

## **CHAIRMAN'S STATEMENT**

Distinguished Shareholders, Ladies and Gentlemen,

Before I welcome you, let me apologize for inviting you to this meeting today, only four days to Christmas Day when you should be preparing for the Yuletide celebrations. I do so especially because you have not been invited to be presented with exciting reports on the performance of your Company. You are invited here to be informed about what some of you may know already about the state of your Company and the measures the Directors would like to take to reverse PBC's downward trend.

On this note, I welcome you to the 18<sup>th</sup> Annual General Meeting (AGM) of your Company PBC Ltd. The last AGM was the 17<sup>th</sup> AGM, and it was held in July 2018. Since then, you have not had the opportunity to consider the Company's Annual reports and Financial Statements at an AGM as required. And for such occasional failures the Ghana Stock Exchange suspended the Company from the Exchange on some occasions.

Since becoming the Chairman of your Company in 2022, I considered it necessary to hold the 18<sup>th</sup> AGM to clear outstanding matters for it to serve as the first step towards redeeming the Company's image. The AGM would also be an opportunity for approving measures which would help turn the Company around.

I assure you that subsequent reporting requirements will be diligently carried out and reported similarly when they are due.

Dear shareholders, permit me to state that your Company is in a critical period of its life. My interactions with some of you inform me that most of you are already aware of the situation. PBC Limited has been in this state for years. And it has become clear that structural, operational and financial measures must be pursued to shield it from imminent failure. At this AGM, you will be invited to make decisions which will enable necessary actions to be taken by the Directors and by extension the management to reverse the situation.

### **THE FINANCIALS FOR THE FINANCIAL YEARS 2017/2018 TO 2021/2022**

Dear Shareholders, during the years under review your Company which had been first in the Ghana Club 100 for two (2) consecutive years in 2011 and 2012, recorded losses in 2012/2013, 2013/2014, made profit in 2014/2015 and has since then recorded losses. The Company recorded losses before tax of GH¢174.447 million, GH¢146.81 million, GH¢7.438 million, GH¢5.654 million and GH¢29.7 million respectively in 2017/18, through to 2021/22 financial years, respectively.

As indicated in the Financial Statements, 82% and 132% of the Company's Gross Operational Earnings for 2017/18 and 2018/19 respectively were used to pay for finance charges because it relied heavily on borrowing. However, from 2019/2020 to 2021/2022 when COCOBOD seed fund was readily available to it and was used, finance costs reduced to 25%, 6% and 10% of gross operational earnings, respectively, indicating that if PBC Limited is provided with lower cost working capital consistently and it improves its internal structures and operations it will become a viable company. The situation where more than 50% of a Company's earnings is used to service finance costs does not augur well for the Company in terms of growth, profitability, and cash flow management.

Dear Shareholders, it was therefore not surprising that in 2019, the cash flow of the Company was unable to meet its financial obligations hence there was the need to restructure the short-term loans and overdrafts owed to the Banks into long-term loans. Thus, the debt which amounted to GH¢495 million, was restructured at zero (0) interest for eight years starting from the 2019/20 crop year, with a bi-annual repayment of GHs33 million. The Company successfully paid four (4) instalments totaling GH¢172 million. However, from 2021 through to 2023, the Company was unable to make any payments due to low volumes of purchases arising out of inadequate funds. Following this, the Banks sued the Company and got judgment.

The quantum of funds needed for cocoa operations at any point in time is high as shown by the high turnovers in the financial statements despite the drastic reduction in volumes of trade. It is expected that a significant amount of this funding will be sourced from the Regulator (COCOBOD) at interest rates far below the rates charged by Commercial Banks. In 2019/2020, for instance, when the Company relied solely on the Cocobod seed fund, finance cost was reduced.

The way the cocoa industry is structured with COCOBOD being the regulator, the only buyer of cocoa from LBCs, and the financier, PBC Limited must continue to rely on the seed fund in the immediate term whilst arranging for equity funds to finance its business going forward.

## **PBC LIMITED'S CHALLENGES, MEASURES TO ADDRESS THEM AND OUTLOOK**

The main challenge PBC Limited has faced since it was listed has been lack of working capital.

Thus, it has relied on short-term borrowings including borrowings from COCOBOD and overdrafts from Banks to finance its business. Whereas funding from COCOBOD is always at more accommodating interest rates, overdrafts from Banks are at high interest rates which eats too much into margins granted by COCOBOD. Therefore, whenever COCOBOD funding is not forthcoming or is not adequate to fund PBC Limited's business, it causes the Company to make losses.

