

**YFH INTERNATIONAL
BUSINESS COMPANY LIMITED**

BUSINESS PLAN

ON

**PROPOSED COMMERCIAL LARGE
SCALE PADDY FARMING**

PROJECT AT LIMBULA VILLAGE

**UGUNGA WARD KALIUA
DISTRICT
MAY, 2022**

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CHAPTER 1: EXECUTIVE SUMMARY

1.1 Introduction

This project report sets out project proposals by YFH International Business Company Limited to establish a Commercial Large-scale Paddy Farm at Limbula Village, Ugunga Ward, Kaliua District covering an area of 6,000 acres. Rice processing will be done at the production area where a large scale processing machinery with a capacity of output 2.5 - 3 ton/hour of rice or 60 - 70 metric ton within 24 hours on the basis of Three shifts/day. Bran will be an important product for the animal feeds industry.

1.2. Background and History of the Project

The project is being sponsored and promoted by YFH INTERNATIONAL BUSINESS COMPANY LIMITED incorporated in this country on 05/03/2021 with a certificate of incorporation No.151024734, owned by a team of highly knowledgeable and experienced entrepreneurs namely Mr. Boniface Habonayo, and Madame Huling Song.

1.3 Paddy Production

The agricultural sector is the mainstay of Tanzania's economy. Rice is one of the main food crops, though a significant number of farmers cultivate paddy for sale on the market. Paddy production in Tanzania has depicted a fluctuating trend depending largely on weather, poor production to post harvesting handling practices, limited mechanization and poor management of labour resources, poor water management strategies, inefficient market system as well as pests and diseases.

1.4 The Market

Paddy in Tanzania is produced both as a cash crop and a food crop. Marketing of paddy/rice in the domestic market, especially in urban areas, has not been a problem. YFH International Business Company Limited intends to sell its products in the domestic, regional and the international markets.

1.5 The Project

The proposed project envisages to establish a 6,000 acre Commercial Large-scale Paddy Farm at Limbula Village, Ugunga Ward in Kaliua District, Tabora region for production of paddy and processing of the paddy will be done in the production area. The project is being sponsored and promoted by YFH INTERNATIONAL BUSINESS COMPANY LIMITED incorporated in this country on 05/03/2021 with a certificate of incorporation No. 151024734, owned by a team of highly knowledgeable and experienced entrepreneurs namely Mr. Boniface Habonayo, and Madame Huiling Song.

Most of the 6,000-acre farm will be for paddy production. The project plans to launch an outgrower scheme/contract to small-scale farmers and assure them of a steady market for their produce. Inputs, training, finance, storage and milling are part of the outgrower package. Moreover the outgrower scheme will ensure a steady market for paddy produced by small holders.

1.6 The Project Engineering

The proposed project envisages to establish a 6,000 acres Commercial Large-scale Paddy Farm at Limbula Village, Ugunga Ward in Kaliua District, Tabora region for production of paddy. Cultivation, planting and harvesting of paddy will use agricultural machinery such as tractors, planters and combine harvesters of Chinese made. The rated capacity of the rice milling machinery will be 60 – 70 tons of rice within 24hrs on the basis of Three shifts/day.

1.7 Project Cost and Financing

The proposed total capital expenditure is estimated at Tshs 4,823,500,000.00 to cover land acquisition, site clearance, land development, construction of farm house, office, godown, workshop, construction of boreholes, agricultural machinery and equipment, tractors, planters, harvester, vehicles, furniture and fixtures, and pre-operational expenses as summarised below:

Table No. 1 Summary of Investments Costs

Tshs '000'		Million		
S/N	CAPITAL ITEM	LOCAL COST	FOREIGN	TOTAL
1.	Land and site clearance			350,000
2.	Buildings	350,000		1,850,000
3.	Plant & Farm Machinery and Extra Spares – Tractors, Ploughs, Planters, Harvesters	1,850,000	1,400,000	1,400,000
4.	Motor Vehicles			250,000
5.	Furniture & Fixtures.	250,000		215,000
6.	Pre-operational Expenses	215,000		320,000
7.	Contingencies 10%	320,000		438,500
	Total		1,400,000	4,823,500
8.	Working Capital	3,423,500		1,467,245
	Total including Working Capital	1,467,245	1,400,000	6,290,745
		4,890,745		

Financing Plan

The above investment is planned to be financed as follows:-

Table No: 2 Financing Plan Tshs 000

S/N	ITEM	LOCAL	FOREIGN	TOTAL
1.	EQUITY:	3,423,500	1,400,000	4,823,500
2.	LOANS:			
	TERM LOAN			
	BANK OVERDRAFT	-	-	-
	TOTAL FINANCING	3,423,500	1,400,000	4,823,500

Owners' equity contribution of Tshs 4,823,500,000.00 is 100% of the total project investment.

1.8 Organisation Structure and Human Resources

The proposed paddy farm and rice processing unit which is being established by YFH International Business Company Limited will be headed by a Farm Manager who will be assisted by a Maintenance Engineer, an Accountant/Financial Controller, Administration Supervisor, Operations /Marketing Supervisor, Assistant Farm Manager, Agricultural Extension Officer Storekeeper and other supporting staff. Training for inexperienced staff will have to be done mostly on the job using experienced personnel. A total workforce of 108. people is envisaged for the paddy farm.

1.9 Financial Analysis

Details of the financial projections are contained in the schedules of this report. However a summary of the profit and loss accounts and cash flows for the first three years of operation is as follows:-

Table No. 3: Summary of Profit & Loss Accounts Tshs 000

YEAR	1	2	3
SALES INCOME	22,569,600	22,569,600	22,569,600
GROSS PROFIT	13,225,000	13,225,000	13,225,000
PROFIT BEFORE TAX	5,064,750	5,064,750	5,064,750
DIVIDENDS	0	0	500,000
ACCUMULATED CASH BALANCE (from schedule 2)	2,934,000	5,868,000	10,269,000

The Internal Rate of Return (IRR) is 31.13% (after tax) while the project payback period will be within five years. The projected liquidity of the project should present no problems in debt servicing and other cash obligations.

1.10 Economic Evaluation

The proposed project has a number of development values to the country.

(a) The project will enhance the output of paddy produced in Tanzania.

