# APPENDIX A
# PROJECT DESCRIPTION:
# VESTER OILSEED PROCESSING AND MARKETING

## I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

## II. Background

Vester Oil Mills Limited (VOML) is a limited liability company registered under the laws of Ghana that processes Palm kernel and soya into oils and seed-based meals for industrial and household consumers in the domestic market. The market for vegetable oil and allied products in the Ghana and the West African sub-region is largely underserved. The annual demand for vegetable oil in the area is 120,000MT. Local industries have not been able to meet this demand, leading to imports estimated at 41,960MT in 2002. The Company has identified this excess demand as its opportunity to develop a viable and sustainable vegetable oils and allied products business, resulting in increased income for its shareholders, workers, and farmers within the community. Since it began production in 2004, the Company's products have already received strong acceptance mostly from soap manufacturers, edible oil resellers and livestock farmers in Ghana.

To take advantage of the opportunity, VOML needs to make critical improvements in its business operations and upgrade its production facility in order to build its business capacity and increase production. The Company must expand its production processes to increase output and improve product quality. Further VOML recognizes it must also develop its management systems, environmental controls, and facilitate regional market development to elevate the business to new levels.

## III. Funding

### A. ADF Contribution:

The financial plan for ADF's contribution is set forth in Appendix A – 1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not make ADF's contribution to exceed the obligated amount specified in Article 3, section 3.1 of the Agreement.

### B. Grantee Contribution:

VOML will contribute ¢388,375,000 Cedis, part of the cost of the palm kernel crackers, as well as the cost of enhancing the production floor and the construction of the workers' changing area. It will be VOML's responsibility to pay for these items regardless of the actual final cost. The Grantee is also expected to contribute its existing assets.

In addition, VOML will create a provident fund for its employees, matching up to five percent of employees' contributions to the fund and also provide financial support through a community development program for the surrounding community.

## IV. Project Goal

The goal of the Project is to improve the living standards of Ghanaian private sector workers and farmers in the Ashanti region.

## V. Project Purpose

The purpose of this Project is to increase the incomes of VOML, its employees, farmers and their families.

Two indicators will be used to track the attainment of the Project's purpose:

A. VOML's operating profit or earnings before interest, tax, depreciation and amortization (EBITDA) will grow from 318,314,000 Cedis in 2005, to:
   - 775,688,000 Cedis in Year 1;
   - 891,648,000 Cedis in Year 2;
   - 1,170,186,000 Cedis in Year 3;
   - 1,394,217,000 Cedis in Year 4; and
   - 1,660,996,000 Cedis in Year 5.

B. Employees' total annual payroll income will increase from 195,000,000 Cedis in 2005, to:
   - 339,000,000 Cedis in Year 1;
   - 403,410,000 Cedis in Year 2;
   - 480,058,000 Cedis in Year 3;
   - 571,269,000 Cedis in Year 4; and
   - 679,810,000 Cedis in Year 5.

## VI. Project Outputs

In order to achieve the Project's purpose, VOML will realize the following outputs:

A. VOML will increase production and employment.

1. Processing of raw materials will increase from a baseline of 1,126MT to:
   - 1,150 metric tons in Year 1;
   - 1,400 metric tons in Year 2;
   - 1,610 metric tons in Year 3; and
   - 2,449 metric tons in Year 5.

2. The number of employees at VOML will increase from 27 in Year 1 to:
   - 30 in Year 2;
   - 40 in Year 3;
   - 50 in Year 4; and
   - 65 in Year 5.

B. VOML will increase sales.

1. Total sales for 2005 are projected to be 3,396,000,000 Cedis. From this baseline, the Company's sales will grow to:
   - 3,556,999,000 Cedis in Year 1;
   - 4,226,070,000 Cedis in Year 2;
   - 5,020,994,000 Cedis in Year 3;
   - 5,965,443,000 Cedis in Year 4; and
   - 7,087,543,000 Cedis in Year 5.

2. Total sales (in metric tons) will increase for each product accordingly:

| Product | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Palm Kernel Oil | 361 | 418 | 481 | 553 | 636 | 731 |
| Soya Oil | 20 | 30 | 35 | 40 | 46 | 52 |
| Palm Kernel Meal | 570 | 660 | 759 | 873 | 1,004 | 1,154 |
| Soya Meal | 158 | 237 | 273 | 313 | 360 | 415 |

## VII. Major Activities to be financed Under the Agreement

### A. Production:

VOML will increase purchasing of raw materials, enhance production floor and loading area, install additional equipment, and improve electric power supply to ensure uninterrupted supply of quality products to its customers.

### B. Health and Environment:

VOML will complete the implementation of a sound environmental management plan and finish work on an employees' changing area to ensure that it continues to meet local factory regulatory requirements.

### C. Marketing Plan:

VOML will conduct a comprehensive marketing study and develop a marketing plan to enhance effective positioning of its products. The company will continue to implement the key items of the plan aggressively to increase its market share.

### D. Internal Systems Improvement:

VOML will implement comprehensive administrative procedures to enhance effective product processing, knowledge sharing, and human resource management. The company will continue to implement standard accounting practices and procedures to ensure proper costing and inventory management and record keeping.

### E. Training:

VOML will embark on an intensive management capacity building through training, and systems upgrade.

## VIII. Roles and Responsibilities of the Parties

ADF's Partner, INPRODEC will provide the necessary standard ADF training in bookkeeping, monitoring, and assessment.

VOML is responsible for ensuring the proper management and implementation of the Project. The current four member Board of Directors will be expanded to a minimum of five (5), enabling it to fulfill its assigned role. In addition, the necessary expansion of the current management staff, salary improvement, and the extensive training of personnel will help accommodate the expanded operations, increased performance, and effectively support and oversee the implementation process. The ADF Partner in Ghana, INPRODEC will provide VOML with technical and management assistance during the implementation of the project.

## IX. Monitoring and Evaluation

INPRODEC will closely monitor the activities of the company to ensure proper reporting, adherence to the Project implementation plan by the Grantee, and movement towards Project objectives. INPRODEC will continuously assess the Project risk and undertake remedial actions as needed. Monitoring by INPRODEC will be an important aspect of the ongoing coaching and advisory service. INPRODEC will review VOML's quarterly reports and will submit comments and observations to the management of VOML, as a part of the annual project evaluation. The two organizations will jointly design the evaluation process and VOML will incorporate the findings of the evaluation into their annual report.

## X. Other Implementation Issues

A. The Grantee will increase the number of positions on its Board of Directors from two to five. It expects to have all positions filled by the sixth month of Project implementation.

B. The Grantee will continue to pay an annual bonus to its employees in the form of a 13th month salary.

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