

IKOHI COMPANY LIMITED

A BUSINESS PLAN

**Proposed Project for Development
of
Banana Wine Production Plant
at
Nyakato Industrial Area - Mwanza**

Prepared for:

The Big Best Company Ltd

P.O. Box 6252

Mwanza

Tanzania

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FINANCIAL PROJECTIONS

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1.0 EXECUTIVE SUMMARY

1.1 Introduction

M/s Ikohi Company Limited is a newly-registered local company under certificate of incorporation number 75369 dated 10th March, 2010. The company envisages developing an ultra-modern banana wine production Plant in Ilemela District, Mwanza region which when fully operational, the Plan will accommodate 100,000 bottles with the capacity of 330 mls each, this means the production line will have the capacity to produce 33,000 liters per day. The project is estimated to cost a total of TShs 4.6884 billion (US\$ 1,995,063/=) for both fixed assets up to fully project completion and Working capital requirement is estimated to be US\$ 504,940/=. The company targets to utilize the abundant banana available around the Lake Victoria regionals, and particularly in Kagera Regional and Tarime District.

1.2 The Project Concept

The project entails establishing ultra-modern fully integrated Banana Wine Productions Line will be in Ilemela District. The productions will comprise the developments of three (3) major components:

1. Bottle washer

Bottle washer with the capacity of washing 1000 bottles per hour, this will increase the hygiene of the wine and maintain quality.

2. Banana cleaner/washer

Banana cleaner will be with the capacity of washing 300 kgs per hour this include Banana crushing and pulping.

3. Boiling and Fermentations

Banana needs boiling for almost 2-3 hours the concentrations needs to undergo cooling then after fermentations process will start for 15 to 21 days depends with the kind and type of wines,

4. Packaging line

Before Packaging the filtrations process should take place and wine will be stored in the Cleary Winery Tanks, so Packaging line with the capacity of 2,000 bottles per hour can start,

1.5 The Study Objectives

This document has been prepared for four (4) main reasons.

First,

To determine the viability of the business plan for establishing the proposed project for integrated banana wine processing,

Second,

To present to the Commissioner Register of Industry to facilitate application for Business License.

Third,

To facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VATdeferments and other benefits and protections as statutorily provided for underTanzania Investment Act (1997) for the project.

Fourth,

This Feasibility Study Report will serve as a supporting document in the application for local short term finance to facilitate financing of working capital requirements.

1.6 The Project Promoters

The project is promoted by M/s Ikohi Company Limited, a locally registered company with authorized share capital of Tsh 300,000,000/= divided into 2,850 ordinary shares of TShs 10,000/= each. The shareholders are three (2) Tanzania shareholding as shown below:

1. Mr. Mwita Joseph Ikohi (2,250 shares) – 78.94%;
2. Mrs. Zawadi Mwita Gati (600 shares) – 21.052%.

1.7 Location and Infrastructure

The proposed project will be located in a surveyed land Plot no 49 Block "KK" at Nyakato Industrial Area, in Nyakato Ward in Ilemela District, Mwanza region. The plot is measured with **2750** square meters, The sites are accessible by a tarmac road Main road from Mwanza to Musoma/Sirari Road, about 5 kilometers from Mwanza City and about 11 Kilometer from Mwanza Airport and almost 200 meters the Main Roads. It is nearly to the connections to the national power grid electricity, Water will be supplied from Mwauwasa. The plot size is considered adequate to accommodate all the current and future planned activities.

1.8 Capital Investment Structure

The directors and shareholders of Ikohi Company Limited plans to make substantial investments in the development of Project, including land acquisition, procurement and installation of ultra-modern of washing, fermentations and packaging plants for banana wine, construction of buildings like structures buildings, storages, warehouses, rest house buildings for key staff, office buildings and related civil works, The proposed project also involves acquisition of tools, equipment, utilities and administration vehicles.

CAPITAL INVESTMENT SUMMARY

S/No.	Capital Item	Capital Investment (in TShs "000")	Capital Investment in Equivalent US\$
1.	Land Acquisition, Registration and Site Preparations	355,000	151,064
	Civil Works, Structures and Buildings	1,735,000	738,298
	Sub total	2,090,000	889,362
2.	Plant Machinery, Tools and Equipment	1,218,400	518,468
3.	Utility and Admin Motor Vehicles	1,050,000	446,809
4.	Furniture, Fixture and Office Equipment	150,000	63,830
5.	Pre-operational Expenditures (including interest incurred during construction period)	80,000	34,043
6.	Contingencies	100,000	42,553
	TOTAL	4,688,400	1,995,065
7.	Add: Working Capital Requirements	1,186,609	504,940
	GRAND	5,875,009	2,500,004

1.9 Proposed Financing Arrangement

Fixed assets cost of the project estimated to cost TShs 4,688,400 billion (US\$ 1,995,065/=) is planned to be financed through owners' equity contributions and directors' loans. Equity contribution is estimated at approximately 70% while bank loan is 30%. Hence:

S/No.	Source of Finance	Contribution	In TShs "000"	In US\$
1.	Owners' Equity	70%	3,281,880	1,396.54
2.	Bank Loan	30%	1,406,520	598.52
	Sub total		4,688,400	1,995.064
3.	Add: Working Capital		1,186,609	504.94
			5,875,009	2,500.004

Working capital will be financed through local short-term loan if and when required, depending on the business tempo. Initially, an overdraft facility of TShs 1.186 billion- (US\$ 504.94-) is considered adequate for the initial working capital requirements.

M/s Ikohi Company Limited will apply to be registered with Tanzania Investment Centre under this project so as to be eligible to enjoy the various tax incentives and

other benefits as statutorily provided under Tanzania Investment Act of 1997 as well as obtaining Industrial license as per national industries licensing and registration act Cap R.E 2002

1.10 Raw Materials Sources

The directors envisage obtaining the initial tones of fresh banana from local Banana designated markets in Mwanza at Kilolero and farmers Market for kagera and Tarime, Materials for making banana wines will including Fresh banana, sugar, food color water etc. will be obtained from local supplies, However bottle suppliers of plastic crates and PET bottles will be Simba Plastic Company limited while for the Bottle Glass will be Kioo limited both from Dar es salaam Tanzania.