(b) The project when fully implemented will stimulate agricultural growth, especially paddy production in Kaliua district through application of modern agricultural production techniques and marketing of the crop, an incentive most looked by farmers.

(c) The project is import-substitution industry and will conserve scarce foreign exchange.

(d) The project will provide employment opportunities and income in the paddy growing areas of Kaliua. The project will also create direct jobs to 100 people, the government will benefit in terms of corporation tax revenue and other levies.

(e) The project will provide food to all sectors of society.

(f) The project conforms to the government sectoral restructuring policies.

1.11 Conclusions and Recommendations

Conclusions

- (a) The project is profitable.
- (b) Its liquidity position is sound and it should be able to meet its short and long term obligations.
- (c) The operations are financially and economically viable.
- (d) The key ratios are acceptable.
- (e) The project will further contribute to increased employment and income distribution.
- (f) The project will improve the production of quality rice grains and enhance the competitiveness of Tanzania rice in the domestic, regional and global markets through adhering to rice grain quality standards and regulations, and thereby increase foreign exchange savings and earnings.
- (g) The project will apply modern agricultural production methods and improved rice production technologies through utilization of efficient agricultural machinery (tractors, planters, combine harvesters and rotary weeder) to facilitate timely rice farming operations.
- (g) The project will improve post-harvest handling and storage practices, processing, value addition, branding and strengthening of business linkages. Hence it will significantly reduce post harvesting losses of rice.
- (h) The undertaking will adhere to Good Agriculture Practices (GAPs) including crop management practices and post harvest technologies and hence enhance paddy output.
- (i) The project will promote the production of high quality rice using Good Agricultural Practices and Good Processing/Manufacturing Practices in line with national, East African, and International production, value addition, and marketing standards and safety requirements.
- (j) The project will enhance value addition through putting special emphasis on rice processing with a view of enhancing rice profitability by adding value to what they produce and commercial utilization of rice products and by-products. Rice-based products include rice flour, rice starch, parboiled rice, cakes, baked breads and crackers, breakfast cereals. Current practice, rice bran and husks are thrown away or disposed as low value fuel or animal feed. Likewise broken rice can be used for making snacks, beer, vinegar, milk, pet food industry, animal feeding, aquaculture. Also broken rice can be used to make starch which is used as laundry and in foods, cosmetics and textile manufacture.
- (i) The undertaking will offer training possibilities for Tanzanian and foreign Agricultural Technicians, artisans and mechanics.

(j) Revenue will accrue to the government by way of taxes and levies.

(k) The project will help the country conserve scarce foreign exchange since this project is import substitution Industry. An improved production of quality products would enhance competitiveness of agricultural products in the markets (domestic and external markets) and increasing foreign exchange savings and earnings from rice.

Recommendations

It is recommended that YFH International Business Company Limited should go ahead with the proposed project.

CHAPTER 2: BACKGROUND AND HISTORY OF THE PROJECT

2.1 The Company

YFH International Business Company Limited is a private limited liability Company incorporated in Tanzania on 05/03/2021 with a certificate of incorporation No 151024734. YFH International Business Company Limited will be responsible for promoting and operating the proposed Commercial Large-Scale Paddy Farm and a rice processing unit. YFH International Business Company Limited has been established by a team of highly knowledgeable and experienced entrepreneurs namely Mr. Boniface Habonayo, and Madame Huling Song.

2.2 Shareholders

It is the intention of the promoters of the project to sell shares to other interested parties who have a keen interest in the paddy production industry.

2.3 The Project Promoters

The private foreign partners in this new venture will initially include:-

1. Mr. Boniface Habonayo a well known businessman and textile engineer. His wider knowledge and experience in project promotion ranging from commercial farming, transport, tourist hotels to export-import business, is a great asset to the successful implementation of this project.
2. Madame Huling Song is a business woman with rich experience in export and import business.

CHAPTER 3: PADDY PRODUCTION

3.1. Paddy Production in Tanzania

Rice is produced across all regions in Tanzania, but Iringa, Mbeya, Morogoro, Mwanza, Pwani, Shinyanga, Tabora and Simiyu regions have a high concentration of rice producers of all categories (small scale, medium scale, and large scale producers). Rice production systems in Tanzania can be categorised into traditional rainfed production systems, improved small scale production systems, and large scale production systems (United Republic of Tanzania (URT), 2019). Traditional rainfed production is the predominant system, accounting for about 74 per cent of the area under rice production in the country. This system is dominated by small scale farmers, who use limited amounts of productivity enhancing inputs, such as improved seeds, inorganic fertilisers, herbicides, and pesticides.

Large scale production systems accounted for only 6 per cent of the area under rice production in the country (Wilson and Lewis 2015). The system is dominated by large scale commercial farms or companies, such as Kilombero Plantation Limited (KPL), which in some cases are linked to small scale farmers as out-growers. KPL, in collaboration with development partners, has promoted a system of rice intensification (SRI), among smallholder farmers throughout Kilombero, since 2010.

Table No. 4: Trend of Rice Production and Consumption for the period 2011/2012 to 2016/2017

Year	Area Harvested (Ha)	Yield (t/ha)	Production (MT)	Requirement (MT)	Self-sufficiency ratio (%)
2011/2012	900,275	1.3	1,170,358	818,699	143
2012/2013	1,005,622	1.3	1,307,308	840,487	156
2013/2014	840,563	2.0	1,681,125	886,962	190
2014/2015	1,139,358	1.7	1,936,909	926,096	209
2015/2016	1,238,372	1.8	2,229,071	976,925	228
2016/2017	758,861	2.1	1,593,609	924,435	172
2017/2018	1,109,814	2.0	2,219,628	990,044	224

Source: Ministry of Agriculture (MOA) reports-Tanzania

3.2 Trends in Paddy Production

Table No. 5: The Mid-term (2025) and Long-term (2030) Targets and Projections for the National Rice Development Strategy II (NRDS II – 2018 to 2030) are indicated in the table below:

ITEMS	2018/2019	2025 (mid-term)	2030 (long-term)
Area under cultivation (million ha)	1.1	1.43 (30%)	2.2
Output (milled rice, t/ha)	2	3 (50%)	4
Yield paddy – before milling t/ha	3.08	4.3	6.15
Post harvest losses	30%	20%	10%
Harvest (milled rice, million tons)	2.2	4.29	8.8
National Consumption of milled rice, million tons	1.8	2.6	3.5
Surplus milled rice (million tons)	0.4	1.7	5.3

Source: National Rice Development Strategy Phase II (NRDS II)

3.3 Paddy Processing

Rice processing involves the removal of husks from paddy, separate the mixture of paddy and brown (husked) rice and remover of bran from brown rice. In Tanzania the process is undertaken by rice milling machines (and kinds of technologies for large scale rice milling plants under use are Buhler Milling Machine, Satake Milling Machine, Chinese and Vietnamese makes).

