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[redacted]

Price Waterhouse

GUYSUCO

VALUATION REPORT

31 DECEMBER 1991

GUYSUCO

VALUATION REPORT - 31 DECEMBER 1991

CONTENTS

Price Waterhouse

18 September 1992

Dr Kenneth King
Personal Adviser to the President
Office of the President
Georgetown
Guyana

In accordance with our contract with the United Nations Industrial Development Organisation ("UNIDO"), we enclose a copy of our valuation report on the Guyana Sugar Corporation Limited ("Guysuco"). The report has been prepared to provide the Government of Guyana with an indication of the likely value of Guysuco's sugar business.

When reading the report it is important to consider the background of the business and its current position. Much of the sugar industry in Guyana had been owned and managed by Booker Sugar Estates until 1975/76, when it was all nationalised to form Guysuco. In recent years the industry has declined rapidly and, as an initial step to arrest the decline and rehabilitate the industry, at the end of 1990 the Government appointed Booker Tate Limited ("Booker Tate") to manage Guysuco. The second step is likely to be the privatisation of the industry through a trade sale of up to 90% of Guysuco and the potential purchasers include Booker PLC ("Bookers") and Tate & Lyle Plc ("Tate & Lyle"), the joint owners of Booker Tate.

As managers of the business, Booker Tate have been responsible for preparing most of the information which we have relied on for our valuation and we have worked very closely with them in the preparation of our report. Nevertheless, our report does contain much confidential information and guidance on negotiation strategy which might prejudice any negotiations if it was made available to them. Accordingly we strongly recommend that this report should not be provided to Booker Tate or any other prospective investors. We also request that the report should not be made available to any third parties other than UNIDO without our consent.

In the event that we consent to the release of the valuation report to any third parties, it remains addressed to the Government of Guyana and it is a matter for the Government to decide whether the release of our report is in their best interests in reaching a satisfactory conclusion to negotiations with a prospective investor. It should be made clear to any third party that they should not rely on our report but should obtain their own independent advice and carry out their own procedures to estimate the value which they believe should be placed on the business, taking account of their own specific circumstances.

Notwithstanding our concern over the release of the report to prospective investors, we recognise that it may be appropriate to provide some information to investors or to model different scenarios during the course of any negotiations and we would be happy to advise the Government on such matters.

The results of our valuation are expressed as a range of values and are heavily dependent upon a number of assumptions. The valuation range we have determined for the business of Guysuco as at 31 December 1991 is in the region of US$35 million to US$45 million.

This valuation represents our assessment of the value of the sugar business of Guysuco on the basis that the rehabilitation plan proposed by Booker Tate but amended for some changes proposed ourselves, the World Bank and their advisers is implemented. This valuation therefore represents the likely value of the business after its privatisation and after contributions (capital, management skills etc) from the new investors. The valuation does not reflect the underlying value of the existing business and therefore the amount that might be paid for the existing business in any free market sale.

The valuation does not incorporate any value for other businesses that Guysuco may have, such as rice farming, or for any redundant assets that they company may have. Such redundant assets may include land which is not being used. When structuring the sale agreement the Government should ensure that arrangements are put in place to enable the Government to benefit from any additional value that there may be in these assets Techniques which may be appropriate in these circumstances include leasing some of the land for relatively short periods and incorporating clawback arrangements in the agreement.

In addition to the issues mentioned above which affect the price, the valuation is very sensitive to changes in the assumptions which support the forecast performance of the business. These can be divided into three different categories: those determined by external factors, those which the owners or managers of the business can influence and those which can be influenced by Government. The most important assumptions concern the availability of markets for sugar and the prices offered in those markets. The loss of quotas, particularly for the European Community market, or a decline in the prices offered in those markets would reduce the value of the business significantly. Similarly, changes in the timing and levels of capital expenditure necessary to redevelop the industry can significantly affect the valuation. Finally the levels of taxation, levies and currency retentions will also have a significant influence on the value of the business.

The report has been structured to enable the reader to:

- first gain an understanding of the business and its performance to date (sections 3 and 4), and
- then to consider the major assumptions which support the forecasts for the business (sections 5 and 6)
- the assessment of the value of the business is then considered in section 7, and
- finally there is a section dealing with other issues which we believe are particularly important to the privatisation of Guysuco and to the Government's negotiation strategy.

Clearly, this report cannot deal with the valuation of the business under all the possible scenarios which may become apparent during any sale negotiations and it cannot cover all the issues which may be relevant to the negotiation strategy. Furthermore, as we have already mentioned, the valuation may not be the most appropriate for use in any sale negotiations since it only provides an assessment of the value of the business on the basis that it is rehabilitated. Such a valuation therefore incorporates the value of any contributions which the new investors make to the business. In any negotiations with them it will be important to also understand the underlying value of the business on the basis that there was no sale. We would recommend that a valuation using such a "worst case" scenario should be prepared before commencing negotiations.

We would be very happy to help you prepare valuations on alternative scenarios, and to assist the Government with its negotiations.

Yours faithfully,

Price Waterhouse

GUYSUCO

VALUATION REPORT - 31 DECEMBER 1991

SECTION 1: EXECUTIVE SUMMARY

1.1 INTRODUCTION

In this section of the report we have set out a brief summary of the important issues and matters dealt with in the following sections of this report.

1.2 OBJECTIVES OF THIS REPORT

The report aims to provide the Government of Guyana with a guide to the fair market value of Guysuco's business to assist them in their negotiations with potential investors. It does not determine the price at which a transaction should be done.

1.3 SCOPE OF OUR WORK

The valuation deals only with the sugar business of Guysuco valued as a going concern and on the basis that there is new investment in the business and the industry is rehabilitated. It does not seek to give an indication of the value of the underlying business in its current state or of the assets of Guysuco on a break up basis or on a replacement cost basis. Furthermore it does not seek to value the other peripheral businesses of Guysuco such as the rice and dairy farming operations.

The valuation provides a range of values for the business and has been prepared using three different valuation methods:

- discounted cashflow
- leverage value

The report addresses the value on the basis that there are new owners and new investment in the business. This scenario effectively incorporates the value of the improvements and new investment that the investors may make to the business. A valuation on the basis that there is no significant new investment would reflect more fairly the underlying value of the business as it currently exists.

The report also considers the sensitivity of the valuation to changes in the assumptions which support the valuation. Lastly we have considered other issues which may affect the negotiating strategy the Government adopts and the eventual price that will be achieved.

The valuation has been prepared as at 31 December 1991 because forecasts have been prepared on an annual basis. The value of the business will change over time and changes on the business, the industry generally and the political position will need to be monitored closely.

1.4 REVIEW OF INDUSTRY AND CURRENT OPERATIONS

In Guyana the sugar industry is one of the most important industries. Sugar is the largest export from Guyana and the industry therefore represents one of the major sources of foreign currency for the country. The industry is very labour intensive and is the largest employer in Guyana, directly employing some 23,000 people.

Worldwide the industry is supported in many markets through price support arrangements. In the case of Guyana the industry is very dependent on the EC market where it has a substantial quota to supply sugar. The major risks to this arrangement would appear to be a reduction in the size of the quota resulting from the failure of Guyana to meet its quota or a reduction in the price paid for the sugar. The latter may be more likely to occur since there is considerable pressure to move EC prices closer to world prices. The world price of sugar is currently very much lower than the EC price and with changes in the trading arrangements between Cuba, one of the largest exporters of sugar, and the USSR there are likely to be even greater downward pressures on the world price and therefore the EC price.

Accordingly, two of the most important issues for the industry in Guyana are the maintenance of its sales quotas and sales prices to preferential markets like the EC and the maintenance of a committed work force.

1.5 ANALYSIS OF PERFORMANCE TO DATE

Over the last 10 years, and particularly in the last 3 years, there has been a significant decline in the performance of Guysuco's business. This has been attributed in part to the general decline in real terms of international sugar prices, but the major factors have been related more to the industry in Guyana.

During the period the industry has not had sufficient funds available for investment and has adopted a wage rate policy which has resulted in a substantial fall in the real incomes of the workers. The wage rate policy in particular has reduced both the number of employees and their motivation. The reductions in staffing levels and productivity have resulted in declines in the standards of farming practices and have caused the company to abandon substantial amounts of farm land. In recent years the industry's problems have been further compounded by unseasonal rainfalls which have reduced the production levels very significantly.

Over the last 10 years the total sugar production of Guysuco has fallen from 270,000 tons per year to 130,000 tons. At its current level Guyana is unable to fully meet its sales quotas and Guysuco is having to purchase sugar on the world market in order to meet local demand and maximise sales to the EC. This has put at risk the EC quota and the Government and the Company have had to make force majeure claims for the last three years to retain the quota. To date they have been successful in maintaining the quota for the EC.

At the end of 1990 Booker Tate were appointed to manage Guysuco. They have started to make improvements to the farming practices and have improved the wage rates during the last year. This has had a significant impact on the performance of the industry.

1.6 ANALYSIS OF FORECAST WITH INVESTMENT

As part of the plans for the business that Booker Tate have presented to the Government of Guyana they have prepared forecasts of the Company's performance for the period to 2003 on the basis that substantial investment is made.

During our review of the forecasts we identified a number of changes which we have made to the forecasts on which we have based our valuation. The major changes arose because Guysuco management (the local Booker Tate managers) are forecasting improvements in the performance of the business which are significantly better than those incorporated in the original forecasts.

The major assumptions which support the adjusted forecasts we have used are summarised below. These are:

- that the business should only seek to produce for the preferential markets such as the EC and should not aim to produce for sale on the world market;
- that the various quotas to these markets are maintained;
- that the sales prices generally do not decline;
- that the US$: UK£ exchange rate remains at US$1.7: UK£1;
- that the sugar sales levy is 20% of export sales;
- that labour supply is maintained through real wage increases of 400%;
- that the business will be free to convert its profits into foreign currency whenever it wishes to;
- that capital expenditure levels and timing are lower and later than those originally forecast by Booker Tate.
- that the World Bank or other third parties will provide loans of $50 million at a real interest rate of 5% per annum.

The forecasts using these assumptions show that the business will start to absorb cash after the first year as the rehabilitation and expansion of the factories takes place. The business only begins to generate cash again in 1996/97 when the capital expenditures fall to more normal levels. From that time the business generates about US$25 million per year before financing costs and tax.

Overall the forecasts would appear to be most dependent on the prices achieved for the EC sales, the timing and level of the capital expenditures and the level of sugar levy.

EC Sales

The forecast prices for EC sales incorporate a decline of 2½% per annum for the next four years which may be prudent but which could equally prove to be less than actual. The major factors which will influence this will be changes within the EC agricultural policy and movements in the US$: UK £ exchange rate.

Capital expenditure

The timing and level of capital expenditures is very much under the control of the owners of the business. Clearly, some expenditures will have to be incurred each year to keep the business running but there would appear to be some flexibility in the timing of the major expenditures on improving the factories.

Sugar levy

The forecasts we have used have assumed that a sugar levy of 20% of export sales will be charged. Clearly it is very much within the Government's powers to change this.

1.7 VALUATION METHODOLOGIES

The approach we have used to value the business of Guysuco is to consider a number of techniques. The principal technique we have used is the discounted cashflow valuation. In addition, we have also considered the leverage value (the amount of debt the business could finance).

These techniques concentrate on the expected future performance of the business and we believe that this is the most relevant approach for two reasons:

- an investor is primarily interested in the future returns that the business can generate for him;
- the historical performance of a business, particularly in cases where the business is being privatised, is less likely to provide a useful guide to its future performance.

Accordingly this report focuses on the future prospects for the business and the value has been assessed on the basis of those prospects.

1.8 RESULTS OF THE VALUATION

On the basis of our valuation work and the assumptions referred to above, we estimate that the value of the business, without taking into account any of the peripheral businesses and the value of any redundant assets, is between US$ 35 million and US$ 45 million.

Some of the assumptions on which the valuation is based can be influenced either by Government or the management of the business, and some are dependent on external factors. Those that can be influenced by the Government or management will need to be considered further when negotiating the sale price. Those that are dependent on external factors will shape the purchaser's perception of risk and therefore need to be taken into account when determining the rates of return that the purchaser will require.

In our valuation we have assumed that the risks involved in investing in Guyana will be similar to the perceived risks of investing in similar businesses in other Caribbean countries. We have therefore assumed that the purchaser will require a real rate of return of between 20% and 30%. Given the possibilities of a change of government in the near future and the recent deferral of elections in Guyana, an investor may consider the risks at present to be higher and so may require a higher rate of return. The use of a higher rate of return in our valuation would result in a lower range of values for the business.

We have also considered the sensitivity of the valuation to changes in the assumptions underlying the forecasts. It is clear from these that the valuation is particularly sensitive to issues such as changes in the levels and timing of capital expenditure.

In addition, we have considered the likely affect on the value of the business if a tax and currency retention holiday is given to the privatised business. We understand that this scenario was suggested by SG Warburg and is based on the approach that was adopted for the privatisation of the Bauxite industry. Whilst such a scenario will undoubtedly increase the value of the business we do not believe that the increase in value will offset or exceed the cost to the country of the benefits which would be foregone.

1.9 ISSUES WHICH COULD AFFECT THE EVENTUAL PRICE

The valuation can only be an estimate. The price at which a buyer and a seller eventually agree will be influenced by many factors which cannot be determined in any valuation. A critical factor that will eventually determine the price at which any transaction is carried out will be the quality of the negotiating strategy adopted and its implementation. When developing the strategy there are a number of important issues which should be considered:

The availability of competitive bids

At present there appears to be only one consortium negotiating to acquire the business. By encouraging others to bid for the business it may be possible to increase the price at which the business is sold and it should ensure that the eventual price obtained is fair. The number of other investors who might be interested in acquiring Guysuco's whole business may be limited, however, it might be easier to find investors for individual estates. Such an approach to selling the industry may provide other benefits. In particular it might reduce the risk of the Government being dominated by one company, but there would also be some additional risks and costs involved.

The synergic benefits for potential purchasers

Another factor which may influence the price which a particular investor might pay is the other benefits that they may gain from the acquisition. In the case of Bookers and, especially, Tate & Lyle there may be a number of additional advantages to them from acquiring Guysuco:-

- Guysuco is a major source of supply for Tate & Lyle's sugar refinery in Scotland;
- Tate & Lyle are likely to supply much of the equipment needed to refurbish the factories;
- Bookers are responsible for the shipping of Guysuco's sugar.

The value of these benefits is very difficult to judge since it is not clear what profits are made from these activities and it is possible that much of the business would still be given to these companies even if different investors acquired Guysuco.

The trade off between sale proceeds and future revenues

A further influence on the eventual price obtained may be the Government's desire to receive revenues in the future from taxation, sugar levy or dividend income from the business. The impact of higher taxes etc would be to reduce the sale price but they would provide the Government with a regular income stream, provided the business continues to perform. It will be very important to ensure that the negotiation strategy takes account of the needs of the Government and presents the Government's proposals on issues like the sugar levy in such a way that they do not increase the potential investors perceptions of the risks involved in investing in the company.

The basis of the valuation

The valuation has been prepared on the basis that the investment goes ahead. The value derived therefore incorporates the value of any contribution that the new investors make. A valuation on this basis therefore represents the "maximum" that an investor might pay for the business. When determining their negotiating strategy potential investors are more likely to look at the value of the business before any investment. This basis is likely to produce a lower valuation. It will be very important for the Government to produce such a valuation so that they are aware of the likely levels of offers that may be made and so they have an understanding of the strengths and weaknesses of any such valuation.

1.10 UNUTILISED AND REDUNDANT ASSETS

As mentioned above, the valuation does not take account of any value that there might be in the peripheral businesses that Guysuco has or in any redundant or unutilised assets it owns. Rather than seeking to value these types of assets an approach which has been used elsewhere in privatisations has been to exclude any clearly identifiable redundant assets in the transaction and then to incorporate arrangements in the sale agreement to deal with assets that cannot be clearly identified at the time of sale.

There are two approaches which might be appropriate in this case. Firstly, "clawback" arrangements are commonly used where there is considerable doubt about whether particular assets may be sold off later on. Under such an arrangement a proportion of the sale proceeds or profits from the subsequent sale of such assets is paid over to the Government.

The second approach which may be appropriate would be to lease some of the land for fixed periods. This would be more appropriate where it is expected that land will become redundant in the future as is the case with the Wales and Enmore estates. Under such an arrangement the land and buildings are leased to the privatised company for the period which they are expected to use them. If the company determines that it wishes to continue using the land then it must negotiate a new lease with the Government. If it does wish to continue using this land then it reveals to the Government who can then sell the land off.

The Government should consider incorporating such arrangements in any sale of Guysuco where there are potentially very large amounts of land that could be sold off by the company.

1.11 OTHER MACRO ECONOMIC ISSUES

The restructuring of such a large part of the economy of Guyana will obviously create some potential risks to the whole economy. Two particular areas that the Government will need to consider carefully will be the impact on inflation of the proposed wage increases and the systems by which Guysuco will be able to convert profits into foreign currency without damaging the foreign exchange market.

1.12 CONCLUSION

The above provides a brief summary of the salient points of our report, however it is essential that the entire report is read in order to fully comprehend the methodology in our approach to the valuation and the impact of the key assumptions on the range of values discussed.

GUYSUCO

VALUATION REPORT - 31 DECEMBER 1991

SECTION 2: INTRODUCTION

2.1 OBJECTIVE OF THE REPORT

The objective of this report is to provide the Government of Guyana with an indication of the likely value of Guysuco's business if it is rehabilitated. The Government of Guyana are currently involved in negotiations with a consortium of potential investors who are interested in investing in the Company and, in order to provide themselves with a guide to the likely value of the Company, the Government have commissioned this report.

In this report, we have estimated the value of the Company without taking into account the possible impact of a special purchaser. A purchaser who is involved in the same business as Guysuco, such as Bookers or Tate & Lyle may be able to obtain or provide a number of benefits through synergies between the two businesses. The value of synergies that may exist is obviously very difficult to assess without a clear understanding of the additional profits and the value of any strategic benefits to the potential investor's.

In addition, the valuation can only be an estimate based on a specific set of circumstances at a particular point in time. The final value or price is essentially determinable only by negotiation between a willing buyer and a willing seller in an open market. The price obtained will therefore be heavily dependent upon the negotiating skills of each party as well as their particular objectives and circumstances. As a result the price obtained may be substantially different from the valuation we have presented.

2.2 SCOPE OF THE VALUATION

The valuation, in accordance with our instructions, seeks to value the sugar manufacturing business of Guysuco on a going concern basis. The report does not address the issue of what the assets of the Company may be worth either on a break up value basis or on a replacement cost basis. In addition, we have not sought to value any redundant or surplus assets that the Company may own.

2.3 VALUATION METHODOLOGY

The valuation methodology used is described in more detail in Section 7, however the approach that has been used is to adopt those business valuation techniques which are regularly used in the UK and other markets and which, we believe, are suitable for use in this situation.

SECTION 2: INTRODUCTION (continued)

The methodologies we have used for our business valuations are:

- **Discounted Cashflow** - based on an assessment of the business's ability to generate cash in future years. The value of the net (or free) cashflow, discounted at a suitable rate, represents the net present value of the business to an investor.

- **Leverage Value** - based on a calculation of the amount of debt that the business could support. On the assumption that an investor borrowed against the assets and cashflows of the company to finance the purchase the limit of debt supportable represents the business value.

The application of all of these methods requires a good understanding of the business, the markets it operates in, its past performance and its likely future performance. Therefore in the following four sections we have described our understanding of these issues based on our discussions with management.

GUYSUCO

VALUATION REPORT - 31 DECEMBER 1991

SECTION 3: REVIEW OF INDUSTRY AND CURRENT OPERATIONS

3.1 INTRODUCTION

In this section we have set out a very brief summary of the nature of the sugar industry in general and of the industry in Guyana.

3.2 CANE SUGAR PRODUCTION

The production of cane sugar involves two main stages, the growing of sugar cane (agricultural operations) and the conversion of sugar cane into raw sugar (factory operations).

Agricultural operations

Agricultural operations involve preparation of the land, cane planting and tending the plants through to harvesting. These operations are usually highly labour intensive and require significant manpower throughout the growing season and during harvesting. Sugar cane is planted in either spring or autumn and reaches maturity in approximately 12 months. It is expected to yield 4 to 5 crops, called ratoons. After the fourth ratoon the cane plants begin to yield a reducing volume of sugar and are usually replaced. By dividing available land and planting in spring and autumn, two crops can be harvested each year - thus maximising the utilisation of the factories.

After harvesting, the cane is transported to factories for milling and processing into raw sugar. Time from cutting to processing is kept to a minimum since the cane sugar content declines rapidly once the cane is cut.

Agricultural operations are critically dependant on:

- Adequate supplies of labour Much of the process is difficult to mechanise, particularly cane cutting.
- A regular rainfall pattern that gives rain free periods during harvesting operations.
- A replanting cycle to ensure that old ratoons are replaced and the overall plant age profile remains less than four ratoons. In this way yields of sugar should remain high.
- Good land preparation and maintenance. Field inputs such as fertiliser are important to maintain yields. Where possible, a system of flood fallowing, whereby land is left under water for six months, likewise helps to improve soil fertility.

Factory operations

In the Factory the cane is first milled or crushed, to separate the juice. The juice is boiled under vacuum to remove impurities and any excess water content. The syrup produced is passed to a centrifuge which separates the raw sugar and molasses.

Factory operations are capital intensive and require close management and coordination with field operations. Factory efficiency is measured in terms of sugar recovered from cane (tons of cane required to produce a ton of sugar). This efficiency is however dependant on both factory and agricultural operations since the quality of the cane reaching the factory will have a significant impact on the ratio. Critical factors for factory operations include:

- The quality of cane supplied by field operations. If cane is poorly harvested then the factory receives waste material which has no sugar content. Similarly if the cane is not processed quickly the sugar content will decline.
- Constant and high level of power to run the factory equipment.
- Reliable machinery, requiring investment in new equipment.
- Availability of skilled factory workers.

3.3 SUGAR IN GUYANA

Sugar has been produced in Guyana for over 300 years. For most of this time the industry was based on a number of private estates, many of which were owned by Bookers, however in 1975/76 the Government of Guyana nationalised sugar. With the nationalisation of Booker Sugar Estates and the merger with Demerara Sugar Company, Guysuco was created in 1976. Guysuco now represents the vast majority of the Sugar industry in Guyana, growing the bulk of the sugar cane itself but also milling small volumes of cane from local farmers. Since nationalisation the company has been run by local management, until October 1990 when Booker Tate were appointed as management.

The sugar industry is vital to the economy of Guyana since it employs approximately 25% of the country's workforce and indirectly supports a number of other industries, such as distilling. The company is the largest foreign exchange earner in Guyana.

