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The Application of Standardized Promotion and Sales Process for The Privatization of Joint Venture Companies

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TABLE OF CONTENT

Background 4

Overview 4

Privatization Program 4

Privatization Process 4

The Assignment 6

Project Tasks 7

Sales Guidelines for Joint Venture Divestiture 7

Sohag For Investment and Development Company 7

El Fayoum El Wataneyah For Food Security 8

Results and Recommendations 9

Results 9

Recommendations 9

Introductory Presentation of Sales Guidelines for Joint Venture Divestiture

Section 1: Summary 11

Section 2: The Sales Plan 13

Description of Tasks 13

Form One: Public Offering on the Stock Market 16

Form 1.1 Public Offering on the Stock Market 17

Form 1.2 Minority Public Sale: 18

Form 1.3 Majority Sale (Anchor Investor) 19

Section 3: Sales Documentation 20

Conducting Due Diligence 23

Assembling Documentation 24

Company Fact Sheet Outline (1-4 Pages) 25

Information Memorandums (15+ Pages) 26

Section 4: Marketing and Advertising 27

Marketing Plan 27

Advertising The Company 27

Identifying and Targeting Potential Investors 28

Tracking and Follow Up 32

Section 5: Responding to and communicating with potential investors. 35

Contact Point 35

Assisting potential investors with due diligence 35

Site Visits 38

Bidding Process 38

Information Memorandum Sohag For Investment and Development Co.

Sohag For Investment and Fayoum For Food Security

Background

Overview

Since 1991 the Government of Egypt has implemented a comprehensive economic stabilization and economic reform program. The broad objectives of this program are:

A. Creation of a liberalized market driven economy;
B. Encourage and sustain economic growth;
C. Attract foreign direct investment;
D. And integrate Egypt into the global economy.

By 1999 the reforms had successfully stabilized the economy, significantly reduced the budget deficit, and instituted a privatization program.

Privatization Program

Initially the GOE's privatization program focused on independently managed 100% government owned manufacturing and service companies otherwise known as law 203 companies. Of the original 314, 105 of these have been privatized. As the reform program expanded the number of privatization targets increased to include electricity companies, the telecommunications company, BOOT and BOT projects and joint venture companies. The Ministry of Trade and Supply has overall responsibility for the divestiture of the 400+ joint venture companies. The government's ownership of the joint ventures ranges from 5-95 %. Each joint venture may have between 1 and 10 public sector owners. To date the Ministry has managed to sell the governments stake in 16 companies.

Privatization Process

Like all government owned properties the JV companies must go through a lengthy nomination, valuation, and approvals process. Once valuations and sales methods have been approved a sales process must be initiated. The process is outlined in the steps below:

Company Nominated

↓

Valuation Committee Formed

↓

CAA Price Recommendation

↓

Quattro Committee

↓

PM Committee approves price and sale

↓

Marketing and Pre-Transaction Support

Negotiation and Transaction

↓

The process between the nomination stage and the final approval of the Prime Ministerial Committee can in some cases take over a year. Final approval by the PM committee of course does not guarantee a sale. The sales process or the last two steps can take anywhere between 2 to 9 months. Many companies sometimes remain in this position for over a year.

The marketing and pre-transaction support and the actual transaction stages (Last two steps) involve a number activities:

A. Sales Strategy – How will the company be sold? What is the target market (International, National, Local, Management ?), Who will be responsible for what activities during the sales process?

B. Seller's Due Dilligence - The process of investigation and information collection which a seller must complete and compile.

C. Documentation creation – The creation of any sales documents. Information memorandum, advertisements, web pages, etc.

D. Marketing and Advertising – Targeting potential investors, selecting how to advertise and promote the company for sale, and tracking and following up.

E. Investor's due diligence – The potential buyers investigation into the company

F. Bidding Process

G. Negotiations.

Any company which is being sold goes through some form of the above process. The amount of time required to go through the sales process depends on the sales method (ie: direct negotiation, open tender, stock market offering or auction), the size, and type of company. Traditionally in privatization small companies move faster through the process, however, in Egypt this is not always the case due to the valuation process and lack of rapid sales methods.

With the joint venture companies the sales process is further complicated by the number of parties involved. They include:

A. The company for sale

B. The owners (both private sector and public entities, often more than one)

C. The sales agent

D. The Ministry of Trade and Supply

E. Sometimes donor funded consultants.

The Ministry of Trade and Supply has responsibility for coordinating these parties through the sales process. (This was the case during the duration of this project however, as of the October 11, 1999 the JV portfolio is no longer the responsibility of the Ministry of Trade and Supply).

The Assignment

As part of the privatization and economic liberalization program the GOE is divesting the public sector holdings in joint venture companies and banks. According to Decree 341 (1996) the Ministry of Trade and Supply is assigned the coordination of the sale of the governments stake in these 400 plus companies (As noted this portfolio was changed in October of 199). Of these 400 companies 67 are classified as agribusiness companies.

The Agricultural Policy Reform Project's Reform Design and Implementation Unit is assisting the Ministry of Trade and Supply with the divestiture of these 67 companies at all stages of the privatization process, from nomination to transaction. A few of these companies have received valuations and approval for sale from the Prime Ministerial Committee and are ready to sale. However, the Ministry and its nominated sales agents have been unable to sale these companies.

In June 1999 RDI received approval from USAID to support the Ministry of Trade and Supply with the development and application of standardized promotion and sales process by providing a short term privatization consultant for 60 Days to the Ministry. The specific objectives of this assignment included:

A. The development of and implementation of general company sales procedures;

B. Completion of professional information memorandum for each company;

C. Establish clear sales action plans for two companies;

D. Provide assistance to the Banque Du Caire with the implementation of the action plan.

The two companies chosen were Sohag For Investment and Development an El Fayoum El Wataneyah for Food Security.

During the course of the project the Ministry of Trade and Supply requested that RDI train a Ministerial employee in the sales processes by including him on the consultancy team. RDI agreed to this request as it was seen as way which to increase the know-how of the Ministry. The employee became the teams counterpart for this task.

Project Tasks

Sales Guidelines for Joint Venture Divestiture

Sales guidelines and procedures were developed and presented to the Ministry. The sales guidelines included:

A. Sales Action Plan- Description and tasks involved in creating a sales plan.

B. Sales Documentation – Instructions on conducting seller's due diligence and completing sales documentation such as information memorandums.

C. Marketing and Advertising – How to market the company for sale.

D. Responding to and communication with potential investors.

The sales guidelines and the presentation to the ministry employee are included in this report.

Sohag For Investment and Development Company

SIDC is a small egg and chicken producer in The Sohag Governerate in Upper Egypt. In 1998 revenues were 7.4 Million LE with a net profit of 431,000LE. There are currently 225,000 shares in issue. The GOE is attempting to sell 101,690 (45.2%) of the company. There are 7 public sector owners holding between 22% and .72% of the shares.

The company was initially valued and approved for sale in December 1997. The value was set at 20LE per share. Bank Du Caire was appointed the sales agent with responsibility for finding an anchor investor. Originally, 57% of the company was to be sold however, it was determined that Nasser Bank, which owns 12.22% of the company, is not actually a public entity.

In 1998, Banque Du Caire created a production (rather than market and financial) focused information memorandum. They approached a number of companies in and around Sohag and entered into negotiations with one buyer. No buyer however was willing to pay 20LE a share for the company. The bank informed the PM Committee that they could not sell the company. The PM Committee advised the bank to advertise. The situation was left like this until June 1999.

The RDI team agreed to a sales plan with the bank for both SIDC and Fayoum For Food Security. The RDI team would be responsible for all of the steps up to the information memorandum and would work with the bank to advertise and promote the company.

A month long investigation of the company was conducted, documentation was translated into English, and a site visit by the RDI team and Ministerial counterpart was conducted. From this effort an information memorandum in both Arabic and English, a web page (Arabic and English), an Additional Infromation Document (containing orginal and translated doucments) and newspaper advertisement were developed.

Banque Du Caire agreed to advertised the company on September 5th and receive bids on October 5th. Banque Du Caire agreed to use the single sealed bid process to ensure that all interested investors would make a bid. Previously, Banque Du Caire had advertised the valuation price deterring investors.

The advertisement was placed in local newspapers and at the bank's branches, the web page published on the bank's internet site (www.bdc.com.eg), information memo sent to 40 private sector poultry companies, and faxes sent to 50 brokers and investment advisors.

At the end of September potential investors visited the company and on October 5th 7 bids were received. The bank has entered into negotiations with the highest bidder.

El Fayoum El Wataneyah For Food Security

El Fayoum for Food Security is a micro diary producer with 600 cows. They currently have only one customer. Revenues for 1998 were 1.5 Million LE with a profit of 9,000 LE. The GOE is attempting to sell its share (58%) to an anchor investor.

The company was approved for sale in 1997 for 11LE per share. This price represented a P/E ratio of 150. Bank Du Caire was named the sales agent and created an investment memo. The bank was unable to find any interested investors and the company has remained unsold for two years.

In June 1999 RDI agreed with the Bank to develop a new information memorandum and assist with the sales process. At that time however, the company was not prepared to respond to due diligence questions as the 1998 financials were not complete.

The 1998 financials were not completed until September 1999. A site visit by the consultant and Ministerial counterpart was conducted. The company upon the consultants request prepared a comprehensive document containing all of the relevant information. There was not sufficient time to translate late all of the company information so the Ministerial counterpart analyzed it and prepared a draft information memorandum in Arabic and English. Revision of the Arabic version is being completed by RDI.

Once this is complete Bank Du Caire will advertise the company for sale. The single sealed bid method will be used.

Results and Recommendations

Results

A. The GOE has moved further in divesting its share in Sohag and Fayoum. Its is likely that by years end that the governments stake in these two companies will have been sold. RDI's assistance has helped Banque Du Caire find serious investors for Sohag and established a procedure at the bank for selling Fayoum. Actual sales will be contingent on the GOE approving a new selling price for each company based on the bids received. The investment division, Ministry of Trade and Supply, and RDI feel that the GOE will approve the sale given the current attitude towards privatization and the length of time it has already taken to find serious investors.

B. By using the sealed bid method and not advertising the price Banque Du Caire has made a significant step in allowing the market to set the price for government assets. If this method is continued to be used and the market is allowed to establish the price of government assets the number of completed transactions will increase. RDI convinced BDC to use this method.

C. With RDI's assistance BDC is now willing and able to use their Internet site to promote company sales and disseminate information.

D. The Ministry of Trade and Supply employee who worked with the team throughout the project is now trained in company due diligence and sales documentation creation. He will still need more training to be able to operate on his own.

V. Sales procedures and guidelines were introduced at the Ministry of Trade and Supply.

Recommendations

A. The case-by-case approach to privatization is clearly not appropriate to the joint venture divestiture program if time is a factor. It will take two people well over 2 years to sell all of the Agribusiness companies and over 6 years to sell of the JV companies. Clearly another bulk or mass privatization method should be found.

B. Due to the large number of parties involved in the sales process it is necessary to systemize the roles of parties to increase the pace of divestiture.

C. The Ministry of Trade and Supply (Or whatever Ministry is responsible for coordinating the sale of JV's) must be focused on selling and have the capability to work with sales agents, owners and the investment community.

Introductory Presentation
Of
Sales Guidelines for Joint Venture Divestiture
Ministry of Trade and Supply

Summary

Company nominated

Valuation Committee Formed

Valuation Committee Determines Price

Central Audit Authority Price Recommendation

Quattro Committee

PM Committee approves price and sales method

Sales Support Process

Buyer(s) Found and Sale Completed

Sales Support

- Sales Strategy
- Seller's Due Diligence
- Documentation
- Company Marketing Plan
- Advertising

- Investors Due Dili

Sales Guidelines Joint Venture Privatization

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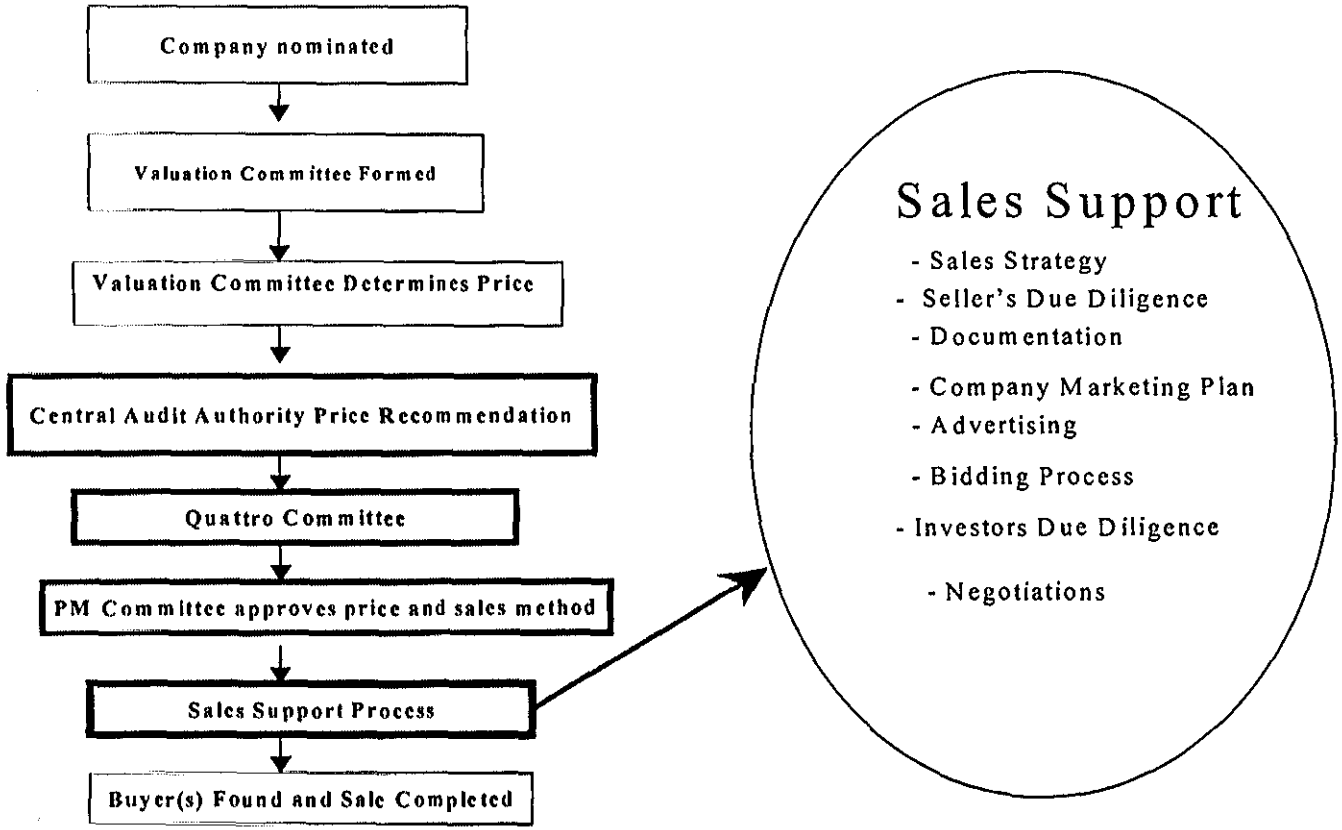
Introductory Presentation
Of
Sales Guidelines for Joint Venture Divestiture
Ministry of Trade and Supply

Summary



Sales Guidelines Joint Venture Privatization

Involved in the Sales Process

- The Company For Sale
- The Owners
- The Sales Agent
- The Ministry of Trade and Supply Privatizaiton Unit

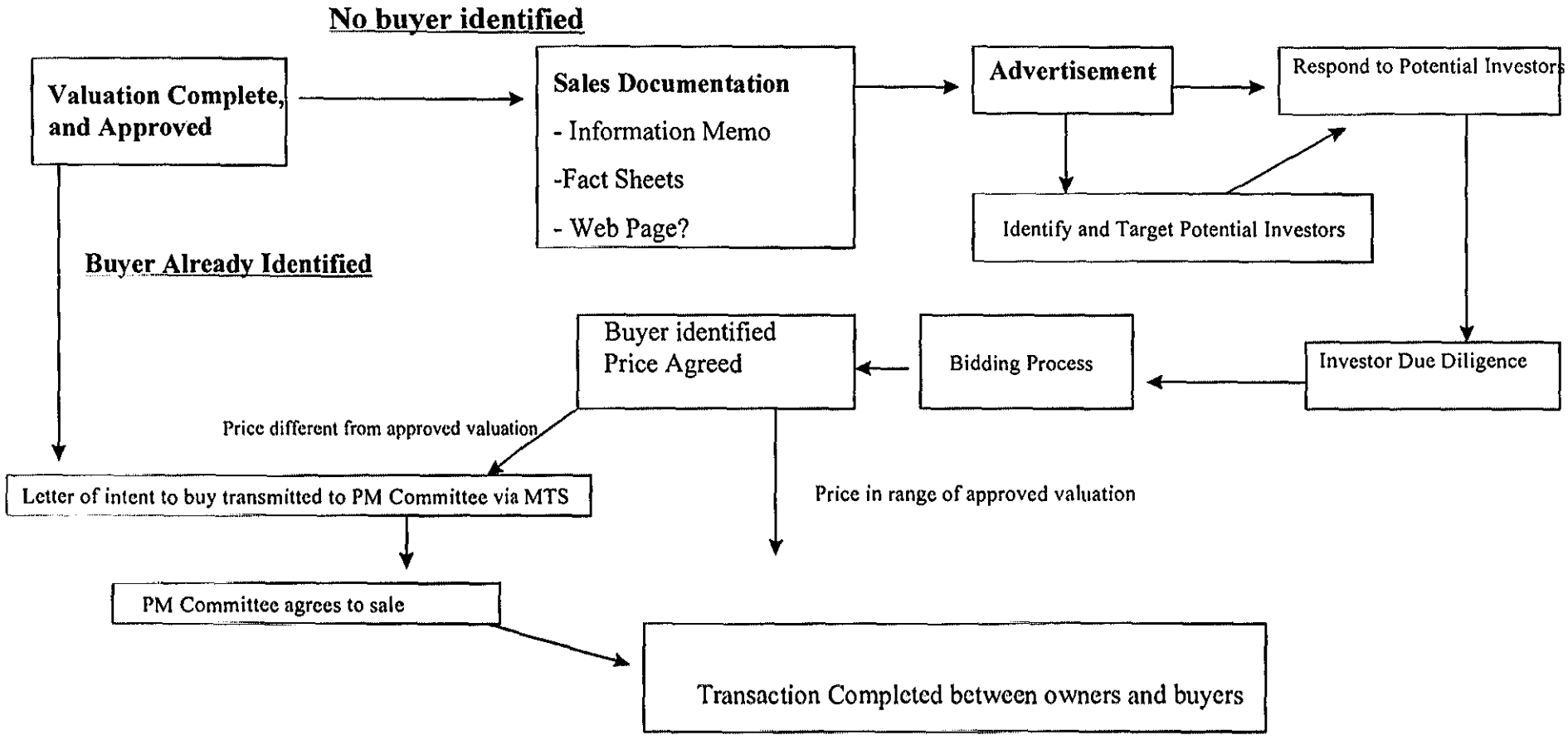
Who

- The Company For Sale
- The Owners
- The Sales Agent
- The Ministry of Trade and Supply Privatizaiton Unit

Task

- Sales Strategy
- Seller's Due Diligence
- Documentation
- Company Marketing Plan
- Bidding Process
- Investor Due Diligence
- Negotiations
- Governmental Approvals

Sales Map



Sales Guidelines Joint Venture Privatization

Sales Plan

- Initial meeting to write sales plan.All parties involved in the sales process
- Establishes what task are required
- Establishes when task will be completed
- Establishes who will be responsible for each task.
- (Complete the Action Plan and Start a tracking form)

Sales Documentation

- Seller's Due Diligence
- Conducting Due Diligence
  - Establishing a Relationship with the company
  - All information must be asked for.
- Assembling Documentation
  - Fact Sheets
  - Info Memo
  - Additional Information