Milling is the crucial step in the post-harvest process. Paddy is milled to remove the hull and the bran layers (in Tanzania these are usually removed together). If only the hull is removed, the resultant product is brown rice. Removing the bran as well as the hull results in white rice, which may then be polished to produce an edible white kernel ready for cooking or further processing. In larger mills, rice is usually graded into various qualities (Grade One Supa is the top grade in Tanzania); in smaller mills grading is unusual. The ratio of rice to paddy after milling is usually about 65 percent but this varies (both above and below) by 5 percent.

Large modern mills are able to produce graded and polished rice. Since the milling industry is dominated by small mills, most traded rice is ungraded and may mix different origins and varieties. Mills in Tanzania are mostly of Chinese origin (although Vietnamese machines are being introduced). They are generally electrically powered though some are driven by diesel engines. Roller mills in the Ifakara—Morogoro area generally have an output of 0.8-1.3 t/hour and produce about 10-12 t/day.

Processors (millers) are located in most of the production areas and range from medium to large scale ones. Medium scale processors are located in urban centres near production areas and owned by male and female entrepreneurs. Some processing machines can produce white stone-free rice of premium (unbroken), standards (half broken) and regular (three quarters broken) grades. Large scale processors include: Kapunga and Mbarali rice farms in Mbeya region, Kilombero Plantation Limited

(KPL) in Morogoro and Madibira rice farm in Mbeya region. These processors process their farm produce and paddy from other farmers in the vicinity.

CHAPTER 4: THE MARKET

4.1 World Paddy Production

Rice is produced in over hundred countries throughout the World. It is estimated that more than 715 million tons of paddy is produced annually equivalent to 480 million tons of milled rice. Asian countries account for 90% of the world's total rice production. China and India account for 50% of the rice produced in the World. Other major producing countries include Brazil, USA, Egypt, Nigeria and Madagascar account for 5 percent of rice produced globally.

4.2 World Rice Demand Projections

Global rice consumption has been increasing in the 2018/2019 crop-year, about 490.27 million metric tons (MT) of rice was consumed worldwide, up from 437.18 million metric tons (MT) in the 2008/2009 crop year. Rice has emerged as a significant crop in Sub Saharan Africa (SSA), the single most important source of dietary energy in West Africa, and the third most important crop across SSA. Local demand is growing at a rate exceeding 6% per year, with some countries like Kenya and Ethiopia reaching over 12%, faster than any other food staple in the region. This increase is mostly attributed to population growth of 4%, improved income, and urbanization. Average annual per capita rice consumption is estimated at 40 kg in SSA, with the highest reported in Madagascar 140 kg. In Tanzania, per capita consumption of rice is estimated to be 25 kg.

Reasonable production gains were witnessed in the last decade, attributed to both area expansion and increase in yield in some countries. However, the gap between local/regional production and demand is progressively widening, causing the region to import about 15 million tons of milled rice in 2018, and posing serious food security challenges. Rice is now being recognized as a strategic crop and a major component of food security and income for the region. Regional rice production meets only about 55% of demand, with the rest being met through imports, costing the region USD 5–6 billion annually, placing a considerable burden on the already struggling economies. In Tanzania, rain-fed areas, which constitute over 70% of rice areas, are not sufficiently exploited, and the country has plans to expand its irrigated areas. The regional gap in demand for rice could significantly be narrowed with the largest untapped land and water resources and the enormous potential for increasing yields in Tanzania to at least match that being attained in Asia. In the long run, Tanzania can potentially produce sufficient quality rice to meet the Sub Saharan (SSA)/regional demands, and with potential for export to the whole continent.

Table No. 6: Major Rice Exporters to Tanzania (1000 MT)

Reporting Country	2018	2019
Pakistan (*)	191	150
Thailand	31	15
India	9	8
United States	17	0
Other	1	3
Total	249	176

(*) Pakistan estimated exports based on 11 months of available data

Source: Trade Data Monitor LLC, Post estimates

4.3 Tanzania Paddy/Rice Marketing Structures

In the 1960s and 1970s grain was extensively marketed and processed through NAFCO and the National Milling Corporation (NMC). With the operational and financial failure of these entities, however, the market was 'liberalized'. Liberalization included effective privatization of physical infrastructure, irrigation schemes, farms, mills and storage facilities. Markets are still controlled to some extent by a plethora of rules and regulations. The main areas of regulation are for exports (by the Strategic Grain Reserve) and imports (tariffs). At the district level, bylaws can be invoked against food sales out of the district in times of shortage. The Warehousing Receipt System (WRS) also acts in part as a regulator through its storage and payment systems. Important regulatory authorities include the Tanzania Bureau of Standards (TBS), the Tanzania Business Registrations Licensing Agency (BRELA), the Occupational Safety and Health Authority and Local Government Authorities (LGAs). The Ministry of Industry and Trade (MIT) issues operating licenses to rice processing industries, as well as trade licenses to rice traders.

Rice consumers in Tanzania are very keen on the grain size, colour, flavour and aroma. Majority of the consumers prefer long slender, translucent, intermediate amylose content and aromatic to semi-aromatic. The two popularly preferred Tanzania rice in domestic and regional markets includes Supa and TXD 306 (SARO 5). The common grades of rice available in the local markets are premium, grade one and standard. Premium prices are usually given to aromatic rice type e.g. Kyela brand and other rice brand of premium or grade one when sold in attractive package. The demand projection for rice is envisaged to increase as a result of urbanization, change in consumption pattern, increased in diversified use of rice-based products and economic growth. Current national rice consumption is estimated at 1.8 MT and is projected to reach 2.6 MT by 2025 and 3.5 MT by 2030.