SECTION 3: REVIEW OF INDUSTRY AND CURRENT OPERATIONS (continued)

The cane growing areas of Guyana are in the coastal region and are low lying with much below sea level. They require a considerable drainage and irrigation infrastructure. Rainfall is high with approximately 100 inches per annum in the east and 66 inches in the west. To prevent flooding by both fresh and sea water a complex system of drains and pumping stations operates. The fields themselves are small and are laid out in strips of camber beds which facilitate water run off. This arrangement precludes the use of mechanical harvesting equipment. These drainage and irrigation channels are also used for transferring cane from field to factory and are a cost effective means of transport.

The peak periods of rainfall in Guyana are June and December. Guysuco produces two crops per year. The harvesting of these crops is timed to avoid the months of high rainfall. The first crop is harvested from February-April and the second August-November. The factories operate to capacity during these periods but are inactive at other times.

Guysuco currently operates 8 sugar estates and factories which produced 129,920 tons of sugar in 1990. The estates are concentrated in two areas, around the Corentyne River in the East (Berbice region) and the Demerara River in the West (Demerara region). The crop growing areas of Berbice are more productive than those in the Demerara region. The table below shows by region the estates, their current area and sugar production.

	Gross area Acres 000's	Area for harvesting Acres 000's	Sugar production tons 000's
Berbice region			
Skeldon	12	10	15
Albion	20	18	33
Rose Hall	16	13	20
Blairmont	13	10	20
	61	51	88
Demerara region			
Enmore	13	8	8
LBI/Diamond	23	12	11
Wales	9	6	8
Uitvlugt	16	9	15
	61	35	42
	122	86	130

The 1980's have seen falling sugar output in Guyana and a period of contraction in the industry. From a peak output of 369,000 tons in 1971, sugar production fell to 129,950 tons by 1990. This decline in production has necessitated the closure of 3 factories. The last of these closures occurred in 1986/87 when the Leonora and Diamond factories were decommissioned. The eight factories listed above represent the remaining operational facilities.

3.4 SUGAR MARKETS

Guysuco has a number of available sugar markets, the most important of which is Guyana's EC quota of 163,500 tons which is allocated to Guysuco. The EC quota price has been significantly above the world sugar price. The quota does however represent an obligation to supply a specified amount of sugar, failure to do so, except in the event of a force majeure claim, may result in a reduction in the quota. Guyana has failed to meet the EC quota on three previous occasions (1988/89, 1989/90 and 1990/91). It has now successfully claimed force majeure in respect of all three occasions.

No other country has ever had a force majeure claim accepted twice, which is a testament to the skill and effort demonstrated by Guyana and Guysuco, but may mean that further claims are unlikely to be successful.

Guysuco has concentrated on supplying the EC quota in preference to other markets in order to minimise the risk of a reduction in quota and to maximise revenue by gaining the highest selling prices available.

Other markets available to Guysuco include the US for which Guyana currently has a quota of 15,000 tons, Caricom, the Guyanese domestic market and the world market. The US quota is not subject to the same downward revisions as the EC quota if not filled. However, because of excess supply in the US, the quota was reduced from 23,000 tons in 1990.

It is important to note that the EC and US quotas are owned by Guyana rather than Guysuco. Details of production allocations to sugar markets in recent years can be found in section 6.

3.5 EMPLOYEES

In recent years Guysuco has faced a number of employee related problems. Non competitive pay rates have had the double effect of labour shortages and industrial disputes. These have had a critical impact on the company's ability to harvest the area under cane and have necessitated reductions in production levels in recent years.

Labour shortages

Cane cutters in Guyana have received significantly lower rates of pay than cutters elsewhere in the Caribbean including Jamaica, St. Kitts and Barbados and they therefore often travel overseas to earn higher wages. In addition, Guyana has experienced considerable migration amongst its workforce to the US, Canada and elsewhere. The effect of these problems has been particularly acute amongst the cane cutters. In November 1990, at the end of the first crop, Guysuco employed 6,829 cane cutters which was only 70% of the number required.

The problems have also affected technical, managerial and field supervisory staff. At senior levels staff have left at a rate of over 10% in each of the last 9 years, reaching as high as 20% in 1988.

The labour shortages have recently been addressed by management. Since October 1990 there have been pay awards of 70% and 50% and management are currently negotiating with unions over a third wage claim.

These measures have significantly reduced the labour shortages and management have indicated that the workforce is up to strength in 1991 for the first time in many years.

Industrial disputes

Industrial disputes have caused problems during critical harvesting periods. One of the contributory factors in Guysuco's failure to meet the 1990/91 EC sugar quota was a 6 week strike during the first crop of 1989. The table below shows both the decline in the labour force and the man days lost through industrial relations problems.

	Man days lost '000s	Workforce Numbers '000s
1990	217	18
1989	738	17
1988	255	18
1987	119	20

Many of the disputes suffered by Guysuco have been political in nature. We understand that the majority of sugar workers are of Indian descent and generally support the current opposition party, the People's Progressive Party. The sugar worker unions are directly affiliated to the opposition party and have used Guysuco as a political platform on which to demonstrate their opposition to Government.

3.6 REPLANTING AND GENERAL CROP HUSBANDRY

A combination of shortages of labour, investment funds and agricultural equipment, has led to a failure to implement an adequate replanting cycle. The optimum replanting cycle is plant plus four ratoons. Guysuco's ratoons are in many cases significantly older than fourth and are consequently, on average, subject to declining yields. The table below shows that Guysuco's estates have been far from the ideal.

Position at 13 October 1990

Estate	% of cane replanted in last year	% Ratoons over 4th
Skeldon	6	58
Albion	6	68
Rose Hall	10	59
Blairmont	13	40
Enmore	7	67
LBI/Diamond	7	50
Wales	8	N/A
Uitvlugt	2	39
Recommended	20	NIL

The shortage of labour in the fields, coupled with an increasing scarcity of experienced managers and supervisors, has led to poorer standards in crop husbandry. Poor field harvesting standards have led to increasing volumes of rubbish entering the factory with a consequent adverse effect on sugar recovery.

The new management have undertaken a significant reform programme during 1991. Increased labour availability has led to considerable improvements in crop husbandry standards and a replant policy of 20% per annum has been implemented. A 20% replant rate will not be achieved in 1991 but management are confident that a significant improvement will be made to enable this target to be reached in 1992. The benefits of this replanting will be seen in higher yields in future years.

3.7 INVESTMENT

Guysuco have suffered for some time from a lack of investment funds. This has been attributed to the Government's foreign exchange retention policy. Guysuco is a major foreign exchange earner for Guyana and the Government needs these earnings for its own spending requirements. Under present legislation Guysuco retains 17.5% of foreign currency earnings, the remaining 82.5% being converted to Guyana Dollars. This retention policy has apparently prevented Guysuco from obtaining new equipment and spare parts from overseas suppliers. In consequence, factory equipment is old with a shortage of spares and there are serious deficiencies in equipment for agricultural use, notably in transport.

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SECTION 4: ANALYSIS OF PERFORMANCE TO DATE

4.1 INTRODUCTION

In this section we describe the historical performance of Guysuco. The purpose of this is to provide an outline of the current state of the business and the problems it has encountered. This then provides a basis for assessing the forecast performance of the business.

In summary, Guysuco's revenues and profits have seen a significant decline, particularly in recent years. The Company's objectives have been to maximise sugar production in a climate of falling investment and increasing operational difficulties. Government policy has, in the past, not given encouragement to agriculture and has been claimed to have deprived the sugar industry of the necessary foreign exchange needed to upgrade and maintain equipment. Additionally, the Company has suffered from industrial disputes which are widely considered to be political in nature. The decline in the performance of the business has also had a serious impact on the economy of Guyana.

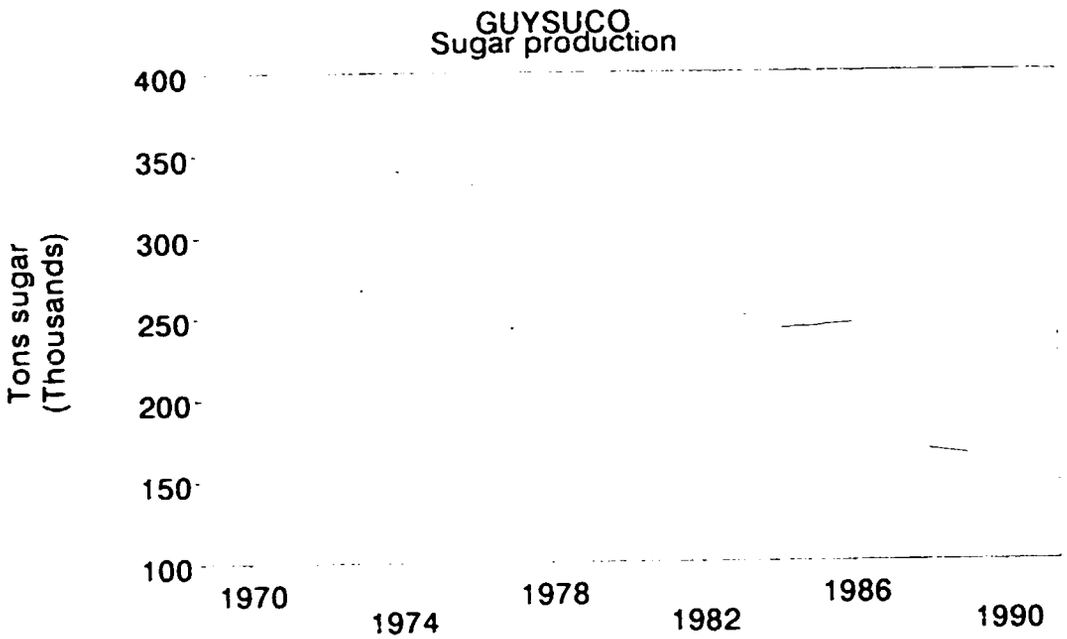
Recognising the problems in the industry and the needs for external management skills to rehabilitate the business, the Government of Guyana appointed Booker Tate to manage the business. Booker Tate have been managing the business during 1991 and in that time they have started to make some significant improvements in the performance of business. It is in the light of these problems and changes that the performance to date of Guysuco should be reviewed.

4.2 OVERVIEW

Guysuco has experienced declining sugar production and profitability since 1981. Total production in 1981 was 300,790 tons, falling to 129,920 tons by 1990, a decline of 57%. These levels represent significant reductions compared to the average level of production in the 20 years prior to 1981. During this earlier period average annual production was 311,000 tons with a maximum of 368,843 tons in 1971 and a minimum of 241,527 tons in 1977. The graph below illustrates production levels from 1970 and demonstrates the decline.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (continued)

SUGAR PRODUCTION 1970-1990



The decline from 1981 can best be analysed in two periods, from 1981 to 1987 and 1987 to 1990 and movements can be split between agriculture and factory.

1981-1987

Sugar production fell from 300,790 tons in 1981 to 220,995 in 1987. This represents a reduction of approximately 80,000 tons or 27% during a 7 year period.

a) Agriculture

The average area of cane harvested during this period declined steadily from 136,213 acres in 1981 to 106,039 acres in 1987. This represents a reduction of 22%. The abandonment of land can be traced to both a policy of planned abandonment and an increasing shortage of cane cutters with the consequent inability of the Company to harvest the land.

The productivity of agricultural activities is measured as the tons of sugar cane produced per acre ("tc/a"). Throughout this period tc/a remained relatively constant. There is only a 3.5% difference between yields in 1981 and 1987.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (continued)

b) Factory

During this period cane quality was maintained and factory management were able to keep a constant level of efficiency. Accordingly, recovery, measured as tons cane to produce a ton of sugar did not vary significantly.

The overall production decline during the period is therefore largely attributable to reductions in farmed area.

1987-1990

Sugar production declined from 220,995 tons in 1987 to 129,920 tons in 1990, a fall of 41%.

a) Agriculture

Two factors had a direct effect on production during this period. Between 1987 and 1988 there was a large drop in the area harvested from 106,039 acres, to 85,823 acres a fall of 19%. The reduction was partly due to a planned reduction, by abandonment of marginal land and partly due to a 6 week strike during the first crop and general labour shortages. This resulted in a backlog of cane and consequently large acreages remained unharvested.

The second agricultural factor is declining yields. In 1987 29.23 tons cane were harvested per acre compared to 22.10 tons cane in 1990. This fall however largely occurred from 1989 (29.56 tons) to 1990 (22.10 tons). We understand there are a number of causes, as follows:

- Extreme and unseasonal weather conditions during 1990, leading to flooding.

  The normally dry harvesting months of February - April experienced 29 inches of rain compared to an average of 9 inches in the same periods between 1985 and 1989. The heavy unseasonal rainfall not only affected harvesting during the first crop, but also seriously affected ratoon yields in the second crop through impaired crop growth. The effects of the unseasonal rainfall are the basis of the majeure claims with the EC.

- Inadequate replanting in previous years leading to declining yields from old ratoons.

- Declining field husbandry standards including failure to fertilise or flood fallow land.

b) Factory

Factory recovery during the period worsened from 14.03 tons cane per ton sugar in 1987 to 15.54 tons in 1990. This reflects a number of problems:

- Reduced cane quality due to old ratoons, delays in harvesting and waterlogging as a result of unseasonal rainfall.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (continued)

- Disruptions in cane supply to the factories causing high down time and reduced recoveries.

- Declining harvesting standards giving rise to increased trash content in cane entering the factory.

The reduction in sugar output from 1987 to 1990 is therefore attributable to two major factors, the significant fall in acreage harvested due to planned land abandonment, insufficient cane cutters and adverse weather conditions leading to poorer crop yields.

1991

The new Booker Tate management have implemented a number of changes during 1991. Management now expect the total crop for the year to be 151,710 tons. This is an improvement of 17% on 1990.

a) Agriculture

Current management projections for 1991 reflect a significant improvement in cane yield. Estimates for the second crop suggest an average yield of 26.9 tons per acre which would give an average for the year of 23.4 tons per acre, an improvement of 6% over 1990. The company has also increased the acreage under cultivation from 91,372 to 94,449.

These improvements are attributable to:

- Improved labour supply as a result of increased wages. Management now have adequate numbers of cane cutters.

- Improvements in field husbandry standards both for tending crops during the year and at harvesting.

b) Factory

Improvements are also expected in factory recoveries due to better quality cane inputs. To date management have attempted to operate factories as efficiently as is possible given the previous investment deficiencies. This deficiency has manifested itself in failures in equipment such as generators. A generator failure at Albion in October led to loss of power and significant problems in operating both factory equipment and field drainage pumps. Enmore has recently suffered a boiler explosion necessitating the transfer of cane to LBI. The disruption caused by failures can be significant and seriously affect sugar production.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (continued)

4.3 FINANCIAL RESULTS

Profit & loss account

	*Estimate for 1991 US$m	1990 US$m	1989 US$m	1988 US$m	1987 US$m
Sales	86.4	96.0	93.6	79.9	110.3
Sugar levy	-	(18.0)	(27.7)	(8.5)	(41.7)
Net sales	86.4	78.0	65.9	71.4	68.6
Cost of production	(49.3)	(77.0)	(64.6)	(70.3)	(66.5)
Profit before taxation	37.1	1.0	1.3	1.1	2.1

* The 1991 estimate has been taken from Guysuco's August 1991 Management forecasts and excludes any amounts for sugar levy The forecast is based on estimated production and sales of 151,710 tons.

a) Sugar sales

Guysuco sales have comprised the following:

Sales	Estimate 1991 US$m	1990 US$m	1989 US$m	1988 US$m	1987 US$m
Sugar market					
EC	76.0	82.7	81.0	70.7	91.4
US	-	-	3.9	-	4.2
Caricom	-	-	-	0.4	0.4
World	-	-	1.3	5.2	7.0
Domestic	-	-	1.3	5.2	7.0
Revenues from own production	76.0	82.7	86.2	76.3	106.3
Imported sugar	7.3	10.3	5.1	0.6	-
Molasses	3.0	1.7	1.6	2.3	3.6
Other crops	0.1	1.3	0.7	0.7	0.4
Sales	86.4	96.0	93.6	79.9	110.3

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

In order to illustrate the movement in Guysuco sales it is necessary to identify separately the revenues generated from own production. Since 1989 a significant element of total sales has come through the sale of imported sugar (1990 11%) in the domestic market. This has been necessary because Guysuco's production has been insufficient to satisfy domestic demand. Revenues from own production have fallen from 1987 levels with a low in 1991 estimated at US$ 76 million. This decline can be attributed to both a fall in Guysuco production volumes and price movements.

The effect of sales volume movements and price movements should be analysed separately. This is done below.

- **Sugar volumes**

The table below illustrates the declining volume of sugar sales, by market, in recent years. This has been due to problems of falling sugar production, as explained above, rather than market limitations.

	Estimate 1991 Tons 000's	1990 Tons 000's	1989 Tons 000's	1988 Tons 000's	1987 Tons 000's
EC Quota	152	130	154	134	145
US	-	-	7	-	9
World	-	-	-	-	20
Caricom	-	-	-	1	2
Local	-	-	4	33	45
Own production	152	130	165	168	221
Imported sugar	30	28	25	3	-
Total sugar sales	182	158	190	171	221

In order to maximise revenue through the higher prices of the EC quota regime, 100% of Guysuco sugar production has been exported to the EC since 1989. This has still been insufficient to meet the quota available. The domestic market has been satisfied since 1989 by imports of sugar from the World market.

Falling sugar sales volumes have been the largest contributing factor in the decline of sales income. The decline is therefore directly attributable to decreasing sugar output.

- **Sugar Prices**

The US$ equivalent average selling price per ton obtained by Guysuco from its different markets is shown below. It illustrates the likely benefits of higher prices achieved by allocating production to the quota markets of the EC and US.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

Sugar selling prices per ton	1991 US$	1990 US$	1989 US$	1988 US$	1987 US$
EC	556	636	526	529	633
US	-	-	567	-	443
World	-	-		-	159
Caricom	-	-	-	256	241
Local	-	-	336	159	156

Prices have been calculated using average exchange rates for the year. EC prices are subject to changes in the US$: UK £ exchange rate since prices are paid in Sterling.

The above table shows the considerable variability in sugar prices in recent years which has been largely due to exchange rate movements. The EC price per ton has been subject to the greatest effect of exchange movements, since the US dollar to sterling rate has fluctuated greatly in recent years. Sterling strengthened approximately 18% between 1989 and 1990, accounting for the significant increase in EC selling price when expressed in US dollars.

The EC sugar price has also come under pressure from reductions in subsidies. This was particularly noticable in the price fall from 1987 to 1988.

Prices in the domestic market have been controlled by the government and any increases have been the result of official policy and the need to keep prices approximately in line with inflation.

b) Sugar levy

Sugar export sales revenue is subject to a levy by the Government. We understand that the current basis for calculating the levy is as follows.

- 45% of the price in excess of G$700 but not exceeding G$1,000 per ton.
- 55% of the price in excess of G$1,000 per ton.

With the devaluation of the Guyanese Dollar the average selling price of sugar is currently expected to be G$65,000 per ton. Therefore, the bulk of sugar revenue is now subject to a levy at 55%.

In recent years Guysuco has been unable to pay the full amount of there levies and it has negotiated a "remittance" of some of the levy with Government. The table below shows gross and net levy for the period 1986 to 1900.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

Sugar levy

	1990 US$m	1989 US$m	1988 US$m	1987 US$m	1986 US$m
Amount payable	43 9	44 2	33 4	48 9	54 4
Government remittance	(25 9)	(16 5)	(24 9)	(7 3)	(54 4)
Net levy	18 0	27 7	8 5	41 6	-
Net levy as % of gross export sales	22	33	12	42	-

The forecast for the 12 months ended 31 December 1991 presently includes no sugar levy, which will be subject to negotiation between Guysuco and the Government at the year end.

c) Cost of production

A review of costs in Guyanese Dollars shows a dramatic increase in the four years to 1990 which is largely due to inflation. Costs of production expressed in US$ have remained at relatively constant levels, however there have been irregular fluctuations because of the significant devaluations in the Guyanese Dollar in recent years.

The result of these problems is that it is very difficult to analyse the costs of the business through comparison between different years.

The total production costs of the business expressed in Guyanese dollars for the period 1987 to 1990 are analysed below:

Total production costs

	1990 G$m	1989 G$m	1988 G$m	1987 G$m
Employment costs	980 5	515 1	302 9	294 2
Materials and other	1,652 3	776 7	388 5	343 3
Loss on foreign exchange	128 4	213 8	1 7	4 8
Interest expense	1 2	16 6	4 8	9 6
	2 762 4	1,522 2	697 9	651 9
Local subsidy	282 2	235 2	4 8	-
Total costs before taxation	3 044 6	1,757.4	702 7	651 9
	US$m	US$m	US$m	US$m
Total costs before taxation translated at average exchange rates	77 0	64 6	70 3	66 5
Inflation rate	100 0*	80 0*	39 9	28 7

* Estimated

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

The table below illustrates the main elements of production costs per ton in Guyana Dollars for the period 1987 to 1990.

	1990 Tons 000's	1989 Tons 000's	1988 Tons 000's	1987 Tons 000's
Production	130	165	168	221

Costs per ton	1990 G$	1989 G$	1988 G$	1987 G$
Employment costs	7 547	3,126	1,808	1,331
Materials and other	12,718	4,713	2,319	1,553
Loss on foreign exchange	988	1,297	10	22
Interest expense	9	101	29	43
Total cost of production per ton	21,262	9,237	4,166	2,949

- **Employment Costs**

Total employment costs	1990 G$m	1989 G$m	1988 G$m	1987 G$m
Actual cost	980 5	776 7	388 5	343 3
Costs restated at 1990 prices	980 5	1553 4	1398 6	1729 0

Increases in employment costs reflect the large number of pay awards made in recent years. Costs have risen at a lower rate than inflation primarily due to the fall in employee numbers experienced over the period. In addition, wages at Guysuco fell behind inflation during the same period.

Movements in costs per ton can be attributed both to inflation and a falling sugar production. The decline in sugar output was at a faster rate than the fall in employee levels giving a increasing average employment cost per ton.

- **Material Costs**

Total materials and other costs	1990 G$m	1989 G$m	1988 G$m	1987 G$m
Actual cost	1652 3	776 7	388 5	343 3
Costs restated at 1990 prices	1652 3	1553 4	1398 6	1729 0

Material costs in real terms have increased slightly over the period despite considerable reductions in the total production. The principal cause of this has been the need to purchase sugar from the world market to meet local demand. Costs excluding these purchases have declined over the period broadly in line with the decrease in the levels of production.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

Loss on Foreign Exchange

A significant element of the 1989 and 1990 increases in total cost of production per ton has been losses on foreign exchange. These have arisen both on loans denominated in foreign currencies, which are translated to Guyanese Dollars at the balance sheet date, and on everyday trading activities with overseas supplies. The Exchange rate between the Guyanese Dollar and US Dollar remained constant through 1987 and 1988 at G$10:US$1. In 1989 the Guyanese Dollar devalued to G$33:US$1 and in 1990 to G$45:US$1. These devaluations gave rise to the significant exchange losses.