Despite this situation, capital projects were embarked on with the intention to diversify the sources of income from only cocoa. This was a good decision but the good intentions of investing in a hotel and shea nut processing were not realized due to implementation and operational bottlenecks. PBC Shea Limited has become a long-term burden and is currently not operational.

Neither Golden Bean Hotel Limited nor PBC Shea Limited has been able to pay dividends to PBC Limited for it to use to settle loans it borrowed to finance them. However, currently Golden Bean Hotel Limited is PBC Limited's only profit-making venture, growing in profits and assisting PBC Limited on some occasions. The Directors of PBC Limited have decided to let go of part of its interests in the two as a way of raising equity capital for PBC and funds to assist the subsidiaries.

External challenges such as the onset of COVID-19 and its impact on the national economy in general and on businesses also impacted on PBC Limited. The almighty COCOBOD, the mother of the industry was not spared, as current events of the cocoa industry show. Cocoa being the single source of income for PBC Limited and without equity funds to rely on, any uncertainties in the industry hit it harder.

Also, whilst the industry volume of business was not growing, licensing of new LBCs gained momentum leading to destructive competition. PBC, which had the largest market share, was most affected as it lost market share to new LBCs when seed funds releases delayed, reduced or were not forthcoming due to indebtedness of PBC to COCOBOD. PBC's volume of business continued to decline and with its high cost of doing business, incurred losses from year to year.

The situation called for major restructuring, cost cutting and other strategies which would win the confidence of shareholders who would then be willing to make equity funds available to PBC. But this did not happen. The Company continued to resort to borrowing and as the margins on cocoa were out of the control of the Company, increasing borrowing and high interest rates only led to reducing net margins, a situation which led to increasing losses.

All these culminated in the situation PBC finds itself. The situation had gone on to such an extent that shareholders continued to lose confidence in the Company and thus were unwilling to inject equity funds into the Company to curtail resorting to borrowing at high lending rates from year to year.

Also, the assets which were handed over to PBC Limited and formed the basis of its listing that would enable it to leverage them to raise working capital at lower cost have to date not been legally transferred to PBC Limited. Efforts will continue to be made for the assets to be legally transferred to PBC in the next few years.

Today, I want to inform you that actions to reverse the situation have started and will be accelerated following your decisions to support the resolutions contained in the notice for this meeting.

The fact that finally we are holding this 18<sup>th</sup> AGM today should send a signal that change at PBC Limited has started.

A five-year strategic plan has been completed. Implementation will start after today's AGM.

Under the plan the Company has decided to divest its interest in some of its fixed surplus or underutilized assets to raise funds and cut cost.

Further, the Company will be restructured. The matters under special business at this AGM are in line with the plan.

Also, under the plan, the Directors have decided to divest part of PBC's interests in Golden Bean, the only profit-making business of PBC, which has the potential to do even better. This decision is to raise funds to boost PBC's operations as well as improve the subsidiary's own business.

Further potential partner(s) will be invited to contribute equity funds and technical and management know-how into the subsidiaries especially PBC Shea. The aim is to turn around PBC Shea.

Furthermore, your directors have decided to address the major challenge of funding additionally through a renounceable rights issue to raise equity of up to GHC 1.5 billion. It is intended that enough can be raised from both existing shareholders and/or new interested investors. Part of the funds which would be raised will be used to repay the debts it owes to banks and to COCOBOD. This will enable the company to reduce its reliance on debt financing.

PBC Limited will roll out the foregoing if you support the Special Business of this AGM.

Dear Shareholders, I therefore invite you to approve the resolutions under the Special Business.

## **OUTLOOK**

Going forward, it is my belief that if the measures we have planned to implement is supported by you the Shareholders your Company will be turned around.

Additionally, the funds to be raised and/or partners to be invited will lead to availability of funds to do business and will put PBC Limited on the path of sustainable growth and profit.

Finally, I thank you, Shareholders, for your continued confidence and keen interest in PBC Limited.

I also wish to extend a hand of gratitude to the Management, staff, and fellow Directors for their invaluable support during the year.

On behalf of the Board, Management and Staff of PBC Ltd I wish you a Merry Christmas and Happy New Year.

**YAW AGYEMANG– DUAH**

**CHAIRMAN**

**21<sup>st</sup> December 2023**