Majority of rice farmers (females, males and youth) are smallholders who produce rice for home consumption and sell the

surplus directly to traders. Also, other forms of marketing like contract and auction can be used through Warehouse Receipt System and Tanzania Mercantile Exchange (TMX) when fully operational. Although most of the farmers do cultivate over a farm size that ranges from 0.5 to 3 hectares, there are large scale commercial farms such as Kilombero Plantation Limited-KPL in Morogoro region and Kapunga Rice Plantation Project, Mbarali Rice Farm and Madibira Rice Farm in Mbeya region.

With the current liberalized system, Cooperative Unions and private individuals/companies all participate in paddy purchasing directly from the farmers. It is hoped that this competition will guarantee a good price to the farmers.

4.4 Tanzania Rice Exports

Tanzania mainly imports long grain rice from Pakistan with smaller quantities coming from Thailand, Vietnam and India. Significant quantities of rice is exported regionally from Tanzania to neighbouring countries in East Africa (Kenya, Rwanda, Burundi, Uganda and the Democratic Republic of Congo (DRC), with occasional flows to Malawi and Zambia. A significant amount of informal rice trade occurs through non official "panya" routes from surplus producing areas to neighbouring importing countries where good quality Tanzanian rice is generally preferred over other imports (Trevor and Lewis, 2015b).

4.5 Exporting Challenges

Regardless of import restrictions in Tanzania, rice imports seem to be relatively higher than exports and this is more likely to be contributed by cheaper prices of imported rice. In terms of export performance, the results portray Tanzania has experienced sluggish growth in the export volume of milled rice over time.

Table No. 7: Quantity of exports and imports of milled rice in Tanzania (tones)

Year	Exports	Imports
2010	29,680	73,206
2011	24,983	50,300
2012	5,836	170,190
2013	21,283	229,600
2014	8,837	3,513
2015	964	25,559
2016	1,069	742
2017	243	857
2018	15,518	1,553
2019	14,497	186,845

Source: FAO, 2020

Given the rice productivity capacity, it is clear that Tanzania has a wider chance for scaling its export volume. For Tanzania to scale up its rice export volume, more efforts are needed in the transformation of the rice sub sector from subsistence reliance to viable commercial cultivation as well as transformation from rainfed dependence cultivation to irrigation dependence cultivation.

4.6 Rice Prices

Prices of rice in Tanzania

Tanzania's domestic rice prices are higher than imported rice. This is more likely attributed to higher transaction costs, transport costs and the quality of rice. Irrespective of higher domestic rice prices, its demand remains stable due to its taste and aroma preference (Anderson, 2013). Tanzanian consumers highly demand better quality rice of their own than low quality imported rice (Demont, 2013).

Table No. 8: National Average Wholesale Prices of Rice in Tanzania

Months	Price in \$ per 100 Kg		
	2018	2019	2020
January	83.40	69.04	82.00
February	80.30	72.20	82.23
March	80.00	73.00	
April	84.20	72.10	
May	74.00	72.11	
June	69.00	71.00	
July	65.50	77.00	
August	63.00	78.00	
September	63.00	82.00	
October	65.20	86.00	
November	66.00	86.00	
December	66.50	87.00	

Source: Ministry of Industry Trade, Post computations; Ministry of Industry Trade, Post computations

4.7 Market for Rice Bran and Husks

The potential for utilization of rice by-products such as rice husks, hulls and straws is largely unexploited in the East African Community (EAC) countries. However STRAWTEC Rwanda utilises rice straws to make straw panels for the construction industry (Kabeja, 2016). Rice husks are also used for manufacture of briquettes for domestic and industrial cooking and heating.

Rice bran is one of the most highly demanded rice by-products for manufacture of livestock, poultry, pig and fish feeds in EAC. Rice

bran is a great ingredient in food formulation because it contains 15-18% protein, 14-18% oil, and 30-40% digestible carbohydrates (Ruiz, 2016). The animal feed processors in the EAC are however unable to procure the required volumes of rice bran (on average 41% and 36% deficit in Kenya and Tanzania respectively) due to limited supply of raw materials for manufacture of animal feed (Kilimo Trust, 2017 B).

Broken rice is also used in the brewery industry as an 'adjunct' grain to make beers lighter and produce a dry clean taste (Eddings, 2018). The EAC Customs and Management Act allows the manufacturers to import broken rice for the brewery industry at a duty rate of 0% under the Duty Remissions Scheme (EAC, 2017 A). SKOL Brewery Limited in Rwanda imported 1,500 metric tonnes (MT) of broken rice for beer production under this scheme. Rice is also a main ingredient in Congolese beer and it is mainly imported from Tanzania (Rikolto VECO, 2017). Broken rice is also used in the confectionary industry in the EAC to make doughnut cakes (*Vitumbua*), rice cake (*Mkate wa Sinia*), and as a substitute for wheat.

In Tanzania, Kilombero Plantations Limited (KPL) has a gasification plant that utilizes rice husks to generate electricity which is supplied to the farm and mill, and the surplus sold to TANESCO for 15 US \$ct/kWh (Klaus, 2017). Kimolo Super Rice (KSR) in Dodoma gives the husk to brick builders, who use it to fortify locally manufactured clay bricks while Raphael Group Limited (RGL) in Mbeya sells the husk to Lafarge Cement Factory (not on a regular basis) and dumps the husk or burns it once in a while. Mamboleo Farm Limited (MFL) has a locally built gasifier and is experimenting with production of stones from ash, as well as ash for cement substitution (Klaus, 2017). MFL also uses the rice husk for manure. Tanzania Brewery Limited also uses rice husks as fuel for boilers (Makoye, 2015).

CHAPTER 5: THE PROJECT

5.1 Background

The project objectives takes into account national policies and strategies such as the Agricultural Sector Development Strategy (ASDP) which has been an important guiding tool for implementation of the sectoral policies for the period of ten years (2015/16 – 2024/25). ASDP aims at operationalizing transformation of the agricultural sector into modern, commercial, highly productive, resilient, competitive in the national and international markets which leads to achieving food security and poverty reduction, contributing to realization of Tanzania Development Vision 2025 (TDV) that envisages raising the general standard of living of Tanzanians to the level of a typical medium-income developing country by 2025. Other policies and strategies include the Sustainable Industrial Development Policy (SIDP) 1996-2020, the National Trade Policy (2003), the Agricultural Marketing Development Policy, MKUKUTA II/ MKUZA, KILIMO KWANZA, Agricultural Sector Development Strategy (ASDS), National Rice Development Strategy (NRDS) and hence avoid marginalization in global trade. Thus, the proposed National Rice Development Strategy (NRDS) is in line with both national policies and international commitments that Tanzania has ratified aimed at improving the

livelihood of the majority rural communities through enhancing household food security and incomes.

