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THE GAMBIA OILSEEDS PROCESSING & MARKETING LTD

DRAFT VALUATION & LIMITED BUSINESS REVIEW

July 14, 1992

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EXECUTIVE SUMMARY

The groundnut sector of The Gambia continues to diminish, both in levels of production and processing capability. Producer incomes have risen although the processing of groundnuts in The Gambia in the past crop was an abysmal 2,200 metric tonnes of Fair Average Quality (FAQ) groundnuts compared to approximately 30,000 metric tonnes the previous year. This anomaly resulted from the higher subsidized price paid for groundnuts in Senegal, resulting in the flow of nuts across the borders to Senegal. Senegal now offers an alternative market for groundnuts since the monopoly position of the Gambia Produce Marketing Board (GPMB) in the sector was eliminated.

The posting of a price below the previous year's domestic price and well below the posted price in Senegal was a strategic decision that resulted in tangible and intangible losses to GPMB, the groundnut sector and The Gambia. The tangible losses were financial while intangible losses were in the perception of the value of GPMB and the future of groundnut processing in The Gambia. The failure to respond in a quick, effective and competitive manner to correct the price disparity in order to obtain groundnuts from producers, indicated that loss reduction rather than the long term view of the future of the groundnut sector were the objectives of The Government of The Gambia (GOTG) and GPMB during the last season. This strategy failed and the loss incurred by GPMB was equivalent to the loss which would have been incurred if the price paid for groundnuts had been raised to a level competitive with that of Senegal.

Funding for on-going GPMB operations is provided from the Central Bank of The Gambia. The maturity of these financial arrangements is September 30, 1992 and there is some doubt whether repayment will be made. Thus the decision to be faced by The Central Bank of The Gambia is whether to reschedule and extend further loans or liquidate the security with potential losses possible.

Export prices for FAQ groundnuts, groundnut oil and cake have shown a downward trend and recent price levels for oil and cake indicate that this trend will continue. In The Gambia all cooking oils sell at one price regardless of type so there is no premium for groundnut oil. Thus there is little incentive for wholesalers or traders to handle groundnut oil where the margins are well below those enjoyed by lower cost imported vegetable oils. Similarly, crude oil prices have been soft providing negative returns compared to relatively healthy margins with FAQ. However, current EC legislation limiting the sale of cake together with the downward pressure on oil prices are likely to depress the FAQ market. Thus even under the assumption that FAQ prices increase by the rate of inflation (6%), the value obtained is minimal.

An alternative option is to sell Hand-Picked Select and Machine Graded nuts to the confectionery industry. This has a higher potential than any of the other three products and involves minimal incremental cost. For the future unless there was a dramatic upturn in oil prices, this option provides the best case for The Gambia.

In the next crop Senegal will post a subsidized producer price of 70,000 CFA per metric tonne which is the same as the price posted last year. After the elections in Senegal in February 1993, pressures on the government's budget and from donors may result in the emergence of a market-related price for the 1993/94 crop. The Gambia will have to match the Senegal price in order to be remain competitive during the next crop.

The objective of the GOTG is to place the groundnut processing capability under private ownership. To this end, based on our recommendation, the government has created a new limited liability company - Gambia Oilseeds Processing and Marketing Limited ("GOPML") - consisting of the core assets of GPMB. These assets are made up of the processing units, river fleet, transportation equipment and depots. Our recommendation included a transfer of assets with clear title, free of any liens, encumbrances and debt. Thus GOPML will consist only of equity and assets. The non-core assets together with debts are to remain with GPMB, the residual company which will subsequently be liquidated by an Act of Parliament.

The company and the assets should be marketed such that the range of activities beyond the processing of groundnuts are emphasized. Examples include the potential for processing sesame as a follow on-crop or the utilization of the depots and warehouses with their port facilities for distribution of products to the interior of the country. In this respect the GOTG should be aware that these activities could provide additional value outside of the groundnut processing and marketing.

Various scenarios of valuation of GOPML were conducted. We estimate the values to be in a range from 17.64 million dalasis to 43.69 million ($1.96 million to $4.85 million) without taking into consideration the real estate value. There is no basis for estimating the value of land and buildings in The Gambia. Given this difficulty, the figures may vary substantially. Our estimated value based on the revaluation carried out in 1987, values the land and buildings at approximately 81.50 million dalasis. Inclusion of this figure in the liquidation value results in an amount close to 100 million dalasis. Assuming a 50% discount on the real estate value (ie approximately 41 million dalasis) gives a total value (real estate and processing facilities) of approximately 58.64 million dalasis. Depending on the objective of the bidder, the GOTG may or may not wish to consider the real estate values.

The lower value is recommended because this provides an estimation of the processing facilities as a going concern. It also provides the best value to a potential investor whose business is groundnut processing and whose objective with regards to GOPML is to continue to process groundnuts. The non-groundnut related activities will be of little value to such an investor.

The objective of the GOTG is to maintain a groundnut processing facility in The Gambia. It is therefore essential to keep GOPML as a going concern processing groundnuts and other oilseeds. The DCF valuation is less than the liquidation value if land and buildings are included. The DCF only values cash flows associated with groundnut activities and does not consider any non-related ancillary functions which may or may not create additional value. The danger of having a going concern value lower than the liquidation value is that the future owner may capitalize on the value differential through liquidation. In order to prevent this from happening the GOTG should take precautionary measures such as the placement of a moratorium (for example ten years) on the transfer of land. Any subsequent transfer should require prior government approval.

The recommended sales strategy is an equity sale (with all other options considered at the negotiating stage). The sale of the stock should be transparent, open and conducted on a bid basis to all interested buyers. A joint-venture between Gambian and foreign investors, regional and international, should be encouraged as it will provide an opportunity for local participation. In addition the local partner through his superior knowledge of the country and the local business will add considerable value to the new venture. In this connection the GOTG has indicated a willingness to provide extended financing for a local investor. While this will facilitate the privatization process, the GOTG must recognize the drawbacks, namely, the possibility of regaining possession of the assets in the event the investor is not able to fulfil its obligations. Thus where possible, cash payment should be the preferred option or, the necessary precautions taken to safeguard the government's position in the event of a note offer.

The GOTG must also be cognizant of the dangers of short-term solutions such as leasing which do not amount to a complete transfer of ownership. Realism and flexibility should be displayed with serious and qualified buyers as the highest price may not necessarily be the best offer. A low cash offer may be a better option than a high offer made up of a combination of cash and notes. In this respect the GOTG may wish to consider external assistance with evaluating the bids.

The transfer of the assets is at their net book value based on the 1987 asset revaluation. This results in a high depreciation charge which is an inducement to investors to generate cash without incurring a tax charge. The government should also be aware that the transfer of debt to GOPML will significantly reduce the net worth value of the company and will adversely affect the privatization process.

Discussions with potential investors, Gambian, regional and international, have already elicited interest in reviewing the prospectus and some have considered bidding on the company. Additionally, expressions of support for interested bidders or the provision of financial assistance have been given by international and government organizations, such as the International Finance Corporation (IFC), the African Development Bank (AfDB) and USAID Office of New Initiatives (ONI).

I. INTRODUCTION

A. BACKGROUND

The privatization of the Gambia Produce and Marketing Board (GPMB) is one of the key objectives of the liberalization program of The Gambia. Its transfer of ownership to the private sector will complete the privatization of the oilseed sector. GPMB is the sole processor and marketer of groundnut products in The Gambia. Until the liberalization program GPMB had always enjoyed a monopoly position in the groundnut industry of The Gambia.

GPMB in the groundnut sector has three main product lines: Fair Average Quality (FAQ) or decorticated nuts, oil and cake (a by-product of crushed nuts and used as animal feed). Some oil is refined for the local market. All with the exception of refined oil are exported overseas or to regional markets. Of the three, FAQ is the most predominant and is exported to Western Europe. Some Hand-Picked Select (HPS)/Machine Graded groundnuts have occasionally been processed for sale to the European confectionery market but this activity has only been carried out on a limited scale and is yet to be developed. HPS/Machine Graded nuts is obtained from FAQ following a screening process to select the best grade product.

GPMB was profitable until 1979; losses have been recorded ever since. Losses were incurred to support the government's dictated price subsidies to the farmers following declining world commodity prices. These subsidies were removed in 1991 which further worsened GPMB's already slow adaptation to operating in a liberalized environment. In the 1991-92 crop GPMB failed to operate in any meaningful way following its decision to post an uncompetitive producer price compared to Senegal. As a result, a significant amount of nuts was exported to Senegal from The Gambia.

GPMB operates two decorticating plants - Denton Bridge and Kaur - and an oil mill and refinery also situated at Denton Bridge near Banjul. The FAQ processing capacity of Denton Bridge is 450 tons per day and Kaur 650 tons per day. It also operates a river fleet comprising of tugs and barges as well as depots and warehouses for the collection and storage of groundnuts. These facilities form the basis of the core assets, that is those assets directly associated with the processing of groundnuts.

The Government of The Gambia (GOTG) through the National Investment Board (NIB), its main divestiture wing, has agreed to place the core assets of GPMB in a new limited liability company and our valuation is based upon this assumption.

The following is a description of (1) the purpose of our report (2) the use of this report, and (3) the scope of our engagement.

B. THE PURPOSE OF OUR REPORT

This report is meant to provide the Government of The Gambia ("GOTG") with a range of fair market values for GOPML.

The range of values indicated in our report is intended as a basis for negotiation and not as a definitive valuation. The values presented in this report may not necessarily reflect the values attributed to the Company by a potential investor or other third party. The value of GOPML to a potential investor will reflect unique objectives and circumstances, taking into account such factors as commercial synergy, alternative investment opportunities, and tax considerations.

At the start of any negotiations, the GOTG and a potential investor can be expected to each have different notions of the Company's value. In the end, the value of the business will depend on the price the GOTG can convince an investor to pay. In this context the GOTG as a willing seller can agree to a price with an investor, a willing buyer.

C. USE OF THIS REPORT

This report has been prepared for the <u>exclusive</u> use of USAID/Banjul and the GOTG to assist them in evaluating various strategic alternatives and, more particularly, to provide a basis for assessing the suitability of offers made by any potential investor.

This report is not to be released to any third parties, including any prospective investor. We do not accept responsibility to any third party to whom this report may be shown or to whose hands it may come. It is the responsibility of any potential investor or lender to conduct their own due diligence procedures to estimate the value that it believes should be placed upon the business and to assess any other factors relevant to its investment decision.

It is a matter for the GOTG to decide what effect the release of this report to prospective investors would have on negotiations. The GOTG should understand that release of this report to a potential investor would weaken GOPML's negotiating position. For instance:

- The value actually placed upon GOPML by a potential investor might exceed the ranges cited in this report.
- This report may contain sensitive operating information that a potential investor might use to its competitive advantage.

- Access to this report would provide a potential investor with an opportunity to challenge management's assumptions and projections, as well as other judgments and methods used to develop the range of values cited in this report.

D. THE SCOPE OF OUR ENGAGEMENT

This report has been prepared in accordance with the terms of reference contained in the PIO/T 635-0237-3-10067 of April 23, 1992.

The analysis and range of values presented in this report are based upon accounting and operational information, explanations, and forecasts supplied to us by the management of the Gambia Produce Marketing Board (GPMB). Price Waterhouse has not audited nor independently verified any of the information supplied by GPMB. Consequently, we do not express an opinion on the financial information that has formed the basis for this valuation, nor is one required under the terms of our engagement. Our conclusions are dependent upon the completeness and accuracy of the information supplied.

The projections and assumptions used by Price Waterhouse to prepare this report were mutually agreed upon with the management of GPMB with respect to the anticipated future performance of the Company. These assumptions may or may not prove to be valid. No representations are made by GPMB or by Price Waterhouse as to the accuracy of such statements or projections. Furthermore, nothing in this report is, or should be relied upon as, a promise or representation as to future performance.

This report assumes that there are no hidden or unexpected conditions relating to ownership that could affect the value of the business. The GOTG has assured us, and the analysis in this report assumes that, GOPML, the new legal entity, has been created out of the core assets of GPMB, and will:

- be free of all debt, long- and short-term;
- consist of equity and assets only;
- have clear title to assets and be free of any liens or encumbrances with no risks of restitution.

Price Waterhouse has not independently verified the legal ownership of the assets of GOPML, nor is required to under the terms of this engagement.

For a proper understanding of the range of values presented in the "Executive Summary" of this report, the report should be read in its entirety.

We confirm that the Price Waterhouse partners and staff involved in this valuation do not have, and do not contemplate having, any financial interest in GOPML, and that Price Waterhouse's remuneration is not based or contingent upon the outcome of this valuation.

If you have any questions or require further clarification of any of the methodologies or issues discussed in this report, please do not hesitate to contact us.

II. GAMBIA PRODUCE AND MARKETING BOARD (GPMB)

A. CURRENT STATUS

Since the failure of GPMB to participate effectively in the last crop, the company has been operating through borrowed funds from The Central Bank of The Gambia.

Technical efforts have been focused on the refurbishing of equipment with spares and repair parts procured with funds from an EC grant. Work on the decorticating equipment at Kaur and Denton Bridge is underway and the oil mill equipment is also being repaired. Repairs to the river fleet are proceeding with two tugs and 16 lighters now operating on the river. The installation of gabions to prevent further erosion of the Denton Bridge site has been accomplished.

The repairs and refurbishment of processing equipment at Kaur and Denton Bridge are scheduled to be completed by July 1992. The equipment will be tested and it is expected that the processing facilities will be in proper working condition for the 1992/93 crop. While the expenditure of the EC grant is not expected to add to the value of the processing assets, it will return them to an operating condition capable of processing at design capacity.

If the sale of GPMB core assets is not consummated by the commencement of the 1992/93 crop, it is the intention of the Government of The Gambia (GOTG) to have GPMB operate the depots, river fleet and the Kaur and Denton Bridge processing facilities. At present, GPMB, the National Investment Board (NIB) and the Ministry of Trade, Industry and Employment are working toward the privatization of the groundnut processing core assets of the company.

B. 1991/2 GROUNDNUT CROP

Based on official reports from the Ministry of Agriculture Statistical Planning Unit, the production of groundnuts in The Gambia is reported to be 84,000 metric tons for the 1991/92 crop. The total number of hectares planted were officially reported at 94,000 with a yield of 920 kg per hectare. The distribution of the crop is estimated to be as follows:

	M/T
Local consumption and seed	20,000
GPMB	2,200
Gambia Cooperative Union (GCU) shipments to Senegal	10,000
Other shipments to Senegal	51,800
Total distribution	**84,000**

While agricultural producers enjoyed higher incomes than in previous years the 1991/92 groundnut crop was a failure both operationally and financially for GPMB. The low price posted by GPMB for groundnuts - 1,500 dalasis per ton - was the primary cause for the losses, tangible and intangible, during the past crop season. The posting of a price lower than the previous crop and well below the price posted in neighboring Senegal was not realistic. The price was not announced until well after planting dates had passed and was not competitive enough to attract supplies of groundnuts. GPMB increased its price at the end of January 1992, but it was not sufficient to attract any significant quantity of groundnuts. Agricultural producers elected to sell their production to Senegal, via GCU or Senegalese traders at a price estimated to be equivalent to 2,200 dalasis per ton. The effect of the GOTG liberalized free market economy allowed the agricultural producers to reap the benefits of the higher subsidized Senegalese price.

Neither the decorticating facility at Kaur nor the oil mill and refinery at Denton Bridge operated or processed groundnuts during the 1991/92 crop. Having one contractual obligation for shipment of 1,500 metric tons of FAQ groundnuts to Europe, GPMB elected to operate the decorticating plant at Denton Bridge for a three week period only to fulfill this shipment. This is the only processing of groundnuts by GPMB during the 1991/92 crop. Actual shipment under the contract was 1,363 metric tons.

With the limited operation in the past crop, a reduction in staff has taken place. Currently 374 workers are on the payroll compared to approximately 725 that were previously employed. Current cost of payroll is now approximately 360,000 dalasis per month. The only productive work currently underway is the refurbishing and installation of spare and repair parts acquired under a grant from the EC.

Revenue from the 1991/92 was limited to the one time shipment of 1,363 metric tons of groundnuts cited above. This shipment generated 5.07 million dalasis. The operating cost for the very limited crop, plus continuing cost of payroll, interest and other expense indicate that GPMB will incur a loss of approximately 15.00 million dalasis for the current fiscal year ending November 30, 1992. If it had posted a price of 2,200 dalasis per ton to match the Senegalese price with a throughput of 20,000 metric tons it would have recorded a loss of approximately 17.50 million dalasis as shown in Exhibit 1. This is based on our initial report and recommendation during the reconnaissance mission of January 1993 from which a sensitivity analysis (using the GPMB business plan as the basis) on the potential profit/loss at different producer price points was conducted. From this a throughput of 15,000 metric tonnes while matching the Senegal price would have yielded a loss equivalent to that obtained from not processing. In retrospect, the low price posted by GPMB was a strategic decision which adversely affected the groundnut industry of The Gambia for the 1991/92 crop and the potential value for the sale of GPMB to private sector investors in the future.