1.11 Production Capacity

Initially, the project will procure modern ultra-processing plant with the capacity of parkeging of 100.000 liter per day. big boiler with the capacity of boiling 6 Dark wine fermentations Tanks and 5 Bright Wine Tanks, Each take will have capacity to accommodate between with the capacity of 150,000 litter each will produce almost. Mortality rate is estimated to be less than 20% given the banana wine has very little pollution compared to other similar wine productions. The director’s estimates that each tank will produce 900,000 litters within every 8 to 10 days, thus producing fourth times a month, and hence 43,200,000 hectoliters per annum at full project implementation.

1.12 Revenue Estimates

The price of bottle for the 330 ml pack with 13% of Alcoholic By Volume is estimated to be sold at TShs 9,500/=per create of 24 bottles and The price of PET bottle of 200 mls pack with 18% of Alcoholic By Volume is estimated to be sold at Tsh 13,000/= per carton of 20 piece both Under the production assumptions, therefore the project is projected to generate revenue of TShs 64,512,000,000/= equivalent to US\$ 27,451,915-per annum.

Revenue Estimate Summary

Product	Revenue in TShs	Revenue in US\$
Wine Sales	64,512,000,000	27,451,915
Total	64,512,000,000	27,451,915

1.11 Production Costs

There are three major production costs under this project, Raw materials in the production of banana wines, Utilities and labour cost (salaries, wages and allowances). It requires 1,200 kgs of sugar, 200kgs of banana to produce 5000 liters of fine banana wine, therefore full project production cost will be TShs 35,840,000,000/= (US\$ 15,251,064-) per annum. Wine material alone therefore computes at 55.56% of total sales revenue.

Production capacity sale is estimated at 43,200,000 hectoliters p.a. It is assumed that raw materials and similar inputs for production will cost about 60% of revenue generated. Sales revenue is estimated at TShs 64,512,000,000/= equivalent to US\$ 27,451,915/= per annum. Raw materials works out at TShs 38,707,200,000/= equivalent to US\$ 16,471,148/=

The project envisages employing estimated number of 160 people among whom 10 will be foreign expatriate staff. Of the remaining 150 local employees, 65 will be skilled while 85 will be casual/unskilled workers. Furthermore, among the local employees, 70 are expected to be males while 88 are expected to be females. Salaries, wages and allowance bill is estimated at 3% of total project sales revenue, hence TShs 2,723,712,000- equivalent to US\$ 1,159,026- per annum.

1.12 **Market and Marketing Aspects**

The project targets the local markets at 100% for each. In future will be exporting to E.A community countries.

1.13 **Competition**

In recent years the innovations of producing banana wines, So far, there are so many small scale industries producing wines, the lager banana wine manufacturing. The most notable Banana wine located in Mwanza sido industrial area.

1.14 **Financial Considerations**

Annex IV of the attached Financial Projections Annexure analyses the Trading Account, Annex V analyses Sources and Uses of Funds while Annex VIII deals with Break-even Analysis as summarized hereto below. The analysis is well elaborated in the attached projections and summarized as follows:

- o Internal Rate of Return on investment 25%
- o The Normal Payback Period is 1.30 years at zero discount rate
- o Breakeven Point decreases as major assets depreciates, computing at 36.72% in year five when the project assets have depreciated for five years, serve for the project land.
- o The ratio between Net Profit + Interest to Investment ranges from 58%% to 79%.
- o Return on Equity on this project by the end of its assumed economic life at year five (5) is 82.82, translating to a return of 82.82 for every 100 equity

dollars invested in the project. This indicates that the project is very profitable, over and above the industrial standard return of 15- 20%.

- o The company net-worth (Initial Shareholders Equity plus Retained Earnings) grows 5.82 fold during the economic life of the project.

1.15 **Environmental Aspects**

The project activities involve production of banana wine and packaging of the products ready for transportation to the markets. In the processes, the company will cooperate with various regulatory authorities, including OSHA, MMC, TRA, CGL and NEMC. The Company will adhere to all stipulated regulations.

Generally, Tanzania has environmental regulations governing the industrial operations/manufacturing activities etc. Nevertheless, each operator takes basic precautions to ensure that during operations, damage to environment is limited to the minimum possible level.

To ensure environmental aspects are fully accommodated in the planned project activities, the Company will establish Work Health and Safety Policy which will show commitment of Management and Workers to health and safety, with aims to remove or reduce risks to health, safety and welfare of all workers, contractors and visitors, and everyone else who may be affected by the Company's business operations.

1.16 **Organization and Management Team**

The project will be managed through the Board of Directors consisting of two members. The Board will formulate policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

The day to day management of the project will be vested in the Management Team. The Management Team will comprise of the General Manager who will be the overall in-charge of the project. The General Manager will be assisted by Deputy General Manager. The General Manager and his deputy will be assisted by three (3) Heads of Department: Production Manager, Marketing Manager and Finance & Administration Manager. These will in turn be supported by qualified personnel in their areas of specializations.

1.17 **Risk Analysis**

The major risk factor considered under this project is the possible breakdown of banana diseases. However, this is highly unlikely as Lake Victoria banana farmers are very smart and clean compared to similar farmers of other regionals. The second major risk is the possibility of the increase of number of banana wine producers around Ilemela district who may compete for lake space. However, this is also unlikely to happen in a foreseeable future as commercial wine Production is relatively a young industry in the country.

1.18 **Social, Economic and Developmental Benefits**

Banana wine productions will generate a lot of developmental benefits, including but not limited to the following:

- Taxes and levy paid direct to the governments
- Supply of 43,200,000 hectoliters quality wine will reduce the huge consumptions of local brew gongo and others
- Increase banana productions in Lake zone regionals.
- The project envisages employing estimated number of 160 people among whom 10 will be foreign expatriate staff. Of the remaining 150 local employees, 65 will be skilled while 85 will be casual/unskilled workers. Furthermore, among the local employees, 70 are expected to be males while 80 are expected to be females.
- Salaries and wages to be earned by local workers are expected to change the economy of Ilemela District irreversibly;
- Introductions of new banana farmers.

1.19 **Project Implementation Schedule**

The company directors have the financial muscle, technology, market access and all other necessary resources required to implement the project at any time. However, implementation of the project will only start after obtaining all the necessary permits and authorizations from the relevant authorities. Of particular interest is the grant of a Letter of No Objection from the Wineeries Department, and grant of Tanzania Investment Centre (TIC) Certificate of Incentives with a view to benefit from investment benefits and protection as statutorily allowed under Tanzania Investment Act, 1997. Implementation is scheduled to take 13 months to completion of phase one which involves acquisition and installation of new plants and machines. However, this particular business plan is for five (5) years only.