Furthermore when the project become operational will be able to cope up with existing challenges in rice development including Development and availability of improved seeds resistant or tolerant to major biotic and abiotic stresses; Development and availability of improved post harvest processing technologies and value addition (grading and packaging) processes; Low use of labour saving technologies and inadequate technology transfer; and construction of more irrigation infrastructure.

5.2 Project Description

The project envisages to establish a commercial large scale paddy farm and a paddy processing unit. This means a paddy milling hall together with paddy, rice, and bran storage facilities will be constructed; paddy farming machinery, rice milling equipment procured and installed and operated in producing and processing paddy.

The project sponsors will thus undertake the following activities:-

- Land acquisition, farm clearing, cultivating, sowing, weeding, harvesting.
- Construction of boreholes.
- Construction of godowns/warehouses and rice mill factory building.
- Construction of an agro-machinery servicing workshop.
- Construction of administrative block, staff houses, gate house and other services.
- Purchase of a 350 kw transformer.
- Purchase and installation of complete agricultural machinery with ploughs and rice milling equipment as described in 6.3 below.
- Purchase of motor vehicles.
- Standby generator.
- Purchase of furniture and fittings.

5.3 Project Location

The project is located at Limbula Village, Ugunza Ward in Kaliua District some kilometers 125 kilometers from Tabora Municipality and 25 kilometers from Kaliua Township. It is close to the Central Railway line station of Kaliua off a few kilometers from the Tabora-Kigoma and Tabora-Mpanda railway lines as well as the tarmac road linking Tabora and Kigoma regions. The plot is near the essential utilities including electricity and telephone services. Air transport can be provided through Tabora airport, a small airport at Urambo and six airstrips at Nkinga (Igunga), Kaliua, Sikonge, Nzega Town, Ndala and Lusu (Nzega District Council). There are currently two airline companies operating into and out of Tabora: (i) Air Tanzania Corporation and (ii) Precision Air.

The tarmac road which passes through Kaliua District features prominently within the Kaliua road network linking up with the national railway network and facilitating communication with surrounding regional and national headquarters and neighbouring countries of Burundi, Rwanda and Democratic Republic of Congo. There are also exciting tourist attractions in Kaliua district such as wildlife areas and environmentally scenery attractions including the Kigosi/Muyowosi Game Reserve (proposed to be a national park); and eco-tourism, for example under wildlife management areas (WMAs) such as Isawima and Igombe River. This, together with the district's economic potential, has contributed to an increase in commercial activities and population growth in the district trading centres.

5.4 Temperature and Rainfall

The temperature ranges from 21°C to 33°C and the highest temperature is experienced between August and October just before the start of the rainy season. Temperature gradually falls in December, and then remains relatively constant up to May. From May to August Kaliua district experiences low temperatures.

Rainfall in Kaliua district ranges from 900 mm to 1,300 mm per year.

Falling between the months of October or November and December

and a dry season from January to February or March and the rains tail

off in April or sometimes May.

5.5 Soils

Soils in Kaliua district vary from sand or sand-clay or loam clay texture (*mbuga*). Most of these soils have high nutrient contents and are considered suitable for a wide range of food and cash crops and therefore have the potential for profitable production. Kaliua district soils can best be described as moderately fertile. Ugunga ward where the large scale rice commercial farm project is located has well-drained medium mixture soil. The soil colour ranges from red to yellow loamy sand and or clay loam. The soil has greater ability to retain nutrients and therefore has good potential for commercial agriculture, but needs more water.

The terrain of the zone of is low lying soil required for successful paddy production and has been one of the major paddy producing areas in Kaliua district. Large parts of this zone have high potential for tobacco production.

Soils are sandy, loam and alluvial. This zone is almost 100 percent tsetse-free area has good range land and hence cattle rearing is carried out in this area. The main food crops grown in this zone include maize, paddy, groundnuts, sorghum and sweet potatoes. Cotton, tobacco, groundnuts and sunflower are grown as cash crops. Maize and paddy are also sold to supplement income of the peasant farmer

5.6 Development

So far no any development has been made on the land.

CHAPTER 6: PROJECT ENGINEERING

6.1 Farm Plan

The project is now on its early stages of implementation and covers an area of about 6,000 acres. Most of the 6,000-acre farm will be for paddy production. The project plans to launch an outgrower scheme/contract to small-scale farmers and assure them of a market for their produce. Inputs, training, finance, storage and milling are part of the outgrower package.

6.2 Choice of Technology

The agricultural machinery including tractors, planters and harvesters will be imported from China. Eight (8) 110hp tractors together with eight (8) combine harvesters will be imported from China. Each tractor has a capacity to cultivate 25 acres per day

Regards rice milling, there are basically four rice milling technologies that can be selected, Buhler Milling Machine, Satake Milling Machine, Vietnamese and Chinese milling machines.

Buhler Milling Machine was most widely used in the country, most National Milling Corporation (NMC) rice mills were of this type. It has an extraction rate of 65%.

6.3 Choice of Equipment

All agricultural machinery and equipment including tractors, ploughs, planters and combine harvesters will be of Chinese makes.

The Project Sponsors will be selecting rice milling equipment for paddy processing from Chinese suppliers. The Chinese milling unit selected will be imported from China.

Specification of the equipment to be supplied for each of the above operations will be clearly spelt out in the pro-forma invoices to be secured by the promoters. Apart from the equipment recommended spare parts will be included for all equipment to satisfy an operating period of 12 months.

The rice milling unit will also need to install a weigh bridge at the factory for weighing trucks bringing in paddy either from its godowns outside the plant/factory or directly from purchases from farmers.

