

Investment Office ANRS

**PROJECT PROFILE ON THE ESTABLISHMENT
OF HOTEL AND RESTAURANT AT BLUE NILE
FALLS PLANT**

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1. Executive Summary

The project envisages the establishment of modern hotel and restaurant plant with 10 self contained bed rooms at Blue Nile Falls in Amhara Region.

Since there is no modern hotels and restaurant at Blue Nile Falls that accommodate the required services of foreign and local tourists, the demand for the service is very attractive.

The total initial investment requirement is estimated at birr 1.1 million, of which 77% is for building construction.

The project will create employment opportunities for 14 persons.

The project is financially viable with an internal rate of return (IRR) of 25.6% and a net present value (NPV) is Birr 304 thousands discounted at 18% .

2. Product Description and Application

Modern hotels and restaurants are facilities where food, drinks, bed rooms and other services are provided in an efficient, cordial and pleasant manner and style. Operating hotel and restaurant businesses, especially at tourist sites, require cleanliness and neatness of services to be provided and efficiency, cordiality and good manner on the part of hotel and restaurant workers.

3. Market Study, Plant Capacity and Production Program

3.1 Market Study

3.1.1 Present Demand and Supply

The Amhara Region encompasses the major tourist attraction centers of the country. The major ones are Blue Nile Falls near Bahir Dar town, Castles of King Fassile Dess in Gondar and Lalibella Hewn Churches in Lalibella towns. These tourist attraction sites are registered under UNESCO as world heritage centers. A number of domestic and foreign tourists visit these sites every day.

Blue Nile Falls is one of the most centers of attraction for both domestic and local tourists which is visited almost every day throughout the year. Of course, there are more tourists during the rainy season when the volume of water at the fall reaches its highest point. At any rate, thousands of tourists visit the fall every year. But there are no facilities at the site where tourists gather to watch/see the fall.

Usually most tourists arrive at the water fall around 10-12 am in the morning when it is hot at the site. While watching the cascading of the water in the fall, they need drinks, shelter from the hot sun and sometime snack. But unfortunately there are no facilities to provide these services. If there were hotels and restaurants, many tourists could have made overnight stay near the fall. They would have preferred to watch the fall at sunset or sunrise. They could have wanted to hear the sound of the fall during the night. They could have experienced what it feels during the night in rural Ethiopia where there are no noises of urban life. In short, they could have preferred to stay near the fall watching its huge water flow for sometime say a night, a day or more. But there is nothing there to make them stay. No hotel, no restaurant, not even a shade, not even a food-stand. Not even an umbrella in other places, in other countries, all sorts of tricks are made to make tourists stay longer and spend more. But not in Amhara land at the Blue Nile Fall one of the most spectacular sceneries in the world. At the fall, tourists stay only for about 15-30 minutes and then they leave. They leave soon because there is nothing to make them stay longer even though they are attracted by the natural beauty of the fall. The sooner they leave the less they spend.

3.1.2 Projected Demand

Tourism industry is one of the potential sectors of the country to generate foreign currency. Its contribution towards export and GDP growth is increasing. For example in 1996* tourism has contributed 19% and 1.2% to the country's export and GDP growth, respectively.

* years in this document are in Ethiopian caledar.

As indicated in table 1 bellow, the number of tourists arriving in Ethiopia and receipts from international inbound tourism is increasing from year to year.

Table 1
Tourists arrived in Ethiopia and corresponding Receipts
 (1991-1997)

Year	Arrivals	Receipts (in "000" Birr)
1991	114,000	252,000
1992	135,954	577,800
1993	148,438	542,000
1994	156,327	676,000
1995	179,910	778,000
1996	184,878	991,200
1997	227,298	1,177,816

Source: Ministry of Culture and Tourism, tourism Statistics, 1995-1997, No 8

The numbers of domestic and foreign tourists who visit the Blue Nile Falls vary depending on the season of the year. During the rainy season, when the volume of water flow at the fall is at its peak, there are more tourists visiting the falls. In the dry season the water volume declines and so does the number of tourists. But the number of tourists who had visited the fall during the last three to four years indicates that there is sufficient demand for the services of a small hotel and restaurant. Like many other tourist sites, the market for this hotel and restaurant could be seasonal, but it can be profitable by working during the “tourist season”. The hotel and the restaurant do not have to be very sophisticated and expensively built. All they need is to be extremely clean and comfortable with reasonable prices and efficient services. The food must be simple but carefully and cleanly prepared and cooked. These are what “ferenjjs” want in 3rd world countries.

