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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

ATC-USA

20708

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA [IPPA]
WITHIN THE
FRAMEWORK OF THE
INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA [IDDA]

INDUSTRIAL INVESTMENT PROJECT PROFILE

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS
[UNIDO]
&
ATC-USA, CO.
A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT

ATC-USA • 5 Concourse Parkway Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4096
ATC-SEMBULE • P.O Box 15182 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41-270918 • Telex 61371 "SEMBULE"

ATC-USA

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA (IPPA)
WITHIN THE
FRAMEWORK OF THE

INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDDA)

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS (UNIDO)/GEORGIA

ATC-USA, CO
A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT

REPORT: ..... **FINAL UNIDO/GEORGIA**
COUNTRY: .... **KENYA-UGANDA**
PREPARED BY: .....**ATC-USA, CO.**
CLIENT: ..... **UNIDO/GEORGIA FOR IPPA**
PROJECT#: **KU/100**

ATC-USA • 5 Concourse Parkway Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512 4024 • FAX 404-512-4096
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ATC-USA

December 27, 1993

Mr. M. Kohonen:
Chief, Contracts Section, General Services Division
Department of Administration
United Nations Industrial Development Organization
Vienna, International Center, P. O. Box 300, A-1400, Vienna, Austria

RE: UNIDO-GEORGIA, CONTRACT No. 93/427P (IPPA KENYA-UGANDA PROJECT)

I am please to submit to your office the UNIDO-Georgia, IPPA Project for Kenya-Uganda. Since the last an interim report submitted to you in November, 1993 a number of exiting activities were carried out with the project. Several joint venture agreements have been negotiated and agreement documents and letters of intent signed between the USA-Partners and African Project Promoters.

Considering the limited time and limited financial resources allocated to complete this project, I hope you will agree with me that the progress and achievements are remarkable. At this juncture, ATC-USA Co. would also like to thank you for the opportunity and the challenge you have given us in being part of the IPPA project, for the cause of African Industrial development effort.

Please find enclosed detailed information about each project, the activities carried out, achievements, recommendations, and other related information.

The most important part of this project are the follow up plans which need to be considered and implemented as soon as possible. This project has introduced the IPPA UNIDO program for Africa, to influential business people in Africa and the USA, established a network within the USA of potential investors, identified potential projects, screened potential project sponsors. The work we have done in the USA Introducing business people to the opportunities available in Africa can be just as effective in other countries, in fact we have already developed a list of countries where, as we develop opportunities for investment in Africa, we can target investors to match them with.

Unless an immediate and aggressive follow up program is initiated the relationships and all the above mentioned opportunities which could be assets to the IPPA program will be lost. ATC-USA, Co. is committed to continuing with our contracts and business opportunities in Africa. With your active support the results can be tremendous.

Once again I would like to thank you for providing us the opportunity to work with your organization on this exciting and rewarding venture.

I look forward hearing from you soon.

Sincerely Yours,

Matthew Gichile
Co-Coordinator/President

PS. 1. I have also enclosed for your action the final invoice of the activities cost.
2. Most of the parties would like that their projects should be kept confidentially.

CC. Mr. Gart Boyd
UNIDO Investment Promotion Service, Washington D.C.

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ATC-SEMBULE • P O Box 15182 • Kampala Uganda • Tel 256-41 257498/9 256-41-270146/7 • FAX 256-41-270918 • Telex 61371 "SEMBULE"

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I. EXECUTIVE SUMMARY

UNIDO- GEORGIA IPPA, KENYA & UGANDA PROJECT

The aim of this document is to provide UNIDO officials with the final achievement and progress report with regard to UNIDO-Georgia project in Kenya and Uganda for the Industrial partners Program for Africa (IPPA) within the Framework of the Industrial Development Decade For Africa (IDDA).

ATC-USA, CO. appreciates the opportunity provided by UNIDO to meet the challenge afforded by the contract to mobilize and organize the industrial investment promotion activities between selected African countries and USA industrial partners.

Since the first an interim report was submitted in November 1993, a number of activities have taken place. Implementation process has progressed well resulting in the visit of the USA investors to Kenya & Uganda. Joint venture negotiations have taken place culminating in agreements being reached on a number of projects.

When the project started in October several potential partners, project promoters and possible investment projects were identified. Profiles of these have been included in the body of this final report to UNIDO offices.

During the USA partners visit to Kenya and Uganda (3rd December to December 18, 1993) a number of meetings were initiated, factory visits were conducted and official meetings with respective industrial leaders including UNIDO Country Directors, UNDP Resident Representative. Officials from the Investment Promotions Center (IPC, Kenya), Ugandan Investment Authority (UIA), and Ministry of Industry were held.

The main objective of the US partners visit was to negotiate on number of identified investment projects. The negotiation process was effectively organized by the national and the US consultants. After extensive negotiation and discussions took place the parties were able to reach agreement and to sign joint venture agreements.

The projects that have been identified and attracted many of the USA investors included, but are not limited to:

1. Fish Processing
2. Tea Processing and Packaging
3. Furniture Manufacturing
4. Packaging Manufacturing
5. Food Processing
6. Fruit Juice Processing and
7. Computer Assembling

Of the above stated projects and others, four (4) projects have been fully negotiated and agreement documents signed to undertake joint ventures with USA-partners. Details of each projects' status and achievement of the entire project have been outlined in this report.

One of the major elements of negotiation was how to capitalize or fund the projects: During negotiations the parties agreed to fund the projects using the following strategies, but not limited to:

1. The USA partner's Bank and the African project Promoter's Banks shall communicate to establish loan system;

2. The parties have agreed to break the projects into several phases thus reducing the capital requirements and so increasing the likelihood of obtaining investment funding

3. The parties have agreed to contribute their personal start up capital;
4. Applying for external technical assistance from international organization such as UNIDO and Government agencies.
5. Further the parties have agreed to sell shares in the joint venture to generate more working capital.

The constraints of this project include but are not limited to:

1. LIMITED TIME: the short period of time given to complete the project as well as the intrusion of the holiday season, end of the year business activities added to the pressure placed on all parties to complete a very complicated undertaking with haste while still keeping the integrity of the project.

2. LIMITED RESOURCES: the funding allocated to the project was not sufficient to do the project as thoroughly as the consultants wanted to However, ATC-USA management was kind enough to cover many of the costs.

3. IMPLEMENTATION PROCESS: Since the knowledge of the USA-Partners is very limited about doing business in Africa time and resources had to be expended, to create awareness of the industrial opportunities in Africa.

In conclusion, to achieve effective and long lasting industrial relationship between USA-partners and African project promoters, immediate follow up is required. We have completed the groundwork on the projects and what is needed is mobilization of resources. There is a need to develop a long term strategic plan and allocate sufficient time and funding.

II. FORWARD

As we present the final report to the respective UNIDO offices, ATC-USA would like to take this opportunity to express our appreciation to all who have contributed to the progress of this project.

The Kenyan and Ugandan officials who assisted us in organizing project sponsors and providing us with the necessary industrial and background research information, particularly the Kenya Investment Promotion Center (IPC) and the Uganda Investment Authority (UIA). We also wish to thank the national consultants from each country who worked very hard to produce timely reports, as well as coordinate the USA-partners visit, and provided their expertise to assist with the implementation process of this project.

We are also thankful to UNIDO's personnel at the Vienna home office for their invaluable feedback and willingness to answer our questions whenever needed. The Country Directors in Kenya and Uganda, were a great resource during our field activities.

III. THE ACTIVITIES CARRIED OUT

For activities completed during the first Phase of this project please refer to the interim report submitted to the Vienna office in November, 1993.

Implementation has progressed well, culminating in the visit of the investors to Kenya and Uganda. Negotiations resulted in agreements being signed on a number of projects.

1. OVERVIEW OF PROJECT STATUS

When the project started in October ACT-USA's consultants met with UNIDO Country Directors, Industrial Promotions Center (Kenya), Ministry of Industry as well as leading business men in both Uganda and Kenya. A number of projects were identified and put through an extensive screening process during this period. Both National consultants from Kenya and Uganda were directly involved and conducted several studies

During the U.S. Partners visit to Kenya and Uganda (December 3rd to 18th) numerous meetings were held, site visits made and negotiations conducted. Final discussions were held on December 18th in Nairobi when the team arrived in Kenya on their way back to the USA from Uganda.

2. U.S PARTNERS VISIT TO KENYA/ KENYA 3RD - 18TH DEC. 1993

Representatives from the following companies are potential USA-Partners who intend to negotiate and establish joint ventures with our African sponsors.

REPRESENTATIVE NAME	COMPANY	PROJECT	COUNTRY
Matthew Gichile	ATC/UNIDO	ALL	COORDINATOR
Randal Mangham	PARKWOOD, INC. ARTD, INC	CONSTR. FISH PROCESSING. COMPUT. ASSM.	KENYA-UGANDA
Chuck Barlow	SENTRY, INC. BERTA, INC.	PACKAGING MFG. TEA PROCESSING	UGANDA-KENYA KENYA
Ray Wright	McDAFFIE, CO. NUTRITION DYNAMICS INT'L	FURNITURE MFG. FOOD PROCESSING	KENYA UGANDA

The visiting US team comprised Mr. Matthew Gichile (Team Leader /Coordinator), Mr. Chuck Barlow, Mr. Randal Mangham and Mr. Ray Wright the latter three represented US partners. These four were joined by national consultants Mr. J.M. Mong'oni of Kenya and Mr. I. Kakembo, of Uganda.

3. SUMMARY OF ACTIVITIES CARRIED OUT

DATE:	ACTIVITY
4th Dec	US team arrived in Kenya and met at airport by National Consultant.
5th Dec	Preparation meetings to finalize local program activities

6th Dec	1.	Meeting with Kenyan UNIDO Country Director, Mr. Stefano Bologna.
	2.	Meeting with Investment Promotion Center officials, Messers Joshua Ogolla, Kim Musyimi and Freddie Owiti.
	3.	Meeting with local sponsor for "tea Packaging " Mr. Z. Gakunju of Mountain Produce.
	4.	Meeting with local sponsor for "furniture" Mr. E. Mose of Hema Quality Furniture.

These were preliminary information gathering meetings and it was at this stage that a copy of the Interim report was made available to the UNIDO Country Director for inclusion with local assistance programs. IPC indicated that where the need arose, they would facilitate the negotiations.