6.4 Capacity of the Equipment and Proposed Utilization Plan

A 110 hp tractor has a capacity to cultivate 25 acres of paddy per day

It is proposed that the new rice milling unit will be a modern rice mill of Chinese made. The output of this rice mill will be 2.5 - 3 tons of rice per hour, and 3 eight hour shifts per day (24 effective hours per day)

2,500 kg x 24 hours

= $\frac{60,000}{1,000}$ = 60 tons

Rice milling recovery rates for our paddy are known at 65% of rice, 22% husk, 11% rice polishing (bran) and 2% foreign matters.
Rice polishing (bran) Production

Paddy procurement, rice, rice polishing (bran) output are therefore projected as follows:-

Table No. 9

Projected Production Plan

Description	Year 1	Year 2	Year 3
Paddy Production 100% (tons)	24,000	24,000	24,000
Capacity Utilization	80%	80%	80%
Paddy Production (tons)	19,200	19,200	19,200
Rice Yield (65%) (tons)	12,480	12,480	12,480
Rice Polishing (Bran Yield 11%) (tons)	2,112	2,112	2,112
Husks Yield 22% (tons)	4,224	4,224	4,224

6.5 Means of Transportation

The project will buy trucks for collection of paddy from growing areas to the rice milling plant.

6.6 Implementation Schedule

The implementation of the project is expected to start on September 2022.

Any delay in commissioning the project beyond this date would result

in loss of revenue and will burden the company with interest on the

extended period of implementation. The following implementation

schedule is therefore envisaged:

1. Building & Civil works
2023 May 2023 – July
2. Opening LC & Legal formalities
April/May 2023
3. Ordering of Workshop Machinery & Equipment
2023 May/June

- | | |
|--------------------------------------|-------------|
| 4. Arrival of machinery
2023 | July |
| 5. Installation & Trial runs
2023 | July-August |
| 6. Commercial Operation
2023 | September |

Table No 10: Implementation Schedule

2023								
	Apr	May	June	July	Aug	Sept	Oct	Nov
Building & Civil Works								
Opening LC & Legal formalities								
Ordering of Farm, Workshop Machinery & Equipment								
Arrival of Machinery								
Installation & Trial Runs								
Commercial O. & Operations								

CHAPTER 7: PROJECT COST & FINANCING

7.1 Total Investment Cost

The proposed total expenditure including physical contingencies and working capital is estimated at Tshs 6,290,745,000 to cover farm preparation, planting, weeding, harvesting, construction of rice milling house, machinery service workshop, godowns/warehouses, administrative block, gate house, external works, boreholes, plant and machinery, vehicles, furniture and fixtures, pre-operational expenses. The total expenditure amounting to Tshs 3,423,500,000 will be in local currency and Tshs 1,400,000,000 will be in foreign currency as summarized below:

Table No. 11: Estimated Investment Costs Tshs '000'

CAPITAL ITEM	LOCAL COST	FOREIGN	TOTAL
1. Land & Building	2,200,000		2,200,000
2. Plant & Machinery		1,400,000	1,400,000
3. Motor Vehicles	250,000		250,000
4. Furniture & Fixtures	215,000		215,000
5. Pre-operational expenses	320,000		320,000
6. Contingencies 10%	438,500		438,500
Total	3,423,500	1,400,000	4,823,500
7. Working Capital	1,467,245		1,467,245
Total Including Working Capital	4,890,745	1,400,000	6,290,745

7.2 Working Capital

The working capital has been worked out bearing in mind the specific conditions in the paddy production and marketing system in the country.

Table No. 12 Working Capital Calculation '000'
Tshs

YEAR Stocks	1	2	3	4
Paddy (2 months)	216,000	216,000		216,000
Packing Materials (4 months)	34,560	34,560	216,000	34,560
Rice (1 month)	624,000	624,000	34,560	624,000
Rice Polishing (bran) (1 month)	14,080	14,080	624,000	14,080
Husks (1 month)	28,160	28,160	14,080	14,080
	<u>916,800</u>	<u>916,800</u>	<u>28,160</u>	<u>28,160</u>
DEBTORS			<u>916,800</u>	<u>916,800</u>
Receivables (1 month)	811,200	811,200	811,200	811,200
Total Current Assets	1,728,000	1,728,000	1,728,000	1,728,000
CREDITORS				
Utilities (1 month)	220,595	220,595	220,595	220,595
Salaries & Wages (1 month)	<u>40,160</u>	<u>40,160</u>	<u>40,160</u>	<u>40,160</u>
	260,755	260,755	260,755	260,755
NET CURRENT ASSETS	1,467,245	1,467,245	1,467,245	1,467,245
Increase in Working Capital	1,467,245	1,467,245	1,467,245	0

7.3 Project Financing

The above costs are planned to be financed as follows

Table No. 13: Proposed Project Financing

'000' Tshs

<u>EQUITY</u>	LOCAL	FOREIGN	TOTAL
Project Promoters	3,423,500	1,400,000	4,823,500
Other parties	0	0	0
<u>LOANS</u>			
Term Loan	0	0	0

CHAPTER 8: ORGANIZATIONAL STRUCTURE AND MANPOWER

The proposed paddy farm which is being established by YFH International Business Company Limited will be headed by a Farm Manager who will be assisted by a Maintenance Engineer, an Accountant/Financial Controller, Administration Supervisor, Operations/Marketing Supervisor, Assistant Farm Manager, Agricultural Technician and Storekeeper. Training for inexperienced staff will have to be done mostly on the job using experienced personnel. A total workforce of 100 people is envisaged for the paddy farm.

The Management of the paddy farm will be vested under a Board of Directors elected by the shareholders. The Board would be under a Chairman also appointed by the shareholders.

The farm will have five main departments namely paddy production, maintenance, accounts, operations/marketing and administration. The proposed farm would be headed by a Farm Manager who will be responsible for the day to day running of the farm. He will be accountable to the Board of Directors. He should be conversant with sound managerial and financial practices as well as paddy production, agromechanics, crop purchasing and transport activities.

Under the Farm Manager there would be the Assistant Farm Manager, Maintenance Engineer, Financial Controller, Administration Supervisor and Operations/Marketing Supervisor. The project is expected to employ about 104 skilled and unskilled people recruited from Kaliua, foreign countries and other parts of the country and it will include people who have been in the industry for a long time.

Training of local agricultural technicians/assistants, operators/technicians will be done mostly on the job using experienced personnel or technical experts as arranged by Management.

CHAPTER 9: FINANCIAL ANALYSIS

9.1 Revenue Assumptions

Sales revenue has been projected on the basis of current selling prices obtained in the local market.

