VICTORIA PERCH LIMITED

Proposed Project for Rehabilitation and Modernization of Fish Processing and Transportation Facilities

A BUSINESS PLAN

Prepared by:

Victoria Perch Limited
P.O. Box 348
Mwanza
Tanzania

DECEMBER 2020

TABLE OF CONTENTS

1.0 BACKGROUND INFORMATION

1.1 INTRODUCTION

Victoria Perch Limited of P.O. Box 348 Mwanza is fish processing and export company which started operating in Mwanza in September 2013 after acquisition of a fish processing factory previously belonging to M/s Mwanza Fishing Industries Limited. The company was first granted Tanzania Investment Centre (TIC) Certificate of Incentives No. 042551 in November 2013 for rehabilitation and modernization of the acquired facilities, and the last Certificate was granted in January 2017 for the same purpose. The last Certificate expires in December 2020. Between 2013 when they took over the facilities and September 2016 the company managed to inject US$ 859,492 in the process. Again, they injected a total of TShs 1,384,176,962/= (equivalent to US$ 599,210-). Total investment since the takeover now stands at US$ 1,458,702-. The company is once again in the process of further rehabilitation and modernization of the fish processing and transportation facilities where they plan to inject further into the project US$ 1,450,500- for replacing some of the existing plants machinery and equipment as well as the transportation system to meet their current requirements. By the very nature of the business, the project requires frequent rehabilitation and modernization to meet the high standards required by the export markets.

. The company was incorporated on the 3rd day of August 2010 as a limited liability company under Certificate of Incorporation No: 77745 of same date with its registered office being at Plot No: 11 Block "C" Ilemela Industrial Area, Mwanza. The company export fresh chilled and frozen Nile Perch fillets to countries throughout the world, major markets being Europe, America, Far East and Middle East.

1.2 MANAGEMENT

The Board of Directors is controlling the authorities of the company. The processing plant in Mwanza is managed by a team of professionals at different levels headed by the Resident Director, Mr. Jagdish Reddy. The company provides training and holds regular meetings with the employees to elicit their views on the promotion of staff welfare and working conditions. It's the company's policy to train the fishermen by sending qualified staff to landing sites and train on the best hygienic handling of raw fish (the raw materials). Also, the company conducts seminars together with organizations like Tanzania Bureau of Standards (TBS), TANESCO, Sustainable Mwanza Programme, Nyegezi Fisheries Institute etc for health education, personal hygienic and environmental aspects.

1.3 CURRENT SHAREHOLDING STRUCTURE AND DIRECTORSHIPS

The current shareholder and directors of the company are:

NAME AND ADDRESS OF SHAREHOLDER	NUMBER OF SHARES TAKEN BY EACH	NATIONALITY
Prashanth Goniwada Rudrappa Plot No: 11 Block "C" Ilemela Industrial Area P.O. Box 348 **Mwanza**	1,530 (61%)	Indian
Jagdish Chandra Bandi Reddy Plot No: 11 Block "C" Ilemela Industrial Area P.O. Box 348 **Mwanza**	170 (7%)	Indian
Un-allotted	800 (32%)	
TOTAL	**2,500**	

Directors:

1. Prashanth Goniwada Rudrappa - Indian
2. Jagdish Chandra Bandi Reddy - Indian

1.4 COMPANY'S ACHIEVEMENTS: 2013/14 to 2018/19 FINANCIAL YEARS

1.4.1 Capital Investment

Capital investment so far made can be categorized in two phases: Phase One: 2013/14 to 2015/16 period; Phase Two: 2015/16 to 2018/19 period. The major activities completed during the two phases include upgrading the factory building itself, rehabilitation and expansion of plants machinery and equipment as well as the transportation system as indicated in the table below:

Capital Investment during the Period 2013/2019 (Phase I and II) (in US$)

S/NO.	CAPITAL ITEM	PHASE ONE 2013/14 – 2015/16	PHASE II 2015/16 – 2018/19	TOTAL 2013/2019
1.	Land and Buildings	13,577	144,341	157,918
2.	Plant Machinery, Tools and Equipment	133,989	196,381	330,370
3.	Trucks and other Vehicles	694,597	244,829	939,426
4.	Furniture, Fittings & Office Equipment	17,329	13,660	30,989
	TOTAL	859,492	599,211	1,458,733

1.4.2 Capital Investment Breakdown: 2016/2019 (Phase II) (in US$)

S/N	CAPITAL ITEM	2016/17	2017/18	2018/19	TOTAL
1.	Land and Buildings	30,437	91,209	22,695	144,341
2.	Plant Machinery, Tools and Equipment	79,186	109,274	7,921	196,381
3.	Trucks and other Vehicles	207,358	30,718	6,753	244,829
4.	Furniture, Fittings & Office Equipment	1,923	8,602	3,135	13,660
	TOTAL	**318,903**	**239,803**	**40,504**	**599,211**

The table above demonstrates that projects of fish processing and export requires continuous rehabilitation and modernization to meet the required international standards.

1.4.3 ANNUAL TURNOVER

The company's greatest achievement is assuring the best of service and attention at all levels especially maintaining the quality of the products. As far as financial performance is concerned, the company has been experiencing a sharp downward trend in export prices, declining from the average of US$ 6.22 per kilogram in the financial year 2016/17 to US$ 5.05 (2017/18) and US$ 3.75 (2018/19). While export sales have remained relatively stable during 2016/17 and 2017/18, there was a significant drop during 2018/19 financial year. On the other hand, production has also been fluctuating, increasing from 6,926,431 kgs in 2016/17 period to 7,865,620 kgs in 2017/18, before declining to 5,962,699 kgs in 2018/19 financial year.

Annual Production and Sales during the Period 2016 to 2019 (in Kgs)

S/NO.	PRODUCTION/ SALES	2016/17	2017/18	2018/19	TOTAL
1.	Production(kgs)	6,926,431	7,865,620	5,962,699	20,754,750
2.	Export Sales (kgs)	3,336,795	3,707,673	2,874,814	9,919,282
3.	Local Sales (kgs)	3,589,636	4,157,947	3,087,885	10,835,468
4.	Export Sales (US$)	20,784,936	18,682,788	10,732,513	50,200,237

The current plan is to improve production and transportation facilities to meet the export markets (including EU) requirements, and increase production capacity and so the sales volume by at least 30% in 2020/21 financial year from the current level, by 15% in 2021/22 year and finally by 10% in 2022/2023 year.