Marketing and Advertising

- Marketing Plan
- Advertising The Company
- Identifying and Targeting Potential Investors
  - Existing Networks
  - Industry
  - Brokers
- Tracking and Follow Up

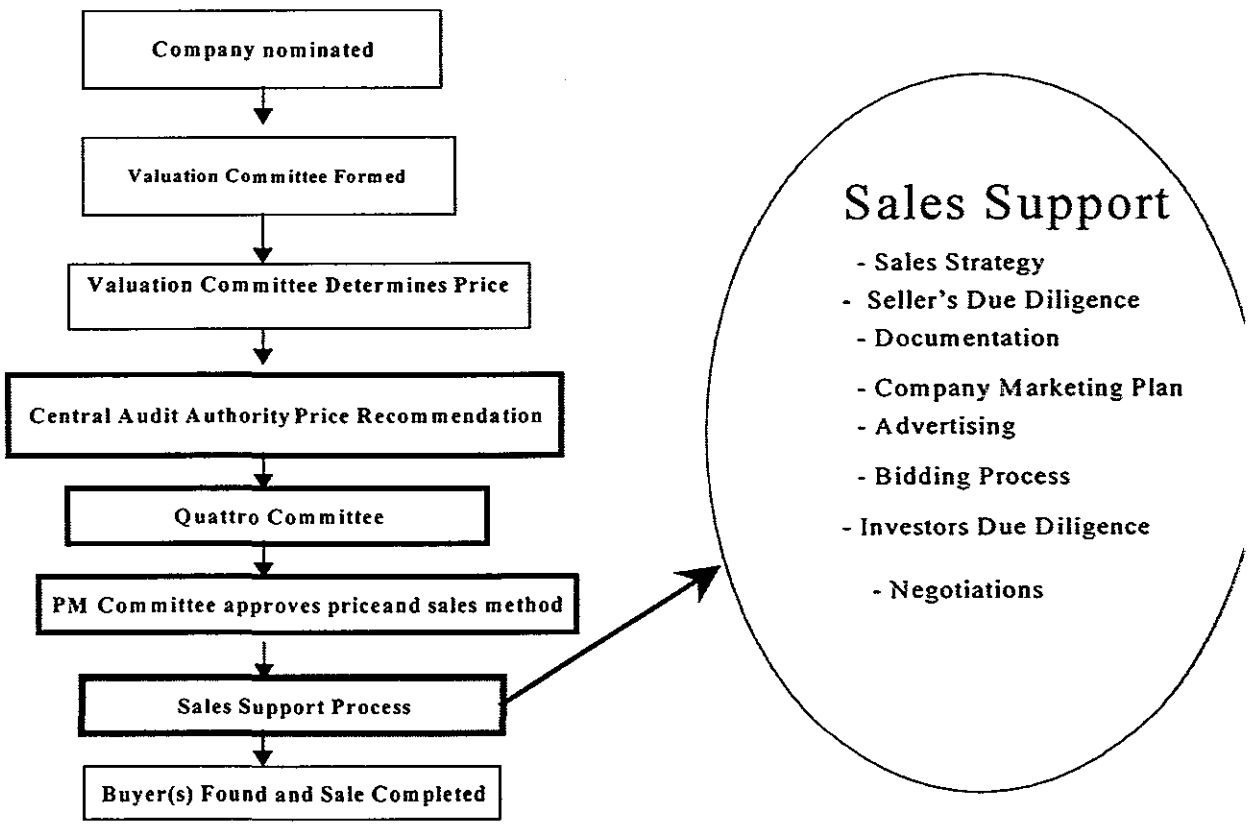
Communicating With Investors

- Contact Point
- Assisting potential investors with due diligence
- Site Visits
- Bidding Process

Section 1: Summary

This document sets out guidelines and tools for the Joint Venture sales team at the Ministry of Trade and Supply. The document will assist the sales team manage the sales process from the point of valuation to achieving a successful transaction. The diagrams below set out the divestiture process and the specific tasks of the sales support process.

Figure 1: Sales Support in the Divestiture Process



From the above figure it is clear that the sales support process is critical to achieving a final sale. The Ministry of Trade and Supply's IBU will be involved in the sales support process to varying degrees depending on the type of company, amount of public ownership, ability of the sales agent and the method of divestiture.

Section 2: The Sales Plan

In the event that a company's existing private sector owners are unwilling to purchase the governments share of an enterprise and no other buyer has been found during the valuation process it will be necessary to implement a comprehensive sales plan in order to obtain a transaction. The Ministry of Trade and Supply's investment banking unit will be responsible for driving the sales process forward. They will need to aggressively co-ordinate the activities of the public sector owners, the company managers, the underwriters (in the event of a stock market transaction), and the potential buyers. The first module of the sales program sets out a format and checklist process in order to assist the sales team with this operation.

This section contains a format for a company sales plan. The sales team will be able to use the format to develop specific sales plans for companies once valuations have been approved. Each step in the sales plan will be identified against the organization and person responsible in a checklist format. A date will be given for completion of each step. The sales plan and checklist will assist the sales manager at the Ministry of Trade and Supply to direct and monitor the sales process of each company.

Description of Tasks

Initial Meeting

A meeting conducted as soon as possible between the person at MoTS responsible for co-ordination the sale of the company, the nominated sales agent if one has been appointed, representatives of the public sector owners and anyone else appropriate. (RPI, Assigned Investment Advisor Company managers etc). The MoTS representative should lead the meeting. Determination of which sales activities are necessary, dates for completion established, and responsibilities assigned. An example of sample action plans are given below.

Identification and contracting of an underwriter

If the company's shares are to be sold on the stock exchange a qualified underwriter (broker) will need to be found. The contract between the owners and the underwriter must be transparent and on commercial terms.

Information Collection

In order to create quality information memorandums and fact sheets detailed operational and financial information about the company must be collected. Much of this information will have been collected during the valuation process, however, it will be important to obtain updated data. Information collection will be covered in more detail in the section 3.

Information Memorandum

In the event that more than 50% of the company is being sold to one investor it will be necessary to create comprehensive English and Arabic information memorandums or for small companies company fact sheets for investors. These will be distributed to potential investors. Details about Information Memorandums are included in section two.

Fact Sheets

Brief one to two page information highlights on a joint venture company. Used to inform investors about the details of a particular enterprise. Sometimes exclusively used in the event of small stake sales. Section Two will offer more details about the preparation and format of fact sheets.

Advertisements

In many instances it is important to use advertisements to announce that a company will be for sale. The ad will need to give some details about the company, the sale, and contact information where investors can obtain more detailed information. Advertisements will be covered in Section 3.

Contact Point

Potential investors will need to be able to easily obtain comprehensive information on the company (s) for sale and the bidding procedures. An effective contact point will be able to quickly distribute information and manage potential investor due diligence. Section 3.

Bidding Documents

Specific documentation for the bidding process must be developed by the sales agent. This documentation might include: letters of commitment, evaluation scoring sheets, instructions to bidders, etc.

Researching and Contacting Potential Investors

In many instances it will be necessary to find and target specific investors. Tools and methods for managing this process will be reviewed in section 3.

Site Visits

With sales of over 50% of the company or significant minority sales, investors will be interested in visiting companies and interviewing managers before completing a bid. It will be necessary to prepare these companies for these site visits.

Responding to Due Diligence Questions

Likewise investors will want to conduct their own due diligence. It will be important that their inquiries are answered quickly and thoroughly.

Managing the Bid Process

The timing, location, composition of the evaluation panel will most likely be managed by the sales agent. By systematizing and managing the process the sales unit will ensure a transparent and seamless sale.

Negotiating the Sale

Once a bidder has been selected the terms of the sale must be negotiated. The terms will include payment methods, timing and process of transferring ownership etc.

Form One: Public Offering on the Stock Market

Action Plan

Company Name: _____

Individual Responsible for Sale at MoTS: _____

	Planned Completion	Responsible Person	Organization	Completed On	Documentation
ales Meeting					
Underwriter Identified*					
Underwriter Contracted*					
Information Collection					
Information Memorandum					
Fact Sheet					
Advertisement Development					
Advertisement Placement & Payment					
Establish Contact Point					
Develop Bidding Documents					
Research and Contact Potential Investors					
Manage Site Visits					
Respond to Due Diligence Questions					
Manage Bidding Process					
Award Bid					
Negotiate Sale					
Manage Transaction					

Form 1.1 Public Offering on the Stock Market

Tracking Form

Fragmented Divestiture on the Stock Market or Total Divestiture on the Stock Market

Company Name: _____ Contact Number: _____ Contact Person: _____

Approved Valuation amount per share: _____ Date: _____

Public Sector Owners: _____ Amount _____
_____ Amount: _____
_____ Amount: _____
_____ Amount: _____

Public Sector Owners Selling Shares on the Stock Market: _____ Amount: _____

BROKER (UNDERWRITER): _____ DATE CONTRACTED: _____

Contact Person: _____ Telephone Number: _____

AGREED PRICE PER SHARE: _____

Company Currently Trading At: _____ on: _____

Target Offering Date: _____

RESTATEMENT OF FINANCIAL ACCOUNTS: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

INFORMATION MEMORANDUM: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

FACT SHEET: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

ADVERTISEMENT OF PUBLIC OFFERING CREATION: YES NO DATE: _____ BY: ____ ORGANIZATION: _____

PLACEMENT OF ADVERTISEMENT: YES NO DATE: _____ WHERE: _____ PAID FOR BY: _____

Form 1.2 Minority Public Sale:

Tracking Form

Fragmented Divestiture Private Sale or **Total Divestiture Private Sale**

Company Name: _____ Contact Number: _____ Contact Person: _____

Approved Valuation amount per share: _____ Date: _____

Public Sector Owners: _____ Amount _____ Contact: _____
_____ Amount: _____ Contact: _____
_____ Amount: _____ Contact: _____
_____ Amount: _____ Contact: _____

Public Sector Owners Selling Shares: _____ Amount: _____

Contact Person: _____ Telephone Number: _____

AGREED PRICE PER SHARE: _____

Company Currently Trading At: _____ on: _____

Target Sales Date: _____

RESTATEMENT OF FINANCIAL ACCOUNTS: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

INFORMATION MEMORANDUM: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

FACT SHEET: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

CONTACT POINT ESTABLISHED: DATE: _____ BY: _____ WHERE: _____

ADVERTISEMENT OF PUBLIC OFFERING CREATION: YES NO DATE: _____ BY: ____ ORGANIZATION: _____

PLACEMENT OF ADVERTISEMENT: YES NO DATE: _____ WHERE: _____ PAID FOR BY: _____

FACT SHEETS SENT TO:

Form 1.3 Majority Sale (Anchor Investor)

Tracking Form

Fragmented Divestiture Private Sale or **Total Divestiture Private Sale**

Company Name: _____ Contact Number: _____ Contact Person: _____

Approved Valuation amount per share: _____ Date: _____

Public Sector Owners: _____ Amount _____ Contact: _____
_____ Amount: _____ Contact: _____
_____ Amount: _____ Contact: _____
_____ Amount: _____ Contact: _____

Public Sector Owners Selling Shares: _____ Amount: _____

Contact Person: _____ Telephone Number: _____

AGREED PRICE PER SHARE: _____

Company Currently Trading At: _____ on: _____

Target Sales Date: _____

RESTATEMENT OF FINANCIAL ACCOUNTS: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

INFORMATION MEMORANDUM: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

FACT SHEET: YES NO DATE: _____ BY: _____ ORGANIZATION: _____

CONTACT POINT ESTABLISHED: DATE: _____ BY: _____ WHERE: _____

ADVERTISEMENT OF PUBLIC OFFERING CREATION: YES NO DATE: _____ BY: ____ ORGANIZATION: _____

PLACEMENT OF ADVERTISEMENT: YES NO DATE: _____ WHERE: _____ PAID FOR BY: _____

FACT SHEETS SENT TO:

Information Memorandums Sent To:

Bids received:

Section 3: Sales Documentation

When buying companies investors need specific types of information in order to make an informed decision about the price they are willing to pay and the quality of the asset they are buying. The seller (or the sellers agent) needs to compile company and market data in a professional format. The length and level of detail of this documentation will depend on the size of the sale and the amount of information available

This section describes the types of information which must be collected from the company and about the market. Direction on how the information should be assembled in information memorandums or fact sheets will be given. Examples of letters, information memorandums, and fact sheets are included.

Seller's Due Diligence

The team or the sales agent must make every effort to investigate, collect, and organize all of the relevant information about the company. This process is know as due diligence. The specific types of information which should be investigated are listed below[1]. Obviously, in many cases much of this information may not exist.

Company Status and Incorporation

A. Verify state of incorporation of the company and the selling public entities
B. Determine authorized and issued shares of stock of the selling public entities. Determine who is responsible for authorizing the sale of this stock.
C. Review articles of incorporation, bylaws, minute books, and stock books of the company and public entity owners.
D. Obtain copies of all correspondence and other communications with shareholders. (Copies of Dividend payment Coupon receipt books etc)
E. Obtain a shareholder list; inquire into the existence of warrants, options, and other rights to acquire shares; inquire regarding the existence of any agreements or other arrangements restricting the transfer or ownership of shares or the voting of shares.
F. Investigate whether any shares of stock of seller or any subsidiary have been issued in violation of Egyptian Law or Capital Market Regulations.
G. Determine if the company is listed and traded on the stock exchange.

Financial and Tax Information

A. Obtain copies of financial statements of the company, both audited and unaudited, audited statements for the prior five years and unaudited interim statements for the prior year and the current year.
B. Obtain copies of all management representation letters, letters of legal counsel, and other correspondence furnished by or to the auditors of the company and the selling public entity.
C. Obtain a list of all local and national taxes which the company is subject. If possible copies of tax returns.
D. Obtain copies of all property statements and assessments.
F. Obtain copies of all documents and correspondence concerning any pending or threatened audit or tax claim against or refund claim by the company.

[1] The checklist is adapted from material published in the public domain by Stoel Rives LLP (An Acquisition and Merger Law Firm)

30

Debt Situation

A. Investigate indebtedness of the company, including a review of loan agreements, notes, mortgages, and security agreements. This should include a review of all financing arrangements, including sale and leaseback arrangements, capital leases, and installment purchases.
B. Review correspondence with lenders and computations demonstrating compliance with financial agreements.

Employment and Labor

A. Obtain a list of seller's officers, directors, and senior employees.
B. Obtain a schedule showing the total number of employees, their job classifications, average compensation, and location of employment
C. Obtain copies of all of companies profit sharing, pension, retirement, deferred compensation, incentive compensation, stock option, health and welfare, and other benefit plans and all correspondence relating to such plans, including Egyptian Government labor board.
D. Obtain copies of all personnel policies.
E. Obtain copies of all employment, consulting, termination, and indemnity agreements.
F. Obtain copies of all collective bargaining and other labor agreements.
G. Investigate all pending litigation or administrative matters involving employees, including , grievances, arbitration cases, workers compensation cases, and similar matters.

Physical Property

A. Obtain address and legal title description information on all company properties.
B. Obtain copies of all appraisals.
D. Obtain copies of all studies, site evaluations, and governmental filings and reports prepared by consultants or employees concerning the presence of environmental hazardous materials or toxic substances on, under or about any property owned or leased by seller by the company.

Other Property

A. Obtain a list of all material assets, showing locations, model, purchase date etc.
B. Obtain inventory breakdown and aging information.
C. Obtain information concerning all intellectual property such as patents and trademarks.
D. Obtain a list of bank accounts and safe deposit boxes and the names of all parties with authority for access.

Contracts and *Agreements*

Obtain copies of the following:

A. All agreements entered into pursuant to acquiring or merging with other businesses.
B. All real property leases.
C. All partnership or joint venture agreements of any partnership in which the company or any is a member
D. All agreements pertaining to product marketing, including all agreements with independent sales representatives, distributors, and franchisees.
E. All insurance agreements in force with respect to the company
F. Any brokerage or investment banker agreement.
G. All material agreements with customers, including warranties provided to customers.
H. All material agreements with vendors.
I. All licenses and sublicenses and all research and development agreements.
J. All agreements with officers, directors, and shareholders.
K. All covenants not to compete, confidentiality agreements, and other restrictive agreements.
L. All agreements of guaranty or indemnification.
M. All material contracts not otherwise obtained under this list.

Supplier and Customer Information

A. Obtain a list of seller's material customers showing annual dollar volume of sales.
B. Obtain a list of seller's material suppliers showing annual dollar volume of purchases.
C. Obtain any correspondence with customers or suppliers relating to complaints or disputes.

Compliance

A. Obtain copies of each report or other document filed with governmental agencies that have regulatory power over or a contractual relationship with the company.
These should include commercial contracts with public sector entities.
B. Obtain a description of all litigation, administrative proceedings, governmental investigations, or inquiries, pending or threatened against or involving the company.
C. Obtain a copy of all governmental licenses and permits and all judgments, orders, or decrees to which the company is subject.
D. Determine the status of current environmental compliance in areas such as permits and contingency plans).

Other Information

A. Obtain documents describing the companies products or services such as promotional literature, brochures and newsletters.
B. Obtain copies of all business plans, offering memoranda, stock market filings, management reports, budgets, forecasts, and similar documents.

Conducting Due Diligence

Once the sales plan has been agreed and the types of sales documentation determined it will be necessary to work with the company to complete due diligence and create the sales documentation.

Step One:

To gain the cooperation of the company a letter of introduction must be sent from the Ministry to the chairman and managing director which:

Introduces the individuals at the Ministry which will be working on the company
Describes the purpose of the project
Requests that the company nominate an individual to work with the sales team. (Preferably this should be the chief accountant and or financial manager.)

- Asks that the company provide all requested information

An example of the introduction letter is included in this chapter.

Step Two:

Once a company contact has been nominated a request for information should be sent. The request should ask for all data that will be necessary to complete the sales documentation and complete the seller's due diligence.(A list of the facts required to complete the sellers due diligence is given later in this section). The sales team must ensure that the most up to date information is provided. A sample of a request for information is provided.

Frequently it is necessary to make several requests for information in order to obtain the level of detail required for the sales document.

Step Three:

Once all information is collected from the company an outline of the sales document should be created. The information from the company should then be inserted into the document. After all of the available information has been placed into the document a list of missing data should be created. This list will serve to direct the sales teams questions during the site visit.

Step Four

With most companies it will be necessary to conduct a site visit. The contact person at the company should make arrangements to visit all relevant managers and facilities. During the site visit the sales team must obtain answers to all the unanswered questions. If possible pictures of the facility and managers should be taken.

Assembling Documentation

Once the necessary information has been collected the sales team should begin to create the sales documentation. It is important to include the most recent information available. The sales document must clearly explain what is being offered for sale, summarized financial information, and the operations of the company. If possible it is helpful to include available information about the market for the companies products and if the company is to be marketed to international clients some information on the general economic situation in Egypt.

The assembled documents make take the form of company fact sheets, privatization company profiles, or information memorandum. (If a Legally binding offering prospectus is required this will need to be developed by an internationally recognized sales agent or investment bank contracted with the seller. To date this has not been required on any joint venture company).

In addition to the sales document (info memo, fact sheet etc) a document entitled Additional Information should be created. This document should contain copies of original company documents obtained during the information gathering process. It will include management reports, deprecation schedules, costing material etc. Interested buyers will be able to review this information quickly answering most of their due diligence questions.

Company Fact Sheet Outline (1-4 Pages)

I. Company Name, Address, Telephone Number

II. Brief Summary of the company

History and Background

Products and Markets

Customers

Suppliers

Operations

III. Owners of the company and the amount for sale

IV. Historical Income Statements

V. Instructions to Bidders

Information Memorandums (15+ Pages)

- **Executive Summary**

  - Introduction
  - Company description and operations
  - Market position
  - Financial position
  - Customers and products
  - Future products

- **Investment Opportunity**

  - Sale structure/Deal structure
  - Operations and operation structure
  - History
  - Corporate strategy and culture

- **Products and Markets**

  - Description of Products/Product Mix
  - Market Analysis/Description of target markets
  - Distribution Network
  - Competitive analysis

- **Manufacturing Process**

  - Product development design and manufacturing
  - Raw materials
  - Packaging and distribution

- **Facilities**

  - Site Description
  - Production Facilities
  - Support Facilities

- **Systems**

  - Finance and Accounting ie. Budgeting, monthly, accounting, and management systems, key performance indicators
  - Production Planning and Control
  - Production Management
  - Sales and Marketing
  - Distribution.

