

Investment Office ANRS

**PROJECT PROFILE ON THE ESTABLISHMENT
OF RECREATIONAL CENTER**

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1. Executive Summary

This project profile deals with the establishment of recreational center in zonal capitals of Amhara National Regional State. The following presents the main findings of the study

Demand projection divulges that there is high demand for recreational centers in the region. Accordingly, the planned plant is set to provide recreational services in zonal capitals. The total investment cost of the project including working capital is estimated at Birr 1.18 million and creates 20 job opportunity and Birr 221.76 of income

The financial result indicates that the project will generate profit beginning from the first year of operation. Moreover, the project will break even at 29.6% of capacity utilization and it will payback fully the initial investment less working capital in 3 years. The result further show that the calculated IRR of the project is 25.7% and NPV discounted at 18% of Birr 351,871.79

In addition to this, the proposed project possesses wide range of economic and social benefits such as increasing the level of investment, tax revenue and employment creation.

Generally' the project is technically feasible, financially and commercially viable as well as socially and economically acceptable. Hence the project is worth implementing.

2. Service Description and Application

Recreational centers are places where people get entertainment and enjoyment. The facilities provided include various indoor and outdoor games, swimming pools, cinema halls and facilities to stage theaters and music shows. At the same time these facilities also serve for conducting various ceremonies such as wedding, and other assemblies.

3. Market Study, Plant Capacity and Production Program

3.1 Market Study

3.1.1 Present Demand and Supply

At present the recreational facilities available in the various zonal capitals of the Amhara region are very inadequate in terms of the type of service and standards. As a matter of fact, with the decentralization of government structures zonal capitals have become centers of important administrative functions as well as commerce, industry, education, etc. Accordingly, the population of the urban centers which are designated to be capitals of respective zones has increased substantially.

For example, according to CSA, Annual Abstract (2008), the number of people residing in Bahir Dar, Gondor Dessie, Debre Markos and Debre Birhan are 209,564; 254,583; 198,801; 107,247 and 84,249 respectively. At the same time in these and other urban centers of the region the population number is increasing substantially. Nonetheless, there has not been a corresponding increase in recreational facilities. For example, there are no cinema halls, no indoor and outdoor games, no swimming pools, no musical shows, and no theaters in most of the places. For example if we assume that 10% of the population do pay visit to well established recreational centers once in a week, then the number of individuals in the target group would amount to 20,956 in Bahir Dar, 25,458 in Gonder, 19,880 in Dessie, 10,724 in Debre Markos and 8,424 in Debre Birhan every month. This can be fairly assumed as the current level of demand and at the same time suggests the existence of ample demand. Therefore, if well equipped recreation facilities are established in zonal capitals, they will definitely have enough customers.

3.1.2 Projected Demand

The future demand for recreational services in the zonal capital will increase mainly due to population increase. Moreover, the growth of urbanization will attract additional traders, social workers and families into the towns. Consequently, the number of individuals that do visit the envisaged type of recreational services will also increase. In this connection if we assume that

the number of population in general increases by 3%, the target population will increase substantially as shown in table 1 below.

Table 1: Projected Demand for Recreational Center (per week)

Year	Bahir Dar	Gondor	Dessie	Debre Markos	Debre Birhan
2007/08	20,956	25,458	19,880	10,724	8,424
2008/09	21,585	26,222	20,476	11,046	8,677
2009/10	22,232	27,008	21,091	11,377	8,937
2010/11	22,899	27,819	21,723	11,718	9,205
2011/12	23,586	28,653	22,375	12,070	9,481
2012/13	24,294	29,513	23,046	12,432	9,766
2013/14	25,023	30,398	23,738	12,805	10,059
2014/15	25,773	31,310	24,450	13,189	10,360
2015/16	26,546	32,249	25,183	13,585	10,671
2016/17	27,343	33,217	25,939	13,992	10,991

According to the forecasted demand presented in table 1 above, the future is very promising provided that quality and customer centered services are rendered by the recreational centers.

3.1.3 Pricing and Delivery

The envisaged plant as a start up will focus on providing entertainment activities such as video games, snooker, watching of video films and refreshment drinks. Moreover, the center shall rent its hall and compound for wedding and meeting purposes. Based on the market research result and the capacity of the envisaged plant, the following selling price is set.