1.4.4 DEVELOPMENT OF INFRUSTRUCTURE AND COMMUNITY SERVICES

As one of the major fish processing industry in Mwanza - Lake Zone, Victoria Perch Limited has been involved in developing much of the infrastructure of the communities in which it operates. This company has made a substantial assistance to community facilities and civic affairs, job creation, and small-scale business development. In addition, the company assists various non-governmental organizations involved in community service. The company currently provides direct employment to 350 local people providing livelihood to over 2,000 fishermen and their dependence. On the other hand, it provides jobs to 15 expatriate staff majoring in various professions.

1.4.5 QUALITY CONTROL AND INTERNATIONAL RECOGNITION

Victoria Perch Limited is a European Union Approved processing plant having a working quality control system in place. The HACCP System of quality control has given this factory a global competence. A working laboratory, an efficient training programme, good team work and support from the government authorities is helping this industry to grow day-by-day.

1.4.6 RAW MATERIAL AND LABOUR

The two main resources for producing Nile Perch fillet are raw material and labour which are abundantly available in the region. The company is producing raw material from Lake Victoria, the second largest fresh water lake in the world and the largest in Africa. Forty Nine percent (49%) of the lake is under the territorial jurisdiction of Tanzania. The company has made substantial investments in the infrastructure for procuring for artisanal fishermen fishing gear like fishing boats, engines, fishing nets etc. The fishing gear is then supplied to local artisan fishing community which ensures regular and assured supply of raw material. Captive ice plants and generators are installed by the company to meet its ice and power requirements, thereby reducing dependence on outside agencies. With a larger and growing demand for Nile Perch in the world markets, the company's position is expected to get stronger.

1.4.7 IMPLEMENTATION OF EU DIRECTIVES

The company has implemented all directives from the EU and therefore approved for export to all the EU countries and the global market in general including the Middle East and to the other member states of East Africa. Furthermore, HACCP (Hazard Analysis & Critical Control Points) quality control system is under operation in the Plant which ensures that from the plant only first quality product is supplied to the customer.

1.5 PROJECT OBJECTIVE

The company started operation in Mwanza in September 2010 after leasing the Mwanza Fishing Industries Limited fish processing facilities located at Plots No: 11, 124 and 126 Block "C" Ilemela Industrial Area, Mwanza, before a complete acquisition in year 2013. The Company has since undertaken major rehabilitation and modernization programme including procurement of more machinery equipment and refrigerated trucks for internal transport of raw materials and transport system of fish fillets for export to the port. By the very nature of this type of business, rehabilitation and replacement of processing and transportation system is always an on-going activity so as to meet the export market requirements. At the moment, the company envisages further modernization and expansion of these facilities. And it is for this reason that it is applying for a new TIC Certificate of Incentives to facilitate smooth implementation of the rehabilitation and modernization programme.

2.0 THE RAW MATERIAL

2.1 Lake Victoria

Lake Victoria is the largest lake in Africa and the second largest fresh water lake in the worked. It is bordered by three East African countries – Kenya, Uganda and Tanzania.

Lake Victoria is the source of the river Nile, the longest river in the world. River Nile originating from lake Victoria changes it's name several times in its course. From Lake Victoria to Lake Albert it is known as Victoria Nile. From Lake Albert to Uganda border it's known as Albert Nile, and from Sudan to its confluence with the Blue Nile its known as Bahr al Jabar (Mountain Nile) and also as Bahr el Abiad (White Nile)

Nile perch was first introduced to Lake Victoria in the 1960's. Due to it's ecological tenacity, it now accounts for approximately two thirds of the lake's total harvest with the prospect of virtually continuous supply.

This is one resource, which is in no immediate danger of over fishing. The fishing methods are traditional, and that too is only by local artisan fishermen. The tree countries, which share the lake, have not permitted mechanized commercial harvesting of the fish resultantly; the fishing is restricted to about seven km from the shore, providing ample opportunities for breeding in the central and deeper sections of the lake.

2.2 The Nile Perch

The fresh fish required for processing is procured from the artisan fishermen through the local co-operative societies and the company has made substantial investments in an infrastructure that ensures continuous and consistent supply to the processing plant. These include the supply of fishing boats, nets, outboard engines and consumables, on very easy terms to artisan fishermen.

Nile Perch Latin name *Lates Niloticus* belongs to the Grouper family of fish. It's a wonderfully sweet tasting, firmly textured, highly nutritious, virtually odourless and retains its high moisture content when cooked. This fish is low on calories, rich in trace nutrients, and it is lipid poly saturated.

This species is the largest fresh water fish in the world. It can grow in excess of 230 kgs (500lbs), however, only fish below 23 kgs (50lbs) are used commercially, to assure tenderness and low fat content.

2.3 **Nutrition analysis** (per 100gms-3.5oZ serving-Raw)

	Nile Perch	% of US RDA*
CALORIES	93.0	
Protein	19.1g	
Fat	1.8g	
Cholesterol	54.5mg	
Sodium	32.89mg	
Potassium	302.1 mg	
Vitamin A	<10 IU	<2
Vitamin C	<1 mg	<2
Thiamine	0.107 mg	6
Riboflavin	0187 mg	10
Niacin	3.03 mg	15
Calcium	10.33 mg	
Iron	0.19 mg	<2
Omega-3	710 mg **	

* Percentage of the United States recommended Daily Allowance
** 710 gm of Omega-3 fatty acids is one of he highest levels found in any sea food.

Researchers have found that Omega-3 fatty acids from seafood may reduce the risk of heart disease. Also studies have shown links between omega-3 and improved brain development, cancer prevention, alleviation of pain in rheumatoid arthritis, and migraines. All seafood has Omega-3 fatty acids, but Nile Perch has one of the highest levels of Omega-3 found in any seafood.