EXHIBIT 1

GAMBIA PRODUCE MARKETING BOARD (GPMB)
SENSITIVITY ANALYSIS FOR 1991-92 (PROD. PRICE vs TONNAGE)
DALASI AMOUNTS & TONNAGE IN (,000) EXCEPT PRICE

PROD PRICE	1,506	
SALE PRICE	2,509	
TONNAGE	35	
INTEREST COST	7.69 %	
SALES	87,802	100 %
VC	52,710	60.03 %
Other VC	19,765	22.51 %
Total VC	72,475	82.54 %
Total FC	8,571	9.76 %
P/L before Interest	6,756	7.69 %
Interest	6,756	7.69 %
NET PROFIT	0	0 %

PROD PRICE	TONNAGE (In '000)						
+C24	10	15	20	25	30	35	40
1000	(1.082)	2.692	6.447	10.201	13.966	17.710	21.484
1050	(1.582)	1.942	5.447	8.951	12.466	15.960	19.484
1100	(2.082)	1.192	4.447	7.701	10.966	14.210	17.484
1150	(2.582)	442	3.447	6.451	9.466	12.460	15.484
1200	(3.082)	(308)	2.447	5.201	7.966	10.710	13.484
1250	(3.582)	(1.058)	1.447	3.951	6.466	8.960	11.484
1300	(4.082)	(1.808)	447	2.701	4.966	7.210	9.484
1350	(4.582)	(2.558)	(553)	1.451	3.466	5.460	7.484
1400	(5.082)	(3.308)	(1.553)	201	1.966	3.710	5.484
1450	(5.582)	(4.058)	(2.553)	(1.049)	466	1.960	3.484
1500	(6.082)	(4.808)	(3.553)	(2.299)	(1.044)	210	1.484
1550	(6.582)	(5.558)	(4.553)	(3.549)	(2.544)	(1.540)	(536)
1600	(7.082)	(6.308)	(5.553)	(4.799)	(4.044)	(3.290)	(2.536)
1650	(7.582)	(7.058)	(6.553)	(6.049)	(5.544)	(5.040)	(4.536)
1700	(8.082)	(7.808)	(7.553)	(7.299)	(7.044)	(6.790)	(6.536)
1750	(8.582)	(8.558)	(8.553)	(8.549)	(8.544)	(8.540)	(8.536)
1800	(9.082)	(9.308)	(9.553)	(9.799)	(10.044)	(10.290)	(10.536)
1850	(9.582)	(10.058)	(10.553)	(11.049)	(11.544)	(12.040)	(12.536)
1900	(10.082)	(10.808)	(11.553)	(12.299)	(13.044)	(13.790)	(14.536)
1950	(10.582)	(11.558)	(12.553)	(13.549)	(14.544)	(15.540)	(16.536)
2000	(11.082)	(12.308)	(13.553)	(14.799)	(16.044)	(17.290)	(18.536)
2050	(11.582)	(13.058)	(14.553)	(16.049)	(17.544)	(19.040)	(20.536)
2100	(12.082)	(13.808)	(15.553)	(17.299)	(19.044)	(20.790)	(22.536)
2150	(12.582)	(14.558)	(16.553)	(18.549)	(20.544)	(22.540)	(24.536)
2200	(13.082)	(15.308)	(17.553)	(19.799)	(22.044)	(24.290)	(26.536)
2250	(13.582)	(16.058)	(18.553)	(21.049)	(23.544)	(26.040)	(28.536)
2300	(14.082)	(16.808)	(19.553)	(22.299)	(25.044)	(27.790)	(30.536)
2350	(14.582)	(17.558)	(20.553)	(23.549)	(26.544)	(29.540)	(32.536)
2400	(15.082)	(18.308)	(21.553)	(24.799)	(28.044)	(31.290)	(34.536)
2450	(15.582)	(19.058)	(22.553)	(26.049)	(29.544)	(33.040)	(36.536)
2500	(16.082)	(19.808)	(23.553)	(27.299)	(31.044)	(34.790)	(38.536)

<—Profit/(Loss)—>

Assumptions

1. Amts as per AMSCO business plan which assumes a break-even Prod price of 1 506 Dalasis/ton and a throughput of 35 000 tons
2. Even if GPMB does not operate in 1991–92, it will incur a min loss of at least D8 571 (Fixed cost) + D6.756 (Int) = D15.327
3. Cost relationships maintained as closely as possible to business plans (allowing for rounding errors).

6A

Financing of GPMB has been conducted through credit facilities granted by the Central Bank of the Gambia. Utilizing the Groundnut Bill (G-Bill) mechanism - originally established to fund purchase of groundnuts during the crop - GPMB continues to operate with borrowed money. The Central Bank of the Gambia holds available a credit facility totalling 20 million dalasis, of which 14.66 million was outstanding as of May 31, 1992. A mortgage on the head office of GPMB in downtown Banjul and the proceeds from the sale of other assets are pledged to secure these advances. The maturity of these obligations is September 30, 1992. It is doubtful whether GPMB will be in a position to liquidate these obligations at maturity.

III. CONSTRAINTS

A. PRODUCTION

Groundnuts are the principal cash crop of Gambian farmers. All production is by small holders and at the village level.

The production and processing of groundnuts has always been a segmented industry in The Gambia. GPMB has functioned as the processor and marketer of groundnuts, without integrating its operation at the producer level. The cooperatives and other production units have traditionally acted as producer, transporter and supplier of groundnut to GPMB for processing and export.

Because of this segmented system there is no support for the farmer in the critical areas of technical assistance to improve seed quality and yields. The farmer receives no assistance or extension service to improve his production or to farm more efficiently. There are no agricultural credit systems available to provide funds for inputs and weeding to the farmer.

Producers are organized into 54 cooperative societies representing 120,000 growers who are members of the Gambia Cooperative Union (GCU). GCU was privatized in 1988 and is the only provider of seed, fertilizer and credit to the producers. The producers are expected to sell their products to GCU, with liquidation of the cost of inputs being settled from the crop proceeds. GCU then transports and markets the crop. Under the monopoly conditions that previously existed in The Gambia, GCU was obligated to sell and deliver the groundnut crop to GPMB on terms and conditions that were not always competitive. Since liberalization GCU has been free to market to any willing buyer. This is illustrated by the events of the past season when GCU sold all its groundnuts to Senegal at prices well above those offered by GPMB.

The inefficiencies of this segmented structure have been manifested since the implementation of the free market oriented economic policy of GOTG. GCU has responded well to liberalization, as exhibited by the reduction of its staff to meet operating requirements and the closure of cooperative societies which failed to meet obligations. It has also established lines of credit with Standard & Chartered Bank to finance crop operations and most importantly, has established credibility in the market through exporting to Senegal.

During the past crop season, in an effort to supply the necessary groundnuts for its own operation, GPMB endeavored to purchase groundnuts directly from producers at the village level. This was an unmitigated failure. The initial price posted by GPMB was well below that paid in the previous crop. Incentives in the form of providing or exchanging bags and other inducements were neither understood nor responded to by the farmers. GPMB does not have adequate transport facilities, either in quantity or type to move any significant amount of groundnuts even if they had been successful in their procurement. The farmers sold to GCU and Senegalese traders who were offering higher prices.

GCU will continue to be a significant and integral part of the groundnut sector in The Gambia. However, it is not expected that GCU will expand the scope of its operations to research and extension service.

The GOTG should initiate discussions with Senegal to obtain assistance in technical areas with sharing of research developments, introduction of new varieties and improvements in seed quality. This will not substitute for a fully fledged and functioning research and extension service, but will bring benefits to the groundnut producers.

Land is available for additional groundnut plantings. However, the potential for increases in yields is available but limited. Until improved seed quality and variety are introduced, the application of inputs will have negligible impact on production levels.

B. TRANSPORTATION

GPMB's ill-fated attempt, in the past crop, to procure groundnuts directly from producers validates the importance of GCU and traders. The latter are best able to handle the movement of groundnuts from villages and producer areas to depots. Once at the depots River transport is the most economic and efficient mode of moving groundnuts to the processing units at Kaur and Denton Bridge from the depots. Notwithstanding the age and condition of the equipment, the recent refurbishment of the tugs and lighters will provide additional years of useful operation. Overall, the current system is adequate although room for improvement does exist.

C. PROCESSING

The refurbishment of the processing facilities under the EC grant has returned all equipment to design capacity. Delays encountered in unloading trucks and barges is the major limiting factor in the decorticating process. With a daily capacity of 600 metric tons, theoretically a crop of 30,000 metric tons of groundnuts could be processed in 50 days at the Kaur facility. Operationally this will not occur due to the timing of deliveries, the delays mentioned above and the inability of management to sustain continuous operations for extended periods. Like Kaur, the constraints at Denton Bridge are not mechanical but logistical.

The oil mill is not state of the art but will handle a throughput of 180/200 metric tons per day once the refurbishment is completed. The batch refinery has a capacity of 20 metric tons per day. This creates a bottleneck on the flow of crude groundnut oil to the refinery during operations.

Further constraints exist in the transportation of crude to tanks located in the port area resulting in additional costs. There is no direct pipeline linkage between the oil mill and the storage tanks. Oil is first loaded onto trucks and transported to the port where it is loaded into the tanks for storage awaiting shipment. There are only two trucks of limited capacity (5 tons) so several trips have to be made to the port to transport one day's processing.

IV. PRODUCTION, CONSUMPTION, AND PRICES

A. WORLD

Production of groundnuts on a global basis continues in the range of 22 million metric tons. China and India are major producers, accounting for slightly over 60% of production. All of their production is consumed internally. The United States, where groundnuts enjoy substantial price supports, produces over 2.2 million metric tons of groundnuts. Argentina and other African nations, Senegal, Sudan and Nigeria, are significant producers. These countries export to Europe, which is the major destination of groundnuts and groundnut oil entering the world trade.

Groundnuts produce a high value oil compared to palm and other tropical oils. Countries will consume this higher valued oil rather than exporting for foreign exchange earnings. Groundnut producing countries have not imported palm or other lower cost oils for domestic consumption in order to take advantage of premiums earned on groundnut oil.

Europe, and in particular France, is the destination of most groundnuts and groundnut oil. Consumer preferences for groundnut oil are evident in producer countries and France. Senegal which produces over 700,000 metric tons of groundnuts, processes all groundnuts to oil for export to France.

Prices for groundnuts and groundnut oil in producer countries are established locally. As a result, groundnut production is divorced from international prices. Domestic prices are controlled by import restrictions in India and China, while the United States uses a system of licenses, quotas and price supports. For example, Senegal's subsidy pricing system is not tied to the international price but to local economic and political conditions.

World trade in groundnuts represents less than 30% of global production. Therefore there is a shallow market for export production. World prices for soybean, palm, coconut and other oils, all of which are traded in much higher volumes and at lower prices, significantly influence the price for groundnut oil.

Market prices for groundnut products have fallen in recent years. For example, exports of FAQ from the US dropped to an average price of US$610 per metric ton for 1992 March-September contracts from US$737 for the equivalent period last year. USDA projections indicate an expected average of $655 per metric ton for 1992 compared to $721 for 1991. However, the EC FAQ market is currently very thin and depressed because of prohibitive legislation on the sale of cake on account of the high alpha-toxin levels. Hand-Picked or Machine Graded nuts (sold to the confectionery industry) have also shown similar trends as shown below. World market forecasts for HPS were not available. However, discussions with buyers have indicated that prices will remain close to levels of the past year. These have averaged US$700 and were known to reach US$1,200.

The main source of HPS in the EC is the United States, with Argentina and China also key suppliers. Gambian exports will easily be absorbed in the EC market as it is a minor player on the world market. The United States is protected and therefore an unlikely market for The Gambia.

Although overall there have been peaks as in 1990, world market prices for groundnut oil have shown a downward trend both in current and constant dollar terms since the mid-1970s. World Bank projections indicate a continuation of this downward trend (Exhibit 2A).

Like groundnut oil, groundnut cake prices in the world market have experienced an overall downward trend since the mid-1970s although less pronounced than oil. This trend is also projected to continue until the year 2000 (Exhibit 2B). Average market prices per metric ton for all three products in current and constant (1985) dollars are given as follows:

	1989	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**2000**	**2005**
Oil (curr)	775	965	880	650	560	600	733	779	713
(1985 const)	559	656	548	400	344	360	430	380	290
Cake (curr)	200	186	193	238	225	217	212	222	310
(1985 const)	144	126	120	147	139	132	124	108	126
HPS (curr)	975	1,539	848	700	N/A	N/A	N/A	N/A	N/A
(1985 const)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Published Forecast for HPS/Machine Graded nuts beyond 1992 were not available from regular sources. Discussions with buyers reveal that prices have ranged from US$700 to US$1,200 within the last year and are likely to fluctuate within this range. The average price for the ten year period 1980-90 was US$1,031.

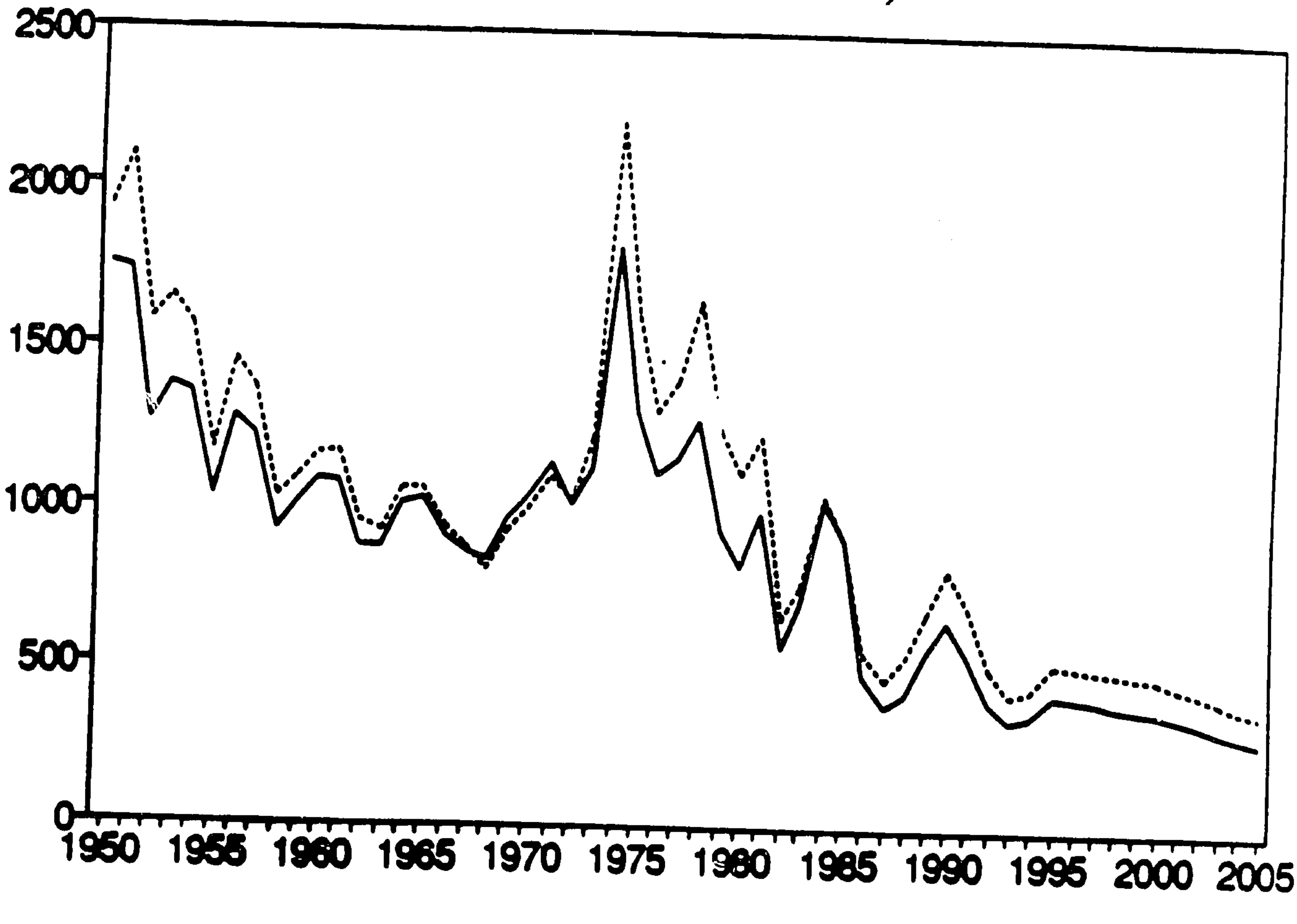
Source: USDA/FAS and World Bank, International Economics Department.

The implication for The Gambia is that it should focus on improving efficiency and productivity combined with diversification into higher margin groundnut products such as Machine Graded nuts/HPS.