1.20 **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 analysis indicates that the proposed project is economically feasible, financially viable, socially desirable and environmentally manageable. Therefore, it is strongly recommended that the sponsors, Ikohi Company Limited be availed the required institutional assistance so as to enable them implement the proposed project. It is further recommended that an application for TIC Certificate of Investment Incentives be submitted to Tanzania Investment Centre with a view to benefit from investment benefits and protection as statutorily allowed under Tanzania Investment Act, 1997. Meantime, TIC should be asked to obtain a Letter of No Objection on behalf of the company for the establishment of the banana wine processing factory in Ilemela District, Mwanza region as part TIC facilitation services to investors as provided for under Section 6(d) of Tanzania Investment Act, 1997.

2.0 BUSINESS ENVIRONMENT AND SECTOR ANALYSIS

2.1 Introduction

Tanzania is blessed with favorable climatic conditions that accommodate growth of different agricultural crops, Banana requires the equatorial climatic conditions, and Mwanza is at the center of the most banana growers, According to a Study Report *by* the Ministry of Agriculture, Livestock and Wineeries (2016) it's still believed that agriculture is the back bone of the economy.

In Tanzania More than 20 varieties of bananas are grown in Tanzania, though not all are suitable for eating. Cultivators are divided into three groups; plantain — cooking bananas, fruits — sweet bananas, and for making local beer or wine

Agriculture accounts for approximately 28 percent of Tanzania's GDP and provides employment the majority of the country's population. Bananas are hands down the world's most popular fruit. And with an estimated global export value of \$7 billion dollars per year, they're also likely one of the most essential, as the banana trade remains the cornerstone of many countries' economies

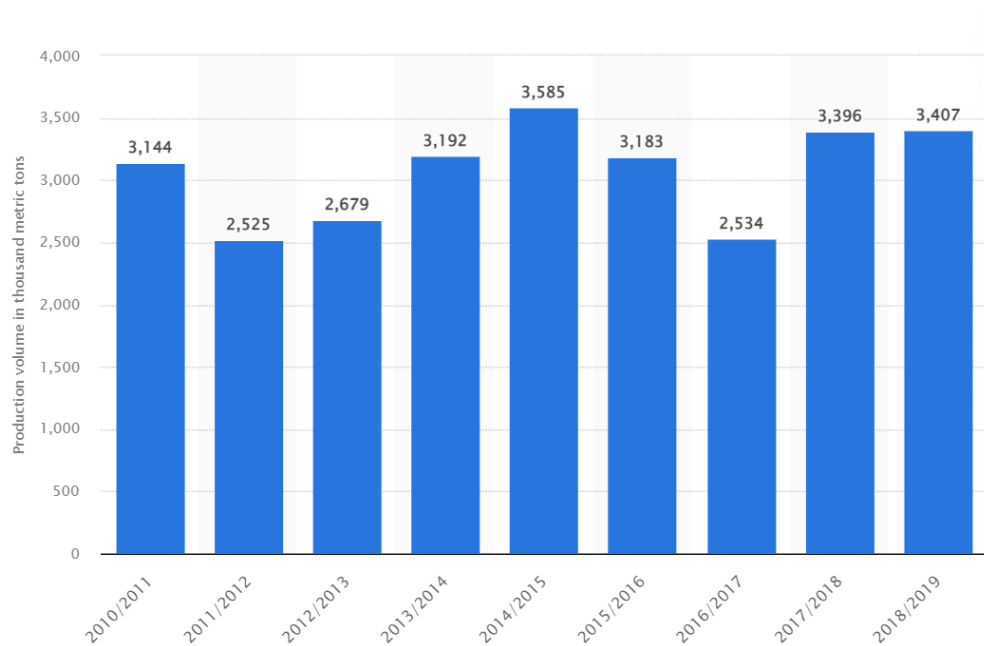
2.2 The agriculture Sector

Bananas have become a big cash spinner in various regions of Tanzania. leads by Kagera, Kilimanjaro and Mbeya Regions, With an average of 700,000-to-one million tons of bananas a year. The region aims to step up production to 1.5 million tons per year. Over 900,000 farming households in the country are engaged in banana production. In particular, in the areas of Kilimanjaro, Kagera and Mbeya, up to 95% of households grow bananas for food and/or economic reasons, contributing more than 60% of bananas grown in the country.

Despite the efforts, the agriculture officer says production of the crop plummeted from 968,060 tons during the 2018/2019 season to 852,682 tons in the 2019/20 season. Banana production declined further to 732,662 tons in the 2021/2022 season due to the long dry spells.

Banana market system and sensitize banana growers on becoming members of Agricultural Marketing Cooperative Societies (Amcos). "By becoming Amcos members, farmers will have strong tools for accessing markets for the produce.

Production volume of banana in Tanzania between seasons 2010/11 and 2018/19(in 1,000 metric tons)



Source: Banana Statistics 2020 Ministry of Agriculture, Livestock and Wineeries (MALF)

2.3 Banana Wine in Tanzania

Banana wine is still termed as the new growing markets in Tanzania, Over productions of banana and the only tradition consumptions of banana that is for food lead to the less value to the local markets, this new venture will increase the value and motivate banana growers in various areas in Tanzania to grow banana.

2.3.1 Constraints

a. Lack of Good Quality Supply of Banana

There are is big demand of banana for home consumptions but quality clean and good for wine productions is still a challenges, over 50,000 good banana tree was attached by banana diseases in kagera regional.

b. Local brew

Its traditionally for haya people to brew a Lubisi that always taken during same ceremonies, so drinking from the bottle is a challenges for haya people

c. Complexity of Multiple Licensing Requirements

Unlike in Tanzania we have alot of authorities and regulatories to report that endup with complexity of multiple licensing requirements with several agencies, namely the National Environment Management Council, Ministry of Environment and the Ministry of Agriculture. Tanzania's banana wine production equates to about 0.2% of total banana produced and supplied for human consumption in the country.

d. Tanzania Potentiality in Aquaculture

If the government of Tanzania will inject seriousness on promoting and supporting small scale producers many crops will not keep rotting in the field.

- (i) Other Banana wine producers

There so many banana wine producers in the market many of them are not resisted.

3.0 TECHNICAL ASPECTS

3.1 The Project Concept

The project entails establishing ultra-modern fully integrated Banana wines production plant in Ilemela District. The wine farm will comprise of three (3) major components:

1. Bottle washer

Bottle washer with the capacity of washing 4100 bottles per hour, this will increase the hygiene of the wine and maintain quality.