- Birr 3 for one session video game
- Birr 5 per snooker played
- Birr 2,000 for renting the hall for wedding ceremony
- Birr 600 per day for renting the hall for assembly purpose
- Birr 5 per person for watching video film and ;
- Birr 15 on average per person for soft drinks, hot drinks and food.

3.2 Plant Capacity

Thus, given the expected demand for the service, and the planned technology, the envisaged plant is set to attract the following number of visitors.

- 50 individuals per day for video game
- 50 visitors per day to play snooker
- 120 individuals per day to watch video film in two programs
- Accommodate 50 wedding ceremonies in a year
- Accommodate 25 meeting programs and workshops in a year that take on average 3 days per program.
- Cater food and beverage for 100 individuals per day.

3.3 Service Delivery Program

The program is scheduled based on the consideration that the envisaged plant will work 300 days from 8 A.M till 8 P.M where the remaining days will be for maintenance. During the first year of operation the plant will operate at 70 percent capacity and then it grows to 85 percent in the 2nd year. The capacity will grow to 100 percent starting from the 3rd year. This consideration is developed based on the assumption that market and logistics barriers would be eliminated gradually within the first two years of operation.

4. Raw Materials and Utilities

4.1 Availability and Source of Raw Materials

The raw materials used in providing the services stated earlier are mainly beverages and various ingredients used to prepare food.

4.2 Annual Requirement and Cost of Raw Materials and Utilities

The annual raw material and utility requirement and the associated cost for the envisaged plant is listed in table 2 here under.

Table 2: Material and Utility Requirement

Material and Input	Quantity	Total Cost	
		L.C.	F.C.
Various ingredients to prepare food	Lump sum	180,000	
Roasted coffee	300 kg	12,000	
Milk	3000 lit	18,000	
Tea	100 kg	3,000	
Soft Drinks	15,000 bottle	33,750	
Total Material Cost		246,750	
Utility			
Electricity	25,000 kwh	13,750	
Kerosene	5,000 lit	20,000	
Water	3,500 m ³	9,275	
Total Utility Cost		43,025	

According to the above table the annual cost of material and utility at full capacity of operation is estimated to be Birr 289,775

5 Location and Site

The appropriate locations for the envisaged project in view of the availability of infrastructure as well as market for the output are zonal capitals of the Amhara region.

6 Technology and Engineering

6.1 Machinery and Equipment

The machineries and equipment required for providing the various services stated earlier is detailed in table 3 below

Table 3: Machinery and Equipment

Machinery and Equipment	Quantity
Video Game Equipments	5
Refrigerator	2
Coffee Machine	1
Snooker Table	2
Various Tools	As required

The, total cost of machinery and equipment including is estimated to be about Birr 85,000

6.2 Civil Engineering Cost

The total site area for the envisaged plant is estimated to be 1,000m² of which 500m² is allocated to the building for the various game playing area, hall, café and related activities. The remaining space is left open compound.

7 Human Resource and Training Requirement

7.1 Human Resource

The list of required manpower for the envisaged plant is stated in table 4 below

Table 4: Human Resource Requirement

Position	No. Required	Monthly Salary	Total Annual Salary
Manager	1	3000	36000
Administrator	1	1500	18000
Accountant	1	1000	12000
Store Keeper	1	600	7200
Supervisor	1	900	10800
Cashier	1	600	7200
Cook	3	600	21600
Waiter/Waitress	10	300	36000
Cleaners	4	300	14400
Guards	3	300	21600
Benefit (20%)			36960
Total	26		221760

The envisaged plant creates 30 job opportunity and about Birr 290.88 thousand of income. The professionals and support staffs for the envisaged plant shall be recruited from Amhara region

7.2 Training Requirement

On job training of personnel shall be conducted that primarily focuses on the customer handling and trouble shooting. For Birr 5,000 will be allocated as training expense.

8 Financial Analysis

8.1 Underlying Assumption

The financial analysis of recreational center 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	1% 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	10
Raw Material-Foreign	120
Factory Supplies in Stock	30
Spare Parts in Stock and Maintenance	30
Work in Progress	10
Finished Products	15
Accounts Receivable	30
Cash in Hand	30
Accounts Payable	30

8.2 Investment

The total investment cost of the project including working capital is estimated at Birr 1.18 million as shown in table 5 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 5: Total initial investment

Items	L.C	F.C	Total
Land	3,000		3,000
Building and civil works	1,000,000		1,000,000
Office equipment	10,000		10,000
Vehicles	0		0
Plant machinery & equipment	85,000		85,000
<i>Total fixed investment cost</i>	<i>1,098,000</i>	0	<i>1,098,000</i>
Pre production capital expenditure*	54,900		54,900
<i>Total initial investment</i>	<i>1,152,900</i>	0	<i>1,152,900</i>
Working capital at full capacity	35,802	0	35,802
Total	1,188,702	0	1,188,702

**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 total production cost at full capacity operation is estimated at Birr 664.3 thousand as detailed in table 6 below.