2.4 Packaging and Storage

Primary Product Forms

Frozen Deep skinned boneless fillets; skin-on boneless fillets, Head less and gutted

Fresh Deep skinned boneless fillets; head less and gutted

Packaging

Frozen Fillets are typically Individually Layer Packed **(ILP)** or individually poly-wrapped **(IPW)** in 6 kg boxes, and frozen to minus 40 degrees Celsius and stored at minus 18 degree Celsius

Fresh Packed in 6 kg insulated boxes and chilled to minus 4 degrees Celsius.

Brands

Frozen Branding mainly depend on the marketing strategy applicable in countries in question.

Fresh Fresh product is normally supplied in white Styrofoam cartons

Storage Period

Frozen: Properly packed and stored – up to 18 months

Fresh: Fresh fillets will keep for 8 to 10 days

3.0 TECHNICAL ASPECTS

3.1 General Information

The project sponsors have been in this trade for a significant period of time and we have a number of plants already operating, consequently, they are fully conversant with the technology of filleting and freezing. This industry in any case is not technology driven; all it requires is the maintenance of a high degree of hygiene and cleanliness. The factories need to have walls and floorings finished to food grade requirements, adequate supply of fresh and clean water and skilled filleters, the process of filleting is essentially manual

Victoria Perch Limited has been regularly importing machinery for the various plants and has an established source for the supply of machinery and spares

3.2 Production Process

The fish is procured from the artisan fishermen and weighed. Quantities are delivered to the factory. At the point of receipt of the fish and then again at factory, the fish is visually inspected for quality and freshness. Quality inspectors are in a position to access the quality of the raw material by the sense of touch smell and visual inspection.

The acceptable fish is only taken into the factory premises where it is first washed with fresh clean water, and then dipped in a chlorine solution of 20 PPM and graded. The treated and graded fish is taken to the production line for filleting
The process of filleting involves:

- Filleting, de-boning and removal of offal
- Removal of belly flaps
- De-skinning
- Trimming
- Grading
- Graded fillets are then individually poly-wrapped and weighed and packed I n 6 kilo boxes
- Freezing for 1 hour 45 minutes to about 2 hours in plate freezers at minus 40 degrees Celsius

- Strapping of boxes and storage in cold stores at minus 18 degree Celsius
- Export by Air from Mwanza Airport or Transportation to Mombasa for export by Sea
- From the offal we remove the fish maws, skins, chest portions, head, skeleton and the tail
- Fish maws are frozen and it is an expensive product for sale in the far East market
- The belly flap and the chest portion are sold locally. Efforts are being made to export these by products also.
- Skin skeletons and the tail is at present sold to fishmeal manufacturers

4.0 MARKET EVALUATION

4.1 Market Analysis

This is a white fleshed fish with a firm texture and a mild flavor.

The demand for this fish has been constantly growing as transportation and logistics issues are taken care of and accessibility to markets in Europe and America become easier. The demand for this fish in America is likely to grow. The Americans find this fish quite similar to the basses and groupers that are locally available. However their prices are much higher and availability is seasonal. The prices of the Nile perch are more competitive and the supply virtually constant. This makes the fish more attractive.

4.2 Supply

The catch of Nile perch is increasing every year from 1992 to 2000. The serious problem is that the latest research shows that stock of Nile Perch is going down due to overfishing. East African Authorities have already made substantial steps and measures to sustain this fish.

4.3 Other Local Processors

There are quite a number of companies in the lake zone which are engaged in the fish processing. The major ones are:

- Supreme Perch Limited
- Victoria Treasures Limited
- Vic Fish Ltd - Mwanza
- Omega Fish Ltd
- Musoma Fish Processors
- Tanzania Fish Processors Ltd
- Vic Fish Ltd – Bukoba
- Kagera Fish Processing Co. Ltd
- Nile Perch Fisheries Ltd
- Natures Fish Limited

4.4 Competition

The emergence of and increasing global domination by Bassa fish from Vietnam is real threat to the Nile Perch. Before, there was ample scope in the world market for this product.

With the earlier EU ban and resultant greater awareness of hygiene requirements: many smaller players, who have not been able to upgrade their facilities to the required standard, have been weeded out of the market. Present restrictive quota regime operative for other white fillet fish like cod helps the company in market penetration.

The next logical step will be to enter in the value-added production and ready to eat meal section of the market in which as at present there are no players.

5.0 MODERNIZATION AND EXPANSION PROGRMME

5.1 The Concept

The main activity of Victoria Perch Limited is fish processing and packaging, mainly for the export market. Traditionally, the main product has been fish fillet for export and fish maws, and processing wastes sold locally as an important input in the production of chicken feed. Victoria Perch Limited Ltd now plans to modernize and expand facilities into Value Added Division and other food areas. The company further intends to diversify into new export products to specialized markets.

The company's head office and all production activities are located at Plot No: 11, 124 and 126 Block "C" Ilemela Industrial Area, Mwanza.

The main source of funding the rehabilitation and modernization programme will be through directors' loans, ploughed back profits; and bank term loan in the ratio of 50:50.

5.2 The Planned New Activities

As mentioned elsewhere, the current principal activity of the company is Nile Perch fish processing and packaging mainly for the export market. At present, the company processes about 2,902,189 kgs of fish fillet for export while local sales amounts to 3,060,510 kgs (mainly comprising of fish maws and processing wastes) per annum.

Specifically, the company plans to do the following during the next three years (2020/21. – 2022/23):

- Procure and install new modern Plants Machinery and Equipment at a budget of US$ 1,000,500-
- Strengthen transportation fleet at a budget of US$ 450,000-.