2. Fermentations cylinders

After the banana be selected and reaches to the plant the washing process do take place, after washing boiling the fermentations process will start to maintain the quality of the wine. 11 cylinders with the capacity of 500,000 liters each.

3. Packaging line

Packaging line with the capacity of 4000 bottles per hour, this will increase production capacity and reduce manpower. The plant will be the largest plant in Mwanza Tanzania.

3.2 Location and Infrastructure

The proposed project will be located in a surveyed land at Nyakato Industrial Area, in Nyakato Ward in Ilemela District, Mwanza region. The plot is measured with 2750 square metres, The sites are accessible by a tarmac roads mainly from Mwanza to Musoma/Sirari Road, about 5 kilometers from from Mwanza City and about 11 Kilometer from Mwanza Airport and almost 200 meters the Main Roads. It is nearly to the connections to the national power grid electricity, Water will be supplied from Mwauwasa. The plot size is considered adequate to accommodate all the current and future planned activities

3.3 Ownership

The project is promoted by M/s Ikohi Company Limited, a locally registered company under Companies Act, 2002 with Certificate of Incorporation No: 75369 dated 20th day of March, 2010 formed for the main objective of undertaking Wine farming activities in Tanzania. The Company is registered with authorized share capital of TShs 1,170,000,000/= divided into 2,850 ordinary shares of TShs 11,700,000/= each.

The shareholders are two (2) Tanzanian with respective shareholdingas shown below:

COMPANY SHAREHOLDERS AND SHAREHOLDING STRUCTURE

NAME AND ADDRESS OF SHAREHOLDER	NUMBER OF SHARES TAKEN BY EACH	NATIONALITY
Mr. Mwita Joseph Ikohi	2,250 (75%);	Tanzanian
Mrs. Zawadi Mwita Gati	600 (20 %.)	Tanzania
TOTAL	2,850	

Company Directors:

1. Mwita Joseph Ikohi
2. Mrs. Zawadi Mwita Gati

The two company directors are also the owners of malt business in Tanzania dealing with Real estate, Hardware and building materials, transportation and Logistics sector, currently operating in many regions in Tanzania,

Mr. Mwita Ikohi (Managing Director) is among few reputable businessmen in Tanzania with Political and economy capacities.

3.4 **Planned Activities**

As mentioned elsewhere, the project has three principal activities, specifically, the company plans to do the following during the next 4 years:

- Complete land acquisition and registration processes;
- Obtain the necessary licences, permits and authorizations necessary to establish the banana processing and selling locally and export to the E.A Community member.
- Construct project buildings, storage facilities and related civil works;
- Procure and install new ultra-modern plant machineries and equipment for wine processing and productions
- Procure new specialized Wine transportation and raw materials trucks and administration vehicles,

3.5 **Strategies to be employed**

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

- 3.5.1 Complete land acquisition negotiations focusing in obtaining about 2,750 square metres of land at Nyakato Industrial area, Nyakato Ward in Ilemela District, as well as obtaining licences, permits and authorities to establish the project from relevant authorities;

- 3.5.2 Develop an ultra-modern wine plant that can manage to produce 432,000Hks p.a
- 3.5.3 Procure facilities necessary for production and distribution activities. This will include the following:
- Development of water treatment plant/effluent water plants,
 - Development of laboratory for quality analysis;
 - Establish a workshop for service and maintenance of plant equipment and transportation facilities and procurement of engineering equipment;
 - Procurement of processing equipment;
 - Undertake Staff recruitment and training;
 - Procurement and installation of a new heavy duty Standby Electric Power Generator
 - Procurement of 10 units of 25-ton refrigerated container trucks, 15 units light trucks for collection of feed materials from neighboring villages, 10 units multipurpose pickups, and 5 units 4-WD administration vehicles, 5 units pickups for general project purposes and 4 administration vehicles.
- 3.5.4 Identify and establish distributor points and external markets;
- 3.5.5 Adhere to the TBS Food Standards in collaboration with all authorities to ensure we are eligible to enter any market in EA
- 3.5.5 Ensure continuous specialized staff training and motivation throughout so as to maintain a local trained and dedicated work force.

3.6 Investment Costs

Capital investment in fixed assets is estimated to be TShs 64,512,000,000/= (US\$ 7,414,738-. In addition, there will be a need for about TShs 1.680 billion (US\$ 714,894) to finance working capital requirements as indicated under Annex I of the Financial Projections section of this document. The main investment items are indicated in the same annexure which also show the implementation plan. The specific activities to be financed are indicated in the table below:

PROPOSED CAPITAL INVESTMENT STRUCTURE

S/No.	Capital Item	Capital Investment (in TShs "000")	Capital Investment in Equivalent US\$
1.	Land Acquisition, Registration and Site Preparations	355,000	151,064
	Civil Works, Structures and Buildings	1,735,000	738,298
	<i>Sub total</i>	<i>2,090,000</i>	<i>889,362</i>
2.	Plant Machinery, Tools and Equipment	12,218,400	5,199,318
3.	Utility and Admin Motor Vehicles	2,850,000	1,210,764
4.	Furniture, Fixture and Office Equipment	150,000	63,830
5.	Pre-operational Expenditures (including interest incurred during construction period)	120,000	51,064
6.	Contingencies	100,000	42,553
	TOTAL	17,428,400	7,414,738
7.	Add: Working Capital Requirements	1,680,000	714,894
	GRAND	19,208,400	8,171,785

Proposed Financing Arrangement

The entire **fixed assets** cost of the project estimated to cost TShs 17,428,400,000/- (US\$ 7,418,340-) is planned to be financed through owners' equity contributions at approximately 70% (TShs 12,199,880,000/- equivalent to US\$ 5,191,438-) and bank loan financing at 30% (TShs 5,228,520,000/= equivalent to US\$ 2,224,421) Working capital will be financed through local short-term loan if and when required, depending on the business tempo. Initially, an overdraft facility of TShs 1.680 billion- is considered adequate for the initial working capital requirements.

M/s Ikohi Company Limited will apply to be registered with Tanzania Investment Centre under this project so as to be eligible to enjoy the various tax incentives and other benefits as statutorily provided under Tanzania Investment Act of 1997 as well as for meeting conditions for obtaining processing and export licences per The Wineeries Regulations of 2009.

3.7 Production Process

Fresh banana will be obtained from various areas around Lake Victoria farmers, the productions capacity will be 432,000 hk per annum.

3.8 Packaging and Storage

Win will be packed into two different packaging, the 330 mls in bottle and the 200 mls in PET, the bottle crates will be $330 \times 24 = 7.920$ liters and PET will be equal to 4 litters. one production line will be 12,630 crates per day.