- **Personnel and Management**

- Organizational Structure
- Management Structure
- Human Resources Policy, Recruiting, and Training
- Brief CVs of management

- **Financial Information**

- Historical Operating Results
- Projected Financial Information
- Future Prospects.

Section 4: Marketing and Advertising

This section will present guidelines for marketing and advertising a company sale. During the development of the sales plan responsibility for development and payment of advertisement costs was determined. The marketing plan needs to remain within the set budget. Some low cost methods of marketing the company are given in this section. Where and when to advertise for different types of companies. Format of advertisements including specific contact details, web page address.

Marketing Plan

As the sales documentation is being completed the sales team should outline how the company will be marketed to potential investors. The marketing plan (no more than a one page document) should set out:

How and where will the company be advertised. (Locally, regionally, and internationally). In what newspapers? How often
Will there be a web page?
How will potential investors be approached (letter, fax, email and/or telephone calls)?
Establish a timeline for when advertisements will appear, investors contacted etc, site visits conducted etc.
Where will the point of contact for investors be? (Ministry of Trade and Supply or the Sales Agent)
Clearly state who is responsible for which activities. Such as Sales agent will develop the web page. Ministry of Trade and Supply will develop the advertisement.

Advertising The Company

Newspapers are the traditional way of advertising company sales.
Sample newspaper advertisements are contained in this section. Advertisements must clearly state what is being sold, where investors should go to obtain information, and when bids should be submitted.

The internet is an excellent tool to distribute information about the company to a wide audience. If a web page for the company is created care should be taken to make sure that it provides complete information on the company. Newspaper advertisements should direct interested investors to the web page. An example of a web page advertisement can be viewed at www.bdc.com.eg under the advertisement section.

Identifying and Targeting Potential Investors

When the sales plan was created it was determined who would be responsible for identifying and communicating with potential buyers. If the sales agent is responsible for this task then JV units at the Ministry must monitor and help to record the activities of the sales agent. This is necessary to both prove transparency and ensure that every effort is being made to find a buyer.

Reaching Potential Buyers

At a minimum a fax, letter, and/or email to a responsible person at the target groups below should be sent. The letter or fax should announce the company that is for sale, give a copy of the advertisement, and explain how the potential investor can obtain additional information.

A professionally printed copy of the investment memo along with a covering letter should be sent to as many prospective buyers and/or brokers as possible.

A presentation to groups of investors who are serious about buying the company.

Serious investors should be invited to go on a site visit and interview management if appropriate.

Target Groups

Existing Networks

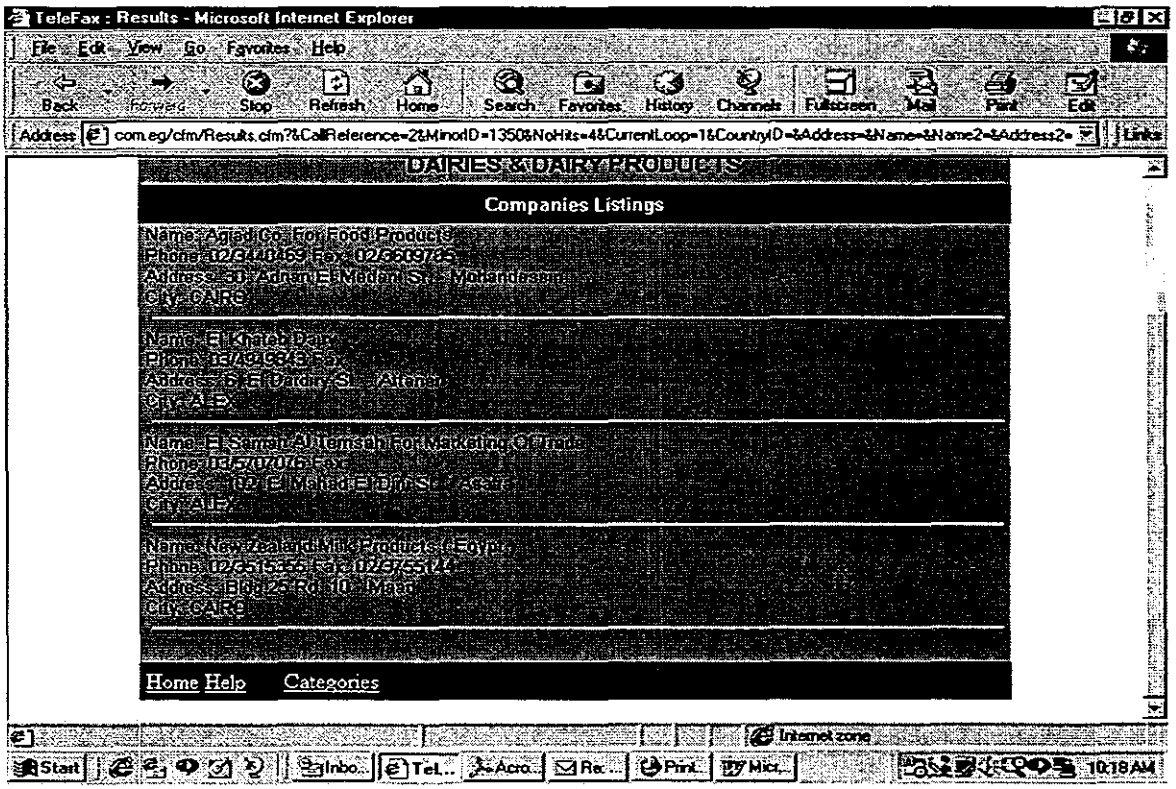
Suppliers, customers, and other private sector companies which have dealings with the company or its owners should be aggressively solicited. After existing owners these groups are most likely to have an interest in the company.

Names, contact persons, and numbers for these organizations can be obtained from the company itself.

Industry

Companies in the same industry are an excellent pool of possible investors. These companies can be found by searching local and international databases such as Kompass or Telefax Egypt. The sales agent and ministerial officials may have contacts within these companies or it may be

necessary to call and find out the name of a senior contact. Regardless, the contact should be sent an investment memo. In the event that it is a new contact the sales team should follow up immediately to find out if the company is interested.
www.telefax.com.eg is a good source of company contact information.
Below are the results of an industry search on Dairy Farms.



Brokers and Investment Advisors

These groups may have access to individuals or companies which might be interested in purchasing the company for sale. At a minimum the brokers listed below should be faxed and/or emailed about the sale of the enterprise.

Name: Al Ahram
Phone: 02/3924494 Fax: 02/3906579
Address: 4, Al Shawarby St., - Downtown
City: CAIRO

Name: Al Arabia Co., For Brokerage
Phone: 02/3931142 Fax: 02/3933677
Address: 3, Al Shawarby St., - Downtown
City: CAIRO

Name: Al Farana Co.
Phone: 02/3956127 Fax: 02/3936903
Address: 26 A, Sherif St., - Downtown
City: CAIRO

Name: Al Fayrouz For Brokerage Co.
Phone: 02/5748893 Fax: 02/5758411
Address: 11, Abdel Khalek Tharwat St., - Downtown
City: CAIRO

Name: Al Horiya Securities
Phone: 02/3938497 Fax: 02/3952172
Address: 3, Talaat Harb Sq. – Downtown
City: CAIRO

Name: Al Kamal For Investment
Phone: 02/3935933 Fax: 02/3957511
Address: 23, Sherif St., - Downtown
City: CAIRO

Name: Al Kamal For Investment
Phone: 03/4806458 Fax: 03/4847048
Address: Concord Bldg. Elghorfa El Togaria St
City: ALEX

Name: Al Kenana
Phone: 02/5789069 Fax: 02/5797970
Address: 2, Marouf St., - Downtown
City: CAIRO

Name: Al Madina Stock Brokers

Phone: 02/3910151 Fax: 02/3934101
Address: 18, Youssif El Gendy St. - Downtown
City: CAIRO

Name: Al Manar For Stock Exchange Co.
Phone: 02/3937953 Fax:
Address: 3, El Shawarby St., - Downtown
City: CAIRO

Name: Al Salam Co. For Brokerage
Phone: 02/3913186 Fax: 02/3928162
Address: 44, Abd El Khalek Tharwat St., - Downtown
City: CAIRO

Name: Al Shorouk Brokerage
Phone: 02/5781177 Fax: 02/5781166
Email: alshorouk@link.com.eg
Address: 5, Kasr El Nil St., - Downtown
City: CAIRO

Name: Al Shorouk Brokerage Securities Stock Exchange
Phone: 066/350708 Fax: 066/350709
Email: alshorouk@link.com.eg
Address: El Gomhoreya & El Salam St.,
City: PORT SAID

Name: Arab Markets Group
Phone: 066/324111 Fax:
Address: 32, Gomhorreya St.,
City: PORT SAID

Name: Arab Markets Group
Phone: 02/4520287 Fax: 02/4520712
Address: 9, El Sakhawy St., - Heliopolis
City: CAIRO

Name: Cairo Brokerage
Phone: 02/5883790 Fax: 02/5934456
Address: 14, Ally St., - Downton
City: CAIRO

Name: Dynamic Securities Trading
Phone: 02/3950470 Fax: 02/3950474
Address: 18, Youssef Al Gendy St., - Downtown
City: CAIRO

Name: Egypt For Brokerage
Phone: 02/5780401 Fax: 02/5783855
Address: 6, Al Bostan / El Tahrir Sq. – Downtown
City: CAIRO

Name: Egypt Trust Securities
Phone: 02/3952514 Fax: 02/3952515
Address: 18, Bustan St., - Bab El Louk
City: CAIRO

Name: Egyptian Gulf Brakeroge Co S A E
Phone: 02/3934436 Fax: 02/3950225
Address: 37, Kasr El Nile St. - Downtown
City: CAIRO

Name: El Aksor Co.
Phone: 02/3950937 Fax: 02/3950336
Address: 12, El Taban / Mohamed Farid St., - Downt
City: CAIRO

Name: El Alamia For Brokerage
Phone: 02/3921890 Fax: 02/3931424
Address: 26, Sherif St., - Downtown
City: CAIRO

Name: El Fateh Co For Brokerage
Phone: 02/3544712 Fax: 02/3544712
Address: Strand Bldg. / Bab El Louk - Downtown
City: CAIRO

Name: El Misryeen Securities Brokers
Phone: 02/5790935 Fax: 02/5790936
Address: 2, Shampllion St., - Downtown
City: CAIRO

Name: El Oruba Stock & Bond Brokers
Phone: 02/3294596 Fax: 02/5940102
Address: 32, Noubar St., - Downtown
City: CAIRO

Name: El Safwa Stock Broker
Phone: 02/5940304 Fax: 02/5940307
Email: safwa@egyptonline.com
Address: 2, Abdel Kader Hamza St., - Garden City
City: CAIRO

Name: Felmings Al Mansour
Phone: 02/3937580 Fax: 02/3937586
Address: Al Bostan Commarcial Center - Downtown
City: CAIRO

Name: Global Investment Securities
Phone: 02/5784024 Fax: 02/5784023
Address: 1191, Corniche St.,
City: CAIRO

Name: Golden Arrow
Phone: 02/2417319 Fax: 02/2450757

Name: International Experts Brokerage Firm
Phone: 03/5411001 Fax: 03/5423738
Address: 293, Port Said St., - Sidi Gaber
City: ALEX

Name: Lepon Securities Broker & Bookeeper
Phone: 02/3366700 Fax: 02/3365445
Address: 13, El Thimar St., - Mohandessin
City: CAIRO

Name: Link Co.
Phone: 02/4148551 Fax: 02/4148552
Address: 25, Fawzi El Motei St., - Heliopolis
City: CAIRO

Name: Lotus
Phone: 02/3487467 Fax: 02/3600282
Address: 9, El Fourat St., - Mohandessin
City: CAIRO

Name: Middle East Co. For Brokerage
Phone: 02/3935995 Fax: 02/3920002
Address: 5, Talaat Harb St., - Downtown
City: CAIRO

Name: Nile Investments For Stock Exchange
Phone: 02/3602951 Fax: 02/3602908
Address: 66, Gameat El Dowal Al Arabia St., - Mohandessin
City: CAIRO

Name: Nile Securities Co.
Phone: 02/3031578 Fax: 02/3463663
Address: 195, 26 July St., - Agouza
City: CAIRO

Name: Okaz Stock Brokers & Investment Consultants
Phone: 02/5918955 Fax: 02/5891499
Email: OKAZ@MSTI-MIST.COM.EG
Address: 35, Emad El Din St., - Downtown
City: CAIRO

Name: Profit Securities
Phone: 02/3936861 Fax: 02/2457121
Address: 43, Sherif St., - Abdin
City: CAIRO

Name: Stars Brokerage
Phone: 02/2604754 Fax: 02/4014089
Email: stars@mst1.mist.com.eg
Address: 8, El Obour Bldgs. - Nasr City
City: CAIRO

Name: Tamro
Phone: 02/3033088 Fax: 02/3038563
Address: 19, Dr. Hegazy St. – Sahafyeen
City: CAIRO

Name: Team Securities Co.
Phone: 03/4831568 Fax:
Address: 9, Fawzy Gendy St., - Raml Station
City: ALEX

Name: The Economist
Phone: 02/5799618 Fax: 02/5743211
Address: 21, Mahmoud Bassiouni St., - Downtown
City: CAIRO

Name: The Roots
Phone: 02/3953041 Fax: 02/3952799
Address: Bostan Comm. Center / Bab Al Louk – Downtown
City: CAIRO

Name: The Strategic Securities Group, S. A. E.
Phone: 02/3041260 Fax: 02/3041290
Email: ssgroup@ritsec3.com.eg
Address: 38, Wadi El Nil St., - Mohandessin
City: CAIRO

Name: Tiba For Brokerage

Tracking and Follow Up

It is important that the sales unit tracks and follows up on all potential investors. The sales team should track what and two whom material was sent. Follow up calls to anyone who was sent information should be made. A simple form similar to the one outlined above can be used to track this information.

Lead (Investor)	Date Material Sent	What Material was Sent	Follow up call made on	Remarks

Section 5: Responding to and communicating with potential investors.

This section will clearly explain what information potential investors will want. It is important to stress the importance of providing complete information promptly through a contact person and (web page) at the Ministry of Trade and Supply or sales agent. Specific information that the investor will want include company fact sheets (information memorandum), explanation of how the bidding process will work, timing of the sale, and how the transaction will take place.

Contact Point

The advertisement(s) will have given a telephone number and possibly email and web page addresses for investors to contact. To promptly respond to investor inquires the Ministry or the sales agent must ensure that this number and email are answered by someone who is knowledgeable both about the company and the bid process. If promised documentation potential investors will expect this to be provided quickly. If an investor encounters problems while responding to the ad they will be reluctant to proceed. By making information available over the internet the sales agent and sales team can cut down amount of paperwork that must be manually provided to potential investors.

Assisting potential investors with due diligence

Just as the seller must conduct a complete investigation a serious buyer will also thoroughly research the company before making a bid. The sales team should assist a seller with this process. If the sales team's due diligence was in depth and well documented in one place than responding to an investors questions should be a simple process. It is important that all information is disclosed to the potential buyer in an open and prompt manner. Before disclosing any sensitive material a potential buyer should sign a confidentiality agreement. Below is a comprehensive list of questions that a potential buyer may ask. The sales team should review these questions for each company and make certain they know the location of the answer.[2]

1. When will the company publish the next financial results? What will these results show?
2. What types of if any acquisitions or divestitures will the company make during the next six months?
3. Do you expect there to be any changes in the senior management?
4. Does the company contemplate any capital market's transactions?
5. Will there be any other attempts to raise finance?
6. Who has been the auditor for the last three years?
7. What types of disputes has the company had with the auditors? Are these clearly documented? Are they resolved?
8. What is the debt position of the company?

[2] Adapted from the Arthur Andersen Initial Public Offering Manual prepared for USAID 5, March 1998

9. Has the company ever been short in its liquid cash position? (Has the company always had enough cash available to pay its bills)
10. Have there been or does the company expect any problems with the labor force?
11. What types of capita investment are planned in the next year?
12. Are the necessary approvals for the transfer of ownership in place? Are all public sector owners aware of and willing to sell their shares?
13. Is the company in any agreement or under any obligation that will prevent or delay the sale?
14. What other issues should the buyer be aware of with regards to the company?
15. Describe the industry segments of the company including size and growth of each.
16. Describe the major market and technological trends affecting the industry which the company operates.
17. Describe the activities, services and products of each business segment.
18. Provide a detailed breakdown and analysis of revenues, profits, and expenses.
19. Provide a description of any environmental issues faced by the company.
20. Provide a description of labor issues faced by the company.
21. Are there any legal restraining order or injunctions against the company?
22. Does the company face any significant regulatory issues?
23. Provide a summary of the types of technology used by the company and any patents, trademarks, and copyrights used by the company.
24. Provide an organization chart including names, ages, education, previous experience and length of service of the management.
25. What is the bonus plan for management?
26. What are management's objectives in the next 5 to 10 years?
27. Have any of the senior management been arrested, indicted, or convicted or sued for fraud.
28. What is the average compensation for employees?
29. Describe the markets for each of the company's products. What is the growth rate over the last 5 years what is the projected growth rate?
30. What factors affect the growth/decline of the company's product line?
31. How much market share does each product have?
32. What type of seasonal (and other cycles) affect the company?
33. How are prices set?
34. Who are the main suppliers of the company?
35. How are products distributed and sold?
36. Describe the sales forces (size, locations, success,)
37. How is the sales force trained?
38. What experience does the sales force have?
39. What is the advertising budget? How is it spent? What systems are in place to track its effectiveness?
40. Provide a list of major customers by segment and sales value?
41. How much business does the company do with the Egyptian public sector?
42. Provide a summary of long term contracts to either buy materials or to sell products or services?
43. What types of warranty/guarantees does the company give for its products and services?
44. Provide a list of competitors giving market share?
45. How does each competitor compete with the company?

46. Provide an assessment of the competitors' manufacturing, capabilities, age and efficiency?
47. How do competitors distribute their products? Do sales agents/outlets sell both products?
48. How do competitors' products differ in price and quality
49. Estimate the revenues and profits of competitors.
50. Provide a description and location of all of the company's facilities?
51. Provide the capacity of each part of the operation?
52. Describe the suppliers and the availability of raw materials. Discuss if there are any supply agreements, and if so the terms of such agreements?
53. Discuss the quality control systems?
54. How does the company intend to improve its manufacturing efficiency?
55. Describe the technology employed at the plants?
56. Is the work force unionized?
57. Describe any capital expenditure plans and programs and anticipated benefits to be realized from such investment?
58. Discuss any research and development activities?
59. How many shifts does the company operate?
60. Provide a description of the company's inventory controls?
61. Provide a list of all real estate and appraisals?
62. Provide data on real estate recently sold in the area?
63. Provide a description of the property presently owned or leased by the company?
64. Describe the company's physical assets?
65. Provide available appraisals for the physical assets?
66. Provide information on the replacement cost of physical assets?
67. Provide market value of inventories?
68. Provide a list and copy of all loan agreements?
69. What are the terms of any customer financing?
70. Provide a list of any backlog and how it compares with previous years.
71. Provide a summary of major accounting policies.
72. What significant items are off the balance sheet?
73. What types of management reports (Sales, operations etc) are produced?
74. When was the companies last audit?

In addition to the above a serious investor may employ a legal advisor to review all contracts, charter documents, CMA registration, share issue etc.