- **Local Subsidy**

Since 1988, in addition to its own costs of production, Guysuco also incurs a cost associated with the import of sugar for the domestic market. Importation of sugar for the domestic market is necessary since all Guysuco production is exported to the overseas quota markets of the EC and US. The policy has been necessary to protect the EC quota. This costs of buying sugar on the world market and importing it into Guyana have exceeded the revenues attainable at the fixed domestic price.

In 1990 the domestic sale price averaged G$14,708 per ton. The cost of importing sugar to satisfy the local market was G$24,996 per ton giving a subsidy cost to Guysuco of G$10,288 per ton. The average domestic sales price in 1989 was G$6,070 per ton which compared with G$15,250 import cost and G$14,348 average sales price.

Prior to 1988 Guysuco's average production costs exceeded the fixed domestic sales price. This subsidy has not been shown separately.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

Balance sheet

	1990 US$m	1989 US$m
Fixed assets	18 8	20 0
Current assets	33 3	44 2
Current liabilities	(41 4)	(50 3)
	10 7	13 8
Represented by		
Capital and reserves	6.3	7 6
Loans	1 2	1 9
Debentures	3 2	4 3
	10 7	13 8

a) Fixed assets

Fixed assets comprise the following:

	1990 US$m	1989 US$m
Net book amount		
Land and buildings	3 9	4 4
Plant and machinery	5 9	6 5
Livestock	0 6	0 5
Work in progress	8 4	8 6
	18 8	20 0

The above amounts represent the historical cost or valuation, net of accumulated depreciation, converted to US$ at year end rates. The high levels of inflation in Guyana in recent years mean that these figures are of limited relevance.

Guysuco currently has 146,800 acres of land of which approximately 122,000 acres is for cultivation. Of this only 86,000 is being harvested at present, leaving a significant area unutilised. Of the total area 34% is owned under freehold by Guysuco the balance being under long term leaseholds.

Work in progress includes factory machinery and the new head office under construction. It also includes rice cultivation at Blairmont.

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

b) Current assets

Current assets comprise:

	1990 US$m	1989 US$m
Stock	23 5	22 8
Debtors	5 5	5 9
Cash and bank	4 3	15 5
	—	—
	33 3	44 2

	1990 US$m	1989 US$m
Stocks represent		
Unsold produce	3 4	8 7
Inventories	20 1	14 1
	23 5	22 8

Guysuco does not value standing cane (cane still growing at the year e d). Inventories represent spare parts for equipment and sundry tools.

c) Current liabilities

Current liabilities comprise:

	1990 US$m	1989 US$m
Creditors	8 3	9 1
Sugar levy	21 4	22 1
Accrued interest	5 2	5 1
Loans with repayment within one year	6 2	7 0
Taxation	0 1	0 1
Bank overdrafts	0 2	6 9
	41 4	50 3

SECTION 4: ANALYSIS OF PERFORMANCE TO DATE (Continued)

Since 1990 the company has obtained a number of supplier credits to finance operating and capital expenditure

d) Loans

	1990 US$m	1989 US$m
External		
Tenants Guaranty Limited	24	24
IDB 154	46	19
	70	43
Local		
Lloyds	03	05
Other	01	41
	74	89
Loans with repayment within one year	62	70
Loans with repayment after one year	12	19
	74	89

The current position on the loans is as follows:

The Tenants Guaranty loan is a delinquent loan accruing interest at 17% p.a. The full amount of Guysuco's liability has been paid to the central Bank of Guyana for onward payment to the overseas lender. (This amount is included in debtors.) Guysuco has not received formal confirmation of settlement of this liability from the Ministry of Finance and therefore continues to recognise the debt. We understand that the Ministry has taken up this liability.

The Inter-American Development Bank (IDB) provided funds under Industrial Reactivation loan 154 for purchase of fixed assets and working capital. The fixed asset loan was initially drawn down in 1989 and the working capital loan in 1990. Both loans are organised through Guyana Agricultural and Industrial Development Bank (GAIBANK) and are guaranteed by the Government of Guyana.

The fixed asset facility is US$6.2m of which US$4.3m had been used by August 1991. The working capital facility is US$3.6m of which US$1.3m has been used.

The fixed asset loan is repayable in the equal half yearly instalments in Guyana Dollars at the prevailing official exchange rate. The current rate of interest on this loan is 32.5% p.a. The working capital loan is repayable in US Dollars with the same repayment schedule as above. Interest is currently charged at 15% p.a.

The IDB have provided an additional loan facility on which no drawdowns have been made to date. This IDB 839 loan is for US$12.3m for the purchase of machinery and equipment, spare parts and agricultural chemicals.

The IDB 839 loan is made to the Government of Guyana who on lend to Guysuco. Loan terms to the Government include repayment in 60 semi-annual instalments commencing October 2000 and interest payable at 1% p.a. until April 2000 and 2% p.a. thereafter. At the present time no formal confirmation has been received by Guysuco of the terms on which the Government will lend on to them. But it is expected that the loans will be at commercial rates.

Other local loans in 1989 included US$0.4 million in supplier credit from Thomson International, US$0.7 million from the Guyana Agricultural and Industrial Development Bank (GAIBANK) and US$3.0 million from local insurance companies and others. By 31 December 1990 the supplier credits had ceased, the GAIBANK loan was repaid and the insurance company and other loans outstanding were US$0.1 million.

e) Debentures

In 1984 Guysuco received a loan from the Government of Guyana which was subsequently converted on 1 January 1986 to a convertible 2% debenture redeemable in the year 2000.

The debenture is denominated in Guyanese Dollars and amounts to G$ 143.6 million.

GUYSUCO

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SECTION 5: ANALYSIS OF FORECASTS

5.1 INTRODUCTION

As part of their proposals to the Government of Guyana for the refinancing of Guysuco, Booker Tate have conducted an extensive review of the sugar industry in Guyana and produced an investment plan for the future, covering a period of 12 years from 1991 to 2003. The forecasts included in the plan have been prepared in US dollars, based on constant January 1991 prices. We have reviewed the Booker Tate forecasts, considering in detail their assumptions regarding both Guysuco and the economy of Guyana. Our views on these assumptions are covered below. During our review a number of matters came to our attention which we believe should cause the forecasts to be changed. This section considers the forecasts incorporating these changes. These have then been used as the basis for our business valuation which has been discussed in Section 6 of this report. In addition, in that section we have considered the impact on both the forecasts and the valuation of changes in the assumptions supporting the forecasts.

5.2 SUMMARY OF CASH FLOWS TO 1997

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Sales income	71 0	84 4	87 9	92 1	92 0	96 6	97.6
Operating costs	(40 3)	(52 8)	(61 8)	(70 1)	(68.0)	(67 4)	(64 7)
Capital expenditure	(12 1)	(27 5)	(39 0)	(35 0)	(30.2)	(14 6)	(10.2)
Foreign exchange	1 1	1 1	1 1	1 1	1 1	1 1	1 1
Working capital	(0 7)	(5 2)	(0 8)	(0 4)	(0 3)	(0 7)	(0 1)
Net cash flow	19 0	0 0	(12 6)	(12 3)	(5 4)	15 0	23 7
Loan movements	5 0	25 0	16 0	16 0	0 0	(5 0)	(5 0)
Interest	0 2	(0 5)	(1 3)	(2 1)	(2.1)	(1 9)	(1 6)
Tax	(8 7)	(6 8)	(2 4)	(0 1)	(0 8)	(4 2)	(6 1)
Net after tax cash flow	15 5	17 7	(0 3)	1 5	(8 3)	3 9	11 0

These cashflows are analysed in more detail below. Under each heading we explain the assumption used and any areas where we have made amendments to the Booker Tate forecasts. In these instances our reasons for making changes are explained.

SECTION 5: ANALYSIS OF FORECASTS (continued)

Although the cashflows have been forecast through to 2003 we have only shown those to 1997 since from that time it has been assumed that the business will have reached a steady state and its forecasts are the same as for 1997.

5.3 SALES

Revised forecasts	1991	1992	1993	1994	1995	1996	1997
	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Sugar sales							
EC	86 0	90 4	88 3	86 0	83 9	83 8	83 9
US		7 2	7 2	7 2	7.2	7 2	7 2
Domestic		1 7	7 0	13 1	13 3	13 3	13.3
Caricom					1 7	6 0	6 0
World						1 5	2.6
	86 0	99 3	102 5	106 3	106 1	111 8	113 0
Sugar levy	(17 2)	(19 4)	(19 1)	(18 7)	(18 6)	(19 7)	(19 9)
	68 8	79 9	83 4	87 6	87 5	92 1	93.1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4.5
	71 0	84 4	87 9	92 1	92.0	96.6	97 6

We have reviewed the sales markets anticipated by Booker Tate including quantities and selling prices available. Our comments are included below.

Markets

Booker Tate commissioned a detailed review of the potential sugar markets available to Guysuco. This review was conducted by Landell Mills Commodities Studies, an independent firm of consultants. Their initial conclusion was that Guysuco should concentrate on supplying only those markets which were likely to offer prices in excess of the world market. On this basis they concluded that Guysuco should aim to produce 243,000 tons per year. The markets identified in their report are shown below with suggested allocation of production and estimated prices. A revised price is also shown, which reflects adjustments discussed later in this section:

SECTION 5: ANALYSIS OF FORECASTS (continued)

	Tons of sugar	1991 Price estimated by Booker Tate Raw sugar US$/ton	Revised price used in forecasts for valuation purposes US$/ton
Established Markets			
EC	163,500	616	566
US	23,000	482	482
Domestic	38,500	359	335
	225,000		
Other Markets			
Caricom			
- White	6,000	347	347
- Raw	10,000	416	416
World	2,000	290	290
	18,000		
	243,000		

a) EC

Guyana presently has an EC quota of 163,500 tons of sugar. This quota gives a price which is significantly above the world sugar price. This is the second largest quota that the EC has granted and it is subject to a number of conditions. The most significant condition is that the EC reserve the right to revise the quota in the event that the country is unable to supply the sugar. As the only producer in Guyana, Guysuco is responsible for meeting all of the quota production. Guyana has failed to meet the EC quota in the last three quota years but it has successfully appealed to avoid a quota reduction in each of these years.

There may be a further shortfall in 1991/92 since production of only 141 000 tons is forecast by Booker Tate in 1991. Guysuco management however now consider 150,000 + tons to be likely for 1991 with a second crop of 107,000 tons. If this is achieved and the first crop of 1992 is 56,600 tons or more then the quota could be achieved. A further requirement of the quota is that the supplier should satisfy their domestic requirements from this over production. This requirement is not enforced as rigidly as the requirement to meet the quota and it is not expected that Guyana will be in a position to comply with this requirement until 1993. The EC quota is critically important to Guysuco and the Booker Tate forecasts assume that the quota level will remain unchanged.

The likelihood of this EC quota being reduced in the medium term for reasons other than the failure of Guyana to meet the quota is considered by Landell Mills to be very small. The EC has stated its desire to increase trade with those countries who have major quotas with the EC and a reduction in the quotas would contradict that desire. The major risk would appear to concern the price that the EC is likely to offer for the sugar.

SECTION 5: ANALYSIS OF FORECASTS (continued)

The major pressures on the price that the EC will offer are the same as those on the internal intervention price in the EC which the quota price is linked to. Intervention prices are being reduced in real terms because of internal pressures in the EC to reduce the levels of support to farmers. The low level of the world market sugar price relative to the intervention price is also putting pressure on the EC. Furthermore, the GATT talks are also placing considerable pressures on the EC to reduce prices.

These factors would seem to indicate that there should be a substantial reduction in the intervention price and therefore in the quota price. However, any significant decline in the intervention price would have a serious impact on the European sugar industry and it is therefore likely that there will only be a limited and gradual reduction in both the intervention and quota sugar prices.

The EC sugar price has declined in recent years. In 1989/90 and 1990/91 there was a reduction of 2% in each year. In 1992/93 the price has been held to the 1990/91 level. Market analysts expect this downward trend to continue and Booker Tate have assumed in their forecast a 2.5% price fall per year in constant terms from 1992 to 1995 with the price remaining constant thereafter.

The current EC quota price based on Booker Tate calculations is currently approximately US$616 per ton. This price is derived as follows:

- The EC price is fixed for quota years, from 1 July to 30 June, in ECU per metric tonne. In 1990/91 this was 439.4 ECU.

- The sugar producer is paid in the currency of the buyer. For Guysuco this is UK£ since Tate & Lyle buy all Guysuco's EC sugar sales. The exchange rate on 1 July 1990 was 0.78 ECU:UK£1; giving a sterling price of £343/metric tonne.

- Guysuco then receive a further premium because the quality of the sugar they produce is higher than the EC standard. This premium amounts to approximately £9 per metric tonne, increasing the price to £352/metric tonne.

- Freight, insurance and sundry transport are charged in sterling and are deducted from the sales price before payment to Guysuco. These costs are estimated at £24 per metric tonne, reducing the price to £328 per tonne.

- Using a sterling to US Dollar exchange rate of 1.88 US$: UK£1 (per Booker Tate Investment Plan) the EC price is US$616 per tonne.

- Guysuco expresses production in imperial tons. (Conversion at 1 ton : 1.016 tonnes). The US $616 per metric tonne therefore equates to US $626 per ton.

In their forecasts, Booker Tate have incorrectly used the price for metric tonnes rather than imperial tons. Their forecasts are based on US $616 rather than US $626 per ton.

The price received by Guysuco is therefore subject to two different exchange rates plus freight and insurance costs. Any movement in these exchange rates will have a significant effect on Guysuco's income. Given that exchange rate movements between the UK £ and the ECU are being managed, our forecasts only include a sensitivity analysis of the effects of movements in the US$: UK £ exchange rate. We understand the freight is presently arranged by Bookers. No allowance has been made for possible changes in freight and insurance costs.

The Booker Tate forecasts have used a US Dollar exchange rate of 1.88US$: UK£. This rate would seem optimistic and for the purposes of the valuation a rate of 1.70US$: UK£1 has been assumed. This has a downward effect on revenues.

Projected future prices are as follows:

	1991	1992	1993	1994	1995	1996	1997
Price per ton per Booker Tate forecasts at US$ 1.88 UK£	616	601	586	571	557	557	557
Revised price per ton at US$ 1.88 UK£	626	610	595	580	566	566	566
Price used in the valuation forecast at an exchange rate of US$1.70 UK£	566	552	538	525	512	512	512

b) US

The second preferential market for Guyana is the USA, under the US sugar programme. During 1990/91 Guyana's US quota was 23,000 tons; a figure which has been used by Booker Tate for a constant future market. However, the 1991/92 US quota to Guyana has recently been reduced to 15,000 tons. In the forecasts for the valuation it has been assumed that the country will continue to be allocated this quota. The Booker Tate forecasts do not anticipate having sufficient surplus over the EC quota for exports to the US until 1993.

Guysuco, which is responsible for meeting the quota, has not supplied sugar to the US in the recent past because its entire production has been allocated to the EC quota. Despite this, the US has not suspended or withdrawn the quota. The reduction in the quota in 1991/92 was more in response to the general reduction in quotas by the US resulting from surpluses in the country. The likelihood of the quota being maintained in future is much less certain than it is for the EC quota. The same pressures affect the US quota and quota prices as affect the EC, however the political pressure to maintain support to the countries given quotas is much less.

The US quota price assumed by Booker Tate is US$ 482 per ton derived as follows:

	US$ ton
Base price	492
Quality premium	14
Freight costs	(24)
Net price	482

c) Domestic

Demand in the domestic market has declined in recent years from 45,000 tons in 1987 to 34,000 tons in 1990. Booker Tate has assumed this level will remain constant in future with raw sugar demand of 34,000 tons and white sugar at 4,000 tons. However, Guysuco's output will not be sufficient to satisfy this market until 1993/94.

In 1987 Guyana produced all the sugar required for its own market, however since that date pressure to fill the preferential quotas has led to all production being exported. The company has imported sugar to satisfy local demand. It is however an EC requirement that the domestic market is satisfied before the EC quota and Guyana is increasingly under pressure to do so.

Booker Tate have assumed that they will be allowed to continue exporting to the EC in preference to the local market until 1993 and that they will be able to set a market price for sugar in Guyana.

With the removal of price controls, prices would increase to the same level as imported sugar which is calculated as follows:

	US$ /ton
Assumed World price for raw sugar	326
Quality premium	9
	335
White sugar premium	60
	395

This calculation gives a raw sugar price of US$335 and a white sugar price of US$395. In their original forecasts, Booker Tate calculated their price by adding freight costs of US$24 to give US$359 raw and US$419 white. However, the landed price of world market raw sugar would be US$326 per ton and any shipping costs of other suppliers would have to be met from this price. The adjusted forecasts have therefore been based on the price of US$335 per ton throughout the 12 year period.

d) Caricom

The Caricom market is provisional with negotiations continuing over the establishment of a Caribbean Trade Area protected by a Common External Tariff (CET). Such a tariff on external imports would provide Caribbean producers with a significant price advantage. The Booker Tate forecasts have been built on the assumption that Guyana would be able to sell 10,000 tons raw and 6,000 tons white to this market from the mid 1990's.

Sugar prices have been derived as follows:

	Raw US$/ton	White US$/ton
Assumed World price	326	326
Shipping and insurance	(24)	(24)
White sugar premium	—	60
	302	362
Share of CET to Guysuco estimated at 15%	45	54
	347	416

There is no quality premium on sugars sold for direct consumption.

e) World

World prices are extremely volatile and are generally lower that all other available markets. The Booker Tate forecasts assume a world market price of US $290 per ton based on World Bank projections. This is derived as follows:

SECTION 5: ANALYSIS OF FORECASTS (continued)

	US$/ton
Assumed World price	326
Quality premium	9
Shipping and insurance	(45)
	290

The world market price is currently approximately US $200 per ton.

The Booker Tate investment plan forecasts only small amounts of sugar sales to the world market.

Sugar levy

The sugar sales levy represents a significant source of income for the Government of Guyana, but it also represents a significant tax on the business.

The forecasts prepared by Booker Tate have assumed that there will be no sugar levy. For the purposes of the valuation we have assumed that there will be a sugar levy of 20% of export sales. This is similar to the level of net levy paid in the recent past.

Sugar production

On the basis that Guysuco should aim to produce 243,000 tons of sugar per year, the production levels at each estate are planned to change as follows:

SECTION 5: ANALYSIS OF FORECASTS (continued)

	1990 Cane area acres 000	1990 Sugar production tons 000	1997 Cane area acres 000	1997 Sugar production tons 000	% increase in sugar production
Berbice region					
Skeldon	10	15	11	31	100
Albion	18	33	24	114	245
Rose Hall	13	20	15	-	(100)
Blairmont	10	20	13	33	65
	51	88	63	178	102
Demerara region					
Enmore	8	8	5	-	(100)
LBI/Diamond	12	11	12	44	300
Wales	6	8	-	-	(100)
Uitvlugt	9	15	8	21	40
	35	42	25	65	55
Total	86	130	88	243	87

The assumptions on which these changes are based can be analysed separately under agriculture and factory. On the agricultural side of the business the local management of Guysuco are now projecting that the improvements set out in the original forecasts can be achieved much earlier.

Since the preparation of the Booker Tate report it has become clear that improvements in agricultural operations implemented by management are having a more immediate effect than anticipated. These include:

- Motivation of the workforce
- Re-establishment of proper cultivation practices for harvesting and replanting.
- Proper training for staff.
- Adequate usage of field inputs such as fertilisation.

SECTION 5: ANALYSIS OF FORECASTS (continued)

The Booker Tate production assumptions were based on management budgets for the period 1991-1993. Budgets for 1992-1994 have subsequently been prepared and revised. Management forecasts are based on the assumption that adequate agricultural equipment and drainage equipment will be available. In the short term, from 1991 to 1994, there are significant differences between the Booker Tate forecasts and Guysuco management forecasts. These differences are best reviewed in the logical order of the sugar production process, as outline below. We have used the revised management forecasts for the valuation.

a) Acres harvested

The Booker Tate plan envisages a restriction of the area harvested due to concerns over the availability of cane cutters. Guysuco management have recently taken a more optimistic view as to their harvesting capacity and expected harvest acreage has increased as follows:

Acres harvested ('000)	1991	1992	1993	1994
Booker Tate plan	89 5	88 3	87 1	86 5
First management forecast at 8 August 1991	87 4	93 8	97 5	98 4
Revised management forecast at 15 October 1991	87 4	93 6	97 5	98 4

These higher levels of acreage reflect the significantly improved worker turnout achieved in the 1991 crops. At present the company has all the field workers it requires. This level of labour supply enables land preparation and harvesting on a much larger area.

b) Agricultural yields

Management now believe they will achieve improved yields, expressed as tons of cane per acre, above the levels anticipated in the Booker Tate report. The improvements can be seen below:

Tons cane per acre	1991	1992	1993	1994
Booker Tate plan	21 18	23 81	26 41	28 25
First management forecast	21 20	24 55	27 26	28 63
Revised management forecast	23 72	26 10	27 26	28 63

These increases in cane yields are due to significant improvements in field husbandry techniques. Land has been properly prepared and fertilised during 1990/91 with a direct effect on yield. Additionally the 1990 yields were low due to very poor weather conditions which have not recurred in 1991. The revised 1991 estimate has been prepared during the second crop and is therefore considered to be more accurate. Likewise revised 1992 estimates are based on the better management expectations of yields in 1991.

SECTION 5: ANALYSIS OF FORECASTS (continued)

The improvements in yield through better field husbandry techniques are dependant on Guysuco's ability to carry out these operations effectively. The main constraint on these activities at present is a lack of equipment which prevents adequate replanting and field preparation. The Agricultural capital expenditure requirements of Guysuco are discussed later in this section under capital expenditure.

c) Sugar cane production

The results of the above improvements in yield and increases in acreage harvested are to significantly increase sugar cane production beyond original expectations, as follows:

Tons cane ('000)	1991	1992	1993	1994
Booker Tate plan	1,895	2,102	2,300	2,445
First management forecast	1,853	2,304	2,656	2,818
Revised management forecast	2,073	2,443	2,656	2,818

d) Factory sugar recovery

Booker Tate have been more optimistic than management about the likely improvements in factory sugar recovery, expressed as tons cane to tons sugar. The differences in recovery are shown below:

Sugar recovery (tons cane to produce a ton of sugar)	1991	1992	1993	1994
Booker Tate plan	14.3	13.8	13.4	13.1
First management forecast	14.5	14.4	14.2	13.9
Revised management forecast	14.5	14.2	14.2	13.9

Improvement in factory recovery are attributable to two factors. Firstly better quality cane entering the factory due to improved crop husbandry and secondly more efficient factory operation due to factors such as better and more constant cane supply. The Booker Tate plan forecasts better factory recovery than Guysuco management are presently budgeting. The Booker Tate plan is based on significant factory investment whilst management forecasts are based on a more limited refurbishment assuming availability of spares and parts to continue efficient operation. The factory investment plans proposed by Booker Tate are discussed later in this section under capital expenditure.