5.3 The Strategies to be employed

In order to realize the planned expansion, the company will use the following strategies:

5.3.1 Repairs and expansion of the existing factory buildings

5.3.2 Modernization and Expansion of fish fillets processing and storage facilities. This will include procurement and installation of the following the following:

- Plate Freezer units comprising of compressor, evaporators and other accessories;
- Blast Freezer unit comprising of compressor, evaporators, and other accessories;
- Flake Ice Machines;
- Compressors and freezing accessories
- Insulated tubs
- 500 kWA Standby Power Generator
- Plastic pallets
- Plastic fish pallets

5.3.3 Modernization and expansion of water treatment and Incineration Plants. This will include procurement and installation of the following:

- Water Treatment Plant with accessories;
- Waste Water Incineration Plant;
- Effluent Water Treatment Plant

5.3.4 Procurement of additional Equipment, including:

- Weighing Scales,
- Laundry Machinery with accessories

5.3.5 Modernization and Expansion of transportation facilities. This will include procurement of the following the following:

- Light Trucks with insulated body (refrigerated)
- Heavy Duty Truck with Semi Trailer

5.3.6 Continue to adhere to the EU Food Standards in collaboration with the country's fisheries authorities to ensure we are eligible to enter any global market at all times

5.3.7 Ensure continuous specialized staff training and motivation throughout so as to maintain a local trained and dedicated work force.

5.3.8 Maintain and undertake frequent training to the current labour force of 350 local Tanzanians, and 15 expatriate staff

5.4 Financial Aspects – Investment Costs

The acquired assets at the time of acquisition were estimated to be in excess of US$ 2.5 million at book value. Since acquisition in year 2013, the investors have injected about US$ 859,707- more in the rehabilitation and modernization of processing buildings and facilities. The company further injected TShs 1,384,176,963/= (equivalent to US$ 599,211- at current exchange rate). The company plans to invest further about US$ 1,450,500- in procurement of new tangible assets indicated Annex I, II & V of the Financial Projections attaching to this document. The main investment items are mentioned in the section 5.3 above and costs summarized in the table below:

5.4.1 Planned Investment Structure: 2020/21 to 2022/23 Period

S/NO.	CAPITAL ITEM	QTY (UNITS)	UNIT PRICE (US$)	TOTAL COST (US$)
1.0	**Plant Machinery and Equipment**			
1.1	Plate Freezer units with accessories	2	125,000	250,000
1.2	Blast Freezer & accessories	1	75,000	75,000
1.3	Flake Ice Machines	1	75,000	75,000
1.4	Compressors and freezing accessories	10	7,500	75,000
1.5	Insulated tubs	20	3,000	60,000
1.6	500 kWA Standby Power Generator	1	150,000	150,000
	Sub total			**685,000**
2.0	**Water Plants**			
2.1	Water Treatment Plant & accessories	1	70,000	70,000
2.2	Waste Incineration Plant	1	50,000	50,000
2.3	Effluent Water Treatment Plant	1	100,000	100,000
	Sub total			**220,000**
3.0	**Tools & Equipment**			
3.1	Weighing Scales	10	2,500	25,000
3.2	Laundry Machinery with accessories	1	50,000	50,000
3.3	Plastic Pallets	200	15	3,000
3.4	Plastic Fish Crates	5,000	3.5	17,500
	Sub total			**95,500**
	Total Plant Machinery & Equipment			**1,000,500**

4.0	**Transport Facilities**			
4.1	Light Refrigerated Trucks	10	30,000	300,000
4.2	Heavy Duty Truck with Semi Trailer	1	150,000	150,000
	Total			**450,000**
	GRAND TOTAL			**1,450,500**

5.4.2 Projected Production and Sales: 2020/21 to 2022/23 Period

S/No	PRODUCTION/ SALES	2020/21	2021/22	2022/23 onwards
1.	Production(kgs)	7,542,900	7,920,000	8,316,000
2.	Export Sales (kgs)	3,168,000	3,326,400	3,492,000
3.	Local Sales (kgs)	4,374,900	4,593,600	4,824,000,
4.	Export Price (US$/kg)	5.6	5.8	6.0
5.	Export Sales (US$)	17,740,800	19,293,120	20,952,000
6.	Local Sales Price (US$/kg)	1.8	1.9	2.0
7.	Local Sales (US$ equivalent)	7,874,820	8,727,840	9,648,000
	TOTAL SALES	25,615,620	28,020,960	30,600,000

6.0 FINANCIAL ANALYSIS

6.1 Financial Viability

The analysis of the proposed Modernization and Expansion of Victoria Perch Limited shows that the project can generate a fairly good profit and that it generates sufficient cash to meet its financial obligations. The review is given below under the following sub – sections:

- Fundamental Assumptions
- Capital Expenditure and Financing
- Operating Costs;
- Projected Profitability
- Projected Balance Sheets;
- Projected Cash Flow;
- Projected Balance Sheets;
- The Pay Back Period

6.2 Fundamental Assumptions

The preparation of the financial projections took into account the following main assumptions:

6.2.1 The operating period under which the viability of the project is being evaluated is five (5) years.

6.2.2 The new capital cost of the proposed rehabilitation and modernization of the project is US$ 1,450,500-.

6.2.3 All the calculations throughout the economic lifetime of the project are constant with December 2020 being the base date

6.2.4 The projected direct production costs are shown under Appendix IV

6.2.5 The main revenue source is from export of fish fillets and fish maws, skins as well as local sales of fish as well as processing wastes (extracted fish bones) for production of chicken feed.

6.2.6 The average cost of Nile Perch raw fish is about 35% of sales.

6.2.7 Packaging materials cost is estimated at US$ 0.15 per kg

6.2.8 The agents will collect a commission at the rate of US$ 0.05 per kg over c&f price.

6.2.9 Freight (outbound cargo transport and ocean freight) is estimated at US$ 1.0 per kg;

6.2.10 Product content per raw fish is assumed to be as follows:

○ Fillet	40.00%
○ Skins and Extracted Bones	15.00%
○ Other by-products (belly flaps, Head, fat and other wastes)	45.00%

6.2.11 Capital expenditure has been assumed to be incurred for the first year only;

6.2.12 The financial plan is for the shareholders to finance the project through a bank term loan at US$ 677,500- (46.71%) at the prevailing bank interest of 8%, while the balance of US& 773,000- (53.29%) is through directors' loans and plough-back profits. Total capital investment cost (excluding working capital) is therefore estimated at US$% 1,450,500- (excluding working capital);

6.2.13 Economic depreciation rates based on useful lifetimes of the various capital items have been adopted. The following facts apply for the deprecation rates in this project:

- Building and Civil Works are depreciated at 5% Straight line. Most buildings are supposed to last for about 25 years.
- Equipment, Processing Plants, Machinery and Operating Equipment 12.5% and therefore replacement is after 8 years. Scrap value is put at 35%.
- Commercial Motor Vehicles are depreciated at 25% with scrap value estimated at 20%
- Furniture, Fixture & Fittings at 12.5%

6.2.14 Working Capital Requirements

Ideally, working capital requirements are directed by the volume and business tempo. Initial working capital is budgeted at US$ 300,000-

6.2.15 Projected Profitability

The projected profit and loss account is shown in the *Net Income Statement* of the Financial Statement Schedules. On the basis of the operating assumptions and cost the proposed investment is expected to be profitable right from the first year of operation. The after tax profits (US$) are as follows:

YEAR	NET PROFIT (IN US$)	AS % OF SALES
2020/2021	205,925	0.80%
2021/2022	252,189	0.90%
2022/2023	306,000	1.00%
2023/2024	306,000	1.00%
2024/2025	306,000	1.00%

6.3 Cash Flow Projection

The liquidity performance of the project is shown under the *Financial Flows* of the Financial Projection Schedules. The projections take into account the assumed sources and applications of funds over the planned period and show the ability of the project to meet financial obligations and capital expenditure requirements.

Over the projected period of five year the cumulative net cash flow is US$ 1,376,114-

6.4 Financial Review

The financial review of the proposed Rehabilitation and modernization of Victoria Perch Limited shows that:

6.4.1 The project is profitable;

6.4.2 The liquidity position is sound and that is should be able to meet its financial commitments without any undue difficulty as indicated in the Debt Service Schedule under the Financial Statements;

6.4.3 The operations are financially viable;

6.4.4 The key ratios are acceptable with Internal Rate of Return (IRR) at 9.8%, positive NPV Ratio of 1.42 and a Payback Period of 5.2 years at the Dynamic Payback at the assumed 8% discount rate (interest).

It is therefore recommended that the project should go ahead as conceived in this report.

6.5 Development Aspects

The following are the major economic and social benefits, which will be generated by the proposed project.

6.5.1 The raw material for production is Nile Perch fish which will be purchased directly from local artisan fishermen through company agents. The project will therefore create employment to a considerable number of local fishermen and agents.

6.5.2 The expansion project will guarantee retention of the current number of 350 local employees and 15 expatriate staff.

6.5.3 Revenue to the government Treasury and other organs in the form of taxes, fees and levies

6.5.4 The project will generate a considerable amount of foreign exchange through the sale of fish fillets, and fish processing by-products. Almost 100% of fish fillet sales are for the export market. Of European Union, the Middle East and other East Africa countries

6.5.5 The project personnel will benefit from training on fish processing skills

7.0 CONCLUSION AND RECOMMENDATIONS

The foregoing discussion highlights on the social, economic and financial dimensions which the envisaged project is set to generate in this country. The brief financial analysis indicates that the modernization and expansion of the project will be financially viable. Therefore, it is strongly recommended that the sponsors, Victoria Perch Limited be availed the required institutional assistance so as to enable them implement the proposed Project.

FINANCIAL PROJECTIONS

			ANNEX I
	PROJECT SUMMARY SHEET		
PROJECT TITLE	**VICTORIA PERCH LIMITED**		
Project Description:	Rehabilitation and Modernization of of fish processing		
	facilities and strengthening of fish transportation system.		
Project classification:	Rehabilitation and Modernization		
Construction phase:	1/21 - 12/21		
Length:	1 years		
Production phase:	1/22 - 12/26		
Length:	5 years		
Accounting currency:	United States Dollar (US$)		
Units:	Absolute		
Local currency:	Tanzania Shilling (TShs)		
Exchange rate:	1.0000 US$ = 2,310.0000 TShs		
INVESTMENT COSTS			
	Total construction	Total production	Total investment
Total fixed investment costs	1,450,500.00	0	1,450,500.00
Total pre-production expenditures (Interest)	0.00	0	0.00
Increase in net working capital	0	267,129.46	267,129.46
TOTAL INVESTMENT COSTS	1,450,500.00	267,129.46	1,717,629.46
SOURCES OF FINANCE			
	Total construction	Total production	Total inflow
Total equity capital	773,000.00	0.00	773,000.00
Total long-term loans	677,500.00	0.00	677,500.00
Accounts payable	0.00	267,129.46	267,129.46
TOTAL SOURCES OF FINANCE	1,450,500.00	267,129.46	1,717,629.46
INCOME AND COSTS, OPERATIONS			
	First year 21	Reference year 18	Last year 26
SALES REVENUE	25,615,620.00	25,615,620.00	30,600,000.00
Factory costs	19,303,092.65	19,303,092.65	22,826,484.35
Administrative overhead costs	1,719,463.38	1,719,463.38	2,109,630.26
OPERATING COSTS	21,022,556.03	21,022,556.03	24,936,114.61
Depreciation	145,351.25	145,351.25	145,351.25
Financial costs	54,200.00	54,200.00	18,666.66
TOTAL PRODUCTION COSTS	21,222,107.28	21,222,107.28	25,100,132.52
Marketing costs	4,099,151.06	4,099,151.06	5,045,077.90
COSTS OF PRODUCTS	25,321,258.34	25,321,258.34	30,145,210.42
GROSS PROFIT FROM OPERATIONS	294,181.65	294,181.65	437,142.86
GROSS PROFIT	294,181.65	294,181.65	437,142.86
TAXABLE PROFIT	294,181.65	294,181.65	437,142.86
Income (corporate) tax	88,256.67	88,256.67	131,142.86
NET PROFIT	205,925.00	205,925.00	306,000.00