7th - 8th Dec	Drove to western Kenya (340 km from Nairobi) to visit the furniture factory. Met at the factory by Elkana Mose. Visited Homa Bay town to meet Mr. Omari Nyambati and Sally Ongweny of Ramacha processors, the local sponsors of the "fish processing ". Taken to Sindo where we watched fish arriving and being loaded into cold storage transport trucks.
9th Dec	Drove back to Nairobi Visited Mountain Produce Tea Packaging, received by Mr. Z. Gakunju. Negotiations held with Hon. Dr. H Manduku and Mr. Mose regarding the furniture project.
10th Dec	Visited Olympic Fruit Processors factory. Conducted negotiations regarding the fish project with Mr. Omari Nyambati and Ms. Sally Ongweny.
11th Dec	Conducted negotiations on Fish Processing; Tea Packaging; Furniture Manufacturing, Package Manufacturing and Fruit Processing.
14th Dec	**Leave for Uganda** Meeting with national consultant, Mr. I. Kakembo, Meeting with Ugandan Investment Authority, Mr. G. W. Runbagumya, Executive Director; and Mr. Patrick Nyaika, Assistant General manager, Investment Promotion. Dinner meeting with project sponsors, Mr. Vincent Bazira
15th Dec	Meeting with UNIDO Country Director, Mr. George Thmba Chief Technical Advisor, Mr. Eldon G. Warner. Meet with UNDP Resident Representative, Mr. Tedla Teshome Negotiation session with Mr. Vincent Bazira Regarding Food Processing Negotiations with Mr. C. Sembuya and Staff regarding computer assembly expansion
16th Dec	Negotiation with Mr. Tindamanyire Gaudioso regarding package Mfg. Construction material processing discussions with Mr. Joe Semwogerere Prepared letters of intent.
17th Dec	Paperwork/Documentation - closing.
18th Dec	Back to Nairobi, Kenya Closing session with Tea Proc & pkg; Furniture; Package Mfg; Fruit & Fish Proces

IV. ACHIEVEMENT AND PROGRESS CHECK LIST

Please refer to individual projects for complete dtails

A. Development Of Investment Projects

* Identified Several Potential Investment Projects
* Screened Each Project carefully and selected the most feasible
* Conducted pre-investment/pre-feasibility studies
* Conducted Feasibility for the most promising projects

B. Development Of Potential Industrial Partners

* Identified and selected potential USA Investors
* Identified and Screened potential Kenya-Uganda Project sponsors
* Organized USA Investors delegate to travel to Kenya-Uganda
* Mobilized Project area activities, including field visits
* Organized, supported and arranged business negotiation activities
* Facilitated and monitored the negotiation process

C. Signing joint venture agreements

* Monitored the progress of four (4) agreements and drafted agreement documents for joint investment opportunities
* Facilitated the joint venture agreement effort and assisted with the final signing of the agreements to make the joint ventures operational.

V. CONSTRAINTS AND PROBLEMS ENCOUNTERED DURING THE IMPLEMENTATION

A. THE TIMING

* Limited time given for completion of the project-three months not sufficient
* Project timing competed with holiday season and end of the year activities

B. LIMITED BUDGET

* Under capitalized - the budget allocated did not permit us mobilize as we would have wanted. however, our experts were very cooperative and worked within our budget constraints.

C. USA PARTNERS VIEW ABOUT DOING BUSINESS IN AFRICA

* Since most US businessmen know very little about the business opportunities available in Africa much of our initial visits were spent educating them about the business climate and opportunities available within Africa

D. **AFRICAN INDUSTRIALIST WAY OF DOING BUSINESS CALLS FOR CHANGES:**

* Paper work habit should be developed
* Communication system - the flow of information is slow
* Time value; Many USA business see this as a precious resource
* Government bureaucracy; need to minimize the long decision making process.

VI. RECOMMENDATIONS

The African Industrial Partner (IPPA) concept is one that attracts many potential USA partners who are willing and able to do business in Africa.

From our experiences with African business opportunities and constraints as well as our knowledge of the interest by potential USA partners we recommend the IPPA program take into account:

A. **Expand strategic planning:** Many of the potential USA partners are looking for long term investment opportunities.

B. **Develop aggressive promotional activities:** Much of our time during the last three months was spent educating the US businessman about the program. Once informed the response was very positive and great interest was expressed regarding becoming actively involved.

C. **Develop immediate follow-up activities:** During the last three months we have been able to identify many feasible projects as well as potential investors. In order that these efforts not be negated an immediate follow-up program is needed.

D. **Rethinking the scope of UNIDO-GEORGIA (IPPA Program).** Although we have many USA investors ready to go to Africa to form joint ventures the process we have developed fro identifying investors can easily be expanded to other industrialized nations, such as South East Asia where ATC-USA has already established excellent business contacts

VII. CONCLUSION

Without a doubt in the last three months this UNIDO-GEORGIA, IPPA project has had a great impact on the USA Partners by creating an awareness of the need for industrial partnership opportunities in Africa. At the same time, we have realized the crucial need to establish a strong mobilization and coordination program, building strong information systems and dependable communication bridge between Africa and the US business community.

We are very glad to see four joint venture investment projects with signed agreements and ready for the next phase toward a full joint venture within the next few months. A number of projects are completing feasibility studies with potential US business awaiting the results.

ATC-USA

AGREEMENT

WHEREAS it is the desire of BERTA,INC., a United States, company organized under the laws of Georgia and MOUNTAIN PRODUCE LTD., a company organized under the laws of Kenya, to enter into a joint venture to process, purchase, import, export, warehouse, market, whether by wholesale or retail various categories of tea and tea products and packaging for the African and International Market.

NOW THEREFORE in CONSIDERATION of the mutual covenants herein the parties AGREE as follows:

1. The parties shall form a company with Articles of Association and Memorandum filed in Kenya with seven (5) Board Members and such terms as are agreeable and ratified within 90 days. Unless mutually agreed, upon to the contrary Mountain Produce, Ltd. shall have the right to elect four directors and BERTA, Inc. shall have the right to elect three directors.

2. Unless mutually agreed upon otherwise, the parties hereby agree to commence the pre-organizational activities and business procedures outlined and consistent with the Business Plan attached as Exhibit "A". Stage One of said Business Plan shall be activated upon a deposit of funds pursuant to an Escrow agreement executed by the parties at a mutually agreed upon bank or financial institution.

3. After complying with the contractual elements of Stage One as further outlined in the attached Exhibit "A1" the parties further agree to expend the sum of $250,000 USD as initial Capital Contribution with the following equity assignment: 51% Mountain Produce, Ltd. (also designated as Kenya Partners) and 49% BERTA, Inc.(also designated as US Partners). The parties further agree to expend or deposit into a bank account the sum of $127,500 by Mountain Produce, Ltd. and $122,500 by BERTA, Inc. within 90 days hereof. The parties agree that future equity may be negotiated up to 50.1 percent to Mountain Produce and 49.9 percent to BERTA with cash requirements payable on a prorata basis.

3. 3.1. It is understood that each party shall deposit into a designated bank the sums indicated in this Paragraphs 2 and 3 within 90 days of signing this agreement.

4. With respect to Stage One, the Kenya Partners agree to contract or otherwise process tea with the following assumptions, terms and conditions consistent with the Business Plan:
Monthly-

Description	Quantity	USD	Cost
Local	50,000	1.60	$ 80,000
Export Pack	40,000	1.60	$ 64,000
Export Bulk	70,000	1.60	$112,000
		TOTAL	$256,000

5. The US Partners agree to utilize reasonable diligence to secure financing in the sum of $750,000 consistent with the Business Plan. The US Partners also agree to market and develop the potential of said tea described in Paragraph 4 . The US Partners shall also provide, if necessary:

a) Provide expertise to identify and develop new markets both within Africa and Internationally.
b) Expertise necessary to train personnel in management and marketing skills needed to export Internationally as well as to identify and maximize the opportunities available within Africa.
c) Technical expertise to train personnel on new machinery.

6. Any declared profits from the sale of tea or tea products and packaging shall be governed by the equity ratios stated in paragraph 3, or as agreed upon by the parties.

7. Dividends shall be payable annually and on an interim basis as needed and detailed in the attached Exhibit "D" unless two-thirds of the directors vote to do otherwise.

8. The Kenya Partners agree to provide a building with total floor area of approx. 8,000 sq. ft. suitable for the setting up a tea packaging plant on a one acre tract of land by lease for 5 and 1/2 years at $1000 per month for the first two years and $1500 for the remaining 3 and 1/2 years with an option to purchase or renew as indicated in the Attached Exhibit "L".

9. The parties agree to secure competitive quotes to purchase the machinery itemized in Exhibit "A" necessary for the implementation of the business plan.

10.. The parties agrees to the following monthly capital and resource requirements for tea and tea processing based upon the assumptions, terms and conditions consistent with the Business Plan:

		Three months	Monthly
a)	Raw Tea (500 /3)	750,000	$256,000
b)	Packing materials	300,000	
	local		
	export		
	bulk		$171,570
c)	Salaries and Wages		14,100
d)	Vehicle running expenses		5,000
e)	Insurance		954
f)	Utilities		2,600
g)	Advertisement and Promotion		
	local		16,000
	local commission (3%)		2,000
	international		32,000
	international comm.(1%)		4,000

h)	Shipping	36,000
i)	Depreciation	5,700
j)	Licenses and fees	1,000
k)	Misc.	1,000
	MONTHLY SUBTOTAL	$548,024
	BUSINESS PLAN TOTAL	($948,671)

11. The parties agree that the following Capital Investment of USD $350,000 will be needed to cover the following expenditures:

a)	Machines, Spares and installation (tax included)	$ 200,000
b)	Transportation & communication equipment	100,000
c)	Recruitment and Training of staff	25,000
d)	Other	25,000

12. After the total anticipated first month projected US$1.0 million investment, it is further anticipated that recurrent expenditures for the following months will be met by sales proceeds and working overdrafts to be raised locally as outlined in the Business Plan.

13. It is understood and agreed by the parties that all bills of purchase and invoices shall be supplied to each other for all expenditures involved. It is contemplated that the parties shall expend the following sums with expenditures to control any balances due towards said sum payable by deposit in the bank account described in paragraph 2 and 3 or provide credit for any noncash equity contribution as outlined in Exhibit "M".

