

FEASIBILITY STUDY REPORT

PRODUCTION OF DEHYDRATION FLOUR PRODUCTS

PREPARED FOR
BETTY 'O' LTD.

BY

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The report has been compiled at the request of Betty O' Limited which is seeking financial assistance in the form of a loan in the range of \$2.5 million to finance the purchase and installation of food processing machinery and equipment and working capital. The loan will enable Betty O' Limited to set up a food processing plant to produce dehydrated fruit products from various fruits, mainly apples and mango. This report is the result of study undertaken by the Food Research Institute based on data supplied by the promoters.

1.2 Objectives

The objectives of the study are

- 1. To determine the total cost of the project
- 2. To provide basis for discussion of the project with a view of attracting loan financing
- 3. To consider the technical feasibility, financial viability and socio-economic viability of the project.

1.3 The Company - Betty O' Limited

Betty O' Limited which originated from Betty O' Enterprise was incorporated as a Malaya liability company in 1994 under the Companies Act of 1993 (Act 179) and was given Certificate to Commence Business in January 1994. The company was established mainly to export fresh apples and lemons to Europe and the U.S.A. Presently the company intends to diversify and add processed food products to its export list.

INTRODUCTION

1.1 Origin

This report has been compiled at the request of Betty 'O' Limited which is seeking financial assistance in the form of a loan to the tune of 57.7 million cedis to finance the purchase and installation of food processing machinery and equipment, and working capital. The loan will enable Betty 'O' Limited to set up a food processing plant to produce dehydrated flour products from yam, cocoyam, plantain, cassava and maize. This report is the result of a study undertaken by the Food Research Institute based on data supplied by the promoters.

1.2 Objectives

The objectives of the study are

- . to determine the total cost of the project
- . to provide bases for discussion of the project with a view of attracting loan financing
- . to consider the technical feasibility, financial viability and socio-economic desirability of the project.

1.3 The Company – Betty 'O' Limited

Betty 'O' Limited which originated from Betty 'O' Enterprise was incorporated as a limited liability company in 1994 under the companies code of 1963 (Act 179) and was given Certificate to Commence Business in January 1996. The company was established mainly to export fresh pineapples and foodstuff to Europe and the U.S.A. Presently the company intends to diversify and add processed food products to its export list.

1.4 Promoters

Samuel Adu-Safo and Betty Owusua are the promoters and joint owners of Betty 'O' Limited each holding 50 percent shares.

Samuel Adu-Safo, a Director of Betty 'O' Ltd. holds a B.Sc degree in Mechanical Engineering (1967). He was Chief Engineer/Production Manager with Leather products Ltd. from 1968 and represented the company on several International leather and machinery business fairs in the UK, West Germany and the USA. He also attended a course in Production and Costing at the Management, Development and Productivity Institute (MDPI) - Ghana. After working with Leather Products Ltd. for about twenty (20) years he established in 1989, his own company FOSADO Ltd. which has since been holding Ghana and West Africa Agency for SPECAC Ltd., a British Company which manufactures Laboratory Equipment. This rich experience gained over the years in both production and business fields is being utilized at Betty 'O' Ltd.

Betty Owusua, the Managing Director of Betty 'O' Ltd. is a trained teacher who left the teaching field after eight years in 1979 to establish a Garment Industry. During this period she attended two separate courses at MDPI and made two Business tours to Britain and Belgium. In 1990 she left for Britain and took up teaching appointment with Haringey Education Service in London. She also took part-time computer course with the Pitman Computer Training Institute in London. She returned to Ghana in early 1994 and in the same year established Betty 'O' Enterprise, now Betty 'O' Ltd. which has installed capacity

1.5 Company's Accounts

Betty 'O' Ltd Balance Sheet and Profit and Loss Accounts as at 31st December 1995 prepared by the company's accountant Phillip Fiadzomor & Co., are presented in Appendix I, The accounts show a Net Profit of ₦3,328,600.00 and Capital Account stands at ₦12,914,540.00 as at 31st December 1995.

2.0 THE PRODUCTS AND MARKET

The products to be produced include plantain, cocoyam and yam fufu flours, fermented maize meal and fermented cassava meal. These products will be produced using formulations and techniques developed by the Food Research Institute. The products have relatively long shelf-life, they are convenient and easy to prepare and above all nutritious and safe.

2.1 Demand and Supply

Records at the Food Research Institute show an appreciable level of demand. In the first half of 1995 alone, over 100 metric tonnes of the products were demanded by exporters of non-traditional export commodities.

The only supply source of the products at the moment is the Food Research Institute which occasionally produces to test the market and also entice entrepreneurs to venture into production. Annual production by FRI stands at about 15 tonnes. Another supply source yet to start operation is Elsa Foods Ltd. which has installed capacity of 75 metric tonnes per year. Using the demand figures registered in the first half of 1995 by FRI, it can be deduced that the supply gap

for 1995 was 110 metric tonnes which is higher than the installed capacity (77 metric tonnes per year) of the proposed plant to be operated by Betty 'O' Ltd.

2.2 The Competition

The product is not expected to face any competition locally because the supply gap of 110 metric tonnes is greater than the proposed installed capacity of Betty 'O' Ltd's plant. Moreover, with the use of techniques developed by the Food Research Institute, Betty 'O' Ltd's products are assured to be of the highest quality. Effective marketing strategies such as competitive pricing policy and aggressive marketing campaigns will also be adopted.

2.3 Foreign Market

Betty 'O' Ltd. has already entered into agreement with a food wholesale company in England, Brown Gold International (UK) Ltd. to take care of the distribution in Europe. Brown Gold International (UK) Ltd. will relay supply orders to Betty 'O' Ltd. which will send the products directly to the client after payment agreements have been finalized between the client and Brown Gold International (UK) Ltd.