				ANNEX II
	FIXED INVESTMENT COSTS			
	Total construction	Total production	Starting balance	Construction 21
Civil works, structures and buildings	**0**	**0**	0.00	**0**
Plant machinery and equipment	**560,000.00**	**0**	**0.00**	**560,000.00**
Plate Freezer	250,000.00	0.00	0	250,000.00
Blast Freezer	75,000.00	0.00	0	75,000.00
Flake Ice Machine	75,000.00	0.00	0	75,000.00
Compressors	75,000.00	0.00	0	75,000.00
Insulated Tubs	60,000.00	0.00	0	60,000.00
Weighing Scales	25,000.00	0.00	0.00	25,000.00
Auxiliary and service plant equipment	**220,500.00**	**0.00**	**0.00**	**220,500.00**
Standby Power Generator 500 kWA	150,000.00	0.00	0	150,000.00
Laundry Machinery	50,000.00	0.00	0.00	50,000.00
Plastic Pallets	3,000.00	0.00	0.00	3,000.00
Plastic Fish Plates	17,500.00	0.00	0.00	17,500.00
Environmental protection	**220,000.00**	**0**	**0**	**220,000.00**
Water Treatment Plant	70,000.00	0	0	70,000.00
Water Incineration Plant	50,000.00	0	0	50,000.00
Effluent Water Treatment Plant	100,000.00	0	0	100,000.00
Furniture, Fittings and Office Equipment	**0.00**	**0**	0.00	0.00
Computer Software	0.00	0	0.00	0.00
Fax Machine	0	0	0.00	0.00
Xerox Machine	0.00	0	0.00	0.00
Furniture and Fittings	0.00	0	0.00	0
Motor Vehicles	**450,000.00**	**0**	0.00	**450,000.00**
Heavy Duty Semi Trailers	150,000.00	0	0.00	150,000.00
Light TruLight Trucks with Insulated Body (Refrigerated	300,000.00	0	0.00	300,000.00
Boats	0.00	0	0.00	0
Other Vehicles	0.00	0	0.00	0
TOTAL FIXED INVESTMENT COSTS	**1,450,500.00**	**0**	**0.00**	**1,450,500.00**

							ANNEX III
	TOTAL CAPITAL INVESTMENT						
	Total construction	Total production	Construction 21	Production 22	Production 23	Production 24	Production 25
Total fixed investment costs	1,450,500.00	0.00	1,450,500.00	0	0	0	0
Total pre-production expenditures	54,200.00	0	54,200.00	0	0	0	0
Interest	54,200.00	0	54,200.00	0	0	0	0
Increase in net working capital	0	267,129.46	0	394,724.22	480,816.65	590,813.27	775.324074
TOTAL INVESTMENT COSTS	1,558,900.00	267,129.46	1,558,900.00	394,724.22	480,816.65	590,813.27	775.324074
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					ANNEX IV
	TOTAL PRODUCTION COSTS				
	Production 22	Production 23	Production 24	Production 25	Production 26
Raw Fish	8,965,467.00	9,807,336.00	10,710,000.00	10,710,000.00	10,710,000.00
Factory Supplies	3,342,343.00	3,703,144.00	4,090,000.00	4,090,000.00	4,090,000.00
Packaging	1,131,435.00	1,188,000.00	1,247,400.00	1,247,400.00	1,247,400.00
Personnel	2,049,250.00	2,241,676.00	2,448,000.00	2,448,000.00	2,448,000.00
Utilities	149,935.45	165,310.00	183,360.00	183,360.00	183,360.00
Energy	299,870.90	330,620.00	366,720.00	366,720.00	366,720.00
Spare parts consumed	134,735.00	134,735.00	134,735.00	134,735.00	134,735.00
Repair, maintenance, material	202,103.00	202,103.00	202,103.00	202,103.00	202,103.00
Royalties	1,535,590.00	1,612,354.00	1,693,224.00	1,693,224.00	1,693,224.00
Labour Overhead Costs	409,850.00	448,335.00	489,600.00	489,600.00	489,600.00
Factory Overhead Costs	1,082,513.30	1,212,217.55	1,261,342.35	1,261,342.35	1,261,342.35
FACTORY COSTS	19,303,092.65	21,045,830.55	22,826,484.35	22,826,484.35	22,826,484.35
Administrative Overhead Costs	1,719,463.38	1,897,202.33	2,127,696.95	2,145,763.64	2,109,630.26
	21,022,556.03	22,943,032.88	24,954,181.30	24,972,247.99	24,936,114.61
OPERATING COSTS	19,634,100.65	20,613,940.77	21,079,187.47	21,079,187.47	21,079,187.47
Depreciation	145,351.25	145,351.25	145,351.25	145,351.25	145,351.25
Financial costs	54,200.00	36,133.36	18,066.69	0.00	0.00
Interest	54,200.00	36,133.36	18,066.69	0.00	0.00
Leasing costs	0.00	0.00	0.00	0.00	0.00
TOTAL PRODUCTION COST	19,887,851.90	20,831,558.74	21,260,672.10	21,224,538.72	21,224,538.72
Direct Marketing Costs (except personnel)	3,055,040.00	3,291,056.00	3,539,600.00	3,539,600.00	3,539,600.00
Marketing Overhead Costs	1,044,111.06	1,244,936.51	1,505,477.90	1,505,477.90	1,505,477.90
TOTAL MARKETING COSTS	4,099,151.06	4,535,992.51	5,045,077.90	5,045,077.90	5,045,077.90
COSTS OF PRODUCTS	23,987,002.96	25,367,551.25	26,305,750.00	26,269,616.62	26,269,616.62

							ANNEX V
	SOURCES OF FINANCE - FINANCIAL FLOWS						
	Total inflow	Starting balance	Construction 21	Production 22	Production 23	Production 24	Production 25
Total equity capital	773,000.00	0.00	677,500.00	0.00	0.00	0	0
Total long-term loans	677,500.00		677,500.00	0.00	0.00	0.00	0
TOTAL LONG-TERM FINANCE	1,450,500.00	0.00	1,450,000.00	0.00	0.00	0.00	0.00
Total short-term finance	300,000.00	0.00	0.00	300,000.00	0.00	0.00	0.00
Accounts payable	300,000.00	0.00	0.00	300,000.00	0.00	0.00	0
TOTAL FINANCIAL FLOW	1,750,500.00	0.00	1,450,000.00	300,000.00	0.00	-418,181.26	-775.32

									ANNEX VI
	DEBT SERVICE SCHEDULE								
	Total inflow	Starting balance	Construction 17	Production 21	Production 22	Production 23	Production 24	Production 25	Scrap
Total long-term loans									
Disbursement	677,500.00	0.00	677,500.00		0	0	0	0	0
Repayment	677,500.00	0.00	0.00	225,500.00	225,500.00	226,500.00	0	0	0
Debt balance	0.00		677,500.00	452,000.00	226,500.00	0	0	0	0
Interest payable	108,480.00		0.00	54,200.00	36,100	18,120.00			