Table 6: Production Cost

Items	Cost
1. Raw materials	246,750
2. Utilities	43,025
3. Wages and Salaries	221,760
4. Spares and Maintenance	10,980
Factory costs	522,515
5. Depreciation	70,480
6. Financial costs	71,322
Total Production Cost	664,317

8.4 Financial Evaluation

I. Profitability

According to the projected income statement attached in the annex part (see annex 4) the project will generate profit beginning from the first year of operation. Ratios such as the percentage of net profit to total sales, return on equity and return on total investment are 10%, 14% and 22% in the first year and are gradually rising. Furthermore, the income statement and other profitability indicators show that the project is viable.

II. Breakeven Analysis

The breakeven point of the project is estimated by using income statement projection. Accordingly, the project will break even at 29.6% of capacity utilization.

III. Payback Period

Investment cost and income statement projection are used in estimating the project payback period. The projects will payback fully the initial investment less working capital in 3 years.

IV. Simple Rate of Return

For the envisaged plant the simple rate of return equals to 25.1%

V. Internal Rate of Return and Net Present Value

Based on cash flow statement described in the annex part, the calculated IRR of the project is 25.7% and the net present value at 18 % discount is Birr 351,871.79

VI. Sensitivity Analysis

The envisaged plant is profitable even with considerable cost increment. That is the plant maintains to be profitable starting from the first year when 10 % cost increment takes place in the sector. This result is accompanied with payback period of 3 years and 5 months.

9 Economic and Social Benefit and Justification

The envisaged project possesses wide range of benefits that promotes the socio-economic goals and objectives stated in the strategic plan of the Amhara National Regional State. It also plays a role in diversifying the economic activity of the region. These other benefits are listed as follows

A. Profit Generation

The project is found to be financially viable and earns a profit of Birr 2.48 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 929.4 thousand from corporate tax payment alone (i.e. excluding income tax and). 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 several citizens of the region. That is, it will provide permanent employment to 30 professionals as well as support stuffs. Consequently the project creates income of Birr 221.76 thousands per year. 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	70%	85%	100%	100%
1. Total Inventory	0.00	0.00	12283.60	14915.80	17548.00	17548.00
Raw Materials in Stock- Total	0.00	0.00	5757.50	6991.25	8225.00	8225.00
Raw Material-Local	0.00	0.00	5757.50	6991.25	8225.00	8225.00
Raw Material-Foreign	0.00	0.00	0.00	0.00	0.00	0.00
Factory Supplies in Stock	0.00	0.00	0.00	0.00	0.00	0.00
Spare Parts in Stock and Maintenance	0.00	0.00	768.60	933.30	1098.00	1098.00
Work in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Finished Products	0.00	0.00	0.00	0.00	0.00	0.00
2. Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00
3. Cash in Hand	0.00	0.00	18534.95	22506.73	26478.50	26478.50
CURRENT ASSETS	0.00	0.00	25061.05	30431.28	35801.50	35801.50
4. Current Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NET WORKING CAPITAL REQUIRMENTS	0.00	0.00	25061.05	30431.28	35801.50	35801.50
INCREASE IN NET WORKING CAPITAL	0.00	0.00	25061.05	5370.22	5370.23	0.00