Besides serving tourists, the hotel and restaurant at Blue Nile Falls could be a good recreational center for wedding and also for occasional ceremonies like labor day, graduation day, short conferences and trainings of Bahir Dar and its surrounding tons like Gondar, Debere-Tabor etc. On the other hand, as GDP and per capita income of the population increase local people will try to spend their leisure time with their families in such a resort, just like "ferenjjs” do.

In this respect it is of paramount importance to establish neat, clean and medium modern and traditional hotel and restaurant at the Blue Nile Falls that could accommodate foreign and local tourists so as to enjoy the beauty of the river falls during the night.

3.1.3 Pricing and Distribution

Pricing of a hotel and restaurant services could be classified into three main categories i.e. food, beverage and bed rent. In this regard the daily average price by category of service is given in table 2 bellow. Type of food to be prepared at this site is more of "ferenji" culture.

Table 2
Average price of service by category

Type of Service	Unit Price in Birr
Food	30 / meal / person
Beverage	10/bottle(excluding whisky)
Bed Rent	150/night/ person

3.2 Plant Capacity

Working days are assumed to be 365/year for food and beverage and 300/ year. The attainable capacity and revenue of the proposed hotel and restaurant for each category of service is estimated as follows.

Table 3
Capacity and Revenue of the Hotel and Restaurant by category
Of Service in 365 Days

Type of Service	Quantity/day	Annual	
		Capacity	Revenue In Birr
Food	30 persons	10,950	328,500
Beverage	80 bottles	29,200	292,000
Bed night	10 beds	3,000	450,000
Total	-	-	1,070,500

3.3 Production Program

The service program of the proposed hotel and restaurant is assumed to start at 80% in the first year and increases by 10% until 100% is reached in the second year.

4. Raw Materials and Utilities

4.1 Availability and Source of Raw materials

Required raw materials for hotel and restaurant service include food items, beverages (hot and cold), room clothing, detergents and the likes. All raw materials are available in the domestic market.

4.2 Annual Requirement and Cost of Raw Materials and Utilities

The cost of annual requirement of raw materials of the project is estimated as percentage of the respective service revenue as indicated in table 4 bellow.

Table 4
Cost of raw materials as percentage of Revenue

Service	Revenue	Percentage	Cost
Food	328,500	40	131,400
Beverages	292,000	60	175,260
Bed rent	450,000	10	45,000
Total			351,660

Utility cost of the project is estimated to be about Birr 30,000 per annum and cost of office furniture is Birr 5,000.

5. Location and Site

The location of the proposed project is at Blue Nile Falls.

6. Technology and Engineering

6.1 Production Process

The main processes of establishing modern hotels and restaurants at Blue Nile Falls include studying the market, securing land, constructing buildings, equipping and furnishing the buildings and starting the operations of the businesses.

6.2 Machinery and Equipment

Machinery and equipment required for a modern hotel and restaurant could broadly be classified into four categories. These are;

- Bed room furniture,(includes beds, mattress, blankets, bed sheets, tables, chairs, cap boards, etc)
- Hotel furniture and equipments (tables ,chairs, glasses etc)
- Restaurant furniture and equipments (tables, chairs, refrigerator, glasses, etc)
- Kitchen utensils (forks, spoons, trays, dish, deep freezer, etc)

Estimated cost of such furniture and fixture for a traditional hotel and restaurant is estimated in table 5 bellow.