14. The parties further agree as follows:

a) This agreement may be modified or amended by mutual consent of all parties.

b) This agreement shall stand approved within 60 days of signing the same unless written notice of rejection is provided to all parties by DHL, Federal Express Return Receipt to evidence delivery to the parties at the following addresses:

IF TO KENYA PARTNERS:

Hon. Zack Gakundu
P.O. Box 74414
Nairobi, Kenya

IF TO US PARTNERS:

GETACHEW (G.G) Gessesse
2779 Lynn Drive, SW
Atlanta, GA 30311

11. Consistent with local Kenyan law, any dispute under this agreement shall be resolved by ARBITRATION through the International Center for the settlement of Investment Disputes, U.S. Arbitration, as the party aggrieved shall file.

In consideration of the mutual covenants herein, the parties do agree to said terms and conditions this DEC day of 18, 1993.

SIGNED:

MOUNTAIN PRODUCE LTD.
NAIROBI, KENYA

BERTA, INC.
ATLANTA, GEORGIA, USA

Africa Technology Center
5 Concourse Parkway Suite 2800
Georgia 30328
U.S.A.

PO Box 30550
Kenyatta Avenue
Nairobi. Kenya
Telex 22397 25207
Fax 330-227
Tel 335-[illegible]

Date 17th December, 1993

In reply please quote our reference

Your Reference

RE: MCUNTAIN PRODUCE LIMITED

We Report:

At the request of the Directors of the above company we write to confirm that the comapny has been banking with us since May, 1993. The account has been conducted to our entire satisfaction.

Subject is a limited liability company incorporated in Kenya on 14-4-1993.

In accordance with our records the names of the Directors/ Shareholders are as follows:-

1. Mr. Edward koigi Kariuki
2. Mr. George Marima Kimani
3. Zachariah Kimemia Gakunju

We consider the Directors trustworthy and the company may be considered good for small to medium business commitments.

This report is communicated to you in strict confidence and without responsibility or guarantee on the part of this Bank or any of its officers.

D.M. MWALWA
Credit Adm. Officer

J.M.O. MBOTE
Manager Credit

ATC-USA

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA [IPPA]
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INDUSTRIAL INVESTMENT PROJECT PROFILE

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS
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A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT
DECEMBER, 1993

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INDUSTRIAL INVESTMENT PROJECT PROFILE/FOR IPPA UNIDO-GEORGIA
DECEMBER 1993

COUNTRY: **Kenya** PROJECT # **001**

PROJECT TITLE: **Tea Processing & Packaging** SUBMISSION DATE: **18th December, 1993**

Project Description/Briefly

Tea processing and packaging for domestic and export markets

Part A - Information on the project

1. Technical Aspects

1.1 Is the project a new enterprise or expansion/modernization of an existing one?
-- **Expansion and Modernization**

1.2 Has this project been promoted before? /No
If yes, when: _____ By which organization. .....

1.3 Product(s) to be manufactured:

PRODUCT	QUANTITY	UNIT	PRICE
Tea Packaging	**200 tons per year**		**1.6 USD per Kg**

1.4 Market (Domestic, Export)

1.4.1 What percentage of production goes into domestic market? **10%**

1.4.2 What share in the domestic market it covers? **10%**

1.4.3 What percentage of production is designated for export?(name and respective percent ge) **90%**

1.4.4 Other potential markets? (if any)
U.S.A. and Middle East

1.5 Plant capacity (as detailed as possible)
= enough capacity to blend and pack 1080 metric tons of tea per year both in tea bags and packets.

1.6 Manufacturing process (as detailed as possible)

= **Purchase of raw tea, blending, packaging, weighing and sealing of packets of tea and bags.**

1.7 Manpower

Indicate estimated personnel requirements and average monthly wages inclusive of all allowances and benefits:

Manpower	Number	Monthly/Salary/ Person {Local currency}
Management	**3**	**49,000**
Clerical	**2**	**21,000**
Technical Supervision	**3**	**35,000**
Skilled Labor	**3**	**21,000**
Semi-skilled labor		
Unskilled labor	**15**	**14,000**
General Manager	**1**	**70,000**
Total	**27**	**140,000**

1 Expatriate marketing manager (salary & comm. per mth) **350,000**

1.8 Raw materials and other inputs

Indicate quantities required and unit prices

	Quantity [per year]	Unit Price
1.8.1 Domestic	**All tea is produced locally but some packing materials are imported including filter paper for tea bags**	
1.8.2 Imported		

1.8.3 For materials which have to be imported, indicate customary sources and specify import duties, where applicable: **Imports mainly form Europe and attracts 25% custom duty and 18% VAT.**

1.9 Utilities

Indicate quantities required and unit prices for the following utilities:

Utilities	Quantities (per year)	Unit Price (Local currency)
- Fuel [oil, gas, coal, etc.]	**N/A**	**N/A**

- Electricity [Kwh]	2,000	2.50 /Kwh
- Water [own borehole]m3	2,000	1.00 /CM
- Other	N/A	N/A

1.10 Plant location and availability of infrastructure facilities: (as detailed as possible)

1.10.1 Location and reason for selection of site = **In Nairobi - Kiambu Road in Kiambu (convenience and source of Labor).**

1.10.2 Availability of infrastructure

	Yes	No
Water Supply	X	
Power Line	X	
Roads, rail, water, air, etc.	X	
Postal & communication services	X	

2. Financial Aspects

2.1 Total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component:

Fixed Investment	Local Currency Component [In US$]	Foreign Currency Component [In US$]	Total [In US$]
Land			
Buildings	24,000	-	24,000
Machinery & Equipment	-	200,000	200,000
Furniture/fittings	-	-	-
Working Capital	272,124	272,124	544,248
Pre-operational expenses	8,000	17,000	25,000
Interest during construction	-	-	-
Provision for contingencies	250	750	1,000
Total	304,374	489,874	794,247

2.2 Proposed financial structure, indicating expected sources and terms of equity and loans:

	Local Sources [In US$]	Foreign Sources [In US$]	Total [In US$]
Equity	**127,500**	**122,500**	**250,000**
Long-term loans			
Medium-term loans			
Short-term loans	**500,000**	**250,000**	**750,000**
Total	627,500	372,500	1,000,000

2.3 Is local development bank in principle willing to consider participation in the project? If no, why? = **Yes**

2.4 What is the local investors equity contribution to the project (as detailed as possible) **51%**

3. Foreign Contribution Desired

Indicate whichever is needed among the following:

-- Equity Participation	**X**
-- Loans	**X**
-- License and know-how	**X**
-- Machinery & Equipment	**X**
-- Access to Foreign Markets	**X**
-- Technical collaboration	
-- Management	**X**
-- Training	**X**
-- Other - Marketing	**X**

4. Project study available (if available provide copy):

-- Prepared by:
-- Pre-feasibility
-- Feasibility

-- Other X
-- None

4.1 Information on profitability and return on investment (as detailed as possible): (important)
=

5. Currency exchange rate used:

Date: **18, December 1995**

Rate: **Ksh 68 to 1 USD**

Part B - Information on Project Sponsor(s)

1. Name of company: **Mountain Produce Limited**

Contact person: **Z.K. Gakunju**

Address: **P.O. box 56954,**
Nairobi, Kenya

Telephone: **2118765**

2. Present line of business: **Tea Packaging & Marketing**

3. Annual turnover (gross sales) (in US$) **40,000**

4. Present ownership including equity distribution: **100%**

5. Bank connections: (Name Address) **Stanic Bank International, (Nairobi Branch)**

6. Year of establishment: **1983**

7. Number of employees: **10**

Signature of Project Sponsor

Signature of Consultant/Coordinator

DATE: 12-18-93

MOUNTAIN PRODUCE LIMITED

P.O. Box 56954, Tel: 211876, Fax: 512322, NAIROBI

PROJECT PROFILE

FOR

Tea Blending, Packaging and Marketing

Nairobi, Kenya

MOUNTAIN PRODUCE LIMITED

CONTENTS PAGE

MOUNTAIN PRODUCE LIMITED (MPL)

1.0 SUMMARY:

- Mountain Produce Limited (MPL), a company that blends tea for local market, plans to go into joint-venture so as to increase output both for local and export markets. It will also export bulk tea.

- It is envisaged that the company will not encounter major hindrances in export market, because of the high quality of Kenya tea.

- It's contribution to the economy can not be over emphasized. It is the leading cash crop and contributes upto 28% of total export earnings to the Kenya's economy.

- In this connection, therefore Mountain Produce Limited is in a very important sector of Kenya's economy.

- By exporting packed tea, MPL will be adding value to Kenya's tea and therefore increasing the much required foreign exchange.

- MPL will increase level of local employment from the present 6 to 28 employees when the company will be in full operation.

- Foreign investors will bring both technology and hard currencies that the country desperately requires.

- With this background information, MPL will require any support from any quarters to that it may take off with all the necessary ease.

1.1 INTRODUCTION

Tea blending, packaging and marketing is a growing subsector of the tea industry that will have a lot of potential in the long run. Potentiality exists because of liberalisation in the tea industry; hitherto, it was only Kenya Tea Packers (KETEPA) that was undertaking these activities.

To capitalize on this new opportunity of liberalisation Mountain Produce Limited proposes to go into full-scale blending and packaging of tea, both for local and export market. At the moment, the Company is packing tea for the local market on a small scale. The Company buys locally manufactured tea (various grades) and blends it for the Kenya consumer. At the moment, the Company is proposing to move into capital intensive production so as to meet the present orders, (bulk tea) that amount to 1500 tonnes and of packed tea. Company is proposing to move into capital intensive production so as to meet the present orders, (bulk tea) that amount to 1500 tones and of packed tea. The Company is unable to handle these orders 500 tons because of inadequate packing machineries that have limited production capacities.

To help the Company penetrate the overseas market (including the American market) the company will go into joint ventures with foreign investors. The success of this company will depend very much on the sales to export, markets as the 90% of the total tea produced in Kenya is exported. It is therefore important to stress that the personnel charged with marketing the product overseas need to be extremely aggressive on the promotion of this product and to open up new markets for both packed and bulk tea.

1.2. LOCATION

The company is located about 12 kilometers from city centre on Nairobi-Kiambu Road.

It is located on a ONE - acre plot, with built up area of 8000 sq.ft. infrastructure - Roads, telephones, water and telephone connected.

- packing hall of 50ft x 30 ft
- steel container for storage
- four - 8ft tables
- weighing machine
  and testing equipment and office furniture

Therefore there is enough room for future expansion

The proposal is for leasing the premises on a 5½ year period with an option to purchase or renew the lease on terms that can be negotiated at a monthly rental of U.S.$1000 per month for the first two years to be increased to U.S.$1500 for the remaining 3½ years.