SECTION 5: ANALYSIS OF FORECASTS (continued)

e) Tons sugar produced

The overall increase in cane production anticipated by management will have a significant impact in increasing sugar output. The increase is to some degree offset by management expectations of lower recoveries in the factories. Sugar volume production estimates are as follows:

Sugar tons ('000)		1991	1992	1993	1994
Booker Tate plan	- estates	133	152	172	187
	- farmers	8	11	12	15
		141	163	184	202
First management forecast	- estates	128	160	187	203
	- farmers	8	11	12	13
		136	171	199	216
Revised management forecast	- estates	143	173	187	203
	- farmers	9	11	12	13
		152	184	199	216

The 1991 sugar production is now expected to be approximately 152,000 tons. This is a significant improvement over both management's first forecasts and the Booker Tate plan. The 1991 second crop is expected to produce 107,180 tons, 17.6% above first estimate. With this second crop 1991 and an estimated 68,940 tons for the first crop of 1992 the combined total output of 176,120 tons will exceed the EC quota for 1991/92 and largely fulfil the US quota. This represents a major recovery in Guysuco's performance and is an excellent platform on which to rejuvenate the industry.

The 1992 sugar production forecasts by management exceed Booker Tate plan levels by 21,000 tons or 13%. Whilst these increases are impressive our experience in the rehabilitation of the Jamaican industry would indicate that they could be achieved.

In view of the revised forecasts we consider it appropriate to amend the Booker Tate cashflows to reflect the higher outputs.

5.4 OPERATING COSTS

The Booker Tate forecast operating costs have been prepared in considerable detail. A summary of the forecast operating costs for the period 1991 to 1997 is shown below:

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Agriculture	18 7	23 5	28 3	33 2	34 1	34 7	32 8
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5
Factory and Transport	11 0	14 8	17 5	19 6	19 3	18 9	17 9
Estate Support	4 2	5 3	5 8	6 2	6 2	5 5	4 7
Head Office	3 0	3 4	3 5	3 6	3 6	3 6	3 6
	40 3	51 0	59 5	57 4	68 0	67 2	63 5

The operating costs prepared by Booker Tate were compiled from detailed data relating to agricultural, factory and other costs. Agricultural operating costs are based on planting, ratoon cultivation and cutting costs per acre for individual estates. These unit costs represent consolidated hourly rates for labour and machine costs and materials costs per unit. All these amounts have been calculated on a cash cost basis.

Factory operating costs represent the consolidation of detailed unit costs for labour, consumables including materials, chemicals, lubricants and fuel and miscellaneous such as handling costs. Each of these unit costs represents the cash cost per ton of cane or other variable.

Operating costs rise to a steady state level by 1995/96. The main element of increase in both agricultural and factory costs is the proposed Booker Tate pay increases, of 400%, in real terms, by 1994. Other costs will increase to a lesser degree due to increased sugar throughput.

In view of our adjustments to increase sugar production in the period 1992-1994 we have also adjusted operating costs. We have increased agricultural and factory costs by 5% in each of the years 1992-1994. These increases reflect the greater acreages to be harvested than anticipated by Booker Tate and consequent higher cane volumes entering the factories. The revised operating cost cashflows, as used in the valuation, are set out below.

SECTION 5: ANALYSIS OF FORECASTS (continued)

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5
Factory & Transport	11 0	15 5	18 3	20 6	19 3	19 1	19 1
Estate support	4 2	5 3	5 8	6 2	6 2	5 5	4 7
Head office	3 0	3 4	3 5	3 6	3 6	3 6	3 6
	40 3	52 9	61 8	70 1	68 0	67 4	64 7

Steady state production volumes and unit costs ie, the forecast position in 1997, are shown in the table below. These costs are based on the Booker Tate forecasts.

	Production '000 Tons	Operating costs US $/Ton
Berbice		
Skeldon	31	316
Albion	114	251
Blairmont	33	332
	178	277
Demerara		
LBI	44	324
Uitvlugt	21	433
	65	359
	—	—
Total	243	301

The table shows that sugar production in Berbice is cheaper than Demerara with an overall average cost of US $277 compared to US $301 per ton. The reason for this is the expanded factory at Albion which would produce at only US $251/ton.

The EC, US and Domestic markets require 225,000 tons of sugar which will be satisfied by the production of lowest cost producers Albion, Skeldon, Blairmont and LBI. These estates are all expected to produce sugar at costs well below the expected sales prices and therefore, on a financial basis, Booker Tate is justified in planning to maintain operations at these estates.

In the case of Uitvlugt the situation is less obvious. The Caricom market which, if it is formalised, is expected to provide a quota of 16,000 tons would be satisfied by the Uitvlugt production of 21,000 tons. However, the average cost of production for Uitvlugt is expected to be less than the likely selling price (cost of production of US $401/ton or US$433/ton for refined sugar which would compare with expected selling prices of US $347/ton raw and US $416/ton refined sugar from the Caricom market.) On purely financial criteria it would therefore seem difficult to justify maintaining operations at this estate. However, the estate has the only sugar refinery in Guyana and it will be essential to maintain a refinery to meet local demand for refined sugar. We understand that the costs associated with moving the refining operations to another estate or maintaining only the refining operations would be prohibitive but we have not seen any detailed costings to support this.

SECTION 5: ANALYSIS OF FORECASTS (continued)

5.5 CAPITAL EXPENDITURE PLANS

The capital expenditure plans proposed by Booker Tate are shown below:

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Agriculture	85	144	128	73	70	62	53
Infrastructure	28	79	84	76	35	33	17
Factory & Transport	38	121	275	289	272	88	57
	151	344	487	438	377	183	127
Contingency 5%	08	17	24	22	19	09	06
	159	361	511	460	396	192	133

Agriculture

Guysuco agricultural equipment is, in most cases, very old. 28 out of 48 draglines/excavators are pre 1969, as are 21 of 71 irrigators. In total 60% of the equipment has exceeded its normal economic life.

If vital agricultural operations are to be performed, the agricultural machinery requires significant capital investment in the short term both in replacement parts and new equipment. The result of this will be the achievement of replant operations and overall enhanced efficiency, leading to improved yields.

The Booker Tate forecast capital expenditure is as follows:

Agricultural equipment	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Crawlers/bulldozers	19	47	19	02	01	-	-
Tractors	37	17	27	19	20	16	14
Irrigators/excavators	11	31	22	04	02	-	-
Implements	11	17	27	21	20	20	13
Support equipment	-	08	08	11	05	04	03
Lorries	07	18	20	15	15	17	15
Other	-	06	05	01	07	05	08
	85	144	128	73	70	62	53

Booker Tate have identified an immediate requirement for 144 tractors in 1991 followed by a further 50 in each of the 4 successive years. In 1992 their plan requires the purchase of 20 bulldozers followed by another 12 in 1993. 60 excavator/draglines are to be purchased from 1991-1993.

SECTION 5: ANALYSIS OF FORECASTS (continued)

The rehabilitation and reinvestment noted above is expected to increase cane yields to 31.7 tons per acre, at steady state in 1998, an increase of 88% over 1990. Some of these improvements, as noted above, have already been implemented and a degree of the cane yield increase has been achieved in 1991. The 1991 average yield is approximately 23.4 tons per acre but projections for 1992-1994 prepared by Guysuco management show an increase to 28.63 by 1994. These forecasts are based on improvements in agricultural operating procedures and limited capital investment.

Factory

The rehabilitation and rationalisation of the factories has been planned to reach a steady level of production of 243,000 tons by 1998

The strategy proposed by Booker Tate requires production to be increased as quickly as possible towards the 243,000 tons target. To do this all 8 factories will initially be retained to achieve approximately 225,000 tons by 1995. At this stage a review of markets will be required to determine whether the 16,000 ton provisional Caricom market is available. If not, production would remain at 225,000 tons rather than continue expanding to 243,000 tons. The Booker Tate plan involves the retirement of 3 factories, the rehabilitation of 3 and the expansion of 2 factories.

The rationale for factory closure is to keep operating costs to a minimum. The remaining factories after rationalisation will be the least cost producers needed to satisfy the identified demand.

The condition of most factory equipment is considered to be poor. Capital expenditure requirements have been prioritised between stabilisation, rehabilitation and expansion. The phasing of expenditure has been dictated by the requirement to supply factory equipment to cope with the available cane produced from the agricultural development programme.

The timetable for capital expenditure on factories is as follows:

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Skeldon	-	1 3	2 7	1 9	4 1	2 4	1 0
Albion	1 8	2 8	5 8	11 3	17 9	3 6	1 7
Rose Hall	-	1 2	1 2	0 4	-	-	-
Blairmont	-	0 9	4 7	1 1	0 1	0 8	1 0
Enmore	-	0 9	0 9	-	-	-	-
LBI	1 0	2 1	8 6	8 1	2 6	1 1	1 1
Wales	-	0 8	0 8	-	-	-	-
Uitvlugt	1 0	1 7	2 8	6 1	2 6	0 9	0 9
Central Services	—	0 4	—	—	—	—	—
	3 8	12 1	27 5	28 9	27 2	8 8	5 7

SECTION 5: ANALYSIS OF FORECASTS (continued)

This timetable has been designed to maximise production in early years using all available factories with expenditure to merely maintain the future closures.

The Booker Tate plan for factory closure, rehabilitation and expansion is outlined below:

a) Factories due to close

Rose Hall

The Rose Hall factory is planned by Booker Tate to close in 1997 however, much of the estate will continue to be farmed and approximately 60% of the previous volumes of cane will be transferred to Albion.

Prior to closure Rose Hall, like Enmore and Wales will be important to the recovery plan in expanding production levels. From the 20,120 tons produced in 1990, production will be increased to 40,000 tons in 1996. The factory will only be required to produce 17,000 tons in 1997 prior to closure.

Capital expenditure at Rose Hall is limited to stabilisation. There will be little refurbishment and no new investment. Capital expenditure has been estimated by Booker Tate to be US$2.5 million.

Enmore

Enmore factory is planned for closure at the end of 1995. At present it only operates at one third capacity and its production would be increased in the short term from 8,130 tons in 1990 to 22,000 tons in 1994 without incurring very much capital expenditure. However, at the end of that time the factory equipment would be of limited use.

Wales

Booker Tate have planned for closure at Wales at the end of 1996 at which time the estate would also be abandoned since cane cannot be transferred to another estate. Expenditure is estimated at US $1.6m to stabilise the plant and permit up to 16,000 tons of sugar to be produced prior to closure.

b) Factories to be rehabilitated

Skeldon

Skeldon would be rehabilitated under the Booker Tate plan and its capacity expanded. Factory production would correspondingly increase from 15,095 tons in 1990 to a steady state of 31,000 tons from 1998.

Rehabilitation would include expenditure on new power generation equipment, and additional upgrading on control equip[illegible] crystalliser and centrifuging stations. Estimated cost is US $11.9 million.

Blairmont

As with Skeldon this factory is due for a rehabilitation and marginal expansion. Estimated cost is US $7.3 million.

Uitvlugt

Uitvlugt is the only factory in Guyana equipped to refine white sugar. The facility needs refurbishment and may need expanding. In other areas capital expenditure is needed on new alternators, a juice heater, cane knife drivers, process and other controls and centrifugals. Estimated cost is US $13.5 million.

c) Factories to be expanded

Albion

This is the largest and most modern of Guysuco factories with a design capacity of 152 tc/h. It is also the lowest cost producer of sugar. The Booker Tate investment plan envisages expansion of the factory to cope with cane from Rose Hall estate after the closure of Rose Hall factory. Total production will increase form 32,715 tons in 1990 to 114,000 tons in 1998.

This expansion will require considerable additions to all process equipment stations, the addition of a fifth mill and general upgrading of other mills. Other expenditure includes new punt unloading equipment and additional cane preparation equipment. Total costs of expansion are forecast to be at US $40.6 million.

LBI

LBI is to be expanded under the Booker Tate plan from 105 tc/h to 145 tc/h over two years, 1995 and 1996. During the period of expansion over 50% of LBI cane will be sent to Enmore for processing. Overall, these modifications will allow an increase to a steady state of 44,000 tons from 1996.

The main area of expenditure will be the installation of three new mills equipped with latest designs of pressure feed rollers and chutes. Total cost of the new mills and other refurbishment is budgeted at US $21.5 million.

Timing and levels of capital expenditure

The forecasts prepared by Booker Tate appear to assume that very high levels of capital expenditure are required on the factories in the near future. Most of the expenditure planned for the next few years is directed at expanding some of the factories. Whilst this may increase the productivity in the long run there may be some scope for delaying and reducing the levels of some of the expenditure without impairing performance.

We understand from the World Bank that their engineering advisors believe that the factory costs could be reduced by at least 10 - 15%. They also believe that some of the expenditure could be delayed, although they have not yet said how much could be delayed or for how long. Given that the World Bank's objectives will be first to ensure that the business is likely to be successful, then these revised estimates may still represent a prudent view of the capital requirements.

On the basis of these views we have restricted the levels of expenditure in the forecasts used for the valuation to 80% of the Booker Tate forecasts.

With regard to the expenditure on agriculture and infrastructure, although it is clear that some expenditure is required on these areas we again have some concerns about whether all the expenditure is necessary and whether it all needs to be incurred in the short term. Delays in the expenditure will have a significant effect on the valuation provided they do not cause significant reduction in the levels of production. Again our views are supported by the views of the World Bank's experts who currently believe that the levels of expenditure can be reduced by about US$8-10 million or a 20% reduction. On the basis of this we have again assumed that the expenditure in the forecast used for the valuation should be 80% of the Booker Tate forecast.

In addition to the reductions in the detailed expenditure plans, we have ignored the extra contingency that Booker Tate have included in their forecast. If these expenditures are to be incurred they are unlikely to be incurred until towards the end of the major expenditure programme rather than throughout the period as planned by Booker Tate.

The revised capital expenditure plan is shown below:

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m
Agriculture	6 8	11 5	10 3	5 8	5 6	5 0	4 2
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4
Factory & Transport	3 1	9 7	22 0	23 1	21 8	7 0	4 6
	12 1	27 6	39 0	35 0	30 2	14 6	10 2

5.6 OTHER CASH FLOWS

Foreign exchange

Booker Tate prepared their cashflow forecasts using an exchange rate of US$1.88 : UK£1. As noted above we consider a more appropriate rate to be US$1.70 : UK£1. Where operating costs and capital expenditure are incurred in UK £ Booker Tate will therefore have overstated these sums, due to the use of the higher exchange rate.

We have assumed that up to US$20 million of operating and capital expenditure would be paid in sterling and have therefore made an adjustment to reduce cash flows by the difference between the exchange rates used by Booker Tate and this valuation. This adjustment amounts to US$1.1 million per annum.

SECTION 5: ANALYSIS OF FORECASTS (continued)

Working capital

The working capital cash flows represent the likely additional requirements in stock and increases in debtor levels during the period under review. These increases will be due to the significant production expansion from 1990 levels. Booker Tate have assumed that sugar stocks would represent 15 days production and sugar sales would be paid 21 days after leaving the Demerara Sugar Terminal.

The working capital requirements used in the valuation are set out below:

	1991 U$m	1992 U$m	1993 U$m	1994 U$m	1995 U$m	1996 U$m	1997 U$m
Stocks							
Sugar	0.2	0.5	0.4	0.2	0.1	0.3	-
Operating materials	-	4.0	-	-	-	-	-
	0.2	4.5	0.4	0.2	0.1	0.3	-
Debtors	0.5	0.7	0.4	0.2	0.3	0.5	-
	0.7	5.2	0.8	0.4	0.4	0.8	-

The increased activity level and general upgrading of facilities necessitates higher levels of operating materials.

Loan movements

The anticipated loan movements used in the valuation cashflows are set out below:

	1991 U$m	1992 U$m	1993 U$m	1994 U$m	1995 U$m	1996 U$m	1997 U$m
IDB loan	5.0	7.0	-	-	-	-	-
World Bank	-	18.0	16.0	16.0	-	(5.0)	(5.0)
	5.0	25.0	16.0	16.0	-	(5.0)	(5.0)

The outstanding US$12 million facility with the Inter American Development Bank under loan IDB839 is expected to be drawn down in 1991 and 1992. We have assumed that World Bank loan financing for the rehabilitation of Guysuco would be drawn down over three years commencing 1992. Repayment of this sum has been assumed to be over ten years commencing 1996.

Interest

Guysuco presently has a number of IDB loans organised through the Government of Guyana. The terms of these loans are very favourable both for repayment schedule and interest rates. However IDB loan 839 is a very recent facility and as yet the company has received no Government confirmation on the loan terms that will be passed on.

If future loans to Guysuco are to be lent on via the Government then the terms passed on to the company will have a direct impact on future cashflows and consequently value.

We have assumed that any World Bank financing made available for investment in Guysuco would be at the favourable interest rate of 5% per annum.

Tax

The Booker Tate forecasts concentrate on the pre tax position. In order to carry out any valuation the cash flows available to investors must be determined and consequently taxation is an important factor.

We understand that from 1 January 1991 the income and corporation taxes in Guyana will be consolidated at a rate of 35%.

We have assumed that capital allowances will be the same as currently allowed for the sugar industry. For the purposes of preparing the forecast we have assumed:

- Agricultural equipment would attract allowances of 20% per year.
- Infrastructure expenditure would attract first year allowances of 20% and writing down allowances of 8% per year.
- Factory expenditure would attract first year allowances of 10% and writing down allowances of 15% per year.

These are based on the rates for the sugar industry as set out in Guyana's Income Tax (Depreciation Rates) Regulations and our assessment of the likely proportions of expenditure on each category of asset. On the basis of the historical capital allowances claims that the company has made their rates would appear high. In 1990 the average initial allowances were approximately 10% of the total expenditures and the annual allowances were less than 10% of the tax written down values of the assets.

5.7 OTHER ASSUMPTIONS CRITICAL TO THE CASHFLOWS

Availability of labour

As noted previously Guysuco has suffered in recent years from shortages of labour. This represents a critical constraint on the efficient operation of the business, particularly in the Demerara region where estates suffer most due to the nearness of Georgetown and competing employment. With an inadequate supply of cane cutters the company was in the past forced to abandon cane land and standards of field husbandry declined. For the rehabilitation of the sugar industry in Guyana it is recognised that the future supply of labour must be safeguarded. To this end Booker Tate have included in their forecasts pay increases amounting to 400% in real terms over the forecast period. Such a measure is expected to ensure an adequate supply of cane cutters and other staff.

SECTION 5: ANALYSIS OF FORECASTS (continued)

Weather/water availability

All forecasts for the sugar industry are to a large degree reliant on predictable weather patterns. The Booker Tate plan assumes good growing conditions and no repeats of the adverse and unseasonal weather experienced in 1989 and 1990.

Management have indicated that the Berbice region could, in the future, suffer from a water shortage if work is not carried out to improve the water supplies. The major source of water for the area is from the Canje Creek which in turn is supplied from the Torani Canal. The Torani Canal is unlikely to be able to supply the needs of both the sugar estates and considerable areas of irrigated rice schemes. Large scale expansion of agriculture in Berbice cannot be undertaken unless storage facilities are provided on the Canje or a pumping station constructed at the head of the Torani Canal. Booker Tate have assumed such work, if necessary, would be paid for by the Government. In the event that the Government choose to charge the beneficiaries directly for this work, this will reduce the value of Guysuco's business.

GUYSUCO

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SECTION 6: VALUATION

6.1 INTRODUCTION

There are a number of valuation methods used to value an enterprise. These can be grouped into two categories: a business valuation approach or an asset valuation approach.

The object of the business valuation approach is to value the enterprise on the basis of the returns or profits that its business can generate or has generated. There are several techniques that can be used to value a business and the most generally accepted and frequently applied of these are the:

- Discounted cash flow
- Assessment of the debt the business could service
- Comparison with similar businesses quoted on stock markets

These techniques are described in more detail below.

An asset valuation approach seeks to value the enterprise by valuing its underlying assets. There are two principal types of asset valuation - the liquidation value and the net replacement cost basis. The liquidation value considers what the likely proceeds would be if the business was discontinued and the assets sold off individually. The net replacement cost valuation seeks to assess the cost of replacing the assets of the enterprise, basing the cost calculations on the current cost of new assets depreciated to the same extent or the existing assets of the business.

In the case of Guysuco it is likely that both asset valuations would result in very similar values since the major tangible asset of the business is the land. The majority of the plant and equipment is so old that the second hand value and the depreciated replacement cost would be negligible in both cases.

The benefit of any asset valuation of Guysuco is likely to the limited since alternative uses for the majority of the land would be difficult to find. Accordingly, we believe that the Government's decision not to have an asset valuation carried out is appropriate.

6.2 BUSINESS VALUATIONS

The different types of business valuation can be split between those that are based on the historical performance of the business and those that are based on its expected future performance.

In most circumstances the more appropriate valuations are based on the expected future performance since it is the return from that performance that will generate the value for the investor. The importance of such valuations increases significantly in circumstances such as privatisations where the historical performance has arisen in a completely different environment to the environment in which the privatised business will operate. Accordingly our valuation focuses on these types of valuations.

6.3 FAIR MARKET BUSINESS VALUATION

The object of the valuation is to try to provide an estimate of the fair market value of Guysuco's business. The fair market value being defined as the amount a willing buyer would pay a willing seller for the business where neither party is under any compulsion to buy or sell.

In the circumstances where the valuation is to be based on the expected future performance of the business, it is most appropriate to base the valuation on the expected performance of the business without taking account of the improved performance which a new investor may be able to obtain from the business. The reason for this is that any increased performance and therefore value, as a result of the additional investment which may arise from the acquisition (whether financial, management, new business techniques etc) should accrue to the person making the investment. Using forecasts based on the investment going ahead is likely to over-value the business for the purposes of a fair market valuation.

In this case we have been asked, initially, to consider the value of the business on the basis that the investment goes ahead. Accordingly, the results of our valuation, based on these forecasts, should be considered as an estimate of the likely maximum amount that the investors would pay.

In any transaction the actual price at which the transaction occurs may be different, in some cases it may be significantly different, from any fair market valuation. Such differences may arise for many reasons - the seller may be under some compulsion to sell, the business being sold may offer the purchaser some strategic or other advantage that would not be available to other purchasers etc. In addition, and perhaps most importantly, the eventual price at which any transaction is carried out will be most influenced by the negotiating skills of the parties to the transactions.