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	17548.00	17548.00	17548.00	17548.00	17548.00	17548.00
Raw Materials in Stock-Total	8225.00	8225.00	8225.00	8225.00	8225.00	8225.00
Raw Material-Local	8225.00	8225.00	8225.00	8225.00	8225.00	8225.00
Raw Material-Foreign	0.00	0.00	0.00	0.00	0.00	0.00
Factory Supplies in Stock	0.00	0.00	0.00	0.00	0.00	0.00
Spare Parts in Stock and Maintenance	1098.00	1098.00	1098.00	1098.00	1098.00	1098.00
Work in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Finished Products	0.00	0.00	0.00	0.00	0.00	0.00
2. Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00
3. Cash in Hand	26478.50	26478.50	26478.50	26478.50	26478.50	26478.50
CURRENT ASSETS	35801.50	35801.50	35801.50	35801.50	35801.50	35801.50
4. Current Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NET WORKING CAPITAL REQUIRMENTS	35801.50	35801.50	35801.50	35801.50	35801.50	35801.50
INCREASE IN NET WORKING CAPITAL	0.00	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	576450.00	612251.50	705250.00	856375.00	1007500.00	1007500.00
1. Inflow Funds	576450.00	612251.50	0.00	0.00	0.00	0.00
Total Equity	230580.00	244900.60	0.00	0.00	0.00	0.00
Total Long Term Loan	345870.00	367350.90	0.00	0.00	0.00	0.00
Total Short Term Finances	0.00	0.00	0.00	0.00	0.00	0.00
2. Inflow Operation	0.00	0.00	705250.00	856375.00	1007500.00	1007500.00
Sales Revenue	0.00	0.00	705250.00	856375.00	1007500.00	1007500.00
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	576450.00	576450.00	592735.16	662077.09	826180.80	810825.49
4. Increase In Fixed Assets	576450.00	576450.00	0.00	0.00	0.00	0.00
Fixed Investments	549000.00	549000.00	0.00	0.00	0.00	0.00
Pre-production Expenditures	27450.00	27450.00	0.00	0.00	0.00	0.00
5. Increase in Current Assets	0.00	0.00	25061.05	5370.22	5370.23	0.00
6. Operating Costs	0.00	0.00	374630.47	452250.21	529869.95	529869.95
7. Corporate Tax Paid	0.00	0.00	0.00	0.00	100748.39	105027.71
8. Interest Paid	0.00	0.00	193043.64	85586.51	71322.09	57057.67
9. Loan Repayments	0.00	0.00	0.00	118870.15	118870.15	118870.15
10. Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00
Surplus(Deficit)	0.00	35801.50	112514.84	194297.91	181319.20	196674.51
Cumulative Cash Balance	0.00	35801.50	148316.34	342614.25	523933.45	720607.96

Annex 2: Cash Flow Statement (in Birr): Continued						
	PRODUCTION					
	5	6	7	8	9	10
TOTAL CASH INFLOW	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
1. Inflow Funds	0.00	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	0.00	0.00	0.00	0.00	0.00	0.00
2. Inflow Operation	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
Sales Revenue	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
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	800840.39	794149.30	784164.21	655308.97	655308.97	655308.97
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	0.00	0.00	0.00	0.00	0.00	0.00
6. Operating Costs	529869.95	529869.95	529869.95	529869.95	529869.95	529869.95
7. Corporate Tax Paid	109307.04	116880.36	121159.69	125439.02	125439.02	125439.02
8. Interest Paid	42793.25	28528.84	14264.42	0.00	0.00	0.00
9. Loan Repayments	118870.15	118870.15	118870.15	0.00	0.00	0.00
10. Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00
Surplus(Deficit)	206659.61	213350.70	223335.79	352191.04	352191.04	352191.04
Cumulative Cash Balance	927267.57	1140618.27	1363954.06	1716145.10	2068336.13	2420527.17

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	705250.00	856375.00	1007500.00	1007500.00
1. Inflow Operation	0.00	0.00	705250.00	856375.00	1007500.00	1007500.00
Sales Revenue	0.00	0.00	705250.00	856375.00	1007500.00	1007500.00
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	576450.00	576450.00	399691.52	457620.43	535240.18	634897.66
3. Increase in Fixed Assets	576450.00	576450.00	0.00	0.00	0.00	0.00
Fixed Investments	549000.00	549000.00	0.00	0.00	0.00	0.00
Pre-production Expenditures	27450.00	27450.00	0.00	0.00	0.00	0.00
4. Increase in Net Working Capital	0.00	0.00	25061.05	5370.22	5370.23	0.00
5. Operating Costs	0.00	0.00	374630.47	452250.21	529869.95	529869.95
6. Corporate Tax Paid	0.00	0.00	0.00	0.00	100748.39	105027.71
NET CASH FLOW	-576450.00	-576450.00	305558.49	398754.57	472259.83	372602.34
CUMMULATIVE NET CASH FLOW	-576450.00	-1152900.00	-847341.52	-448586.95	23672.88	396275.21
Net Present Value (at 18%)	-576450.00	-488516.95	219447.35	242694.34	243586.36	162867.92
Cumulative Net present Value	-576450.00	-1064966.95	-845519.60	-602825.26	-359238.90	-196370.98