Table 5
Estimated cost of furniture and fixture of the project

Cost center	Quantity	Cost in Birr
Bed room	For 10 beds	20,000
Hotel	For 10 tables	10,000
Restaurant	For 10 tables	10,000
Hotel	40 chairs	8,000
Restaurant	40 chairs	8,000
Kitchen	Sets	50,000
Total		106,000
Office Furniture		5,000

6.3 Civil Engineering Cost

A Hotel and Restaurant at Blue Nile Falls will require about 2000m² of land, of which 200m² is for the construction of 10 self contend bed rooms and 200 m² for hotel and restaurant. Assuming that the hotel and restaurant will be made from traditional materials, the investment cost for 10 bed rooms is about Birr 400,000 (Birr 2,000/m²) and for hotel and restaurant is Birr 400,000, (Birr 2,000/m²), Land lease will be Birr 25 /m sq. The plant will require additional Birr 50,000.00 for land preparation and park decoration, which totals to about Birr 850, 000.00

7. Human Resource and Training Requirement

7.1 Human Resource

The project will require about 14 employees as indicated in table 6 bellow with annual salary of Birr 182,880.

Table 6
Human Resources Requirement

Position	No of employees	Monthly Salary / person	Annual Salary
Manager	1	3,000	36,000
Book Keeper	1	1,500	18,000
Cashier	1	800	9,600
Receptionist	1	700	8,400
Waiter	4	600	28,800
Kook	1	1,500	18,000
Assistant cook	2	800	19,200
Cleaner	1	400	4,800
Guard	2	400	9,600
Total	14	-	152,400
Benefits (20%)	-	-	30,480
Total	-	-	182,880

7.2 Training Requirement

For Hotel and Restaurant services trained manpower is available in the market

8. Financial Analysis

8.1 Underlying Assumption

The financial analysis of milk powder producing plant is based on the data provided in the preceding chapters and the following assumptions.

A. Construction and Finance

Construction period	2 year
Source of finance	40% equity and 60% loan
Tax holidays	2 years
Bank interest rate	12%
Discount for cash flow	18%
Value of land	Based on lease rate of ANRS
Spare Parts, Repair & Maintenance	3% of fixed investment

B. Depreciation

Building	5%
Machinery and equipment	10%
Office furniture	10%
Vehicles	20%
Pre-production (amortization)	20%

C. Working Capital (Minimum Days of Coverage)

Raw Material-Local	30 days
Raw Material-Foreign	120 days
Factory Supplies in Stock	30 days
Spare Parts in Stock and Maintenance	30 days
Work in Progress	10 days
Finished Products	15 days
Accounts Receivable	30 days
Cash in Hand	30 days
Accounts Payable	30 days

8.2 Investment

The total investment cost of the project including working capital is estimated at Birr 1.1 million as shown in table 7 below. The Owner shall contribute 40% of the finance in the form of equity while the remaining 60% is to be financed by bank loan.

Table 7: Total initial investment

	LC	FC	Total
Land	2,500		2,500
Building	850,000		850,000
Office equipment	5,000		5,000
Vehicles	0		0
machinery & equipment	106,000		106,000
Total Fixed Investment	963,500	0	963,500
Pre production	48,175		48,175
Total Initial Investment	1,011,675	0	1,011,675
Working capital	89,796	0	89,796
Total	1,101,471	0	1,101,471

**Pre-production capital expenditure includes - all expenses for pre-investment studies, consultancy fee during construction and expenses for company's establishment, project administration expenses, commission expenses, preproduction marketing and interest expenses during construction.*

8.3 Production Costs

The summary of the production costs at full capacity is show in Table 8. The total production cost including depreciation will amount to about Birr 773 thousands. Of the total production cost, raw materials will account for 48.7%.

Table 8

Total Production Cost at full Capacity	
Items	Cost
1. Raw materials	351,660
2. Utilities	30,000
3. Wages and Salaries	182,880
4. Spares and Maintenance	28,905
<i>Factory costs</i>	<i>593,445</i>
5. Depreciation	63,235
6. Financial costs	66,088
<i>Total Production Cost</i>	<i>722,768</i>

8.4 Financial Evaluation

I. Profitability

The financial projections made reveal that the project is economically viable and social desirable. According to the income statement of the plant the project will generate profit beginning from first year operation. Important ratios such as the percentage of net profit to equity (return on equity) and net profit and interest on total investment (return on total investment) are 347% and 30% in the first year and are gradually increasing.

II. Breakeven Analysis

The break even point of the project is estimated by using income statement projection. The plant breaks evens at 25.7% of capacity utilization.

