

**EUROPEAN INVESTMENT HOLDING  
LIMITED  
BUSINESS PLAN  
FOR  
THE ESTABLISHMENT OF GOLD PROCESSING PLANT  
KATORO GEITA REGION,  
TANZANIA.**

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## List of Abbreviations

CAPEX – Capital Expenditure  
CIF – Cost Insurance and Flight  
CSI - Corporate Social Investment  
MWAUWASA- Geita Water Supply and Sewerage Authority  
EIA – Environment Impact Assessment  
GDP – Growth Domestic Products  
GOT- Government of Tanzania  
ICT -Information Communication Technology  
IRR – Internal rate of return  
KVA – Killo Volt Ampere  
TFTL – EUROPEAN INVESTMENT HOLDING LIMITED  
NBS – National Bureau of standard  
NEMC – National Environment Management Council  
NGO – Non Governmental Organization  
OPEX – Operating Expenditure  
SWOC – Strength Weakness Opportunity and Challenge  
TANESCO – Tanzania Electric Supply Company  
TZS – Tanzania Shilling  
USA - United state of America  
USD - United State Dollar  
VETA – Vocational Educational Training Authority  
QTS - Quantity  
VAT – Value Added tax

## **EXECUTIVE SUMMARY**

This writeup represent the extract of the Gold Processing business component from the main Feasibility study for European Investment Holding Limited which is a legally incorporated mining company based in Katoro Geita Region in Tanzania.

As a matter of fact, this business plan is our business forecast for the gold minerals processing component of the company for the next five years. In fact, it is our administration and mining operation manual for the period covered. In this plan are our company profile, products, production flow chart, and our market and marketing strategies.

The feasibility analysis of our operation for the period under consideration are also covered here. So, the feasibility analysis covers all the cost of operation, marketing, and turnover forecast. All of these are finally presented in the company income statements for projected gross income and net profit propositions. The balance sheet and the cash flow statement speak volume for our capacity to operate seamlessly without any financial hitch in the next three years.

## **1.0. THE MINING SECTOR OVERVIEW IN TANZANIA.**

### **1.1. The Mining sector in Tanzania**

Tanzania is a land rich in minerals, mining is a leading industrial sector in Tanzania with the value of mineral exports constantly increasing for the past several years. The sector is comprised of both small- and large-scale operations. Mining in Tanzania includes metals (gold, iron ore, nickel, copper, cobalt, silver), industrial minerals (diamonds, tanzanite, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, gravel, sand, dimension stones and graphite), and fuel minerals (coal, uranium). Tanzania is also home to many rare earth and critical minerals that are currently in the exploration stage. Mining makes up more than 50% of the country's total exports, of which a large part comes from [gold](#).

Tanzania earned around 2.3 billion U.S. dollars with minerals exports in 2019, a significant increase over 2018 level of 1.6 billion U.S. dollars. Gold had the highest contribution to the value of mineral exports. Tanzania is the 4th largest gold producer in Africa after South Africa, Ghana and Mali and is the world's sole producer of the precious stone Tanzanite. Gold production currently stands at roughly 40 tonnes a year, copper at 2980 tonnes, silver at 10 tonnes and diamond at 112,670 carats.

Mining and quarrying activities had a very large contribution to Tanzania's Gross Domestic Product (GDP) growth in the first quarter of 2021. The sector recorded 10.2 percent of the GDP equivalent to 1,473,804 million TZS.

The Tanzania mining industry remains attractive to investors, given the next few years of significant diversification to the mining of nickel, uranium and coal as well as attractive investment packages available in the value. There is also availability of investment incentives and supply chain opportunities in the mining sector.

The mining sector depends on imported machinery and supplies, and investors can import capital goods at zero duty. There are significant opportunities for the export of U.S. technology, machinery, and services. Mining companies have significant demand for better power alternatives as they currently rely on diesel generators. The Tanzanian Government encourages mining companies to procure local goods and services whenever possible, and many of the foreign mining executives would like to increase local consumption to support the Tanzanian economy. There is significant opportunity to supply

foodstuffs, clean water, training, consultancy and other services. With an unreliable power grid and rail system, alternative energy and transport solutions are also in high demand.