3.9 Production Capacity

3.9.1 Production Capacity

3.9.2 Revenue Estimates

of Wine feeds.

Revenue Estimate Summary

Product	Revenue in TShs	Revenue in US\$
Wine Sales	64,512,000,000	27,451,915
Total	90,790,400,000	38,634,213

3.9.3 Production Costs

It requires 1.3kgs of feeds to produce 1.0kgs of Wine. Production cost is estimated at TShs 2,000/= (US\$ 0.86) per kilo – in-house price assigned the Wineproduction part of the project. At full project production therefore, it will cost TShs 35,840,000,000/= (US\$ 15,251,064-) to feed the entire population per annum. Wine meal alone therefore computes at 55.56% of total sales revenue.

The project envisages employing estimated number of 160 people among whom 10 will be foreign expatriate staff. Of the remaining 150 local employees, 65 will be skilled while 85 will be casual/unskilled workers. Furthermore, among the local employees, 70 are expected to be males while 80 are expected to be females. Labour cost is estimated to cost approximately 3% of total revenue, hence TShs 2,723,712,000/= (US\$ 1,159,026- per annum.

MAJOR PRODUCTION COST ITEMS

Cost Item	in TShs	in US\$
Wine Feeds Purchases	35,840,000,000	15,251,064
Wine Meal Production Cost	15,244,800,000	6,487,149

Wine Fingerlings Production Cost	391,168,000	166,672
	51,475,968,000	21,904,885
Add: General Farm/Factory Supplies	10,295,193,600	4,380,977
	61,771,161,600	26,285,862
Add: Salaries, Wages and Allowances	2,723,712,000	1,159,026
	64,494,873,600	27,444,888

The four items amount to approximately 71% of sales revenue.

Refer to Appendix 2: Operating Costs

3.10 **Project Organization, Management and Labour Requirement**

The project will be managed through the Board of Directors consisting of three members. The Board will formulate policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

The day to day management of the project will be vested in the Management Team. The Management Team will comprise of the General Manager who will be the overall in-charge of the project. The General Manager will be assisted by Deputy General Manager. The General Manager and his deputy will be assisted by three (3) Heads of Department: Production Manager, Marketing Manager and Finance & Administration Manager. These will in turn be supported by qualified personnel in their areas of specializations.

4.0 **MARKET EVALUATION**

4.1 **Market and Marketing Aspects**

The project targets both the local market and the E.A Community member states and beyond. The export market is not considered for the time being.

1.13 Competition

Cage Wine farming has officially been allowed by the government in recent years. So far, there are only a few large commercial tilapia Wine farming projects in the country. The most notable project is Ruvu Wine Farm located in Bagamoyo, Coast region which is a joint venture between a Tanzanian and a Danish partner with support from DANIDA. The project is expected to produce 450 tons of quality tilapia Wine per year. However, this project uses ponds. Cage Wine farming is rapidly expanding in Lake Victoria waters. The biggest cage Wine

5.0 FINANCIAL ANALYSIS

5.1 Financial Assumptions

The estimated capital cost and basic operating assumptions are summarized in the financial projections as shown in Annexure I to XI. In the financial analysis the following major assumptions have been taken into considerations:

- o By taking into consideration gradual increase in production capacity, the financial projections are for 5 years.
- For convenience and stability, all financial figures have been quoted in United States Dollar at US\$ 1 = 2,350/=TShs.
- Total capital investment cost is estimated at TShs17,428,400,000/= (US\$ 7,414,738--) excluding working capital requirements.
- It is proposed to finance the total fixed Investment costs of this project through foreign equity contributions (70%), and local bank term loan (30%). The Initial Working Capital Requirements estimated at TShs 1,680,000,000/=(US\$ 714,894--) will be financed through bank short- term loan in form of overdraft facility to be charged interest at the prevailing rate of 8%.
- Implementation period of thirteen (13) months has been taken into consideration to allow for development of the site infrastructure and other civil works structures etc); procurement of Wine cages and development of rearing and breeding pond/tanks, recruitment and training of technical staff; procurement and installation plant machinery equipment and necessary tools, and motor vehicles; and securing local and export markets.
- Discounting rate has been assumed to be 8%
- Depreciation of fixed assets and amortization of the pre-operational expenses/contingencies rates used are as shown in Appendix 3 (Annual Depreciation and Amortization of Assets) and Annex I (Investment, Replacement and Depreciation Schedules).

- o Project capacity utilization is estimated at 60% in the first year, rising to 65% in second year, reaching 70% in year three, 75% in year four before stabilizing at 80% from year five onwards.
- Investment Costs are shown in Annex I (Investment, Replacement and Depreciation/Amortization Schedules).
- Direct production costs shown in Appendix 2 (Operational Costs) and Annex 1V (Trading Account) are based on current rates.
- o Salaries, Wages and Allowances have been based on the prevailing scales in the aquaculture industry in Tanzania. There is provision of 20% to cover company contribution to Social Security Fund (10%) and other Social Welfare Benefits (10%).
- o Administrative/Overheads and farm/factory Overhead costs are based on the prevailing rates in the market and needs of the proposed project.

5.2 Major Operating Costs

Major production cost items are indicated in Appendix 2 (Operational Costs).

- o Corporate Tax is fixed at 30% of taxable profits.

The project will be granted a Tanzania Investment Centre (TIC) Certificate of Incentives and therefore enjoy tax relief on both capital and deemed capital goods.

5.3 Analysis of Financial Results

Following are highlights of the financial projections and analysis: **Annex IV –**

Trading Account

Operations of the project are profitable right from year 1 when the company posts a net profit after tax of US\$ 4,114,407-. The profitability position remains stable during the subsequent years, rising to US\$ 4,687,816- in year two, 4,981,404- in year three before climaxing at US\$ 5,828,880- by end of the 5th and last assumed economic life of the project.

Appendix V – Sources and Uses of Funds

The projected Cash flow for Financial Planning indicates that the project will generate enough cash to meet its financial obligations. The cumulative cash balance during the project period grows over six (6) fold, increasing from US\$ 4,114,407- to US\$ 25,027,411-. This is a positive indication that the project is liquid enough to meet its cash requirements to support its trading operations.

