MANAGING DIRECTOR'S REVIEW OF OPERATIONS

INTRODUCTION

The 2018 to 2022 Financial Years had been the most unsettling period in the lifetime of PBC Limited. The company was faced with cashflow deficits, continued reliance on short term loans and overdrafts in the financing of its operations in the absence of working capital. Huge interest payments together with the receipt of thin margins impacted the general business activities in the industry resulting in a **higher-than-expected** operational costs over the period. The company could not operate effectively and efficiently, reducing its market share.

Even though these challenges persisted and peaked in 2018, the Company was able to reverse the net loss of GHS172.253 million to a modest profit of GHS4.344 Million in 2020.

The performance over the years is attributable to the following:

1. The Company's continued reliance on borrowing from the market to supplement funds for purchases in 2018 presented it with a cost outlay too heavy to bear as finance cost for the year was 82% of Gross profit.

   The subsequent years' reliance solely on Cocobod funding contributed to the decline in market share due to its untimeliness and inadequacy. There is the urgent need for supplementary funds beyond that from the traditional COCOBOD source if your Company is to turn around.

2. The unfavorable financial state of the Company significantly affected its operations by reducing the quantity of cocoa purchased and delivered by the Company in the years under review.

3. The general unfavorable economic situation caused by excessive increases in costs of all major Operational Inputs and Logistics.

4. The insurgence of the Covid -19 pandemic in 2020 and its related safety protocols impacted negatively on the Hotel/Hospitality business and the shea business as ports were severely restricted.

The proposal to raise some Equity Capital for the Company through a **RIGHTS ISSUE OR PRIVATE PLACEMENT,** which has been on the drawing board for several years, should be pursued to its fullest conclusion.

It is hoped that serious discussions and conclusions will be taken to solve this age-long issue of working capital at this AGM.

PERFORMANCE REVIEW

The review of the Company's performance focuses on revenue earned and expenditure incurred, and the financial results of the years under review. Total Revenue earned for the period under review were from the core activities of the Company and its subsidiaries as follows;

ACTIVITY/YEAR	2017/18	2018/19	2019/20	2020/21	2021/22
SALE OF PRODUCE (COCOA)	1,780,305.00	1,124,222.00	970,792.00	1,225,517.00	608,783.00
SALE OF PRODUCE (SHEA BUTTER)	14,873.00	10,815.00	8,763.00	2,898.00	391.00
SERVICES (HAULAGE)	25,414.00	15,802.00	13,472.00	11,966.00	10,400.00
SERVICES (HOTEL)	9,915.00	12,022.00	8,042.00	15,219.00	16,808.00
TOTAL	1,830,507.00	1,162,861.00	1,001,069.00	1,255,600.00	636,382.00

(All figures in GHS'000)

Revenue for cocoa operations was on the decline despite an increase in the Producer Price of cocoa. This was due to significant decrease in the tonnage purchased over the years. Below are the comparative figures for the cocoa operations.

	ACTIVITY	2017/18	2018/2019	2019/20	2020/21	2021/22
1.	Total Market Output (Tons)	850,000.00	900,000.00	900,000.00	750,000.00	650,000.00
2.	Projected Purchases (Tons)	300,000.00	255,000.00	170,000.00	170,000.00	130,000.00

3.	Actual Purchases (Tons)	211,976.31	130,844.94	106,836.19	107,810.00	52,356.00
4.	Projected Market Share	33.3%	26.8%	30.22%	20%	20%
5.	Actual Market Share	23.75%	17.20%	13.90%	15%	9%
6.	Projected Margins (GH¢)	219,993,420.00	185,265,150.00	130,126,500.00	131,937,000.00	170,742,000.00
7.	Actual Margins (GH¢)	151,092,572.73	98,733,290.96	82,441,365.00	83,671,341.00	43,774,851.60

Due to the lack of timely and adequate funding coupled with other conditions stated below, the company's purchases reduced significantly. The total tonnage of cocoa purchased by the Company dropped from 211,976 in 2017/18 to 106,836 tonnes in the 2019/20 crop years. This caused a significant drop in the margin from the GH¢151.092 million to GH¢82.441 million. The purchases further dropped to 52,356 tonnes in 2022.

The Company achieved a market share of 14% in 2019/20 which was far below the 24% in 2017/18 and subsequently to 9% in 2022 due to:

1) Absence of working capital
2) Cut throat competition in the industry due to certification.
3) Inadequate funding and untimely release of funds at certain points in the course of the season.

Revenue for the haulage service decreased from GH¢25.414 million in 2018 to GH¢10.4 million in 2020, due to the decrease in the quantity of cocoa purchased and hauled at the secondary level by the Company’s articulated and cargo trucks.

Revenue for PBC Shea decreased by 93% over the period from GH¢14.873 million in 2018 to GH¢0.391million in 2022 due to inadequate working capital and the closure of Ghana's territorial Borders due to the Covid–19 pandemic in 2020. PBC Shea is a Free zone Company and exports most of its products. The Company has not been operational since 2022.

Revenue for Golden Bean Hotel decreased by 20% from GH¢9.915 million in 2018 to GH¢8.042 million in 2020 due to the COVID–19 pandemic safety protocols released by the Government in 2020. After the easing of the restrictions, the hotel's revenue increased by 200% from GH¢8.042 2020 to GH1¢6.8 million in 2022.