- (i) The price of kg of rice is approximately Tshs 1,800.00
- (ii) The entire production of rice and rice polishing (bran) will be initially for the local market.

On the basis of these prices the annual sales turnover has been projected as shown in the table below:-

The above costs are planned to be financed as follows

Table No. 14: Revenue assumptions

		'000' Tshs			
No.	YEAR	1	2	3	4
1	Rice Production (60 tons)	12,480	12,480	12,480	12,480
	Price per kg	1,800x1,000	1,800x1,000	1,800x1,000	1,800x1,000
	Value '000' Tshs	22,464,000	22,464,000	22,464,000	22,464,000
2	Rice Polishing (50 tons)	2,112	2,112	2,112	2,112
	Price per kg	50x1000	50x1000	50x1000	50x1000
	Value '000' Tshs	105,600	105,600	105,600	105,600
3	Husks (50 tons)	4,224	4,224	4,224	4,224
	Price per kg	0x1000	0x1000	0x1000	0x1000
	Value '000' Tshs	0	0	0	0
	Total Revenue	22,569,600	22,569,600	22,569,600	22,569,600

9.2 Operating Cost Assumptions

9.2.1 Raw Materials

Apart from producing paddy, the company will also purchase paddy directly from farmers.

9.2.2 Packing Materials

Rice packing materials

Rice is usually packed in gunny bags each weighing 100 kgs.

YEAR	1	2	3
Rice production (tons)	15,600	15,600	15,600
Spares requirement	6,000	6,000	6,000
Tshs per ton			
Annual spares requirement	93,600,000	93,600,000	93,600,000

Therefore total cost of spares & maintenance is Tshs 93,600,000.

9.2.5 Consumables

Consumables comprise of lubricants, chrome leather, washers and leather washers. Consumption of these items has been estimated at a rate of Tshs 2,000/ton of rice:-

**Table No. 18:
Cost of Consumables**

YEAR	1	2	3
Rice production (tons)	15,600	15,600	15,600
Consumables cost per ton of rice in Tshs	2,000	2,000	2,000
Annual cost in Tshs	31,200,000	31,200,000	31,200,000

9.2.6 Production Salaries & Wages

(a) Production salaries & wages

Direct labour costs have been estimated on the basis of manpower required to man the commercial large-scale paddy farm and rice milling plant operations and their estimated manpower required for the farm and rice milling plant.

Table No. 19: Projected Production Salaries and Wages '000' Tshs

	NUMBER	MONTHLY USD	ANNUAL USD	MONTHLY TSHS	ANNUAL TSHS
Maintenance Engineer	1			1,500	18,000
Assistant Farm Manager	1			700	8,400
Mechanical	1			400	4,800
Electrical Technicians	1			400	4,800
Store keeper	5			300	18,000
Sales Clerk	5			300	18,000
Total Production	14				
Add 30% Fringe Benefits					72,000
Annual Salary Requirement					93,600

(a) Administration Salaries

Administration salaries and wages in respect of the rice milling plant operations have been estimated as shown in table 19 below:-

**Table No. 20:
Projected Administrative Salaries***

'000'

	NUMBER	Tshs		MONTHLY TSHS	ANNUAL TSHS
		MONTHLY USD	ANNUAL USD		
Farm Manager	1			1,500	18,000
Financial Controller	1			1,500	18,000
Administrative supervisor	1			1,000	12,000
Agricultural technician	18			500	108,000
Store keeper	6			300	21,600
Accounts Clerk	1			500	6,000
Records Assistant	1			400	4,800
Secretary	8			400	38,400
Tractor Drivers	8			300	28,800
Harvester drivers	8			300	28,800
Drivers Assistants	4			200	9,600
Office Attendants	20			200	48,000
Watchmen	10			200	24,000
Total	86				
Administration					366,000
Add 30% Fringe Benefits					109,800
Grand Total a + b					475,800

9.2.5 Administrative Expenses

Administrative expenses have been estimated as follows:-

**Table No. 21:
Estimated Administrative Expenses**

COST ITEM	Tshs	USD
Printing and Stationery	3,000,000	
Postage, Telephone, Email	2,000,000	
Travelling Expenses	20,000,000	
Insurance Expenses	100,000,000	
Audited Tax Consultancy fees	60,000,000	
Staff Welfare and Medical	35,000,000	
Directors Fees & Expenses	45,000,000	
Entertainment/Business Promotion	5,000,000	
Vehicle Running Expenses	50,000,000	
Vehicle Maintenance	5,000,000	
General Expenses	25,000,000	
Total Administration Expenses	500,000,000	

9.2.5 Depreciation

The fixed assets have been depreciated on a straight line basis as follows:-

Table No. 22:

Depreciation		Tshs '000'	
ASSET	COST	RATE	VALUE
1.Land & Building	2,200,000	5%	110,000
2.Plant & Machinery	1,400,000	12.5%	175,000
3.Motor Vehicles	250,000	25%	62,500
4.Furniture & Fixtures	215,000	12.5%	26,875
5.Pre-operational expenses	320,000	20%	640,000
TOTAL			4,385,000
1,014,375			

9.2.5 Interest and Loan Repayment

It is planned that the project will be fully funded by equity from the project promoters.

9.3 Projected Profit and Loss Statements

The project is expected to make profit after within five years of its milling operations.

9.4 Projected Cashflows

The project will start with a cash surplus of Tshs 436,921,000.00 during its initial year of production. From the second year cash build-up will rise from Tshs 873,542,000.00. to Tshs 6,305,695,000.00 by the tenth year.

9.5 Projected Balance Sheets

It will be observed that throughout the period the current liabilities will be more than adequately covered by current assets.

9.6 Discounted Cashflows

The calculation of the Internal Rate of Return (IRR) shown in schedule 5 shows an after tax IRR of 31.13% which demonstrates that the project is financially viable.

9.7 The Payback Period

The payback period of the initial investment cost of Tshs 4,823,500,000 is about two years as follows:-

Table No. 23

Payback Period Calculations

'000' Tshs

YEAR	TOTAL INVESTMENT	PROFIT	DEPRECIATION	TOTAL CUMULATIVE
0	4,823,500			4,823,500
1		5,064,750	1,014,375	4,050,375
2		5,064,750	1,014,375	4,050,375

CHAPTER 10: ECONOMIC EVALUATION

10.1 Value Added

The project's annual contribution to the Gross Domestic Product (GDP) as measured by the value added method is about Tshs 3,923,415,000 .