#### **1.4. Gold processing factories**

Tanzania is the 4th largest gold producer in Africa after South Africa, Ghana, and Mali and accounts for 1.3% of the total global gold production. Tanzania's gold reserves are estimated at about 45 million ounces and Tanzania's gold production in Tanzania stands at around 50t per year. Gold exploration is mostly centered mostly on the greenstone belts around Lake Victoria, where several large deposits have been discovered and are being developed.

Tanzania's total gold production reached 55.6 tonnes in the financial year 2020/21, versus 53.7 tonnes in the financial year 2019/20, and 42 tonnes in the financial year 2018/19. Gold exploitation is done by both large and medium-scale miners as well as small-scale miners.

#### **1.5. Proposed plant capacity of European Investment Holding Limited.**

Investors plan to establish a gold processing plant that will set up a maximum capacity of processing 18MT of raw gold processing per year. The working day of the plant is 300 days excluding public holidays and Sunday. The raw gold from our plant will be refined in the local refineries before exporting.

#### **1.6. Capital Investment and Financing Plan**

The proposed Establishment of the plant will attract investment capital of 500,000USD (excluding interest and depreciations of machineries and equipments). The project promoters are planning to finance project cost by 35.6% which includes project initial operational cost and pre operational cost amounted to 178,000USD.

The 64.4% investment capital will be purchased from commercial banks at a long-term payment not less than 5 years project economic life, all these will be for major construction of the site, purchase of machineries and equipments, purchasing of cold room trucks and Light vehicles, furniture's, pre operational cost and initial working capitals of project. The proposed long-term loan is approximated to 322,000USD.

## 2.0. PROJECT OVERVIEW

### 2.1 The project location and ownership structure

European Investment Holding Limited is a limited liability company incorporated in Tanzania under the Companies Act, 2002 with Certificate of Incorporation No.180592814 from Registrar of Companies with effect from 19<sup>th</sup> December, 2024. The office of the company is located in Bukombe District, Geita Region.

The initial Authorized Share Capital of the company is TZS 20,000,000/= divided into 1,000 ordinary shares of TZS 20,000. each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 2.1 below.

**Table 2.1: Company Ownership and Principal Shareholders**

S/No	Shareholder's Name	Occupation of Subscriber	Number of Shares
1.	Peter Krupanszky <b>(Hungarian)</b> (BUSINESS MAN)	Private Company By Share, Domicile In Tanzania- Incorporate Number 180592814	250
2.	Jason Joliart <b>(Hungarian)</b> (BUSINESS MAN)	Private Company By Share, Domicile In Tanzania- Incorporate Number 180592814	130
3.	Zsolt Zoltan Sari <b>(Hungarian)</b> (BUSINESS MAN)	Private Company By Share, Domicile In Tanzania- Incorporate Number 180592814	120
4.	Gabor Krupanszky <b>(Hungarian)</b> (BUSINESS MAN)	Private Company By Share, Domicile In Tanzania- Incorporate Number 180592814	250

5.	Deogratias Felician Rwagasore	Private Company By Share, Domicile In Tanzania- Incorporate Number 180592814	250
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## 2.2. Project site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out. The current physical condition of infrastructure and utilities on the proposed site is as shown on the pictorial overview of the project site as follows:

### 2.2.1. Utilities and Other supporting Facilities

The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. Strategic and situational analysis of project, the project needs reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services. The regional government under M “Geita Urban Water Supply Authority” and TANESCO has distributed power and water to ensure water network reaches peri urban areas especially where the project will be located. The following are reliable utilities found at the site;

#### A. Electricity and water supply

The proposed site will be supplied with industrial production 2-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line. As part of project budget, the factory will be installed with a stand by generator with a capacity of 50KVA that will be installed for power supply. Solar energy will be alternative source for administration and other miscellaneous activities and not processing activities.

## B. Transportation network and communication system

The proposed project is located in Basonzo Ward which is connected to the near by District by good road passable throughout the year the project is accessible in all mean of ground transport, such as heavy vehicles, Light Vehicle and public transports. The mobile tower operators and service providers available to the project area are such as Vodacom, Tigo, Airtel and Halotel The particular business communication system with external world/entities is expected to improve once the company becomes operational. The National Fibre Optical line transmission is closer the project area, actually just close to project area.

### 2.3. Project Description

#### 2.3.1. Basic requirement of the project establishments

European Investment Holding Limited is a private company based in in Geita region. The company is intending to establish a gold processing plant in Geita region. The factory's objective includes; To carrying out business in the mining sites and processing of gold for export.