The cost of sales of the group's operations was 90% of the Total Revenue in 2018 and 2019. However, it reduced marginally to 89% of Total revenue in 2020. This was mainly due to a reduction in the levels of activity.

Direct Operating expenses remained at 4% of total revenue in 2018 as in the previous year. This cost significantly reduced to 1% of Total Revenue in 2019 through 2021. This increased to 2% in 2022 operational years due to general economic conditions. operational years.

Out of the total Revenue and the associated Cost of Sales, the Company registered a gross profit of GH¢183.189 million in 2018 as compared to the previous year's figure of

GH¢231.619, a decrease of 21%. The Gross profit further declined to GH¢112.086 million in 2019 and GH¢107.882 in 2020. In 2022, it further declined to GH¢75.367 million

The following table shows the Company and the Group contributions to Gross and Net Profits.

YEAR	2017/18	2018/19	2019/20	2020/21	2021/22
Gross Profit					
Company	180,720.00	105,005.00	103,955.00	112,013.00	64,776.00
Group	183,189.00	112,086.00	107,882.00	119,369.00	75,367.00
Net Profit					
Company	(172,253.00)	(139,288.00)	763.00	1,567.00	(27,670.00)
Group	(174,447.00)	(146,816.00)	(7,438.00)	(5,654.00)	(29,700.00)

General and administration expenses include staff, office and estate costs. The breakdown is as follows:

i. Staff cost increased by 8.2% from GH¢39.782 million in 2017 to GH¢42.079 million in 2018. In 2019, it reduced by 14% to GH¢36.936 million and increased by 33% to GH¢49.262 due to a mass promotion exercise undertaken in the 2019/202 operational year. Between 2021 to 2022, staff costs reduced on average by 4.5%. Despite the increase in the general economic conditions in the country, PBC staff salaries have not been increased in the past seven (7) years.

ii. Office cost was GH¢3.0375 million in 2018. During the period under consideration, this cost increased by 4.25% on average to end at GH¢3.067 million in 2022. This was attributable to the general price increase in the country.

iii. Estate and Property costs were reduced on average by 18.75% from GH¢3.937million in 2018 to GH¢1.268 in 2022. This cost largely entails the rehabilitation of some of the Company's dilapidated sheds and depots.

Sundry income for 2018 was GH¢15.230 million which declined to GH¢6.519 million in 2019 due to the expiration of the certification program with Touton. In 2020, it increased significantly to GH₵48.122 million due to recovered investments made in First Allied and Savings and Loans Company. This investment was written off in the prior year due to the uncertainty of recovery. Though this increased the sundry income for the year 2020, other incomes were reduced to GH₵3m. The reduction was due to

i) Reduction in peripheral haulage income because of low purchases.

ii) Income from cocoa sweepings from Cocoa Board was abolished.

Net Finance Cost to Gross profit was 82% in 2018, increased to 132% in 2019 and dropped to 25% in 2020. In 2018 and 2019, the high cost was mainly due to the Company's continued and persistent reliance on Short Term borrowings for cocoa purchases to supplement funding from COCOBOD. The relatively high cost associated with such borrowings in the regime of increased interest rates accounted for the high Finance Cost. In 2020, the Company solely relied on the COCOBOD funding which was inadequate hence the low cost. The finance cost to Gross profit in 2021 and 2022 were 6% and 10% respectively.

The urgent need for the introduction of some Equity Funds in the Company's capital structure cannot be over-emphasized. The financial results clearly depict the precarious financial state of the Company as a result of the overburdening Finance Cost and the sole reliance on Cocobod.

KEY FINANCIAL PERFORMANCE INDICATORS

Some key financial indicators on the Company's activities improved slightly in line with the marginal improvement in the Company's level of profitability.

i) Basic Earnings per Share (EPS) increased by (GH¢0.3649) in 2018. It improved slightly to (GH¢0.3071) in 2019 then to (GH¢0.155) in 2020. In 2021 and 2022, the EPS was (GH¢0.0118) and (GH¢0.0619) respectively.

ii) Return on Capital Employed (ROCE) for the Company was (2.81%) in 2018, marginally increased to 1.57% in 2019 and a further increase to 5.49% in 2020. ROCE for the group was -3.48%, 0.17%, 3.89%,-4% and -59% in 2018, 2019 2020,2021 and 2022 respectively.

OUTLOOK

The Company has increased its agility in the area of Cocoa Sustainability and certification and has engaged some industry players. We shall continue to increase this to improve Farmer-company relations and financial incentives.

The Board of Directors and Management will continue to dialogue with the major shareholders to ensure that all outstanding issues relating to the Equity Capitalization are resolved.

The Company will continue to put in place the needed strategies to improve its operational capacities and efficiency to increase its market share, increase volume of purchases to enhance its revenue and boost its profit levels in the years ahead.
Improved farmers relationship through provision of incentives and education will continue to engage the attention of Management.

The company is working on real-time monitoring through digitalization in the pursuit of efficiencies.

Again, as the Company seeks to divest 60% of its stake in PBC Shea Limited and also collaborate in a joint venture with some top hotels in the world to enhance and increase the capacities of both subsidiaries.

Appropriate strategies would be put in place to continually monitor effectively and efficiently the management of the various investments undertaken in the Subsidiaries to ensure maximum return.

Finally, my immense gratitude to you our shareholders, our Board of Directors, the wonderful management at PBC and the brave staff who continue to make us who we are.

KWAKU NKANSAH
MANAGING DIRECTOR