III. Payback Period

The Initial investment of the project will be recovered before the end of the third year operation

IV. Simple Rate of Return

It is a ratio of net profit and interest to total capital invested for a single year at full capacity utilization. Thus the simple rate of return of the project is about 28.1%

V. Internal Rate of Return and Net Present Value

Based on the cash flow statement, the project is anticipated to have a net present value of Birr 907 thousands when discounted at 18% discounting factor where as its IRR is 25.6%.

VI. Sensitivity Analysis

An increase in costs of raw materials by 10% will not affect the profitability of the plant

9. Economic and Social Benefit and Justification

Based on the foregoing presentation and analysis, we can learn that the proposed project possesses wide range of benefits that complement the financial feasibility obtained earlier. In general the envisaged project promotes the socio-economic goals and objectives stated in the strategic plan of the Amhara National Regional State as well as promote tourism of the country. These benefits are listed as follows

A. Profit Generation

The project is found to be financially viable and earns on average a profit of birr 0.23 million per year and birr 2.3 million within the project life. Such result induces the project promoters to reinvest the profit which, therefore, increases the investment magnitude in the region.

B. Tax Revenue

In the project life under consideration, the region will collect about birr 864 thousands from corporate tax payment alone (i.e. excluding income tax, sales tax and VAT). Such result create additional fund for the regional government that will be used in expanding social and other basic services in the region

C. Employment and Income Generation

The proposed project is expected to create employment opportunity to 14 citizens of the country. This would be one of the commendable accomplishments of the project.

D. Pro Environment Project

The proposed production process is environment friendly.

ANNEXES

Annex 1: Total Net Working Capital Requirements (in Birr)

	CONSTRUCTION		PRODUCTION			
	Year 1	Year 2	1	2	3	4
Capacity Utilization (%)	0.00	0.00	80%	90%	100%	0%
1. Total Inventory	0.00	0.00	80962.31	91082.60	101202.89	0.00
Raw Materials in Stock- Total	0.00	0.00	23122.85	26013.21	28903.56	0.00
Raw Material-Local	0.00	0.00	23122.85	26013.21	28903.56	0.00
Raw Material-Foreign	0.00	0.00	0.00	0.00	0.00	0.00
Factory Supplies in Stock	0.00	0.00	431.79	485.76	539.74	0.00
Spare Parts in Stock and Maintenance	0.00	0.00	1900.60	2138.18	2375.75	0.00
Work in Progress	0.00	0.00	10794.74	12144.08	13493.42	0.00
Finished Products	0.00	0.00	21589.48	24288.16	26986.85	0.00
2. Accounts Receivable	0.00	0.00	70389.04	79187.67	87986.30	0.00
3. Cash in Hand	0.00	0.00	13997.59	15747.29	17496.99	0.00
CURRENT ASSETS	0.00	0.00	142226.09	160004.35	177782.61	0.00
4. Current Liabilities	0.00	0.00	70389.04	79187.67	87986.30	0.00
Accounts Payable	0.00	0.00	70389.04	79187.67	87986.30	0.00
TOTAL NET WORKING CAPITAL REQUIRMENTS	0.00	0.00	71837.05	80816.68	89796.31	0.00
INCREASE IN NET WORKING CAPITAL	0.00	0.00	71837.05	8979.63	8979.63	-89796.31

Annex 1: Total Net Working Capital Requirements (in Birr) (continued)

	PRODUCTION					
	5	6	7	8	9	10
Capacity Utilization (%)	100%	100%	100%	100%	100%	100%
1. Total Inventory	101202.89	101202.89	101202.89	101202.89	101202.89	101202.89
Raw Materials in Stock-Total	28903.56	28903.56	28903.56	28903.56	28903.56	28903.56
Raw Material-Local	28903.56	28903.56	28903.56	28903.56	28903.56	28903.56
Raw Material-Foreign	0.00	0.00	0.00	0.00	0.00	0.00
Factory Supplies in Stock	539.74	539.74	539.74	539.74	539.74	539.74
Spare Parts in Stock and Maintenance	2375.75	2375.75	2375.75	2375.75	2375.75	2375.75
Work in Progress	13493.42	13493.42	13493.42	13493.42	13493.42	13493.42
Finished Products	26986.85	26986.85	26986.85	26986.85	26986.85	26986.85
2. Accounts Receivable	87986.30	87986.30	87986.30	87986.30	87986.30	87986.30
3. Cash in Hand	17496.99	17496.99	17496.99	17496.99	17496.99	17496.99
CURRENT ASSETS	177782.61	177782.61	177782.61	177782.61	177782.61	177782.61
4. Current Liabilities	87986.30	87986.30	87986.30	87986.30	87986.30	87986.30
Accounts Payable	87986.30	87986.30	87986.30	87986.30	87986.30	87986.30
TOTAL NET WORKING CAPITAL REQUIRMENTS	89796.31	89796.31	89796.31	89796.31	89796.31	89796.31
INCREASE IN NET WORKING CAPITAL	89796.31	0.00	0.00	0.00	0.00	0.00