2.0 SHAREHOLDING:

The authorised share capital of the company is Shs. 200.00/= which is fully paid.

3.0 DIRECTORS:

The Company has three Directors

Mr. Z.K. Gakunju - Chairman
Mr. E.K. Kariuki - Managing Director
Mrs. L.W. Kimani

3.1. DIRECTORS PROFILE

Mr. Z.K. Gakunju born on 1st February 1933
Married with four children
A convicted christian and an elder of the Presbyterian Church of East Africa

A former Member of Parliament and an Assistant Minister in the Ministry of Commerce and the Ministry of Tourism and Wildlife.

A past Chairman of the National Chamber of Commerce and Industry.

The founder and Managing Director of Mbuni Drycleaners Limited which is the first African owned drycleaning business in Kenya for 30 years.

Has business interests in Drycleaning, Farming, Ranching, Packaging and marketing of tea and Real Estate Development.

Address: P.O. 74414 Nairobi, Kenya
Tel: Office 211876
House 512501
Fax 512322

3.2. MR. EDWARD K. KARIUKI

Born on 17th September 1960

Holds Bsc. (HONS.) in Agricultural Engineering from the University of Nairobi.

Former Officer in Charge of Design, Development and testing with the Ministry of Agriculture.

Former Sales and Technical Manager of Holman Brothers (K) Ltd. dealing in marketing of agricultural machinery. Founder member and Managing Director of Mountain Produce Limited, a company dealing in blending, packing and selling tea.

Address: P.O. Box 43851, Nairobi, Kenya
Tel: 512424
Fax: 740039

3.3. MRS. L.W. KIMANI

Married with children and works for the Ministry of Education and will retire soon to join the administration of the company.

Address: P.O. Box 56954, Nairobi, Kenya

4.0 PROPOSED JOINT VENTURE:

4.1 Shareholding: It is proposed that a joint venture company (Mountain Produce Limited) be expanded with local partners taking 51% of the equity shares and foreign partners taking 49%.

4.2. Directors: The Directors of the Joint Venture Company be nominated equally from the two partners.

5.0. RAW MATERIAL:

The basic raw material will be processed tea that will be obtained through auction at Mombasa. Since 1986, total tea production has been increasing steadily at between 3% - 9%. The latest statistics of 1992 show an overall production of 188,072,279 KG, p.a with about 90% being exported, and the rest being consumed locally.

5.1 The other raw material will be packing paper. This will be obtained locally (from local paper converters - for local market) and from overseas (for export markets). It is a known fact that local packing is very poor in quality. Mountain Produce Limited therefore will make arrangements for the manufacture of the high quality packing for the overseas market.

5.2 Other minor raw material inputs may be in form of gum/glue stapling pins and wrapping materials which are obtainable locally.

6.0 PRODUCTION AND MARKETING

6.1 PRODUCTION

At present the company is packing 300 KG of tea per day, with a monthly production of KG. 7200.

It is proposed that production for export will commence in 1994. It is presumed that total volume of tea that will be offered for sale will be about 200m KGS. Mountain Produce Limited intends to handle 10% of the total national production progressively in 5 years. It is envisaged that at full capacity (Year 5), the company will handle 10% of the total amount offered for auction.

Packing will be in 2(Two) forms:-

- 20% of the local market will be packed in filter bags. The rest 80% will be packed in the ordinary packs.

For the export market about KG. 14m (this will constitute about 70%) will be exported in bulk while the rest 20% will be in high quality packaging (packs and filter bags), and 10% for local market.

The production schedule is arranged for such that in the first year total production for both local and exports will be KG. 2m/p.a. broken down as follows:-

local packed - Kg 50,000 p.m
export bulk - 70,000 p.m
export packed - 40,000 p.m

From year 5 production will be increasing at rate of 3% a steady rate till the company attains an annual production level of KG. 20m (both for local and export markets).

6.2 MARKETING

LOCAL

For local markets, advertisements and market visits by salesmen are used to promote the products. Once the proposed programmes of increasing production are implemented, more aggressive sales campaigns will be increased. Deliveries, that are done through hired transport will be supplemented with own transport vans. Therefore more outlets will be served and all the necessary promotion facilities will be utilized to increase product sales volume.

6.3 MARKETING - OVERSEAS MARKET

Exports will need promotion in the overseas markets. It is proposed that the foreign shareholders will be charged with this onerous task of marketing and promoting the product overseas. Therefore success of exports will very much depend on their efforts of marketing.

This point need not be given much more emphasis but the overseas shareholders need to know this task at the outset, for upto now, the American market is still ripe for exploitation as far as Kenya tea is concerned. It will therefore be necessary to open new markets in the U.S. and the Middle East for both packed and bulk tea.

7.0 INVESTMENT

The total investment in the first month is projected to be about US$1.0 million with the following summary.

7.1	ONE TIME CAPITAL EXPENDITURE	Value (US$)
	Machines	250,000
	Preliminaries (including licenses & charges)	25,000
	Transport & equipment	100,000
	Recruitment & training	25,000
		350,000

7.2	RECURRENT WORKING CAPITAL FOR THE FIRST MONTH	
	Tea	256,000
	Packing materials	171,570
	Salaries & wages	14,100
	Vehicle running expenses	5,000
	Insurances	1,111
	Utilities	2,000
	Advertising - local	18,000
	- international	36,000
	Clearing & Forwarding & shipment	35,000
	Depreciation - vehicles	1,700
	- machineries	3,166
		511,217
	Contingencies and miscellaneous 10%	51,121
	Total recurrent capital	562,671
	Total initial capital (month 1)	912,671

7.3 It is anticipated that the recurrent expenditure for the following months will be met by sales proceeds and working overdraft to be raised locally.

Working Capital for 2nd Month (excluding contingencies & miscellaneous)	511,217

8.0 **EMPLOYMENT:**

The company plans to employ the following personnel:

ITEM	# (NOS)
- General Manager	1
Managers	3
Expatriates - Marketing	1
- TECHNICAL STAFF	
Taster	1
Accountant	1
Engineer	1
- Skilled workers	5
- Unskilled workers	15

9.0 PROJECT FINANCING:

The capital investment of U.S.$ 1.0m will be realized as follows:-

	EQUITY	LOANS Dollars	TOTAL (U.S. Dollars
	LOCAL - FOREIGN	LOCAL-FOREIGN	1,000.000
	250.000	- 750.000	
TOTAL	250.000	750.000	1,000.000

9.1 EQUITY:

The sponsors (local and foreign) will raise an equity of U.S. $250.000. Sponsors will discuss the modalities on how each one of them will raise his part of Equity. For instance, the owner of the existing company may be given consideration in a way that his equity contribution may be reduced by an agreeable proportion. Use of premises may also be considered as part of equity contribution.

9.2 LOANS:

A total laon of U.S.$ 750,000 will need to be raised. Because of the prohibitive nature of local interest rates on loans (running as high as 30% p.a), much emphasis will be laid on foreign borrowing.

10.0 MACHINERIES

In the first phase of operation the company will need 3 sets of machineries.

- Quotation of two (2) sets of tea bag making machineries has already been obtained from South African Supplier. Each one is quoted at U.S.$ 35,000 f.O.B. These wto have capacities of 650 satchets/min (Each satchet is 2 gm).

- The other quotation for a packet filling and sealing machine is from Italy with an operating rate of 15-30 bags/min. Sizes of bags range from (100g - 1000). is U.S.$ 36,400 C.I.F. Mombasa.

- The issue of machineries is still open such that shold the foreign sponsors get better quotations from U.S.A, or elsewhere their offer may be given consideration. (For full quotations see annex).

10.1 PROCUREMENT OF MACHINERIES:

It should be noted that the project will be buying machineries as need for them arises, so as to increase the projected production. The idea will be to buy simple machines to be added on the production line as opposed to buying one big complicated machinerym whose full capacity will take time to realize. These simple machines will be utilized in a waym that their maximum capacities is realized by increasing the number of shifts, possibly to the maximum of three (3) per day.

10.2 ADDITIONAL MACHINERIES

It is reasonable to foresee competition arising in this field in the long run. So as to stay at the top of the market, the company will need to keep pace with technological advancement. In this regard, therefore, the company may, in future, be forced to buy advanced machineries that have printing and designing, components in them.

11.0 MANUFACTURING:

11.1 BLENDING PROCESS:

After the tea is bought in the auction in several grades, the grades are mized in the factory in predermined proportions which will give the required taste and liquor strength.

11.2 PACKAGING

This mix (blend) is fed into the machine which fills the packets in the required weights. The sealing of the packets may be done by the mahcine or by hand. The packets are finally put into cartons and stored or marketed directly.

11.3 BULK TEA

Bulk tea is also in majority of cases blended in the same way but is packed in bulk at Mombasa and shipped in 60 kg. palletized paper sacks.

12.0 PROFITABILITY:

This is a very important issue fo this project and the fact that it comes almost on final stage does not lessen its importance.

A quick glance on the first quarter of the project's operations shows a rate of Return on Investment (RoI) of about 25%, which is very reasonable. Therefore although the project may experience a difficult period in the early years of operation, the latter years may be profitable. This could only be verified if a cash-flow projection is produced but RoI in three years is anticipated and four years at the latest.