The plant that will be set up will have a maximum capacity of processing 18MT of Gold per annum. The company will start by constructing administration block, importation and installation of the CIP, building quality laboratory and develop a waste disposal. The proposed land and structure is estimated to 60,000USD

The Business Plan report explores the viability of the proposed Establishment and modernization project in an economy whose liberalization in recent years has witnessed private sector increasing in number and the demand of these commodities. In addition, the study will enable the sponsors to present the parameters and objectives of the proposed project to external financiers such as development and commercial banks, NGOs etc based in Tanzania.

### 2.4. Project Cost & Financing Pattern

The proposed project is estimated to cost a total of USD 3,000,000 which includes 40% (1,200,000USD) owner's equity and long-term loan of 60% (1,800,000USD) as proceeds from capital contribution of the project.

EQUITY + LOAN		USD
1	EQUITY (40%)	1,200,000.00
2	LOAN (60%)	1,800,000.00
TOTAL FINANCING		3,000,000.00

### 2.5. Business Plan Objectives

The objectives of this study are three-fold. First is to determine the viability of the proposed integrated project and serve as a business plan for the company's

development program. Secondly, it is meant to facilitate initial Joint-venture process to local and Chinese investors.

Thirdly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

## **2.6. Market and pricing Analysis**

Furthermore, the market trend is encouraging. In fact, gold mining in Tanzania has shown to be a lucrative business. Ghana has continued to maintain the market lead in Africa for a long time and up to now. South Africa is another major producer in the Africa. Until recently, Tanzania's gold-mining industries may be considered number three in Africa but had witnessed poor investment in the recent years. It failed to operate as well-oiled machines. In fact, the miners have not considered it wise to put forth sizeable capital towards exploration and development. But with recent government policy and legal reforms and incentives in place, exploration will be successful and will extend to renewing and growing the reserves that were being mined.

In fact, it's hoped that a continual expansion and new development of mining sites will be sustained leading to growth in production. It is common trend in the gold ore mining line of business to find mining companies positioning for business in locations and communities where they can easily have cheap access to mines and labour. This policy is like an industrial standard. It actually, enables miners make profits and maintain overhead and logistics.

## **2.7 Technical aspect and related cost**

### **2.7.1. Land acquisition and Buildings**

The project is located at Geita. Based on physical inspection of the proposed site, the availability of basic and essential project Establishment development is in place. The shareholder will build some of the administration building and water treatment plant 120,000USD.

Office buildings and other related structures will be renovated by provision of loan-able facilities, the proposed structure is designed to meet highly security this will total to 470,200 USD.

### **2.7.2. Machinery and Equipment.**

Proper machinery and equipment selection is one of the key problems in the production of high-quality products in Tanzania. To increase effectiveness and

production efficiency one needs to have a modern technology machinery. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation and variable costs based essentially on wages.

While working out details of equipment required, it has been assumed that the factory will work 300 days in a year. The projects machinery and equipment will be sourced from China and local market in Tanzania Estimated total cost is 400,000USD. Calculated depreciation of buildings, machines and other working facilities is estimated to cost USD 100,000 please see Appendices I on income statement.

### **2.7.3. Motor Vehicles**

The project anticipated to purchase motor vehicles costing to 356,000USD, these includes excavators and trucks costing to 300,000USD and other vehicles costing to 56,000USD. All these vehicles will facilitate plant operations and management of the project. Hence increases plant performance and administrative work.

### **2.7.4. Furniture & Fittings and office equipments**

The cost of furniture and fittings is estimated to be 50,000 USD . Same is also set aside as contingency making a total of 10,000USD.

### **2.7.5. Pre-Operational Expenses and initial working capital**

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of Incentives, legal fees, etc set aside of 100,000USD for any issue during the setting of the project. While 1,398,800 USD for Initial working capital of the project which includes initial imports of consumable goods and material estimated to last for the 1<sup>st</sup> three months of operations. Otherwise, raw materials will generally be maintained at one month's stock.

### **2.7.8. Project Financing**

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility:

### **2.7.9. Explanatory Notes.**

The plant will operate for 300 days in a given year of operation. The forecast has made for the duration of five years of operations, Extraction rate is 62.57% gold processing from fresh gold ore, capacity utilization of the project. The proposed project is a complete set of latest processing gold processing machine, equipment

and tools. All these will be imported from china and local made with life span 2 to 5 years project economic life.