						ANNEX VII
	CASH FLOW FOR FINANCIAL PLANNING					
	Construction 21	Production 22	Production 23	Production 24	Production 25	Production 26
TOTAL CASH INFLOW	1,450,500.00	25,615,620.00	28,020,960.00	30,600,000.00	30,600,000.00	30,600,000.00
Inflow funds	1,450,500.00				0	0
Total equity capital	773,000.00	0	0	0	0	0
Total long-term loans	677,500.00	0	0	0	0	0
Total short-term finance	0	300,000.00			0	0
Inflow operation (Sales Revenue)	0	25,615,620.00	28,020,960.00	30,600,000.00	30,600,000.00	30,600,000.00
Operating costs	0.00	19,634,100.65	20,613,940.77	21,079,187.47	21,079,187.47	21,079,187.47
Marketing costs	0	4,099,151.06	4,535,992.51	5,045,077.90	5,045,077.90	5,045,077.90
Income (corporate) tax	0	88,256.67	108,081.00	131,142.86	131,142.86	131,142.86
Financial costs		54,200.00	36,160.00	18,120.00	0.00	0.00
Loan repayment	0	225,500.00	225,500.00	226,500.00	0.00	0.00
Dividends	0	0.00	0.00	0.00	0.00	0.00
SURPLUS (DEFICIT)	0	205,925.00	252,189.00	306,000.00	306,000.00	306,000.00
CUMULATIVE CASH BALANCE	0	205,925.00	458,114.00	764,114.00	1,070,114.00	1,376,114.00
Net flow of funds	-1,450,500.00	-1,244,575.00	-992,386.00	-686,386.00	-380,386.00	-74,386.00

								ANNEX VIII
	DISCOUNTED CASH FLOW - TOTAL CAPITAL INVESTED							
	Starting balance	Construction 21	Production 22	Production 23	Production 24	Production 25	Production 26	Scrap
TOTAL CASH INFLOW	0	0.00	25,615,620.00	28,020,960.00	30,600,000.00	30,600,000.00	30,600,000.00	2,148,956.25
Inflow operation	0	0.00	25,615,620.00	28,020,960.00	30,600,000.00	30,600,000.00	30,600,000.00	0
Sales revenue	0.00	0.00	25,615,620.00	28,020,960.00	30,600,000.00	30,600,000.00	30,600,000.00	0
TOTAL CASH OUTFLOW	1,450,500.00	0	26,063,868.91	26,085,879.37	27,328,118.61	26,907,373.00	26,907,373.00	0
Increase in fixed assets	1,450,500.00	1,450,500.00	0.00	0.00	0	0	0	0
Fixed investments		1,450,500.00	0.00	0.00	0.00	0.00	0	0
Pre-production expenditures (net of interest)	0	0.00	0.00	0.00	0.00	0.00	0	0
Increase in net working capital	0	0.00	794,724.22	80,816.65	90,813.27	775.32	0	0
Operating costs	0.00	0.00	19,634,100.65	20,613,940.77	21,079,187.47	21,079,187.47	21,079,187.47	0
Marketing costs	0.00	0.00	2,691,200.00	2,949,500.00	3,234,050.00	3,234,050.00	3,234,050.00	0
Income (corporate) tax	0.00	0.00	647,251.00	771,511.00	819,520.00	819,520.00	819,520.00	0
NET CASH FLOW	-1,453,000.00	-1,825,703.91	-1,509,787.19	-305,589.08	2,215,636.03	6,049,888.14	2,380,875.92	2,148,956.25
CUMULATIVE NET CASH FLOW	-1,453,000.00	-470,703.91	315,916.72	1,208,198.11	2,521,225.11	3,834,252.11	7,752,698.34	9,901,654.59
Net present value	-1,453,000.00	-1,699,275.00	982,635.94	1,719,013.78	1,718,855.73	1,644,587.33	1,500,355.69	1,354,206.96
Cumulative net present value	-1,453,000.00	-2,558,767.00	-1,576,131.06	142,882.72	1,861,738.44	3,506,325.77	5,006,681.46	6,360,888.42

					ANNEX IX
	INCOME STATEMENT				
	Production 22	Production 23	Production 24	Production 25	Production 26
Sales revenue	25,615,620.00	28,020,960.00	30,600,000.00	30,600,000.00	30,600,000.00
Less variable costs	19,330,179.35	21,063,980.00	22,921,918.00	22,921,918.00	22,921,918.00
Raw Fish	8,965,467.00	9,807,336.00	10,710,000.00	10,710,000.00	10,710,000.00
Packaging	1,131,435.00	1,188,000.00	1,247,400.00	1,247,400.00	1,247,400.00
Factory Supplies	3,342,343.00	3,703,144.00	4,090,000.00	4,090,000.00	4,090,000.00
Personnel	2,049,250.00	2,241,676.00	2,448,000.00	2,448,000.00	2,448,000.00
Marketing (except personnel)	3,055,040.00	3,291,056.00	3,539,600.00	3,539,600.00	3,539,600.00
Utilities	149,935.45	165,310.00	183,360.00	183,360.00	183,360.00
Energy	299,870.90	330,620.00	366,720.00	366,720.00	366,720.00
Spare parts consumed	134,735.00	134,735.00	134,735.00	134,735.00	134,735.00
Repair, maintenance, material	202,103.00	202,103.00	202,103.00	202,103.00	202,103.00
VARIABLE MARGIN	6,285,440.65	6,956,980.00	7,678,082.00	7,678,082.00	7,678,082.00
in % of sales revenue	24.54	24.82	25.09	25.09	25.09
Less fixed costs	5,937,058.99	6,560,576.64	7,222,872.45	7,240,939.14	7,204,805.76
Labour Overhead Costs	409,850.00	448,335.00	489,600.00	489,600.00	489,600.00
Marketing Overhead Costs	1,044,111.06	1,244,936.51	1,505,477.90	1,505,477.90	1,505,477.90
Factory Overhead Costs	1,082,513.30	1,212,217.55	1,261,342.35	1,261,342.35	1,261,342.35
Royalties	1,535,590.00	1,612,354.00	1,693,224.00	1,693,224.00	1,693,224.00
Administrative Overhead Costs	1,719,463.38	1,897,202.33	2,127,696.95	2,145,763.64	2,109,630.26
Depreciation	145,531.25	145,531.25	145,531.25	145,531.25	145,531.25
OPERATIONAL MARGIN	348,381.65	396,403.36	455,209.55	437,142.86	437,142.86
in % of sales revenue	1.36	1.42	1.45	1.43	1.43
Financial costs	54,200.00	36,133.36	18,066.69	0.00	0.00
GROSS PROFIT FROM OPERATIONS	294,181.65	360,270.00	437,142.86	437,142.86	437,142.86
in % of sales revenue	1.15	1.28	1.43	1.43	1.43
GROSS PROFIT	294,181.65	360,270.00	437,142.86	437,142.86	437,142.86
TAXABLE PROFIT	294,181.65	360,270.00	437,142.86	437,142.86	437,142.86
Income (corporate) tax	88,256.67	108,081.00	131,142.86	131,142.86	131,142.86
NET PROFIT	205,925.00	252,189.00	306,000.00	306,000.00	306,000.00
in % of sales revenue	0.80	0.90	1.00	1.00	1.00
Dividends	0.00	0.00	0.00	0.00	0.00
RETAINED PROFIT	205,925.00	252,189.00	306,000.00	306,000.00	306,000.00
RATIOS					
Net profit to equity (%)	26.64	32.25	39.59	39.59	39.59
Net profit+interest to investment (%)	38.4	42.56	47.83	45.17	45.17