13.0 APPENDICIES

13.1 NATIONAL TEA PRODUCTION IN KGS (1963 - 1992)

13.2 QUOTATIONS (MACHINERIES)

13.3 TEA - EXPORTS (STATISTICS)

13.4 1993 PRODUCTION

13.5 FACTS ON KENYA TEA

13.6 REGISTRATION CERTIFICATES

THE TEA BOARD OF KENYA

KENYA TEA INDUSTRY

1963 - 1992

January to December	ESTATES Planted - Hectares	ESTATES Production Kgs.	SMALLHOLDERS (KTDA) Planted Hectares	SMALLHOLDERS (KTDA) Production Kgs.	Total Estate/ Smallholders Hectares	Total Production Estate/ Smallholders Kgs.	Exports Kgs.	Value of Exports KE	Local Consumption Kgs.
[illegible]	17,921	17,770,383	3,527	311,980	21,448	18,082,363	15,353,636	5,013,000	2,728,727
[illegible]	18,591	19,616,777	4,471	624,853	23,062	20,240,630	16,422,313	5,665,409	3,820,217
[illegible]	19,327	19,027,163	5,429	796,011	24,756	19,823,174	16,623,174	6,055,514	3,786,238
[illegible]	20,102	23,846,177	7,238	1,572,481	27,340	25,418,658	23,283,084	8,714,000	2,135,574
[illegible]	20,809	20,585,555	9,269	2,248,639	30,078	22,811,614	18,115,977	7,395,546	4,695,637
[illegible]	21,329	26,359,730	12,233	3,402,760	33,562	29,762,490	27,839,247	10,041,063	1,924,243
[illegible]	21,540	30,333,367	14,685	5,777,160	36,525	36,060,527	32,951,963	11,271,130	3,108,564
[illegible]	22,259	33,101,169	17,985	7,976,425	40,274	41,077,594	33,851,055	12,704,544	5,659,318
[illegible]	22,838	29,221,634	20,528	8,068,220	43,366	36,289,854	30,072,656	10,843,926	6,691,416
[illegible]	23,268	40,193,483	26,493	13,129,006	49,763	53,322,489	49,483,857	16,442,150	5,538,612
[illegible]	23,635	41,508,197	31,161	15,072,903	54,796	56,578,100	50,528,200	16,975,480	6,049,900
[illegible]	24,087	37,259,318	34,648	16,180,350	58,735	53,439,668	49,646,820	19,402,521	7,073,987
[illegible]	24,337	38,514,557	37,205	17,915,222	61,542	56,729,779	52,632,600	22,969,766	7,472,129
[illegible]	24,539	40,521,533	41,412	21,462,626	65,951	61,984,459	59,154,300	31,769,020	8,083,210
[illegible]	24,569	55,554,370	43,641	30,737,048	68,500	86,291,418	75,257,565	71,779,926	9,578,493
[illegible]	25,159	53,552,159	46,910	34,821,260	72,069	93,373,419	80,791,032	63,193,033	11,004,360
[illegible]	25,424	61,641,351	48,876	37,633,936	74,300	99,275,287	88,984,528	62,844,957	12,462,391
[illegible]	25,830	55,913,349	50,691	33,950,009	76,541	89,893,358	74,799,000	58,003,496	13,648,788
[illegible]	26,153	55,137,699	52,743	35,803,706	78,869	90,941,405	75,500,671	61,092,660	14,491,671
[illegible]	26,384	56,057,026	54,698	39,946,051	81,082	96,033,077	80,371,415	77,852,331	13,979,533
[illegible]	26,387	68,774,249	54,969	50,964,190	81,536	119,738,439	100,644,735	123,420,077	15,171,708
[illegible]	26,373	63,463,679	56,499	52,705,241	83,372	116,171,920	91,198,110	189,477,628	14,390,275
[illegible]	27,322	75,754,329	56,505	71,339,025	83,827	147,093,554	126,086,264	191,409,638	17,013,894
[illegible]	27,554	73,192,023	56,546	68,124,740	84,400	143,316,763	116,455,892	172,789,445	17,701,737
[illegible]	28,329	78,573,203	56,891	76,932,597	85,420	155,507,800	134,778,631	163,353,327	17,322,459
[illegible]	29,109	79,337,869	57,693	84,592,559	86,802	164,030,428	138,201,002	185,262,701	17,712,225
[illegible]	29,539	80,033,333	57,934	100,367,147	87,473	180,500,480	163,188,149	271,834,327	17,369,279
[illegible]	29,979	87,011,557	67,041	109,996,712	97,020	197,008,289	169,565,818	314,981,238	17,553,218
1991	31,017	90,946,756	69,609	112,741,963	108,626	203,588,719	175,555,295	381,625,486	17,538,306
1992	31,340	88,260,870	70,505	99,811,409	101,845	188,072,279	166,506,564	474,883,277	15,455,008

Facsimile Cover Sheet

To: Mr E.K.Kariuki
Company: Mountain Produce Ltd
Nairobi
Kenya
Phone: 09254 2 740039
Fax: 09254 2 740039

From: Etienne Venter
Company: Sachet Pack (Pty) Ltd
Cape Town
Rep South Africa
Phone: 021 5511498
Fax: 021 5511499

Date: 29 June 1993
Pages including this cover page: 2

Comments:I must apologise for the delay in responding

to your request however we have not been able to get through to your number.
Thank you for your enquiry.We detail our standard tea bag machine as follows.

MACHINE	4 Lane automatic tea packing machine.
MODEL	SACHET PACK 4-T
SACHE: ZE	65mm by 65mm
REEL SIZE	Tea bag filter paper 520mm wide reels
DOSING HEAD	Adjusable from 1gm to 2.5 gm
D[illegible]	4 Sachets in line,perforated individually
[illegible]ATION	Variable,for easy packing

SPEED	eg. 25 strips of 4 sachets per minute Variable,between 600 and 800 per minute Average at 650 sachets per minute.
ELECTRICS	15 Amp 220 volt supply
CONSTRUCTION	All parts manufactured locally
KNIVES	Hardened high speed steel for long life
PARTS	Readily available
PRICE	U S Dollars 35000.00 C & F Mombasa.
INSTALLATION	Included in the price. Technical engineers hotel accomodation for your account.
STAFF TRAINING	Undertaken at installation.
GUARANTEE	6 Months
DEPOSIT	40% of Purchase price with order
PAYMENT	By a confirmed letter of credit
DELIVERY	9 Weeks from date of order and receipt of deposit

To pack 5 metric tons of tea per day you would require 5 standard 4-T machines.

TEA BAG FILTER PAPER REELS

WIDTH	520 mm
O.D.	520mm
CORE	76mm
PRICE	U.S.Dollars 7.75 per kilogram ex Cape Town. Can be included with machine packing

VACUUM PACKING 50 to 100gm of product

Please let us have information regarding:
1. What type of product you want to pack.
2. Type of packing material or laminate
3. Is vacuum necessary or can nitrogen flushing be used

We look forward to hearing from you and trust that we may be of service to you.We ere willing to make a trip to Nairobi if reqiured.
Yours faithfully.

Etienne Venter

THE TEA BOARD OF KENYA
KENYA TEA EXPORTS
OCTOMBER 1993

DESTINATION	AMOUNT IN KGS	VALUE IN KSH	UNIT VALUE
PAKISTAN	3,965,430.50	469,172,199.77	118.32
U K	4,460,001.00	498,598,695.46	111.79
EGYPT	2,982,234.60	315,334,444.79	105.74
SUDAN	706,151.00	72,468,992.75	102.63
YEMEN	509,559.00	53,067,117.36	104.14
U S A	282,772.00	31,049,652.10	109.80
NETHERLANDS	154,000.00	16,320,117.69	105.97
SINGAPORE	98,560.00	12,568,494.23	127.52
S AFRICA	186,205.00	20,755,551.96	111.47
CANADA	160,192.00	17,886,422.58	111.66
SOMALIA	125,039.50	11,722,494.09	93.75
IRELAND	255,296.00	43,093,478.52	168.80
U A E	58,084.00	6,748,762.66	116.19
SRI LANKA	50,732.00	6,638,993.31	130.86
TURKEY	48,608.00	5,762,386.25	118.55
BOTSWANA	42,782.00	4,924,373.00	115.10
BELGIUM	23,940.00	2,661,776.25	111.19
FRANCE	19,588.00	2,303,692.85	117.61
AUSTRALIA	22,400.00	2,201,358.00	98.27
OMAN	16,500.00	1,825,338.21	110.63
JAPAN	20,240.00	2,436,834.35	120.40
DJIBOUTI	6,600.00	569,406.82	86.27
GREECE	4,000.00	412,077.00	103.02
HONG KONG	3,200.00	353,089.69	110.34
HOLLAND	25,000.00	3,320,463.69	132.82
TOTAL	14,227,114.60	1,602,196,233.38	112.62

Source:the tea board kenya

THE TEA BOARD OF KENYA

KENYA TEA EXPORTS

SEPTEMBER,1993

DESTINATION	AMOUNT IN KGS	VALUE IN KHS	UNIT VALUE
PAKISTAN	3,203,445.30	362,888,786.03	113.28
UK	4,999,880.50	530,954,656.10	106.19
EGYPT	2,096,663.30	209,380,291.00	99.86
SUDAN	1,359,088.70	140,010,422.00	103.02
YEMEN	478,216.00	49,988,521.00	104.53
IRELAND	714,890.50	81,594,253.55	114.14
CANADA	335,586.00	36,820,650.00	109.72
AUSTRALIA	267,686.00	28,336,564.00	105.86
S. AFRICA	221,324.00	24,845,745.50	112.26
NETHERLANDS	196,176.00	19,767,169.00	100.76
DJIBOUTI	230,902.00	18,888,660.00	81.80
U.S.A.	183,584.00	20,958,399.78	114.16
SINGAPORE	60,544.00	6,935,708.00	114.56
SRILANKA	38,180.00	4,620,345.00	121.01
BELGIUM	47,864.00	5,180,831.90	108.24
FRANCE	68,748.00	7,131,465.80	103.73
U A E	34,124.00	3,690,498.00	108.15
BOTSWANA	29,000.00	3,319,103.00	114.45
OMAN	28,962.00	3,156,880.00	109.00
HONGKONG	25,944.00	3,067,734.00	118.24
INDIA	22,176.00	2,325,759.00	104.88
RUSSIA	20,420.00	1,966,588.00	96.31
GERMANY	34,208.00	4,027,915.80	117.75
JAPAN	16,152.00	1,865,994.60	115.53
TURKEY	11,280.00	1,098,356.00	97.37
ETHIOPIA	9,000.00	787,411.00	87.49
HOLLAND	51,080.00	6,138,958.40	120.16
TOTAL	14,785,126.30	1,579,747,868.46	106.85