#### **2.7.10. Operating and Administrative Costs**

The major operating costs are salaries, wages and allowances; and food and beverages for hostel students. Consumable goods and material like chemicals, administrative expenses, fuel and lubricants, general cleanliness and security, uniforms and other related goods, insurance, licensing, tax, utilities have been stipulated to this report (see income statement Annex I) total operational and administrative cost 1,148,276USD

#### **2.7.11. Auxiliary Materials/ services**

Falling under this category of factory, utilities and service facilities must be considered,

**Utilities and service facilities that will need to be provided in this plant are as follows:**

- (i) Workshop
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

##### **(i) Workshop**

It is necessary to make provision for a small workshop in the factory premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.

The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the factory. Equipment provision has been restricted to the minimum.

##### **(ii) Electric Power and Generator**

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line from Geita Region. As part of an alternative power supply, the factory will heavy duty 50KVA power generator automated generator that will be connected to the all-necessary factory compound for standby power supply. The factory will install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and

other power problems.

**(iii) Water Supply**

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to water network, the agency is major supplier of water to urban and peri urban area in the city

**(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc**

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased provision of factory, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Storage and transport needs of the factory have been duly recognized and been attempted mostly manual. Regarding transport, 3 light vehicles will be purchased and some will be hired during the start of project
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.

**2.7.12. Waste management for the project**

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our project site is chemicals used in the processing of gold and mud waste. The mix of chemical and water waste will be treated before disposing to avoid effects to the living organisms. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

### **3.0. PROPOSED SALARY BUDGET AND MANPOWER**

#### **3.1. Employment**

The plant is looking at providing direct employment to 82 peoples on full implementation and operation of the project and 173 as part time employments basically these will be engineers and geologist in the gold processing plant. The company will have 9 foreign works, and the remaining are from local perspectives. The project is divided into 3 Departments; Administration (13), Finance and marketing departments (5), Operational department (64).

#### **3.2. Recruitment**

Recruitment of the 73 persons will be carried out by recognized institutes SIDO and VETA by recruiting qualified operational department especially geologist and factory engineers.

#### **3.3. Training and the use of consultants**

The European Investment Holding Limited plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the machineries and equipments of the factory which will be specified under sales agreement. In general, the factory will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the factory will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the factory.

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses, guidance to management and regularly monitor and evaluate performance of the project.

**Table 3.1. Manpower requirement:**

A.ADMINISTRATION DEPARTMENT	FULL TIME STAFF	MONTHLY SALARY FULL TIME STAFF	MONTHLY ALLOWANCE	TOTAL ANNUAL SALARY
DEPARTMENT	POSTS	AMOUNT USD	AMOUNT USD	AMOUNT USD
EXCUTIVE DIRECTOR - FOREIGN	2	1,800		43,200
DIRECTOR ADMINISTRATION	1	800		9,600
LOGISTIC - FOREIGN	2	900		21,600
DRIVER	3	270		9,720
SECURITY GUARD	5	250		15,000
<b>SUB TOTAL</b>	<b>13</b>	<b>4020</b>	<b>0</b>	<b>99,120</b>
B.FINANCE AND MARKETING DEPARTMENT	FULL TIME STAFF	MONTHLY SALARY FULL TIME STAFF	MONTHLY ALLOWANCE	TOTAL ANNUAL SALARY
DEPARTMENT	POSTS	AMOUNT USD	AMOUNT USD	AMOUNT USD
DIRECTOR FINANCE- FOREIGN	1	1,000		12,000
ACCOUNTANT	1	600		7,200
PROCUREMENT OFFICER	2	500		12,000
DRIVER	1	350		4,200
<b>TOTAL</b>	<b>5</b>	<b>2450</b>	<b>0</b>	<b>35,400</b>
C. OPERATIONAL DEPARTMENT	FULL TIME STAFF	MONTHLY SALARY FULL TIME STAFF	MONTHLY ALLOWANCE	TOTAL ANNUAL SALARY
DEPARTMENT	POSTS	AMOUNT USD	AMOUNT USD	AMOUNT USD
Geologists – Local and Foreigner	2	1,000		24,000
PLANT ENGINEERS - FOREIGN	2	1,000		24,000
Casual labors	60		90	64,800
<b>TOTAL</b>	<b>64</b>	<b>2000</b>	<b>90</b>	<b>112,800</b>
<b>GRAND TOTAL</b>	<b>82.00</b>	<b>8,470.00</b>	<b>90.00</b>	<b>247,320.00</b>