3.0 THE PROJECT

3.1 Project Description

The project will involve the renting of a factory premises for the first five years of operations before moving to its own factory building in the sixth year. The construction of factory building will commence in the third year and be completed by the end of the fifth year. The

project will also involve the acquisition and installation of plant, machinery and equipment for the processing of yam, cocoyam, plantain, cassava and maize into dehydrated flour products for both local and foreign markets. A new vehicle will be purchased by the project in the sixth year.

3.2 Project Location and Plant

The project will be sited at Abelemkpe in Accra in a rented factory building, which has good and reliable water and electricity supply systems as well as good drainage system. The permanent site will be located at an Industrial Estate which can also boast of good and reliable water and electricity supply systems, adequate transport facilities and adequate facilities for waste disposal among other things.

The acquisition and installation of the plant as listed in Table 1.3 of Appendix II will be done on advice from the Food Research Institute.

3.3 Human Resource and General Organization

The company is managed by Betty Owusua, the Managing Director and assisted by Samuel Adu-Safo, a Director. At present the company's staff strength stands at six (6) and are engaged in the procurement, preparation, packaging and the export of fresh pineapples and other foodstuffs. With the intended diversification of the company's activities to cover food processing the company will require additional staff to bring the total number of staff to nineteen (19) (Table 1.4 of Appendix II). The management will then operate two departments:

- Administration
- Production

3.3.1 Administration

This department will be responsible for the purchase of inputs and marketing of products. It will also be in charge of personnel affairs, financial and accounting systems of the company. The Accountant will head this department.

3.3.2 Production

A Production Supervisor will be in charge of this department which will basically be involved in production of the products.

3.3.3 Training

All staff members will be given on-the-job training so as to fully familiarize them with every step of their respective jobs. Training will be offered by the Food Research Institute.

3.4 Purchase and Distribution Network

Raw materials for processing will be purchased directly from farmers, farmers' cooperatives and also from major rural market centers within the Greater Accra, Eastern and Central Regions. Agreement will be reached with the raw material sources to supply the project on specified days of the week throughout the year, to ensure availability of raw material all year round.

The products will be distributed locally through the departmental shops, supermarkets and the open markets. Sales agents will be encouraged to assist in the distribution of products throughout the country for commission.

3.5 Technical Aspects: Manufacturing Process

3.5.1 Fufu Flour

The manufacturing processes involved in the production of yam, cocoyam and plantain fufu are shown in the flow diagram in figure 1. Yam, cocoyam or plantain is peeled, cooked and disintegrated before drying. The dried product is then milled, sifted and blended with required quantity of cassava starch and flour and packaged.

Figure 1: Process flow diagram for Yam, Cocoyam, Plantain fufu flour

Raw

Yam}

Cocoyam} → Peeling → Cooling → Disintegrating → Drying

Plantain}

Yam}

Cocoyam} ← Packaging ← Blending ← Sifting ← Milling

Plantain}

Fufu

3.5.2 Fermented Maize Meal

Fermented maize meal production involves steeping of maize, grinding, fermenting, drying, milling and packaging as shown in the flow diagram in figure 2.

Figure 2: Process flow diagram for fermented maize meal

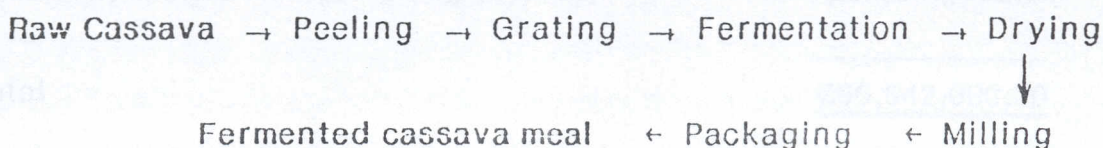
Maize → Steeping → Grinding → Fermentation → Drying

Fermented maize meal ← Packaging ← Milling

3.5.3 Fermented Cassava meal

The production of fermented cassava meal involves peeling, grating, fermentation, drying, milling and packaging. This is presented in the flow diagram shown in figure 3.

Figure 3: Processing flow diagram for fermented cassava meal



3.5.4 By – Products/Waste Products

By-products/waste products to be realized from the processing plant are peels from yam, cocoyam, plantain and cassava. These can be used as feed for the livestock industry. Peels from plantain can be used as raw material for soap production. Revenue from sales of by/waste products is however not considered in the financial tables.

3.5.5 Production Plant

The production plant listed in Table 1.3 of Appendix II has capacity of producing 76.8 tonnes of the products per annum. The five products will be produced when their respective raw materials are in season.

3.6 Time Frame of Project

The financial analysis of the project is considered over a period of ten years of operation after a one-year preparation period involving the loan acquisition and the establishment of the plant.

3.7 Loan Guarantee

The loan will be secured with the existing and additional assets of the company as well as the personal assets of the Directors of the company. Breakdown of security for the loan is as follows:

Plant machinery and equipment	-	Ø36,542,000.00
Building, residential (existing at cost)	-	Ø30,000,000.00
Total		<u>Ø66,542,000.00</u>

With a loan of Ø57,699,130.00, the security margin is 1.15. It must be noted that the value of the residential building is at cost and that it will be valued to reflect its current market value (1996).

4.0 FINANCIAL ANALYSIS

4.1 Cost of Investment

The total cost of the project is estimated at Ø87,529,010.00. Out of this, fixed assets account for Ø63,794,500.00, working capital Ø21,184,510.00 and pre-operational cost Ø2,550,000.00. A summary of the project cost is presented in Table 1.1 of Appendix II with details presented in Tables 1.2, 1.3 & 1.4 of the same appendix.

4.2 Project Financing Plan

The project cost of Ø87,529,010.00 is to be financed through an equity contribution of Ø29,802,500.00 and a bank loan of Ø57,726,510.00. Table 1.5 shows the project cost structure and financing plan, the latter indicating an equity-to-loan ratio of 1:1.94. Weighted average cost of capital for the project is calculated at 27.36%.

