re-Start with some form of crop insurance to protect the plantation from loss through calamity, etc.

The supplementary schedule to the profit and loss statement (Exhibit 4) shows how the plantation acreage would be brought into production; when the maximum factory production would be achieved; the planned hiring of personnel by year; and capital expenditure projections by major categories.

The personnel plan includes the recruitment of about one-half of the required staff of career sugar expertise from other African countries. Countries in the southern hemisphere would not have harvesting and milling seasons during the same months as Liberia. It is believed, therefore, that assistance could be obtained from Swaziland, Mauritius, and possibly Tanzania.

Valuation of the Re Start - Discounted Cash Flow Analysis (Exhibits 5 & 6)

This analysis is a basis for evaluating the operation by the investor and an indication of the operation's value. The use of two discount rates (18% and 20%) provides the Government with a useful range in which the price of Liberia Sugar Corporation should be kept in order for the divestiture to be feasible. Based on the valuation, this price range is from L\$2.6 million to L\$4.6 million. The present Liberian lending rate is 12%. The 6-8% differential accounts for the risk to the investor involved in restarting Liberia Sugar Corporation.

The residual value is estimated assuming the mill will be under operation for another eight year during which time the cash flow remains constant at the cash flow level in year 10.

Since the Company does not own the equipment, the assumption is that a long-term contract for the use of the equipment will have been obtained from the Government of Liberia. It is our opinion that the lease should be of a "right of use" type and should not involve actual payments until the seventh year of operation; however, this can be a part of the prospective investors' tendered offers.

The Government would receive tax income from the operations starting in the sixth year. Additional benefits are employment for the county as well as savings in foreign exchange and reduced price of sugar for the population. At present this facility is a burden on the national budget and its utilization would benefit the entire country.

EXHIBIT 3

RE-START SUGAR COMPANY
PRO-FORMA BALANCE SHEET
(000 \$L)

	Year									
	1	2	3	4	5	6	7	8	9	10
Current Assets										
Cash	1633	43	333	92	721	1146	30	479	4278	8288
Trade Debtors	0	0	1200	2860	4484	5478	6028	6207	6418	6418
Total	<u>1633</u>	<u>43</u>	<u>1533</u>	<u>2952</u>	<u>5205</u>	<u>6624</u>	<u>6058</u>	<u>6686</u>	<u>10696</u>	<u>14706</u>
Plant and Equipment										
Cost Prior Year	0	5400	12225	14740	15700	16450	17150	17850	18550	19250
Acquisitions This Year	5400	6825	2515	960	750	700	700	700	700	700
Total	<u>5400</u>	<u>12225</u>	<u>14740</u>	<u>15700</u>	<u>16450</u>	<u>17150</u>	<u>17850</u>	<u>18550</u>	<u>19250</u>	<u>19950</u>
Accumulated Depreciation	350	1050	2450	3925	5500	7000	8500	10000	11500	13000
Net Fixed Assets	<u>5050</u>	<u>11175</u>	<u>12290</u>	<u>11775</u>	<u>10950</u>	<u>10150</u>	<u>9350</u>	<u>8550</u>	<u>7750</u>	<u>6950</u>
	<u>6683</u>	<u>11218</u>	<u>13823</u>	<u>14727</u>	<u>16155</u>	<u>16774</u>	<u>15408</u>	<u>15236</u>	<u>18446</u>	<u>21656</u>
Long Term Debt	0	8000	14000	15000	13000	8000	3000	0	0	0
Equity Accounts										
Investment	8000	8000	8000							
Opening Surplus (Deficit)	0	-1317	-4782	-177	-273	3155	8774	12408	15236	18446
Profit (Loss) for Year	-1317	-3465	-3395	-96	3428	5619	4534	5228	5610	5610
Dividends Paid	0	0	0	0	0	0	-800	-2400	-2400	-2400
Ending Surplus (Deficit)	<u>6683</u>	<u>3218</u>	<u>-177</u>	<u>-273</u>	<u>3155</u>	<u>8774</u>	<u>12508</u>	<u>15236</u>	<u>18446</u>	<u>21656</u>
Total	<u>6683</u>	<u>11218</u>	<u>13823</u>	<u>14727</u>	<u>16155</u>	<u>16774</u>	<u>15508</u>	<u>15236</u>	<u>18446</u>	<u>21665</u>

EXHIBIT 5: VALUATION OF THE SUGAR MILL AND PLANTATION AS A GOING CONCERN
Discounted Cash Flow Method