	Tshs
Salaries and Wages	482,040,000
Profit Before Tax	2,427,000,000
Depreciation & Amortization	<u>1,014,375,000</u>
	<u>3,923,415,000</u>

10.2 Employment Effects

The project will make significant additions to both employment opportunities and the distribution of income particularly for unskilled labor. The project will create direct jobs for at least 100 people. Indirect employment will be generated not only in the construction industry during the construction phase of the project but also in the food production sector as a whole.

10.3 Food Production Effects

The project will help to increase the production of food in Tabora region and the country in general.

10.4 Foreign Exchange Effects

The project is going to generate foreign exchange through exports of paddy to neighbouring countries.

10.5 Environmental Effects

The project will ensure perseveration of the environment since the area is inhabited, fallow, grassland and will neither involve removal of the vegetation nor shifting of the local population. The major effluents in rice processing industry are straws, sand, dust and stones. Disposal of sand and stones is not a problem while other foreign matters are simply burned out.

Protective masks will be provided to employees against dust as a health measure.

As regards wastewater management from the paddy farm the project will cooperate and collaborate with major stakeholders such as Ministry of Agriculture, NEMC, Higher Learning and Research Institutions such as Sokoine University of Agriculture and other staholders in Tabora and in the country.

CHAPTER 11: CONCLUSIONS AND RECOMMENDATIONS

11.1 Conclusions

11.2 Recommendations

Since the project is socially desirable, technically feasible, financially viable and economically justified, it is recommended that YFH INTERNATIONAL BUSINESS COMPANY LIMITED should go ahead with the proposed project.

PROJECTED PROFIT AND LOSS STATEMENTS

'000 000' Tshs

	YEAR									
	1	2	3	4	5	6	7	8	9	10
Sales Revenue (Table No. 13)	22,570	22,570	22,570	22,570	22,570	22,570	22,570	22,570	22,570	22,570
<u>Cost of Sales</u>										
Expected Paddy Purchases (Table No.)	8,640	8,640	8,640	8,640	8,640	8,640	8,640	8,640	8,640	8,640
Packing Materials (Table No. 14)	196	196	196	196	196	196	196	196	196	196
Power & Utilities (Table No. 15)	270	270	270	270	270	270	270	270	270	270
Spares & Maintenance (Table No. 16)	94	94	94	94	94	94	94	94	94	94
Consumables (Table No. 17)	31	31	31	31	31	31	31	31	31	31
Production Salaries (Table No. 18)	94	94	94	94	94	94	94	94	94	94
GROSS PROFIT	9,325	9,325	9,325	9,325	9,325	9,325	9,325	9,325	9,325	9,325
<u>Operating Expenses</u>										
Admin. Salaries & Wages (Table No. 19)	476	476	476	476	476	476	476	476	476	476
Admin. Expenses (Table No. 20)	500	500	500	500	500	500	500	500	500	500
	976	976	976	976	976	976	976	976	976	976
OPERATING PROFIT	12,269	12,269	12,269	12,269	12,269	12,269	12,269	12,269	12,269	12,269
<u>Capital & Finance Costs</u>										
Depreciation & Amortization	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014
Loan Interest	0	0	0	0	0	0	0	0	0	0
PROFIT BEFORE TAX	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014
Taxation at 45%	0	0	0	0	0	5,065	5,065	5,065	5,065	5,065
PROFIT AFTER TAX	11,255	11,255	11,255	11,255	11,255	5,065	5,065	5,065	5,065	5,065
Profit Brought Forward	0	11,255	22,510	33,765	45,020	56,275	61,340	66,405	71,470	76,535
PROFIT FOR APPROPRIATION	11,255	22,510	33,765	45,020	56,275	61,340	66,405	71,470	76,535	81,600
Dividends Amount	0	0	500	500	500	500	500	500	500	500
RETAINED PROFIT ACCUMULATION	11,255	22,510	33,265	44,520	55,775	60,840	65,905	70,970	76,035	81,100

YFH INTERNATIONAL BUSINESS COMPANY LIMITED SCHEDULE No. 3.0
PROJECTED BALANCE SHEET STATEMENTS '000' Tshs

YEAR	0	1	2	3	4	5	6	7	8
GROSS FIXED ASSETS	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500
Less: Accumulated Depreciation	1,014,375	2,028,750	3,043,075	4,057,450	5,071,825	6,086,200	7,100,575	8,114,950	
NET FIXED ASSETS	3,809,125	2,794,750	1,780,425	766,050	(248,325)	(1,262,700)	(2,277,075)	(3,291,450)	
CURRENT ASSETS									
Stocks & Debtors	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000	
Cash & Bank Balance	2,934,000	5,868,000	10,269,000	14,670,000	19,071,000	23,472,000	27,873,000	32,274,000	
Less: CURRENT LIABILITIES	2,164,921	2,601,542	3,276,233	3,956,014	4,635,795	5,315,270	5,995,270	6,674,745	
Creditors	1,644,204	1,644,204	1,644,204	1,644,204	1,644,204	1,644,204	1,644,204	1,644,204	
Taxation at 45%	0	0	0	0	0	0	0	0	
Dividends Declared	0	0	0	500,000	500,000	500,000	500,000	500,000	
NET CURRENT ASSETS	1,644,204	1,644,204	2,144,204	2,144,204	2,144,204	2,144,204	7,209,204	7,209,204	7,209,204
	520,717	957,338	1,132,029	1,811,810	2,491,591	(1,893,934)	(1,213,934)	(534,459)	
TOTAL NET ASSETS FINANCED BY:	4,329,842	5,203,084	6,552,466	7,912,028	9,271,590	10,630,540	11,990,540	13,349,490	
Shareholder's Equity	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	4,823,500	
Accumulated Retained Profits	5,064,750	10,129,500	15,194,250	20,259,000	25,323,750	30,388,500	35,453,250	40,518,000	
Net Worth	9,888,250	14,953,000	20,017,750	25,082,500	30,147,250	35,212,000	40,276,750	45,341,500	
TERM LOANS	9,888,250	14,953,000	20,017,750	25,082,500	30,147,250	35,212,000	40,276,750	45,341,500	