EXHIBIT 2A

Groundnut Oil Prices

($/ton, 1985 constant)



—— Deflated by Manufacturing Unit Value (MUV) Index
.... Deflated by US GNP deflator

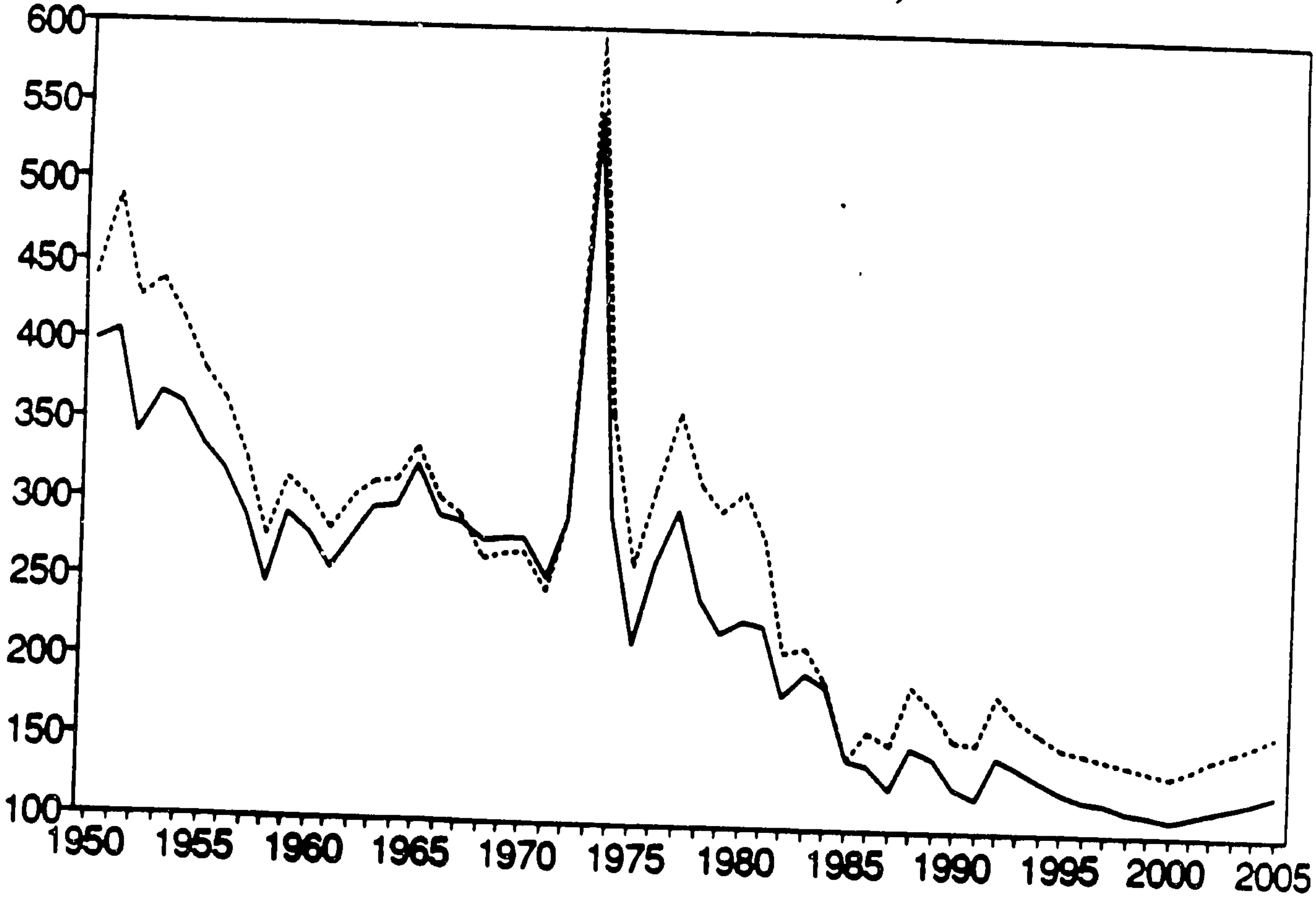
Source: World Bank, International Economics Department.

BEST AVAILABLE DOCUMENT

EXHIBIT 2B

Groundnut Meal Prices

($/ton, 1985 constant)



—— Deflated by Manufacturing Unit Value (MUV) Index
···· Deflated by US GNP deflator

Source: World Bank, International Economics Department.

BEST AVAILABLE DOCUMENT

B. THE GAMBIA

Total production for the Gambia for the last crop was reported at 84,000 metric tons. Historic production in thousands of metric tons is as follows:

1985	1986	1987	1988	1989	1990	1991
75.8	110.4	100.8	98.4	129.9	74.5	84.0

Source: National Agricultural Sample Survey (The Gambia).

In prior years prices paid to Gambian groundnut producers were established in a monopolistic environment. The Gambian producer, GCU and traders were restricted to selling groundnuts to GPMB at the latter's posted price. The price paid to Gambian producers was not based on or responsive to changes in international market price.

The producer price offered by Senegal will be the most significant determinant of prices posted for purchasing groundnuts in The Gambia. The Senegal price is subsidized - the exact subsidy is not known but some USAID estimates have put the total figure in the region of 10 billion CFA or approximately $40 million. Free trade with Senegal, under the liberalized economic policy, offers the producers alternative choices for the sale of his crop. The Gambia has little option but to match the producer price of Senegal if it is to maintain a viable groundnut industry. The policy adopted last year of posting an unrealistic producer price with the aim of breaking even at a fixed throughput should not be repeated as it would only worsen the already tarnished reputation of the industry in The Gambia.

Declining prices for groundnut oil and cake, combined with the lack of detoxification facilities, limited the opportunities for The Gambia to participate profitably in the world export market for these products. The shipment of crude oil to regional or other markets for refining and blending may offer an attractive alternative. Similarly, the sale of undetoxified groundnut cake for camel feed in the region may also offers potential opportunities. Prices in both of these potential markets would be based on direct negotiations since as yet there is no established network for estimating prices.

The problem with high aflatoxin levels which The Gambia currently experiences is the most serious constraint to the development of external market for FAQ (and its by-product cake). Current EC legislation limits the importation of nuts with aflatoxin levels above 20 parts-per-billion. As yet the technology for detoxification does not exist in The Gambia.

Some HPS has been sold from The Gambia in the past but only in small quantities. The export nuts has been limited by the grain quality and the absence of an effective marketing strategy. Significant improvements will have to be made to improve the quality at the farm level if a reasonable yield for export is to be obtained.
Prices which are currently being quoted for Gambia HPS are in the range of 4,100 to 4,500 dalasis per metric tonnes. This is approximately 30% below the world market price.

C. SENEGAL

Groundnuts crushed into oil are the predominant source of foreign exchange in Senegal. Senegal does not export significant quantities of groundnuts. Rather, it exports meal and crude oil, mostly to France. At one time some refined oil was exported, but it is now consumed entirely by the domestic market. In addition, Senegal has also been developing sales of confectionery nuts. Unlike The Gambia, the industry is protected.

The posted producer price in Senegal in the last crop was in the region of 70,000 CFA per ton of groundnuts, approximately 2,200 dalasis per ton. This price is heavily subsidized partly through internal funds (that is contributions from the Treasury, and parastatals in the industry eg SONACOS) and partly through STABEX funds (commodity price stabilization fund set up by the EC). It is believed that STABEX contributions are diminishing thereby placing greater burden on the state to fund the high producer price. This is placing the Treasury under severe strain particularly given the softness of world prices for oil and cake, the two major products from Senegal. According to USAID reports, the differential in the 1989/90 season between the export value of oil and cake ($276 per metric ton - fob mill) versus production costs ($324 per metric ton) created a deficit of approximately $48 per ton.

For the next season, Senegal is expected to maintain its current subsidized price, and a change is not expected until the elections scheduled for February 1993 are over. Thereafter, partly through pressure from the donor community which is withholding structural adjustments loans, it is widely thought that there will be a government effort to privatization leading to a gradual removal of subsidies. Consequently producer prices will begin to fall although they are unlikely to reach parity with those of the Gambia until all subsidies are removed.

The groundnut industry in Senegal is a highly sensitive one in that there are strong political and religious interest groups participating. Thus, any changes which might be detrimental to the farmer or any of the strong interest groups are not likely to materialize overnight. It is a key source of foreign exchange for the country and yet accumulates a deficit amounting to several billion CFA francs, thereby providing a significant contribution to the budget deficit. The overvaluation of the CFA franc has not helped matters in that it makes the Senegalese oil and cake uncompetitive overseas.

Further pressure on Senegal to reduce state support for the industry is brought about by the severe under-utilization of its four processing plants which are currently operating at below 40% capacity. The government is reluctant to close down any plants for fear of political repercussions. In addition, the low seed quality and high aflatoxin levels make the products unacceptable in many markets and thus considerable investment is required to improve both aspects.

Total production is also falling. In the last crop it was below 700,000 metric tons compared to approximately 800,000 metric tons reached in previous years. Groundnuts are facing competition from other vegetable oils and their growth prospects are not very encouraging. It is estimated that by the year 2000, at the present 4% annual rise in domestic consumption of vegetable oil, Senegal will not be able to meet its domestic needs from domestic production. The situation is not helped by farmers planting fewer hectares with declining yields.

The overall situation does not look encouraging for Senegal as it faces the problem of having to reduce its producer price in an environment where a price increase is necessary as an incentive to farmers to grow more groundnuts. In the long term it is unlikely that groundnut oil can compete with other vegetable oils on price in the local market as the latter offers higher margins to traders, being a lower grade oil.

The overall implication for The Gambia is that a reduction in the Senegal price will make its processing industry more price competitive, but this is not likely to occur until at least the 1993-94 crop.

V. MANAGEMENT

The operation of GPMB is under the jurisdiction of The Ministry of Trade, Industry and Employment. The National Investment Board, the government institution charged with the divestiture of GPMB has seconded a professional accountant as Financial Controller of GPMB.

Since mid-1991, the Government of The Gambia (GOTG) has engaged the African Management Services Company (AMSCO), an organization operating under the auspices of the International Finance Corporation, to provide management services to GPMB. To this end, AMSCO has provided a Managing Director, Technical Director and one technician under its contract. This contract is now up for review regarding an extension. All the AMSCO personnel have had substantial experience of working in Africa.

While we were not required to review AMSCO's terms of reference or scope of their engagement with the GOTG, their failure to secure sufficient groundnuts to operate the processing facilities makes it difficult to measure their performance. Losses incurred by not operating were both tangible and intangible. The intangible losses included reputation and credibility locally and overseas. Regarding the refurbishment of the core assets, the procurement and implementation of the program under the EC grant is deemed to be satisfactory.

As a direct result of the low level of operations during the last season, staffing levels were reduced from a total of 724 to a permanent core staff of 374. We feel that with the formation of the new company operating efficiently, this level of staffing can be further reduced to approximately 200 as shown below. If the oil mill and refinery is operated, the level of staffing would be increased by 55.

Staffing

UNIT	1990/91	1991/1992	Minimum
Depots	235	80	67
Kaur	13	16	13
Banjul Mill	9	15	12
Oil Mill	154	63	-
Quality Control	26	14	-
River Transport	23	27	24
Maintenance	23	32	20
Transp Wkshop	47	16	10
Stores	27	9	9
Security	59	13	10
Operations	9	11	11
Marketing & Shipping	14	6	6
Finance	39	36	9
Audit	10	12	3
Administration	36	24	6
Total	**724**	**374**	**200**

If oil mill and refinery are used total staff becomes 255. If HPS/Machine Graded nuts are processed an extra 150 workers will be required for six months.

VI. MARKETING

The total export of groundnuts in the 1991/92 crop aggregated 1,363 metric tons of FAQ to Europe from an initial throughput of 2,200 metric tonnes of undecorticated nuts. This was GPMB's only contract for the past season. At the time of our field work GPMB did not have any contracts outstanding.

In the past year GPMB has made no effort to market the groundnut crop of The Gambia. In the past some of this effort was undertaken by a representative office in London. However, the sale of this office terminated this service which has effectively eliminated a base of operation for establishing contracts with traditional customers, brokers and others engaged in the groundnut trade. All marketing efforts are now conducted from the GPMB head office. This consists mainly of obtaining quotations from brokers. Furthermore, the failure to operate during the last season may have undermined customer confidence in GPMB. The Managing Director is attending a conference on groundnuts oil in Europe in late June and it is expected that contacts with buyers and other parties in the market will be re-established at that time.

With the experience of the failed crop of the past season and the uncertainty of who the future owner of the processing facilities will be, GPMB is reluctant to venture into markets where performance and delivery will be required.

To position itself for the future and in the best interest of The Gambia, GPMB needs to develop a marketing plan. Since the closure of the London office, there has been little organized effort to market Gambian groundnuts. The marketing plan should determine who, where and how it plans to sell its products. Some key elements to be contained in the marketing plan would include the following:

- The active solicitation of previous and potential clients
- Frequent communication with key overseas members of the industry
- Invitation to prospective customers who may harbor doubts regarding GPMB's ability to deliver quality products on time to visit the processing facilities.

VII. VALUATION RESULTS

The valuation was carried out using three different methods: Discounted Cash Flow ("DCF"), Asset Valuation and Liquidation Value. Implicit in all three methods is the formation of a new legal entity - Gambia Oilseeds Processing and Marketing Limited (GOPML) consisting of the core assets of GPMB including river fleet and depots to be valued and which is free of any long- and short-term debt at the time of asset transfer. Working capital is provided by local institutions.

The creation of GOPML is essential to delineate the groundnut processing assets for sale. Otherwise, GPMB as it was before being restructured was engaged in a myriad of uneconomical activities which would have made the privatization process difficult. In addition it is very probable that had this approach been taken the value of the company would have been adversely affected and the future viability of the groundnut industry in The Gambia very much in doubt.

The DCF approach to valuation assumes that the price an investor is willing to pay for an enterprise depends on the amount of cash that the enterprise is expected to generate in the future and the riskiness of actually receiving those cash flows. The DCF analysis requires projecting expected future cash flows and converting the cash flows into their present values using a discount rate that reflects the riskiness of the cash flows. The sum of the present values of the cash flows is the net present value (NPV) of the enterprise.

Appropriate discount rates are required to convert the projected cash flow streams into their net present values. The discount rates account for the fact that money received in the future is less attractive and more risky than money of the same amount received today. On this basis the cash flow streams from the financial projections are discounted at a rate which reflects their riskiness.

The Discounted Cash Flow valuation of GOPML was carried out under three scenarios. The first scenario (Exhibit 3i & 3ii) - base case - assumed the new company will be operating with the current product mix, that is FAQ, crude oil and cake. The second scenario (Exhibit 3iii & 3iv) assumes the product mix to comprise only of FAQ. The third scenario assumes that GOPML sells a mixture comprising of 35% Machine-Graded/Hand-Picked Select (HPS) nuts and 65% FAQ (Exhibit 3v & 3vi). Scenarios two and three are based on our marginal analysis supported by figures provided by the GPMB management (Annex C) which shows that there is little economic value in processing oil and cake under current world prices. Under each scenario two cases (A & B) were constructed. Case A assumes a constant throughput of 30,000 metric tons of groundnuts, this being the average tonnage processed by GPMB during the 1990/91 season. This is the most conservative case and assumes that under the liberalized environment GPMB will be limited to this quantity of groundnuts. Case B assumes that the throughput will increase to 45,000 metric tons by year five as GOPML's more competitive stance begins to take

EXHIBIT 31

GAMBIA PRODUCE MARKETING BOARD (GPMB)

Scenario 1 – Case A : Base Case with throughput constant at 30,000 tonnes

	Year 1
Producer price	2,200
FAQ price	3,500
Oil Price	5,600
Cake price	1,200

Interest Rate p.a.	25%
Inflation Rate p.a.	6%
% Revenue Repaid	100%

Production Yield	71%
FAQ Yield	**52%**
Oil & Cake Yield	**48%**
Oil Yield	44%
Cake Yield	53%

INCOME & CASH FLOW STATEMENT

Year	1	2	3	4	5
Annual Tonnage	30,000	30,000	30,000	30,000	30,000
Total Revenue	70,460,400	74,688,024	79,169,305	83,919,464	88,954,632
Cost – Crop purchase	66,000,000	69,960,000	74,157,600	78,607,056	83,323,479
Gross Profit	4,460,400	4,728,024	5,011,705	5,312,408	5,631,152
Fixed Costs	1,962,000	2,079,720	2,204,503	2,336,773	2,476,980
Variable Cost (excl mtrls)	3,600,000	3,816,000	4,044,960	4,287,658	4,544,917
Total cost	5,562,000	5,895,720	6,249,463	6,624,431	7,021,897
Gross Operating Profit	(1,101,600)	(1,167,696)	(1,237,758)	(1,312,023)	(1,390,745)
Interest Expense	3,217,114	3,217,114	3,614,750	3,831,635	4,061,533
Depreciation Expense	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Income Before Tax	(11,318,714)	(11,384,810)	(11,852,507)	(12,143,658)	(12,452,277)
Tax Rate	50%	35%	35%	35%	35%
Income Tax	0	0	0	0	0
Net Income	(11,318,714)	(11,384,810)	(11,852,507)	(12,143,658)	(12,452,277)
Addback Depreciation	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Free Cash Flows	(4,318,714)	(4,384,810)	(4,852,507)	(5,143,658)	(5,452,277)
Terminal Value					(33,958,457)

Discount Rate	25%
NPV of Free Cash Flows	(15,798,973)
NPV of Terminal Value	(13,909,384)
Total Net Present Value	(29,708,357)

Scenario 1 – Case A : Base Case with throughput constant at 30,000 tonnes

Sensitivity Analysis : Net Present Values of Discounted Cash Flows and Terminal Value

DISCOUNT RATE	NPV
22%	(34,369,698)
23%	(32,640,623)
24%	(31,096,323)
25%	(29,708,357)
26%	(28,453,903)
27%	(27,314,425)
28%	(26,274,708)
29%	(25,322,136)

YEILD	NPV
70%	(36,526,623)
71%	(29,708,357)
72%	(22,890,091)
73%	(16,071,825)
74%	(9,253,560)
75%	(2,435,294)

EXHIBIT 311

GAMBIA PRODUCE MARKETING BOARD (GPMB)

Scenario 1 – Case B : Base Case & throughput increases from 30,000 to 45,000 tonnes

	Year 1
Producer price	2,200
FAQ price	3,500
Oil Price	5,600
Cake price	1,200

Interest Rate p.a.	25%
Inflation Rate p.a.	6%
% Revenue Repaid	100%

Production Yield	71%
FAQ Yield	**52%**
Oil & Cake Yield	**48%**
Oil Yield	44%
Cake Yield	53%

INCOME & CASH FLOW STATEMENT

Year	1	2	3	4	5
Annual Tonnage	30,000	35,000	40,000	40,000	45,000
Total Revenue	70,460,400	87,136,028	105,559,074	111,892,618	133,431,947
Cost – Crop purchase	66,000,000	81,620,000	98,876,800	104,809,408	124,985,219
Gross Profit	4,460,400	5,516,028	6,682,274	7,083,210	8,446,728
Fixed Costs	1,962,000	2,079,720	2,204,503	2,336,773	2,476,980
Variable Cost (excl mtrls)	3,600,000	4,452,000	5,393,280	5,716,877	6,817,376
Total cost	5,562,000	6,531,720	7,597,783	8,053,650	9,294,355
Gross Operating Profit	(1,101,600)	(1,015,692)	(915,509)	(970,440)	(847,627)
Interest Expense	3,217,114	3,217,114	4,819,666	5,108,846	6,092,299
Depreciation Expense	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Income Before Tax	(11,318,714)	(11,232,806)	(12,735,175)	(13,079,286)	(13,939,926)
Tax Rate	50%	35%	35%	35%	35%
Income Tax	0	0	0	0	0
Net Income	(11,318,714)	(11,232,806)	(12,735,175)	(13,079,286)	(13,939,926)
Addback Depreciation	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Free Cash Flows	(4,318,714)	(4,232,806)	(5,735,175)	(6,079,286)	(6,939,926)
Terminal Value					(41,788,187)