					ANNEX IX			
	BREAK-EVEN ANALYSIS							
	Production 22	Production 22	Production 23	Production 24	Production 25			
Sales revenue	25,593,165.00	26,872,500.00	28,220,400.00	28,220,400.00	28,220,400.00			
Variable costs	13,721,935.50	14,646,117.64	15,098,748.05	15,098,748.05	15,098,748.05			
Variable margin	11,871,229.50	12,226,382.36	13,121,651.95	13,121,651.95	13,121,651.95			0.00
Variable margin ratio (%)	46.38	45.49	46.49	46.49	46.49			
Including cost of finance								
Fixed costs	8,079,599.60	8,169,099.89	8,772,274.10	8,772,274.10	8,772,274.10			
Financial costs	54,200.00	36,160.00	18,120.00	0.00	0.00			
Break-even sales value	13,917,563.00	13,350,258.00	13,399,046.00	13,399,046.00	13,399,046.00			
Break-even ratio (%)	54.38	49.68	47.48	46.74	44.50			
Fixed costs coverage ratio	1.838774	2.012924	2.106206	2.139661	2.246991			
Excluding cost of finance								
Fixed costs	8,079,599.60	8,169,099.89	8,772,274.10	8,772,274.10	8,772,274.10			
Break-even sales value	13,280,293.00	12,936,422.00	13,190,215.00	13,190,215.00	12,558,078.00			
Break-even ratio (%)	51.89	48.14	46.74	46.74	44.50			
Fixed costs coverage ratio	1.93	2.08	2.14	2.14	2.25			

					ANNEX X	
	PROJECTED BALANCE SHEET					
	21	22	23	24	25	26
TOTAL ASSETS	1,450,500.00	3,127,809.04	3,372,117.40	3,711,661.76	3,872,130.71	4,032,599.26
Total current assets	0.00	1,822,660.29	2,215,449.90	2,697,575.51	3,003,575.51	3,309,575.51
Inventory on materials & supplies	0.00	129,490.26	141,533.75	155,450.42	155,450.42	155,450.42
Work in progress	0.00	94,089.94	102,537.05	113,299.90	113,299.90	113,299.90
Finished product	0.00	482,373.93	523,902.72	576,816.47	576,816.47	576,816.47
Accounts receivable	0.00	843,802.91	918,000.15	1,009,938.85	1,009,938.85	1,009,938.85
Cash-in-hand	0.00	66,978.24	71,362.23	77,955.87	77,955.87	77,955.87
Cash surplus, finance available	0.00	205,925.00	458,114.00	764,114.00	1,070,114.00	1,376,114.00
Total fixed assets, net of depreciation	1,450,500.00	1,305,148.75	1,159,617.50	1,014,086.25	868,555.00	723,023.75
Fixed investments	1,450,500.00	1,450,500.00	1,450,500.00	1,450,500.00	1,450,500.00	1,450,500.00
Construction in progress	1,450,500.00	0.00	0.00	0.00	0.00	0
Total pre-production expenditures	54,200.00	0.00	0.00	0.00	0.00	0.00
Less accumulated depreciation	0.00	145,531.25	291,062.50	436,593.75	582,125.00	727,656.25
TOTAL LIABILITIES	1,450,500.00	2,252,936.07	2,339,409.03	2,504,221.37	2,809,446.04	3,115,446.04
Total current liabilities	0.00	822,011.07	881,795.03	967,107.37	966,332.04	966,332.04
Accounts payable	0	822,011.07	881,795.03	967,107.37	966,332.04	966,332.04
Total long-term debt	677,500.00	452,000.00	226,500.00	0.00	0.00	0
Total equity capital	773,000.00	773,000.00	773,000.00	773,000.00	773,000.00	773,000.00
Reserves, retained profit brought forward	0	205,925.00	458,114.00	764,114.00	1,070,114.00	1,376,114.00
Retained profit	0	205,925.00	252,189.00	306,000.00	306,000.00	306,000.00
Net worth	773,000.00	978,925.00	1,231,114.00	1,537,114.00	1,843,114.00	2,149,114.00
RATIOS						
Equity to total liabilities (%)	53.29	34.31	33.04	30.87	27.51	24.81
Net worth to total liabilities (%)	53.29	34.31	52.62	61.38	65.6	68.98
Long-term debt to net worth	0.88	0.46	0.18	0	0	0
Current assets to current liabilities	0	2.22	2.51	2.29	3.11	3.42