6.4 DISCOUNTED CASHFLOW VALUATION

Determining the cashflows

The discounted cashflow approach is based on the assumption that the amount a buyer is willing to pay for a business is determined by the amount of cash (or cash equivalent) that the buyer will receive in the future as a result of his investment. At its simplest, the cash which an investor will receive will be the amount of the future dividends that a company will pay. However, particularly in the case of a private company, the dividend policy of the company may be determined by many factors. Therefore an alternative approach of identifying and valuing the amount of cash that could

be distributed to investors (the free cashflows) is adopted. This approach involves projecting future free cashflows of the business over a number of years and applying an appropriate discount factor to reflect the time value of money (an analysis of the factors affecting the selection of the discount factor is outlined below).

The forecast cashflows that we have used for the purpose of our valuation have been described in the previous section of this report. The free cashflows available to an investor have been assumed to be all of the net cashflows that would be generated after adjustment for capital and interest payments on loans from bankers, capital expenditure and movements in working capital.

The cashflows we have used include forecasts for 1991 and our valuation incorporates the value of those cashflows. Therefore, technically, our valuation is an estimate of the value of the business as at 31 January 1991. However, from discussions we have had with the Booker Tate personnel it would seem that the forecasts are intended to reflect the likely performance of the business from the time that the transaction is carried out. On this assumption then it is reasonable to treat the valuation as being a current valuation.

Discount rate

The discount rate determines the way in which the projected cashflows are given a capital value. It is chosen according to the rate of return that investors would expect from an investment in similar businesses. The higher the required rate of return, the higher the discount rate and the lower the capitalised value ascribed to the projected cashflows.

As a minimum the rate of return required by an investor takes into account the following factors:

- An amount to cover the effects of inflation - an investor will wish to ensure that the purchasing power of his investment is not impaired and will therefore want to receive a rate of return which compensates him for this. For the purposes of our valuation the rate of return we have used does not include any amount to compensate for the effects of inflation since the forecasts also exclude any adjustment for inflation.

- An amount to cover the opportunity cost of not receiving funds until sometime later - an investor will require some compensation for allowing his funds to be tied up for a period of time.

- An amount to cover the investment risks - the investment risk can be categorised into three constituent parts being investment risk in equities, investment risk in the sugar industry and investment risk in investing in Guyana. There is less certainty that dividends will be paid on equity investments than there is of interest being paid on loans. Therefore investors would expect a premium from equity investments over and above the rate of return that would be

obtained from loans. The risks associated with the sugar industry are likely to be different to those for an "average" investment and, on the basis of our assessment, they are likely to be slightly less. The risks associated with investing in Guyana compared to the risks involved in investing in the Western Europe or the USA are likely to be considerably higher. A more detailed discussion of the factors we have taken into account is set out in Appendix 4.

Many companies interested in making acquisitions have established minimum corporate rates of return below which they will not undertake an investment. Each company's required minimum rate of return is likely to differ because of the different investment opportunities available to them. The purchaser's assessment of the risks associated with the company he is acquiring will be unique to him as will his plans for the business. Accordingly, the likely rate of return that each investor will determine as their required rate of return for a particular business is likely to be different.

In the absence of any detailed knowledge of the potential investors' required rate of return from Guysuco, we have estimated the discount rate using information on the rates of return investors in quoted sugar companies are obtaining and the rates of return that purchasers of other sugar companies in the Caribbean have required.

To estimate the rate of return based on the rates investors in other similar business are obtaining we have used an assessment of the weighted average cost of capital (WACC) of those companies. The WACC is based on an assessment of the cost of both the equity capital of the business and its loan capital. The costs are computed as a rate of return based on the level of dividends or interest paid as a proportion of the market value of the capital. Clearly such calculations are liable to be distorted by many factors and in particular since they are based on historical information for the amounts of dividends or interest paid, they may not reflect the current requirements of investors. To minimise the effects of distortions arising in individuals companies, we have carried out the calculations for a number of different companies and then used the average of these to determine an appropriate rate to apply to value Guysuco. In addition to determining the average WACC for comparable companies, it has also been necessary to adjust the derived WACC to take account of the different risks associated with investing in Guyana compared to investing in the countries in which the comparable companies are based or have the majority of their operations.

For the purposes of this calculation we have identified the following public companies that are involved in the sugar industry:

Company	Country
Bookers	UK
Tate & Lyle	UK
Suedzucker	Germany
Savannah Foods	USA

The basis of the calculation of the WACC and the results for these companies is set out in Appendix 3.

The problem we have found when trying to identify comparable companies is that we have been unable to find any quoted companies involved only in similar businesses to Guysuco. Most companies are more diversified and their sugar business concentrates on the refining and distribution of refined sugar. Accordingly, the rates of return derived from these calculations may be less reliable than if we had been able to find more comparable companies.

In summary the calculation shows that the average WACC, net of inflation, for the companies above is 10%. We have assumed that investors investing in Guysuco would want a rate of return of this amount plus an amount to cover the additional risks of investing in Guyana of between 10% and 20% giving a total required rate of return of between 20% and 30%.

Turning to the rates of return that investors in similar businesses in the Caribbean have required, we have been involved in advising parties to a number of privately negotiated transactions over the last few years and have therefore developed a good understanding of the rates of return that investors have been looking for. On the basis of those transactions our view is that investors in that type of business in the Caribbean would expect to earn a real rate of return of between 20% and 30%. Given the current political uncertainties in Guyana at this time, with an election due in the very near future, the importance of Guysuco to the whole economy of Guyana and as a source of revenue for Government, and the very significant effects that changes in some of the current tax and levy regulations can have on the profitability of Guysuco, we expect that an investor in Guysuco would expect to earn a rate of return at the higher end of this range.

The information we have been able to obtain on transactions in the sugar industry which have been made public either deals with businesses which are not directly comparable with Guysuco's or there is insufficient information available to enable the rates of returns required to be properly calculated.

The nature of the determination of an appropriate discount rate to use is inevitably subjective and it is therefore appropriate to consider a range of rates of return in any valuation. Given the numbers of very significant and subjective issues which are likely to affect an investors assessment of the risks involved we believe that it is necessary to consider a wide range of possible rates of return for a valuation of Guysuco at this time. On the basis for the foregoing paragraphs we have concluded that an investor is likely to require a rate of return of between 20% and 30%. Furthermore, we believe that an investor will only be willing to accept a rate of return at the lower end of this range if he can be provided with some strong assurances that the business will be free from undue political interference in the short and medium term.

Results of the discounted cashflows valuation

Using the revised cash flow as described in Section 5 of this report and applying the discount rates described above we have determined that the likely value of the business is in the range of US$ 36 million to US$ 50 million. As explained earlier, the cashflows described in Section 5 represent the expected cashflows that the business will generate if the transactions goes ahead and there is adequate investment in the business. As such, the valuation should represent a high value for the business.

SECTION 6: VALUATION (continued)

6.5 SENSITIVITY ANALYSIS OF THE DISCOUNTED CASHFLOW VALUATION

Introduction

As mentioned above, there are a number of assumptions underpinning the forecast cashflows which are very important to the calculation of the value of the business of Guysuco. In this section we have sought to assess the likely effect on the valuations that changes in these assumptions would have. In order to keep the number of variables to a reasonable level, this section has considered separately the effect of changing each assumption. In addition, the assessment of the effects has been restricted to considering the impact on one base case scenario - the forecast using a 30% discount rate. On the basis of subsequent comments we have also considered a scenario that the privatised enterprise could be given a tax and currency retention holiday for five or ten years in order to increase the sale price of the business.

The key assumptions

As described in Section 5, the major assumptions which underpin the forecast are:

- the price of sugar, in particular the EC quota price
- the sterling US dollar exchange rate
- the effective rate of the sugar levy
- the level and timing of capital expenditure
- the effective rates of taxation and capital allowances
- the level of debt finance available
- the availability of hard currency

The effects of the changes in each of these assumptions on the valuation are considered below.

The price of sugar

The most important issue affecting the price Guysuco will obtain for its sugar is the maintenance of Guysuco's EC sugar quota and the company's right to supply all of the quota. A loss of the quota or part of the quota would result in the price obtained for the sugar declining from the EC price to the world price in most years. The decline would be less in the earlier years when it would be possible to sell some of the sugar to the US or Caricom markets at rates likely to be higher than the world market price.

In the event that the decline in the EC quota was of a significant amount (say more than 25,000 tons) then the long term approach that would probably be adopted would be to close one or more of the estates. On the basis of the expected world prices many of the estates would not be viable and it would be commercially prudent to close them if the EC quota declined. The expected operating costs of the various estates in order of cost per ton and the expected long term levels of production (based on 1997 forecasts) are as follows:

SECTION 6: VALUATION (continued)

Estate	Expected steady state output Tons 000	Average cost per ton US$
Albion	114	251
Skeldon	31	316
LBI	44	324
Blairmont	33	332
Uitvlugt	21	401
	243	

Source Booker Tate Investment Plan Stage II Report

In the event that the EC quota declined by say 30,000 tons from 1992 onwards then the most likely strategy for Guysuco to adopt would be to close its estate with the highest cost of production namely Uitvlugt. The closure of the estate would probably not happen immediately but would occur after a number of years, say three. On the basis of these assumptions the likely impact on the value of the business would be to cause it to decrease from US$ 36 million to US$ 34 million.

Perhaps of more relevance is the possibility of a decline in the price offered by the EC rather than the size of the quota. Unless the decline in price was very substantial the likely strategy is that Guysuco would continue to produce the same quantities of sugar but would just suffer from reduced income. The base model assumes a price fall of 2.5% per annum from 1992-1995. A 5% decline per annum in the EC quota price in the same period would result in a decrease in the value of the business from US$ 36 million to US$ 26 million ie a 30% decline in value.

A constant price throughout the period rather than a 2.5% decline would increase the value of the business to US$45 million.

An increase of 5% per year over the same period in the EC price, although the prospect for any upward movement is unrealistic particularly with the growing pressure from East European farmers to be allowed to sell sugar to the EC, would result in an increase in the value of the business from US$36 million to US$65 million. The effect of changes in the EC price would seem to increase or decrease the value of the business by about US$10-15 million for every 2.5% change in the price.

The sterling/US dollar exchange rate

The original forecasts prepared by Booker Tate assumed a £:US$ exchange rate of 1:1.88. This rate was adjusted to 1:1.7 in the forecast used for the valuation. On the basis that the rate declined further to say 1:1.6 then the US$ value of the EC sales would decline since these sales are made in sterling. Against this there would be a decline in the costs of the operations, both revenue and capital items, which are denominated in sterling. It is estimated that approximately 33% of the Company's operating expenditure will be denominated in hard currency. Clearly any capital expenditure planned in Sterling would also be subject to movements in the £:US$ exchange rate.

If the above exchange rate moved to 1:1.6 it would be beneficial in this case. We do not have a detailed analysis of the levels of sterling expenditure planned by Booker Tate but we have assumed that such expenditure will amount to approximately £12 million per annum.

The effect of a 6% decline in the exchange rate from 1:1.7 to 1:1 6 is estimated to result in a decrease in the value of the business from US$ 36 million to US$ 28 million or 22%.

The effective rate of the sugar levy

As mentioned in the review of the forecasts, the rate of sugar levy as laid down by law and given the current Guyanese dollar value of the sugar sales is approximately 55%. The company has never paid this level of levy since in each year to date they have entered into negotiations with the Government and then they granted a remittance which has substantially reduced the effective rate of levy. In recent years the effective rate of levy has varied between approximately 40% and 10% of sales. For the purpose of the base forecast we have assumed that the levy will be retained at an effective rate of 20% of sales - Booker Tate had assumed that there would be no levy.

A reduction in the effective rate of the levy from 20% to 10% would result in an increase in the value of the business from US$36 million to US$55 million. Similarly, an increase to 30% would reduce the value to 13 US$ million.

Whilst these figures might suggest that the Government should reduce the level of levy and so increase the value of the business, there is obviously a balancing effect on the value of the levy and taxation revenues the Government will receive. There are a number of issues which need to be considered when determining the approach the Government adopts:

- The first issue is whether the Government wishes to take its proceeds from the business as soon as possible or over a period of time. If it were to opt for the former strategy it would reduce the levy to zero.

- The second issue which might affect the Government's strategy is that it may take a different view of the risks associated with the levy and tax income streams compared with the investors' assessment of the risks of investing in Guysuco. The rate of return the investors are likely to require will incorporate a substantial premium for the political risks associated with investing in Guyana. The discount rate the Government should apply to the levy and tax income streams should reflect its own costs of borrowing, which may be significantly different. Provided that Government's cost of borrowing is below the investors required rate of return then the highest overall value to the Government will come from a high sugar levy.

- The third issue is the impact on the investors perception of risk of different levels of levy. Clearly, there must be an upper level to the amount of levy that could be charged and, on the basis of the following table, this would appear to be approximately 25%. In practice the upper limit may prove to be lower than this since at such a high rate investors may consider that the risks associated with the investment are much greater and so may look for a higher rate of return, reducing the value of the business.

SECTION 6: VALUATION (continued)

In the following table we have set out the likely value of the business and the levy and tax income streams on the basis that the Government's cost of capital is say 20% and the investor's required rate of return is 30%.

Net present value	Business Value US$m at 30%	Levy income US$m at20%	Tax income US$m at 20%	Total value US$m
Sugar levy Nil	80	0	66	146
Sugar levy 5%	68	26	57	151
Sugar levy 10%	55	54	47	156
Sugar levy 15%	47	81	38	166
Sugar levy 20%	36	108	29	173
Sugar levy 25%	23	134	18	175
Sugar levy 30%	13	161	11	185

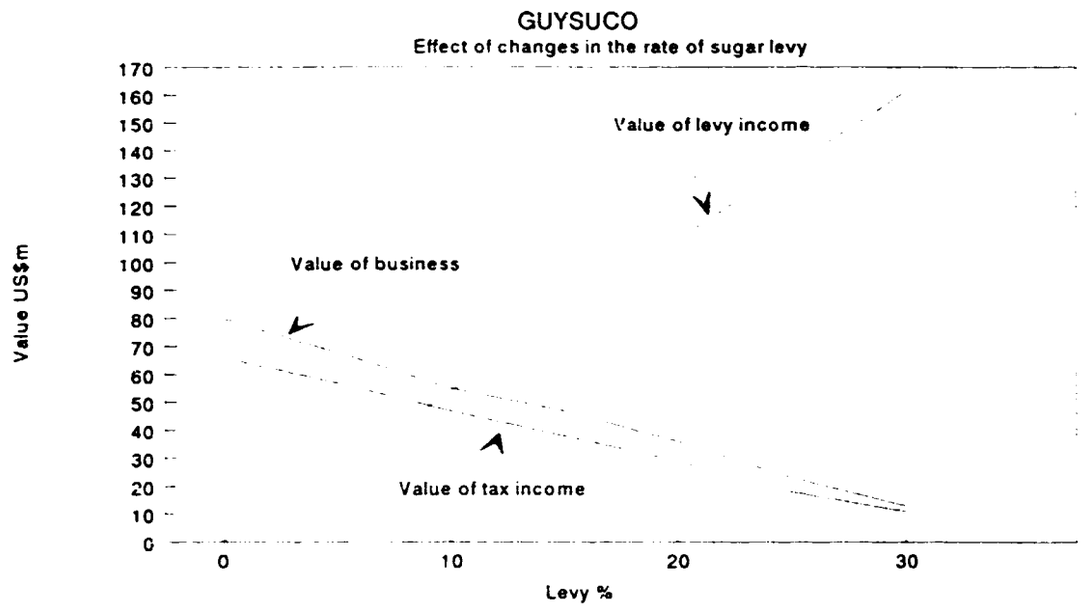
In real terms, the total revenues that the Government would obtain from selling 100% of this company and applying either 0, 10, 15, 20 or 30% rates of levy would be as follows:

	1991 US$m	1992 US$m	1993 US$m	1994 US$m	1995 US$m	1996 US$m	1997 US$m	1998 US$m
Levy of 0%	94 8	13 6	9 1	6 6	7 3	11 0	13 0	13.6
Levy of 10%	75 4	20 0	15 3	12.7	13 4	17.5	19 6	20.1
Levy of 15%	70 2	23 2	18 4	15 7	16.3	20 7	22 8	23.3
Levy of 20%	61 9	26 3	21 5	18 8	19 4	23 8	26 0	26 5
Levy of 30%	44 5	32 7	28 6	28 0	27 8	29 6	29 9	29.9

A more detailed analysis by source of income is set out in Appendix II.

SECTION 6: VALUATION (continued)

The effects of the different levels of sugar levy on the value of the business, levy income and tax income at 30% discount rate is summarised in the following graph.



The level and timing of capital expenditure

One of the major assumptions in the forecasts prepared by Booker Tate is that there will be a need for substantial amounts of capital expenditure on agricultural equipment, on land structure and on factory equipment. In addition, the forecasts assume that there will need to be a significant amount of expenditure on the expansion of two factories to enable them to deal with increased levels of production due to the closure of other factories.

SECTION 6: VALUATION (continued)

On the basis of our review of the forecasts, we believe that the adjusted forecast levels of capital expenditure on agricultural equipment and land structure are probably necessary and it would be difficult to delay the expenditure for more than one year without having a significant adverse affect on the performance of the business. The issue of the expenditure on the factories and, in particular, the expansion of two of the factories is less clear. In the past it is apparent that the whole industry, including the factories, have been starved of investment and accordingly there is now a need for considerable investment to rectify the position. Furthermore, as the additional investment in the agricultural side of the business is made the levels of cane production will increase putting greater pressure on the factories. It will therefore be necessary for there to be some expenditure on the factories, however, in our view it may be possible to reduce and delay some portion of the expenditure. We understand from the World Bank that their advisors believe that the factory costs could be reduced by at least 10-15%. Furthermore, they believe that some of the expenditure could also be delayed although they have not yet said how much could be delayed or for how long. Given that the World Bank's objectives will be first to ensure that the business is likely to be successful and then to consider the costs this may still represent a prudent view of the capital requirements. On this basis it might be reasonable to argue that much of the cost could be delayed for a number of years. We are not experts in the agricultural or engineering aspects of the industry and therefore the Government of Guyana may wish to take other advice on this issue.

Given the comments above we believe that this is an area where the sensitivity of the forecast should be considered carefully. For the purposes of our sensitivity analysis we have assumed that the level of capital expenditure on the factories will be restricted during the period 1992 to 1996 to no more than US$ 5 million per annum. This compares with the expenditures incorporated in our base case forecast of some US$ 13 million per annum over the same period. The reduction in expenditure might seem very aggressive however it should be recognised that a delay of say 4 years in the expenditure would have a similar effect. Such a delay, or a combination of a shorter delay and a smaller reduction which again would have the same effect, would not be unreasonable.

On the basis of the above changes in assumptions, the value of the business will increase from US$ 36 million to US$ 57 million.

If the full level of expenditure as planned by Booker Tate, including the 5% contingency, were included in the forecasts the value would decline to US$13 million.

Taxation

In order to determine the free cash flows available to any potential investor we have deducted taxation from Guysuco's net cash flows. The tax charge has been calculated using the current Guyanese capital allowances regime which seem to average 25% for initial allowances for infrastructure and factory expenditure and annual allowances of 20%, 8% and 10% for agricultural, infrastructure and factory expenditure respectively. We have used 35% as the corporate tax rate since we understand this to be the intended rate from 1 January 1992.

SECTION 6: VALUATION (continued)

Should the Government decide to retain a 45% corporate tax rate then the value of Guysuco would decrease from US$36 million to US$29 million. The value of Guysuco is more sensitive is changes in the capital allowances structure. If first year allowances were 100% then the value would increase from US$28 million to US$47 million, a rise of 42%. In the event that the capital allowances increased to 40% initial allowances and 20% annual, the value would increase to US$42 million.

Changes in tax rate or capital allowances also have an impact on the Governments future tax revenues and their net present value. By maintaining taxes at 45% business value declines, as shown above, but future tax income increases. The effect is the same as movements in the sugar levy. Changes in the rates of capital allowances have a similar effect.

The availability of finance

The forecasts used for the valuation have been prepared on the basis that Guysuco will be able to obtain loans of US$50 million at a real interest rate of 5% per annum. The assumption that US$50 million would be available is based on the proposals incorporated in the Booker Tate plan. In their plan Booker Tate envisage a capital injection of some US$35 million and loans of US$50 million. If the loans are to be lent at rates lower than the equity investor's required return then they increase the value of the business. However, the amount of funding required by the business on the base case scenario appears to be substantially less than US$85 million. On the basis of the base case scenario the funds required only amount to US$21 million, which, if the same gearing ratio is to be maintained, would mean US$8 million of equity and US$13 million of debt is required. On this basis the value of the equity, including the US$8 million injection would be US$30 million (Appendix 8.11).

Given that US$8 million would be left in the company, the value of the business to the Government would decrease to US$22 million.

On this basis it is clearly in the Government's interest to encourage the bankers to lend as much as possible to Guysuco.

The forecasts also assume that the IDB loans will bear interest at 2% per annum. Given US dollar inflation rates of approximately 5% this represents a real rate of negative 3%. In the event that this loan is to bear interest at commercial rates - say 5% real rates - then the value of this business will decrease from $36 million to $33 million.

The availability of hard currency

In the recent past the Government has had a policy of allowing Guysuco to only retain a limited amount of the gross hard currency earnings. In addition, the company has been prohibited from purchasing hard currency through the Cambio.

In the forecasts that Booker Tate have prepared they have assumed that the Government will continue to maintain such a policy but that the amount of foreign currency retained will not increase above the current absolute levels of the retention.

SECTION 6: VALUATION (continued)

For the purpose of valuing the Company we have assumed that to the extent that there are cashflows available for distribution that they will be available in hard currency. This will mean that either Guysuco will have to have access to the Cambio to convert the cashflows into hard currency or that the Government will have to allow the company to retain whatever hard currency it will need.

If the company does not have access to such hard currency then the value of the cashflows, denominated in Guyanese dollars, is likely to be very small. On the basis of the forecasts that Booker Tate have prepared, the free cashflows that would be available in hard currency would be negligible and therefore the value of the business would also be negligible.

Tax and currency retention holiday

Amongst the many issues and options being considered for the sale of Guysuco's business, one scenario suggested by SG Warburg is to sell the business and to give the purchasers a tax and currency retention "holiday" in respect of the operations of the business. Such a holiday would be for a period of five or ten years.