Appendix VI - Projected Balance Sheets

The balance sheets indicate a favourable state of affairs of the project throughout the projected period. Similarly current liabilities are well covered by the current assets, the ratio ranging from 6.64 to 36.52 fold. The company net-worth (Initial Shareholders Equity plus Retained Earnings) grows 5.82 fold during the economic life of the project, increasing from US\$ 5,191,438- at the end of construction period to US\$ 30,218,849- by end of the 5th year, a significant growth in the value and profitability of the company.

Payback Period

The Normal Payback Period is 1.3 years at zero discount rate

Key Financial Ratios

- The ratio between Net Profit + Interest to Investment ranges from 58%% to 79%.
- **Return on Equity (RoE)** tells us how much profit the firm generates for each dollar of equity it owns. RoE on this project by the end of its assumed economic life at year five (5) is 82.82, translating to a return of 82.82 for every 100 equity dollars invested in the project. This indicates that the project is very profitable, over and above the industrial standard return of 15-20%
- **Return on Investment (RoI)** is a performance measure used to evaluate the efficiency or profitability of an investment. RoI on this project is 238%, a return of 238% for every US\$ 100- invested.
- **Debt to Equity Ratio (D/E Ratio)** is used to evaluate a company's financial leverage. It is a measure of the degree to which a company is financing its operations with debt rather than its own resources. D/E Ratio for this particular project is only 0.01 by far lower than the standard range of 2 to 2.5. This result tells us that resource allocation in this project is not optimal. The directors should consider more borrowing to seize growth opportunities.
- **Equity to Total Liabilities** ratio range from 4.24 in year one, decreasing as the loan amount is reduced before reaching 21.51 at year three when the loan is fully paid, and 128.17 by the end of the assumed project life at year five.

Breakeven Analysis

Break-even ratio for this project is 36.72%. This tells us that the firm can break-even when it operates at 36.72% of the assumed security services provision capacity. .

Sensitivity Analysis

From the analysis carried out on changes of some key factors to show their effect on profitability and IRR, the project shows to be more sensitive to changes in price than changes in decline in capacity utilization and increase in direct operating costs.

6.0 ENVIRONMENTAL ASPECTS

6.1 Introduction

The project activities involve installation of Wine cages within lake waters, production of Wine meal, cleaning and packaging of whole Wine before packaging and chilling/freezing the products ready for transportation in refrigerated trucks to both local and export points (airport/sea port). In the process, the company cooperates with various regulatory authorities, including Tanzania Wineeries Department, OSHA, MMC, TRA, CGL and NEMC. Ikohi Company Limited will adhere to all regulations as appearing in The Wineeries Act (2003) and Wineeries Regulations (2003) which guides Wine processors on the necessary the processors have to observe regarding environmental aspects before the processors can be granted Wine processing and export licence.

Generally, Tanzania has environmental regulations governing the industrial operations/manufacturing activities etc. Nevertheless, each operator takes basic precautions to ensure that during operations, damage to environment is limited to the minimum possible level.

Ikohi Company Limited will seek to obtain European Union Certification for the proposed processing plant before starting operations, and this will ensure a working quality control system in place. The HACCP System (Hazard Analysis & Critical Control Points) of quality control will give this factory a global competence. A working laboratory, an efficient training programme, good team work and support from the government authorities will help this industry to grow day-by-day. The company will implement all directives from the EU and therefore grant approval 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,

6.2 Nature of Project Activities

The Project Activities: involve collection, cleaning and packaging and chilling/freezing the products ready for transportation in refrigerated trucks to the local and export points (airport/sea port). Processing begins with Wine receiving and selection of ideal Wine for processing. The only chemical applied during the processing is Chlorine used for cleansing purposes.

Mode of Liquid Waste Disposal: Recycled and treated waste water and the affluent disposed in underground tanks.

6.3 **Work Health and Safety Policy**

To ensure environmental aspects are fully accommodated in the planned project activities, the Company will establish its Environmental Management Plan which shows commitment of Ikohi Company Limited Management and Workers to health and safety, with aims to remove or reduce risks to health, safety and welfare of all workers, contractors and visitors, and everyone else who may be affected by the Company's business operations

The aim of this workbook is to:

- Show the commitment of Ikohi Company Limited Management and Workers, Contractors to health and safety;
- To remove or reduce the risks to health, safety and welfare of all workers, contractors and visitors, and anyone else who may be affected by the Company's business operations;

Under this environmental management plan workbook, the Management is responsible for providing and maintaining:

- Safe working environment;
- Safe system of work;
- Plant and substances in safe condition;
- Facilities for the welfare of all workers;
- Any information, instructions, training and supervision needed to make sure all workers are safe from injury and risks to health;
- A commitment to consult and cooperate with workers in all matters relating to health and safety in the workplace.
- A commitment to continually improve our performance through effective safety management.

6.4 **Environmental Impact Screening**

The nature of the project indicates that there are no major negative environmental effects of public concerns, except two minor ones:

6.4.1 **Air Pollution (Odour/Offensive Smell)**

It has been noted that during processing Wine, the processing may be associated with release of offensive smell, and as a result, may disturb the surrounding community. However, the Wine processing operations for M/s The Big Best Company Limited will be conducted in an ultra-modern factory that will meet all the Wineeries Act (2009) and Wineeries Regulations (2009), and therefore processing will be carried out under very clean environment.

This impact is therefore considered negative, cumulative, short term and of low significance.

6.4.2 Land Contamination from Chemicals/Effluent

It is urged that improper management of effluent and other cleansing chemicals like chlorine spills may occur from processing. This is also considered of low significance as all effluent water will be channelled to water treatment plant. Mitigation measures should be in place and other necessary precaution should be taken in order to avoid land pollution.

6.5 The Company's Commitment to Environmental Protection and Wineeries Regulations 2009

As discussed above, the project does not involve any wastes as all processing wastes are either further processed for sale or sold raw as an important input for production of animal feeds. Environmental degradation is therefore not an issue in this project. Notwithstanding the minimal environmental impact of the project, M/s Ikohi Company Limited will ensure maximum cleanliness of the project is maintained, and that the project conforms to requirements in The Wineeries Act, 2003 and Wineeries Regulations, 2009.

7.0 RISK ANALYSIS

The major risk factor considered under this project is the possible breakdown of Wine diseases. However, this is highly unlikely as Lake Victoria waters are very clean, almost pollution-free compared to similar water bodies. The second major risk is the possibility of the increase of number of cage Wine farmers around Ilemela district who may compete for lake space. However, this is also unlikely to happen in a foreseeable future as commercial cage Wine farming is relatively a young industry in the country.