While the list of above is lengthy it is in no way complete. A potential buyer may ask any question about the company that they wish. Reasonable answers should be given to reasonable questions. In the event that the answer to a question is not available the sales team simply needs to disclose that the company does not maintain that information.

Site Visits

Investors unfamiliar with the company will want to visit and inspect the facilities and interview the management. The sales team will need to ensure that the sales team is well briefed and able to answer all of the potential buyers' questions. The site visit should be well planned and implemented in a professional way with as little wasteage of time as possible. If possible make sure that the company's facilities have been cleaned and if necessary painted.

Bidding Process

Once bids are submitted the selling agent will most likely manage the evaluation and negotiations process. The sales team must remain abreast of the status of the bids and negotiation in case they are called upon to assist the selling agent.

Ministry of Trade and Supply
Minister s Office
Foreign Affairs

Information Memorandum

Sohag For Investment and Development Co

Prepared by:

Banque Du Caire

30 Roushdy St, Cairo, 9th floor

Tel: 3902303- 3908983- 3912734 Fax: 3901112

This information memorandum was prepared in cooperation with the Agriculture Policy Reform Program funded by USAID

August 1999

7. FINANCIAL INFORMATION 21

7.1 OVERVIEW 21
7.2 EARNINGS AND DISTRIBUTION OF PROFIT 21
7.3 MANAGEMENT REPORT ON 1998 RESULTS. 22
7.4 SALES OF EGG VOLUME AND PRICING BY MONTH 23
7.5 FUTURE PROSPECTS. 23

SOURCE DOCUMENT INDEX 24

Figure 1: Total Egg Consumption and Price in Egypt 10
Figure 2: Egg Consumption Per Person 11
Figure 3: Total Consumption and Price of chicken by Year 12
Figure 4: Management Structure 18
Figure 5: Egg Price and Volume by Month 23

Table 1: Shareholders 7
Table 2: Sales of Eggs by Quantity, 1993-1998 (In Millions) 9
Table 3: SIDC Poultry Sales by Quantity 9
Table 4 : Sales Outlets 13
Table 5: Competition 14
Table 6 : Earnings Per Share 21
Table 7: Distribution of Profit 21
Table 8: Historical Balance Sheets (in L.E) 21
Table 9: Summary Income Statements (in L.E) 22

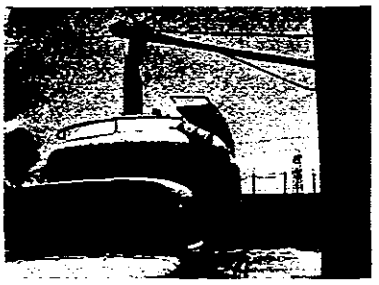
50

essentially non-core activities (the cafeteria) or by-products. Customers include both individual consumers and wholesalers in Sohag. Additionally, eggs are sold to wholesalers in Aswan, Luxor, and Hurgada.

1.6 Future prospects

The company continues to concentrate its activities in its core business. SIDC intends to move the poultry raising project off of the rented central association land to a 10 feddans plot of land located aside the egg production facility to be purchased from the local government
The rental contract on the Cafeteria will end in September of 2000 and the management is unlikely to continue the contract as the operation has been losing money for several years.
SIDC with its low costs, size, and unique position would make a positive addition to a vertically integrated egg and poultry operation.

1.7 Images of Sohag Investment and Development Company.



Feed Production Truck

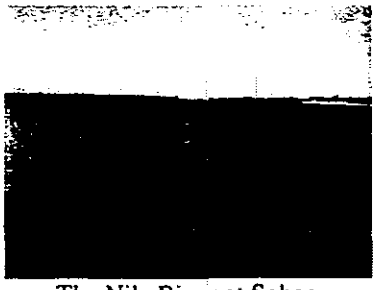
Chicken Production Compound

Egg Production Stores

Egg Production Store

Administration At Egg Production Facility

Store at Chicken Raising Project



The Nile River at Sohag

51

The feed components include yellow maize, soya bean, calcareous stones, bones powder, salt, premix food, Minothen, and hard bran. All of these components with the exception of the bran are imported increasing the cost of feed.

Management does not consider feed component sales as one of the company's core products and would prefer to use excess feed to fuel additional capacity.

3.1.4 Other Products

The company imports egg trays to package its products for sale. Excess trays are sold to other wholesalers at a profit. SIDC does not use local plates as they are of an inferior quality and cause an unacceptable level of damage. Egg tray sales make up about 1.5% of total sales in 1998.

The company also sells small quantities of medicines, feed, vegetables, bags, and other products. In total these other products made up less than 1% of sales in total.

3.1.5 Cafeteria

SIDC manages a cafeteria at Abidos Temple. This activity has continually lost money and SIDC will most likely discontinue it when the lease expires in September 2000 if the situation does not improve. However, this cafeteria represents a good investment opportunity for future buyers if they undergo a feasibility study to develop the facility.

3.2 Market Analysis

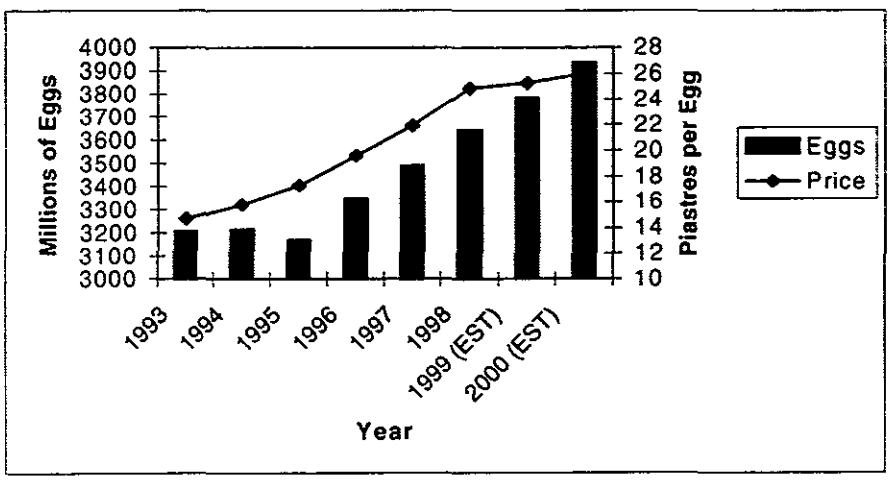
3.2.1 Eggs

3.2.1.1 Demand

The Egyptian egg market has grown steadily in terms of value by a rate of about 14% per year since 1986. The total market value from the farm gate (farms sell both as retailers and wholesalers) has grown from 543 million LE in 1994 to 934 million LE in 1998. Actual consumption was flat in the first half of the 1990s while prices increased with inflation. However, beginning in 1996 consumption increased by about 150 million eggs a year. The chart below represent the increase in consumption and price since 1993.

Figure 1: Total Egg Consumption and Price in Egypt

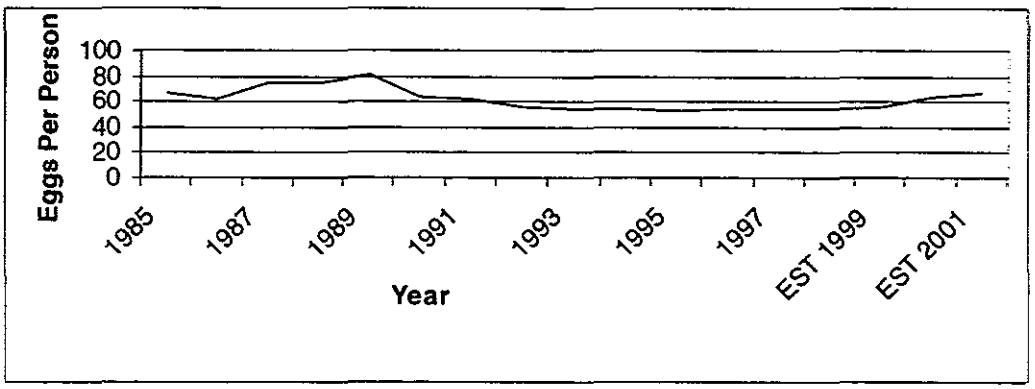
1993-1998



52

While consumption and total market value have increased actual consumption per person decreased dramatically from a high of 81 eggs per person in 1989 to 54 eggs per person in 1993.

Figure 2: Egg Consumption Per Person



As the chart above shows egg consumption remains approximately 1 egg per week per person (54 per year). As the economy grows, prices stabilize and incomes improve the numbers of eggs consumed per person will increase to at least their previous highs.[1]

Increases in national demand will benefit small quality regional producers such as SIDC as they are in an excellent position with their existing wholesale contacts and local distribution to capture this growing market.

3.2.1.2 Supply

In 1996 (the last date for which figures are available) Egypt's 3419 egg production farms were operating at about 60% of capacity. Much of this excess capacity will have been absorbed with the growth in the market.

3.2.1.3 Egg Prices

As figure 1 shows egg prices in Egypt have increased steadily with inflation. The national average increased from 19.6 to 24.6 piastres per egg between 1996 and 1998 while Sohag's prices remained stable between 18.5 and 19.6 over the same period reflecting a decrease in real price.

It is also important to note that due to the short shelf life of the product the price at which the company sells its eggs changes daily based on local availability and demand.
Customers view SIDC eggs as of a higher quality than other locally produced eggs and the company is able to charge a marginally higher prices from time to time.

3.4.1.4 Product Differentiation

SIDC points out that their customers prefer brown eggs over white eggs despite the fact that white eggs are less expensive.

[1] "Egypt: Poultry Trade Policy Study" Table 1. Nathan Associates Inc.. Under contract to USAID. September 1998

53

Wholesalers differentiate suppliers such as SIDC by consistency and quality. Suppliers who can provide good quality undamaged eggs on a regular basis are able to demand higher prices.

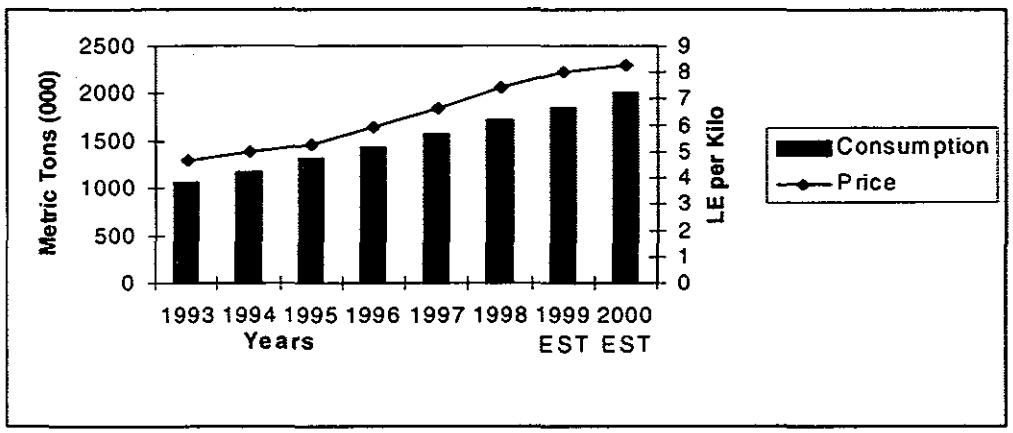
Little information is available about the market for specially produced eggs. While eggs produced from chickens fed only on grain do exist in the market it is assumed that this is only a tiny portion of the total egg market.

3.2.2 Chicken

3.2.2.1 Demand

As with the egg market the total value of the live chicken market in Egypt has grown steadily since 1989. However as the figure below illustrates both prices and total consumption have increased since 1993.[2]

Figure 3: Total Consumption and Price of chicken by Year



Chicken consumption per person dropped dramatically from 24 kg per person in 1984 to 13 kg in 1990. Since 1990 per capita consumption has improved to its previous levels and in 1998 stood at 26.9 kg per person. Once again as the economy improves the demand for chicken products will increase.

3.2.2.2 Supply

There is approximately 50% over capacity in the live chicken raising industry. With 18,373 chicken raising farms, production is hugely fragmented. This fragmentation impairs producers' ability to capitalize on technological improvements, improving feed efficiency and marketing, effectively. Larger producers are inhibited by the monopoly like power of the wholesalers, which are able to exploit production constraints and offer low prices to producers while maintaining high fixed margins. Competitive advantage will be achieved by farms which are able to integrate with suppliers, operate efficiently and deliver their products directly to the consumer.[3]

3.2.2.3 Tariffs

With an 80% tariff on poultry products since 1989 the GOE has protected the industry from international competition. The resulting inefficiency has resulted in higher prices to consumers. The GOE is under some pressure to reduce the poultry tariff. Efficient farms linked directly with the marketplace will be able to compete.

[2] "Egypt: Poultry Trade Policy Study" Tables 1 and 25 September 1998
[3] Ibid Conclusions

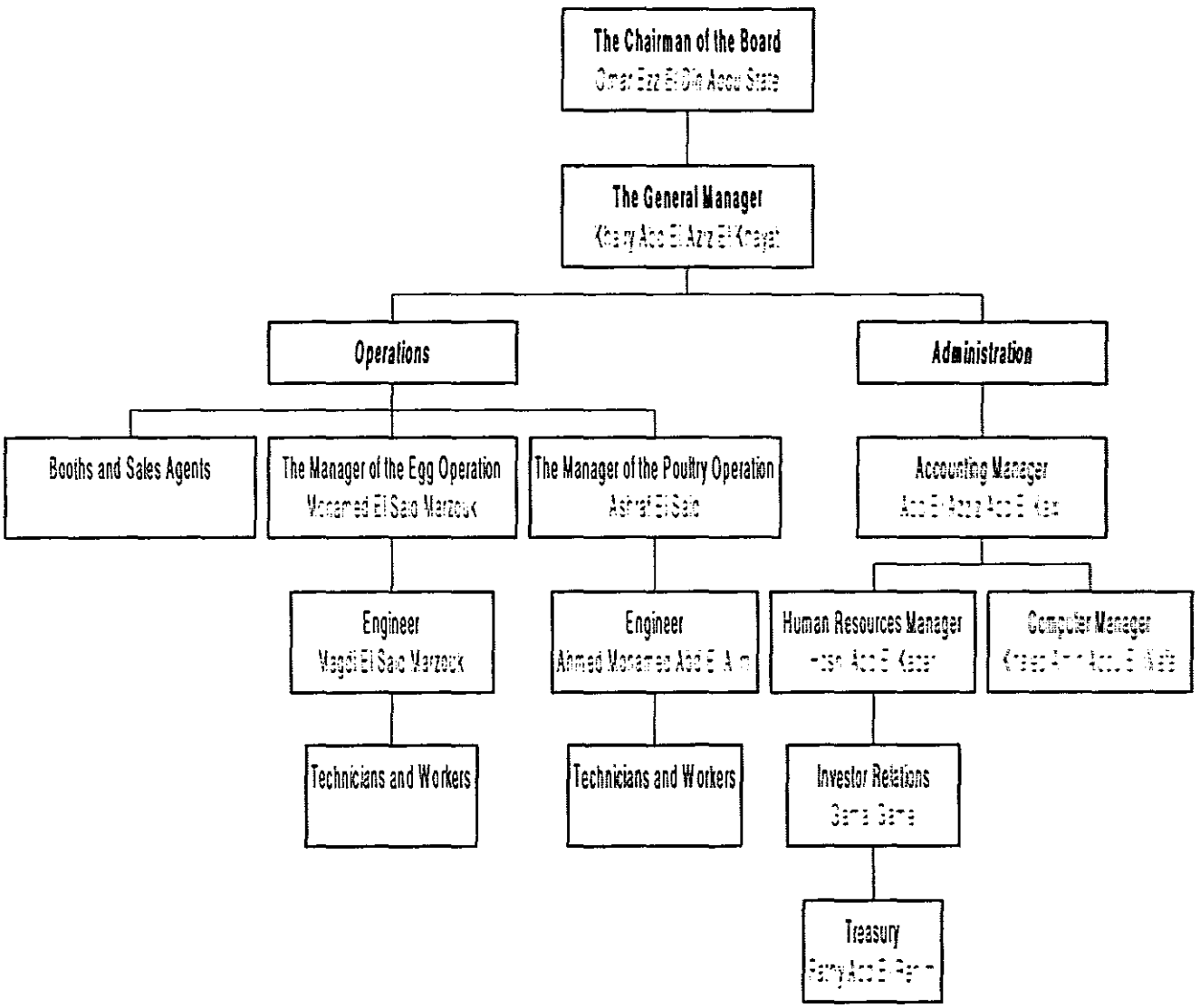
6. Personnel and Management

6.1 Organizational Structure

SIDC is organized into a simple structure divided into administration and operations. The operations sub divide further into the egg production, poultry production and sales divisions. The company has no formal marketing department .

The company employs a total of 75 workers with a cumulative salary of 398 thousand LE in 1998.

Figure 4: Management Structure



55

7.4 Sales of Egg Volume and Pricing by Month

Egg prices are volatile affecting the company's monthly revenue figures. The chart below illustrates the monthly sales price and sales volume for 1998 and 1999.

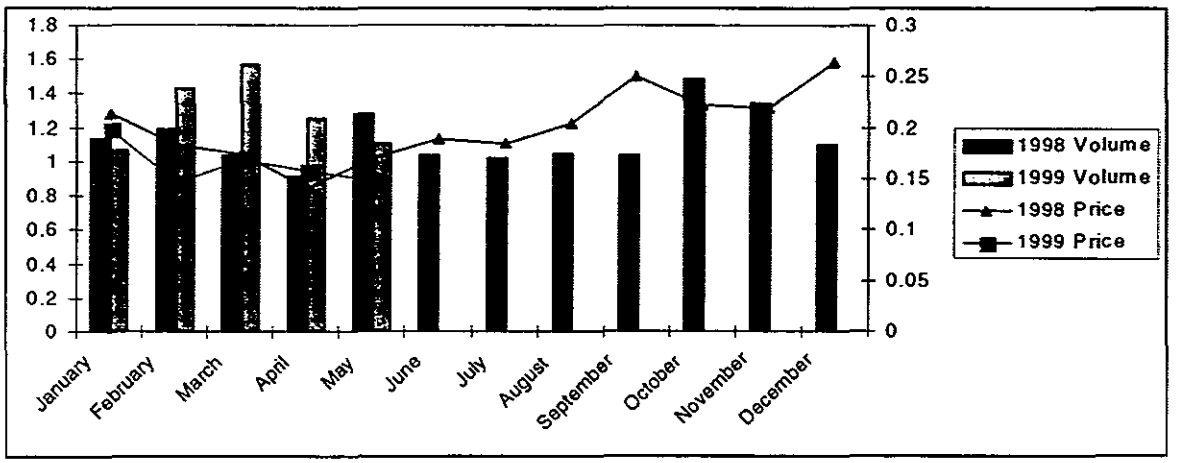


Figure 5: Egg Price and Volume by Month

*(**Left axis** is volume in millions of eggs, **right axis** is price per egg in LE)*

7.5 Future Prospects.

In order to increase profitability the company will need to both improve efficiency and increase capacity. New egg stores will costs the company approximately 1.5 million a piece. No estimates have been made on the cost of moving the chicken raising project to the new land next to the egg production facility. However SIDC will save 60,000 LE in rent per year.

Clearly SIDC would benefit from association with an integrated egg and poultry

56

The Offer

Banque Du Caire - investment division (sales agent)- is offering 101,690 public shares of Sohag for Investment and Development company which represents 45.20 % of the total company's capital, **for sale** to an anchor investor or to a consortium of investors.

Bids are to be received in a closed envelope no latter than **12 p.m. on**

Bids should be submitted to:

Ms. Sohair Ibrahim- General Manager of the Investment Division. Banque Du Caire,30 Roushdy St, Cairo, 9th floor

This document has been developed in cooperation with the Ministry of Trade and Supply. For Further information on the company contact Ms. Sohair Ibrahim at Banque Du Caire, Tel: 3902303- 3908983- 3912734.