On the basis of the schedules shown in Appendices 7.12 and 7.13, it is clear that the value of the business would increase significantly if no taxation is to be paid on the profits of the business. However, there are two important factors which may offset much of this increase.

i) If the investors are foreign investors then they will only value profits or revenues which can be repatriated to their home country. On repatriation those profits are likely to be subject to a tax charge in the country of the investor. In most instances double taxation arrangements will ensure that the total tax charge is not higher than the higher of the two countries' tax rates. Therefore, the result of offering a tax holiday in Guyana may be that the investor suffers more tax in their home country on the repatriated profits. The net profits on which their assessment of value will be based will therefore not be significantly different.

ii) Because the country will be giving up such a large amount of direct income there may be considerable pressure on future governments to reverse any agreement. Accordingly, the investors assessment of political risk will increase.

Whilst offering tax holidays may increase the value of the business, we do believe that the increase in value is unlikely to be as great as the value of the concessions given.

Summary

On the basis of the above it is clear that the valuation is very sensitive to many factors. The analyses above help to give some indication of the likely effects of changes in individual assumptions. In some cases it may be possible to determine the effects of changing more than one assumption from this analysis but great care should be taken when doing this. If there are particular scenarios that the Government wish to consider we would be happy to rework our model using those assumptions.

SECTION 6: VALUATION (continued)

6.6 LEVERAGED VALUE APPROACH

Introduction

The leveraged value of a company is calculated on the assumption that in order to finance a transfer of shares from one shareholder to another, the acquiring shareholder has to borrow against the assets and cashflow of the company to finance the purchase. We have therefore sought to calculate the amount of debt that the underlying business is capable of sustaining.

Assumptions

Projected accounts of Guysuco for the year to 31 December 1991 were used as the basis for this valuation. It has then been necessary to make a number of assumptions. These are summarised below:

- Projected profit before tax for the year to 31 December 1991 of US$15.5 million has been assumed to increase in line with the increases in the operations cashflows used for the discounted cashflow valuation;
- All cashflows generated by Guysuco will be available to service acquisition debt;
- The tax charge has been calculated using a corporation tax rate of 35%;
- Interest rates will remain at constant levels for the foreseeable future and the financing institutions will require a margin of approximately 10-20% over US base rates on the acquisition debt. Interest rates of 18-28% have therefore been used;
- The financing institutions would require profit before interest and tax ("PBIT") to cover interest payable on the acquisition debt by at least a factor of 2 during the first year of acquisition. In addition, we consider that the financing institution would require the debt to be repaid within a period of 10 years.

Maximum available debt

In 1991 projected profit before interest and tax for Guysuco is US$15.5 million. Given the requirement for a minimum interest cover for 2 times PBIT, the maximum permissible interest charge in 1991 would be 7.8 million. On the basis of assumed interest rates of 18-28% this indicates that debt amounting to between US$28 million and US$43 million could be raised.

Cashflow cover

The cashflows for the company reveal that during the period from 1993 to 1996 the business would not be generating any positive cashflows and because of the capital expenditure programme, it would in fact absorb cash during that time. During 1992 the cashflows is only positive because of the receipt of loan. It is not until 1997 that the Company forecasts to start making positive cashflows that could be used to repay any loans and then the cashflows are only modest amounts.

This would seem to indicate that the Company would not be able to take on any significant amounts of debt. However it should be recognised that the cashflows have been prepared on the basis that they are all stated at 1991 prices. There will inevitably be some inflation during the 10 year period which should cause those cashflows to increase such that, at 6% p.a. inflation, the total positive cashflows during this period would amount to US$154 million. Given that most of this income would arise towards the end of this period, the amount of debt they would be able to support would be between US$30 million at 28% interest and US$45 million at 18% interest.

Summary

On the basis of the cashflow cover and the profits cover it would appear that the Company could afford to service a debt in the range of some US$30 to US$40 million.

6.7 CONCLUSION

The results of the valuation techniques we have used may be summarised as follows:

	Valuation range US$m
Discounted cashflows	36 to 50
Leverage valuation	30 to 40

It is our opinion that the discounted cash flow valuation is probably the most appropriate method of valuation. However the leverage valuation also provides a useful guide and some comfort over the discounted cash flow valuation.

As mentioned before, the valuations are highly dependent on a number of assumptions including some where the Government could directly influence the value (sugar levy and taxes). However on the basis of our work and the assumptions we have used, we have ascribed a value in the range of US$35 to US$45 million for the business of Guysuco. As we have mentioned above, this value represents our assessment of the value of the sugar business of Guysuco on the basis that it is rehabilitated. It does not include the value of any redundant assets or other businesses of the company in particular it does not include any redundant land from the Versailles and Leonora estates that the Company may still own.

SECTION 6: VALUATION (continued)

We understand that the company is currently negotiating to sell its rice farm and mill to a number of potential investors. The prices being offered for this business are in the region of US$4 million although they vary significantly. The rice farm comprises of some 1,600 acres of land compared to 90,000 acres for the sugar industry. On the assumption that the price offered reflected only the value of the land and that the land is a similar quality to that in the sugar business, then it would be reasonable to expect the sugar business to have a value of some US$225 million. The reasons why our assessment of the value of the sugar business is much lower than this are:

i) The land used for the sugar industry could not, in most cases, be used for other purposes - development or more profitable crops. Therefore, the value is dependent upon the returns that can be generated from growing sugar.

ii) Sugar sales are subject to an export levy which we have assumed will be 20% of the sales proceeds. Rice sales will not be subject to this levy.

iii) We understand that the rice mill is modern and the overall levels of capital expenditure required for the business are small. In comparison, the levels of capital expenditure required in the sugar business are quite high.

On the basis that the sugar industry pays no sugar levy and spends only a small amount on capital items, then the value of the business increases significantly. If the other assumptions are the same as in the base case, then the effect of no levy and limited capital expenditure is to increase the value up to about $160 million. Given the different nature of the two businesses and the fact that there are a number of potential investors bidding for the rice farm, a value of $160 compared to $225 does not seem unreasonably different.

GUYSUCO

VALUATION REPORT - 30 NOVEMBER 1991

SECTION 7: OTHER ISSUES RELEVANT TO THE SALE

7.1 NEGOTIATING STRATEGY

As described in the previous section, the valuation represents an assessment of the "fair market" value of Guysuco on the basis that it is rehabilitated. This assumes a willing buyer and seller, neither under any compulsion to buy or sell. It also ignores any special considerations relevant to a specific buyer or seller and the added value that will have been contributed by the investors. Such a situation can only be theoretical; in any transaction there will be special circumstances applying to one or both parties which will influence the eventual price at which the transaction is carried out. The major influence on the final price at which the transaction is carried out is the quality of the negotiating strategy and its implementation. If the Government of Guyana is to achieve a good price for the sale of Guysuco it is important that such a strategy is developed as soon as possible. We assume that the Government's financial advisors are preparing such a strategy but we would be willing to assist in this work if required.

In this section we have set out a number of issues that we believe the Government should take into account when developing its negotiating strategy.

7.2 POTENTIAL INVESTORS

In any negotiations the presence of a number of potential buyers should ensure that the price offered for the company fairly reflects its market value.

At present there appears to be only one consortium involved in the negotiations to purchase Guysuco. This would seem to place the buyer in a strong position. Depending on the urgency with which the Government wishes to sell Guysuco, it might be appropriate to try to encourage interest from other potential investors. Even the threat of a serious rival offer may encourage the present consortium to increase the level of their offer or at least weaken their resolve not to increase their offer.

The number of possible investors who would have the interest, financial resources and management, to acquire and operate the whole of Guysuco is likely to be very limited. However, by selling the estates separately or in small groups it might be possible to attract a number of smaller investors with the resources to operate the businesses. This approach was adopted with some success in Jamaica when they privatised part of their sugar industry. Possible investors in this situation might include local Guyanese farmers and businessmen and the owners of sugar estates in other parts of the Caribbean and elsewhere.

Clearly such strategies involve some risks and potential benefits and would need careful consideration before they were adopted. Based on our understanding of the Guyanese industry and the experience of privatisations of other sugar industries, particularly the Jamaican experience, some of the factors which we believe would have to be considered are:

- the benefits of developing some competition in the labour market. The companies would compete for labour which may result in increased wages. In addition the power of the trade unions may also be reduced, particularly if the separate companies chose to negotiate with them separately.

- the risks of upsetting Booker Tate. As the incumbent managers are closely tied to the consortium bidding for the Company, Booker Tate are in a strong position to influence the attractiveness of the business or businesses to other potential investors. Even the threat from Booker Tate to withdraw from managing the estates might reduce morale in the workforce and reduce production. This would in turn put considerable pressure on the EC quota position, since it would be less likely that the 1991/92 quota would be met.

- the likely levels of interest from other potential investors. This can only really be determined by approaching them directly or indirectly.

- the willingness of the World Bank to provide finance and to provide it on favourable terms. Low cost finance provided the World Bank would increase the value of the industry. Furthermore, many other potential investors will be dependant on additional finance and the number of alternative sources of such finance is likely to be limited.

- the political benefits (or risks) of attracting local investors into the industry.

- the likely response of the industry to different owners and managers especially other foreign investors or indeed local investors or different ethnic backgrounds to the workforce.

- the additional costs, time delays and commitment of Government resources to carry out marketing and negotiations and to allow the parties to carry out the necessary due diligence and review of the business.

- the additional ongoing costs of some form of sugar commission to allocate the sugar quotas between the companies.

SECTION 7: OTHER ISSUES RELEVANT TO THE SALE (continued)

7.3 FISCAL POLICIES

As described in the previous section, the value of Guysuco is extremely sensitive to a number of factors which the Government can influence. The major factors which affect the value of the business are:

- the level of Government hard currency retentions.
- the level of sugar levy.
- the level of profits taxation.

In each of these cases there will be factors other than the likely effect on the value of Guysuco that will need to be taken into account when determining the strategy to be adopted. A very obvious example discussed in the previous section was the impact on Government revenues of changing the level of sugar levy.

As explained in the previous section, the Government's cost of borrowing may be significantly lower than the rate of return that potential investors in Guysuco would require. In such circumstances in theory it would seem logical to maximise the Government's revenues from future taxation at the expense of proceeds from the sale of the business. However, there may be a number of adverse consequences from adopting too aggressive a policy:

- low sale proceeds in exchange for future levy and tax revenues may not be politically acceptable.

- an aggressive policy of taxation may cause potential investors to withdraw. In the event that they do not withdraw it may still discourage any investment but the minimum and least risky. This is likely to result in a further contraction of the industry and eventual decline in Government revenues.

The eventual position is likely to be determined by the level of sales price that will be politically acceptable and the amount of revenues that are necessary to fund the Government budget rather than any "scientific" valuation. Nonetheless we believe it is important that the Government should have some indication of the possible financial impact of adopting different options, albeit ignoring the unquantifiable factors mentioned above. Accordingly, we have set out on schedules in Appendix 7 a number of scenarios showing the effects of different levels of sugar levy, income/corporation tax rates and capital allowances. These schedules cannot cover all possible scenarios and would be happy to rework the models using different scenarios if the Government wished.

SECTION 7: OTHER ISSUES RELEVANT TO THE SALE (continued)

7.4 OTHER POSSIBLE BENEFITS TO INVESTORS

In addition to the inherent value of the business, there may be significant additional value from the business for certain investors. In the case of Guysucc it would seem likely that if Tate and Lyle were to acquire the company then much of the expenditure on equipment, especially in the factories, would be directed to other Tate and Lyle companies which manufacture such products.

It is not possible to accurately assess the value of such an arrangement since other owners of Guysuco might also decide to purchase equipment from the same companies. However in any negotiations with the consortium this factor should be taken into account.

The issue also raises another matter, which is, that the Government will need to ensure that it has adequate powers to prevent the owners of Guysuco from transferring profits overseas by making sales at below market prices or purchases at above market prices. Within UK tax laws there are provisions to allow the Inland Revenue to investigate transfer pricing and impose additional tax charges on the company if they find that such arrangements are being adopted. If such arrangements are not in place then the Government should consider introducing them.

7.5 OTHER COSTS TO THE COUNTRY OF PRIVATISATION

Within the plan prepared by Booker Tate there is a proposal that ownership of the EC sugar quota should be given to Guysuco. Clearly Booker Tate wishes to ensure some security over the quota, however the effect of transferring the quota is to remove any Government influence over the market and effectively prevent anyone else from entering the sugar market in Guyana. Again the value of such an arrangement is difficult to judge but it will be important to recognise that there is likely to be some value in this, which has not been reflected in the valuation.

Also within the plan there is a proposal that the Government should fund repairs and improvements in a number of areas. These include repairs to the sea defences and improvements to the water supplies. We understand that these expenditures are likely to be incurred whether Guysuco is sold or not, however this may not be apparent to the investors and therefore it might be possible to use them in any negotiations.

7.6 OTHER UNUTILISED ASSETS IN GUYSUCO

As mentioned in the previous section, the valuation does not take account of any possible redundant or unutilised assets that may exist in the Company. Such assets are likely to include unutilised land and land and other assets that will be abandoned after the closure of some of the estates as well as land which may already have been abandoned. In particular there may be land still owned by the Company which formed part of the Versailles and Leonora estates. In the case of lands that are currently unutilised and are not planned to be put back into service it might be possible to exclude them from the business sold and to retain them as state owned assets. In the case of land that might be abandoned in the future such an arrangement would be more difficult to draft.

An alternative arrangement which has been used in other countries, especially the UK, is to introduce a "clawback" arrangement into the sale agreement. The basic procedure is that the company being sold is required to remit a certain proportion of any proceeds earned from asset sales made within a certain time of the sale (often 5 years). This has the benefit of still encouraging the company to sell assets since they still earn a profit albeit a smaller one from the sales. It also prevents the need to identify and value those assets which are to be sold at the time of the sale of the business.

As experienced with the sale of the Guyana Telephone Company, it is also important to ensure that all available cash balances are extracted from the business before its sale since the value of the business is based on the assumption that its cash requirements will be met by either loans or by internally generated cashflows.

7.7 OTHER MACRO-ECONOMIC ISSUES

The sale of Guysuco will also raise a number of other issues that the Government will need to consider. The most important may well be the impact on the economy of increased wages for the sugar workers. Whilst the increase will be supported by increased export earnings and so justified, it may, particularly in the short term, encourage inflation in the country as the increased wages are spent on produce which is in limited supply. This situation will be exacerbated if the Government retains a high proportion of the hard currency revenues of Guysuco for its own expenditure.

A further issue that will need to be considered is the possible impact on the value of the Guyanese dollar in the Cambio. If much of Guysuco's hard currency earnings are retained by the Government and the Company is then allowed to use the market to convert its free cashflows into hard currency then there is likely to be some significant swings in the value of the Guyanese dollar each time the Company makes a transaction. The consequences of allowing the Company to use the market for all its needs would be even worse.

If investors in Guysuco are unable to convert their profits into hard currency then the value of Guysuco will be negligible. Accordingly some mechanism will need to be found to enable this to happen and to prevent the transactions of the Company adversely influencing the market. The most appropriate approach might be to continue to agree a level of direct currency retentions that would allow the Company to cover most of its hard currency needs including the payments of dividends and to then allow them to use the Cambio for other transactions which should be small. A further advantage of selling the industry as a number of separate businesses is that their influence over the Cambio would be much smaller.

7.8 USE OF THIS REPORT

As we have explained earlier in this report, the report is for the use of the Government of Guyana to assist them in their negotiations with potential investors. It is therefore essential that the valuation is not shown to any potential investors or their contacts. The report should only be made available to the Government and its advisors.

GUYSUCO

VALUATION REPORT - 31 DECEMBER 1991

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APPENDICES

GUYSUCO **APPENDIX 1**

VALUATION REPORT - 31 DECEMBER 1991

BALANCE SHEET - 31 DECEMBER 1990

	US$m	US$m
FIXED ASSETS		18.8
CURRENT ASSETS		
Stocks	23.5	
Debtors and prepayments	5.5	
Bank and cash	4.3	
	33.3	
LESS: CURRENT LIABILITIES		
Creditors	8.3	
Sugar levy	21.4	
Accrued interest	5.2	
Loans	6.2	
Taxation	0.1	
Overdraft	0.2	
	41.4	
NET CURRENT LIABILITIES		(8.1)
		10.7
FINANCED BY:		
Capital and reserves		6.3
Loans		1.2
Debentures		3.2
		10.7

GUYSUCO

APPENDIX 2

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PROFIT AND LOSS ACCOUNT

	Year ended 31 December 1990 US$ million
Sales	78.0
Profit before taxation	1.0
Taxation	0.1
Retained profit for the year	0.9

STATEMENT OF ACCUMULATED LOSSES

At 1 January	(8.6)
Retained profit for the year	0.9
At 31 December	(9.5)

GUYSUCO **APPENDIX 3**

VALUATION REPORT - 31 DECEMBER 1991

ANALYSIS OF THE WEIGHTED AVERAGE COST OF CAPITAL

The following analyses the components of the WACC calculation.

Required rate of return on debt

In estimating the required rate of return on debt we have examined the prevailing corporate bond rates and the corporate tax rate, in each of the three countries where the comparable companies are situated. The tax rate is relevant since interest expense is deductible for tax purposes. For example, Appendix 5 illustrates that with a corporate bond rate in the United States of 8.73% and a corporate tax rate of 34%, the resultant net cost of debt is 5.76% with 2.97% saved through taxes.

Debt percentage - leverage

The level of debt for the WACC calculations is based on our analysis of the capital structures of the comparable companies. It is determined by calculating the amount of debt as a percentage of debt plus equity, reflected at market value. Implicit in this approach is the assumption that an investor is likely to finance his investment in Guysuco in a similar proportion as the average for these comparable companies.

Required rate of return on equity

Required rate of return on equity combines a risk-free rate of return and a risk premium for equity investments in general, adjusted for the level of risk for the specific industry.

Risk-free rates of return are generally equated to long-term government bond rates; such bonds are fully guaranteed as to interest payments and principal repayments by the respective government, and hence present virtually no credit risk to investors. Risk free rates of return reflect the opportunity cost of receiving money next year rather than this year.

For equity investments there is less certainty regarding the payment of dividends and the repayment of invested capital. Investors expectations, over and above the risk free rate of return for equity investments, can be estimated by observing the way shares are priced on stock markets. Empirical analysis of share prices have shown that on average over a long period, transactions involving shares yielded prices which, when dividend income and the increase in the capital value is taken into account, offer investors [illegible] return of 9%. This premium of 9% is referred to as the equity risk premium.

The equity risk premium must then be adjusted to consider the risk profile of the business valued. The level of risk which is presented by a particular investment depends on the extent to which the business is affected by general economic trends. Some industries are more exposed than others to general developments in the economy. This may be the case for a number of reasons. Sales may be affected more or less quickly by changes in economic wealth. Some businesses may have higher fixed costs which cannot easily be reduced if economic circumstances deteriorate. Investment in industries with these characteristics normally carries a higher returns on their investments, and discount cash flows by a higher rate when valuing the business.

The risk exposure of industries can be estimated by observing the movement of share prices in particular industrial sectors and analysing the correlation between movements in their share prices and changes in the level of prices in the stock market generally.

The measure which is used to describe the strength of this correlation is called "Beta". A share which has average risk will have a beta factor of 1.00. Shares of higher risk will have betas of more than 1.00

Beta measures are calculated for most quoted companies. We have obtained the betas for the companies identified as comparable to Guysuco. These companies on average appear to be of a slightly lower risk than the average company. Since the Beta factor is used to adjust the risk premium for equity investments, the derived discount rate has not been adversely affected by the industry risk. Appendix 5 illustrates that Booker Sugar has a beta risk measure of 0.828. The equity risk premium for this company would be 9% x 0.828 = 7.45%, which when added to the risk free rate of return (the long term government bond rate) of 9.51% yields the required rate of return on the equity of 16.96%.

Equity percentage

Similar to the calculation of the debt percentage, the equity percentage of comparable companies capital structure is determined by calculating the amount of equity as a percentage of the debt plus equity.

Required Rate of Return

The WACC is then calculated as the sum of the required rate of return on debt multiplied by the debt percentage, and the required rate of return on equity multiplied by the equity percentage.

In our analysis we have distinguished between real and nominal interest rates. The basic difference concerns how inflation is treated. A nominal interest rate is the total, actual interest charged by lenders. This rate may be divided into two components: the inflation rate and the real interest rate. Determining the inflation rate is the first step in establishing real interest rates because the lender or investor would not want to lose in terms of purchasing power through the effects of inflation.

The real interest rate component is the interest element charged, over and above inflation, to compensate the lender or investor's for his investment risks. The cash flow projections presented in Appendix 6 do not include inflation, thus the discount rate should also excludes the inflation component. In Appendix 5 the inflation rate for each of the home countries of the comparable companies has been deducted from the WACC to arrive at the real WACC.

The discount rate (on a real basis) for potential investors in this industry was determined by taking the average of the real WACC of the comparable companies. This yielded a discount rate of 10%, which must then be adjusted for the perceived risk of investment in Guyana.

GUYSUCO **APPENDIX 4**

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ANALYSIS OF GUYANA RISK FACTORS

The risks inherent in investing in Guyana are of a nature and magnitude not normally encountered in more developed economies. The assessment of these risks is much more subjective than the widely accepted approach to the calculation of the WACC since there is as yet little basis for comparison. Also, each investor will perceive this risk differently, based on their unique assessment of economic and political factors. Following are considerations for some of these risks:

- The country has been experiencing growing political tension. The elections, originally due in December 1990 have been twice postponed with no new date as yet set. A state of emergency was declared to reconvene the assembly after the last postponement in November 1991.

- The opposition People's Progressive Party are not as supportive of privatisation as the government. This presents potential investors with uncertainties as to the future position on the issue. Even in the event of the present Government winning the election, there will remain considerable uncertainty over the possible position of the Government if there is a subsequent change.

- The Guyana economy has not been strong for several years, suffering from negative growth in GDP and high inflation. In 1990 inflation was estimated at 100% and GDP was -3.5%. Whilst the economy has improved since then, the overall size and nature of the economy is such that it will remain very susceptible to changes in the performance of a few industries and the markets in which they operate

- The size of the Guyanese economy and the relative size of Guysuco's business means that the business will always be subject to a level of political interference higher than for most other businesses.

- The Guyanese Dollar is "internally convertible" into other currencies but is not yet internationally traded. However, the recently established Cambio has traded the Guyanese Dollar in 1991 and the US Dollar exchange rate has remained relatively constant. The Cambio is not available to large corporations such as Guysuco.

It should be noted however that Guyana, under the present government, has made a commitment to significant economic reforms and a number of foreign companies have already invested in the country.

Based upon our evaluation of these risk factors affecting investment in Guyana, discussions with individuals in the international investment community, and experience in advising clients in the Caribbean, we estimate that a suitable range of risk premiums for investment in Guyana would be between 10% to 20%.