8.0 SOCIAL, ECONOMIC AND DEVELOPMENTAL BENEFITS

The commercial cage Wine farming activities generates a lot of developmental benefits, including but not limited to the following:

- Establishing the proposed Wine meal production facilities in Ilemela and production of 10,812 metric tons for sale will help ease the Wine feed supply constraint which is hindering the growth of Wine farming industry.
- Supply of 10.88 million good quality tilapia Wine fingerlings will reduce the huge deficit currently experienced which stands at over 30 million compared to the available supply of 5 million fingerlings countrywide.
- The good quality fingerlings sold to other farmers will further influence reduced mortality and improved productivity.

- The project envisages employing estimated number of 160 people among whom 10 will be foreign expatriate staff. Of the remaining 150 local employees, 65 will be skilled while 85 will be casual/unskilled workers. Furthermore, among the local employees, 70 are expected to be males while 80 are expected to be females.
- Salaries, wages and allowances estimated at TShs 2,723,712,000/= (US\$1,159,026-) expected to be earned by local workers at full project operations are expected to change the economy of Ilemela District irreversibly;
- Mwanza region traders are set to benefit tremendously from the supply of various Wine farm and factory supplies estimated at TShs10,295,193,600/= (US\$ 4,380,977-);
- Wine production is geared towards both local consumption and export to the neighbouring countries and beyond. Therefore, the increased supply of 14,336 metric tons of tilapia Wine per year will not only influence to regulate Wine price but also, with the project Wine price being half of the current market price means more local people will have access to nutrients available in tilapia Wine.
- Ilemela Municipal Council will collect substantial revenue (levies/taxes) from Wine farming and processing activities;
- Revenue to the government Treasury and other organs in the form of taxes, fees and levies;
- The project will generate a considerable amount of foreign exchange through the sale of tilapia Wine sales from the export market. Approximately 50% of Wine production is planned for the export market particularly the EAC member states, SADC and other Africa countries and the Middle East;
- The project personnel will benefit from training on Wine farming and processing skills.

9.0 CONCLUSIONS AND RECOMMENDATION.

9.1. Conclusion.

Financial and economic analyses above reveal the following:

- 9.1.1 The project is financially viable, economically feasible and environmentally friendly as indicated by the projects' cost of production and profitability tables, cash flows and balance sheet.
- 9.1.3 The project envisages expansion of Tanzania's market share in the Wine export industry and thus maximizing government revenue in form of various taxes;

- 9.1.4 The project has a very short payback period of 1.30 years relative to its fixed capital investment of US\$ 7,414,738-.
- 9.1.5 The project is will employment opportunities, transfer of technology. It is geared to employ about 150 local employees, a significant number of which will be women.
- 9.1. 6 The project will generate a considerable amount of foreign exchange through the sale of tilapia Wine.
- 9.1.7 The project will have a huge impact in the economy of Mwanza region considering the amount of of money that will be paid to workers per annum in form of salaries and wages and the estimated amount of TShs2,723,712,000/= (US\$ 1,159,026-) that will be collected by local employees. Inaddition, the project will provide a potential for supply of various Wine farm and processing factory supplies estimated at TShs 10,295,193,600/= (US\$ 4,380,977-). The two factors are set to change the economy of Mwanza regionirreversibly;

9.2 Recommendations.

In view of the above it is strongly recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentiveswith its associated privileges and benefits as provided for under Tanzania Investment Act, 1997 to facilitate smooth implementation.

It is further recommended that TIC assist the investors to obtain a Letter of No Objection from the Ministry of Livestock and Wineeries and subsequent grant ofWine Processing and Export Licence as provided for under Section 6(d) of Tanzania Investment Act, 12997 which reads "*assist all investors to obtain all necessary permits, licences, approvals, consents, authorizations, registrations and other matters required by law for a person to set up and operate an investment, and to enable certificates issued by the Centre to have full effect*".

FINANCIAL PROJECTIONS

ANNEX III: WORKING CAPITAL SCHEDULE(\$)							
Year		0	1	2	3	4	5
Current Assets							
Stock of materials			428,573	375,954	383,335	383,335	383,335
Stock of output			197,872	214,362	230,851	230,851	230,851
			626,445	590,316	614,186	614,186	614,186
Current liabilities			492,860	284,763	230,001	230,001	230,001
Total W/C			1,119,305	875,079	844,187	844,187	844,187
Incremental W/C			(-264,226)	(30,892)		-	-
ANNEX IV: TRADING ACCOUNT (US\$)							
ITEM/YEAR		0	1	2	3	4	5
Materials			13,136,931	14,231,675	15,326,420	16,421,164	17,515,908
Farm/Factory Supplies		4,380,977	2,628,586	2,647,764	3,066,684	3,285,733	3,504,782
Salaries/Wages/Allowances			695,416	753,367	811,318	869,270	927,221
Other Operating Costs							
			16,460,933	17,632,806	19,204,422	20,576,167	21,947,911
Total Operating costs			16,460,933	17,632,806	19,204,422	20,576,167	21,947,911
Sales Revenue			23,180,528	25,112,238	27,043,949	28,975,660	30,907,370
Trading Profit			6,719,595	7,479,432	7,839,527	8,399,493	8,059,459
Trading Profit as% of Sales			28.99%	29.79%	28.99%	28.99%	28.99%
Years							
Years		0	1	2	3	4	5
Trading Profit			6,719,595	7,479,432	7,839,527	8,399,493	8,959,459
Total depreciation			663,917	663,917	663,917	663,917	663,917
Loan interest			177,954	118,636	59,318		
Net Profit			5,877,724	6,696,879	7,116,292	7,735,576	8,295,542
			25.36%	26.67%	26.32%	26.70%	26.84%
Cumm. Net Profit			5,877,724	12,574,603	19,690,895	27,426,471	35,722,013
Tax at	30%		1,763,317	2,009,063	2,134,888	2,320,672	2,466,662
Net Profit After Tax			4,114,407	4,687,816	4,981,404	5,414,904	5,828,880
			17.75%	18.67%	18.42%	18.69%	18.86%
Cumm. Net Profit after tax			4,114,407	8,802,223	13,783,627	19,198,531	25,027,411
			4,114,407	4,687,816	4,981,404	5,414,904	5,828,880
			177,954	118,636	59,318		
			4,292,361	4,806,452	5,040,722		
			0.58	0.65	0.68	0.73	0.79