Annex 3: DISCOUNTED CASH FLOW-TOTAL CAPITAL INVESTED (Continued)						
	PRODUCTION					
	5	6	7	8	9	10
TOTAL CASH INFLOW	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
1. Inflow Operation	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
Sales Revenue	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
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	639176.99	646750.31	651029.64	655308.97	655308.97	655308.97
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	0.00	0.00	0.00	0.00	0.00	0.00
5. Operating Costs	529869.95	529869.95	529869.95	529869.95	529869.95	529869.95
6. Corporate Tax Paid	109307.04	116880.36	121159.69	125439.02	125439.02	125439.02
NET CASH FLOW	368323.01	360749.69	356470.36	352191.04	352191.04	352191.04
CUMMULATIVE NET CASH FLOW	764598.23	1125347.91	1481818.27	1834009.31	2186200.34	2538391.38
Net Present Value (at 18%)	136438.46	113248.36	94834.72	79403.61	67291.19	57026.43
Cumulative Net present Value	-59932.52	53315.83	148150.55	227554.16	294845.35	351871.79
Net Present Value (at 18%)	351,871.79					
Internal Rate of Return	25.7%					

Annex 4: NET INCOME STATEMENT (in Birr)					
	PRODUCTION				
	1	2	3	4	5
Capacity Utilization (%)	70%	85%	100%	100%	100%
1. Total Income	705250.00	856375.00	1007500.00	1007500.00	1007500.00
Sales Revenue	705250.00	856375.00	1007500.00	1007500.00	1007500.00
Other Income	0.00	0.00	0.00	0.00	0.00
2. Less Variable Cost	300132.67	364446.81	428760.95	428760.95	428760.95
VARIABLE MARGIN	405117.34	491928.19	578739.05	578739.05	578739.05
(In % of Total Income)	57.44	57.44	57.44	57.44	57.44
3. Less Fixed Costs	144977.80	158283.40	171589.00	171589.00	171589.00
OPERATIONAL MARGIN	260139.54	333644.79	407150.05	407150.05	407150.05
(In % of Total Income)	37	39	40	40	40
4. Less Cost of Finance	193043.64	85586.51	71322.09	57057.67	42793.25
5. GROSS PROFIT	67095.89	248058.28	335827.96	350092.38	364356.80
6. Income (Corporate) Tax	0.00	0.00	100748.39	105027.71	109307.04
7. NET PROFIT	67095.89	248058.28	235079.57	245064.66	255049.76
RATIOS (%)					
Gross Profit/Sales	10%	29%	33%	35%	36%
Net Profit After Tax/Sales	10%	29%	23%	24%	25%
Return on Investment	22%	28%	26%	25%	25%
Return on Equity	14%	52%	49%	52%	54%

Annex 4: NET INCOME STATEMENT (in Birr):Continued					
	PRODUCTION				
	6	7	8	9	10
Capacity Utilization (%)	100%	100%	100%	100%	100%
1. Total Income	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
Sales Revenue	1007500.00	1007500.00	1007500.00	1007500.00	1007500.00
Other Income	0.00	0.00	0.00	0.00	0.00
2. Less Variable Cost	428760.95	428760.95	428760.95	428760.95	428760.95
VARIABLE MARGIN	578739.05	578739.05	578739.05	578739.05	578739.05
(In % of Total Income)	57	57	57	57	57
3. Less Fixed Costs	160609.00	160609.00	160609.00	160609.00	160609.00
OPERATIONAL MARGIN	418130.05	418130.05	418130.05	418130.05	418130.05
(In % of Total Income)	42	42	42	42	42
4. Less Cost of Finance	28528.84	14264.42	0.00	0.00	0.00
5. GROSS PROFIT	389601.21	403865.63	418130.05	418130.05	418130.05
6. Income (Corporate) Tax	116880.36	121159.69	125439.02	125439.02	125439.02
7. NET PROFIT	272720.85	282705.94	292691.04	292691.04	292691.04
RATIOS (%)					
Gross Profit/Sales	39%	40%	42%	42%	42%
Net Profit After Tax/Sales	27%	28%	29%	29%	29%
Return on Investment	25%	25%	25%	25%	25%
Return on Equity	57%	59%	62%	62%	62%

Annex 5: Projected Balance Sheet (in Birr)