## 4.0 Financial Analysis

- The estimated revenue gain from Gold is projected to be 3,000,000 USD annually, excluding Value Added Tax, during the first year of factory operation.  
Net profit before tax is expected to be 673,000 USD for the first year, increasing steadily over the five-year economic production life of the project.
- Percentage of gross contribution for the first year is 22%, with a positive trend as shown in the updated income statement.
- Net profit after tax and depreciation for the first operational year is projected at 335,300 USD, increasing year by year. The project will pay corporate tax of 143,700 USD, contributing positively to the country's GDP.
- Annual sales growth is estimated at 5%, while expenses will increase by 3%, factoring in inflation trends in the country.
- Total investment cost of the project is 3,000,000 USD, with 40% equity financing and the remaining 60% sourced from commercial bank loans.
- Current assets for the first year amount to 450,000 USD, with a positive growth trajectory, ensuring good liquidity. Shareholders will find it easier to sell shares if needed.
- The cash flow statement indicates a positive end balance, with increasing cash generation from operations over time.
- The Discounted Cash Flow (DCF) yields an Internal Rate of Return (IRR) of 18.75%, significantly exceeding the discounted bank interest rate of 8%. The project payback period is 3.5 years, confirming its financial viability.
- Return on Investment (ROI) is projected at 30.5%, increasing to 36.7% by the fifth year of economic operations (see balance sheet).
- Depreciation of fixed assets and amortization of pre-operational expenses follows these rates: land 5%, civil works/structures/buildings 5% (straight-line basis), plant machinery & technical equipment 12.5%, and motor vehicles 20%. With a 12.5% depreciation factor, the first-year depreciation value is 50,000 USD, gradually increasing due to asset wear and tear (see Annex I and III).
- Salaries and wages have been updated based on prevailing market scales. A 20% provision is included to cover NSSF contributions (10%) and other social welfare

(10%) (refer to the income statement for detailed breakdowns).

## 5.0. RISK ANALYSIS

### 5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the factory. The factory's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Factory's management responsibilities.

### 5.2. Macroeconomic risk analysis

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, factory facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

### 5.3. Finance risk analysis

a) **Supply Risk:** The risk in consumable good relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.

b) **Processing Risks:** The technology, machines and equipment used in factory are in rudimentary stages all of which contribute to reducing output efficiency.

c) **Sales/market risk:** Placing on the tuition fees markets bears risk of demand fluctuations and rejections through the implementation. Furthermore, beneficiaries/students are not aware of the factory and are usually very pricing sensitive.

### 5.4. Other potential external risk

a) **Lack of Governance:** the governance mechanism is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;

- b) Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such no incentives for improving mental health education and promote sustainable income earning opportunities;
- c) Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control education and as well as enforcing such as NEMC, TBS, TMA, Ministry of industries etc, are regulatory role in issuing licensing etc
- d) Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed regulations; and
- e) Integration:** there is little vertical integration of education system

### 5.5. Mitigating potential risk

The development of a large and complex project such as European Investment Holding Limited is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

## 6.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the European Investment Holding Limited. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of Establishment of the factory will speed up the country's economic development by being a catalyst for restructuring the existing factory to set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