Annex 2: Cash Flow Statement (in Birr)						
	CONSTRUCTION		PRODUCTION			
	Year 1	Year 2	1	2	3	4
TOTAL CASH INFLOW	505837.50	595633.81	926789.04	972248.63	1079298.63	-87986.30
1. Inflow Funds	505837.50	595633.81	70389.04	8798.63	8798.63	-87986.30
Total Equity	202335.00	238253.52	0.00	0.00	0.00	0.00
Total Long Term Loan	303502.50	357380.29	0.00	0.00	0.00	0.00
Total Short Term Finances	0.00	0.00	70389.04	8798.63	8798.63	-87986.30
2. Inflow Operation	0.00	0.00	856400.00	963450.00	1070500.00	0.00
Sales Revenue	0.00	0.00	856400.00	963450.00	1070500.00	0.00
Interest on Securities	0.00	0.00	0.00	0.00	0.00	0.00
3. Other Income	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	505837.50	505837.50	787233.07	732049.95	883717.20	-3942.36
4. Increase In Fixed Assets	505837.50	505837.50	0.00	0.00	0.00	0.00
Fixed Investments	481750.00	481750.00	0.00	0.00	0.00	0.00
Pre-production Expenditures	24087.50	24087.50	0.00	0.00	0.00	0.00
5. Increase in Current Assets	0.00	0.00	142226.09	17778.26	17778.26	-177782.61
6. Operating Costs	0.00	0.00	467707.94	524818.62	581929.30	10822.50
7. Corporate Tax Paid	0.00	0.00	0.00	0.00	107774.23	0.00
8. Interest Paid	0.00	0.00	177299.04	79305.93	66088.28	52870.62
9. Loan Repayments	0.00	0.00	0.00	110147.13	110147.13	110147.13
10. Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00
Surplus(Deficit)	0.00	89796.31	139555.97	240198.68	195581.43	-84043.94
Cumulative Cash Balance	0.00	89796.31	229352.29	469550.97	665132.40	581088.46

Annex 2: Cash Flow Statement (in Birr): Continued						
	PRODUCTION					
	5	6	7	8	9	10
TOTAL CASH INFLOW	1158486.30	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
1. Inflow Funds	87986.30	0.00	0.00	0.00	0.00	0.00
Total Equity	0.00	0.00	0.00	0.00	0.00	0.00
Total Long Term Loan	0.00	0.00	0.00	0.00	0.00	0.00
Total Short Term Finances	87986.30	0.00	0.00	0.00	0.00	0.00
2. Inflow Operation	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
Sales Revenue	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
Interest on Securities	0.00	0.00	0.00	0.00	0.00	0.00
3. Other Income	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	1025216.83	841072.36	831820.00	712420.51	712420.51	712420.51
4. Increase In Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00
Fixed Investments	0.00	0.00	0.00	0.00	0.00	0.00
Pre-production Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
5. Increase in Current Assets	177782.61	0.00	0.00	0.00	0.00	0.00
6. Operating Costs	581929.30	581929.30	581929.30	581929.30	581929.30	581929.30
7. Corporate Tax Paid	115704.82	122560.62	126525.91	130491.21	130491.21	130491.21
8. Interest Paid	39652.97	26435.31	13217.66	0.00	0.00	0.00
9. Loan Repayments	110147.13	110147.13	110147.13	0.00	0.00	0.00
10. Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00
Surplus(Deficit)	133269.47	229427.64	238680.00	358079.49	358079.49	358079.49
Cumulative Cash Balance	714357.93	943785.57	1182465.57	1540545.06	1898624.55	2256704.04