For the purpose of the discounted cash flow approach, the country risk has been added to the WACC (analysed in Appendix 5) of 10% to derive a range of discount rates of 20% to 30%.

GUYSUCO

APPENDIX 5

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DETERMINATION OF INDUSTRY DISCOUNT RATE

Company	Country	Corporate Bond Rate (a)	Tax Rate (b)	Net Bond Rate (c) (a)*(1-b)	Long Term Debt Percentage (d)	Government Bond Rate (e)	'Beta' Risk Measure (f)	Equity Risk Measure (g)	Required Return on Equity (h) (e) + (f*g)	Equity Percentage (i)	Weighted Average Cost of Capital (j) (c*d) + (h*i)	Inflation Rate (k)	Real Weighted Average Cost of Capital (l) (j-k)
Bookers	UK	10.79%	35%	7.01%	4.0%	9.51%	0.828	9.00%	16.96%	96.0%	16.56%	4.1%	12.46%
Tate & Lyle	UK	10.79%	35%	7.01%	22.8%	9.51%	1.058	9.00%	19.03%	77.2%	16.29%	4.1%	12.19%
Suedzucker	Germany	8.79%	50%	4.40%	9.0%	8.69%	0.673	9.00%	14.75%	91.0%	13.82%	6.7%	7.12%
Savannah Foods	USA	8.73%	34%	5.76%	9.3%	7.91%	0.641	9.00%	13.68%	90.7%	12.94%	2.8%	10.14%
													10.48%
													10%

Note Source of rates is The Economist,Economic and Financial Indicators,September 1991

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 6.1

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	0 1	(12 6)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 7	-8 8	-2 4	-0 1	-0 8	-4 1	-6 1	-6 6	-6 9	-7 2	-7 5	-7 7	-7 9
NET POST TAX CASHFLOW	15 5	17 7	-0 3	1 5	-8 3	3 9	11 0	10 9	11 9	10 8	11 7	11 3	18 0

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	60 12 5
Present value factor	0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value	14	12	0	1	(3)	1	2	2	1	1	1	1	1	2
Total present value	36													

Indicated value of equity 36

GUYSUCO : PROJECTED CASH FLOW

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1				
	No change to quota levels		EC price decreases at 2.5% pa over the period to 1995			
	Booker Tate EC prices corrected					
	Production levels increased to current 1991-94 forecast levels					
	20.0% Sugar levy					
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)					
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production					
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production					
Capital expenditure	Expenditure restricted to	80.00%	of agriculture spend as planned by Booker Tate			
		80.00%	of infrastructure spend as planned by Booker Tate			
		80.00%	of factory spend as planned by Booker Tate			
	Contingency restricted to	0.00%	of total expenditure			
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992					
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995					
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%					
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%					
Taxation	Tax rate of	35%				
	Capital allowances					
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%	
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%	
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%	
	Tax paid in year incurred					
Discount rate	30%					

Indicated value of equity	36

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 6.2

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	1 1	1 1	-1 1	1 1	-1 1	-1 1	-1 1	-1 1	-1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	0 1	(12 6)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 7	-8 8	-2 4	-0 1	-0 8	-4 1	-6 1	-6 6	-6 9	-7 2	-7 5	-7 7	-7 8
NET POST TAX CASHFLOW	15 5	17 7	0 3	1 5	-8 3	3 9	11 0	10 9	11 9	10 8	11 7	11 3	18 0

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	20%												90
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 9129	0 7607	0 6339	0 5283	0 4402	0 3669	0 3057	0 2548	0 2123	0 1769	0 1474	0 1229	0 1024	0 1024
Present value		14	13	0	1	(4)	1	3	3	3	2	2	1	2	9
Total present value		50													
Indicated value of equity		50													

GUYSUCO : PROJECTED CASH FLOW

ASSUMPTIONS

Sugar revenues

Exchange rate of US$ 1.7 £1
No change to quota levels — EC price decreases at 2.5% pa over the period to 1995
Booker Tate EC prices corrected
Production levels increased to current 1991-94 forecast levels
20.0% Sugar levy

Molasses revenues

Price increased to world prices from 1992 (revenues increased to $4.5 p.a)

Agricultural costs

Costs in 1992-94 increased by 5% to reflect increased production

Factory costs

Costs in 1992-94 increased by 4% to reflect increased production

Capital expenditure

Expenditure restricted to
80.00% of agriculture spend as planned by Booker Tate
80.00% of infrastructure spend as planned by Booker Tate
80.00% of factory spend as planned by Booker Tate
Contingency restricted to 0.00% of total expenditure

Loans

IDB loan no.839 drawn down $5m in 1991 and $7m in 1992
World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a. from 1995

Interest

IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%
World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%

Taxation

Tax rate of 35%
Capital allowances

Agriculture expenditure	First year allowances of	0%	Annual allowances of	25%
Infrastructure expenditure	First year allowances of	25%	Annual allowances of	8%
Factory expenditure	First year allowances of	25%	Annual allowances of	10%

Tax paid in year incurred

Discount rate 20%

Indicated value of equity	50

SUGAR PRICES

	£/Ton	£:US$	1991 US $/ton	1992 US $/ton	1993 US $/ton	1994 US $/ton	1995 US $/ton	1996 US $/ton	1997 US $/ton	1998 US $/ton	1999 US $/ton	2000 US $/ton	2001 US $/ton	2002 US $/ton	2003 US $/ton
EC quota	333	1.7	566	552	538	525	512	512	512	512	512	512	512	512	512
US quota			482	482	482	482	482	482	482	482	482	482	482	482	482
Domestic-raw			335	335	335	335	335	335	335	335	335	335	335	335	335
Domestic-white			395	395	395	395	395	395	395	395	395	395	395	395	395
Caricon-raw			347	347	347	347	347	347	347	347	347	347	347	347	347
Caricon-white			416	416	416	416	416	416	416	416	416	416	416	416	416
World market			290	290	290	290	290	290	290	290	290	290	290	290	290

SUGAR SALES(tons)

	1991 tons'000	1992 tons'000	1993 tons'000	1994 tons'000	1995 tons'000	1996 tons'000	1997 tons'000	1998 tons'000	1999 tons'000	2000 tons'000	2001 tons'000	2002 tons'000	2003 tons'000
EC quota	152	164	164	164	164	164	164	164	164	164	164	164	164
US quota		15	15	15	15	15	15	15	15	15	15	15	15
Domestic-raw		5	21	34	35	35	35	35	35	35	35	35	35
Domestic-white				4	4	4	4	4	4	4	4	4	4
Caricon-raw						10	10	10	10	10	10	10	10
Caricon-white					4	6	6	6	6	6	6	6	6
World market						5	9	9	9	9	9	9	9
	152	184	200	217	222	239	243	243	243	243	243	243	243

SUGAR SALES(revenues)

		1991 $'m	1992 $'m	1993 $'m	1994 $'m	1995 $'m	1996 $'m	1997 $'m	1998 $'m	1999 $'m	2000 $'m	2001 $'m	2002 $'m	2003 $'m
EC quota		86.0	90.5	88.3	86.0	83.9	83.9	83.9	83.9	83.9	83.9	83.9	83.9	83.9
US quota		0.0	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Domestic-raw		0.0	1.7	7.0	11.4	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Domestic-white		0.0	0.0	0.0	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Caricon-raw		0.0	0.0	0.0	0.0	0.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Caricon-white		0.0	0.0	0.0	0.0	1.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
World market		0.0	0.0	0.0	0.0	0.0	1.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Sugar levy	20.0%	(17.2)	(19.5)	(19.1)	(18.7)	(18.6)	(19.7)	(19.9)	(19.9)	(19.9)	(19.9)	(19.9)	(19.9)	(19.9)
		68.8	79.9	83.4	87.6	87.5	92.1	93.1	93.1	93.1	93.1	93.1	93.1	93.1

GUYSUCO **APPENDIX 7**

VALUATION REPORT - 31 DECEMBER 1991

SENSITIVITY ANALYSIS

List of sensitivity analyses:

		Indicated value of equity US$m
	Base case position from Appendix 6.1	36
7.1	Reduction in EC Quota of 30,000 tons and closure of Uitvlugt	34
7.2	EC price decreases at 5% per annum over the period to 1995	26
7.3	EC price remains constant over period to 1995	45
7.4	EC price increases at 5% per annum over the period to 1995	65
7.5	US$:UK£ exchange rate falls to 1.60 from 1.70	28
7.6	Sugar levy at 10%	55
7.7	Capital expenditure on factories restricted to US$ 5 million per annum to 1996	57
7.8	Capital expenditure as per Booker Tate Investment Plan	13
7.9	Taxation rate held at 45%	29
7.10	Capital allowances changed to 100% initial allowances	45
7.11	Capital allowances changed to 40% initial and 20% annual allowances for agricultural and factory expenditure	42
7.12	Level of World Bank lending restricted to amounts directly needed by the business	30
7.13	Tax holiday scenario - five year holiday	100
7.14	Tax holiday scenario - ten year holiday	119
7.15	IDB loan to bear interest as a real rate of 5%	33

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.1

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	76 7	80 4	77 9	77 9	79 8	82 9	82 9	82 9	82 9	82 9	82 9	82 9
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	81 2	84 9	82 4	82 4	84 1	87 4	87 4	87 4	87 4	87 4	87 4	87 4
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
LESS UITVLUGT COSTS				-3 8	-7 4	-7 4	-7 4	-7 4	-7 4	-7 4	-7 4	-7 4	-7 4
TOTAL CASH OUT	52 0	84 3	100 5	100 6	90 0	74 3	66 4	66 3	65 2	65 9	64 9	65 4	63 5
NET CASH FLOW	19 1	(3 1)	(15 6)	(18 2)	(7 6)	9 8	20 9	21 1	22 2	21 5	22 5	22 0	23 9
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 7	-5 7	-1 4	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
NET POST TAX CASHFLOW	15 5	15 7	-2 3	-4 4	-9 7	3 0	14 3	14 7	16 1	15 2	18 4	16 2	23 1

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	77 12 5
Present value factor	0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value	14	11	(1)	(2)	(3)	1	3	2	2	1	1	1	1	3
Total present value	34													

Indicated value of equity 34

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues

Exchange rate of US$ 1.7 £1
EC quota reduced by 30,000 tons
EC price decreases at 2.5% pa over the period to 1995
Booker Tate EC prices corrected
Production levels increased to current 1991-94 forecast levels
20.0% Sugar levy

Molasses revenues

Price increased to world prices from 1992 (revenues increased to $4.5 p.a)

Agricultural costs

Costs in 1992-94 increased by 5% to reflect increased production)
) - Uitvlugt closed during 1994

Factory costs

Costs in 1992-94 increased by 4% to reflect increased production)

Capital expenditure

Expenditure restricted to
80.00% of agriculture spend as planned by Booker Tate
80.00% of infrastructure spend as planned by Booker Tate
80.00% of factory spend as planned by Booker Tate

Contingency restricted to 0.00% of total expenditure

Loans

IDB loan no 839 drawn down $5m in 1991 and $7m in 1992
World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995

Interest

IDB loan at 2% assuming US inflation of 5% equates to real rate of 3%
World Bank loan at 10% assuming US inflation of 5% equates to real rate of 5%

Taxation

Tax rate of 35%
Capital allowances

Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%
Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%
Factory expenditure	- First year allowances of	25%	Annual allowances of	10%

Tax paid in year incurred

Discount rate 30%

Indicated value of equity 34

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.2

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	78 0	79 8	82 4	80 9	85 5	86 4	86 4	86 4	86 4	86 4	86 4	86 4
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	82 5	84 3	86 9	85 4	90 0	90 9	90 9	90 8	90 9	90 9	90 8	90 9
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 8	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 6	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 8	10 2	11 1	10 5	11 2	8 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	8 3
FOREIGN EXCH	-1 1	1 1	1 1	1 1	1 1	1 1	1 1	-1 1	-1 1	-1 1	-1 1	1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	(1 8)	(16 1)	(17 5)	(12 0)	8 3	17 1	17 3	18 4	17 7	18 6	18 2	20 1
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 7	-8 1	-1 2	0 0	0 0	0 0	-2 4	-4 3	-4 6	-4 8	-5 2	-5 4	-5 6
NET POST TAX CASHFLOW	15 5	16 5	-2 7	-3 6	-14 1	1 4	8 1	6 6	7 6	6 5	7 4	7 0	13 7

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
													46
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor	0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value	14	11	(1)	(1)	(4)	0	1	1	1	1	0	0	1	2
Total present value	26													

Indicated value of equity 26

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1 7 $1
	No change to quota levels	EC price decreases at 5 0% pa over the period to 1995
	Booker Tate EC prices corrected	
	Production levels increased to current 1991-94 forecast levels	
	20 0% Sugar levy	
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4 5 p a)	
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production	
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production	
Capital expenditure	Expenditure restricted to	80 00% of agriculture spend as planned by Booker Tate
		80 00% of infrastructure spend as planned by Booker Tate
		80 00% of factory spend as planned by Booker Tate
	Contingency restricted to	0 00% of total expenditure
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992	
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p a from 1995	
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%	
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%	
Taxation	Tax rate of 35%	
	Capital allowances	
	Agriculture expenditure	- First year allowances of 0% Annual allowances of 25%
	Infrastructure expenditure	- First year allowances of 25% Annual allowances of [illegible]
	Factory expenditure	- First year allowances of 25% Annual allowances of 10%
	Tax paid in year incurred	
Discount rate	30%	

Indicated value of equity 28

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.3

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	66 8	81 7	87 1	93 0	94 7	99 3	100 2	100 2	100 2	100 2	100 2	100 2	100 2
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	86 2	91 6	97 5	99 2	103 8	104 7	104 7	104 7	104 7	104 7	104 7	104 7
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 8	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	2 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 3	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 8	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 8	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	-1 1	-1 1	-1 1	1 1	-1 1	-1 1	-1 1	-1 1	1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 5	72 8	70 9
NET CASH FLOW	19 1	1 9	(8 9)	(6 9)	1 8	22 1	30 9	31 0	32 1	31 5	32 4	31 9	33 9
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-6 7	-7 4	-3 7	-2 0	-3 3	-6 6	-6 8	-9 1	-9 5	-9 7	-10 0	-10 2	-10 4
NET POST TAX CASHFLOW	15 5	19 0	2 1	5 0	-3 7	8 6	15 7	15 5	16 5	15 5	16 3	15 9	22 6

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												75
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	5 5 0 2362	6 5 0 1817	7 5 0 1398	8 5 0 1075	9 5 0 0827	10 5 0 0636	11 5 0 0489	12 5 0 0376	12 5 0 0376
Present value		14	13	1	2	(1)	2	3	2	2	1	1	1	1	3
Total present value		45													
Indicated value of equity		45													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$ 1.7 £1 No change to quota levels EC price remains constant over the period to 1995 Booker Tate EC prices corrected Production levels increased to current 1991-94 forecast levels 20.0% Sugar levy
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production
Capital expenditure	Expenditure restricted to 80.00% of agriculture spend as planned by Booker Tate 80.00% of infrastructure spend as planned by Booker Tate 80.00% of factory spend as planned by Booker Tate Contingency restricted to 0.00% of total expenditure
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992 World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3% World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%
Taxation	Tax rate of 35% Capital allowances Agriculture expenditure - First year allowances of 0% Annual allowances of 25% Infrastructure expenditure - First year allowances of 25% Annual allowances of 8% Factory expenditure - First year allowances of 25% Annual allowances of 10% Tax paid in year incurred
Discount rate	30%

Indicated value of equity	45

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.4

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	85 4	94 7	104 7	110 7	115 3	116 2	116 2	116 2	116 2	116 2	116 2	116 2
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	89 9	99 2	109 2	115 2	119 8	120 7	120 7	120 7	120 7	120 7	120 7	120 7
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 8	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 8	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	8 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	-1 1	-1 1	1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 8	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	5 6	(1 3)	4 8	17 8	38 1	46 9	47 0	48 1	47 5	48 4	48 0	49 8
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	5 0	-5 0	-5 0	-5 4	5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	2 1	-1 8	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 7	-8 7	-8 4	-8 1	-8 8	-12 2	14 2	-14 7	-15 1	-15 3	-15 8	-15 8	-16 0
NET POST TAX CASHFLOW	15 5	21 4	7 0	12 8	6 7	19 0	26 1	25 8	26 9	25 8	26 8	26 3	33 0

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												11 0
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		14	14	4	5	2	4	5	4	3	2	2	1	1	4
Total present value		65													
Indicated value of equity		65													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1			
	No change to quota levels	EC price increases at 5.0% pa over the period to 1995			
	Booker Tate EC prices corrected				
	Production levels increased to current 1991-94 forecast levels				
	20.0% Sugar levy				
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)				
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production				
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production				
Capital expenditure	Expenditure restricted to	80.00%	of agriculture spend as planned by Booker Tate		
		80.00%	of infrastructure spend as planned by Booker Tate		
		80.00%	of factory spend as planned by Booker Tate		
	Contingency restricted to	0.00%	of total expenditure		
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992				
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995				
Interest	IDB loan at 2% assuming US inflation of 5% equates to real rate of 3%				
	World Bank loan at 10% assuming US inflation of 5% equates to real rate of 5%				
Taxation	Tax rate of 35%				
	Capital allowances				
	Agriculture expenditure	First year allowances of	0%	Annual allowances of	25%
	Infrastructure expenditure	First year allowances of	25%	Annual allowances of	8%
	Factory expenditure	First year allowances of	25%	Annual allowances of	10%
	Tax paid in year incurred				
Discount rate	30%				

Indicated value of equity	65

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.5

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	64 8	75 6	79 3	83 5	83 6	88 2	89 1	89 1	89 1	89 1	89 1	89 1	89 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	67 0	80 1	83 8	88 0	88 1	92 7	93 6	93 6	93 6	93 6	93 6	93 6	93 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 8	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 8	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 8	3 8	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	-1 9	1 9
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	51 2	83 6	99 8	103 7	96 6	80 9	73 1	73 0	71 8	72 5	71 6	72 0	70 1
NET CASH FLOW	15 7	(3 5)	(16 0)	(15 6)	(8 6)	11 7	20 5	20 7	21 8	21 1	22 0	21 6	23 5
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	1 8	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-7 3	-5 3	-1 0	0 0	0 0	-0 8	-4 7	-5 2	-5 6	-5 8	-6 1	-6 3	-6 5
NET POST TAX CASHFLOW	13 6	15 7	-2 3	-1 8	-10 7	4 0	9 2	9 1	10 1	9 0	9 9	9 5	16 1

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												54
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0488	0 0376	0 0376
Present value		12	11	(1)	(1)	(3)	1	2	1	1	1	1	0	1	2
Total present value		28													
Indicated value of equity		28													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.6 £1				
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995				
	Booker Tate EC prices corrected					
	Production levels increased to current 1991-94 forecast levels					
	20.0% Sugar levy					
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)					
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production					
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production					
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate				
		80.00% of infrastructure spend as planned by Booker Tate				
		80.00% of factory spend as planned by Booker Tate				
	Contingency restricted to	0.00% of total expenditure				
Loans	IDB loan no.838 drawn down $5m in 1991 and $7m in 1992					
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995					
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%					
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%					
Taxation	Tax rate of	35%				
	Capital allowances					
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%	
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%	
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%	
	Tax paid in year incurred					
Discount rate	30%					

Indicated value of equity	28

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.6

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	77 4	89 6	93 0	96 9	96 8	102 0	103 0	103 0	103 0	103 0	103 0	103 0	103 0
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	79 6	94 1	97 5	101 4	101 3	106 5	107 5	107 5	107 5	107 5	107 5	107 5	107 5
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 8	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 8	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 8	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	27 7	9 8	(3 0)	(3 0)	3 9	24 8	33 7	33 9	35 0	34 3	35 2	34 8	36 7
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 8	-1 6	-1 4	-1 1	-0 8	-0 7	-0 4	-0 4
TAX	-11 8	-10 2	-5 8	-3 4	-4 1	-7 6	-9 6	-10 1	-10 4	-10 7	-11 0	-11 2	-11 4
NET POST TAX CASHFLOW	21 1	24 1	5 9	7 5	-2 3	10 3	17 5	17 4	18 4	17 3	18 2	17 8	24 4

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												81
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		18	16	3	3	(1)	2	3	2	2	1	1	1	1	3
Total present value		55													

Indicated value of equity 55

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1				
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995				
	Booker Tate EC prices corrected					
	Production levels increased to current 1991-94 forecast levels					
	10.0% Sugar levy					
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)					
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production					
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production					
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate				
		80.00% of infrastructure spend as planned by Booker Tate				
		80.00% of factory spend as planned by Booker Tate				
	Contingency restricted to	0.00% of total expenditure				
Loans	IDB loan no.839 drawn down $5m in 1991 and $7m in 1992					
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995					
Interest	IDB loan at 2% assuming US inflation of 5% equates to real rate of -3%					
	World Bank loan at 10% assuming US inflation of 5% equates to real rate of 5%					
Taxation	Tax rate of	35%				
	Capital allowances					
	Agriculture expenditure	First year allowances of	0%	Annual allowances of	25%	
	Infrastructure expenditure	First year allowances of	25%	Annual allowances of	8%	
	Factory expenditure	First year allowances of	25%	Annual allowances of	10%	
	Tax paid in year incurred					
Discount rate	30%					

Indicated value of equity	55

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.7

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	5 0	5 0	5 0	5 0	5 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	22 8	22 0	16 9	13 4	12 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	22 8	22 0	16 9	13 4	12 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	79 6	83 5	88 3	80 6	79 6	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	4 7	4 4	5 8	11 4	17 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 7	-7 3	-4 5	-2 7	-3 6	-5 5	-7 2	-7 6	-7 8	-8 0	-8 2	-8 3	-8 5
NET POST TAX CASHFLOW	15 5	21 9	14 6	17 0	5 7	4 6	9 9	9 9	11 0	10 0	11 0	10 6	17 4

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												58
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		14	15	8	7	2	1	2	1	1	1	1	1	1	2
Total present value		57													
Indicated value of equity		57													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1			
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995			
	Booker Tate EC prices corrected				
	Production levels increased to current 1991-94 forecast levels				
	20.0% Sugar levy				
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)				
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production				
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production				
Capital expenditure	Expenditure restricted to	80.00%	of agriculture spend as planned by Booker Tate		
		80.00%	of infrastructure spend as planned by Booker Tate		
		80.00%	of factory spend as planned by Booker Tate after 1996. Spend restricted to $5m pa up to then		
	Contingency restricted to	0.00%	of total expenditure		
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992				
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995				
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%				
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%				
Taxation	Tax rate of	35%			
	Capital allowances				
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%
	Tax paid in year incurred				
Discount rate	30%				