4.3 LOAN

4.3.1 Loan and Interest Payments

Basic assumptions made are that the loan will attract the following terms:

- . Interest rate of 26% per annum
- . Repayment period is 5 years
- . A one-year moratorium on principal

The loan repayment schedule is presented in Appendix III.

4.3.2 Materials to be financed with loan

The project cost structure and financing plan presented in Table 1.5 of Appendix II show the materials to be financed with both equity and loan. Plant machinery and equipment, and working capital are to be financed with loan to the tune of $\text{Ø}36,542,000.00$ and $\text{Ø}21,184,510.00$ respectively. Details of plant machinery and equipment are presented in Table 1.3 while details of the working capital are presented in Table 1.4.

4.4 Projected Income Statement

Appendix V shows the projected income and expenditure statement of operations of the project over a period of ten years.

Basic assumptions used include 5% increase per year in the following:

- . Direct Operating Cost
- . Administrative Cost
- . Ex. Factory Price

4.4.1 Revenue

Revenue accruing from the project is derived from sales of its five products. From the production plan and revenue estimation presented in Appendix IV total revenue estimated in the first year of operation is ₦157,651,200.00. This figure is expected to increase to ₦273,341,550.00 in the tenth year.

4.4.2 Profitability

Projected Income Statement presented in Appendix V shows that a net profit of ₦32,180,470 is expected in the first year. This will increase to ₦84,327,980.00 in the tenth year after all operating and administrative as well as loan and tax obligations have been met.

4.5 Projected Cash Flow Statement

Projected Cashflow Statement presented in Appendix VI indicates a net cash flow after meeting all financial obligations will be ₦26,943,040.00 after the first year of operation. This will further improve to ₦130,535,560.00 in the tenth year of operation. Cumulative cashflow will increase from -₦60,585,970.00 in the first year to ₦501,630,790.00 at the end of the tenth year and the pay back period for the project is four (4) years.

4.6 Discounted Cashflow Analysis

Appendix VI shows that the project's Net Present Value (NPV) would be ₦39,326,480.00 at a discount rate of 27.36% (weighed average cost of capital) whilst the Internal Rate of Returns (IRR) would be 40.8%, higher than the weighted average cost of capital which stands at 27.36%, thus confirming the financial viability of the project.

4.7 Sensitivity Analyses

The venture was further subjected to sensitivity analyses under the following assumptions:

- . A 10% shortfall in revenue
- . A 10% increase in operating cost

Results of the sensitivity analyses shown in schedules B of Appendices VII and VIII show NPV and IRR values of ₵6,327,880.00 and 29.5% respectively for 10% shortfall in revenue and ₵26,113,290.00 and 36.30% respectively for a 10% increase in operating cost. These figures are also higher than the weighted average cost of capital which also proves the projects ability to withstand such shocks. However, the IRR of 29.50% gives the message to the management of the project to make all necessary efforts to make sure that all expected revenues are achieved.

5.0 SOCIO-ECONOMIC CONSIDERATIONS

5.1 Employment

The project will create job openings for 19 Ghanaians whose salaries and benefits will amount to ₵25,992,000.00 per annum. The project will further contribute an amount of ₵2,235,000.00 to the SSNIT in the first year of operation and more in subsequent years, thus contributing to the social development of the nation also.

5.2 Development of Indigenous Technology

The technologies for producing the flour products have been developed locally by FRI (and other private organizations). The project will further develop these technologies for mass production, thus breaking new grounds in the development of new indigenous technologies in the yam, plantain cocoyam, maize and cassava flour production. Most of the processing machines for the plant have also been developed by FRI, Industrial Research Institute IRI and other privately owned local engineering companies and acquisition of some of the machines from these organizations will help the development of such organizations.

5.3 Contribution of Industry

The project will further government's policy of developing and expanding agro-based industries in the country. The trend of processing agricultural produce beyond the raw material stage will be increased. The project will help to some extent, alleviate the supply shortage and maintain the prices of the commodities during their lean seasons.

5.4 Foreign Exchange Generation

The project intends to export about 50% of its products. Export revenue in the first year is therefore expected to be \$41,500.00 using the exchange rate of ₦1500.00 to \$1.00 and the local ex-factory price list.

5.5 Environmental Control

The plant for the project does not produce any waste that is hazardous to the environment. By-products and waste products are all reusable and therefore the project can be said to be environmental friendly.

5.6 Population and Food Security

With the present size of the nation's population and an annual growth rate of about 3%, the project will contribute to increase the volume of processed food products, which is one of the major ways of ensuring the availability of food throughout the year at affordable prices.

6.0 Conclusion and Recommendation

In conclusion, an amount of $\text{C}\text{d}87,529,010.00$ of which $\text{C}\text{d}57,726,510.00$ is in the form of loan is required to finance the project. The remaining amount of $\text{C}\text{d}29,802,500.00$ is expected to be provided by Betty 'O' Ltd. The project is technically feasible, financially viable and socially desirable and therefore recommended for implementation.

It is further recommended that the project registers with Ghana Investment Promotion Centre (GIPC) in order to take advantage of all incentives that GIPC offers to such companies.

BETTY 'O' ENTERPRISE

BALANCE SHEET AS AT 31ST DECEMBER 1995

	NOTES	1995	1994
		ø	ø
<u>FIXED ASSETS</u>	(2)		5,726,500
<u>Current Assets</u>			
Stock at end		2,729,600	
Trade Debtors		3,658,800	
Cash at Bank		899,640	

		7,288,040	
<u>Current Liabilities</u>			
Accrued Expenses		100,000	

			7,188,040

			ø12,914,540

<u>FINANCED BY:</u>			
CAPITAL ACCOUNT (3)			ø12,914,540



PROPRIETRESS

BETTY 'O' ENTERPRISETRADING, PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31ST DECEMBER 1995

<u>SALES:</u>			23,689,000
<u>Cost of Sales</u>			
Opening Stock	1,182,300		
Purchases	17,336,900		
	18,519,200		
Closing Stock	2,729,600		
			15,789,600

GROSS PROFIT			7,899,400

<u>General Expenses</u>			
Transportation	960,000		
Office Rent	480,000		
Electricity & Water	241,300		
Accountancy Fee	100,000		
Telephone	570,000		
Casual Labour	1,100,000		
Depreciation	994,500		
ANA Levy	125,000		
			4,570,800

NET PROFIT			3,328,600
			=====

NOTES FORMING PART OF THE ACCOUNTS

1 ACCOUNTING POLICIES

[a] Basis of Accounting: The accounts have been prepared under the historical cost convention.