SOURCE TEA BOARD OF KENYA

THE TEA BOARD OF KENYA
KENYA TEA EXPORTS
AUGUST 1993

DESTINATION	AMOUNT IN KGS	VALUE IN KSH	UNIT VALUE
PAKISTAN	2,865,651.00	319,485,036.44	111.49
U.K	4,156,286.00	452,958,700.50	108.98
EGYPT	2,136,941.00	235,348,779.48	110 13
SUDAN	684,963.70	59,992,416.09	87.58
YEMEN	565,626.00	59,802,486.67	105.73
U.S.A	462,742.00	44,696,168.99	96.59
CANADA	255,365.00	25,298,088.66	99.07
NETHERLANDS	139,355.00	15,704,559.56	112.69
AUSTRALIA	81,780.00	8,615,284.49	105.35
DJIBOUTI	75,000.00	6,597,884.24	87.97
JAPAN	45,034.00	5,582,705.31	123.97
S. AFRICA	68,284.00	7,678,972.08	112.46
SOMALIA	59,992.00	4,734,144.02	78.91
BOTSWANA	40,000.00	4,664,630.00	116.62
U A E	25,036.00	2,877,136.40	114.92
FRANCE	34,252.00	3,685,105.02	107.59
BELGIUM	22,156.00	2,349,001.27	106.02
GERMANY	11,410.00	983,737.60	86.22
IRELAND	250,860.00	30,721,257.55	122.46
HOLLAND	106,400.00	10,487,167.55	98.56
ETHIOPIA	5,752.00	492,644.90	85.65
TOTAL	12,092,885.70	1,302,755,906.82	107.73

SOURCE: TEA BOARD OF KENYA

THE TEA BOARD OF KENYA

KENYA TEA PRODUCTION 1993

MONTH	AMOUNT IN KGS.
JANUARY	21,754,140
FEBRUARY	18,986,048
MARCH	22,146,900
APRIL	17,005,034
MAY	16,482,805
JUNE	17,053,611
JULY	14,019,407
AUGUST	13,807,771
SEPTEMBER	15,925,163
OCTOBER	17,617,587

THE TEA BOARD OF KENYA

KENYA TEA EXPORTS
JANUARY/DECEMBER 1992

Importing Country	Weight Kgs.	Value KShs.	Unit Price
U.K.	68,135,274	3,974,636,346	58.33
Pakistan	43,161,494	2,626,478,322	60.85
Egypt	24,409,718	1,253,970,283	51.37
Sudan	4,411,855	165,293,947	37.46
Ireland	4,153,517	262,088,987	63.10
U.S.A.	3,792,105	215,729,198	56.88
Netherlands	3,594,815	198,387,949	55.18
Yemen	2,242,122	88,493,831	39.47
Canada	2,161,407	126,616,760	58.58
Djibouti	1,391,731	49,510,512	35.57
Somalia	945,850	16,303,176	17.23
Singapore	846,549	52,991,980	62.59
Belgium	810,656	45,238,704	35.80
Australia	790,179	40,192,186	50.86
Germany	671,140	90,815,414	135.31
Sri Lanka	549,292	30,392,820	55.33
Japan	499,121	30,332,139	60.77
Botswana	383,192	20,753,330	54.15
Iran	322,530	16,381,478	50.79
Saudi Arabia	289,712	11,771,757	40.63
France	248,265	17,136,387	69.02
Israel	206,800	12,319,555	59.57
Turkey	163,374	10,637,077	65.10
Oman	160,895	7,453,921	46.32
Hongkong	110,902	6,672,026	60.16
U.A.E.	107,837	5,710,064	52.95
New Zealand	68,740	3,592,315	52.25
Ethiopia	64,500	1,403,658	21.76
Denmark	52,000	2,349,901	45.19
Rwanda	33,928	2,395,819	70.61
Mexico	31,360	1,247,507	39.78
Finland	30,493	2,153,842	70.63
Greece	20,000	474,141	23.70
Italy	18,000	2,330,805	129.48
India	17,296	922,128	53.31
Tanzania	11,826	747,748	63.22
Uganda	11,400	499,114	43.78
Portugal	7,200	247,441	34.36
Czechoslovakia	6,000	281,400	46.90
Switzerland	4,000	297,240	74.31
Comoros	1,920	77,986	40.61
Others	1,565,122	102,160,112	65.27
Aircrafts/Ship Stores	2,447	175,604	71.76
TOTAL	166,506,564	9,497,665,540	57.04

Source: Central Bureau of Statistics

28th April, 1993

No. C. 53221

CERTIFICATE OF INCORPORATION

I hereby Certify, that—

MOUNTAIN PRODUCE LIMITED.....

is this day Incorporated under the Companies Act (Cap. 486) and that the Company is LIMITED.

Given under my hand at Nairobi this FOURTEENTH day of APRIL One Thousand Nine Hundred and NINETY THREE.

Snr. Dy. Registrar of Companies

GPK 9652 —7m—5/91 (P2)

ALL COMMUNICATIONS TO BE ADDRESSED TO THE ASSOCIATION.

EAST AFRICAN TEA TRADE ASSOCIATION

REX HOUSE
MOI AVENUE
P.O. BOX 85174
MOMBASA, KENYA

Telephone: 315687
Telegrams: "TASSOC"
Telex: c/o 21242 "EATEL KE"
[redacted]
Fax: 225823

Your Ref:_____ Our Ref:_____ Date:_____

F 7 (d) 14th June, 1993

Mountain Produce Limited,
P.O. Box 56954,
NAIROBI.

Dear Sirs,

APPLICATION FOR BUYER MEMBERSHIP

With reference to your application for Buyer Membership dated 20/5/93 I am pleased to inform you that at the Management Committee meeting held on 10th June, 1993, you were approved as a Buyer Member.

Please be advised that, you will remain a Provisional Buyer Member until you purchase at least 50,000 kg of tea over one calendar year i.e. 1st January, to December 31st, in accordance with Rule 8 (b).

We look forward to your active participation in the Association.

Yours faithfully,
EAST AFRICAN TEA TRADE ASSOCIATION,

For M. RADOLI
EXECUTIVE OFFICER

Encl.

c.c. Chairman, Tea Brokers' Association.

c.c. Chairman, Tea Buyers' Association.

FACTS ON KENYA TEA

Kenya teas are of Asian Origin - botanically known as *Camellia Sinensis*.

The first tea bush was planted in 1903 in Limuru a few miles north of Nairobi but commercial growing did not start until 1924.

The tropical red soil derived from high altitude decomposed deposits is quite ideal for tea growing in Kenya.
Kenya is further endowed with a very favourable environment and well distributed rainfall with long suny days which are necessary conditions for tea growing.
Rainfall in all tea growing areas ranges between 1200 mm to 1400 mm per annum.
Production goes on all year round with two peak seasons of high crop between March and June and October and December which coincide with the short and long rains.

The main growing districts are situated in or around the highland areas on both sides of the Great Rift Valley at heights from 1,500 metres to 2,700 metres above sea level.

In the early days most Kenya tea gardens were developed from seedling but today, vegetative propagation is widely used. This is a system where the single leaf of a tea bush is made to produce another plant similar to the 'mother bush'.

It is mainly the upper two leaves and a bud which are plucked to make the world's most drunk refreshment. It is essential that the bushes are plucked in regular cycle ranging from 7 to 14 days.

Most Kenyan teas are manufactured using the Cut Tear and Curl (CTC) method of manufacture.This ensures maximum cuppage per unit weight as the tea is of finer leaf as against the wider and bigger leaf in the orthodox manufacture.

Planted tea in Kenya covers slightly over 100,000 hectares. Annual tea production is well above 200 million kgs. when the.weather is favourable and this is projected to increase as more bush comes into maturity and producers improve their farming practices. Much of the tea produced is for export as the domestic market is relatively small.

Kenya tea has established a reputation world over for its high and consistent quality throughout the year. Liquoring properties range between good - medium to very fine with the best qualities being produced early in the dry weather period of late January - early February or in July, August and September.

Tea is the leading export commodity contributing up to 28% of total export earnings for Kenya. Tea production is labour intensive and it accounts for over one million jobs in direct and indirect employment. Tea Production is also enveronmental friendly as very little chemicals if at all are used in its production. Tea growing and manufacturing are carried out in the rural areas thereby contributing significantly to rural industrialisation and development.

All enquiries to:
THE SECRETARY
TEA BOARD OF KENYA
UKULIMA CO-OPERATIVE HSE
HAILE SELASSIE AVE /COUNTY RD
PO BOX 20064 NAIROBI
TEL.220241-220643 • FAX 331650
TELEGRAMS KENTEA

The Indu in K

ATC-USA

AGREEMENT

WHEREAS it is the desire of ARTD, INC., "ARTD", a United States company organized under the laws of Georgia and RAMACHA PROCESSORS, "RAMACHA", a company organized under the laws of Kenya, to enter into a joint venture to secure, purchase, process, market, import, stock, sell, whether by wholesale or retail various categories of fish and fish products, including but not limited to samaki leather and other by-products of Nile Perch for the African and International Markets.

NOW THEREFORE in CONSIDERATION of the mutual covenants herein, the parties AGREE as follows:

1. The parties shall form a company under the name of Nile International Ltd., or Nile Homa International Ltd., or such other name as the parties ("NILE") agree with Articles of Association and Memorandum filed in Kenya with seven (7) Board Members and such terms as are agreeable and ratified within 60 days. Unless mutually agreed, Ramacha shall have the right to elect four directors and ARTD shall have the right to elect three directors.

2. Unless mutually agreed upon otherwise, the parties hereby agree to commence fish processing in the following business stages consistent with the Business Plan attached as Exhibit "A":

   a. Stage One- Samaki leather (fish leather processing)
   b. Stage Two- Fishmeal.
   c. Stage Three- Fish oil, fish bladder and fish filleting.

3. With respect to Stage One, Ramacha Processors (also designated as "Kenya Partners") agrees to contract or otherwise produce processed samaki leather from Nile Perch and forward the same to ARTD (also designated as "USA Partners") under the following terms and conditions:

Grade	Quantity (Sq.ft.)	Shilling Price	Color	Subtotal
Crust	500	100 (x .USD67)	green	$ 746.27
Crust	500	100(x .USD67)	grey	$ 746.27
Finished	500	150(x .USD67)	purple	$1,119.40
Finished	500	150(x. USD67)	blue	$1,119.40
		Subtotal		$3,731.34
		Shipping & Handling to USA(25%)		932.85
		TOTAL		$4,663.84

4. The USA Partners agrees to market said samaki leather described in Paragraph 3 and provide the Kenya Partners at least 30 days notice, or as agreed upon, of any future market demands to the benefit of NILE. The US Partners shall also provide:

a) Expertise to identify new markets both within Africa and Internationally.
b) Expertise necessary to train personnel in management skills needed to export Internationally as well as to identify and maximize the opportunities available within Africa.

5. The parties further agree to expend the sum of $4,663.84 USD as outlined above as initial Capital Contribution with the following equity assignment: 53% Ramacha and 47% ARTD. The parties further agree to expend or deposit into a bank account the sum of $2,455.70 by Ramacha and $2,208.14 by ARTD within 60 days hereof. The parties agree that future equity may be negotiated up to 50.1 percent to Ramacha and 49.9 percent to ARTD with cash requirements payable on a prorata basis.