Discount Rate	25%
NPV of Free Cash Flows	(17,330,660)
NPV of Terminal Value	(17,116,442)
Total Net Present Value	(34,447,101)

EXHIBIT 3ii

Scenario 1 – Case B : Base Case & throughput increases from 30,000 to 45,000 tonnes

Sensitivity Analysis : Net Present Values of Discounted Cash Flows and Terminal Value

DISCOUNT RATE		NPV
	22%	(40,221,937)
	23%	(38,076,448)
	24%	(36,163,512)
	25%	(34,447,101)
	26%	(32,898,322)
	27%	(31,493,727)
	28%	(30,214,083)
	29%	(29,043,457)

YEILD		NPV
	70%	(43,598,483)
	71%	(34,447,101)
	72%	(25,295,719)
	73%	(16,144,337)
	74%	(6,992,954)
	75%	2,158,428

EXHIBIT 3iii

GAMBIA PRODUCE MARKETING BOARD (GPMB)

Scenario 2 – Case A : 100% FAQ & throughput constant at 30,000 tonnes

	Year 1
Producer price	2,200
FAQ price	3,500

Interest Rate p.a.	25%
Inflation Rate p.a.	6%
% Revenue Repaid	100%

Production Yield	71%
FAQ Yield	**100%**
Oil & Cake Yield	**0%**

INCOME & CASH FLOW STATEMENT

Year	1	2	3	4	5
Annual Tonnage	30,000	30,000	30,000	30,000	30,000
Total Revenue	74,550,000	79,023,000	83,764,380	88,790,243	94,117,657
Cost – Crop purchase	66,000,000	69,960,000	74,157,600	78,607,056	83,323,479
Gross Profit	8,550,000	9,063,000	9,606,780	10,183,187	10,794,178
Fixed Costs	1,962,000	2,079,720	2,204,503	2,336,773	2,476,980
Variable Cost (excl mtrls)	3,600,000	3,816,000	4,044,960	4,287,658	4,544,917
Total cost	5,562,000	5,895,720	6,249,463	6,624,431	7,021,897
Gross Operating Profit	2,988,000	3,167,280	3,357,317	3,558,756	3,772,281
Interest Expense	2,925,000	2,925,000	3,286,530	3,483,722	3,692,745
Depreciation Expense	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Income Before Tax	(6,937,000)	(6,757,720)	(6,929,213)	(6,924,966)	(6,920,464)
Tax Rate	50%	35%	35%	35%	35%
Income Tax	0	0	0	0	0
Net Income	(6,937,000)	(6,757,720)	(6,929,213)	(6,924,966)	(6,920,464)
Addback Depreciation	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Free Cash Flows	63,000	242,280	70,787	75,034	79,536
Terminal Value					(4,843,650)

Discount Rate	25%
NPV of Free Cash Flows	373,123
NPV of Terminal Value	(1,983,959)
Total Net Present Value	**(1,610,836)**

Scenario 2 – Case A : 100% FAQ & throughput constant at 30,000 tonnes

Sensitivity Analysis : Net Present Values of Discounted Cash Flows and Terminal Value

DISCOUNT RATE

	NPV
22%	(1,909,889)
23%	(1,804,882)
24%	(1,705,252)
25%	**(1,610,836)**
26%	(1,521,438)
27%	(1,436,841)
28%	(1,356,816)
29%	(1,281,134)

YEILD

	NPV
70%	(8,824,842)
71%	**(1,610,836)**
72%	5,603,169
73%	12,817,175
74%	19,792,393
75%	26,648,219

EXHIBIT 3i7

GAMBIA PRODUCE MARKETING BOARD (GPMB)

Scenario 2 – Case B : 100% FAQ & throughput increases from 30,000 to 45,000 tonnes

	Year 1
Producer price	2.200
FAQ price	3,500

Interest Rate p.a.	25%
Inflation Rate p.a.	6%
% Revenue Repaid	100%

Production Yield	71%
FAQ Yield	**100%**
Oil & Cake Yield	**0%**

INCOME & CASH FLOW STATEMENT

Year	1	2	3	4	5
Annual Tonnage	30,000	35,000	40,000	40,000	45,000
Total Revenue	74,550,000	92,193,500	111,685,840	118,386,990	141,176,486
Cost – Crop purchase	66,000,000	81,620,000	98,876,800	104,809,408	124,985,219
Gross Profit	8,550,000	10,573,500	12,809,040	13,577,582	16,191,267
Fixed Costs	1,962,000	2,079,720	2,204,503	2,336,773	2,476,980
Variable Cost (excl mtrls)	3,600,000	4,452,000	5,393,280	5,716,877	6,817,376
Total cost	5,562,000	6,531,720	7,597,783	8,053,650	9 294,355
Gross Operating Profit	2,988,000	4,041,780	5,211,257	5,523,932	6,896,912
Interest Expense	2,925,000	2,925,000	4,382,040	4,644,962	5,539,118
Depreciation Expense	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Income Before Tax	(6,937,000)	(5,883,220)	(6,170,783)	(6,121,030)	(5,642,206)
Tax Rate	50%	35%	35%	35%	35%
Income Tax	0	0	0	0	0
Net Income	(6,937,000)	(5.883,220)	(6,170,783)	(6,121,030)	(5,642.206)
Addback Depreciation	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Free Cash Flows	63,000	1,116,780	829,217	878,970	1,357,794
Terminal Value					1,884,023

Discount Rate	25%
NPV of Free Cash Flows	2,493,308
NPV of Terminal Value	771,696
Total Net Present Value	**3,265,004**

EXHIBIT 3iv

Scenario 2 – Case B : 100% FAQ & throughput increases from 30,000 to 45,000 tonnes

Sensitivity Analysis : Net Present Values of Discounted Cash Flows and Terminal Value

DISCOUNT RATE	NPV
22%	3,942,490
23%	3,682,996
24%	3,459,288
25%	**3,265,004**
26%	3,095,122
27%	2,945,637
28%	2,813,323
29%	2,695,555

YEILD	NPV
70%	(6,417,535)
71%	**3,265,004**
72%	12,947,542
73%	22,630,081
74%	31,996,495
75%	40,842,825

EXHIBIT 3vi

ASSUMPTIONS

PRICES and other figures are based on Management, USDA, World Bank & IMF figures

EXPECTED PRICES	Year 1	Year 2	Year 3	Year 4	Year 5
Producer price	2,200	2,332	2,472	2,620	2,777
FAQ price	3,500	3,710	3,933	4,169	4,419
Oil Price	5,600	5,936	6,292	6,670	7,070
Cake price	1,200	1,272	1,348	1,429	1,515

PRICE INCREMENTS include Domestic Inflation of 6%

INCREMENTS P.A.	Year 1	Year 2	Year 3	Year 4	Year 5
Producer price	0%	6%	6%	6%	6%
FAQ price	0%	6%	6%	6%	6%
Oil Price	0%	6%	6%	6%	6%
Cake price	0%	6%	6%	6%	6%

LABOR & ADMINISTRATIVE COSTS (Year 1)

200 Full Time Laborers @ 6500 Dalasis per annum	:	1,300,000
100 Casual Laborers @ 18 Dalasis per day for 90 days	:	162,000
Administration Costs	:	500,000
TOTAL FIXED COSTS	:	1,962,000

TOTAL VARIABLE COSTS are assumed to average 120 Dalasis/Ton of throughput
Includes an OPERATING MAINTENENCE COST of 9 Dalasis/Ton of throughput for FAQ production and 12 Dalasis/Ton of Oil produced for Oil production

FIXED and VARIABLE Costs are assumed to increase at the rate of inflation

INCOME TAX assumes tax losses are carried fo.ward

DEPRECIATION EXPENSE of 7,00(,000 Dalasis p.a. is based on Management figures

INFLATION summary table with forecast (Source AID/IMF)

1986	1987	1988	1989	1990	1991–96
57%	24%	12%	8%	7%	6%

EXPECTED INFLATION RATE = 6%

Risk free Interest Rate (Treasury Bills) = 18%
Business & Country Risk Premium = 7%

NOMINAL DISCOUNT RATE = Risk free Int. Rate + Bus. & Country Risk Premium = 25%

TERMINAL VALUE : Free Cash flows are assumed to incease @ inflation rate from years 6 to 10
ADDITIONAL MAINTENENCE COSTS amount to 2,700,000 Dalasis in year 6 & 1,350,000 Dalasis in years 7 to 10. These costs are deducted from the cashflows and discounted to present value

No further CAPITAL EXPENDITURES are expected

ALL DALASIS AMOUNTS are in Nominal values

EXCHANGE RATE : 9.00 Dalasis to $1.00

EXHIBIT 3v

GAMBIA PRODUCE MARKETING BOARD (GPMB)

Scenario 3 – Case A : 100% Hand-Picked Select & Machine Graded nuts & Constant Tonnage of 30,000 tonnes

	Year 1
Producer price	2,200
Hand-picked nuts price	4,100
FAQ Price	3,500

Interest Rate p.a.	25%
Inflation Rate p.a.	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	**35%**
FAQ Yield	**65%**

INCOME & CASH FLOW STATEMENT

Year	1	2	3	4	5
Annual Tonnage	30,000	30,000	30,000	30,000	30,000
Total Revenue	79,023,000	84,070,035	89,441,288	95,157,710	100,867,172
Cost – Crop purchase	66,000,000	69,960,000	74,157,600	78,607,056	83,323,479
Gross Profit	13,023,000	14,110,035	15,283,688	16,550,654	17,543,693
Fixed Costs	2,449,500	2,596,470	2,752,258	2,917,394	3,092,437
Variable Cost (excl mtrls)	4,606,425	4,606,425	4,606,425	4,606,425	4,606,425
Total cost	7,055,925	7,202,895	7,358,683	7,523,819	7,698,862
Gross Operating Profit	5,967,075	6,907,140	7,925,005	9,026,835	9,844,831
Interest Expense	2,713,875	2,713,875	3,037,684	3,213,696	3,406,518
Depreciation Expense	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Income Before Tax	(3,746,800)	(2,806,735)	(2,112,679)	(1,186,861)	(561,687)
Tax Rate	50%	35%	35%	35%	35%
Income Tax	0	0	0	0	0
Net Income	(3,746,800)	(2,806,735)	(2,112,679)	(1,186,861)	(561,687)
Addback Depreciation	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Free Cash Flows	3,253,200	4,193,265	4,887,321	5,813,139	6,438,313
Terminal Value					28,623,595

Discount Rate	25%
NPV of Free Cash Flows	15,349,157
NPV of Terminal Value	11,724,224
Total Net Present Value	**27,073,382**

EXHIBIT 3v

Scenario 3 – Case A	:	100% Hand–Picked Select & Machine Graded nuts & Constant Tonnage of 30,000 tonnes

Sensitivity Analysis : Net Present Values of Discounted Cash Flows and Terminal Value

DISCOUNT RATE	NPV
22%	31,724,893
23%	29,984,805
24%	28,445,077
25%	**27,073,382**
26%	25,843,922
27%	24,735,872
28%	23,732,245
29%	22,819,045

HAND PICKED YEILD	NPV
30%	23,110,188
31%	23,902,826
32%	24,695,465
33%	25,488,104
34%	26,280,743
35%	**27,073,382**
36%	27,866,020
37%	28,658,659
38%	29,451,298
39%	30,243,937
40%	31,036,575

ASSUMPTIONS

PRICES and other figures are based on Management, USDA, World Bank & IMF figures

EXPECTED PRICES	Year 1	Year 2	Year 3	Year 4	Year 5
Producer price	2,200	2,332	2,472	2,620	2,777
Hand-picked nuts price	4,100	4,387	4,694	5,023	5,324
FAQ price	3,500	3,710	3,933	4,169	4,419

PRICE INCREMENTS include Domestic Inflation of 6%

INCREMENTS P.A.	Year 1	Year 2	Year 3	Year 4	Year 5
Producer price	0%	6%	6%	C%	6%
Hand-picked nuts price	0%	7%	7%	7%	6%
FAQ price	0%	6%	6%	6%	6%

LABOR & ADMINISTRATIVE COSTS (Year 1)

200 Full Time Laborers @ 6500 Dalasis per annum	:	1,300,000
150 laborers @6500 Dalasis per annum for 6 months	:	487,500
100 Casual Laborers @ 18 Dalasis per day for 90 days	:	162,000
Administration Costs	:	500,000
TOTAL FIXED COSTS	:	2,449,500

TOTAL VARIABLE COSTS are assumed to average 120 Dalasis/Ton of throughput plus an additional 135 Dalasis/ton of output for packaging
Includes an OPERATING MAINTENENCE COST of 9 Dalasis/Ton of throughput for FAQ production and 12 Dalasis/Ton of Oil produced for Oil production

FIXED and VARIABLE Costs are assumed to increase at the rate of inflation

INCOME TAX assumes tax losses are carried forward

DEPRECIATION EXPENSE of 7,000,000 Dalasis p.a. is based on Management figures

INFLATION summary table with forecast (Source AID/IMF)

1986	1987	1988	1989	1990	1991-96
57%	24%	12%	8%	7%	6%

EXPECTED INFLATION RATE = 6%

Risk free Interest Rate (Treasury Bills) = 18%
Business & Country Risk Premium = 7%

NOMINAL DISCOUNT RATE = Risk free Int. Rate + Bus. & Country Risk Premium = 25%

TERMINAL VALUE : Free Cash flows are assumed to incease @ inflation rate from years 6 to 10
ADDITIONAL MAINTENENCE COSTS amount to 2,700,000 Dalasis in year 6 & 1,350,000 Dalasis in years 7 to 10. These costs are deducted from the cashflows and discounted to present value

No further CAPITAL EXPENDITURES are expected

ALL DALASIS AMOUNTS are in Nominal values

EXCHANGE RATE : 9.00 Dalasis to $1.00

effect. This increase will not begin until year two as GPMB fully adjusts to the liberalized environment and becomes more competitive and efficient in its purchasing and operations. Under the three scenarios it is assumed that GPMB will be matching the price offered in Senegal which has been confirmed at 2,200 dalasis per ton.
The DCF will give an indication of value of GOPML as a going concern processing groundnuts. It does not consider alternative sources of revenue such a warehouse leasing and distribution activities. A key objective for the GOTG is to maintain a viable oilseeds processing facility in The Gambia since a significant proportion of the groundnut subsector depends on it. GOPML has assets which are usable for functions other than groundnut processing which may have a higher value. Therefore it is essential to keep GOPML as a going concern processing groundnuts in order to prevent its liquidation. This being the case, the GOTG will need to be aware of other potential sources of value which are not captured in the DCF and therefore should take precautions to prevent a liquidation taking place.

An asset valuation was carried out based on replacement cost. This is the cost necessary to reproduce the present core assets which have been transferred to the new company. It includes construction and installation costs. The asset valuation will provide an indication of the potential barriers to entry for a competitor intending to set up a greenfield site. This provides an indication as to whether it is better to buy the existing assets or build from scratch.

A liquidation value was determined, this being the price that could be obtained assuming an orderly sale of all the core assets as a unit and in "piece meal". This implicitly assumes a distress situation and the company is being close down and the assets sold to other parties who may place a different value on their worth.

A summary of the valuation results are indicated below.

Discounted Cash Flow

- Scenario 1: FAQ/Crude Oil & Cake — Value (million dalasis/dollars)

Case A	-25.32 to -34.37 (-$2.81 to $3.82)
Case B	-29.04 to -40.22 (-$3.22 to $4.47)

• Scenario 2: 100% FAQ	
Case A	-1.28 to 1.91 (-$0.14 to -$0.21)
Case B	2.70 to 3.94 ($0.30 to $0.44)
• Scenario 3: HPS/Machine Graded	
Case A	22.8 to 31.72 ($2.53 - $3.52)
Case B	36.14 to 51.93 ($4.02 -$5.77)

Asset Valuation

• Replacement value of processing equipment including installation costs	216.92 ($24.10)

Liquidation Value

• Resale value as a single unit	17.64 ($1.96) - minus real estate
• Resale value plus real estate	58.42 - 99.20 ($6.49 - $11.02)
• Resale value sold piece meal	less than 17.64 ($1.96) if processing facilities included and less than the real estate range given above

A. DISCOUNTED CASH FLOW (DCF)

The most viable scenario is to sell GOPML as a going concern processing a mixture of HPS/Machine Graded nuts and FAQ. This values the company at between 22.80 million and 51.93 million dalasis using discount rates from of 22% to 29%. This scenario is essentially price driven as the incremental processing and packaging costs incurred are minimal compared to the FAQ scenario. Our analysis suggests that processing oil and cake offers little economic returns, with revenues from these products unable to provide a reasonable margin. Furthermore, the outlook for these two product lines - oil and cake - is poor given the softness of the market, poor forecasts, and the high alpha-toxin levels in the cake. This leads us to rule scenario 1 out as a long term viable prospect for the new company. Scenario 2 is also ruled out although favorable margins and value can be obtained from FAQ. This is because a marketing constraint is imposed by EC legislation which limits the sale of cake - the by-product of crushed FAQ -

in its member countries on account of the high aflatoxin levels. The effect is that the market will be thinner as fewer FAQ will be purchased for crushing.

Ideally it would appear the processing of HPS offers the best option given its higher prices and margins. However, GOPML is limited by the lack of quality groundnuts in The Gambia to obtain a high enough yield to justify processing only HPS. The management believes that the optimal yield at present is 35%.