[b] Depreciation: Depreciation is provided for on a Straight Line Method at rates calculated to write off the cost of each asset over its estimated useful period. The annual rates applied are as follows:

Motor Car	-	15%
Equipment	-	5%
Furniture & Fittings	-	10%

[c] Stocks: Stock of materials is valued at lower of cost or net realizable value.

2 FIXED ASSETS

	<u>Motor Vehicle</u>	<u>Equipment</u>	<u>F & F</u>	<u>Total</u>
Cost at 1/1/95	6,000,000	490,000	200,000	6,690,000
Additions	-	1,000,000	-	1,000,000
	6,000,000	1,490,000	200,000	7,690,000

Depreciation

Bal. at 1/1/95	300,000	49,000	20,000	969,000
Change for the year	900,000	74,500	20,000	994,500
	1,800,000	123,500	40,000	1,963,500

Net Book Value	4,200,000	1,366,500	160,000	5,726,500
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3 CAPITAL ACCOUNT

Balance b/f at 1/1/95	10,785,940
add Net Profit for the year	3,328,600
	14,114,540
Less Drawings	1,200,000
	12,914,540

The Balance Sheet together with the attached Profit and Loss Account have been prepared from the information and records maintained by me and give a true and fair view of my business operations for the year ended 31st December 1995 and of my assets and liabilities at that date.


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BETTY 'O' ENTERPRISE
P R O P R I E T R E S S

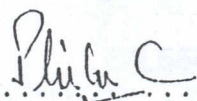
ACCOUNTANTS REPORT

We have prepared the Balance Sheet together with the attached Profit and Loss Account from the information and records maintained by the Proprietress.

These accounts have been prepared under the historical cost convention.

A C C R A

23rd Jan., 1996
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CHARTERED ACCOUNTANTS

APPENDIX II : TABLES

TABLE 1.1 : SUMMARY OF PROJECT INVESTMENT COST

	AMOUNT, ₪
BUILDING AND CIVIL WORKS	16,500,000.00
PLANT EQUIPMENT AND MACHINERY	36,542,000.00
MOTOR VEHICLE	8,800,000.00
OFFICE EQUIPMENT AND FURNITURE	1,952,500.00
WORKING CAPITAL (3 MONTHS)	21,184,510.00
PRE-OPERATIONAL COST	2,550,000.00
TOTAL COST OF PROJECT	87,529,010.00

TABLE 1.2 : PRE-OPERATIONAL COST (₪'000)

Feasibility Studies Fee	600.00
Travelling and Lodging	200.00
Design Fee	1,200.00
Registrations	300.00
Communication	150.00
Miscellaneous	100.00
TOTAL	2,550.00

TABLE 1.3 : FIXED ASSETS COST (₹'000)**SCHEDULE A : BUILDING & CIVIL WORKS**

	QTY	UNIT COST	COST
Building (Rental for 5yrs)		15,000.00	15,000.00
Contingency, 10%			1,500.00
TOTAL			16,500.00

SCHEDULE B : PLANT EQUIPMENT & MACHINERY

	QTY	UNIT COST	COST
Hot Air Cabinet Dryer	2	7,500.00	15,000.00
Solar Tent Dryer	1	1,200.00	1,200.00
Disintegrator	1	850.00	850.00
Grater	1	1,100.00	1,100.00
Receptacle	30	15.00	450.00
Attrition Mill	1	1,500.00	1,500.00
Hammer Mill	1	2,000.00	2,000.00
Steeping Trough	2	180.00	360.00
Fermentation Bowl	30	15.00	450.00
Cooking Vessel	3	250.00	750.00
Industrial Gas Stove	3	200.00	600.00
Gas Cylinder, 54kg	3	280.00	840.00
Gas Pipeline			450.00
Mobile Hoist System	1	1,200.00	1,200.00
Table Weighing Scale	2	100.00	200.00
Platform Weighing Scale	1	600.00	600.00
Heat Sealer	2	150.00	300.00
Mechanical Siever	1	1,400.00	1,400.00
Mobile Holding Tank	1	450.00	450.00
Peeling bench, working tables, stools, knives, etc			500.00
Contingency, 10%			3,020.00
Subtotal			33,220.00
Handling, Installation			
Transport charges, 10%			3,322.00
TOTAL			36,542.00

APPENDIX II (Contd)

TABLE 1.3 (Cont'd)

SCHEDULE C : MOTOR VEHICLE

	QTY	UNIT COST	COST
Motor Vehicle (Van)	1	8,000.00	8,000.00
Contingency, 10%			800.00
TOTAL			8,800.00

SCHEDULE D : OFFICE EQUIPMENT & FURNITURE

	QTY	UNIT COST	COST
Tables, Desks, and Chairs			500.00
Office Safe	1	250.00	250.00
Steel Cabinet	1	225.00	225.00
Typewriter	1	600.00	600.00
Electric Calculator	2	100.00	200.00
Contingency, 10%			177.50
TOTAL			1,952.50

TABLE 1.4 : WORKING CAPITAL (₹'000)