5.1. It is understood that each party shall deposit into a designated bank the sums indicated in this Paragraph 5 within 60 days of signing this agreement.

6. Any declared profits from the sale of samaki leather shall be governed by the equity ratios stated in paragraph 5, or as agreed upon by the parties.

7. Dividends shall be payable quarterly unless two-thirds of the directors vote to do otherwise consistent with the applicable laws and regulations.

8. After complying with the contractual elements of Stage One as further outlined in the attached Exhibit "A1" the parties agree to consider Stage Two and Three, including but not limited to undertaking the processing of fishmeal, fish oil, fish bladder and fish filleting. Ramacha also agrees to provide the items listed on the attached Exhibit "A1.1" pursuant to the Business Plan attached as Exhibit "A"(fishing boats and gear, cold storage facilities and vehicles and other assistance necessary to be decided by the parties on or before July 31, 1994.

9. After complying with the contractual elements of Stage One as further outlined in the attached Exhibit "A1.1", the parties agree to purchase the machinery needed to set up according to the fish processing plant outlined in the Business Plan (Exhibit."A") and to secure technological training to operate said machinery.

10. The parties agree to provide the labor, manpower and resources according to the schedule attached hereto as Exhibit "A1.2".

11. The parties further agree to provide a building suitable to house a fish processing plant, and infrastructure development necessary to support said plant according to the schedule outlined as Exhibit "A.1.3"

12. The parties agree to provide for operating capital to be used as set according to the further attached exhibit "A.1.4". for the Salaries/Wages. Raw material. Operational costs and expenses.

13. It is agreed and understood that closing costs shall be paid as outlined in the attached Exhibit "C". unless otherwise amended or agreed upon by the parties.

13.1 It is understood and agreed by the parties that all bills of purchase and invoices shall be supplied to each other for all expenditures involved. It is contemplated that the parties shall expend sums in proportion to equity percentage with expenditures to control any balances paid or due.

14. During Stage One as contemplated in Exhibit "A1.1", the parties agree that no check or other expenditure in excess of $500 shall be made absent two signitures designated in writing by 2/3rd of the Board of Directors, unless other otherwise agreed upon.

15. The parties further agree as follows:

a) This agreement may be modified or amended by mutual consent of all parties.

b) This agreement shall stand approved within 60 days of signing the same unless written notice of rejection is provided to all parties by DHL. Federal Express Return Receipt to evidence delivery to the parties at the following addresses:

FOR RAMACHA PROCESSORS :

TO: James M. Morumbasi
P.O. Box 53832
Nairobi. Kenya

WITH COPIES TO:

Sally N. Ongweny
P.O. Box 672
Homa Bay. Kenya

Omari Nyambati
P.O. Box 672
Homa Bay. Kenya

FOR ARTD. INC.:

Randal Mangham
Attorney at Law
P.O. Box 1558
Atlanta. GA. 30301-1558. U.S.A.

WITH COPY TO:

Ronald Reeser
P. O. Box 1246
Atlanta, Georgia 30031-1246 USA

16. Any dispute under this agreement shall be resolved by ARBITRATION through the International Center for the settlement of Investment Disputes, U.S. Arbitration, as the party aggrieved shall file.

In consideration of the mutual covenants herein, the parties do agree to said terms and conditions this 18th day of December, 1993.

SIGNED:

J Marumbasi

For Ramacha Processors
(KENYA)

R. Hall

FOR ARTD, Inc.
(USA)

ATC-USA

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA [IPPA]
WITHIN THE
FRAMEWORK OF THE
INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA [IDDA]

INDUSTRIAL INVESTMENT PROJECT PROFILE

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS
[UNIDO]
&
ATC-USA, CO.
A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT
DECEMBER, 1993

ATC-USA • 5 Concourse Parkway Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4096
ATC-SEMBULE • P.O. Box 15182 • Kampala Uganda • Tel 256-41-257498 0 256-41-270146 7 • FAX 256-41-270918 • Telex 61371 SEMBULE

INDUSTRIAL INVESTMENT PROJECT PROFILE/FOR IPPA UNIDO-GEORGIA
DECEMBER 1993

COUNTRY: **Kenya** PROJECT # **002**

PROJECT TITLE: **Nile International Ltd** SUBMISSION DATE: **18th Dec, 1993**

Project Description/Briefly

Fish processing plant with four processing lines namely fish filleting, fishmeal , fish oil, fish skin (leather) and fish bladder processing.

First phase of the project calls for the fish tanning plant to be set up — the other lines will be phased in gradually.

Part A - Information on the project

1. Technical Aspects

1.1 Is the project a new enterprise or expansion/modernization of an existing one?
– **New**

1.2 Has this project been promoted before? Yes/No
If yes, when: _____ By which organization. .....**No**.....

1.3 Product(s) to be manufactured:

PRODUCT	QUANTITY	PRICE (Ksh)
Wet Blue Leather	**1000**	**100 per sq ft**
Crust Leather	**1000**	**150 per sq ft**
Finished Leather	**1000**	**200 per sq ft**

1.4 Market (Domestic, Export)

1.4.1 What percentage of production goes into domestic market? **30%**

1.4.2 What share in the domestic market it covers? **95%**

1.4.3 What percentage of production is designated for export?(name and respective percentage) **90%**

1.4.4 Other potential markets? (if any)

1.5 Plant capacity (as detailed as possible)

1.6 Manufacturing process (as detailed as possible)

= **Tannery Process see attached business plan**

1.7 Manpower
Indicate estimated personnel requirements and average monthly wages inclusive of all allowances and benefits:

Manpower	Number	Monthly/Salary/ Person {Local currency}
Management	**7**	**101,000**
Clerical	**7**	**34,000**
Technical Supervision	**3**	**45,000**
Skilled Labor	**9**	**70,000**
Semi-skilled labor	**4**	**7,000**
Unskilled labor	**9**	**22,000**
Seasonal labor		
Total	**39**	**286,000**

1.8 Raw materials and other inputs
Indicate quantities required and unit prices

		Quantity **(pieces)** [per year]	Unit Price
1.8.1	Domestic	**20,000**	**2.00 US$**
1.8.2	Imported	**300,000**	**2.00 US$**

1.8.3 For materials which have to be imported, indicate customary sources and specify import duties, where applicable: **Germany; Italy**

1.9 Utilities
Indicate quantities required and unit prices for the following utilities:

Utilities	Quantities (per year)	Total Year (Ksh)
- Fuel [oil, gas, coal, etc.]	-----	**100,000.00**
- Electricity [Kwh]	----	**60,000.00**
- Water [own borehole]m3	----	**10,000.00**

1.10 Plant location and availability of infrastructure facilities: (as detailed as possible)

1.10.1 Location and reason for selection of site = **Homa Bay, on shores of Lake Victoria**

1.10.2 Availability of infrastructure

	Yes	No
Water Supply	X	
Power Line	X	
Roads, rail, water, air, etc.	X	
Postal & communication services	X	

2. Financial Aspects

2.1 Total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component:

Fixed Investment`	Local Currency Component [In US$]	Foreign Currency Component [In US$]	Total [In US$]
Land	4,412		4,412
Buildings			176,470
Machinery & Equipment			350,000
Furniture/fittings			8,823
Working Capital			59,701
Pre-operational expenses			10,294
Interest during construction	30%		
Provision for contingencies	2.5%		
Total	4,412		609,700

2.2 Is local development bank in principle willing to consider participation in the project? If no, why? = **Yes**

2.3 What is the local investors equity contribution to the project (as detailed as possible)
53%

2.4 What is the US Partners equity contribution to the project
47%

3. Foreign Contribution Desired

Indicate whichever is needed among the following:

-- Equity Participation **X**

-- Loans **X**

-- License and know-how **X**

-- Machinery & Equipment **X**

-- Access to Foreign Markets **X**

-- Technical collaboration **X**

-- Management **X**

-- Training **X**

-- Other

4. Project study available (if available provide copy):

--Prepared by: **Consultant for Ramacha Processors**

-- Pre-feasibility

-- Feasibility **Yes**

-- Other
-- None

4.1 Information on profitability and return on investment (as detailed as possible): (important)
=

5. Currency exchange rate used:

Date: **December 1993**

Rate: **Ksh 68 to 1 US$**

Part B - Information on Project Sponsor(s)

1. Name of company: **Ramacha Processors**
   Contact person: **J. Murumbasi**
   Address: **Kirichwa Road**
   Estate 24 Hse 22
   Box 53832,
   Nairobi, Kenya

   Telephone: **564440**

2. Present line of business: **Supplying fish to the market but now new project**

3. Annual turnover (gross sales) (in US$) **Confidential**

4. Present ownership including equity distribution: **100%**

5. Bank connections: (Name Address)

6. Year of establishment: **1990**

7. Number of employees: **30**

Signature of Project Sponsor

Signature of Consultant/Coordinator

DATE: 12-18-93

FEASIBILITY STUDY REPORT

ON

A FISH PROCESSING PLANT

IN

HOMA-BAY TOWN - KENYA

PREPARED FOR:

RAMACHA PROCESSORS
P. O. BOX 672
HOMA BAY
KENYA

1.0 PROJECT BACKGROUND

1.1 INTRODUCTION

1.1.1 A country's prospects for rapid economic development greatly depend on her natural resource endowment and the extent to which that is exploited. The whole process of national development can basically be seen as one that involves the harnessing, exploiting and managing natural resources to create wealth for the nation and employment opportunities for the people. Among the natural resources that Kenya can exploit for its natural economic development are forestry, fisheries and mining resources. Although the direct contribution of these resources to GDP are currently relatively small, their contribution to the growth of other sectors of the economy through the supply of vital inputs is substantial.

1.1.2 Since compared to many countries of the world, Kenya is not endowed with abundant natural resources, it is therefore important that whatever resources the country has should be exploited well. One of the resources that nature has bestowed upon the country and whose exploitation and utilization needs to be maximized is the fisheries resources. Fisheries resources provide an important source of animal protein for both human and livestock. Its exploitation also helps in reducing

pressure on land by diverting people to productive activities away from land.

1.1.3 This feasibility study report looks into the possibilities and viability of intensifying the exploitation of fishery resources through setting up a fish processing plant in the shores of L. Victoria.