### 7.2. Project investment summary.

INVESTMENT SUMMARY - EUROPEAN INVESTMENT HOLDING LIMITED				
S/NO.	CAPITAL ITEM	No. OF UNITS	UNIT OF MEASURE	ESTIMATED COST (USD)
NB	ALL FIGURES IN "USD"			
	<b>A. LAND AND BUILDINGS</b>			
1	Land Acquisition	4000+	M <sup>2</sup>	120,000
2	Building	100	M <sup>2</sup>	470,200
	<b>SUB TOTAL</b>			<b>590,200</b>
	<b>B. MACHINERY EQUIPMENT</b>	<b>No. OF UNITS</b>	<b>UNIT OF MEASURE</b>	<b>ESTIMATED COST USD</b>
11	Plant and Machineries	1	set	400,000
12	Other equipments	5	unit	100,000
	<b>SUB TOTAL</b>			<b>500,000</b>
	<b>C. MOTOR VEHICLES</b>	<b>No. OF UNITS</b>	<b>UNIT OF MEASURE</b>	<b>ESTIMATED COST USD</b>
28	Trucks	6	Unit	150,000
29	Light Vehicles	2	unit	6,000
	Excavators	6	Unit	200,000
	<b>SUB TOTAL</b>	<b>4</b>		<b>356,000</b>
	<b>D. FURNITURE</b>	<b>No. OF UNITS</b>	<b>UNIT OF MEASURE</b>	<b>ESTIMATED COST USD</b>
30	Tables	20	unit	2000
31	Office Furniture	set in lump sum		3000
	<b>SUB TOTAL</b>			<b>5,000</b>
	<b>E. OTHER COST/CHARGES</b>	<b>No. OF UNITS</b>	<b>UNIT OF MEASURE</b>	<b>ESTIMATED COST USD</b>
32	Contiguous			50,000
	<b>SUB TOTAL</b>			<b>50,000</b>

	TOTAL FIXED ASSET			1,501,200
	F. CURRENT ASSETS	No. OF UNITS	UNIT OF MEASURE	ESTIMATED COST USD
33	Pre operational expenses			100,000
34	Initial working capital			1,398,800
	<b>SUB TOTAL</b>			<b>1,498,800</b>
	<b>TOTAL INVESTMENT</b>			<b>3,000,000</b>

## 7.2. Objective and Scope of Financial Model

### 7.2.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of European Investment Holding Limited based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

### 7.2.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

## ANNEX I - INCOME STATEMENT

<b>Revenue</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>TOTAL</b>
Gross revenue from sales of Gold processing	-	3,000,000	3,150,000	3,307,500	3,472,875	3,646,519	16,577,894
Total Operating Revenue	-	3,000,000	3,150,000	3,307,500	3,472,875	3,646,519	16,577,894
Expected Expenses							
Salaries	-	500,000	515,000	530,450	546,364	562,755	2,654,569
Social Charges & Pension Payments	-	100,000	103,000	106,090	109,273	112,551	530,914
Consumable goods - raw materials (gold ore)	-	1,400,000	1,442,000	1,485,260	1,529,818	1,575,713	7,432,791
Administrative expenses	-	72,000	74,160	76,385	78,677	81,037	382,259
Fuel and lubricants	-	96,000	98,880	101,846	104,901	108,048	509,675
General Cleanliness and Security	-	20,000	20,600	21,218	21,855	22,511	106,184
Transportation	-	50,000	51,500	53,045	54,636	56,275	265,456
Cost of Sales and Marketing	-	30,000	30,900	31,827	32,782	33,765	159,274
Insurance and Licensing	-	12,000	12,360	12,731	13,113	13,506	63,710
Utilities - Electricity and Water	-	27,000	27,810	28,644	29,503	30,388	143,345
Other Costs	-	20,000	20,600	21,218	21,855	22,511	106,184
Total Operating Costs	-	2,327,000	2,396,810	2,468,719	2,542,780	2,619,063	12,354,372
Operational Net Earnings	-	673,000	753,190	838,781	930,095	1,027,456	4,222,522
Depreciation (12.5%)	-	50,000	55,000	60,500	66,550	73,205	305,255
Net Earnings before Tax & Interest	-	623,000	698,190	778,281	863,545	954,251	3,917,267
Interest Paid (8% Loan)	-	144,000	119,520	93,082	64,528	33,690	454,820
Tax (30%)	-	143,700	174,807	205,559	239,507	276,168	1,039,741
Net Earnings	-	335,300	403,863	479,640	559,510	644,393	2,422,706