SCHEDULE A : INDIRECT LABOUR

	NUMBER	ANNUAL SALARY	ANNUAL TOTAL
Managing Director	1	3,600.00	3,600.00
Director	1	3,000.00	3,000.00
Accountant	1	1,440.00	1,440.00
Purchasing Officer	1	1,200.00	1,200.00
Secretary/Receptionist	1	840.00	840.00
Driver	1	840.00	840.00
Security Personnel	2	600.00	1,200.00
Social Security Fund, 12.5%			1,515.00
Perquisites, 40%			4,848.00
TOTAL			18483.00

SCHEDULE B : DIRECT LABOUR

	NUMBER	ANNUAL SALARY	ANNUAL TOTAL
Production Supervisor	1	1,200.00	1,200.00
Skilled staffers	3	1,080.00	3,240.00
Semi-skilled staffers	1	720.00	720.00
Labourer	1	600.00	600.00
Casual Labour	5	192.00	960.00
Social Security Fund, 12.5%			720.00
Perquisites, 40%			2,304.00
TOTAL			9,744.00

SCHEDULE C : DEPRECIATION, REPAIR & MAINTENANCE AND INSURANCE

	VALUE		DEPRECIATION		REPAIR AND MAINTENANCE		INSURANCE	
	VALUE	RATE	VALUE	RATE	VALUE	RATE	VALUE	
Building	16,500.00	5%	825.00	3%	412.50	1%	82.50	
Plant Equipment	36,542.00	10%	3,654.20	5%	1,827.10	2%	730.84	
Motor Vehicle	8,800.00	20%	1,760.00	10%	880.00	5%	440.00	
Furniture and Office Equip	1,952.50	10%	195.25	5%	97.63	1%	9.76	
TOTAL	63,794.50		6,434.45		3,217.23		1,263.10	

APPENDIX II (Contd)

SCHEDULE D : VEHICLE FUEL & LUBRICANT CONSUMPTION COST

	GALLONS PER DAY	DAYS PER YEAR	GALLONS PER YEAR	COST (₱'000)
Super Petrol	3.00	288.00	864.00	2,030.40
Lubricant, 5%	0.15	288.00	43.20	302.40
TOTAL				2,332.80
Cost of Petrol per gallon	2,350.00			
Cost of lubricant per gal:	7,000.00			

TABLE 1.4 (Cont'd)

SCHEDULE E : ELECTRICAL ENERGY CONSUMPTION COST

Total Plant Rating, Kw	100.00
Operating Period/day, hr	12.00
No. of productive days/yr	192.00
Energy consumption/yr, Kwh	230,400.00
Energy Cost/Kwh, ₱	40.00
TOTAL ELECTRICITY COST	9,216.00

SCHEDULE F : WATER CONSUMPTION COST

Water consumption/day, litre	1,000.00
No. of productive days/yr	192.00
Water consumption/yr, litre	192,000.00
Cost/1000litres, ₱	9,000.00
TOTAL WATER COST	1,728.00

SCHEDULE G : RAW MATERIAL COST

ITEM	QTY (MT)	PRICE/MT	COST
	8.50		
Plantain	17.00	450.00	7650.00
Yam	17.00	320.00	5440.00
Cocoyam	17.00	320.00	5440.00
Cassava (For Fufu)	80.00	60.00	4800.00
Maize	24.00	270.00	6480.00
Cassava (F'ted cass. meal)	80.00	60.00	4800.00
TOTAL RAW MATERIAL COST			34610.00

SCHEDULE H : ADMINISTRATIVE COST

Indirect labour	9744.00
Fuel & Lubricants	2332.80
Stationery	300.00
Utilities	400.00
Legal & Audit Fees	500.00
Insurance	1263.10
Selling Expenses	1356.16
Post & Postage	200.00
Communication	200.00
Contingency, 5%	727.00
TOTAL	17023.06

TABLE 1.4 (Cont'd)

SCHEDULE I : DIRECT OPERATING COST

Direct Labour	9744.00
Raw Material	34610.00
Packaging Material	7392.00
Electricity	9216.00
Water	1728.00
Gas	480.00
Repair & Maintenance	3217.23
Operating Overheads, 2%	1327.74
TOTAL	67714.97

WORKING CAPITAL

Direct Operating Cost	16,928.74
Administrative Cost	4,255.76
TOTAL WORKING CAPITAL	21,184.51

TABLE 1.5 : PROJECT COST STRUCTURE & FINANCING (₹'000)**SCHEDULE A : PROJECT COST STRUCTURE**

	EXISTING	ADDITIONALS			TOTAL
		LOAN	EQUITY	TOTAL	
FIXED ASSETS					
Building	0.00	0.00	16,500.00	16,500.00	16,500.00
Plant Equipment & Machinery	0.00	36,542.00	0.00	36,542.00	36,542.00
Motor Vehicle	0.00	0.00	8,800.00	8,800.00	8,800.00
Office Equipment & Furniture	1,952.50	0.00	0.00	0.00	1,952.50
PRE-OPERATIONAL COST	2,550.00	0.00	0.00	0.00	2,550.00
WORKING CAPITAL	0.00	21,184.51		21,184.51	21,184.51
TOTAL PROJECT COST	4,502.50	57,726.51	25,300.00	83,026.51	87,529.01

SCHEDULE B : PROJECT FINANCING PLAN

	EQUITY	LOAN	TOTAL
FIXED ASSETS			
Building and Civil Works	16,500.00	0.00	16500.00
Equipment & Machinery	0.00	36,542.00	36542.00
Vehicle	8,800.00	0.00	8800.00
Office Equipment and Furniture	1,952.50	0.00	1952.50
WORKING CAPITAL	0.00	21,184.51	21184.51
PRE-OPERATIONAL COST	2,550.00	0.00	2550.00
TOTAL	29,802.50	57,726.51	87529.01
EQUITY TO LOAN RATIO	1.00	1.94	
PERCENTAGE EQUITY	34.05	65.95	