Scenario 3B (HPS/Machine Graded & FAQ with increasing tonnage - Exhibit 3vi) offers the best value under the DCF methodology. A groundnut producer would want to maximize his capacity utilization and at a constant 30,000 tons per season throughput (as in the 1990-91 season and scenario 1), the company would be operating well below capacity. With this throughput, Kaur alone with a rated capacity of 650 tons per day would require only 46 days to process an entire season's crop to FAQ, leaving a lot of idle capacity for the rest of the season. According to the current GPMB management processing up to 45,000 metric tons is reasonable and within their scope and capability. With an enhanced marketing effort, it is thought that the company will be able to sell this quantity of groundnuts (28,755 metric tons).

The range of values obtained under scenario 3B using market discount rates of 22% to 29% are 36.14 million to 51.93 million dalasis. The recommended discount rate is 25% and at this rate the Company is valued at 43.69 million dalasis ($4.85 million). This is very much a price driven scenario and the assumptions reflect the anticipated values.

It must be noted that the value cited above is focused exclusively on the processing of a groundnut product mix as the main source of revenue and related expenses in the DCF valuation. The DCF does not take into account alternative sources such as the leasing of depots and warehouses, distribution services using the river transportation or revenue from the power generator. Given the absence of any comparable or meaningful appraisal system for estimating the potential cash flows (which may be negative as well as positive) from these activities, we have not constructed cases to measure their worth nor have we included these figures in our calculation. A market for many of the aforementioned activities has not been developed particularly regarding the potential returns from leasing and river distribution. The power generator is a major asset which could supply energy to the national grid at connecting cost of 2.25 million dalasis. The estimation of potential returns is not only difficult but involves a high degree of uncertainty. Thus, placing a DCF value on the non-groundnut assets will distort the valuation results given that the focus is very much on oilseeds processing.

The GOTG however, may wish to bear in mind the additional uses of the assets during the negotiations. The danger is that the future owner may liquidate the groundnut business segment

EXHIBIT 3vi

GAMBIA PRODUCE MARKETING BOARD (GPMB)

Scenario 3 – Case B :	100% Hand-Picked Select & Machine Graded nuts & Increasing Tonnage from 30,000 to 45,000 Tonnes

	Year 1
Producer price	2,200
Hand-picked nuts price	4,100
FAQ Price	3,500

Interest Rate p.a.	25%
Inflation Rate p.a.	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	**35%**
FAQ Yield	**65%**

INCOME & CASH FLOW STATEMENT

Year	1	2	3	4	5
Annual Tonnage	30,000	35,000	40,000	40,000	45,000
Total Revenue	79,023,000	98,081,708	119,255,051	126,876,946	151,300,758
Cost – Crop purchase	66,000,000	81,620,000	98,876,800	104,809,408	124,985,219
Gross Profit	13,023,000	16,461,708	20,378,251	22,067,538	26,315,539
Fixed Costs	2,449,500	2,596,470	2,752,258	2,917,394	3,092,437
Variable Cost (excl mtrls)	4,606,425	5,374,163	6,141,900	6,141,900	6,909,638
Total cost	7,055,925	7,970,633	8,894,158	9,059,294	10,002,075
Gross Operating Profit	5,967,075	8,491,075	11,484,092	13,008,244	16,313,464
Interest Expense	2,713,875	2,713,875	4,050,246	4,284,928	5,109,777
Depreciation Expense	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Income Before Tax	(3,746,800)	(1,222,800)	433,847	1,723,316	4,203,688
Tax Rate	50%	35%	35%	35%	35%
Income Tax	0	0	0	0	0
Net Income	(3,746,800)	(1,222,800)	433,847	1,723,316	4,203,688
Addback Depreciation	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Free Cash Flows	3,253,200	5,777,200	7,433,847	8,723,316	11,203,688
Terminal Value					53,704,516

Discount Rate	25%
NPV of Free Cash Flows	21,687,990
NPV of Terminal Value	21,997,370
Total Net Present Value	**43,685,360**

EXHIBIT 3vi

Scenario 3 – Case B :	100% Hand–Picked Select & Machine Graded nuts & Increasing Tonnage from 30,000 to 45,000 Tonnes

Sensitivity Analysis : Net Present Values of Discounted Cash Flows and Terminal Value

DISCOUNT RATE	NPV
22%	51,932,143
23%	48,848,572
24%	46,118,525
25%	**43,685,360**
26%	41,503,836
27%	39,537,392
28%	37,756,166
29%	36,135,538

HAND PICKED YEILD	NPV
30%	38,291,833
31%	39,370,538
32%	40,449,244
33%	41,527,949
34%	42,606,655
35%	**43,685,360**
36%	44,127,602
37%	44,377,229
38%	44,626,856
39%	44,876,483
40%	45,126,110

and concentrate on other more profitable ventures. Precautions will need to be taken by the government to prevent any such actions. Such measures are included in our recommendations.

1. Discount Rate

As indicated above the results are based on nominal discount rates of 22% - 29%. Expected inflation based on IMF forecasts are estimated at 6%. All price increases include an amount due to inflation as well as a real increase. The discount rate consists of a market risk free rate of 18% which includes inflation - the rate offered by short-term government treasury bills - and a business/country risk premium ranging from 5% to 9%. The current commercial rate reaches 29%. Long-term government or private borrowing is absent.

A discount rate of 25% is considered the most reasonable partly because this is the average cost of money for GPMB. The lower cost of borrowing of a foreign partner in a potential joint-venture has not been taken into account since the valuation implicitly assumes a going concern of the new legal entity on an "as is" basis. Thus short-term financing will continue to be provided by local institutions. The effects of any long-term borrowing are not considered because it is assumed that the new entity will consist only of equity and assets.

Given the relatively stable exchange rate and single digit inflation figures in The Gambia, it would be expected that interest rates would be low. However as indicated above, the situation is the reverse. Rates are high and most of the lending is short-term to the entrepot business with high risks associated with the long term credit market. Lenders expect to be compensated for expected losses due to default and market risks. The entrepot business is attractive to the banks because it is booming, lucrative and their rapid turnover minimizes repayment risks.

However, the key reasons for the high rates are two-fold. One is the lack of competition among the three major banks. The government requirement for funds to make up its accumulated fiscal deficit requires it to issue treasury bills. The three banks require a high rate on the government issued treasury bills in order to be attracted to their portfolio. The main buyers apart from a few wealthy merchants and corporations are the three major commercial banks. Their "monopoly" position forces the central bank to issue the bills at approximately 18%. It is thought that the addition of the newly privatized Gambia Commercial and Development Bank (GCDB) to the banking sector is expected to provide competition and inject cash lending to sectors other than entrepot, thereby placing downward pressure on rates.

Another reason is the IMF imposed requirement for a significant build up of foreign exchange reserves comprising six months of import coverage to ride out any future economic shocks. With this objective, the central bank enters the market to purchase foreign currency. In order to soak up the excess liquidity and make the bills attractive to investors, the government issues treasury bills at 18%. This risk free rate is used by the commercial sector as the base lending rate. Thus government borrowing contributes to the high interest rates by establishing a benchmark which effectively crowds out the private sector from the credit market. It is worth noting that the borrowed funds are deposited at the central bank earning no interest. This in effect means that the government is borrowing at a high rate from the public and not using the funds other than to purchase international reserves to meet targets set by the IMF.

2. Sensitivity Analysis

From the sensitivity analysis, it can be seen that the value of the company is very sensitive to changes in yields. Yield improvements are critical. Under scenario 3B, a 1% increase in yield results in a significant increase in value.

3. Other Assumptions

Based on the management's opinion a tonnage of 30,000 metric tons was considered the minimum point at which processing oil would be practical. Increasing the tonnage rests on the assumption that the total crop production of The Gambia would show a significant increase from the present figure of 84,000 tons and GOPML will be able to gain significant market share. This is critical given the events of the last crop when a considerable amount of groundnuts were exported to Senegal from The Gambia on account of the former's competitive pricing. It was also assumed that the current rehabilitation of the plant and equipment would improve the performance of the equipment to design capacity and performance. The following outlines the key additional assumptions:

Scenario 1: Product(s) - FAQ, Oil and Cake

All prices and values are stated on a nominal basis and consist of two factors: an increase due to inflation and a real increase. Expected inflation for 1991-96 is 6%.

Year one is the base year. FAQ prices from years two to five are assumed to increase at the rate of inflation (6%). Oil prices for the same period will increase as follows: 6%, 7%, 6% and 6%. Cake prices are assumed to increase at the rate of inflation, with no real rises (Annex E).

Producer prices will move along with inflation but some of the real increases in revenues will be also be passed on to the farmer in the form of higher prices. This will enable the Company to provide incentives and remain competitive.

All of the above assumptions apply to each of the cases A and B.

Scenario 2: Product(s) - FAQ

FAQ price increases are as given in scenario 1. EC legislation prohibiting the sale of cake limits the FAQ prices.

Scenario 3: Product(s) - 35% HPS/Machine Graded, 65% FAQ

HPS Prices from year two to five are assumed to increase as follows: 7%, 7%, 7%, 6%, respectively. The market price is assumed to be 4,100 dalasis per ton, this being the average quote recently received by management. FAQ prices are as in Scenarios 1 and 2.

Although the overall market price trend for all three products is downwards, we feel that the conservative increases assumed above are justified. They also reflect the fact that the new Company will take steps to improve the quality of its products and operations in the early years in order to position itself favorably in the market. It must be noted that HPS/machine graded nuts from The Gambia trades at approximately 30% below the market price on account of its comparatively poor grade and the weakness of The Gambia as a major player. This provides room for price rises against the general market trend which can be obtained with modest improvement in storage and operations in general.

The DCF was based on after tax cash flows and as stated above constructed on a nominal basis. That is all prices will increase by the expected rate of inflation as well as on a real basis where applicable. Interest expense and depreciation will remain unchanged as they are already stated in nominal terms. The effects of long term debt were not considered given that the new legal entity consists of only equity and assets. It is assumed that no major capital expenditures other than maintenance expense will be made in years one through five because the EC funded $1.5 million dollar rehabilitation is expected to bring the plant and equipment up to design efficiency and capacity. The exchange rate is stable against the major currencies (approximately $1 = 9 dalasis).

4. Methodology

All line items were based on figures provided by management and price forecasts were obtained from the World Bank and the USDA Foreign Agricultural Service publications.

a. Revenue

Total revenue was estimated by multiplying the expected yield (in tons) and price of each product. The yield after decorticating is 71% and from this 52% is sold as FAQ with 48% crushed into oil and cake. Out of the remaining 48% of crushed nuts, 44%

becomes crude oil and 53% cake making the net yield for oil 15% of the initial throughput. None of the above applies in scenario 2 or 3. In Scenario 2, the yield is 71% and in Scenario 3 HPS yield is assumed to be 35%.

Revenue growth is determined by the growth in the quantity of groundnuts processed and by the growth in prices. The throughput is determined by the level of production in The Gambia and the ability of GOPML to a significant share of this production under the liberalized market. The industry is currently soft with overall demand flat but as indicated earlier, there is room for price increases for Gambia products if quality and efficiency standards are met.

b. Crop Purchase

This is the product of the producer price and the tonnage purchased. The producer price was assumed to remain in the 2,200 - 2,780 dalasis range (including the effects of 6% inflation) in line with the expected Senegal price. The subsidy in Senegal requires that a competitive price is set by The Gambia. This means that a higher minimum price needs to be set than would otherwise be preferred if there was no subsidy in Senegalese.

c. Fixed Costs

These are labor and administrative costs. Some casual labor is utilized during the height of the crop season for a period of up to three months and these are included as fixed costs because of their negligible effect on total labor costs. The average labor rate is estimated at approximately 6,500 dalasis per annum and total labor force at 200, down from the present 374. Processing HPS/Machine Grade nuts will require an extra 150 laborers for six months. No real wage increase is expected, all increases are due to inflation.

d. Variable Costs

Estimates were provided by management and consist of bags for the farmers and chemical inputs. These are estimated at 120 and 180 dalasis per ton for processing and crushing FAQ into crude oil, respectively and include routine maintenance. Additional costs for HPS/Machine Grade are 135 dalasis per ton of nuts for packaging.

e. Depreciation

Total depreciation per year is calculated on a straight line basis and is approximately 7 million dalasis according to management estimations. Core assets are assumed transferred at the net book value. These assets have been revalued numerous times by GPMB. The implication for an investor is that significant value is obtained from being able to expense depreciation through the books, particularly as these are assets which under normal circumstances are fully depreciated.

f. Interest Expense

The interest cost was assumed to be 25%, this being the rate currently paid by GPMB through the groundnut bill mechanism for crop purchases. To obtain the average interest expense for each season it was assumed that 100% of the amount due would be paid from sales in order to reduce the net interest cost. At the end of the season all interest is paid. Any excess cash would be used to meet other operating expenses. Under Scenario 1 (mix of products), the effects of increases in crop purchases are most felt as interest expense increases at a rate faster than revenue increases resulting in a net loss position.

g. Maintenance Expense

It is assumed that normal maintenance will be performed at the end of each crop. For decorticating a factor of 9 dalasis ($1) per ton of groundnuts processed is used and where applicable, 12 dalasis per ton ($1.35) of groundnut oil produced. In the case of 100% FAQ, the oil cost is redundant. These are normal operating expenses and are incorporated into the processing costs (ie decorticating - 120 dalasis per ton; crushing 180 dalasis per ton) outlined in section d above. The basis is the industry standard.

As stated earlier, the EC grant puts the operation at design capacity without any bottlenecks or major equipment requirements. However, some nominal refurbishment will be required in later years to keep the plant efficient in addition to those outlined. We have assumed that 2.7 million dalasis ($300,000) will be spent in year six, and 1.35 million dalasis ($150,000) in each of years seven through ten.

h. Tax

The tax rate for the first year (1993) is 50%. The government has announced that effective 1994, the corporate income tax will drop to 35%. Tax relief on interest payments (which would increase the value of the company) has not been factored into the valuation as it is not certain yet whether it would be applicable in The Gambia. It has also been assumed that there is a tax loss carry forward resulting in no tax charge in year five, even though profit is earned.

j. Terminal Value

The terminal value was calculated by assuming that the cash flow after year five would grow at the rate of inflation to perpetuity. This resultant cash flow was then discounted at a rate which was the difference between the nominal rate and the rate of inflation (25% less 6%). The additional maintenance expenditure after year five outlined above were subtracted from the operating cash flows and the net amount discounted to the present.

A high terminal value is obtained because of the underlying assumption that the equipment is sturdy, and that the refurbishment together with subsequent maintenance will continue to operate at design efficiency and capacity. Thus with groundnuts from The Gambia having ample room for price increase, a steady cash flow (driven by year five) will continue to be generated for some time in the future (assuming management efficiency).

B. ASSET VALUATION

We have constructed cases for asset valuation based on the existing equipment now installed at Kaur and Denton Bridge. The valuation is on the existing equipment as installed and as part of an integrated processing unit. In determining the values, we have limited our valuation to the equipment items and the current configuration at each location. The buildings, real estate and leasehold values are discussed as a separate issue.

While other technologies and equipment are available in the market, the processing equipment is satisfactory and capable of operating at design capacity. As with many agri-processing facilities the age of items of equipment does not prevent its operation in an efficient manner as part of an integrated unit. In fact some of the core asset equipment, such as the boilers and power generation equipment, have had only relatively few hours of operation.

The groundnut processing equipment was operated on a very limited basis in the past crop due to the small throughput which GPMB was able to attract. It is expected that the EC funded grant for refurbishment will return the equipment to design capacity. A performance test of the equipment is scheduled for August 1992. It is assumed that the result of the test will be successful and so no major capital expenditure is projected for the next five years. The refurbishment has not added value to the assets in the sense that it represents maintenance which ought to have been carried out in the past.

The purchasers of the core assets may consider additions of equipment to handle the transmission of power to the national grid. This could be part of a power purchase contract with the Gambia

Utilities Company (GUC), or its successor company. The estimated cost of connecting to the grid is 2.25 million dalasis ($250,000). The capital expenditure could be undertaken by GUC or the purchaser of the limited liability core asset company.

The installation of a detoxification unit to reduce the aflatoxin levels in cake products is estimated to cost 4.50 million dalasis ($500,000). The installation of this unit would allow some flexibility in selling to European and other markets. Neither of these capital investments nor their economic and financial impact were included in our valuation. They represent part of the decision criteria of the new owner.

Modifications and adjustments to the oil mill and the refinery for the processing of palm oil or other imported low cost oils are estimated at 900,000 dalasis ($100,000). The facilities are capable of processing sesame seed without additional capital investment. These options may be taken by the new owner. The cost and impact of these processing changes are not included in our valuation.

The replacement value of the river transport fleet is based on self-propelled barges. The capacity of these barges together with their greater flexibility offer advantages over the replacement of the tugs and barges at a significant higher capital cost. The efficiency and flexibility of self-propelled barges will reduce the turn around time currently experienced by existing river fleet equipment.

Transportation equipment is evaluated on the basis of current cost of similar equipment.

1. Replacement Cost

A physical inspection of all processing facilities was undertaken. An inventory of the existing equipment at each site was also taken. With current prices obtained from the original manufacturers of the equipment and in some cases from other established and reputable equipment manufacturers, we have constructed a capital budget for the items of equipment. Included in the capital budget are all machinery, cost of buildings and transportation to Banjul. All construction, civil works, mechanical and electrical set-ups and erection cost are estimated at 50% of the delivered equipment cost. The total construction period is estimated at two years. Engineering is assumed to be 10% of delivered cost. The stocking of initial spares is estimated at 5% of equipment cost. Commissioning is estimated at going international rates for technical specialist. Interest on construction costs is estimated at 10% and is calculated on an average outstanding loan of 60% of the total cost over the two year construction period.

The following is an estimate of the capital cost required to duplicate the facilities at Kaur and Denton Bridge. A detailed listing of equipment is included in Annex A.