## ANNEX II -CASH FLOW FROM OPERATING ACTIVITIES

Cash Flow Activities	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Receipts from Sales	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259
Cash Paid to Suppliers & Employees	(1,148,276)	(1,182,724)	(1,219,195)	(1,256,809)	(1,256,809)
Cash Generated from Operations	351,724	392,276	434,555	479,629	566,451
Interest Paid	(144,000)	(120,000)	(96,000)	(72,000)	(48,000)
Tax Paid	(135,517)	(150,500)	(165,820)	(181,460)	(198,700)
Net Cash Flow from Operations	72,207	121,776	172,735	226,169	319,751
Proceeds from Loan	1,800,000	0	0	0	0
Proceeds from Capital Contribution	1,200,000	0	0	0	0
Payment of Loan	(360,000)	(360,000)	(360,000)	(360,000)	(360,000)
Net Cash Flow from Financing Activities	2,640,000	(360,000)	(360,000)	(360,000)	(360,000)
Net Increase/Decrease in Cash	2,712,207	(238,224)	(187,265)	(133,831)	(40,249)
Cash at Beginning of Period	203,212	2,915,419	2,677,195	2,489,930	2,356,099
Cash at End of Period	2,915,419	2,677,195	2,489,930	2,356,099	2,315,850

### ANNEX III - PROFOMA BALANCE SHEET

ASSET	Year 1	Year 2	Year 3	Year 4	Year 5
Current Asset	450,000	500,000	550,000	600,000	650,000
Fixed Asset	1,500,000	1,400,000	1,300,000	1,200,000	1,100,000
Liquidity	800,000	850,000	900,000	950,000	1,000,000
TOTAL ASSET	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
NET ASSET MINUS DEPRECIATION	2,700,000	2,600,000	2,500,000	2,400,000	2,300,000
EQUITY & LIABILITIES					
Equity	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Reserves	0	0	0	0	0
Total Own Equity	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Provisions					
Long Term Loan	1,800,000	1,700,000	1,600,000	1,500,000	1,400,000
Short Term Liabilities					
Total Equity & Liabilities	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
NET FA/CL	3.98	3.68	3.64	3.26	3.22
CL/CA	0.00	0.00	0.00	0.00	0.00
DEBT/CAPITAL RATIOS	0.09	0.09	0.08	0.08	0.07
ROI	30.5	32.0	33.8	35.2	36.7
BREAK EVEN POINT	0.85	0.72	0.65	0.50	0.40
BREAK EVEN RATIO	3.80	3.50	3.20	2.90	2.50
EQUITY/TOTAL LIABILITIES	92	92	93	93	94

## ANNEX IV - LOAN PAYMENT SCHEDULES

<b>Loan Data</b>	<b>All numbers in USD</b>
Original Principal	1,800,000.00
Scheduled Payments	450,000.00
Loan Term (Years)	5.00
Scheduled Number of Payments	5.00
Annual Interest Rate	8%
Actual Number of Payments	5.00
Payments per Year	1.00
Total Early Payment	
Payment	450,000.00
Total Interest	400,000.00

### Repayment Schedule

<b>Year</b>	<b>Payment</b>	<b>Interest</b>	<b>Cumulative Interest</b>	<b>Principal</b>	<b>Balance</b>
-					1,800,000.00
1	450,000.00	144,000.00	144,000.00	306,000.00	1,494,000.00
2	450,000.00	119,520.00	263,520.00	330,480.00	1,163,520.00
3	450,000.00	93,081.60	356,601.60	356,918.40	806,601.60
4	450,000.00	64,528.13	421,129.73	385,471.87	421,129.73
5	450,000.00	33,690.38	454,820.11	416,309.62	0.00

## ANNEX V- INTERNAL RATE OF RETURN

Initial Investment	-3,000,000
Year 1 - Additional Annual Net Profit	800,000
Year 2 - Additional Annual Net Profit	900,000
Year 3 - Additional Annual Net Profit	1,050,000
Year 4 - Additional Annual Net Profit	1,200,000
Year 5 - Additional Annual Net Profit	1,400,000
<b>IRR (in 5 years)</b>	<b>18.75%</b>

The IRR above indicates that the expected return on the 3,000,000 USD initial investment after 5 years is 18.75%.

## ANNEX VI - PAYBACK PERIOD

<b>Year</b>	<b>Beginning Balance</b>	<b>Net Cash Flows</b>	<b>Ending Balance</b>
Cost of Investment	0.00	3,000,000.00	3,000,000.00
1	3,000,000.00	800,000.00	2,200,000.00
2	2,200,000.00	900,000.00	1,300,000.00
3	1,300,000.00	1,050,000.00	250,000.00
4	250,000.00	1,200,000.00	950,000.00
5	950,000.00	1,400,000.00	2,350,000.00

The payback period calculation indicates that the project will recover the initial investment of 3,000,000 USD within approximately 3.5 years.