SCHEDULE C : WEIGHTED AVERAGE COST OF CAPITAL

	AMOUNT	PROPORTION	COST %	WEIGHTED COST %
EQUITY	29802.50	0.34	30.00	10.21
LOAN	57726.51	0.66	26.00	17.15
TOTAL	87529.01	1.00		27.36
WEIGHTED AVERAGE COST OF CAPITAL		27.36 %		

APPENDIX III

LOAN REPAYMENT SCHEDULE

ITEM / PAYMENT DATE	30 JUNE '96	31 DEC. '96	30 JUNE '97	31 DEC. '97	30 JUNE '98	31 DEC. '98	30 JUNE '99	31 DEC. '99	30 JUNE '00	31 DEC. '00	30 JUNE '01	31 DEC. '01
PRINCIPAL AMOUNT	57726.51											
INTEREST RATE	26.00 %											
MORATORIUM (On Principal)	1 YEAR											
REPAYMENT PERIOD :	5 YEARS											
COMMITMENT FEE, 1%	577.27											
AMOUNT OUTSTANDING	58303.77	58303.77	52473.39	46643.02	40812.64	34982.26	29151.89	23321.51	17491.13	11660.75	5830.38	5830.38
LOAN REPAYMENT	0.00	0.00	5830.38	5830.38	5830.38	5830.38	5830.38	5830.38	5830.38	5830.38	5830.38	5830.38
ANNUAL LOAN REPAYMENT			11660.75	11660.75	11660.75	11660.75	11660.75	11660.75	11660.75	11660.75	11660.75	11660.75
INTEREST PAYABLE	7579.49	7579.49	6821.54	6063.59	5305.64	4547.69	3799.75	3031.60	2273.85	1515.90	757.95	757.95
ANNUAL INTEREST PAYABLE	15158.98	15158.98	14401.03	11369.24	11369.24	11369.24	11369.24	11369.24	11369.24	11369.24	11369.24	11369.24
CLOSING BALANCE	58303.77	59303.77	52473.39	46643.02	40812.64	34982.26	29151.89	23321.51	17491.13	11660.75	5830.38	5830.38
ANNUAL DEBT BURDEN	15158.98	15158.98	26061.79	23029.99	23029.99	23029.99	23029.99	23029.99	23029.99	23029.99	23029.99	23029.99

PRODUCTION PLAN & REVENUE ESTIMATION (¢'000)

SCHEDULE A : PRODUCTION PLAN		(M.TONNE)									
ITEM / YEAR	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
INSTALLED CAPACITY/DAY, MT	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	
NUMBER OF DAYS	192.00	192.00	192.00	192.00	192.00	192.00	192.00	192.00	192.00	192.00	
INSTALLED CAPACITY/YR, MT	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80	
CAPACITY UTILIZATION, %	85.00	90.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	
PRODUCTION OUTPUT, MT/YR											
PLANTAIN FUFU FLOUR	7.25	7.68	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	
YAM FUFU FLOUR	7.25	7.68	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	
COCOYAM FUFU FLOUR	7.25	7.68	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	
FERMENTED MAIZE MEAL	21.76	23.04	24.32	24.32	24.32	24.32	24.32	24.32	24.32	24.32	
FERMENTED CASSAVA MEAL	21.76	23.04	24.32	24.32	24.32	24.32	24.32	24.32	24.32	24.32	
TOTAL PRODUCTION OUTPUT, MT	65.28	69.12	72.96	72.96	72.96	72.96	72.96	72.96	72.96	72.96	
SCHEDULE B : REVENUE ESTIMATION											
ITEM / YEAR	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
REVENUE											
PLANTAIN FUFU FLOUR	42432.00	47174.40	52284.96	54899.21	57644.17	60526.38	63552.70	66730.33	70066.85	73570.19	
YAM FUFU FLOUR	31334.40	34836.48	38610.43	40540.95	42568.00	44696.40	46931.22	49277.78	51741.67	54328.76	
COCOYAM FUFU FLOUR	31334.40	34836.48	38610.43	40540.95	42568.00	44696.40	46931.22	49277.78	51741.67	54328.76	
FERMENTED MAIZE MEAL	26438.40	29393.28	32577.55	34206.43	35916.75	37712.59	39598.22	41578.13	43657.04	45839.89	
FERMENTED CASSAVA MEAL	26112.00	29030.40	32175.36	33784.13	35473.33	37247.00	39109.35	41064.82	43118.06	45273.96	
TOTAL PROJECTED REVENUE	157651.20	175271.04	194258.74	203971.67	214170.26	224878.77	236122.71	247928.84	260325.29	273341.55	
EX-FACTORY PRICE/MT											
PLANTAIN FUFU FLOUR	5850.00	6142.50	6449.62	6772.11	7110.71	7456.25	7839.56	8231.54	8643.11	9075.27	
YAM FUFU FLOUR	4320.00	4536.00	4762.80	5000.94	5250.99	5513.54	5789.21	6078.67	6382.61	6701.74	
COCOYAM FUFU FLOUR	4320.00	4536.00	4762.80	5000.94	5250.99	5513.54	5789.21	6078.67	6382.61	6701.74	
FERMENTED MAIZE MEAL	1215.00	1275.75	1339.54	1406.51	1476.84	1550.68	1628.22	1709.63	1795.11	1884.86	
FERMENTED CASSAVA MEAL	1200.00	1260.00	1323.00	1389.15	1458.61	1531.54	1608.11	1688.52	1772.95	1861.59	