Replacement Cost of Processing Facilities

Equipment	Location Kaur	 Denton Bridge
	(000) dalasis	
Decorticating Equipment	9,287	5,080
Power generation	4,050	14,147
Conveyors	2,475	23,625
Briquette Plant	1,800	-
Oil mill	-	12,150
Refinery	-	4,500
Equipment cost	17,612	9,502
Buildings	5,400	7,650
Transportation	2,571	8,084
Delivered cost	25,583	75,236
Engineering	2,558	7,524
Construction	12,792	37,618
Erected cost	40,933	120,378
Initial spare parts	881	2.975
Commissioning	900	2,700
Construction interest	4,912	14,442
Total cost	**47,626**	**140,495**

From above, the total replacement cost of the processing facilities (Denton Bridge and Kaur) is 188.12 million dalasis ($20.89 million). This value does not include the loss of revenues over the two year construction period.

A reduction of 15.75 million dalasis ($1.75 million) can be made for a new facility to allow for a configuration of a plant with a more efficient flow of product and power. The present facility at Denton Bridge, consists of a decorticating plant and an oil mill. Each is situated on either side of a major road linked by an overhead bridge and conveyor. A more efficient configuration allowing for better process flow can be created without the overhead linkage and costing 15.75 million dalasis less.

Including the river fleet assets would incur an additional 15.30 million dalasis ($1.7 million). This would entail replacing the current dilapidated fleet with twelve self-propelled barges with a cargo capacity equivalent to the existing equipment. The total delivered cost including spare parts would be approximately 15 million dalasis.

Transportation and other four wheel drive vehicles providing the same capability as presently exists would be 13.5 million dalasis $1.5 million).

From the above, the total replacement cost with all new equipment including the river fleet, commissions and rolling stock delivered and erected in working order, would be 216.92 million dalasis ($24.1 million).

Thus given the substantial capital cost, it is not economic or financially feasible to establish a new grass roots start-up operation to compete with the existing transport and processing capability available in The Gambia. An investor entering the groundnut processing industry in The Gambia could purchase the existing facilities at a fraction of the cost to install a new green field operation and run a profitable operation.

2. Liquidation Value

a. As a Single Unit

We have evaluated the assets on the basis of proceeds that could be expected from the sale of the core assets. Further we have reviewed the sale of assets on two different scenarios to illustrate the proceeds that the GOTG could expect if the core assets were sold and removed from the country.

We have established the sale value of the core assets to be 17.64 million dalasis ($1.96 million). Below is a recap of the asset valuation of the major facilities.

Equipment	(000) dalasis
Kaur decorticating plant	3,740
Denton Bridge decorticating plant	1,780
Denton Bridge power plant	7,565
Denton Bridge conveyor	1,780
Oil mill	1,915
Refinery	445
Workshop equipment	415
Total value	**17,640**

Details of the valuation of items of equipment are included in Annex B.

The first scenario assumes a sale of all of the core assets as a single unit for relocation to another site. In this case the buyer will acquire all the core assets. The equipment is purchased "as is where is" by the buyer without any warranty or guarantee from the GOTG. The cost of dismantling, matchmarking, packing, removal, transportation to a new site and re-erection will be paid by the new buyer. All foundations, civil works, piping, electrical wiring and switchgear, buildings, connections and hook-ups are acquired by the purchaser. The value of these items is only realized if sold as a unit.

The advantages of utilizing this form of sale include:

- disposal of all core assets in one unit

- ability to offer the equipment in its entirety to more than one buyer

- multiple bids can be evaluated

- disposition of assets can be resolved quickly

- settlement of sale is cash

- all equipment is physically removed as one unit in an agreed and limited period of time

- only one negotiation to be conducted

- land will be made available so alternative use can be undertaken at the earliest possible time

With the value established at 17.64 million dalasis ($1.96 million), offering the core assets as a unit, at a higher posted price, should realize the best return to GOTG on the asset sale basis.

b. As "Piece Meal"

A second valuation was conducted assuming a "piece meal" sale of individual items of equipment on liquidation basis. One must be aware that on this basis, all items are sold and disposed of on an individual basis to numerous buyers over an extended period of time. This is a costly and time consuming method to utilize in practice. Sellers will only follow this option when there are no bidders and the prospect for eventual sale as a unit is zero. The terms and conditions of sale in this scenario are similar to a sale as a complete unit. The equipment will be sold without warranty or guarantee "as is where is" with the buyer assuming the cost and responsibility of dismantling, packing and removal from the site. The value of the foundations, piping, electrical wiring and switchgears will be eliminated because they are of no value. Similarly, building blocks cannot be dismantled and moved. In most cases the asset is sold at a fraction of the installed value of the item of equipment liquidated.

Disadvantages of this method of sale are:

- significant time and effort devoted to administration and marketing
- must market to multiple parties
- individual negotiation with variety of parties
- time required to complete sale can be long
- present value of money is foregone
- limited options on number of buyers
- lack of flexibility in evaluating bids
- price negotiation is limited
- demand items sell quickly, other items become a cost item to maintain
- the longer items remain unsold, the more the value diminishes
- control and vigilance of remaining assets is major cost
- supervision of buyers activity at site is required
- real property is not available for alternative use until the last item is sold and removed from the site

Thus the sale of equipment as a "piece meal" incurs considerable cost to the seller and does not realize the maximum value of the assets. While the potential recognizable value is 17.64 dalasis ($1.96 million), the amount ultimately realized by the government will be below this figure.

If liquidation is to be pursued, the GOTG should consider engaging firms or specialists who are experienced in the sale of processing plants and equipment. The fee charged for their service is negotiable, but should be in the range of 5 to 10% of the value of the realized sale price. Engaging these experienced entities will shift the administrative burden and expand the range of potential buyers to bid on the assets.

3. Buildings, Real Estate & Leasehold

Because The Gambia lacks a formal market, the determination of values of buildings, real estate and leasehold values is difficult. Discussions with an established quantity surveyor and access to the recent sale by GPMB of land and buildings in Kanifing is used as a basis for the values that we have constructed. Our approach is based on the aforementioned information and adjusted for location.

AMOUNTS (000 DALASIS)	LAND	BUILDINGS & IMPROVEMENTS	TOTAL
Denton Bridge	4,050	11,370	15,415
Kaur	1,620	6,664	8,284
Barra	485	8,540	9,025
Kerewan	485	10,154	10,639
Kuntaur	728	8,182	8,910
Bansang	485	6,675	7,160
Basse	1,295	7,465	8,760
Kundang	645	5,135	5,780
Tendaba	485	7,088	7,573
Total	**10,273**	**71,273**	**81,546**

Constraints on the determination of real property values include:

- lack of a formal appraisal system
- absence of a centralized filing system on transactions which made any comparables impossible
- the expectation that all considerations of the transaction are not reported
- infrequent real estate transactions

The values reported are only broad estimates and indications. Actual transactions may vary substantially.

The government and the NIB must be cognizant of these values when negotiations on the sale of the equity of GOPML are underway.

The methodology utilized to estimate the values of the land and buildings is as follows. Land was calculated by converting the acreage of each site to square meters and multiplying by 40 dalasis per square meter. This is the current rule of thumb provided by Francis Jones the Quantity Surveyor in Banjul who prepared a revaluation of the GPMB assets based on replacement cost in 1987. The stated price is also the basis upon which the commercial banks in The Gambia banks conduct land valuations. Regarding buildings, the cost of construction at Kaur was stated at 1,000 dalasis per square meter, this being the equivalent of 89% of the value stated in GPMB Revaluation Report of 1987. To maintain consistency, this factor was applied to each of the above buildings to arrive at a total amount.

It is highly likely that these figures could be substantially overstated because they are based on the carrying value on GPMB's books following the 1987 revaluation. Applying a 50% discount to the above yields a total value of approximately 40.77 million dalasis ($4.53 million).

VIII RECOMMENDATION AND SALES STRATEGY

A. Objective

The sale and transfer of groundnut processing core assets from the Government of The Gambia ("GOTG") to private investors is the primary objective. The sale value and terms of sale are secondary. The sale assumes the creation of a new limited liability company - Gambia Oilseeds Processing and Marketing Limited ("GOPML") - free of long- and short-term debt with clear title to the assets. The government may wish to recognize that the assets for sale are attractive to a range of investors for various business objectives. Groundnut processing and marketing is one use of those assets and should be viewed as a segment of the future use of the assets.

B. Methodology

The assets on offer should be delineated - "sanitized"- through the creation of a new limited liability stock company which comprises of the core assets with clear titles free of all encumbrances, liens and debts. The initial shares will be owned by the GOTG. The sale of these shares to investors is the transfer mechanism, and the transfer will be made at net book value.

The assets being sold are considered and perceived as an integrated system for the storage, transport and processing of groundnuts. These assets - land, buildings, warehouses, river transport capability - also have an inherent value not necessarily connected with the groundnut trade. Additional value lies in the capability to provide distribution and marketing functions to the interior of the country and also to the neighboring countries with whom The Gambia trades.

C. Timing

If the company is not sold by the beginning of the next crop, consideration should be given to a sale at or around July 1993 as transfer of ownership in the middle of the crop season will present difficulties. The timing of the sale is a critical issue as it is very likely to have a strong bearing on the final terms to be agreed upon. If terms have not been agreed upon prior to the start of the crop season, the government should consider deferring negotiations until the season is over in order to avoid being placed in an adverse negotiating position. It is in the interest of the GOTG to expedite the sale before the start of the next season.

D. Investors

The bidding process is non-exclusive and open to local, regional and international interests. Annex G lists the local, regional and international firms who should be solicited.

A joint venture or combination of bidders would be ideal. The best case would be local investors/traders with cash and in country operations bidding in combination with offshore interest who will bring technical and marketing capability to the groundnut operation. Through their knowledge of in-country operations, the local investors can maximize operations - river fleet, interior depots etc - for revenue producing activities. The Gambia Cooperative Union, Amdalaye Trading or the Massry interest are ideal local companies to work with an overseas group such as ADM, Cargill, Harrison & Crosfields or Unilever. Alternative cases of international bidders established in the groundnut and vegetable oil sectors would also be a viable alternative. Bids from Senegalese investors would require examination by the GOTG. Bids from 100% Gambian groups who lack experience in marketing or technical management should be avoided unless they contract for these services with reliable and established parties. Included in the listing of potential bidders are official US government organizations which could act as intermediaries to interested investors in reviewing the sale of the GPMB core assets.

E. Terms of sale

Regarding a joint-venture (JV) between Gambians and others, the GOTG has indicated that it will consider payment in cash and notes. In previous divesture of SOEs, the GOTG has extended financing terms. Cash is the preferred form of payment particularly with an overseas investor. That is if 100% of the equity is sold to an overseas purchaser, payment should be in cash since the attraction of a foreign investor is capital and technology infusion. Regarding a local investor, part payment with notes should be viewed more favorably given the absence of long-term financing in the local credit market. It would satisfy the objective of ensuring local participation as well as facilitate the transaction.

The GOTG must recognize that with extended financing, if the investor is unable to fulfil the payment terms, the government could end up "renationalizing" the assets, thereby defeating its primary objective. This could be prevented through setting out the conditions for acceptance of notes. They include the following:

- Assets should be pledged to secure the notes so that they cannot be borrowed against or encumbered to others.
- Pledges should not contain any prohibitive elements but should be fully mortgaged until the debt is paid off.
- Evidence of or confirmation that the required Working Capital is in place. Evidence could include a Letter of Credit or a commitment from a reliable financial institution.

- Evidence of qualification and suitability to operate the facilities and market the products. Otherwise, appropriate professional management should be engaged.

While being realistic, the GOTG should exhibit flexibility with serious and qualified investors. The highest price submitted may not be the best offer. A low cash price may be better than a higher price combination of cash and notes in terms of the present value of money. The GOTG may wish to consider external and independent assistance in evaluating the bids.

A leasing option should be ruled out. While the transfer of ownership is of the highest priority of the GOTG, relinquishing control or operation of the assets to a potential investor on any conditions other than a signed agreement with money being received places the GOTG in a very inferior negotiating position. Leasing provides a short term alternative and does not constitute a secure transfer of ownership. It could result in protracted negotiations particularly concerning the terms and options for renewal (if applicable), all of which could seriously diminish the value of the company.

As indicated earlier GOPML should be debt free, the debt on the books of GPMB absorbed by the government. The debt has never been formalized with GPMB - no subsidiary loan agreement - much less serviced by GPMB in the past, since it has always been part of the government's external debt servicing. Furthermore, the transfer of the debt (49 million dalasis as we have been informed by USAID/Banjul) to GOPML will substantially change the net worth value of the company and the DCF valuation in this report. An investor who is effectively assisting the GOTG in transferring the ownership of the GPMB assets out of government hands should not be discriminated against.

The GOTG should recognize that the transfer of the assets at their net book value (based on the 1987 revaluation) results in a substantial depreciation charge which is an inducement to investors to generate cash from operations without necessarily incurring a tax charge. This is identical to providing a tax holiday where the government would not expect any tax revenues in the initial years of an investment.

The GOTG should be aware that the range of values arrived at using DCF is focused on the groundnut subsector and does not consider other potential activities. The real estate has some value as is the power generator. Together, the liquidation value of the fixed assets (including land and buildings) may be more than the DCF value. Given the absence of a market or an appraisal system for many of these assets the is a high degree of uncertainty concerning their estimated value. And given that a primary objective of the government is to maintain a viable processing facility in The Gambia, precautions must be taken to prevent the future owners from capitalizing on the differences in value through liquidation. This can be achieved by placing a moratorium on the transfer of land lasting a number of years (for example ten years) and that in the event of a transfer of land, prior government approval would be required.

The GOTG must also recognize that implicit in the DCF is that the value allows the farmer to receive a substantial payment for his produce at a price driven by Senegal which minimizes any danger to the farming sector.

A summary of the valuation results is given below.

		Dalasis (million)	Dollars (million)
Valuation:	DCF	43.69	US$ 4.85
	Replacement	216.92	US$ 24.10
	Liquidation (as unit)	17.64	US$ 1.96 (does not include real estate)
	Piece meal < Liquidation	17.64	US$ 1.96
	(plus real estate)	58.42	US$ 6.49

The recommended price range in millions of dalasis is 17.64 - 43.69 without including any value for land and buildings. If land and buildings were included the value would be increased to a range of at least 58.42 - 99.00 million dalasis. As a going concern for groundnut operations the lower values would be a reasonable range to offer an established groundnut investor. For an established groundnut investor, the groundnut facilities are his primary concern and the real estate is of little influence on his offer. Alternatively, an investor group for whom groundnuts constitute a segment of the range of activities, consideration should be given to the real estate values.

REPLACEMENT VALUE OF PROCESSING EQUIPMENTS ANNEX A

These estimates are based on quotations received from manufacturers of equipment. These include:

- Samat, Marseille (decorticating equipment)
- INNOVEST Industries (Fraser Boilers)
- Nadrowsky Turbines (Steam Turbines /Turbo alternator, Condenser)
- Anderson International (oil presses)
- Crown Iron Works (Cooker, Solvent Extraction plant)
- INNOVEST/OILTEK (Refinery)

(I) KAUR DECORTICATING PLANT	US $	Dalasis
12 Samat decorticators: $55,555 x 12	$666,660	5,999,940
12 Set cyclones, conveyors, etc.	$215,237	1,937,133
1 Generator Diesel 687 KVA	$300,000	2,700,000
1 Generator Diesel 250 KVA	$150,000	1,350,000
2 Sets of Transfer conveyors	$100,000	900,000
Weight Bridges/Scales	$100,000	900,000
Shell screw conveyors	$75,000	675,000
Pumps, accesories, tanks	$150,000	1,350,000
Briquetting Plant	$200,000	1,800,000
TOTAL FOR EQUIPMENTS	$1,956,897	17,612,073
CIF Banjul 10% on equipments	$195,690	1,761,207
Processing Buildings	$600,000	5,400,000
15% Freight on Buildings	$90,000	810,000
TOTAL	$2,842,587	25,583,280

Estimate does not include civil works, pier construction, etc.