	CONSTRUCTION		PRODUCTION			
	Year 1	Year 2	1	2	3	4
TOTAL ASSETS	576450.00	1188701.50	1255797.39	1384985.53	1501194.95	1627389.46
1. Total Current Assets	0.00	35801.50	173377.39	373045.53	559734.95	756409.46
Inventory on Materials and Supplies	0.00	0.00	6526.10	7924.55	9323.00	9323.00
Work in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Finished Products in Stock	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00
Cash in Hand	0.00	0.00	18534.95	22506.73	26478.50	26478.50
Cash Surplus, Finance Available	0.00	35801.50	148316.34	342614.25	523933.45	720607.96
Securities	0.00	0.00	0.00	0.00	0.00	0.00
2. Total Fixed Assets, Net of Depreciation	576450.00	1152900.00	1082420.00	1011940.00	941460.00	870980.00
Fixed Investment	0.00	549000.00	1098000.00	1098000.00	1098000.00	1098000.00
Construction in Progress	549000.00	549000.00	0.00	0.00	0.00	0.00
Pre-Production Expenditure	27450.00	54900.00	54900.00	54900.00	54900.00	54900.00
Less Accumulated Depreciation	0.00	0.00	70480.00	140960.00	211440.00	281920.00
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	576450.00	1188701.50	1255797.39	1384985.53	1501194.95	1627389.46
5. Total Current Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00
Bank Overdraft	0.00	0.00	0.00	0.00	0.00	0.00
6. Total Long-term Debt	345870.00	713220.90	713220.90	594350.75	475480.60	356610.45
Loan A	345870.00	713220.90	713220.90	594350.75	475480.60	356610.45
Loan B	0.00	0.00	0.00	0.00	0.00	0.00
7. Total Equity Capital	230580.00	475480.60	475480.60	475480.60	475480.60	475480.60
Ordinary Capital	230580.00	475480.60	475480.60	475480.60	475480.60	475480.60
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	67095.89	315154.18	550233.75
9. Net Profit After Tax	0.00	0.00	67095.89	248058.28	235079.57	245064.66
Dividends Payable	0.00	0.00	0.00	0.00	0.00	0.00
Retained Profits	0.00	0.00	67095.89	248058.28	235079.57	245064.66

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

	PRODUCTION					
	5	6	7	8	9	10
TOTAL ASSETS	1763569.07	1917419.77	2081255.56	2373946.60	2666637.63	2959328.67
1. Total Current Assets	963069.07	1176419.77	1399755.56	1751946.60	2104137.63	2456328.67
Inventory on Materials and Supplies	9323.00	9323.00	9323.00	9323.00	9323.00	9323.00
Work in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Finished Products in Stock	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00
Cash in Hand	26478.50	26478.50	26478.50	26478.50	26478.50	26478.50
Cash Surplus, Finance Available	927267.57	1140618.27	1363954.06	1716145.10	2068336.13	2420527.17
Securities	0.00	0.00	0.00	0.00	0.00	0.00
2. Total Fixed Assets, Net of Depreciation	800500.00	741000.00	681500.00	622000.00	562500.00	503000.00
Fixed Investment	1098000.00	1098000.00	1098000.00	1098000.00	1098000.00	1098000.00
Construction in Progress	0.00	0.00	0.00	0.00	0.00	0.00
Pre-Production Expenditure	54900.00	54900.00	54900.00	54900.00	54900.00	54900.00
Less Accumulated Depreciation	352400.00	411900.00	471400.00	530900.00	590400.00	649900.00
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	1763569.07	1917419.77	2081255.56	2373946.60	2666637.63	2959328.67
5. Total Current Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00
Bank Overdraft	0.00	0.00	0.00	0.00	0.00	0.00
6. Total Long-term Debt	237740.30	118870.15	0.00	0.00	0.00	0.00
Loan A	237740.30	118870.15	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	475480.60	475480.60	475480.60	475480.60	475480.60	475480.60
Ordinary Capital	475480.60	475480.60	475480.60	475480.60	475480.60	475480.60
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	795298.41	1050348.17	1323069.02	1605774.96	1898466.00	2191157.03
9. Net Profit After Tax	255049.76	272720.85	282705.94	292691.04	292691.04	292691.04
Dividends Payable	0.00	0.00	0.00	0.00	0.00	0.00
Retained Profits	255049.76	272720.85	282705.94	292691.04	292691.04	292691.04