Indicated value of equity	57

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.8

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	8 5	14 4	12 8	7 3	7 0	6 2	5 3	6 4	5 5	6 7	5 9	6 6	6 0
Infrastructure	2 8	7 9	8 4	7 6	3 5	3 3	1 7	2 4	2 4	2 4	2 4	2 4	0 0
Factory & transport to DST	3 8	12 1	27 5	28 9	27 2	8 8	5 7	4 8	4 8	4 8	4 8	4 8	4 8
	15 1	34 4	48 7	43 8	37 7	18 3	12 7	13 6	12 7	13 9	13 1	14 0	11 6
Contingency on capex	0 8	1 7	2 4	2 2	1 9	0 9	0 6	0 7	0 6	0 7	0 7	0 7	0 6
	15 9	36 1	51 1	46 0	39 6	19 2	13 3	14 3	13 3	14 6	13 8	14 7	12 2
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	55 7	92 9	112 7	115 4	106 8	86 3	77 0	77 1	75 8	76 7	75 6	76 3	73 8
NET CASH FLOW	15 3	(8 5)	(24 7)	(23 3)	(14 8)	10 4	20 5	20 5	21 8	20 8	22 0	21 3	23 8
LOAN MOVEMENTS	5 0	25 0	18 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 4	-5 7	-0 6	0 0	0 0	0 0	-4 1	-5 2	-5 6	-5 8	-6 2	-6 4	-6 7
NET POST TAX CASHFLOW	12 1	10 2	-10 7	-9 4	-16 9	3 5	9 8	8 9	10 1	8 7	9 7	9 1	16 3

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	54 / 12 5
Present value factor	0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value	11	7	(6)	(4)	(5)	1	2	1	1	1	1	0	1	2
Total present value	13													

Indicated value of equity 13

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1			
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995			
	Booker Tate EC prices corrected				
	Production levels increased to current 1991-94 forecast levels				
	20.0% Sugar levy				
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)				
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production				
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production				
Capital expenditure	Expenditure restricted to	100.00% of agriculture spend as planned by Booker Tate			
		100.00% of infrastructure spend as planned by Booker Tate			
		100.00% of factory spend as planned by Booker Tate			
	Contingency restricted to	5.00% of total expenditure			
Loans	IDB loan no.839 drawn down $5m in 1991 and $7m in 1992				
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995				
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%				
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%				
Taxation	Tax rate of	35%			
	Capital allowances				
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%
	Tax paid in year incurred				
Discount rate	30%				

Indicated value of equity	13

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.9

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 6	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 6	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	1 1	-1 1	-1 1	-1 1	-1 1	1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 8	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	0 1	(12 8)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	0 4
TAX	-11 2	-8 7	-3 1	-0 1	-1 1	-5 3	-7 8	-8 5	-8 9	-8 2	-8 8	-8 9	-10 2
NET POST TAX CASHFLOW	13 0	15 8	-1 0	1 4	-8 5	2 8	9 3	9 0	9 9	8 8	9 6	9 1	15 7

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
													52
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		11	11	(1)	1	(3)	1	2	1	1	1	1	0	1	2
Total present value		29													
Indicated value of equity		29													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1				
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995				
	Booker Tate EC prices corrected					
	Production levels increased to current 1991-94 forecast levels					
	20.0% Sugar levy					
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)					
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production					
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production					
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate				
		80.00% of infrastructure spend as planned by Booker Tate				
		80.00% of factory spend as planned by Booker Tate				
	Contingency restricted to	0.00% of total expenditure				
Loans	IDB loan no.839 drawn down $5m in 1991 and $7m in 1992					
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995					
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%					
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%					
Taxation	Tax rate of	45%				
	Capital allowances					
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%	
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%	
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%	
	Tax paid in year incurred					
Discount rate	30%					

Indicated value of equity	29

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.10

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 6	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	8 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	0 1	(12 6)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	18 0	18 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-8 6	-1 2	0 0	0 0	0 0	0 0	0 0	-6 1	-8 0	-7 8	-8 2	-8 1	-8 6
NET POST TAX CASHFLOW	17 6	23 3	2 1	1 5	-7 5	8 1	17 1	11 4	10 9	10 2	11 0	10 8	17 1

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												57
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		15	16	1	1	(2)	2	3	2	1	1	1	1	1	2
Total present value		45													
Indicated value of equity		45													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7	£1			
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995				
	Booker Tate EC prices corrected					
	Production levels increased to current 1991-94 forecast levels					
	20.0% Sugar levy					
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)					
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production					
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production					
Capital expenditure	Expenditure restricted to	80.00%	of agriculture spend as planned by Booker Tate			
		80.00%	of infrastructure spend as planned by Booker Tate			
		80.00%	of factory spend as planned by Booker Tate			
	Contingency restricted to	0.00%	of total expenditure			
Loans	IDB loan no.839 drawn down $5m in 1991 and $7m in 1992					
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995					
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%					
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%					
Taxation	Tax rate of	35%				
	Capital allowances					
	Agriculture expenditure	- First year allowances of	100%	Annual allowances of	0%	
	Infrastructure expenditure	- First year allowances of	100%	Annual allowances of	0%	
	Factory expenditure	- First year allowances of	100%	Annual allowances of	0%	
	Tax paid in year incurred					
Discount rate	30%					

Indicated value of equity	45

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.11

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 6	79 8	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 8	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 6	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	18 1	0 1	(12 8)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	18 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 6	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	-7 3	-4 4	0 0	0 0	0 0	0 0	-4 3	-6 1	-6 7	-7 0	-7 5	-7 6	-8 1
NET POST TAX CASHFLOW	16 0	20 1	2 1	1 5	-7 5	8 1	12 8	11 3	12 1	11 0	11 7	11 3	17 8

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	59 12 5
Present value factor	0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value	15	14	1	1	(2)	2	2	2	1	1	1	1	1	2
Total present value	42													
Indicated value of equity	42													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995
	Booker Tate EC prices corrected	
	Production levels increased to current 1991-94 forecast levels	
	20.0% Sugar levy	
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)	
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production	
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production	
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate
		80.00% of infrastructure spend as planned by Booker Tate
		80.00% of factory spend as planned by Booker Tate
	Contingency restricted to	0.00% of total expenditure
Loans	IDB loan no.839 drawn down $5m in 1991 and $7m in 1992	
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995	
Interest	IDB loan at 2% assuming US inflation of 5% equates to real rate of -3%	
	World Bank loan at 10% assuming US inflation of 5% equates to real rate of 5%	
Taxation	Tax rate of 35%	
	Capital allowances	
	Agriculture expenditure	- First year allowances of 40% Annual allowances of 20%
	Infrastructure expenditure	- First year allowances of 40% Annual allowances of 20%
	Factory expenditure	- First year allowances of 40% Annual allowances of 20%
	Tax paid in year incurred	
Discount rate	30%	

Indicated value of equity 42

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.12

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	78 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 6	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 3	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1	1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 8
NET CASH FLOW	19 1	0 1	(12 8)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	13 0	20 0	0 0	0 0	0 0	-1 0	-1 0	-1 0	-1 0	-1 4	-1 4	-1 4	-0 4
INTEREST	0 2	-0 3	-0 3	-0 3	-0 3	-0 2	-0 2	-0 1	-0 1	-0 1	0 0	0 0	0 0
TAX	-8 7	-8 9	-2 8	-0 7	-1 5	-4 7	-6 8	-7 0	-7 3	-7 5	-7 7	-7 8	-8 1
NET POST TAX CASHFLOW	23 5	12 9	-15 6	-13 3	-7 1	9 0	16 0	15 7	16 8	15 4	16 1	15 6	18 2

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												8 1
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5
Present value factor	0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376
Present value	21	9	(8)	(5)	(2)	2	3	2	2	1	1	1	1
Total present value	30												
Indicated value of equity	30												

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1				
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995				
	Booker Tate EC prices corrected					
	Production levels increased to current 1991-94 forecast levels					
	20.0% Sugar levy					
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)					
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production					
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production					
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate				
		80.00% of infrastructure spend as planned by Booker Tate				
		80.00% of factory spend as planned by Booker Tate				
	Contingency restricted to	0.00% of total expenditure				
Loans	IDB loan no.839 drawn down $5m in 1991 and $7m in 1992					
	World Bank loan restricted to amounts needed on basis of 60% gearing					
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3%					
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%					
Taxation	Tax rate of	35%				
	Capital allowances					
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%	
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%	
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%	
	Tax paid in year incurred					
Discount rate	30%					

Indicated value of equity	30

GUYSUCO : PROJECTED CASH FLOW

CAPITAL AND INTEREST

Loan 1 - IDB														
Loan advance		5	7							0.4	0.4	0.4	0.4	0.4
Loan repayment										11.6	11.2	10.8	10.4	10
Interest rate	3.00%	5	12	12	12	12	12	12	12	12				
Interest charge		-0.2	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3
Loan 2 - World Bank														
Loan advance		0	13	0	0									
Loan repayment						0	1	1	1	1	1	1	1	
Interest rate	5.00%	0	13	13	13	13	12	11	10	9	8	7	6	6	6
Interest charge		0.0	0.7	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Equity														
Advance		8												
Repayment														
Interest rate	0.00%	8	8	8	8	8	8	8	8	8	8	8	8	8	8
Interest charge		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total advances		13	20	0	0	0	0	0	0	0	0	0	0	0	0
Total repayments		0	0	0	0	0	1	1	1	1	1.4	1.4	1.4	0.4	0.4
Total interest charge		-0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0

TAX

Operating cashflow		30.7	31.6	26.2	22.0	24.0	29.2	32.9	33.7	34.0	34.3	34.6	34.9	34.9	0.0
Interest		0.2	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0
		30.9	31.3	25.9	21.7	23.7	28.9	32.7	33.6	33.9	34.3	34.6	34.9	34.9	0.0
Capital allowances														
Initial allowances														
Agriculture	0.0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Infrastructure	25.0%	0.8	1.6	1.7	1.5	0.7	0.7	0.3	0.5	0.5	0.5	0.5	0.5	0.0	0.0
Factory & transport	25.0%	0.8	2.4	5.5	5.8	5.4	1.8	1.1	1.0	1.0	1.0	1.0	1.0	1.0	0.0
Annual allowances														
Agriculture (on cost)														
Opening balances		5.0	8.9	15.3	19.1	18.7	18.3	17.4	16.2	16.0	15.3	15.5	15.2	15.5	15.7
Expenditure (net of IA's)		6.8	11.5	10.2	5.8	5.6	5.0	4.2	5.1	4.4	5.4	4.7	5.4	5.4	0.0
Allowances	25.0%	3.0	5.1	6.4	6.2	6.1	5.8	5.4	5.3	5.1	5.2	5.1	5.2	5.2	3.9
Closing balance	5	8.9	15.3	19.1	18.7	18.3	17.4	16.2	16.0	15.3	15.5	15.2	15.5	15.7	11.8
Infrastructure															
Opening balances		3.0	4.3	8.3	12.3	15.5	16.2	16.7	16.3	16.3	16.4	16.4	16.4	16.4	15.1
Expenditure (net of IA's)		1.7	4.7	5.0	4.8	2.1	2.0	1.0	1.4	1.4	1.4	1.4	1.4	0.0	0.0
Allowances	8.0%	0.4	0.7	1.1	1.3	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.2
Closing balance	3	4.3	8.3	12.3	15.5	16.2	16.7	16.3	16.3	16.4	16.4	16.4	16.4	15.1	13.9
Factory & transport															
Opening balances		10.0	11.1	16.5	29.7	42.3	52.8	52.3	50.1	47.7	45.5	43.5	41.8	40.2	38.8
Expenditure (net of IA's)		2.3	7.3	16.5	17.3	16.3	5.3	3.4	2.8	2.8	2.9	2.9	2.9	2.9	0.0
Allowances	10.0%	1.2	1.8	3.3	4.7	5.9	5.8	5.6	5.3	5.1	4.8	4.6	4.5	4.3	3.9
Closing balance	10	11.1	16.5	29.7	42.3	52.8	52.3	50.1	47.7	45.5	43.5	41.8	40.2	38.8	34.9
Total allowances		5.9	11.6	17.9	19.6	19.5	15.5	13.9	13.5	13.0	12.9	12.8	12.5	11.8	9.0
Taxable profits		25.0	19.6	7.9	2.1	4.2	13.5	18.8	20.1	20.9	21.4	22.0	22.4	23.1	-9.0

GUYSUCO : PROJECTED CASH FLOW

CAPITAL AND INTEREST

Loan 1 - IDB														
Loan advance		5	7											
Loan repayment										0.4	0.4	0.4	0.4	0.4
Interest rate	3.00%	5	12	12	12	12	12	12	12	12	11.6	11.2	10.8	10.4	10
Interest charge		0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Loan 2 - World Bank															
Loan advance		0	13	0	0										
Loan repayment						0	1	1	1	1	1	1	1		
Interest rate	5.00%	0	13	13	13	13	12	11	10	9	8	7	6	6	6
Interest charge		0.0	0.7	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Equity															
Advance		8													
Repayment															
Interest rate	0.00%	8	8	8	8	8	8	8	8	8	8	8	8	8	8
Interest charge		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total advances		13	20	0	0	0	0	0	0	0	0	0	0	0	0
Total repayments		0	0	0	0	0	1	1	1	1	1.4	1.4	1.4	0.4	0.4
Total interest charge		0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.13

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	86 0	99 4	102 5	106 2	106 1	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	88 2	103 9	107 0	110 7	110 6	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 8	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	8 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	1 1	-1 1	1 1	-1 1	-1 1	1 1	-1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	36 3	19 6	6 5	6 3	13 2	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	18 0	18 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 9	-1 8	-1 4	-1 1	-0 9	-0 7	-0 4	-0 4
TAX	0 0	0 0	0 0	0 0	0 0	-4 1	-6 1	-6 6	-6 9	-7 2	-7 5	-7 7	-7 9
NET POST TAX CASHFLOW	41 4	44 1	21 2	20 2	11 1	3 9	11 0	10 9	11 9	10 8	11 7	11 3	18 0

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												60
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		36	30	11	8	3	1	2	2	1	1	1	1	1	2
Total present value		100													
Indicated value of equity		100													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1			
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995			
	Booker Tate EC prices corrected				
	Production levels increased to current 1991-94 forecast levels				
	0.0% Sugar levy for 5 years then 20%				
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)				
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production				
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production				
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate			
		80.00% of infrastructure spend as planned by Booker Tate			
		80.00% of factory spend as planned by Booker Tate			
	Contingency restricted to	0.00% of total expenditure			
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992				
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995				
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of 3%				
	World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%				
Taxation	Tax rate of	0% for 5 years then 35%			
	Capital allowances				
	Agriculture expenditure	- First year allowances of	0%	Annual allowances of	25%
	Infrastructure expenditure	- First year allowances of	25%	Annual allowances of	8%
	Factory expenditure	- First year allowances of	25%	Annual allowances of	10%
	Tax paid in year incurred				
Discount rate	30%				

Indicated value of equity	100

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.14

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	86 0	99 4	102 5	106 2	106 1	111 8	113 0	113 0	113 0	113 0	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	88 2	103 9	107 0	110 7	110 6	116 3	117 5	117 5	117 5	117 5	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 9	34 1	34 7	32 8	32 7	32 4	32 1	31 6	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	6 8	11 5	10 2	5 8	5 8	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	6 7	6 1	2 8	2 6	1 4	1 9	1 9	1 9	1 9	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1
WORKING CAPITAL	0 7	5 1	0 9	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	36 3	19 6	6 5	6 3	13 2	34 7	43 7	43 8	44 9	44 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	16 0	16 0	0 0	-5 0	-5 0	-5 0	-5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	0 2	-0 5	-1 3	-2 1	-2 1	-1 8	-1 6	-1 4	-1 1	-0 8	-0 7	-0 4	-0 4
TAX	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	-7 5	-7 7	-7 8
NET POST TAX CASHFLOW	41 4	44 1	21 2	20 2	11 1	27 8	37 0	37 4	38 8	38 0	11 7	11 3	18 0

CAPITAL VALUE OF CASHFLOWS

Discount rate 30%

													Perpetuity
						5 5	6 5	7 5	8 5	9 5	10 5	11 5	12 5	60 12 5
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	0 2362	0 1817	0 1398	0 1075	0 0827	0 0636	0 0489	0 0376	0 0376
Present value		36	30	11	8	3	7	7	5	4	3	1	1	1	2
Total present value	119														
Indicated value of equity	119														

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$ 1.7 £1 No change to quota levels EC price decreases at 2.5% pa over the period to 1995 Booker Tate EC prices corrected Production levels increased to current 1991-94 forecast levels 0.0% Sugar levy for 10 years then 20%
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production
Capital expenditure	Expenditure restricted to 80.00% of agriculture spend as planned by Booker Tate 80.00% of infrastructure spend as planned by Booker Tate 80.00% of factory spend as planned by Booker Tate Contingency restricted to 0.00% of total expenditure
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992 World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995
Interest	IDB loan at 2% - assuming US inflation of 5% equates to real rate of -3% World Bank loan at 10% - assuming US inflation of 5% equates to real rate of 5%
Taxation	Tax rate of 0% for 10 years then 35% Capital allowances Agriculture expenditure - First year allowances of 0% Annual allowances of 25% Infrastructure expenditure - First year allowances of 25% Annual allowances of 8% Factory expenditure - First year allowances of 25% Annual allowances of 10% Tax paid in year incurred
Discount rate	30%

Indicated value of equity	119

GUYSUCO : PROJECTED CASH FLOW

APPENDIX 7.15

	US$m 1991	US$m 1992	US$m 1993	US$m 1994	US$m 1995	US$m 1996	US$m 1997	US$m 1998	US$m 1999	US$m 2000	US$m 2001	US$m 2002	US$m 2003
CASH INFLOWS													
Sugar sales	68 8	79 9	83 4	87 6	87 5	92 1	93 1	93 1	93 1	93 1	93 1	93 1	93 1
Molasses sales	2 2	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
	71 0	84 4	87 9	92 1	92 0	96 6	97 6	97 6	97 6	97 6	97 6	97 6	97 6
CASH OUTFLOWS													
Operating costs													
Agriculture	18 7	24 6	29 8	34 8	34 1	34 7	32 8	32 7	32 4	32 1	31 6	31 6	31 6
Infrastructure	3 4	4 0	4 4	4 8	4 8	4 5	4 5	4 5	4 5	4 5	4 5	4 5	4 5
Factory & transport to DST	11 0	15 5	18 3	20 6	19 3	19 1	19 1	18 9	18 9	18 9	18 9	18 9	18 9
Estate support & admin	4 2	5 3	5 8	6 2	6 2	5 5	4 7	4 1	4 1	4 1	4 1	4 1	4 1
Head office & central serv	3 0	3 4	3 5	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6	3 6
	40 3	52 8	61 8	70 1	68 0	67 5	64 7	63 8	63 5	63 3	63 0	62 7	62 7
Capital expenditure													
Agriculture	8 8	11 5	10 2	5 8	5 6	5 0	4 2	5 1	4 4	5 4	4 7	5 4	5 4
Infrastructure	2 2	6 3	8 7	8 1	2 8	2 6	1 4	1 9	1 9	1 9	1 8	1 9	0 0
Factory & transport to DST	3 0	9 7	22 0	23 1	21 8	7 0	4 6	3 8	3 8	3 8	3 8	3 8	3 8
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
Contingency on capex	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	12 1	27 5	39 0	35 0	30 2	14 6	10 2	10 9	10 2	11 1	10 5	11 2	9 3
FOREIGN EXCH	1 1	1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	-1 1	1 1	1 1
WORKING CAPITAL	0 7	5 1	0 8	0 4	0 3	0 7	0 1	0 1	0 0	0 0	0 0	0 0	0 0
TOTAL CASH OUT	52 0	84 3	100 5	104 4	97 4	81 7	73 8	73 7	72 6	73 3	72 3	72 8	70 9
NET CASH FLOW	19 1	0 1	(12 6)	(12 3)	(5 3)	15 0	23 7	23 9	25 0	24 3	25 2	24 8	26 7
LOAN MOVEMENTS	5 0	25 0	18 0	18 0	0 0	-5 0	-5 0	-5 0	5 0	-5 4	-5 4	-5 4	-0 4
INTEREST	-0 3	-1 5	-2 3	-3 1	-3 1	-2 9	-2 6	-2 4	-2 1	-1 8	-1 8	-1 3	-1 3
TAX	-8 6	-6 4	-2 1	0 0	-0 2	-3 8	-5 7	-6 3	-6 6	-6 9	-7 2	-7 4	-7 6
NET POST TAX CASHFLOW	15 2	17 1	-1 0	0 6	-8 7	3 3	10 4	10 3	11 3	10 2	11 1	10 7	17 4

CAPITAL VALUE OF CASHFLOWS

													Perpetuity
Discount rate	30%												50
Present value factor		0 8771	0 6747	0 5190	0 3992	0 3071	5 5 0 2362	6 5 0 1817	7 5 0 1398	8 5 0 1075	9 5 0 0827	10 5 0 0638	11 5 0 0489	12 5 0 0376	12 5 0 0376
Present value		13	12	0	0	(3)	1	2	1	1	1	1	1	1	2
Total present value		33													
Indicated value of equity		33													

GUYSUCO : PROJECTED CASH FLOW

SENSITIVITY ANALYSIS

ASSUMPTIONS

Sugar revenues	Exchange rate of US$	1.7 £1			
	No change to quota levels	EC price decreases at 2.5% pa over the period to 1995			
	Booker Tate EC prices corrected				
	Production levels increased to current 1991-94 forecast levels				
	20.0% Sugar levy				
Molasses revenues	Price increased to world prices from 1992 (revenues increased to $4.5 p.a)				
Agricultural costs	Costs in 1992-94 increased by 5% to reflect increased production				
Factory costs	Costs in 1992-94 increased by 4% to reflect increased production				
Capital expenditure	Expenditure restricted to	80.00% of agriculture spend as planned by Booker Tate			
		80.00% of infrastructure spend as planned by Booker Tate			
		80.00% of factory spend as planned by Booker Tate			
	Contingency restricted to	0.00% of total expenditure			
Loans	IDB loan no 839 drawn down $5m in 1991 and $7m in 1992				
	World Bank loan $50m drawn down evenly during 1992-94 and repaid at $5m p.a from 1995				
Interest	IDB loan at 2% assuming US inflation of 5% equates to real rate of 5%				
	World Bank loan at 10% assuming US inflation of 5% equates to real rate of 5%				
Taxation	Tax rate of	35%			
	Capital allowances				
	Agriculture expenditure	First year allowances of	0%	Annual allowances of	25%
	Infrastructure expenditure	First year allowances of	25%	Annual allowances of	8%
	Factory expenditure	First year allowances of	25%	Annual allowances of	10%
	Tax paid in year incurred				
Discount rate	30%				

Indicated value of equity	33