1. SUMMARY **5**

1.1 INTRODUCTION 5
1.2 COMPANY DESCRIPTION AND OPERATIONS 5
1.3 MARKET POSITION 5
1.4 FINANCIAL POSITION 5
1.5 CUSTOMERS AND PRODUCTS 5
1.6 FUTURE PROSPECTS 6
1.7 IMAGES OF SOHAG INVESTMENT AND DEVELOPMENT COMPANY 6

2. INVESTMENT OPPORTUNITY **7**

2.1 DEAL STRUCTURE 7
2.2 SHARES IN ISSUE 7
2.3 CHANGES IN SHAREHOLDER EQUITY 7
2.4 CURRENT OWNERSHIP STRUCTURE 7
2.5 CURRENT BOARD OF DIRECTORS 8
2.6 BRIEF COMPANY HISTORY 8
2.7 CORPORATE STRATEGY AND CULTURE 8

3. PRODUCTS AND MARKETS **9**

3.1 DESCRIPTION OF PRODUCTS 9
3.1.1 Eggs *9*
3.1.2 Poultry Production *9*
3.1.3Chicken Feed Components *9*
3.2 MARKET ANALYSIS 10
3.2.1 Eggs
3.2.1.1 Demand *10*
3.2.1.2 Supply *11*
3.2.1.3 Egg Prices *11*
3.4.1.4 Product Differentiation *11*
3.2.2 Chicken *12*
3.2.2.1 Demand *12*
3.2.2.2 Supply *12*
3.2.2.3 Tariffs *12*
3.3 DISTRIBUTION NETWORK 13
3.4 COMPETITIVE ANALYSIS

4. PRODUCTION AND RAISING PROCESS **17**

4.1 EGG PRODUCTION 15
4.2 CHICKEN RAISING 15
4.3 OTHER PRODUCTS 16
4.4 SUPPORT FACILITIES AND EQUIPMENT 16

5. SYSTEMS **17**

5.1 OVERVIEW 17
5.2 FINANCE AND ACCOUNTING 17
5.3 PRODUCTION CONTROL 17
5.4 SALES AND MARKETING 17
5.5 HUMAN RESOURCES 17
5.6 INVESTOR RELATIONS 17

6. PERSONNEL AND MANAGEMENT **18**

6.1 ORGANIZATIONAL STRUCTURE 18
6.2 EDUCATION AND LENGTH OF SERVICE OF MANAGEMENT 19
6.3 DISTRIBUTION OF EMPLOYEES BY FUNCTION AND DEPARTMENT 20

Warranty

The information within this document is based on data and information provided by the company unless otherwise stated. Prior to making an investment decision, prospective purchasers of the shares should carefully read the entire offering and the complete documentation pack provided by Banque Du Caire. Responsibility rests with the buyer to conduct a thorough analysis of the company before making an offer.

1. Summary

1.1 Introduction

Sohag Investment and Development Company (SIDC) began operation in February 1982 in Sohag city located in upper Egypt. Established in 1981 as a joint venture company according to Ministerial Decree 325 (1981) the company's mandate is to invest in agri industry and rural enterprises as outlined in the investment law 34(1974) and subsequently Law 230 (1989).

Eight Egyptian public sector entities, (local companies, banks, and local governorate) currently hold 106,190 shares in Sohag Investment and Development Company representing 45.2% of the total issued capital. As part of its divestiture of public sector shares in joint ventures companies, the Government of Egypt, in an effort to attract private sector expertise and management into enterprise, is offering for sale this entire block of shares.

Currently, Sohag Investment and Development Co. is listed on the stock exchange however its shares are not traded.

The sale of the company is being managed by Bank Du Caire, the principal public sector owner. Banque Du Caire has ultimate responsibility for conducting the transaction.

Banque du Caire is supported by the technical privatization team of the APRP who are mandated to provide privatization consultancy to the joint venture privatization unit at the Ministry of Trade and Supply. This is all managed under a contract with USAID to provide assistance to the Ministry of Trade and Supply. (The Ministry of Trade and Supply has overall responsibility to mange the divestiture of the Egypt's Joint Venture Companies, according to the ministerial decree number 341 for 1994)

1.2 Company description and operations

Currently, the company engages in three principle activities at two facilities in and around Sohag

- Egg Production
- Poultry Raising
- Feed Component Sales.

SIDC also operates a cafeteria at Abidos Temple as a marginal activity.

1.3 Market position

The Company is one of three producers of eggs, poultry and chicken feed products in the Sohag region. Sales and distribution are handled via eight sales booths, three traveling sales representatives, and directly from the production facilities. The company sells most of its products in Sohag. Opportunities for expansion exist within the region and the country. Egypt, currently, only has limited poultry and egg exports.

1.4 Financial position

Having been profitable since 1992 and operating its egg production facility at/ or above capacity for three of the last four years the company is in a healthy position. In 1998 total profits stood at 431. 8 Thousand LE with earnings per share of 1.92 LE. The par value of the share is 10 LE.

1.5 Customers and products

Egg , chicken, and feed component sales make up over 90% of SIDC's total revenue. . The company distributes its production via 8 distribution outlets in Sohag and around Sohag. Other products are

2. Investment Opportunity

2.1 Deal structure

Under instruction from the Ministry of Trade and Supply and based on Minsterial privatization committee approval in 1997, eight public sector owners are offering 101,690 shares representing 45.2% of the company's total equity for sale to a single buyer (or a consortium acting as a single buyer). Banque Du Caire is acting as the sales agent and upon awarding the bid will use a registered broker to co-ordinate the transaction between the buyer and the current owners.

2.2 Shares in Issue

As of this offering the company has a total of 225,000 issued shares. At par value of 10LE per share the invested capital and shareholders equity in the company is 2,250,000 LE.

2.3 Changes in Shareholder Equity

To date there has been no change in the number of issued shares. Shares have not been traded on the Stock Market. The company at its General Assembly meeting held on March 25,1999 issued an authorization to raise 750,000 LE for capital investment through the issue of additional shares. No further action on this has been taken to date.

2.4 Current Ownership Structure

The table below list the major shareholders of the Company as of this offering. There has been no change in major owners since 1995.

Table 1: Shareholders

Shareholder	Number of shares	Percentage of ownership
Public Sector Shares For Sale in This Offering		
1. Bank Du Caire	49500	22%
2. The Principal Bank for Development and Agriculture Credit (a specialized Bank)	20676	9.19%
4. Upper Egypt Mills company	5000	2.22%
5. Services fund	10000	4.45%
6. Goods Distribution Association	12513	5.56%
7. Akhmim production industry	1611	0.72%
8. The local governorate	2390	1.06%
Total Shares for Sale	**101690**	**45.2%**
Other Shareholders		
Nasir Bank	27500	12.22%
Central society for agriculture reformation	5500	2.44%
Chamber of commerce	2200	0.98%
Transport Association	5000	2.22%
Individuals	83110	36.94%
Total	**225000**	**100%**

61

2.5 Current Board of Directors

Mr.Omar Ezz El Din Abou Steit : Chairman of the Board

Mr. Fouad Amin Abou El Hassan: Local Businessman

Mr. Bekhit Abd Al Latif: General Manager of Banque Du Caire,- Assuit

Mr. Roushdy Tawdrous Mohareb: General Manager of Banque Du Caire, Luxor branch

Mr. Ali Mohammed Abd El Rahman: General Manager at Naser Bank

Mr. Abd Al Atti Hassan Ghazali: Assistant to the General Secretary of Sohag

Mr. Mohammed Nabil Mohammed Sadek: Chairman of the PBDAC of Sohag governorate

Mr. Shams El Din Abd Al Hay El Khawali: General Manager of Upper Egypt Mills Company in Sohag

Mr. Khairy abd El Azziz El Khayat: General Manager of the SIDC

2.6 Brief Company History

Established in 1982 with a mandate to invest in agri industry in the Sohag Governerate SIDC did not realize a profit until 1990. Originally, the company acted simply as a wholesaler of eggs. Once equipment had been installed and made operational the company began production. The original capital purchased the start up equipment and land, however it did not provide sufficient working capital. SDIC took a large loan from PBDAC bank in order to finance operations. The costs of servicing this original debt, the board's unwillingness to allow management to purchase feed and other supplies on credit and little growth in the market pushed the company close to bankruptcy in the late 1980s.

A new board was put in place at this time which allowed management to purchase supplies on credit and make other changes. The loan with PBDC was rescheduled and payments have since been made on time. The company developed good relationships with both suppliers and customers and profitability began to improve. The poultry raising project was started in 1993 on rented land and made its first profit in 1996. Recently, SDIC renewed the egg production stores and purchased a grain silo and generator. These upgrades helped the company further improve operational efficiency and the quality of its eggs.

2.7 Corporate strategy and culture

The company maintains a clean and efficient operation with no overstaffing or significant labor problems. Management is proud of the quality of egg production and the good relationships which they have developed with their customers and suppliers. Decisions to discontinue loss making activities such as a photo copying service and possibly the cafeteria illustrate management's focus on core strengths and efficiency. Sustained profitability and recent equipment upgrades have created a positive momentum and atmosphere in the company.

The company views its main constraint as the lack of capital to invest in increased production capacity. With additional capital SIDC would purchase more egg production stores and move the poultry raising project on to land next to El Kawamel facility (egg production). With additional capacity SIDC believes it would be able to both take market share from its local competitors and expand further into other regional markets such as Aswan and Hurgada where it has already had some success.

3. Products and Markets

3.1 Description of Products

As mentioned SIDC's mandate charged it with investing in agricultural sectors in Sohag governorate. As a result of this broad mandate the company expanded into a number of operations including egg production, poultry raising, feed production, cafeteria management, business services (photo copying), and vegetable raising. Many of these activities have proven to be unprofitable and the company has or is discontinuing them. Clearly the company's core activities is egg production followed by chicken raising and chicken feed sales.

3.1.1 Eggs

Egg production is carried out at "El Kawamel" facility 15Km southwest of Sohag. The company is able to sell all of its production.

Table 2: Sales of Eggs by Quantity, 1993-1998 (In Millions)

1993	1994	1995	1996	1997	1998	1999 EST
15.3	16.3	14.9	17.2	15.8	13.6	16

In 1998 production decreased due to stores being taken off line for refurbishment.
Both brown and white eggs are produced. Brown eggs are sold at a higher price due to their increased production costs. SIDC prides itself on the quality of eggs and capitalizes on this quality by frequently selling its eggs at a higher price than competitors. The fact that wholesalers from as far away as Aswan and Hurgada buy eggs from SIDC at a higher costs than locally produced eggs proves the quality and dependability of the company's egg production.

3.1.2 Poultry Production

Once the layers at "El Kawamel" facility complete their year of production they are sold live for consumption.
The company also operates a separate poultry raising facility in Sohag. The facility raises both chickens and turkeys however chickens are by far the largest product by sales and volume.

Table 3: SIDC Poultry Sales by Quantity

In 1997 and 97

Poultry Item	1997	1998
Poultry (mothers)	55,000	54,000
Raising poultry	120,291	142,928

Poultry raising project has a capacity for raising 180000 birds per year.

3.1.3Chicken Feed Components

SIDC sells its excess chicken feed components and some chicken mixed feed to local farms on a cash basis, effectively acting as a feed wholesaler. Due to a large purchase in 1997 this activity generated more revenue than the egg production. In 1998 feed was the third largest revenue generator after egg production and poultry raising.

3.2.3 Other Products

Little research is available on the markets for SIDC's other products. With large feed storage capacity and access to feed component providers SIDC is able to act as a wholesaler of these products to small local farms. Demand for this will continue as long as the farms are able to compete with the larger producers.

With the ability to import egg trays in bulk SIDC is able to provide the higher quality trays to its customers at lower prices. Demand for this will also continue as long the customers recognize the advantage in buying the imported plates.

The Cafeteria is currently not viable, as tourism in the area is minimal.

3.3 Distribution Network

SIDC sells all of its chicken production and the bulk of its egg production in the Sohag region. The company operates 8 booths throughout the city and local region. Both retail and wholesale customers visit these stores or the production facilities. The table below gives the location of each store.

Table 4 : Sales Outlets

The booth	Location
El Azhar	Sohag
El Helal	Sohag
El Makhbaz El Aly	Sohag
Gerga	Gerga
El Bahetha	Sohag
El Balena	El Belina
Abou Hagy	Sohag
Akhmim	Akhmim

Wholesalers and retailers from Luxor, Aswan, and Hurgada purchase eggs from the company. They either visit the company or SIDC delivers them via one of its traveling sales agents.

3.4 Competitive analysis

SIDC competes with 3 other poultry and egg producers in Sohag. Two of these companies produce both eggs and chickens while one only raises and sells chickens.

Table 5: Competition

The competitor	The production capacity	
	Millions of Eggs	Chicken
1. El Essawia project subordinate of Sohag governrate (white chicken)	30 million	150 000 white chicken
2. El Ahyawia project subordinate of Sohag governorate (raising)		2 million raising chicks
3. El Diyabat Project (simple advisory firm- white chicken)	15 million	75000 white chicken

Basically, all companies compete on price and location of outlets. From time to time SIDC is able to charge higher prices as their egg products are of a better quality. Larger buyers tend to be loyal to a particular producers. SIDC reliability and quality have helped it penetrate into markets in Aswan, Luxor and Hurgada taking market share from local producers. Opportunity exists for both increasing existing market share and serving increasing market needs.

As a private company SIDC is able to purchase feed components whenever market prices are favorable, however, its public sector competition must purchase components on a rigid time scale

4. Production and Raising Process

4.1 Egg Production

The Egg Production facility is located at El Kawamel 15KM Southwest of Sohag. The facility consist of 26 feddans (109,000m^2). The Compound is surrounded by a wall and contains:

- Three temperature controlled egg production stores with a capacity of 25,000 birds
- Temperature controlled store for new chicks capacity of 22,500
- A refrigerated egg collection hall capacity 250,000 eggs
- Feed Mixing Plant which can produce 2 tons of feed per hour
- Two 500 ton capacity grain silos
- Administration buildings

Utilities at the facility include:
- Two water tanks
- Two generators 250KV and 80 kv respectively
- Waste Burner.

The nominal capacity of the operation is 15 million eggs per year however this was exceeded in 1994,1996 and 1997.

SIDC renewed the egg production stores at a cost of 270,000 LE. The investment improved the temperature and the airing. The company also constructed a 250,000 LE silo to store maize. Also a new electricity generator was bought for 110, 000LE.

Day old chicks are purchased from Highline or El Wadi company in lots of 25,000. Over a period of three years the company will purchase 8 lots. The chicks are kept in the reception hall until they are 18 weeks old. Very young chicks are kept at 35 C and the temperature decreases to 27C when they are transferred to the production stores.

Each production store contains up to 25,000 birds. The layers are kept here for one year. In that year they may produce up to 300 eggs. The company maintains 2 stores of brown egg producing chickens and one store of white egg producing chickens.

Eggs are collected by an automatic conveyer belt and transported to the refrigeration unit. In this unit eggs are separated and packed on imported cardboard egg trays. At this point they are either delivered to booths, customers or picked up by wholesalers.

The company contracts with an outside veterinary specialist from Cairo University in order to maintain the health and quality of the stock of chickens.

Feed for the operation is manufactured at the facility. The company purchases feed components whenever prices are favorable. These components are stored until they are needed for either production or are sold.

Other supplies such as egg trays and medicines are sold whenever there is demand and the company has excess.

4.2 Chicken Raising

The company rents land in Sohag for 60,000 LE per year to raise chickens. Chickens are raised from birth until 45 days old when they are sold for consumption. The company operates two stores at the facility which house between 45,000 and 25,000 chicks each. A small number of turkeys are raised for sale here

also. Feed is manufactured on site. The capacity for feed production is 0.5 tons per hour. Excess production is sold to area farmers.
Vegetables are raised for sale on the land between the two stores. The income from this activity is minimal.

4.3 Other Products

The company operates a Cafeteria at Abidos. The lease on the cafeteria expires in September 2000

4.4 Support Facilities and Equipment

SIDC maintains management and administrative offices in Sohag.
The company owns a fleet of 6 vehicles for distribution and employee transport as follows

- 1 lorry (10 tons)
- two passenger cars,
- three trucks

5. Systems

5.1 Overview

SDIC operates basic systems which maintain, organize, and report on historical data. Internal communication between facilities and departments happens on an informal demand basis. Communication with customers is via fax, telephone, and sales outlets also on a demand basis. To date these systems and method of operating have served the company well. Additional efficiencies could be gained with the implementation of more sophisticated management information systems that would assist in the planning and forecasting functions.

5.2 Finance and Accounting

All of the statutory and management accounts are maintained on a computer with a software program called Bayan. Accounts are presented in GAAP. The company files its quarterly statement with the Stock Exchange.

5.3 Production Control

A database and costing software are used to track production data. The system, however, does not forecast resource needs or aid production planning.

5.4 Sales and Marketing

The company tracks product sales by booths and sales agents on a daily basis. However, no formal information is gathered on customers nor any sales forecast made.
SIDC monitors the daily price of eggs and poultry in the market and sets its prices accordingly each day.

5.5 Human Resources.

SIDC maintains a comprehensive computer based HR management system. The system tracks employee information such as:

- salaries,
- payments,
- penalties charged to employees
- bonuses,
- and absences

The system maintained helps SDIC efficiently and effectively manage their labor resource.

5.6 Investor Relations

Shareholder information is also maintained on computer. The company tracks dividend payments and other relevant data.

6.2 Education and Length of Service of Management

Name	Position	Education	Date of Hire	Previous experience
Khairy El Khayat	General Manager	Bachelor of Commerce (accounting section)	He was hired as the general manager of the co. in April 1990.	General manager of Akhmim Factory for Production
Mohamed El Said Marzouk	Manager of the Egg Production Facility	Bachelor of Agriculture (general section) graduated in 1977	Hired in 1990	Agriculture engineer in Sohag from 1987 to 1990
Ashraf El Said	Manager of the Poultry Raising Project	Bachelor of Agriculture (poultry section), graduated in 1987	Hired in 1991	N/A
Abd El Azziz Abd El Kawi	Senior Accountant	Bachelor of Commerce. Graduated in 1979	Hired on 1/7/1982	N/A
Hosni Abd El Kader	Human Resource Manager	Diploma in Commerce graduated in 1981.	Hired on 12/7/1982	N/A
Fathy Abd El Rehim	Treasurer	Thanawia Ama graduated in 1973	Hired on 8/1984	N/A
Khaled Amin Abou El Wafa	MIS Manager	Bachelor of Commerce (general section graduated in 1991.) Has completed several computer courses.	Hired on 12/4/1996	Accountant in Khozami Association in Saudi Arabia from 1992 to 1994
Gamal Gamei	Investor Relations	Bachelor of Commerce graduated in 1992	Hired on 1/3/1997	N/A

6.3 Distribution of Employees by function and department

Position	Number	Percentage
Administration		
Chairman	1	
General manager	1	
Accounting manager	1	
Human resources	1	
Accountant	2	
Treasurer	1	
Accounting Assistant	2	
Office boy	2	
Subtotal	11	14.5%
The Poultry Project		
Project Manager	1	
Agricultural engineer	2	
Warehouse security	2	
Workers	16	
Security	1	
Technician	1	
Subtotal	23	30.5%
The Egg Project		
Project manager	1	
Agricultural engineer	3	
Warehouse security	2	
Electrician	4	
Plumber	4	
Traveling Egg Sales	3	
Driver	3	
Other Security	3	
Worker	15	
Subtotal	38	50.5%
Booth Sales Operators	3	0.5%
Total	75	100%

In addition to the above sales force, SIDC also contracts with 5 sales agents on a commission basis. These agents operate the 5 remaining booths.

7. Financial Information

7.1 Overview

The following financial information is based on the company's audited accounts for years 1996-1998. SIDC financial year ends December 31 and all entry reflect this

The company's revenues and profits arise from the sale of eggs, live chickens, and feed components. SIDC engages in a number of other revenue generating activities which are outlined under the product section. These other activities, however, combined contribute less than 10% to either sales or profit.