Annex 3: DISCOUNTED CASH FLOW-TOTAL CAPITAL INVESTED						
	CONSTRUCTION		PRODUCTION			
	Year 1	Year 2	1	2	3	4
TOTAL CASH INFLOW	0.00	0.00	856400.00	963450.00	1070500.00	0.00
1. Inflow Operation	0.00	0.00	856400.00	963450.00	1070500.00	0.00
Sales Revenue	0.00	0.00	856400.00	963450.00	1070500.00	0.00
Interest on Securities	0.00	0.00	0.00	0.00	0.00	0.00
2. Other Income	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	505837.50	505837.50	539544.99	533798.25	698683.16	-78973.81
3. Increase in Fixed Assets	505837.50	505837.50	0.00	0.00	0.00	0.00
Fixed Investments	481750.00	481750.00	0.00	0.00	0.00	0.00
Pre-production Expenditures	24087.50	24087.50	0.00	0.00	0.00	0.00
4. Increase in Net Working Capital	0.00	0.00	71837.05	8979.63	8979.63	-89796.31
5. Operating Costs	0.00	0.00	467707.94	524818.62	581929.30	10822.50
6. Corporate Tax Paid	0.00	0.00	0.00	0.00	107774.23	0.00
NET CASH FLOW	-505837.50	-505837.50	316855.01	429651.75	371816.84	78973.81
CUMMULATIVE NET CASH FLOW	-505837.50	-1011675.00	-694819.99	-265168.24	106648.60	185622.41
Net Present Value (at 18%)	-505837.50	-428675.85	227560.33	261499.32	191778.99	34520.18
Cumulative Net present Value	-505837.50	-934513.35	-706953.01	-445453.69	-253674.70	-219154.52

Annex 3: DISCOUNTED CASH FLOW-TOTAL CAPITAL INVESTED (Continued)						
	PRODUCTION					
	5	6	7	8	9	10
TOTAL CASH INFLOW	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
1. Inflow Operation	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
Sales Revenue	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
Interest on Securities	0.00	0.00	0.00	0.00	0.00	0.00
2. Other Income	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	787430.43	704489.92	708455.21	712420.51	712420.51	712420.51
3. Increase in Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00
Fixed Investments	0.00	0.00	0.00	0.00	0.00	0.00
Pre-production Expenditures	0.00	0.00	0.00	0.00	0.00	0.00
4. Increase in Net Working Capital	89796.31	0.00	0.00	0.00	0.00	0.00
5. Operating Costs	581929.30	581929.30	581929.30	581929.30	581929.30	581929.30
6. Corporate Tax Paid	115704.82	122560.62	126525.91	130491.21	130491.21	130491.21
NET CASH FLOW	283069.57	366010.08	362044.79	358079.49	358079.49	358079.49
CUMMULATIVE NET CASH FLOW	468691.98	834702.06	1196746.85	1554826.34	1912905.83	2270985.32
Net Present Value (at 18%)	104857.90	114899.73	96317.73	80731.19	68416.27	57979.89
Cumulative Net present Value	-114296.63	603.10	96920.83	177652.03	246068.29	304048.18
Net Present Value (at 18%)	304,048.18					
Internal Rate of Return	25.6%					

Annex 4: NET INCOME STATEMENT (in Birr)					
	PRODUCTION				
	1	2	3	4	5
Capacity Utilization (%)	80%	90%	100%	0%	100%
1. Total Income	856400.00	963450.00	1070500.00	0.00	1070500.00
Sales Revenue	856400.00	963450.00	1070500.00	0.00	1070500.00
Other Income	0.00	0.00	0.00	0.00	0.00
2. Less Variable Cost	398363.84	448159.32	497954.80	0.00	497954.80
VARIABLE MARGIN	458036.16	515290.68	572545.20	0.00	572545.20
(In % of Total Income)	53.48	53.48	53.48	#DIV/0!	53.48
3. Less Fixed Costs	132579.10	139894.30	147209.50	74057.50	147209.50
OPERATIONAL MARGIN	325457.06	375396.38	425335.70	-74057.50	425335.70
(In % of Total Income)	38	39	40	#DIV/0!	40
4. Less Cost of Finance	177299.04	79305.93	66088.28	52870.62	39652.97
5. GROSS PROFIT	148158.02	296090.45	359247.42	-126928.12	385682.73
6. Income (Corporate) Tax	0.00	0.00	107774.23	0.00	115704.82
7. NET PROFIT	148158.02	296090.45	251473.19	-126928.12	269977.91
RATIOS (%)					
Gross Profit/Sales	17%	31%	34%	#DIV/0!	36%
Net Profit After Tax/Sales	17%	31%	23%	#DIV/0!	25%
Return on Investment	30%	34%	29%	-7%	28%
Return on Equity	34%	67%	57%	-29%	61%