(II) DENTON BRIDGE DECORTICATION PLANT (TRANSIT STATION)		
7 Samat decorticators:	$388,885	3,499,965
7 Set cyclones, conveyors, etc.	$125,555	1,129,995
4 Transfer conveyors	$200,000	1,800,000
5 Weight Bridges	$200,000	1,800,000
Mobile screw conveyors	$25,000	225,000
Pumps, accesories	$50,000	450,000
Generator set	$35,000	315,000
TOTAL FOR EQUIPMENTS	$1,024,440	9,219,960
CIF Banjul 10% on equipments	$102,444	921,996
Processing Buildings	$200,000	1,800,000
15% Freight on Buildings	$30,000	270,000
TOTAL	$1,356,884	12,211,956

(III) POWER GENERATION PLANT (TRANSIT STATION)

2 Units fraser boilers model 36	$838,932	7,550,388
Water treatment plant	$100,000	900,000
1 Unit 1.5 MW turbo alternator	$435,625	3,920,625
Surface condenser	$147,321	1,325,889
1 Unit Diesel turbo generator	$50,000	450,000
Conveyor system	$200,000	1,800,000
TOTAL FOR EQUIPMENTS	$1,771,878	15,946,902
CIF Banjul 15% on equipments(heavy lift)	$265,782	2,392,035
Processing Buildings	$200,000	1,800,000
15% Freight on Buildings	$30,000	270,000
TOTAL	$2,267,660	20,408,937

(IV) BRIDGE & OVERHEAD CONVEYOR

Estimate (Tramco Company)	$1,000,000	9,000,000

(V) OIL MILL PLANT

Anderson International Quote	1050000	9,450,000
Cooker	300000	2,700,000
Conveyor/ Accesories	1000000	9,000,000
TOTAL FOR EQUIPMENTS	2350000	21,150,000
CIF Banjul 15% on equipments(heavy lift)	$352,500	3,172,500
Processing Buildings	$350,000	3,150,000
15% Freight on Buildings	$52,500	472,500
TOTAL	$3,105,000	27,945,000

(VI) REFINERY

20T Batch refinery	$500,000	4,500,000
Freight Cost 10%	$50,000	450,000
Processing Buildings	$100,000	900,000
15% Freight on Buildings	$15,000	135,000
TOTAL	$665,000	5,985,000
GRAND TOTAL	**$11,237,130**	**101,134,174**

RESALE VALUE OF PROCESSING EQUIPMENT
BUILDINGS NOT INCLUDED

ANNEX B

Exchange Rate US$ 1 : 9 Dalasis

(I) KAUR DECORTICATING PLANT	US $	Dalasis
12 Samat decorticators:	$120,000	1,080,000
12 Set cyclones, conveyors, etc.	$50,000	450,000
1 Generator Diesel 687 KVA	$100,000	900,000
1 Generator Diesel 250 KVA	$50,000	450,000
2 Sets of Transfer conveyors	$20,000	180,000
Weight Bridges/Scales	$10,000	90,000
Shell screw conveyors	$5,000	45,000
Pumps, accesories, tanks	$15,000	135,000
Briquetting Plant	$50,000	450,000
TOTAL FOR EQUIPMENTS	$420,000	3,780,000

(II) DENTON BRIDGE DECORTICATION PLANT (TRANSIT STATION)

7 Samat decorticators:	$70,000	630,000
7 Set cyclones, conveyors, etc.	$30,000	270,000
4 Transfer conveyors	$40,000	360,000
5 Weight Bridges	$20,000	180,000
Mobile screw conveyors	$5,000	45,000
Pumps, accesories	$10,000	90,000
Generator	$25,000	225,000
TOTAL FOR EQUIPMENTS	$200,000	1,800,000

(III) POWER GENERATION PLANT (TRANSIT STATION)

2 Units fraser boilers model 36	$500,000	4,500,000
Water treatment plant	$50,000	450,000
1 Unit 1.5 MW turbo alternator	$150,000	1,350,000
Surface condenser	$50,000	450,000
1 Unit Diesel turbo generator	$50,000	450,000
Conveyor system	$50,000	450,000
TOTAL FOR EQUIPMENTS	$850,000	7,650,000

(IV) BRIDGE & OVERHEAD CONVEYOR

Estimate	$200,000	1,800,000

(V) OIL MILL PLANT

14 Refurbished presses at Oil mill #1	$95,000	855,000

14 Cookers	$75,000	675,000
3 Niagra separators	$25,000	225,000
4 Filter Presses	$20,000	180,000
TOTAL FOR EQUIPMENTS	$215,000	1,935,000
(VI) REFINERY		
20T Batch refinery	$50,000	450,000
(VII) WORKSHOP EQUIPMENTS	$25,000	225,000
TOTAL RESALE VALUE	**$1,960,000**	**17,640,000**

CRUSHING MARGIN

ANNEX C

Exchange Rates : US$ 1.00 : Dalasis 9.00
UK pounds 1.00 : Dalasis 15.50

Cost of Decorticated (shelled) Products

	US$/Ton	Dalasis/Ton
Cost of Groundnuts	236	2,200
Cost of Decortication		120
FAQ production (Yield 71%)		
Cost of FAQ :	356	3,268
Kernals for Oil production (Yield 75%)		
Cost of Kernals :	333	3,093

Market Prices for Products

	UK pounds/Ton	Dalasis/Ton
Groundnut Cake (FOB Banjul)	77	1,200
FAQ (CIF Rotterdam)	240	3,500
Crude Oil	385	5,600
Refined Oil (Gambia Market)	480	7,500

Prices for GPMB Products

	COST		SALES PRICE		PROFITS	
	US $	Dalasis	US $	Dalasis	US $	Dalasis
Groundnuts	236	2,200				
FAQ	356	3,204	379	3,500	23	296
Kernals	333	2,997				
Cakes for Export			100	900		
Cakes for local market			121	1,200		
Crude Oil			632	5,600		
Refined Oil (wholesale)			831	7,500		

Positive FAQ production Margin : $23/Ton or 296 Dalasis/Ton
Converted to Tons of Groundnuts : $16/Ton or 207 Dalasis/Ton

GPMB Crushing Cost : Crude Oil Only

Per Ton of Groundnuts

	COST US $	COST Dalasis	REVENUE US $	REVENUE Dalasis
1 Ton of Groundnuts	236	2,200		
Decortication Cost	14	120		
1 Ton Groundnuts produces $750 of Kernals (Yields 75%)				
After extraction:				
53% Cakes = 397.50 Kg @ $121.25/Ton			48	477
45% Crude Oil = 337.50 Kg @ $632.00/Ton			213	1,890
Crushing Cost Dalasis 180/Ton of Kernals	15	135		
Financial Cost: 25% p.a. for 6 months on $240 of nuts	30	270		
TOTAL COST :	295	2,725		
TOTAL REVENUES :			261	2,367
MARGIN :			(33)	(358)

Negative Crushing Margin of : $33/Ton or 358 Dalasis/Ton

GPMB Crushing Cost : Refining the Oil

	COST US $	COST Dalasis	REVENUE US $	REVENUE Dalasis
1 Ton of Groundnuts	236	2,200		
Decortication Cost	14	120		
1 Ton Groundnuts produces $750 of Kernals (Yields 75%)				
After extraction:				
53% Cakes = 397.50 Kg @ $121.25/Ton			48	477
45% Crude Oil				
42.6% Refined Oil = 319.50 Kg @ $831.00/Ton			266	2,396
Crushing Cost : Dalasis 180/Ton of Kernals	15	135		
Refining Cost : Dalasis 240/Ton of Crude	9	77		
Financial Cost : 25% p.a. for 6 months on $240 of nuts	30	270		
TOTAL COST :	303	2,802		
TOTAL REVENUES :			314	2,873
MARGIN :			10	72

Positive Crushing Margin : $10/Ton or 72 Dalasis/Ton

GPMB Crushing Margins – Processing 200 nuts/day

		Dalasis
Revenues		
Refined Oil : 64 Tons @ D 7500		480,000
Cakes : 79.5 Tons @ D 1200		95,400
	Total Revenue :	575,400
Costs		
Groundnuts: 200 Tons @ D 2200		440,000
Transport : 200 Tons @ D 150		30,000
Decorticating : 200 Tons @ D 120		24,000
Crushing : 150 Tons @ D 180		27,000
Refining : 67.5 Tons @ D 240		16,200
	Total Cost :	537,200
	Profit with Refining :	**38,200**

ANNEX D

FINANCIAL STATEMENTS AS @ YEAR-END NOVEMBER 30 1991

From the draft financial statements, it can be seen that GPMB suffered an operating loss of close to 14 million dalasis or $1.56 million compared to 4 million dalasis the previous year. The total loss after accounting for undecorticated stock loss amounted to just over 18 million dalasis or $2 million. This indicates that GPMB continues to face operational difficulties in the face of declining world prices for its products.

The balance sheet shows liabilities comprising of 16 million dalasis in short-term debt. These are owed to the central bank through the issue of groundnut bills (G-Bills). As security for this debt the GPMB headquarters are pledged to the central bank.

Total long term debt amounts to approximately 67 million dalasis ($7.4 million) and comprise of donor funds to the government. To the best of our knowledge there are no subsidiary agreements and the government has been servicing the debt as part of budgetary foreign exchange debt service.

Fixed assets have been stated at their revalued amount. net of depreciation based on replacement cost. The total amount is approximately 184 million dalasis ($20.4 million)

The core assets as indicated earlier will be transferred to a new limited liability company at their net book value which amounts to approximately 171 million dalasis ($19.00 million) as at end November 1991. This consists of the fixed assets including spare parts. The corresponding liability side will comprise only of equity. The residual assets and liabilities will remain with GPMB which will then be dissolved through the repeal of the GPMB Act of Parliament.

COST/BENEFIT ANALYSIS

Cost benefit analyses were carried out for alternative products of GPMB: FAQ, crude oil and on refined oil. The results are shown in the following pages.

It can be seen that crude oil does not provide any positive returns. FAQ provides the highest margin at 207 dalasis ($16) per ton of groundnuts. Refining oil also provides a positive margin at 72 dalasis per ton ($10) although this is considerably less than FAQ. With imported vegetable oil selling at $831, there is little economic value in refining oil given the huge discrepancy in profit margins. Thus GPMB could import crude palm oil for refining and sale locally. The returns are illustrated in the following example:

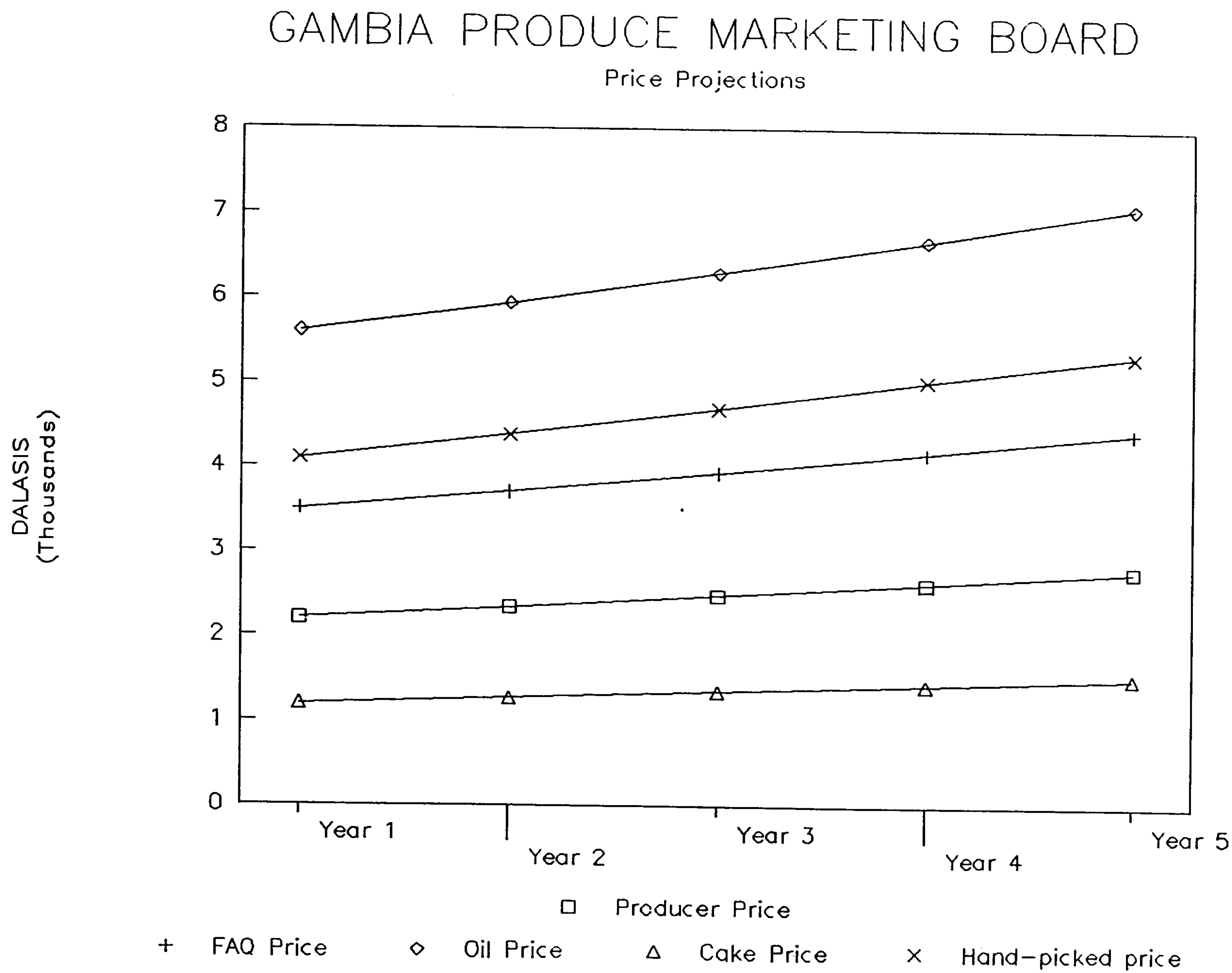
	Dollars
1,500 MT of crude @ \$400/MT	= 600,000
Refining costs @ \$26.95/T	= 40,425
2% oil loss	= 12,000
1,470 MT sold @ \$831/MT	= 1,221,500
Profit margin	= 569,145
Per MT	= \$380/MT
Compare with Groundnut Oil @	= \$10/MT

THE GAMBIA PRODUCE MARKETING BOARD (GPMB)

ANNEX E

BALANCE SHEET INFORMATION (Dalasis in 1000's)

	11/30/91	Core Assets 11/30/91	11/30/92
ASSETS			
Fixed Assets	184,283	156,570	27,713
Investment in Subsidiary	0	0	0
G.R.T. Liquidation Account	6,883	0	6,883
Loans and Investments	4,328	0	4,328
Suspence Account (GPMC)	0	0	0
NON-CURRENT ASSETS	195,494	156,570	38,924
Stock on Hand and in Transit	0	0	0
Spare Parts	14,549	14,549	0
Amounts Due from G.R.T.	0	0	0
Sundry Debtors and Prepayments	11,188	0	11,188
Government Subvention Due	38	0	38
Cash and Bank Balances	807	0	807
CURRENT ASSETS	26,582	14,549	12,033
TOTAL ASSETS	222,076	171,119	50,957
LIABILITIES			
Loans Payable	67,084	0	67,084
NON-CURRENT LIABILITIES	67,084	0	67,084
Loans Due within One year (G-Bills)	16,141	0	16,141
Creditors and Accruals	4,430	0	4,539
CURRENT LIABILITIES	20,571	0	20,680
TOTAL LIABILITIES	87,655	0	87,764
FINANCED BY :			
Capital Reserves	124,140	171,119	(36,807)
General Reserves	10,281	0	
STOCK HOLDERS EQUITY	134,421	171,119	(36,807)
LIABILITIES & STOCKHOLDERS EQUITY	222,076	171,119	50,957


GAMBIA PRODUCE MARKETING BOARD
Price Projections
DALASIS (Thousands)
8
7
6
5
4
3
2
1
0
Year 1
Year 2
Year 3
Year 4
Year 5
Producer Price
FAQ Price
Oil Price
Cake Price
Hand-picked price

Annex G: Potential Bidders for GPMB

Gambia Cooperative Union Ltd.
P. O. Box 505 Banjul,
The Gambia
Tel 220 92676/93493/93482
Fax 220 92582
Attn: Momodou M. Dibba
General Manager

T. Massry Co. Ltd.
26 Buckle Street
P. O. Box 134 Banjul,
The Gambia
Tel 220 28419/28900
Fax 220 27677
Attn: Hassib C.Massry
Manager

Amdalaye Trading Enterprises Ltd.
21 Picton Street
Box 930 Banjul,
The Gambia
Tel 220 27058/28550
Fax 220 91997
Attn: M. H. Kebbeh
Director

Arrow Holdings Ltd
68a Wellington Street
Tel 220 29257/29861
Fax 220 29860
Attn: H. M. M. N'jai

National Partnership Enterprises
P. O. Box Tel 220
Fax 220
Attn: K. M. A. Jarrow
Manager

Cargill Technical Services Ltd
13 Upper High Street
Thames, Oxfordshire OX9 3HL
United Kingdom
Tel 44 844 261447
Fax 44 844 261708
Attn: Mike Maynard
Managing Director

Wilmont W. O. B. John
P. O. Box 2600
Serekunda, TheGambia
Tel 220 96161
Fax 220 96161

Shyben A. Madi & Son
3 Russel Street
Banjul, The Gambia
Tel 220 29215
Fax 220 27099
Attn: George Madi
Managing Director

Sheriff John
2 Iman Omar Sowe St
Banjul, The Gambia
Tel 220 26750

Gambia Export Trading
21 Kairaba Avenue
Fajara, The Gambia
Tel 220 91521
Fax 220 90062
Attn: Dr. Lamin Soho

Dolemay Ltd
3 Crossways House
Silwood Road
Ascot, Berkshire, SL5 OPL
United Kingdom
Tel 44 344 874648
Fax 44 344 26160
Attn: R. G. Kettlewell
Managing Director

Overseas Private Investment Corporation
Opportunity Bank
1100 New York Avenue N. W.
Washington, D. C. 20527
Tel 202 336 8400
Attn: David Miller
Opportunity Bank

Annex G

AID
Office of New Initiatives
Department of State
Washington, D. C. 20523
Tel 202 647 2995
Fax 202 647 7430
Attn: Dr. Warren Weinstein
Assistant Associate
Administrator

El Sheik Organization
c/o East West Financial Services Inc.
Suite 485 2445 M Street N. W.
Washington, D. C.20037
Tel 202 659 5525
Fax 202 822 9297
Attn: Carl Bazarian

Sociedad Industrial Dominicana CA
Maximo Gomez 182
Aptdo Postal 726
Santo Domingo, Dominican Republic
Tel 809 565 2151/61
Fax 809 567 0422
Attn: Roberto Bonetti

MAVESA
Av Principal Los Cortijos de Lourcles
Aptdo Postal 2048
Caracas, Venezuela
Tel 58 2 239 1133
Fax 58 2 239 2506/0736
Attn: Jonathan Coles

Cargill Inc.
15407 McGinty Road West
Wayzata, Minnesota 55391-2999
Tel 612 475 7575
Fax 612 475 4751
Attn: Peter Hawthorne
Acquisition Manager

African Growth Fund
Suite 390
1850 K Street N. W.
Washington, D. C. 20006
Tel 202 293 1860
Fax 202 872 1521
Attn: K. R. Locklin
Manager

Industrias Lavador CA
San Martin 122
Aptdo Postal 761
Santo Domingo
Dominican Republic
Tel 809 565 7333
Fax 809 566 8544
Attn: Jose Vitienes