7.2 Earnings and Distribution of Profit

SIDC earnings per share were slightly below the industry norm of 2.5 LE per share in 1998. In the first half of 1999 margins have decreased due to low egg prices. Sales were 5.3 million LE in the first half and the company made a profit of 83,000LE.

Table 6 : Earnings Per Share

	Q1 + Q2 1999	1998	1997	1996
Total Shares	225,000	225,000	225,000	225,000
Earnings per Share (LE)	0.37	1.92	1.57	1.58

Sohag for Investment and Development distributes 10% of its profit in dividends, maintains reserves required by law, and uses the remainder for bonuses and operational needs.

Table 7: Distribution of Profit

Item	LE
Legal reserve 10 %	43185.00
Employees bonus 10 %	38867.00
Shareholders dividends 5 %	112500.00
Board bonus 10 %	23730.00
Shareholders dividends 5 %	112500.00
Taxes reserve	100000.00
Transferred to next year	1073.61
	431855.61

Table 8: Historical Balance Sheets (in L.E)

	1998	1997
Fixed Assets	2,119,982	2,168,346
Current Assets	2,139,189	2,391,620
Total Assets	**4,259,171**	**4,559,966**
Liabilities	1,412,143	1,970,766
Provisions	178,886	43,880
Total Share Capital and reserves	2,668,142	2,589,321
Total liabilities and shareholders capital	**4,259,171**	**4,559,966**

Summary Income Statement

Table 9: Summary Income Statements (in L.E)

	1998	1997	1996
Turnover	7,424,090	7,759,139	6,551,783
Cost of Goods Sold	(6,583,989)	(7,018,733)	(5,797,280)
Gross Profit	**840,101**	**740,406**	**754,503**
General and Admin (Including Tax)	(409,344)	(179,764)	(241,784)
Depreciation	(17,352)	(197,108)	(171,554)
Other Costs		(19,134)	
Interest		(4,168)	
Net Operating Profit (Loss)	**413,404**	**340,232**	**341,164**
Credit Interest		1,900	1,905
Income from Securities	3,680	3,450	6,440
Other Income	14,771	7,339	6,858
Net Profit	**431,855**	**352,921**	**356,367**

The company's management has not formally reported on the company's performance in the first half of 1999. The average egg price for this quarter was 17 piastres while in 1998 it was 19 piastres. Also, costs of goods sold reflects 96% of sales while in years past this figure has been closer to 90%.

7.3 Management Report on 1998 results.

1- The net profit has increased from 1998 to 1997 by 22 %. It was 431,855.61 LE in 1998 and 352,921 LE in 1997.
2- SIDC has paid all its debt to suppliers on their due dates. It has also paid down a portion of the loan extended by the PBDAC bank and the outstanding balance has decreased from 675,000 LE in 1997 to 562,750 in 1998. The co received an overdraft from PBDAC on April 1998 at a value of 240,000 L.E to purchase maize. The company paid the overdraft and its interest before the end of 1998. All bills due to the government for electricity, insurance, taxes and water were paid.
3- **Egg production.** SIDC realized a gross profit of 772,000 LE in 1998 compared to 547,000LE in 1997. This was despite the fact that the production went down to 14 million eggs as a result of taking stores offline for renovations.
4- **Raising project**, the co has made an excess of 69,000LE in 1998 compared to 19,000LE in 1997 and this was due to the increase in the price of the kilo of poultry in 1998 if compared to 1997. Despite there was a decrease in the trading revenue of the components of feed in 1998.
5- The co intends to buy 10 feddans of lands from the local government next to the egg production facility. This will be used to build a project on a land owned by the co instead of the existing project. The company will move the chicken raising project to this land and discountinue renting land from the Central Association. Currently rent is 60.000 LE and it is likely to increase.
6- **Cafeteria,** there was no progress in the Cafeteria revenues because of the financial conditions. The rental contract will end on 1/9/2000. Management hopes that the revenue increase this year.

Contribution to Profitability

The Egg production project accounted for 92% of the gross profit in 1998 while the poultry raising project contributed just above 8%. The surplus covered the loss on the Cafeteria and other activities.

Source Document Index

This document has been based on information provided by the company unless otherwise stated. The documents used for the preparation of this document are stated below. A complete set of documents can be obtained from Bank Du Caire upon a written request specifying the additional information required.

1.General information, main activities of the company.
2. The Board of Directors' report on company activities and the current structure of the board for the year 1998.
3. Income statements for years 1993-1999 (1st half)
4. Distribution of profits
5. Balance Sheets for years 1997,1998
6. Trading Statements for years 1995,1996
7. Statement of Cash Flows for the year 1996
8. Operating Statements 1995-1996
9. Financial Ratios for years 1994-1996
10. Shareholders 1995
11. Recent investments 1999
12. The company competition 1999
13. List of assets owned 1999
14. Breakdown of sales by product 1997,1998
15. Average prices of the company products for the years 1998,1999
16. Average prices of feed and feed components for the years 1998,1999
17. Breakdown of monthly sales quantity and value by product for 1998,1999
18. Breakdown of monthly sales of feed and feed components for the years 1998,1999
19. Personnel Profile 1999
20. Names of the sales representatives and distribution outlets
21. List of equipment.

Ministry of Trade and Supply
Minister's Office
Foreign Affairs

Supporting Documentation

Sohag For Investment and Development Co

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INDEX

1.General information, main activities of the company.
2. The Board of Directors' report on company activities and the current structure of the board for the year 1998.
3. Income statements for years 1993-1999 (1st half), and Distribution of profits
4. Balance Sheets for years 1997,1998
5. Depreciation Table for the year 1998
6. Trading Statements for years 1995,1996
7. Statement of Cash Flows for the year 1996
8. Operating Statements 1995-1996
9. Financial Ratios for years 1994-1996
10. Shareholders 1995
11. Recent investments 1999
12. The company competitors 1999
13. List of assets owned 1999
14. Breakdown of sales by product 1997,1998
15. Average prices of the company products for the years 1998,1999
16. Average prices of feed and feed components for the years 1998,1999
17. Breakdown of monthly sales quantity and value by product for 1998,1999
18. Breakdown of monthly sales of feed and feed components for the years 1998,1999
19. Personnel Profile 1999
20. Names of the sales representatives and distribution outlets
21. List of equipment.

1. General information, main activities of the company

The main activities of the company

1.The project to produce 15 million egg (El Kawamel Project): this project is the main activity of the company. The production during the years 93, 94, 95,and 96 is 15.3 million egg, 16.3 million, 14.9 million, and 17.2 million respectively. The project generates a profit which represents a big portion of the operating profit which revenue is 3.183 m g for the year 1996 compared to 2.626 m LE for the year 1995. The rate of growth is 21.2%. The project is located in El Kawamel and El Hagaresa south of Sohag. The project consists of the following:

1) An equipped reception with a capacity of 25000 birds per cycle
2) Three egg stores equipped with a capacity of 22500 each
3) A hall for collecting eggs and it has a refrigerator to store eggs for one weak and it has a capacity of 1/4m egg
4) Main Electric generator (250 kv); it works automatically whenever there is electric power failure. And another generator (80 kv) as a back up for the main one.
5) A feed plant with a capacity of 2 ton per hour; attached to it the warehouses for materials needed for the manufacturing of feed.
6) Two silos grain; each has a capacity of 500 ton. It is used to keep the yellow maize which is the main component of feed.
7) Buildings for employees working at night, buildings for the management which construction started 1981 and it finished on 1986 when it started its production.
8) A burner to burn the waste
9) Two water tanks.

The building and the project with all its equipments are mortgaged for the PBDAC bank for a loan of 800000 LE and it is insured for the sake of the bank. The loan is scheduled at the balance of 31/12/93 and it is in the process of repayment till it reached 675300 LE at the end of 1997.

2.The raising project: it is a project for raising poultry rented from the central association in Sohaq and it was facing loses till the project first started to generate profit for the first time 106 thousands LE in 1996. This represents 40 thousands LE direct profits from raising and the rest 66 thousands profits from selling components. The project is established on a area of 3 feddan rented for three years on an average of 55000, its capacity is 180000 birds per year. The project consists of two buildings .

***3.The project of Cafeteria Arabat Abbidos*:** the cafeteria is rented from the Local Association for Tourism Development in Sohag. The project is still facing loses because of the security circumstances related to the location. The lose does not exceed 3000 LE per year. This project consists of a garden facing City temple in Arabat Abbidos rented for the company for ten years starting from 1991.

4. The development in trading the components of feeding and its manufacturing: the company tries to generate revenue from the trading in the components of feeding and also from selling some of the feeding manufactured by the production units it has.

5.The development of photocopying documents: the company owns three machines for photocopying documents. It uses one for managerial purposes and the other two are used through the distribution representatives. This activity makes loses during the financial year 1995 and the following year. The company stopped this activity in 1996.

- Beside the buildings of the project the company rents two apartments in El Tahrir st in Sohaq.

- Equipment working with electricity are used in nutrition, water, lighting, feeding and egg collection.
- The company owns the following cars:
  - Two lorry with 10 tons capacity
  - Two trucks with 5 tons capacity
  - Two trucks with less capacity
  - Two cars
  - Two mini bus for the employees transportation

The development of the company's activities

- The sales of the company increased from 1062 million LE 31/12/1990 to 6547 million LE in 31/12/1996 with a growth rate of 616 %.
- The company has paid all its outstanding payables. Assets of the company were valued based on a renewal cost and the purchase of new equipment to ensure the continuity of the company and increasing the production capacity in the future. The company purchased a back up electric generator, beside it has installed the missing parts in each unit; which enables the company to produce eggs at maximum capacity. The company has added additional absorption fans and additional cooling equipment to help in maintaining the temperature inside each unit. This way, the company has succeeded to overcome the fluctuations in the production that used to happen in the past and that threatened the company in 1990. Now the unit of producing eggs meets its full capacity since four years:

- 1994 : the production was 16300 m eggs
- 1995 : the production was 1500 m eggs
- 1996: the production was 1720 m eggs

The company expanded its activities that were limited in the production of egg and the company has rented the project of the Central Agricultural Association in Sohag for another three years ending 1999. This project was making loses for the first three years and now it generates profit of 106000 LE for the year 1996 after the deduction of all expenses.

General information about the company

- The company name: Sohag company for investment and development
- The legal form: Egyptian joint venture established according the ministry decision number 325 for the year 1981and according to the law number 43 for the year 1974 replaced by the law number 230 for the year 1989.
- Date of establishment: 25/11/1981
- Date starting working: 27/2/1982
- The position of being registered in the stock market: shares are listed in the stock market but they are not traded
- The financial year: starting 1/1 till 31/12
- The aim of the company: investing money in the fields stated in the law number 43 for the year 1974 which was replaced by the law number 230 for the year 1989.

  The company works mainly in the following:

  1. The production of eggs
  2. The project of raising poultry rented from the central association of Sohag
  3. The project of Cafiteria Arabet Abidom rented from the Local Association for Development of Tourism.

2. The board of directors' report on company activities and the current structure of the board for the year 1998

The report of the board of director of the co

During the year 1998

1- The net profit has increased from 1996 to 1997 by 20 %. It was 431855.61 LE in 1996 and 325921.00 LE in 1997.

2- The co has paid all its debt accounts by paying its suppliers in their due dates. The co has also some of loan from the PBDAC bank and the balance has decreased from 675000.00 LE in 1997 to 562750.00 in 1998. The co has got an overdraft account from the PBDAC on April 1998 at a value of 240000.00 LE to finance the buying of maize. The co has been able to pay for this account and its interest before the end of 1998. The co has also paid all its liabilities to the government from electricity, insurance, taxes and water.

3- Concerning the egg production project, the co has made excess of 772000.00 LE compared to 547000.00 LE in 1997. This was despite the fact that the production went down to 14 million eggs as a result of some renovations.

4- Concerning the poultry raising project, the co has made an excess of 69000.00 LE in 1998 compared to 19000.00 LE in 1997 and this due to the increase in the price of the kilo of poultry in 1998 than 1997. Despite there was a decrease in the trading revenue of the components of feed in 1998.

5- The co intends to get 10 feddan from lands assigned by the government for agricultural projects. They will be used to build a project owned by the co instead of the project that is rented from the central association and that cost the co 60000.00 LE that might increase from one year to the other.

6- Concerning the project of the Pharaonic garden, there was no progress in the garden revenues because of the financial conditions. The rental contract will end on 1/9/2000. We hope that the revenue increase this year.

The current structure of the board

- Mr.Omar Ezz El Din Abou Steit : the chairman
- Mr. Fouad Amin Abou El Hassan: a business man and a board member
- Mr. Bekhit Abd Al Latif: the general manager of the Cairo Bank- Assuout and a board member
- Mr. Hamdi Mohamed Saleh: the general manager of Cairo Bank- Asswan and a board member
- Mr. Ali Mohammed Abd El Rahman: the general manager of Nasir Band and a board member
- Mr. Abd Al Atti Hassan Ghazali: the assistant of the general secretary of Sohag and a board member
- Mr. Mohammed Nobil Mohammed Sadek: the chairman of the PBDAC of Sohag governorate and a board member
- Mr. Shams El Din Abd Al Hay El Khawali: the general manager of Upper Egypt Mills Company in Sohag and a board member
- Mr. Khairy abd El Azziz El Khayat: the general manager of the company and a board member.

The size of employment and its distribution:

The total number of employees on 31/12/1996 was 96 employees distributed as follows:

- Management 17 employees
- Technical 22 employees
- Permanent 17 employees
- Temporary 20 employees

The total salary on 31/12/1996 was 199 thousands Egyptian Pounds

3. Income Statement for Years 1993- 19999 (First Half), Distribution of Profits (1998)

Income statement

Value in 1000 LE

Item	12/93	12/94	Rate of change	12/95	Rate of change	12/96	Rate of change
Gross profit	347.9	460.6	32 %	574.9	25 %	487	(15%)
Various revenues	7.5	0	0	3.1	0	3.6	16%
Operating revenue of the raising project	8.3	0	0	0	0	0	0
Revenue of the photocopying machine	0	1.2	0	0.3	(75%)	0	0
Revenue of time deposits	0	2.9	0	3.7	28%	1.9	(49%)
Operating revenue of the central association	0	27.6	0	0	0	106.9	0
Capital profit	12.4	0	0	0	0	6.4	0
Earned discount	0	0	0	0	0	3.3	0
Total revenues	376.1	492.3	31 %	582	18%	609.1	5%
Expenses							
Wages and salaries	58	92.3	59%	83.5	(10%)	98.8	18%
Commodity expenses	17.4	12.6	(28%)	11.9	(6%)	10.7	(10%)
Service expenses	67.6	78	15%	99.8	28%	132.3	33%
Expenses of delayed revenue	12.1	12.1	0	0	0	0	0
Depreciation of fixed assets	6.4	7.6	19%	8.3	9%	8.3	0
Losses of the association	0	0	0	64.7	0	0	0
Losses of Orabet (cafeteria)	0.1	5.4	5300	4.1	(24%)	2.8	(32%)
Bad debt	0	6.7	0	0	0	0	0
Total expenses	161.6	214.7	33%	272.3	27%	252.9	(7%)
Profit of the year	214.5	277.6	29%	309.7	12%	356.2	15%

The suggested project for the distribution of 1998 profit

Profit of the year		
431855.61		
	Legal reserve 10 %	43185.00
	Employees bonus 10 %	38867.00
	Shareholders dividends 5 %	112500.00
	Board bonus 10 %	23730.00
	Shareholders dividends 5 %	112500.00
	Taxes reserve	100000.00
	Transferred to next year	1073.61
341855.61		341855.61

Income statement
31/12/98

Item	Value in LE	Item	Value in LE
Expenses		**Revenues**	
Administration expenses		Operating profit	771693.80
Wages and salaries	146771.76	Various profit	8474.00
Goods expenses	13617.51	Operating profit of the central agency	69035.92
Services expenses	68315.75	Revenue from time deposit	1900.00
Total	228705.02	Discount	4397.38
Interest of overdraft	20639.50	Profit of the co contribution	3680.00
Allowances			
Taxes allowances	160000.00		
Depreciation of the administrative assets			
Furniture depreciation	3518.99		
Photocopying machine depreciation	1020.18		
Computers depreciation	1226.82		
Depreciation	172.02		
Car depreciation	11414.54		
Total	17352.55		
Loses	628.42		
Profit of the year	431855.61		
Total	859181.10	Total	859181.10

Income Statement
For the period starting 1/1/99 and ending 31/3/99

Item	Partially	Total
Net Sales	3011558.27	
Subtract: cost of sales	2990618.26	
Gross profit		20940.01
Subtract:		
General and administrative expenses	52411.97	
Depreciation	4338.15	
		56750.12
Subtract:		35810.11
Revenues of holding documents	0	
Other revenues	2302.81	
		2302.81
Net loses		33507.30

Income statement
for the period starting 1/1/99 and ending 30/6/99

Item	Partially	Total
Net sales	5320967.21	
Subtract: cost of sales	5123138.23	
Total profit		197828.98
(Subtract)		
General and administrative expenses	109763.95	
Depreciation	8676.30	
		118440.25
(Add)		79388.73
Revenues from financial securities	0	
Other revenues	850.00	
Earned discount	3017.46	
		3867.46
Net profit		83256.19

Financial Statement for the Financial Year Ending on 31/12/97

Item	1996	1997
Net sales	6551783.40	7759139.01
Subtract: cost of sales	5797280.24	7018732.97
Total profit	754503.16	740406.04
Subtract:		
General and administrative expenses	241784.08	179764.09
Depreciation	171554.34	197107.93
Allowances other than depreciation		19133.76
Interest		4168.25
Total		400174.03
	341164.74	340232.01
Adding		
Credit interest	1905.21	1900
Revenue of financial securities	6439.73	3450
Other revenues	6857.51	7339.31
		12689.31
Net profit	356367.19	352921.32

4. Balance Sheets for the years 1997, 1998, 31/3/99

Financial status
31/12/97

Item	Value in L.E
Long term assets	
Total cost of long term assets	2793523.13
Subtract: accumulated depreciation	1625176.55
Net long term assets	2168346.58
Total long term assets	2168346.58
Current assets	
Inventory	2004646.30
Debtors(after the subtraction of allowances)	59653.02
Various debt accounts	167804.12
Investment in financial securities	28971.43
Short term deposits	37500.00
Cash in banks and treasury	38246.00
Total current assets	2336820.87
Creditors	654954.69
Credit accounts	196886.86
Provisions	35783.92
Total traded obligations	887625.47
Working capital	1449195.40
Total investment	3617541.98
It is financed as follows :	
Shareholders rights	
Paid capital	2250000
Reserves	324048.57
Profit from previous years	
Capital profit	15272.09
Total shareholders equity	2589320.66
Achieved profits	352921.32
Total	2942241.98
Long term obligations	
Loan from PBDAC	675300.00
Total financing the working capital and long term assets	3617541.98

Balance sheet
31/12/98

Item	Value in LE	Item	Value in LE
Assets		**Liabilities and owners equity**	
Fixed assets		Paid capital	2250000.00
Land	75326.41	*Reserves*	
Booths	8.00	Legal reserve	174125.17
Equipment	1400578.00	General reserve	82703.93
Equipment for stores	59897.45	Capital profit	15272.09
Buildings and constructions	399201.14	Renewal reserve	146041.79
Furniture	39919.23	Total	418142.98
Cars	78242.93	*Allowances*	
Oven tubes	703.50	Bad debts	8096.50
Trucks	6379.18	Taxes allowances	170789.92
Motors	1600.00	Total	178886.42
Photocopying machines	7240.26	*Loans*	
Computers	8587.72	Loans from PBDAC	562750.00
Fixed assets for the association	33986.98	Checks not yet collected	169609.71
Fixed assets for the cafeteria	3698.96	*Pending credit account*	
Tools	1612.78	Taxes account	5333.60
Total	2119982.54	*Penalty fund*	
Available at the end of the period		penalties	601.99
Poultry wealth	1346108.90	*distribution creditors*	
Storage available	451212.58	Employees bonus	334.60
total	1797361.48	Shareholders right	144114.44
Financial investment		Total	177449.04
Shares of Sohag El watany bank	28971.43	Insurance for the benefit of others	19000.00
Total	28971.43	The year profit	431855.61
Cash			
Cash in banks	40604.01		
Cash in treasury	9913.04		
Time deposit	37000.00		
Debt balance			
Amounts paid for court cases	25131.94		
Accounts	73157.41		

receivables by shareholders			
Other debtors	43182.15		
Prepaid expenses	40320.00		
total	182291.50		
Debt accounts			
Taxes receivables	14927.84		
Deposits kept with others	2762.00		
Total	4259171.84	Total	4259171.84