SCENARIO B: 20% DISCOUNT RATE

In Thousands of Liberian Dollars

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CHANGES IN WORKING CAPITAL										
Current Assets	\$1,633	\$43	\$1,533	\$2,952	\$5,205	\$6,624	\$6,058	\$6,686	\$10,696	\$14,706
Changes in Current Assets	\$0	(\$1,590)	\$1,490	\$1,419	\$2,253	\$1,419	(\$566)	\$628	\$4,010	\$4,010
SOURCES OF FUNDS										
After Tax Income	(\$1,317)	(\$3,465)	(\$3,395)	(\$96)	\$3,428	\$5,619	\$4,524	\$5,228	\$5,610	\$5,610
Interest	\$0	\$960	\$1,680	\$1,800	\$1,460	\$950	\$870	\$180	\$0	\$0
Depreciation	\$350	\$700	\$1,400	\$1,475	\$1,575	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
TOTAL Sources of Funds	(\$967)	(\$1,805)	(\$315)	\$3,179	\$6,463	\$8,069	\$6,894	\$6,908	\$7,110	\$7,110
USES OF FUNDS										
Capital Expenditures	(\$5,400)	(\$6,825)	(\$2,515)	(\$960)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)
Change in Working Capital	\$0	(\$1,590)	\$1,490	\$1,419	\$2,253	\$1,419	(\$566)	\$628	\$4,010	\$4,010
TOTAL Uses of Funds	(\$5,400)	(\$8,415)	(\$1,025)	\$459	\$1,553	\$719	(\$1,266)	(\$72)	\$3,310	\$3,310
NET CASH FLOW										
	(\$6,367)	(\$10,220)	(\$1,340)	\$3,638	\$8,016	\$8,788	\$5,628	\$6,836	\$10,420	\$10,420
Present Value Factor	0.833	0.691	0.579	0.482	0.402	0.335	0.279	0.233	0.194	0.162
Present Value of Cash Flow	(\$5,306)	(\$7,097)	(\$775)	\$1,754	\$3,221	\$2,943	\$1,571	\$1,590	\$2,019	\$1,683
NPV of 10 Years Cash Flow	\$1,605									
NPV of Residual Income*	\$1,043									
NPV OF SUGAR COMPANY (as a going concern)	\$2,646									

* Residual income calculation was made under the assumption that the mill will be in operation for another 8 years during which time the cash flow remains constant and equal to cash flow in year 10.

EXHIBIT 6: VALUATION OF THE SUGAR MILL AND PLANTATION AS A GOING CONCERN
Discounted Cash Flow Method

SCENARIO A: 18% DISCOUNT RATE

In Thousands of Liberian Dollars

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CHANGES IN WORKING CAPITAL										
Current Assets	\$1,633	\$43	\$1,533	\$2,952	\$5,205	\$6,624	\$6,058	\$6,686	\$10,696	\$14,706
Changes in Current Assets	\$0	(\$1,590)	\$1,490	\$1,419	\$2,253	\$1,419	(\$566)	\$628	\$4,010	\$4,010
SOURCES OF FUNDS										
After Tax Income	(\$1,317)	(\$3,465)	(\$3,395)	(\$96)	\$3,428	\$5,619	\$4,524	\$5,228	\$5,610	\$5,610
Interest	\$0	\$950	\$1,680	\$1,800	\$1,460	\$950	\$870	\$180	\$0	\$0
Depreciation	\$350	\$700	\$1,400	\$1,475	\$1,575	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
TOTAL Sources of Funds	(\$967)	(\$1,805)	(\$315)	\$3,179	\$6,463	\$8,069	\$6,894	\$6,908	\$7,110	\$7,110
USES OF FUNDS										
Capital Expenditures	(\$5,400)	(\$6,825)	(\$2,515)	(\$960)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)
Change in Working Capital	\$0	(\$1,590)	\$1,490	\$1,419	\$2,253	\$1,419	(\$566)	\$628	\$4,010	\$4,010
TOTAL Uses of Funds	(\$5,400)	(\$8,415)	(\$1,025)	\$459	\$1,553	\$719	(\$1,266)	(\$72)	\$3,310	\$3,310
NET CASH FLOW	(\$6,367)	(\$10,220)	(\$1,340)	\$3,638	\$8,016	\$8,788	\$5,628	\$6,836	\$10,420	\$10,420
Present Value Factor	0.847	0.718	0.609	0.516	0.437	0.370	0.314	0.266	0.225	0.191
Present Value of Cash Flow	(\$5,396)	(\$7,340)	(\$816)	\$1,876	\$3,504	\$3,255	\$1,767	\$1,819	\$2,349	\$1,991
NPV of 10 Years Cash Flow	\$3,010									
NPV of Residual Income*	\$1,551									
NPV OF SUGAR COMPANY (as a going concern)	\$4,561									

* Residual income calculation was made under the assumption that the mill will be in operation for another 3 years during which time the cash flow remains constant and equal to cash flow in year 10.

Exhibit 7

Factory Equipment

The principal units of factory equipment inspected:

- Mill Tandem
- Gear Train
- Mill Motors and Gear Box
- Cush - Cush Elevator
- Bagasse Elevator and Conveyor
- Boilers
- Chimney
- Timing Device
- Juice Heaters
- Filters
- High-Grade Pan
- Low-Grade Pan
- Rapi-Dow Clarifier
- Vacuum Pump
- Evaporator
- Crystallizers
- Centrifugals
- Water System
- Steam Turbo Generator

The above units were inspected externally. Wherever possible, the interior of these units was also inspected but none were dismantled for a detailed examination.