Bracht/Sidef Engineering
Kasteel Calesberg
B2120 Schoten Belgium
Tel 32 2 646 8688
Fax 32 2 646 5705
Attn: Jean Misson

CFTD
Compagnie Francaise pour le Developpement des Fibres Textiles
13 Rue de Monceau
75008 Paris, France
Tel 33 1 43 59 53 95
Fax 33 1 43 59 50 13
Attn: R. Dantonnet

African Business Roundtable
c/o African Development Bank BP
Abidjan, Cote D'Ivoire
Fax 225 20 49 00
Attn: Esom Alintah
Secretary General
FAX 234 1 612 584

Alimenta, S. A.
33 Quai Wilson
1201 Geneva
Switzerland
Tel 41 22 32 70 20
Telex 23568

Unilever PLC
Unilever House
P.O. Box 68
London EC4P 4BQ
United Kingdom
Tel 44 71 822 5252
Fax 44 71 822 5951
Attn: C. M. Jemmett
Executive Director

Annex G

Vanderbergh and Jurgens Ltd
Sussex House
Civic Way
Burgess Hill
Sussex
United Kingdom
Tel 44 4 246300
Fax 44 4 242175

Cargill PLC
Knowle Hill Park, Fairmile Lane
Cobham, Surrey KT11 2DP
United Kingdom
Tel 44 932 861000
Fax 44 932 861200
Attn: Roger Murray
Chairman

Archer Daniels Midland
Corporate Office
4666 Faries Parkway
Decatur, Illinois 65526
Tel 217 424 5200
Fax 217 424 5447
Attn: John Reed
Vice President
International

Harrisons & Crosfield plc
1 Great Tower Street
London, EC8R 5AH
United Kingdom
Tel 44 71 711 1400
Fax 44 71 711 1401
Attn: P.G.W Simmonds
Group Managing Director
Food & Agriculture

Unilever N. V.
Burg s'Jacobplein Postbus 760
NL 3000 DK Rotterdam The Netherlands
Tel 31 10 464 5911
Fax 31 10 464 4798
Attn: C. M. Jemmett
Regional Director - Africa

Grand Metropolitan plc
20 St. James Square
London SW1Y 4RR
United Kingdom
Tel 44 71 321 6000
Fax 44 71 321 6001
Attn: Peter E. B. Cawdron
Group Executive Strategy Development
Cadbury Schweppes PLC
1-2 Connaught Place
London W2 2EX
United Kingdom
Tel 44 71 262 1212 Fax 44 71 262 1212
ext 2121
Attn: D. G. Wellings
Managing Director
Confectionery Stream

CER International
Runlag, Switzerland
or 35 Winesaplane
Monsey, NY 10952
Fax: 41 18 05 53
Attn: Jonas Verleger

Herr A. Jean Renaud
c/o SAIS
P.O. Box CH 8031
Zurich, Switzerland
Tel: 41 1 278 4221

Peter Flint
Nestle - UK
St. George's House
Park Lane
Croydon, Surrey CR9 1NR
Tel: 44 81 686 3333
Fax: 44 81 681 7810

John Hill, Purchasing
Nestle - US
800 N Brand Blvd.
Glendale, CA 91203
(818) 549 6000

Scenario 3 - Case B : 100% Hand-Picked Select & Machine Graded nuts
& Increasing Tonnage from 30,000 to 45,000 Tonnes

WORKING CAPTIAL FINANCING SCHEDULE (Year 1)

		Increment p.a.
Producer price	2,200	0.0%
Hand-picked nuts price	4,100	0.0%
FAQ Price	3,500	0.0%

Annual Tonnage	30,000
Interest Rate p.a.	25%
Inflation Rate	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	35%
FAQ yield	65%

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12
Purchased (Tons)	6,000	6,000	6,000	6,000	6,000							
Decortized Yield	4,260	4,260	4,260	4,260	4,260	0	0	0	0	0	0	0
Cost (Principal)	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	0	0	0	0	0	0	0
Cumulative purchase	6,000	12,000	18,000	24,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Cumulative Yield	4,260	8,520	12,780	17,040	21,300	21,300	21,300	21,300	21,300	21,300	21,300	21,300
Sold (Tons)			9,129		9,129			3,043				
Yield Balance	4,260	8,520	12,780	7,911	12,171	3,043	3,043	3,043	0	0	0	0
Revenues	0	0	33,867,000	0	33,867,000	0	0	11,289,000	0	0	0	0
Principal Repaid	0	0	0	33,867,000	0	32,133,000	0	0	0	0	0	0
Principal Balance	13,200,000	26,400,000	39,600,000	18,933,000	32,133,000	0	0	0	0	0	0	0
Interest Paid	275,000	550,000	825,000	394,438	669,438	0	0	0	0	0	0	0
Cumulative Interest	275,000	825,000	1,650,000	2,044,438	2,713,875	2,713,875	2,713,875	2,713,875	2,713,875	2,713,875	2,713,875	2,713,875
Surplus Cash	0	0	0	0	0	1,734,000	0	0	11,289,000	0	0	0
Cumulative Cash	0	0	0	0	0	1,734,000	1,734,000	1,734,000	13,023,000	13,023,000	13,023,000	13,023,000

Total Cost	66,000,000
Total Rev.	79,023,000
Gross Profit	13,023,000
Tot. Fix + Var	7,055,925
Gross Oprtg	5,967,075

ANNEX H

Scenario 3 – Case B	: 100% Hand-Picked Select & Machine Graded nuts & Increasing Tonnage from 30,000 to 45,000 Tonnes

WORKING CAPTIAL FINANCING SCHEDULE (Year 2)

		Increment p.a.
Producer price	2,332	6.0%
Hand-picked nuts price	4,387	7.0%
FAQ Price	3,710	6.0%

Annual Tonnage	35,000
Interest Rate p.a	25%
Inflation Rate	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	35%
FAQ yield	65%

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12
Purchased (Tons)	7,000	7,000	7,000	7,000	7,000							
Decortized Yield	4,970	4,970	4,970	4,970	4,970	0	0	0	0	0	0	0
Cost (Principal)	16,324,000	16,324,000	16,324,000	16,324,000	16,324,000	0	0	0	0	0	0	0
Cumulative purchase	7,000	14,000	21,000	28,000	35,000	35,000	35,000	35,000	35,000	35,009	35,000	35,000
Cumulative Yield	4,970	9,940	14,910	19,880	24,850	24,850	24,850	24,850	24,850	24,850	24,850	24,850
Sold (Tons)			10,650		10,650			3,550				
Yield Balance	4,970	9,940	14,910	9,230	14,200	3,550	3,550	3,550	0	0	0	0
Revenues	0	0	42,035,018	0	42,035,018	0	0	14,011,673	0	0	0	0
Principal Repaid	0	0	0	42,035,018	0	39,584,983	0	0	0	0	0	0
Principal Balance	16,324,000	32,648,000	48,972,000	23,260,983	39,584,983	0	0	0	0	0	0	0
Interest Paid	340,083	680,167	1,020,250	484,604	824,687	0	0	0	0	0	0	0
Cumulative Interest	340,083	1,020,250	2,040,500	2,525,104	3,349,791	3,349,791	3,349,791	3,349,791	3,349,791	3,349,791	3,349,791	3,349,791
Surplus Cash	0	0	0	0	0	2,450,035	0	0	14,011,673	0	0	0
Cumulative Cash	0	0	0	0	0	2,450,035	2,450,035	2,450,035	16,461,708	16,461,708	16,461,708	16,461,708

Total Cost	81,620,000
Total Rev.	98,081,708
Gross Profit	16,461,708
Tot Fix+Var	7,970,633
Gross Oprtg	8,491,075

ANNEX H

Scenario 3 – Case B :	100% Hand-Picked Select & Machine Graded nuts & Increasing Tonnage from 30,000 to 45,000 Tonnes

WORKING CAPTIAL FINANCING SCHEDULE (Year 3)

		Increment p.a.
Producer price	2,472	6.0%
Hand-picked nuts price	4,694	7.0%
FAQ Price	3,933	6.0%

Annual Tonnage	40,000
Interest Rate p.a.	25%
Inflation Rate	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	35%
FAQ yield	65%

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12
Purchased (Tons)	8,000	8,000	8,000	8,000	8,000							
Decortized Yield	5,680	5,680	5,680	5,680	5,680	0	0	0	0	0	0	0
Cost (Principal)	19,775,360	19,775,360	19,775,360	19,775,360	19,775,360	0	0	0	0	0	0	0
Cumulative purchase	8,000	16,000	24,000	32,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Cumulative Yield	5,680	11,360	17,040	22,720	28,400	28,400	28,400	28,400	28,400	28,400	28,400	28,400
Sold (Tons)			12,171		12,171			4,057				
Yield Balance	5,680	11,360	17,040	10,549	16,229	4,057	4,057	4,057	0	0	0	0
Revenues	0	0	51,109,307	0	51,109,307	0	0	17,036,436	0	0	0	0
Principal Repaid	0	0	0	51,109,307	0	47,767,493	0	0	0	0	0	0
Principal Balance	19,775,360	39,550,720	59,326,080	27,992,133	47,767,493	0	0	0	0	0	0	0
Interest Paid	411,987	823,973	1,235,960	583,169	995,156	0	0	0	0	0	0	0
Cumulative Interest	411,987	1,235,960	2,471,920	3,055,089	4,050,246	4,050,246	4,050,246	4,050,246	4,050,246	4,050,246	4,050,246	4,050,246
Surplus Cash	0	0	0	0	0	3,341,815	0	0	17,036,436	0	0	0
Cumulative Cash	0	0	0	0	0	3,341,815	3,341,815	3,341,815	20,378,251	20,378,251	20,378,251	20,378,251

Total Cost	98,876,800
Total Rev	119,255,061
Gross Profit	20,378,251
Tot Fix + Var	8,894,158
Gross Oprtg	11,484,[illegible]

Scenario 3 – Case B : 100% Hand-Picked Select & Machine Graded nuts & Increasing Tonnage from 30,000 to 45,000 Tonnes

WORKING CAPITAL FINANCING SCHEDULE (Year 4)

		Increment p.a.
Producer price	2,620	6.0%
Hand-picked nuts price	5,023	7.0%
FAQ Price	4,169	6.0%

Annual Tonnage	40,000
Interest Rate p.a.	25%
Inflation Rate	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	35%
FAQ yield	65%

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	
Purchased (Tons)	8,000	8,000	8,000	8,000	8,000								
Decorticized Yield	5,680	5,680	5,680	5,680	5,680	0	0	0	0	0	0	0	Total Cost
Cost (Principal)	20,961,882	20,961,882	20,961,882	20,961,882	20,961,882	0	0	0	0	0	0	0	104,809,408
Cumulative purchase	8,000	16,000	24,000	32,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
Cumulative Yield	5,680	11,360	17,040	22,720	28,400	28,400	28,400	28,400	28,400	28,400	28,400	28,400	
Sold (Tons)			12,171		12,171			4,057					
Yield Balance	5,680	11,360	17,040	10,549	16,229	4,057	4,057	4,057	0	0	0	0	
Revenues	0	0	54,375,834	0	54,375,834	0	0	18,125,278	0	0	0	0	Total Rev.
Principal Repaid	0	0	0	54,375,834	0	50,433,574	0	0	0	0	0	0	12[illegible],876,946
Principal Balance	20,961,882	41,923,763	62,885,645	29,471,692	50,433,574	0	0	0	0	0	0	0	Gross Profit 22,067,538
Interest Paid	436,706	873,412	1,310,118	613,994	1,050,6[illegible]9	0	0	0	0	0	0	0	
Cumulative Interest	436,706	1,310,118	2,620,235	3,234,229	4,284,928	4,284,928	4,284,928	4,284,928	4,284,928	4,284,928	4,284,928	4,284,928	Tot. Fix+Var 9,059,294
Surplus Cash	0	0	0	0	0	3,942,260	0	0	18,125,278	0	0	0	Gross Oprtg
Cumulative Cash	0	0	0	0	0	3,942,260	3,942,260	3,942,260	22,067,538	22,067,538	22,067,538	22,067,538	13,008,244

ANNEX H

Scenario 3 – Case B	: 100% Hand-Picked Select & Machine Graded nuts & Increasing Tonnage from 30,000 to 45,000 Tonnes

WORKING CAPTIAL FINANCING SCHEDULE (Year 5)

		Increment p.a.
Producer price	2,777	6.0%
Hand-picked nuts price	5,324	6.0%
FAQ Price	4,419	6.0%

Annual Tonnage	45,000
Interest Rate p.a.	25%
Inflation Rate	6%
% Revenue Repaid	100%

Production Yield	71%
Hand-picked Yield	35%
FAQ yield	65%

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12
Purchased (Tons)	9,000	9,000	9,000	9,000	9,000							
Decorticized Yield	6,390	6,390	6,390	6,390	6,390	0	0	0	0	0	0	0
Cost (Principal)	24,997,044	24,997,044	24,997,044	24,997,044	24,997,044	0	0	0	0	0	0	0
Cumulative purchase	9,000	18,000	27,000	36,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Cumulative Yield	6,390	12,780	19,170	25,560	31,950	31,950	31,950	31,950	31,950	31,950	31,950	31,950
Sold (Tons)			13,693		13,693			4,564				
Yield Balance	6,390	12,780	19,170	11,867	18,257	4,564	4,564	4,564	0	0	0	0
Revenues	0	0	64,843,182	0	64,843,182	0	0	21,614,394	0	0	0	0
Principal Repaid	0	0	0	64,843,182	0	60,142,037	0	0	0	0	0	0
Principal Balance	24,997,044	49,994,088	74,991,131	35,144,993	60,142,037	0	0	0	0	0	0	0
Interest Paid	520,772	1,041,543	1,562,315	732,187	1,252,959	0	0	0	0	0	0	0
Cumulative Interest	520,772	1,562,315	3,124,630	3,856,818	5,109,777	5,109,777	5,109,777	5,109,777	5,109,777	5,109,777	5,109,777	5,109,777
Surplus Cash	0	0	0	0	0	4,701,145	0	0	21,614,394	0	0	0
Cumulative Cash	0	0	0	0	0	4,701,145	4,701,145	4,701,145	26,315,539	26,315,539	26,315,539	26,315,539

Total Cost	124,985,219
Total Rev.	151,300,758
Gross Profit	26,315,539
Tot Fix+Var	10,002,075
Gross Oprtg	16,313,464

ANNEX I

Sensitivity Analysis of Spread Between Average HPS/FAQ and Producer Price

The break-even spread between average revenue and producer price depends on the throughput. At levels of 40,000 metric tonnes and above, a spread of 17% between average revenue and producer price is sufficient to cover operating and fixed costs. Below 40,000 metric tonnes, this spread is inadequate and a margin of approximately 20% is required in order to break even. To achieve this, prices will have to rise by approximately 4.5%. Variable (processing) costs as a proportion of revenue fall with increasing prices even though the tonnage of nuts processed is also rising. Two effects are contributing to this reduction: unit price increases and higher HPS revenue contribution margins. Neither affect variable costs directly by themselves, but together they allow the producer/revenue price spread to increase and cover operating and fixed costs.

Thus, provided the product mix stays at the same proportions, a 17% producer price spread will be adequate to break-even at 40,000 tonnes and above. The break-even level can be lowered if the proportion of HPS rises to more than 35%. Should the HPS yield fall it is likely that a higher margin will be required.

ANNEX I

Sensitivity Analysis of Price and FAQ Spread

Average Rev/ton	2,634	100.0%
Crop price/ton	2,200	83.5%
	434	16.5%
VC/ton	244	9.3%
Op profit/ton	190	7.2%
Total op prof(times # tons	5,702,700	
Total FC	9,449,500	
Profit	(3,746,800)	

Tonnage: 30,000 MT

Producer Price	Weighted Average FAQ & HPS price					
	2,600	2,650	2,700	2,750	2,760	2,770
2,200	(4,769,800)	(3,269,800)	(1,769,800)	(269,800)	30,200	330,200
2,250	(6,269,800)	(4,769,800)	(3,269,800)	(1,769,800)	(1,469,800)	(1,169,800)
2,300	(7,769,800)	(6,269,800)	(4,759,800)	(3,269,800)	(2,969,800)	(2,669,800)
2,350	(9,269,800)	(7,769,800)	(6,269,800)	(4,769,800)	(4,469,800)	(4,169,800)
2,400	(10,769,800)	(9,269,800)	(7,769,800)	(6,269,800)	(5,969,800)	(5,669,800)

INCOME STATEMENT

Tonnage Increasing

	30,000 1		35,000 2		40,000 3		40,000 4		45,000 5	
Revenue	79,023,000	100.0%	84,070,035	100.0%	89,441,288	100.0%	95,157,710	100.0%	100,867,172	100.0%
Crop	66,000,000	83.5%	69,960,000	83.2%	74,157,600	82.9%	78,607,056	82.6%	83,323,479	82.6%
Other Variable costs	7,320,300	9.3%	7,320,300	8.7%	7,644,109	8.5%	7,820,121	8.2%	8,012,943	7.9%
Margin	5,702,700	6.4%	6,789,735	8.1%	7,639,579	8.5%	8,730,532	9.2%	9,530,750	9.4%
Fixed Costs	9,449,500	10.6%	9,596,470	11.4%	9,752,258	10.9%	9,917,394	10.4%	10,092,437	10.0%
Profit	(3,746,800)	-4.2%	(2,806,735)	-3.3%	(2,112,679)	-2.4%	(1,186,861)	-1.2%	(561,687)	-0.6%

Note

Total Variable Costs include Interest Expense and processing costs

Average Rev/ton calculated is weighted average of HPS and FAQ
ie 0.71 * [(0.35*4100)] + [(0.65*3500)] = 2,634

Total operating Profit = 190 * 30,000 tons

Fixed Cost includes depreciation

To break-even at 30,000 MT prices will have to rise from 2,634 to approximately 2,760; an increase of 4.5%.