Financial status
31/3/1999

Item	Partially	Partially	Total
Long term assets			
Cost of total fixed assets	4199977.93		
Subtract: accumulated depreciation	1864358.30		
		2335619.63	
Projects under execution		0	
Total long term assets			2335619.63
Current assets			
Inventory (book value)	1807819.74		
Debtors and holding documents (after subtracting allowances)	151671.96		
Various debt accounts	108280.73		
Investment in financial securities (after subtracting allowances)	28971.43		
Cash in banks and funds	86868.79		
Total current assets		2183512.65	
Current liabilities			
Allowances	155789.92		
Credit banks	0		
Creditors and payment documents	552342.32		
Other credit accounts	497493.25		
Total current liabilities		1205625.49	
Working capital			977887.16
Total investment (it is financed as follows)			3313506.79
Shareholders equity			
Paid capital	2250000.00		
Reserves	546055.89		
Capital profit	15272.09		
Transferred profit	1073.61		
Total	2812401.59		
Subtract: loses	33507.30		
Total shareholders equity		2778894.29	
Add: long term liabilities		534712.50	
Total financed working capital and long term accounts			3313506.79

5. Depreciation Tables for the year 1998

Depreciation table for 1998

Item	Percentage of depreciation	Cost of asset	Additions in 1998	sold	Value of the asset after additions	Depreciation for 1998	Depreciation of previous years	Accumulated depreciation on 31/12/98	Book value after depreciation
The project and the management									
Land	0	75326.41	0	0	75326.41	0	0	0	75326.41
Real state	40 years	6880.90	0	0	6880.90	172.02	329.70	501.72	6379.18
Booths	0	9402.55	0	0	9402.55	0	9394.55	9394.55	8.00
Pre established equipment	15 years	2306564.18	132350.00	0	2438914.18	99940.53	938395.65	1038336.18	1400578.00
Store equipment	Depend on the consumption	231424.60	4600.00	0	236024.60	29218.35	146908.80	176127.15	59897.45
Buildings and constructions	15 years	733809.24	0	0	733809.24	28483.81	306124.29	334608.10	399201.14
Furniture	10 years	78439.88	6101.30	0	74541.18	4435.47	30186.48	34621.95	39919.23
Cars	5 years	240721.24	0	70.00	240651.24	19560.73	142847.58	162408.31	78242.93
Tools	3	16057.23	0	0	16057.23	2306.39	9138.06	11444.45	4612.78
Small machines	0	0	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0	0	0
Motors and tubes	Not used	1600.00	0	0	1600.00	0	0	0	1600.00
Photocopying machines	5	17352.35	0	0	17352.35	1020.18	9091.91	10112.09	7240.26
Computers	5	11159.47	0	0	11159.47	1226.82	1344.93	2571.75	8587.72
Butane cylinders	Without depreciation	519.00	184.50 (convert)	0	703.50	0	0	0	703.50
Total		3719257.05	143225.80	70.00	3862422.85	186364.30	1593761.95	1780126.25	2082296.60
The cafeteria									

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Fixed assets	10 years	11383.28	0	0	11383.28	528.42	7155.90	7684.32	3698.96
Equipment	0	0	0	0	0	0	0	0	0
Total		11383.28	0	0	11383.28	528.42	7155.90	7684.32	3698.96
Central association									
Furniture	10 years	11310.50	0	0	11310.50	687.91	4431.37	5119.28	6191.22
Equipment	3 years	28951.35	0	0	28951.35	3448.45	18605.98	22054.43	6896.92
Pre established equipment	15 years	5970.00	0	0	5970.00	316.26	1221.35	1537.61	4432.39
Butane cylinders	Without depreciation	16650.95	0	148.50 (convert)	16466.45	0	0	0	16466.45
Total		62882.80	0	184.50	62698.30	4452.62	24258.70	28711.32	33986.98
Total		***3793523.13***	***143235.80***	***254.50***	***3936504.43***	***191345.34***	***162517.55***	***1816521.89***	***2119982.54***

6. Trading Statements for the years 1995, 1996

Trading statement
On 31/12/96

Item	1995	1996	Item	1995	1996
Available at the beginning of the period			Operating revenues		
Poultry at the age of 5	141250.8	216983.52	Capital sales	5649.95	10957.00
Materials in the feed industry	77644.40	204184.81	Sales of the materials of the feed components	211757.65	1209697.50
Medicines	11347.82	12513.56	Various sales	705.00	3545.10
Things in the booth	3818.60	0	Sales of raising poultry	9580843.35	1449824.75
Things in the storage	1546.82	0	Sales of feed	17428.20	87577.55
Operating expenses			Sales of raising chicks	18150.00	1830.50
Wages and salaries for the operation of the project	36063.39	39484.03	Sales of turkey	8372.00	0
			Total sales		2763432.4
Commodity necessities	1377771.24	2502236.09	Available at the end of the period		
Services expenses	69197.30	72359.32	Poultry at the age of one week	216983.52	73093.32
Depreciation of assets			Poultry at the age of one week	0	5620.43
Depreciation of prefabricated equipment	225.35	398.00	Materials in the feed industry	204184.81	302132.35
Depreciation of furniture	589.80	589.80	Medicine	12573.56	15596.36

Depreciation of equipment	5581.00	3121.62	Loses	64680.87	0
Gross operating profit	0	106944.11			
Total	1725096.61	3159874.86		1725096.61	3159874.86

Trading statement
On 31/12/96

Item	1995	1996	Item	1995	1996
Available at the beginning of the period			Operating revenue		
Poultry at the age of 38 week	168125.70	407048.00	Sales of egg	2626419.25	3182539.25
Poultry at the age of 58 week	344596.00	196164.50	Sales of turkey	2365.00	2916
Poultry at the age of 18 week	341510.80	248346.00	Sales of poultry	408695.15	394486.50
Things available in the booths	37922.25	26894.25	Capital sales	31900.00	29665.00
Materials in the feed industry	178514.25	391246.68	Sales of the materials of the feed components	23415.00	140927.90
Medicine	4941.25	18696.63	Sales of bags	9097.45	11368.85
		1288396.06	Sales of plates		975.00
Operating expenses			Various sales	4216.14	567.50
Wages and salaries for the operation of the project	122408.63	159727.19	Feed sales	5205.00	19905.00
Commodity necessities	2392727.92	2975852.53	Sales of young poultry	19000.00	0
Services expenses	34973.30	72886.39	Total sales		3783351
		3208466.11	Available at the end of the period		
Assets depreciation			Poultry at the age of 72 week	407048.00	44760.00
Depreciation of buildings	29352.37	29352.27	Poultry at the age of 52 week	196164.50	216542.70
Depreciation of	86801.40	81805.95	Poultry at the age of 35	248346	506654.80

prefabricated equipment			week		
Cars depreciation	20368.78	19356.44	Poultry at the age of 12 week	0	202188.00
Stores' equipment depreciation	2361.95	25574.25	Material in the feed industry	391246.68	337462.65
Equipment depreciation	246.000		Empty plates	0	8428.55
		156089.01	Medicines	18696.63	18530.15
Gross operating profit	574861.45	487054.67	Things in the booths and refrigerators	26894.25	22088.00
Total	4343722.05	5140005.85	Total	4343722.05	5140005.85

7. Statement of Cash Flows for the year 1996

Statement of cash flow for the financial year ended 31/12/1996

Item	Partially	Total
Cash flow from operating activities:		
Cash generated from operating activities	7800271.07	
Cash used in operating activities	7145301.74	
Net cash flow from operating activities		654969.33
Cash flow from investing activities		
Buying equipment and fixed assets	(167082.40)	
Selling equipment and fixed assets	1000	
Increasing in fixed deposits	(17500)	
Earnings from deposits	1905.21	
Earnings from financial securities	3439.73	
Net cash flow from investing activities		(178237.46)
Cash flow from financing activities		
Cash paid for long term loans	(112550)	
Distributed paid cash	(245604.49)	
Net cash flow from financing activities		(358154.49)
Net increase in cash flow		118577.38
Cash on 1/1/96		(10444.32)
Cash on 31/12/96		108133.06

8. Operating Statements: operating revenues- egg project (1995-1996), operating expenses-egg project (1995, 1996), operating expenses – raising project (1995, 1996)

Operating revenues
The following table shows the values of revenues of the egg production project
during 1995 and 1996 with some adjustment

Item	1996	1995	Change		Percentage of Revenues to the total	
			Value	%	1996	1995
Sales of egg	3182539.25	2626419.25	556120	21.2	84.12%	83.90%
Sales of turkey	2916	2365	551	23.3	0.08%	0.07%
Sales of poultry (mothers)	39448.50	408695.15	(14208.65)	(3.5)	10.43%	3.06%
Capital sales	29665	31900	(2235)	(7.0)	0.78%	1.02%
Sales of components of feed	140927.90	23415	11751209	501.9	3.72%	0.75%
Sales of bags	11368.85	9097.45	2271.40	25	0.3%	0.29%
Sales of empty plates	975		975		0.03%	
Various sales	567.50	4216.14	(3648.64)	(86.5)	0.01%	0.13%
Sales of feed	19905	5205	14700	282.4	0.53%	0.27%
Sales of young poultry		19000	(19000)			0.61%
Total	3783351	3130312099	653038.01	20.9%	100%	100%

Operating expenses of the raising project

Item	1996	1995	Value of the change	Percent age of change	Total percentage	
					1996	1995
Wages and salaries	39484.03	36063.39	3420.64	9.49	1.51%	2.43%
Commodity necessities	25.2236.09	1377771.24	1124464.85	81.61	95.72%	92.90 %
Services expenses	72359.32	69197.30	3162.02	4.57	2.77%	4.67%
Total	2614079.44	1483031.93	1131047.51	76.27	100%	100%

Operating expenses of the egg production project during 1995 and 1996

Item	1996	1995	Change		Percentage of total expenses to total	
			Value	%	1996	1995
Wages and salaries	159727.19	122408.63	37318.56	30.5	5%	4.8%
Commodity necessities	2975852.03	2392727.92	583124.61	24.4	92.7%	93.7%
Services expenses	72886.39	38973.30	33913.09	87.0	2.3%	1.5%
Total	3208466.11	2554109.85	654356.26	25.6	100%	100%

9. Financial Ratios for the years 1994, 1995, 1996

Financial ratios

	Ratios	1994	1995	1996
	Operating ratios			
1	Net profit to sales	5.53%	7.11%	5.44%
2	Profit to total assets	6.72%	7.43%	8.58%
3	Percentage change in revenues	29.4%	11.6%	15.06%
4	Percentage change in sales	17.7%	(13.1%)	50.29%
5	Sales to total assets	1:1.2	1:1.5	1:1.58
6	Retained earnings	1.29%	1.78%	2.33%
	Leverage ratios			
7	Long term loans to total expenses	1:0.03	1:0.27	1:0.24
8	Working capital to long term loans	1:2.35	1:2.73	1:4.64
9	Total loans to total assets	1:1.21	1:1.51	1:2.13
10	Net tangible assets to long term loans	1:0.25	1:0.22	1:0.19
11	Market price of owning rights to book value of loans	1:2.35	1:2.72	1:3.18
12	Long term loans to owning rights	1:0.42	1:0.37	1:0.3
	Liquidity ratios			
13	Working capital to total assets	1:0.3	1:0.33	1:0.4
14	Rate of trading	1:2.77	1:2.72	1:4.4
15	The quick ratio	1:0.74	1:0.49	1:0.85
16	Working capital turnover	4.08 turn	3.22 turn	3.9 turn
17	Debtors turnover	14.23 turn	18.54 turn	25.32 turn
18	Stock turnover	15 turn	6.18 turn	3.42 turn

10. Detailed report about the shareholders for the year 1995

Detailed Report for the public shareholder structure on 31/12/1995 is as follows:

Shareholder	Number of shares	Value in LE	Percentage of ownership
Cairo bank	49500	495000	22%
PBDAC	20676	206760	9.19%
Nasir Bank	27500	275000	12.22%
Upper Egypt Mills company	5000	50000	2.22%
Services fund	10000	100000	4.45%
Goods	12513	125130	5.56%
Akhmim production industry	1611	16110	0.72%
The local governorate	2390	23900	1.06%
Central society for agriculture reformation	5500	55000	2.44%
Chamber of commerce	2200	2200	0.98%
The association of transportation by cars	5000	50000	2.22%
Total public shareholders Individuals	141890 83110	1418900 831100	63.06% 36.94%
Total	225000	2250000	100%

11. Recent investments for the year 1999

Recent investment

The recent investment that the co witnessed is the renewal of the egg production store that costs 270000 LE to improve the temperature and the airing. The co also witnessed the construction of silo that costs 250000 LE to store maize. The co bought an electricity generator at a price of 110 000LE.

12. The company competitors (1999)

The company's competitors

Competitor	Production capacity	
	Eggs	Chicken
El Essawia project subordinate of Sohag governrate (white chicken)	30 million	150 000 white chicken
El Ahyawia project subordinate of Sohag governorate (raising)		2 million raising chicks
El Diyabat Project (simple advisory firm-white chicken)	15 million	75000 white chicken

13. List of assets owned by the company (1999)

Assets owned by the co

1. Land: the project is established on it. It costs when bought 75326 LE with an area of 26 feddan based on the valuation in 1984.
2. Real state: it is a store bought by the co in El Kaother city at a price of 6890 LE in 1996.
3. Booth: 7 booths for the distribution of eggs and poultry
4. Equipment in stores: they consist of spare parts bought but not installed.
5. Buildings and constructions: a building for the rest of employees and that is where employees working at night spend their nights. The co owns another building for the administration, warehouses, the stores floor, two rooms for the electric generator and two security rooms.
6. Furniture: it consists of desks, chairs, electrical equipment (fans, air conditioning), cabinet to keep documents, cupboard for documents, beds for rest and furniture of the co.
7. Cars: one lorry, Hyondai car, Dodg car, a chevrolet truck, a small chevrolet truck, a small Peugot 404 truck.
8. Tools: the furnish of the guestroom, matrices, pillows, bed sheets, blankets, kitchen tools.
9. Photocopying machines: 2 photocopying machines brand Rox Rotary.
10. PCs: one computer in the co.
11. Fixed assets in the cafeteria of Arabet Abidoss: two air conditioning, two fans, and
12. The furniture of the raising poultry project: feeders, water pumps, wheels
13. Pre established equipment: electric splash and other things
14. Butane cylinders in the raising project

14. Breakdown of sales (by product) for the years 1997, 1998

sales by product for years 1997 and 1998

Item	1997		1998	
	quantity	value	quantity	Value
Eggs	15789630	3104277	13599510	2672290
Turkey		9195		2195
Poultry (mothers)	55000	328306	54000	407627
Raising poultry	120291	1052546	142928	1307788
Capital		44042		54368
Feed components		3120980		1091813
Feed		59		750
Medicines		9467		2055
Empty bags		0		360
Empty plates		74831		74228
varieties		8960		11446
Young poultry		6265		440
Raising chicks		1450		3700
Animal feed		0		2640
Total		7760378		5631700

15. Average prices of the company products for the years 1997, 1998

Average prices of the company products

Item	Average price	
	1997	1998
Eggs (with plate)	5.90	5.85
Mothers poultry (per chicken)	6.00	7.50
Raising poultry (per chicken)	8.75	9.15

16. Average prices of feed and feed components for the years 1998, 1999

Average price of one ton of components and feed during 1998 and 1999

Component	1998		1999		Notes
	White poultry	Raising poultry	White poultry	Raising poultry	
Concentrations	2150	2250	2150	2250	These components are recorded in the company accounts as feed components without categorization
Soya beans	930	930	850	850	
Yellow maize	550	550	520	520	
Hard bran	420	420	410	410	
Feed	800	900	900	800	

17. Breakdown of monthly sales quantity and value (by product) for the years 1998, 1999

Sales by month during 1998

Month	Sales			
	Eggs		Mothers poultry	Raising poultry
	Value	Quantity	Value	Value
Jan	240311.75	1131570	0	213987.10
Feb	216942.75	1187700	136271.50	10363.70
March	180355.00	1032630	4040.00	0
April	128003.00	909810	0	191386.95
May	217643.00	1280670	73139.00	163.40
June	195123.00	1031730	75959.00	184416.20
July	187939.50	1016100	0	0
August	213922.50	1047240	0	193116.30
September	258951.75	1035900	0	0
October	329355.25	1488510	0	246527.15
November	29461.25	1344060	39727.50	0
December	288894.35	1093590	78490.50	267827.35
Total	2691703.10	13599510	407627.50	1307788.15
Returns	19412.50		0	0
Net	2672290.60	13599510	407627.50	1307788.15

Sales of poultry by quantity during 1998

White chicken		Raising poultry	
Number of group	Quantity	Number of group	Quantity
26	21215	36	29279
27	19339	37	26917
28	13446	38	21147
Total	54000	39	33608
		40	31977
		Total	142928

Sales by month during 1999

Month	Sales			
	Eggs		Mothers poultry	Raising poultry
	Value	Quantity	Value	Value
Jan	210939.00	1065450	0	
Feb	208478.50	1432440	0	195890.35
March	263902.75	1570140		35422.25
April	198006.75	1251360	76132.50	166610.75
May	164698.50	1104300	55955.00	62955.10
Total	1046025.50	6423690	132017.50	460878.45

Sales of poultry by quantity during 1999

White chicken		Raising chicken	
Number of group	Quantity	Number of group	Quantity
29	6305	41	35277
30	11297	42	35300
	17602		70577

Sales by month during 1999

Month	Sales			
	Eggs		Mothers poultry	Raising poultry
	Value	Quantity	Value	Value
Jan	210939.00	1065450	0	
Feb	208478.50	1432440	0	195890.35
March	263902.75	1570140		35422.25
April	198006.75	1251360	76132.50	166610.75
May	164698.50	1104300	55955.00	62955.10
Total	1046025.50	6423690	132017.50	460878.45

Sales of poultry by quantity during 1999

White chicken		Raising chicken	
Number of group	Quantity	Number of group	Quantity
29	6305	41	35277
30	11297	42	35300
	17602		70577

Sales by month of feed and feed components during 1999
White poultry

Month	Components		Feed	
	Value	Quantity	Value	Quantity
Jan	3800.00	4 ton Soya	2400.00	3 ton
Feb	3725.00	4 ton Soya	6600.00	8.25 ton
March	6595.00	12 ton maize	3845.00	4.80 ton
April	3388.70	3.60 ton Soya	7740.00	9.70 ton
May	3825.00	4.1 ton Soya	4320.00	5.40 ton
Total	21333.70		24905.00	31.15 ton

Sales by month of feed and feed components during 1999
Raising poultry

Month	Components		Feed	
	Value	Quantity	Value	Quantity
Jan	10605.60 41000.00 51605.60	19.30 ton maize 100 ton bran	4465.20	4.90 ton
Feb	12195.83	22 ton maize	5204.74	5.8 ton
March	164000.00 12259.91 176259.91	400 ton bran 22.3 ton maize	7028.90	7.8 ton
April	369000.00 15166.49 384166.49	9.4 ton bran 27.6 ton maize	5185.55	5.8 ton
May	246000.00 1445.09 247445.09	6 ton bran 2.3 ton maize	4427.55	4.90 ton
Total	871672.92		26311.94	29.20 ton