Annex 4: NET INCOME STATEMENT (in Birr):Continued					
	PRODUCTION				
	6	7	8	9	10
Capacity Utilization (%)	100%	100%	100%	100%	100%
1. Total Income	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
Sales Revenue	1070500.00	1070500.00	1070500.00	1070500.00	1070500.00
Other Income	0.00	0.00	0.00	0.00	0.00
2. Less Variable Cost	497954.80	497954.80	497954.80	497954.80	497954.80
VARIABLE MARGIN	572545.20	572545.20	572545.20	572545.20	572545.20
(In % of Total Income)	53	53	53	53	53
3. Less Fixed Costs	137574.50	137574.50	137574.50	137574.50	137574.50
OPERATIONAL MARGIN	434970.70	434970.70	434970.70	434970.70	434970.70
(In % of Total Income)	41	41	41	41	41
4. Less Cost of Finance	26435.31	13217.66	0.00	0.00	0.00
5. GROSS PROFIT	408535.39	421753.04	434970.70	434970.70	434970.70
6. Income (Corporate) Tax	122560.62	126525.91	130491.21	130491.21	130491.21
7. NET PROFIT	285974.77	295227.13	304479.49	304479.49	304479.49
RATIOS (%)					
Gross Profit/Sales	38%	39%	41%	41%	41%
Net Profit After Tax/Sales	27%	28%	28%	28%	28%
Return on Investment	28%	28%	28%	28%	28%
Return on Equity	65%	67%	69%	69%	69%

Annex 5: Projected Balance Sheet (in Birr)

	CONSTRUCTION		PRODUCTION			
	Year 1	Year 2	1	2	3	4
TOTAL ASSETS	505837.50	1101471.31	1320018.38	1514760.32	1664885.01	1466751.58
1. Total Current Assets	0.00	89796.31	371578.38	629555.32	842915.01	581088.46
Inventory on Materials and Supplies	0.00	0.00	25455.24	28637.15	31819.05	0.00
Work in Progress	0.00	0.00	10794.74	12144.08	13493.42	0.00
Finished Products in Stock	0.00	0.00	21589.48	24288.16	26986.85	0.00
Accounts Receivable	0.00	0.00	70389.04	79187.67	87986.30	0.00
Cash in Hand	0.00	0.00	13997.59	15747.29	17496.99	0.00
Cash Surplus, Finance Available	0.00	89796.31	229352.29	469550.97	665132.40	581088.46
Securities	0.00	0.00	0.00	0.00	0.00	0.00
2. Total Fixed Assets, Net of Depreciation	505837.50	1011675.00	948440.00	885205.00	821970.00	758735.00
Fixed Investment	0.00	481750.00	963500.00	963500.00	963500.00	963500.00
Construction in Progress	481750.00	481750.00	0.00	0.00	0.00	0.00
Pre-Production Expenditure	24087.50	48175.00	48175.00	48175.00	48175.00	48175.00
Less Accumulated Depreciation	0.00	0.00	63235.00	126470.00	189705.00	252940.00
3. Accumulated Losses Brought Forward	0.00	0.00	0.00	0.00	0.00	0.00
4. Loss in Current Year	0.00	0.00	0.00	0.00	0.00	126928.12
TOTAL LIABILITIES	505837.50	1101471.31	1320018.38	1514760.32	1664885.01	1466751.58
5. Total Current Liabilities	0.00	0.00	70389.04	79187.67	87986.30	0.00
Accounts Payable	0.00	0.00	70389.04	79187.67	87986.30	0.00
Bank Overdraft	0.00	0.00	0.00	0.00	0.00	0.00
6. Total Long-term Debt	303502.50	660882.79	660882.79	550735.66	440588.52	330441.39
Loan A	303502.50	660882.79	660882.79	550735.66	440588.52	330441.39
Loan B	0.00	0.00	0.00	0.00	0.00	0.00
7. Total Equity Capital	202335.00	440588.52	440588.52	440588.52	440588.52	440588.52
Ordinary Capital	202335.00	440588.52	440588.52	440588.52	440588.52	440588.52
Preference Capital	0.00	0.00	0.00	0.00	0.00	0.00
Subsidies	0.00	0.00	0.00	0.00	0.00	0.00
8. Reserves, Retained Profits Brought Forward	0.00	0.00	0.00	148158.02	444248.47	695721.66
9. Net Profit After Tax	0.00	0.00	148158.02	296090.45	251473.19	0.00
Dividends Payable	0.00	0.00	0.00	0.00	0.00	0.00
Retained Profits	0.00	0.00	148158.02	296090.45	251473.19	0.00