APPENDIX VI

PROJECTED CASH FLOW STATEMENT		(P'000)									
ITEM / YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CASH INFLOW											
FUNDS FROM OPERATIONS											
Net Profit	0.00	32180.47	40422.07	51714.00	57721.41	63060.37	66851.66	72042.54	75939.59	80031.49	84327.93
Depreciation	0.00	6434.45	6434.45	6434.45	6434.45	6434.45	9074.45	9074.45	9074.45	9074.45	9074.45
Amortization	0.00	0.00	1275.00	1275.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salvage Value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15948.63
Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21184.51
TOTAL CASH INFLOW	0.00	38614.92	48131.52	59423.45	64555.86	69494.82	75926.11	81116.99	85014.04	89105.94	130535.56
CASH OUTFLOW											
INITIAL INVESTMENT											
FIXED ASSETS											
Building	16500.00	0.00	0.00	24000.00	24000.00	24000.00	0.00	0.00	0.00	0.00	0.00
Plant Equipmt & Minery	36542.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Motor Vehicle	3800.00	0.00	0.00	0.00	0.00	0.00	22000.00	0.00	0.00	0.00	0.00
Office Equipmt & Fure	1952.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Fixed Assets	63794.50	0.00	0.00	24000.00	24000.00	24000.00	22000.00	0.00	0.00	0.00	0.00
INTANGIBLE ASSETS	2550.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT ASSETS	21134.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRINCIPAL REPAYMENT	0.00	11671.88	11671.88	11671.88	11671.88	11671.88	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	87529.01	11671.88	11671.88	35671.88	35671.88	35671.88	22000.00	0.00	0.00	0.00	0.00
NET CASH FLOW	-87529.01	26943.04	36459.64	23751.57	28483.98	33822.94	53926.11	81116.99	85014.04	89105.94	130535.56
CUMULATIVE NET CASH FLOW	-87529.01	-60585.97	-24126.33	-374.76	28109.21	61932.15	115838.26	196975.25	281989.29	371095.22	501630.79
NET PRESENT VALUE	39326.48										
INTERNAL RATE OF RETURN	40.82 %										
PERFORMANCE RATIOS											
ITEM / YEAR	AVERAGE	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Return on Investment, %	0.07	0.04	0.05	0.06	0.07	0.07	0.08	0.08	0.09	0.09	0.10
Gross Profit Margin, %	60.90	57.05	59.43	61.57	61.57	61.57	61.57	61.57	61.57	61.57	61.57
Variable Cost to Revenue Ratio	0.39	0.43	0.41	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38
Cash Flow to Revenue Ratio	0.25	0.17	0.21	0.12	0.14	0.16	0.24	0.34	0.34	0.34	0.43

SENSITIVITY ANALYSIS I									
ASSUMPTION : A 10% SHORTFALL IN REVENUE OTHER THAN PROJECTED									
SCHEDULE A : PROJECTED INCOME STATEMENT									
ITEM / YEAR	1996	1997	1998	1999	2000	2001	2002	2003	2004
	(P'000)								
Revenue	141886.08	157743.94	174832.86	183574.51	192753.23	202390.89	212510.44	223135.96	234292.76
Direct Operating Cost	67714.97	71100.72	74655.75	78388.54	82307.97	86423.37	90744.54	95281.76	100045.85
Gross Profit Margin	74171.11	86643.22	100177.11	105185.96	110445.26	115967.53	121765.90	127854.20	134246.91
Administrative Cost	17243.41	18105.58	19010.86	19961.40	20959.47	22007.45	23107.82	24263.21	25476.37
Depreciation	6434.45	6434.45	6434.45	6434.45	6434.45	6434.45	6434.45	6434.45	6434.45
Amortization	0.00	1275.00	1275.00	0.00	0.00	0.00	0.00	0.00	0.00
Royalties	1418.86	1577.44	1748.33	1835.75	1927.53	2023.91	2125.10	2231.36	2342.93
Total Administrative Cost	25096.72	27392.47	28468.64	28231.60	29321.45	30105.80	31010.49	31989.02	32999.75
Profit before Interest/Tax	49074.39	59250.75	71708.47	76954.37	81123.81	82861.72	87458.53	92285.18	97353.16
Interest on Loan	15173.45	14414.77	11380.09	8345.40	5310.71	2276.02	0.00	0.00	0.00
Corporate Tax, 35%	11865.33	15692.59	21114.93	24013.14	26534.59	28205.00	30610.49	32299.81	34073.61
Net Profit	22035.61	29143.38	39213.45	44595.83	49278.52	52380.71	56848.04	59985.37	63279.55
NOTE : ASSUMPTIONS									
	<i>Direct Operating Cost increases by 5% every year</i>								
	<i>Administrative Cost increases by 5% every year</i>								
	<i>Selling Price increases by 5% every year</i>								

SCHEDULE B : PROJECTED CASH FLOW STATEMENT											
ITEM / YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CASH INFLOW											
FUNDS FROM OPERATIONS											
Net Profit	0.00	22035.61	29143.38	39213.45	44595.83	49278.52	52380.71	56848.04	59985.37	63279.55	66738.45
Depreciation	0.00	6434.45	6434.45	6434.45	6434.45	6434.45	9074.45	9074.45	9074.45	9074.45	9074.45
Amortization	0.00	0.00	1275.00	1275.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salvage Value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15948.63
Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21134.51
TOTAL CASH INFLOW	0.00	28470.06	36852.83	46922.90	51030.28	55712.97	61455.16	65922.49	69059.82	72354.00	772946.04
CASH OUTFLOW											
INITIAL INVESTMENT											
FIXED ASSETS											
Building	16500.00	0.00	0.00	24000.00	24000.00	24000.00	0.00	0.00	0.00	0.00	0.00
Plant Equip.t & M'nery	36542.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Motor Vehicle	3800.00	0.00	0.00	0.00	0.00	0.00	22000.00	0.00	0.00	0.00	0.00
Office Equip.t & F'ure	1952.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Fixed Assets	63794.50	0.00	0.00	24000.00	24000.00	24000.00	22000.00	0.00	0.00	0.00	0.00
INTANGIBLE ASSETS	2550.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT ASSETS	21134.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOAN REPAYMENT	0.00	11671.88	11671.88	11671.88	11671.88	11671.88	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	87529.01	11671.88	11671.88	35671.88	35671.88	35671.88	22000.00	0.00	0.00	0.00	0.00
NET CASH FLOW	-87529.01	16798.18	25180.95	11251.02	15358.40	20041.08	39455.16	65922.49	69059.82	72354.00	112946.04
CUMULATIVE NET CASH FLOW	-87529.01	-70730.83	-45549.88	-34298.86	-18940.46	1100.62	40555.78	106478.27	175538.09	247892.09	360838.13
NET PRESENT VALUE	6327.88										
INTERNAL RATE OF RETURN	29.52 %										
SCHEDULE C : PERFORMANCE RATIO											
ITEM / YEAR	AVERAGE	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Return on Investment, %	0.06	0.03	0.03	0.04	0.05	0.06	0.06	0.05	0.07	0.07	0.08
Gross Profit Margin, %	56.56	52.28	54.93	57.30	57.30	57.30	57.30	57.30	57.30	57.30	57.30
Variable Cost to Revenue Ratio	0.43	0.48	0.45	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43
Cash Flow to Revenue Ratio	0.21	0.12	0.16	0.06	0.08	0.10	0.19	0.31	0.31	0.31	0.43