Total Investment Book Value		7,414,338	6,762,719	6,111,100	5,459,481	4,807,862	4,156,244
TOTAL ASSETS		7,414,338	11,503,571	15,503,639	19,857,294	24,620,579	29,707,641
LIABILITIES AND EQUITY							
Current liabilities			492,860	284,763	230,001	230,001	230,001
Other Liabilities			221,919	483,742	652,228	312,609	-
			714,779	768,505	882,229	542,610	230,001
Loan outstanding		2,224,421	1,482,947	741,473	-	-	-
Equity		5,191,438	5,191,438	5,191,438	5,191,438	5,191,438	5,191,438
Cumm. Net Profit after tax		-	4,114,407	8,802,223	13,783,627	18,886,531	24,286,202
TOTA LIABILITIES AND EQUITY		7,415,859	12,218,350	16,272,144	20,739,523	25,163,189	29,937,642
CL/CA			0.15	0.09	0.07	0.03	0.01
CA/CL			6.64	12.23	16.32	36.52	111.49
ANNEX VII - INTERNAL RATE OF RETURN ON INVESTMENT							
Method of Computation: Double Your Money Scenario							
Number of years required to double investment money = 3							
100/3x75% = 25%							
ANNEX VIII – PAYBACK PERIOD							
Payback Period Analysis							
	Year	Beginning Balance	Net Profit After Tax	Ending Balance			
Cost of investment	0	7,415,859	0	7,415,859			
	1	7,415,859	4,114,407	3,301,452			
	2	3,301,452	4,687,816	1,386,364			
	3	1,386,364	4,981,404	6,367,768			
	4	6,367,768	5,414,904	11,782,572			
	5	11,782,572	5,828,880	17,611,552			
Payback Period =		1.3		Years			
ANNEX IX: RETURN ON EQUITY (RoE)							

APPENDIX 2: OPERATIONAL COSTS				YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Materials								
Wine Feeds costsfor Wine Farm				9,150,638	9,913,192	10,675,745	11,438,298	12,200,851
Wine Meal (for sale) production Costs				3,892,289	4,216,647	4,541,004	4,865,362	5,189,719
Wine Fingerlings Production cost				100,003	108,337	116,670	125,004	133,338
Estate and Factory Supplies				2,628,586	2,847,635	3,066,684	3,285,733	3,504,782
<i>Sub total</i>				<i>15,771,516</i>	<i>17,085,811</i>	<i>18,400,103</i>	<i>19,714,397</i>	<i>21,028,690</i>
Salaries, Wages & Allowances				695,416	753,367	811,318	869,270	927,221
Total Materials and Labour Costs				16,466,932	17,839,178	19,211,421	20,583,667	21,955,911
Other Operating Costs								
Water Supply & Treatment				7,200	7,800	8,400	9,000	9,600
Electricity				14,400	15,600	16,800	18,000	19,200
Repairs & Maintenance of capital assets				219,634	237,936	256,239	274,542	292,845
Motor Vehicle Running Expenses				108,967	118,050	127,131	136,211	181,615
Estate andFactory Overheads				139,083	150,673	162,264	173,654	185,444
Administrative Overheads				123,438	123,438	123,438	123,438	123,438
Licences, Permits and Authorizations				18,000	18,000	18,000	18,000	18,000
Direct Marketing & Travelling Costs				117,578	117,578	117,578	117,578	117,578
Marketing Overhead costs				47,031	47,031	47,031	47,031	47,031
Total				795,331	836,106	876,881	917,454	994,751
GRAND TOTAL				17,262,263	18,675,284	20,088,302	21,501,121	22,950,662

APPENDIX 3: ANNUAL DEPRECIATION AND AMORTIZATION OF ASSETS									
CAPITAL ITEM/YEAR	Scrap Value	Rate	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Land									
Cumulative Investment	100%	0%	151,064						151,064
Annual Depreciation	0%	0%	-	-	-	-	-	-	-
Book Value			151,064	151,064	151,064	151,064	151,064	151,064	
Buildings & Structures									
Cumulative Investment			738,298	738,298	738,298	738,298	738,298	738,298	738,298
Annual Depreciation	50%	5%		18,457	18,457	18,457	18,457	18,457	92,285
Book Value - Buildings			738,298	719,841	701,384	682,927	664,470	646,013	
Machinery, Tools & Equipment									
Cumulative Investment			5,199,318	5,199,318	5,199,318	5,199,318	5,199,318	5,199,318	5,199,318
Annual Depreciation	35%	12,5%		422,445	422,445	422,445	422,445	422,445	2,112,225
Book Value			5,199,318	4,776,873	4,354,428	3,931,983	3,509,538	3,087,093	
Vehicles									
Cumulative Investment			1,210,764	1,210,764	1,210,764	1,210,764	1,210,764	1,210,764	1,210,764
Annual Depreciation	20%	20%		193,722	193,722	193,722	193,722	193,722	968,610
Book Value			1,210,764	1,017,042	823,320	629,598	435,876	242,154	
Furniture & Office Equipment									
Cumulative Investment			63,830	63,830	63,830	63,830	63,830	63,830	63,830
Annual Depreciation	15%	12.5		6,782	6,782	6,782	6,782	6,782	33,910
Book Value			63,830	57,048	50,266	43,484	36,702	29,920	
Pre-operational Expenses									
Cumulative Investment			51,064	51,064	51,064	51,064	51,064	51,064	51,064
Annual Depreciation	0%	20%		10,213	10,213	10,213	10,213	10,212	51,064
Book Value			51,064	40,851	30,638	20,425	10,212	-	
Contingencies									
Cumulative Investment			42,553	42,553	42,553	42,553	42,553	42,553	42,553
Annual Depreciation	0%	20%		8,511	8,511	8,511	8,510	8,510	42,553
Book Value			42,553	34,042	25,531	17,020	8,510		
Total Cumulative Book Value			291,250	252,286	213,322	174,358	135,394	98,430	
Land			151,064	151,064	151,064	151,064	151,064	151,064	
Buildings & Structures			738,298	719,841	701,384	682,927	664,470	646,013	
Plant Machinery Equipment/Wine Cages			5,199,318	4,776,873	4,354,428	3,931,983	3,509,538	3,087,093	
Motor Vehicles			1,210,764	1,017,042	823,320	629,598	435,876	242,154	
Furniture & Office Equipment			63,830	57,048	50,266	43,484	36,702	29,920	
Pre-operational Expenditures			42,553	34,042	25,531	17,020	8,510		
Contingencies			42,553	34,042	25,531	17,020	8,510		
Total			7,448,380	6,789,952	6,131,524	5,473,096	4,814,670	4,156,244	