Annex 5: Projected Balance Sheet (in Birr): Continued

	PRODUCTION					
	5	6	7	8	9	10
TOTAL ASSETS	1587640.54	1763468.18	1948548.18	2253027.67	2557507.16	2861986.65
1. Total Current Assets	892140.54	1121568.18	1360248.18	1718327.67	2076407.16	2434486.65
Inventory on Materials and Supplies	31819.05	31819.05	31819.05	31819.05	31819.05	31819.05
Work in Progress	13493.42	13493.42	13493.42	13493.42	13493.42	13493.42
Finished Products in Stock	26986.85	26986.85	26986.85	26986.85	26986.85	26986.85
Accounts Receivable	87986.30	87986.30	87986.30	87986.30	87986.30	87986.30
Cash in Hand	17496.99	17496.99	17496.99	17496.99	17496.99	17496.99
Cash Surplus, Finance Available	714357.93	943785.57	1182465.57	1540545.06	1898624.55	2256704.04
Securities	0.00	0.00	0.00	0.00	0.00	0.00
2. Total Fixed Assets, Net of Depreciation	695500.00	641900.00	588300.00	534700.00	481100.00	427500.00
Fixed Investment	963500.00	963500.00	963500.00	963500.00	963500.00	963500.00
Construction in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Pre-Production Expenditure	48175.00	48175.00	48175.00	48175.00	48175.00	48175.00
Less Accumulated Depreciation	316175.00	369775.00	423375.00	476975.00	530575.00	584175.00
3. Accumulated Losses Brought Forward	0.00	0.00	0.00	0.00	0.00	0.00
4. Loss in Current Year	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	1587640.54	1763468.18	1948548.18	2253027.67	2557507.16	2861986.65
5. Total Current Liabilities	87986.30	87986.30	87986.30	87986.30	87986.30	87986.30
Accounts Payable	87986.30	87986.30	87986.30	87986.30	87986.30	87986.30
Bank Overdraft	0.00	0.00	0.00	0.00	0.00	0.00
6. Total Long-term Debt	220294.26	110147.13	0.00	0.00	0.00	0.00
Loan A	220294.26	110147.13	0.00	0.00	0.00	0.00
Loan B	0.00	0.00	0.00	0.00	0.00	0.00
7. Total Equity Capital	440588.52	440588.52	440588.52	440588.52	440588.52	440588.52
Ordinary Capital	440588.52	440588.52	440588.52	440588.52	440588.52	440588.52
Preference Capital	0.00	0.00	0.00	0.00	0.00	0.00
Subsidies	0.00	0.00	0.00	0.00	0.00	0.00
8. Reserves, Retained Profits Brought Forward	568793.54	838771.45	1124746.23	1419973.36	1724452.85	2028932.34
9. Net Profit After Tax	269977.91	285974.77	295227.13	304479.49	304479.49	304479.49
Dividends Payable	0.00	0.00	0.00	0.00	0.00	0.00
Retained Profits	269977.91	285974.77	295227.13	304479.49	304479.49	304479.49