Sales by month of feed and feed components during 1998
White poultry

Month	Components		Feed	
	Value	Quantity	Value	Quantity
Jan	0	0	50.00	50 kg
Feb	0	0	0	0
March	0	0	125.00	125 kg
April	0	0	50.00	25 kg
May	12408.00	23 ton maize	0	50 kg
June	1725.00	2 ton Soya	0	0
July	1820.00	2 ton Soya	50.00	0
August	2295.00	2.7 ton Soya	0	50 kg
September	912.50	2 ton maize	0	0
October	0	0	50.00	0
November	2235	4 ton maize	4810.00	50 kg
December	0	0	5160.00	6 ton
Total	21395.50			356

Sales by month of feed and feed components during 1998
Raising poultry

Month	Components		Feed	
	Value	Quantity	Value	Quantity
Jan	41000.00 17225.58 57225.58	100 to bran 32 ton maize	7125.90	2.90 ton
Feb	41000.00 67824.02 108824.02	100 ton bran 125 maize	4928.00	5.8 ton
March	36816.98	44 ton Soya	8496.60	10.00 ton
April	41000.00 47357.70 88357.70	100 ton bran 88 ton maize	6968.00	8.20 ton
May	41000.00 3041.79 44041.79	100 ton bran 3.50 ton Soya	4841.90	5.70 ton
June	41000.00 8858.83 49858.83	100 ton bran 10.5 ton Soya	7544.80	8.40 ton
July	41000.00 31244.70 72244.70	100 ton bran 58 ton maize	3599.10	4.00 ton
August	82000.00 25706.15 107706.15	200 ton bran 48 ton maize	6968.10	7.75 ton
September	163000.00 55313.21 218313.21	300 ton bran 58 ton Soya	4174.00	8.00 ton
October	41000.00 59238.97 100238.97	100 ton bran 110 ton maize	4658.30	5.20 ton
November	41000.00 58244.30 109244.30	100 ton bran 110 ton maize	3409.75	3.80 ton
December	41000.00 36501.14 77501.14	100 ton bran 68 ton maize	6353.70	7.10 ton
Total	1070418.37		69068.15	76.85 ton

19. Organizational Profile: Administrative employees (1999) , employees working in the egg project (1999), employees working in the raising project (1999), the company organizational chart (1999), profile of the management team (1999)

Figure 1: Management Structure

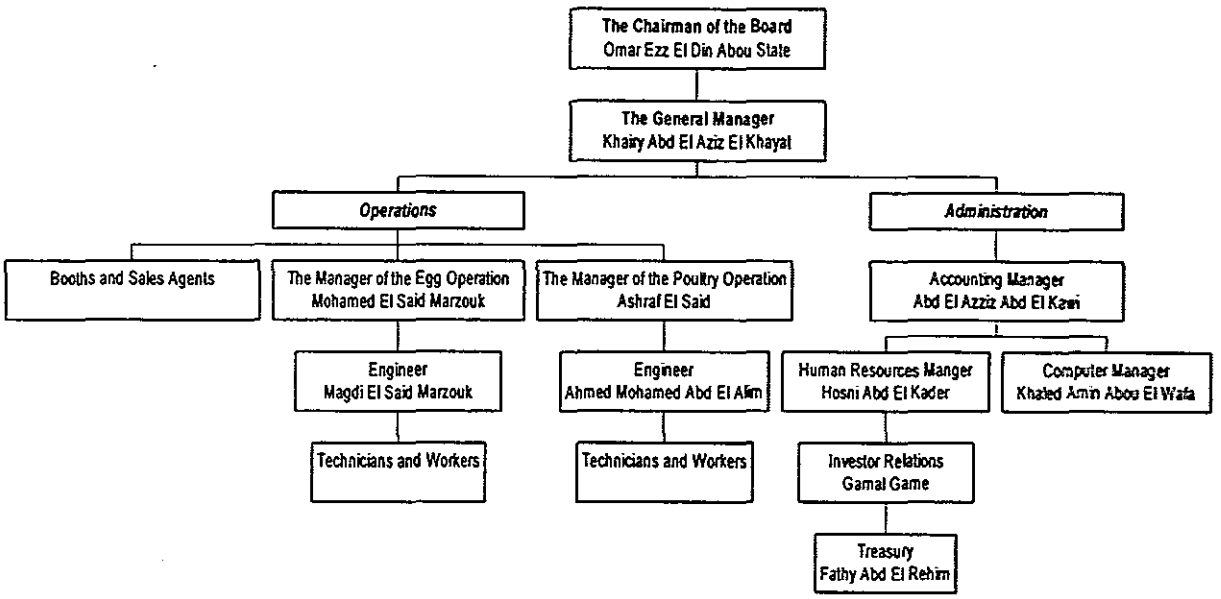


Fig 4

Information about the company's board

Name	Education	Period of service	Previous experience
Omar Ezz El Din Abou Steit		He was hired as a member of the board in 1998. He was elected on 30/6/90 to be the chairman of the co	
Accountant/ Khairy El Khayat	Bachelor of commerce (accounting section)	He was hired as the general manager of the co on April 1990.	General manager of Akhmim factory for production
Abd El Azziz Abd El Kawi	Bachelor of commerce. Graduated in 1979	Hired on 1/7/1982	No previous experience
Hosni Abd El Kader	Diploma in commerce graduated in 19981.	Hired on 12/7/1982	No previous experience
Fathy Abd El Rehim	Thanawia Ama graduated in 1973	Hired on 8/1984	No previous experience
Khaled Amin Abou El Wafa	Bachelor of commerce (general section graduated in 1991. Has taken several computer courses.	Hired on 12/4/1996	Accountant in Khozami association in Saudi Arabia from 1992 to 1994
Gamal Gamei	Bachelor of commerce graduated in 1992	Hired on 1/3/1997	No previous experience
Ashraf El Said	Bachelor of agriculture (poultry section), graduated in 1987	Hired in 1991	No previous experience
Mohamed El Said Marzouk	Bachelor of agriculture (general section) graduated in 1977	Hired in 1990	Agriculture engineer in Sohag from 1987 to 1990

20. Names of the sales representatives and distribution outlets

Sales booths and their location

The booth	The
El Azhar	Sohag
El Helal	Sohag
El Makhbaz El Aly	Sohag
Gerga	Gerga
El Bahetha	Sohag
El Balena	El Belina
Abou Hagy	Sohag
Akhmim	Akhmim

Equipment owned by the co

1. Pre-established equipment: it is composed of 4 stores used in the raising, and 3 stores for the production of complete equipment.
2. One refrigerator to store eggs and it has a steam equipment
3. One electric generator (250 K.Volt ampere).

   These previous equipment were bought in 1985 and their prices were paid in different installment. These equipment cost 1726544 LE in 1985.
4. The co has bought a small electric generator (80 k Volt-Ampere) at a price of 33000 LE in 1992.
5. The co has bought a new electric generator (300 K Volt Ampere) at a price of 110 000. It was bought on April 1999.

21. List of equipment

APRP/RDI's Agribusiness Joint Venture Divestiture Program At Ministry of Trade and Supply

Sohag for Investment and Development and Fayoum For Food Security

14

Today

- GOE PP ⟶ Sohag and Fayoum
- Sohag & Fayoum
- JV Sales Guidelines
- Results and Observations

GOE's Privatization Program

↓

Ministry of Trade and Supply JV Divestiture
(400 + Companies)

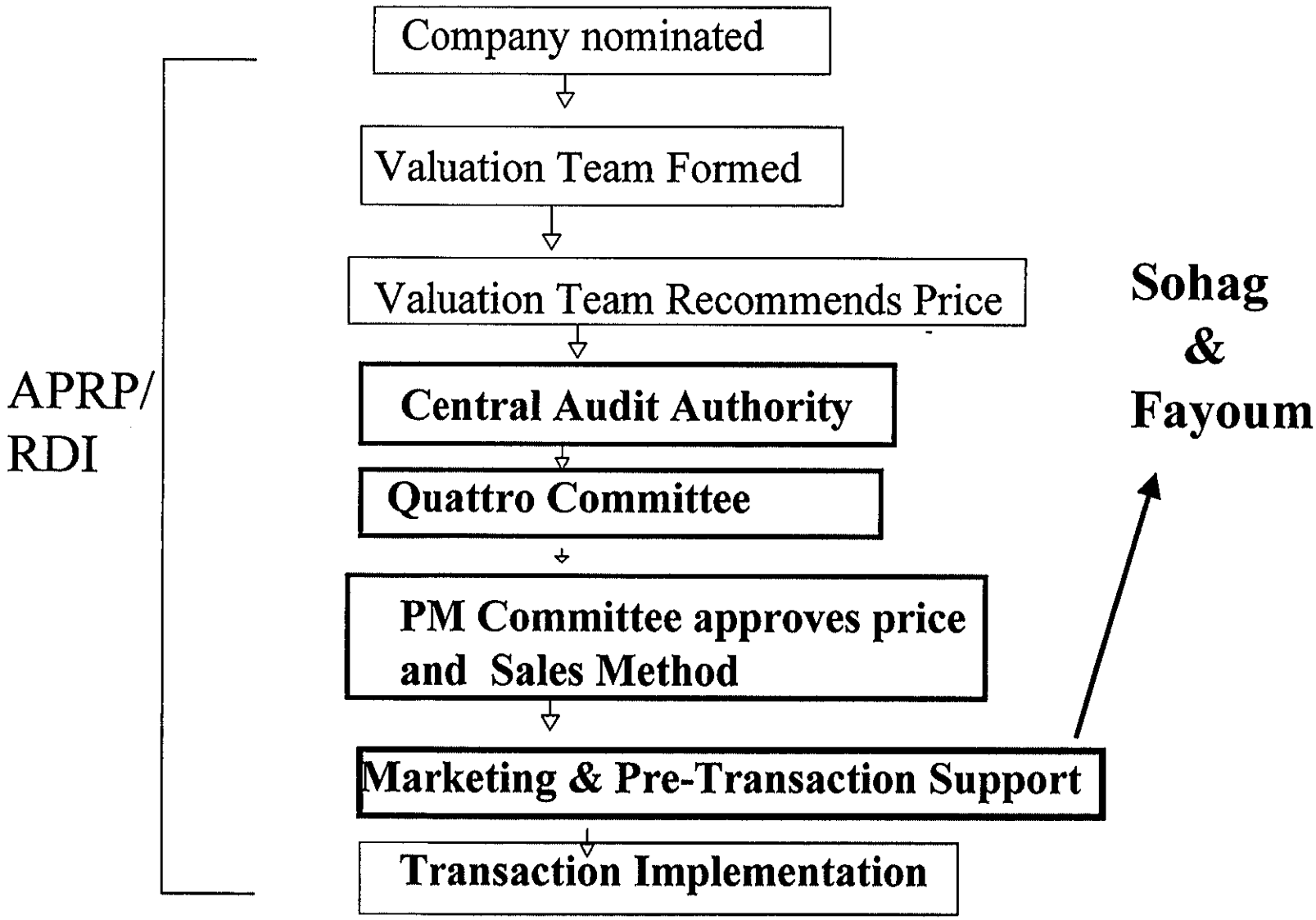
↓

APRP 67 Agribusiness JV Companies
(Nomination to Transaction)

↓

Sohag and Fayoum
(Approved Valuation to Transaction)

Privatization Process



Marketing & Pre-Transaction Support

• Sales Strategy (Plan)	• RDI
• Seller's Due Diligence	• RDI
• Documentation	• RDI
• Marketing and Advertising	• RDI/BDC
• Investor's Due Diligence	• RDI/BDC
• Bidding Procedure	• BDC
• Negotiations	• BDC

145

Organizations Involved in the Marketing and Pre-Transaction Support Stage

- The Company For Sale
- The Owners
- The Sales Agent
- The Ministry of Trade and Supply Privatization Unit
- RDI (Donor Consultants)

Sohag For Investment and Development

- Small Egg and Chicken Producer
- Revenues: 7.4 Million 1998
- Net Profit: 431,000 LE
- 225,000 Issued Shares
- For Sale: 101,690 (45.2%)

Sohag's Owners

Shareholder	Number of shares	Percentage of ownership
Public Sector Shares For Sale in This Offering		
1. Bank Du Caire	49500	22%
2. The Principal Bank for Development and Agriculture Credit (a specialized Bank)	20676	9.19%
3. Upper Egypt Mills company	5000	2.22%
4. Services fund	10000	4.45%
5. Goods Distribution Association	12513	5.56%
6. Akhmim production industry	1611	0.72%
7. The local governorate	2390	1.06%
Total Shares for Sale	**101690**	**45.2%**
Other Shareholders		
Nasir Bank	27500	12.22%
Central society for agriculture reformation	5500	2.44%
Trade Chamber of commerce - Sohag	2200	0.98%
Transport Association	5000	2.22%
Individuals	83110	36.94%
Total	**225000**	**100%**

7 Public Sector Owners

Initial Valuation and Approval

- December 1997 approved for sale by PM Committee
  - Valued at 20 LE per share (P/E 13.2)
  - 129,290 Shares (57%) (Now 45.2%)
  - 2.6 Million LE
  - To an Anchor investor
  - Bank Du Caire named sales agent

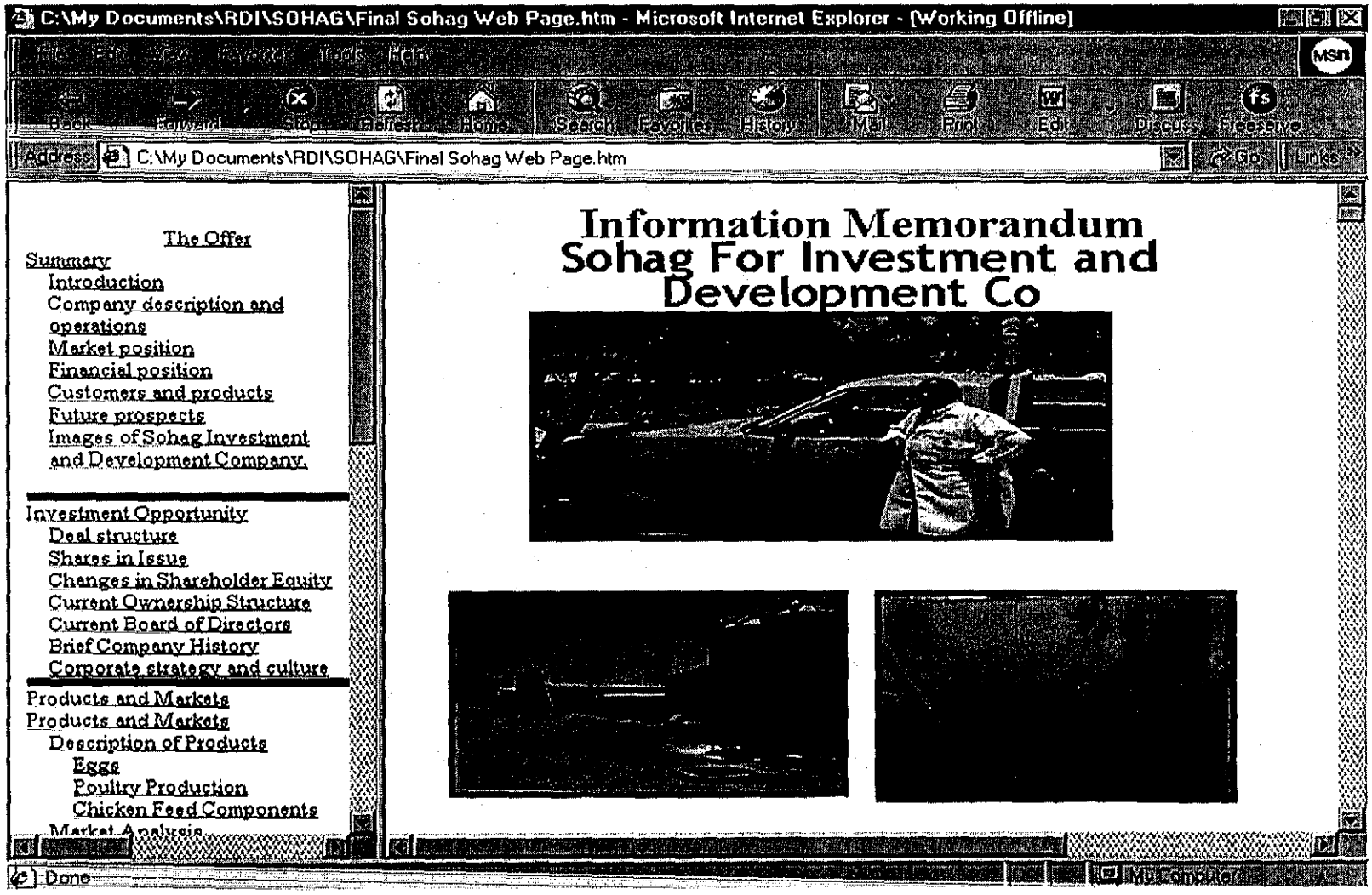
Bank Du Caire 1998

- Created a production focused Information Memo.
- Approached companies in and around Sohag
- Entered into negotiations with one buyer
- No buyer willing to pay 20LE a share
- BDC informs PM Committee that they cannot sale the company

APRP/RDI

- Begins work on Sohag June 1999
- Agrees with bank that we will do the information memo and other sales assistance
- Conducts investigation of the company and market.
- Creates Info Memo, Advertisement, and Web Page

WEB Page



www.bdc.com.eg

RDI and BDC

- BDC agrees to advertise the company on September 5th. Bids to be received Oct 5th
- Agrees to use *single sealed bid process* without advertising the price.
- Advertisements placed in two newspapers
- Info Memo sent to every private sector poultry company (40)
- Fax announcing sale sent to 50 brokers

Fayoum

- Small Dairy Producer (600 cows)
- One Customer
- Revenues: 1.5 Million LE 1998
- Profit: 9,000 LE 1998
- 87,500 Share For Sale (58%)

Fayoum's Owners

Shareholders	No. Shares	Percentage of ownership
Banque Du Caire	25000	16.67
PBDAC	25000	16.67
Development andService Fund of Fayoum Governerate	15000	10
The council of Fayoum Governerate	12500	8.33
Fishing wealth project of Fayoum Governerate	10000	6.67
Total Public Ownership	***87500***	***58.3***
Naser Bank	25000	16.6
Private Owners	37500	25.3
Total	150,000	100

5 Public Sector Owners

Initial Valuation & Approval

- Company Approved for sale at:
  - 11 LE per share on 19/1/1998 (P/E 150)
  - 112,500 Shares offered (74%) (Now 58.3%)
  - Banque Du Caire named sales agent

Banque Du Caire in 1998

- Created an information memo
- Unable to find investors
- Informed PM Committee

APRP/RDI

- 1998 Financials Completed in September
- Conducted investigation
- Present Banque Du Caire with an information memo

Sales Process Guidelines

- Created Sales Process Guidelines For JV Divestiture Unit at MOTS
  - Sales Planning/Coordination
  - Conducting Seller's Due Diligence
  - Creating Sales Documentation
  - Marketing a company for sale
  - Targeting potential investors
  - Assisting investors with buyer's due diligence

Results

- Progressed the sale of Sohag and Fayoum
- Used sealed bid (no price) method
- Demonstrated to BDC how to use their web page to advertise and publish information about companies for sale.
- Trained MoTS employee in due diligence and sales documentation creation
- Sales procedures at MoTs

Observations

- If time is a factor in JV privatization then case by case method not appropriate.
  - 2 People minimum 1 month to move a company from approved valuation to transaction = 44 Person Days
  - 44 Days * 60 Agricultural JV's = 2,640 Days
  - 44 Days * 400 JV's = 17,600 Days

Observations

- Clearly Identified Roles and Responsibilities For:
  - MoTS
  - JV Company's For Sale
  - Sales Agents
  - Public Sector Owners
  - Donor Provided Consultants

Observations

- MoTs needs:
  - Systemized approach to joint venture divestiture. (Standardized documentation, document tracking, and other MIS systems ie. APRP Database)
  - Dedicated, qualified, and capable JV team
  - Improved office equipment