SENSITIVITY ANALYSIS II

ASSUMPTION : A 10% INCREASE IN OPERATING COST OTHER THAN PROJECTED

SCHEDULE A : PROJECTED INCOME STATEMENT (P'000)

ITEM / YEAR	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenue	157651.20	175271.04	194258.74	203971.67	214170.26	224878.77	236122.71	247928.84	260325.29
Direct Operating Cost	74486.47	78210.79	82121.33	86227.40	90538.77	95065.70	99818.99	104809.94	110050.44
Gross Profit Margin	83164.73	97060.25	112137.41	117744.28	123631.49	129813.07	136303.72	143118.90	150274.85
Administrative Cost	17243.41	18105.58	19010.86	19961.40	20959.47	22007.45	23107.82	24263.21	25476.37
Depreciation	6434.45	6434.45	6434.45	6434.45	6434.45	9074.45	9074.45	9074.45	9074.45
Amortization	0.00	1275.00	1275.00	0.00	0.00	0.00	0.00	0.00	0.00
Royalties	1576.51	1752.71	1942.59	2039.72	2141.70	2248.79	2361.23	2479.29	2603.25
Total Administrative Cost	25254.37	27567.74	28662.90	28435.57	29535.62	33330.68	34543.50	35816.95	37154.07
Profit before Interest Tax	57910.36	69492.51	83474.51	89308.71	94095.87	96482.38	101760.22	107301.96	113120.78
Interest on Loan	15173.45	14414.77	11380.09	8345.40	5310.71	2276.02	0.00	0.00	0.00
Corporate Tax, 35%	14957.92	19277.21	25233.05	28337.16	31074.81	32972.23	35616.08	37555.69	39592.27
Net Profit	27778.99	35800.53	46861.38	52626.15	57710.35	61234.14	66144.15	69746.27	73528.51

NOTE : ASSUMPTIONS

- Direct Operating Cost increases by 5% every year
- Administrative Cost increases by 5% every year
- Selling Price increases by 5% every year

SCHEDULE B : PROJECTED CASH FLOW STATEMENT											
ITEM / YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CASH INFLOW											
FUNDS FROM OPERATIONS											
Net Profit	0.00	27778.99	35800.53	46361.38	52628.15	57710.35	61234.14	66144.15	69746.27	73528.51	77496.85
Depreciation	0.00	6434.45	6434.45	6434.45	6434.45	6434.45	9074.45	9074.45	9074.45	9074.45	9074.45
Amortization	0.00	0.00	1275.00	1275.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salvage Value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15948.63
Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21184.51
TOTAL CASH INFLOW	0.00	34213.44	43509.93	54570.83	59060.60	64144.80	70308.59	75213.60	78820.72	82602.96	123707.44
CASH OUTFLOW											
INITIAL INVESTMENT											
FIXED ASSETS											
Building	16500.00	0.00	0.00	24000.00	24000.00	24000.00	0.00	0.00	0.00	0.00	0.00
Plant Equip't & Mnry	36542.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Motor Vehicle	8600.00	0.00	0.00	0.00	0.00	0.00	22000.00	0.00	0.00	0.00	0.00
Office Equip't & F'ure	1952.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Fixed Assets	63794.50	0.00	0.00	24000.00	24000.00	24000.00	22000.00	0.00	0.00	0.00	0.00
INTANGIBLE ASSETS	2550.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT ASSETS	21184.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRINCIPAL REPAYMENT	0.00	11671.88	11671.88	11671.88	11671.38	11671.88	0.00	0.00	0.00	0.00	0.00
TOTAL CASH OUTFLOW	87529.01	11671.88	11671.88	35671.88	35671.38	35671.88	22000.00	0.00	0.00	0.00	0.00
NET CASH FLOW	-87529.01	22541.56	31838.10	18393.94	23388.72	28472.92	48308.59	75213.60	78820.72	82602.96	123707.44
CUMULATIVE NET CASH FLOW	-87529.01	-64937.45	-33149.35	-14250.41	9138.31	37611.24	85919.82	161133.42	239959.14	322562.10	446269.53
NET PRESENT VALUE	26113.29										
INTERNAL RATE OF RETURN	36.26 %										
SCHEDULE C : PERFORMANCE RATIO											
ITEM / YEAR	AVERAGE	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Return on Investment, %	0.06	0.03	0.04	0.05	0.06	0.07	0.07	0.08	0.08	0.08	0.09
Gross Profit Margin, %	56.99	52.75	55.38	57.73	57.73	57.73	57.73	57.73	57.73	57.73	57.73
Variable Cost to Revenue Ratio	0.43	0.47	0.45	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Cash Flow to Revenue Ratio	0.23	0.14	0.18	0.10	0.11	0.13	0.21	0.32	0.32	0.32	0.45

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