1.2 PROJECT IDEA

1.2.1 The project intends to set-up a fish processing plant which would optimize the utilization of fish that is currently being harvested from Lake Victoria. The project would be having four processing lines namely fish filleting, fishmeal, fish oil, fish skin (leather) and fish bladder processing. The final products to be produced from the plant are frozen fish fillets, fish meal for animal feed, fish oil, fish skin leather and fish bladders.

1.2.2 The objectives of the project are:

a) Provision of a single facility that can process all fish and fish by-product so as to optimize on the utilization of the local fishery resources.

b) Promote the consumption of fish protein by both human and livestock through local production of fish fillet and fish meal.

c) Processing of fish by-products so as to achieve the full utilization of the fish resources.

d) Employment creation and earning of foreign exchange.

1.3 PROJECT SPONSORS

1.3.1 The project is being sponsored/promoted by three local entrepreneurs who are currently operating a fishing company in the name of RAMACHA PROCESSING. The company's main activities are:-

- harvesting of fish from Lake Victoria
- purchasing of fish from local fishermen
- Bulk selling/distribution of fish to fish processors and retailers.

The assets of the company include fishing boats and gear, and underdeveloped land.

The promoters of this project consider the project as an expansion/diversification programme of the existing operations of their company.

1.3.2 The sponsors of the project, RAMACHA PROCESSORS is a partnership . The shareholders of the company have all been in business management for a number of years and therefore have the adequate experience and expertise necessary for running the proposed project.

2.0 PRODUCT MARKET ANALYSIS

2.1 GENERAL

2.1.1 Global estimates of fish and fish products trade is estimated at about US$:15.6 billion, with about 80 million tons traded. Developed countries account for US$:8.9 billion that is 42 million tons of the world fish trade and the rest (49%) is by the developing countries.

2.1.2 Japan continues to be the largest importer of fish and fish products and accounts for 25% of the world trade, followed by the U.S.A and the EEC.

2.2 THE MARKET FOR FISH FILLET

2.2.1 Fish is increasingly becoming a popular source of protein in the diet of many people the world over. In Kenya, the per capita intake of fish was estimated at 3.5 Kgs in 1983 and this has increased to approximately 6 Kgs in 1990. The local demand for fish is currently estimated at 155,000 metric tonnes/year most of which is met through the supply of whole fish and less than 20% is in fish fillet.

2.2.2 In 1988, Kenya exported 1772 tons of fish fillet. The trade in fish and fish fillets has been increasing ever since and in 1992, the export had increased to 130,000 tons.

2.2.3 There are about 30 fish filleting industries in the country, the most important ones being:-

- Kenya Cold Storage
- Samaki Industries
- Afro Meat
- Mbita Ltd
- Fish Processors Ltd
- Victoria Nile Perch Ltd
- SVR Ltd

In 1991, the fish filleting plants exported a total of 10198 tonnes of Nile Perch fish fillet and 3 tonnes of Tilapia fillet to Europe, Middle East and Asia. The exported fillet constituted only about 45% of the total production, the rest of which was consumed locally and also traded within the PTA market.

2.2.4 In conclusion therefore, it can be seen that a substantial market for fish fillet exists both in the local Kenyan market, especially in the ever expanding tourist industry and the export market such as the PTA, EEC, America, Middle East and Asia.

2.3 FISHMEAL MARKET ANALYSIS

2.3.1 Locally, there is inadequate production of fishmeal and most of the local requirements are met through importation. There are about 5 mostly small-scale fishmeal processors in the country whose output

is less than 10% of the total fishmeal requirements which is estimated to be over 350,000 metric tonnes.

2.3.2 Fishmeal, which is the major constituent in animal feed is in high demand because of the relatively well organised animal feed manufacturing industry. There are over 15 well established animal feed firms spread all over the country with an installed capacity of over 450,000 metric tonnes per annum. These firms however are unable to utilize their full production capacities because of lack of local sources of fishmeal.

2.3.3 Although the quantity of fish meal imported has been decreasing over time as a result of the restablishment of five fishmeal plants, the value of fishmeal imported into the country has been rising. For example while in 1983 the country imported 2695 tons worth Kshs 17.8 million, in 1989 only 908 tonnes was imported. This shows that there is need to establish more fishmeal plants so as to satisfy the local requirements and hence save the country's scarce foreign exchange resources.

2.3.4 In general terms, beside the existing local demand of fishmeal as exhibited by the importation of the product, there also exists a substantial export

market of the same in the Eastern and Southern African market. The Preferential Trade Area (PTA) which is a trading block of more than 12 Eastern and Southern African countries, still relies heavily on importation of fishmeal for their animal feed industries. Since animal keeping is an important economic activity for all the PTA countries, there is no doubt that the demand of fishmeal will be sustained and continue to grow in the future.

2.4 DEMAND FOR FISH OIL

2.4.1 Fish oil, is a very important constituent in the diets for human and animal consumption because it is very nutritive and has a high energy value. The oil contains fat soluble vitamin A, D and E, it has low free fatty acid and hence low blood cholesterol effects and it is also a rich source of linolenic acid. Because of these factors, refined fish oil is widely used in the pharmaceutical backing fats and margarine industries. Also, since fish oil is insaturated compound, it is used in drying oils and varnishes, manufacture of metallic soaps, and tanning industry among others.

2.4.2 Upto the late 1980's the use of fishoil in Kenya was fairly limited due to the import restriction imposed by the government. However, with the

liberalization of the economy, alot of fish oil is now being imported into the country. A look at the trade statistics reveals that in 1989, 27304 tons of fish oil was imported into the country mainly form United Kingdom valued at Kshs 19 million. The proposed industry therefore intends to supply part of this market.

2.4.3 In addition to the above local market, a market for fish oil also exist in the PTA and EEC markets. Although figures are not available to show the actual existing market size, it is believed that the demand is quite substantial.

2.5 THE MARKET FOR FISH BLADDERS

2.5.1 The processing and exportation of fish bladders although quite a new phenomenon in Kenya is currently a very important trade activity. Several companies have of late been set-up specifically to collect, process, package and export fish bladders and other fish remains such as fins, jaws etc.

2.5.2 The market for fish bladders is only confined to the export market. The major markets are USA, Europe, Japan and other Asian countries.

2.6 DEMAND ANALYSIS FOR FISH SKIN LEATHER

2.6.1 There exist a vast market for leather and leather products in Kenya. The shoe manufacturers are however, the largest consumers accounting for 50-60% of the total leather use. The rest 40 - 50% is mainly used by manufacturers of leather garments, bags and upholstery, wallets and other small articles of leather.

Leather consumption in Kenya

Projected to the year 2000 (million sq ft)

Leather item	1988	1990	1992	1994	1996	1998
Shoe upper	2.79	3.13	3.52	3.95	4.44	4.99
Other leather articles	1.86	2.08	2.35	2.64	2.97	3.34
Total	4.65	5.21	5.87	6.59	7.41	8.32

Note In calculating the projections the following assumptions have made

(i) - a pair of shoe requires 1.8 sq.ft of leather

(ii) Other leather articles require on average 0.66 sq ft of leather

(iii) demand for leather goods will grow at 6% p.a

2.6.2 The projected demand for leather is estimated to be 93.5 million sq.ft by 2000. Although there are several (about 15) tanneries in operation in the

country, they do not have enough capacity to meet the projected domestic and export demand. It should also infact be noted that all the leather currently being produced in the country is from hides and goat skin. There is no tanner processing fish skin.

2.6.3 The demand for fish skin leather, is for a special market since it is used mostly in the manufacture of high quality fancy leather goods. Fish skin leather therefore would compete with only snake, crocodile and other reptiles leather, whose tanning has been banned in the country.

2.6.4 An export market for fish skin leather also exists. Presently, the only major exporter of fish skin leather is Australia and the major importers are Italy, U.S.A and EEC countries.

2.6.5 The above market analysis briefly shows that there exist sufficient market, both domestic and foreign for all the products of the project.

3.0 RAW MATERIALS AND INPUTS SUPPLY

3.1 GENERAL POSITION OF FISHERIES RESOURCES IN KENYA

3.1.1 Fish and Fish by-products will be the main raw material for the project. Kenya has considerable fisheries potential which is indicated by the presence

of over 10,000 sq. km of lakes mostly fresh water, 3,200 km of rivers and streams and a coastline of over 640 km. In addition to this, there are numerous fish bearing dams and fish ponds dispersed all over the country.

3.1.2 The exploitation of the fisheries resources is still below the countries potential. It is estimated that although the fishery resources have a potential to land over 300,000 tonnes of fish yearly only between 50 - 70% of this potential is currently being exploited. The table below shows that the exploitation of fisheries resources in terms of fish harvesting has been on the increase over time. While in 1987, 131,181 tonnes were landed, this had increased to 182,330 tonnes in 1991. The highest fish catch in Kenya was however experienced in 1990 when over 200,000 tonnes were landed.

Type	1987	1988	1989	1990	1991
Fresh Water Fish	123,434	131,029	138,766	191,806	171430
Marine Fish	7,747	7,099	7,623	9,972	9900
Total	131,181	138128	146,576	201,778	182330

Source: Economic Survey 1992

3.1.3 In terms of the type of fish landed, it is the freshwater fisheries that contribute about 93% of the total fish catch. Within the inland fish resources

however the major source is L. Victoria that contributes about 90% of the total fresh water fish landed, then followed by L. Turkana. It is for this importance of L. Victoria being the major supplier of fish that has dictated the location of the project on the shores of L. Victoria in Homabay.

3.2 LAKE VICTORIA FISH RESOURCES

3.2.1 As already mentioned, the source of the major raw material for the project, i.e. fish, will be Lake Victoria. Lake Victoria is the second largest lake in the world and is a major producer of fish in Africa. According to available information, about 54,000 fishermen are actively involved in the exploitation of the fish in the lake using about 11,000 boats, 4000 each in Tanzania and Kenya and 3,000 in Uganda waters.

3.2.2 The table below shows the annual production of fish from the lake in the period between 1987 - 1991.

Year	Quantity Landed	% of National Total
1987	113,452	86.49
1988	125,071	90.55
1989	135,431	92.4
1990	185,101	91.73
1991	167,867	92.07

Source: Economic Survey 1993

In 1987, the catch was 113452 tons and this increased to 185,101 tonnes in 1990. A casual observation of the modulation trends from the lake shows that the catch has even been increasing with the exception of 1991 when it slumped.

3.2.3 Among the most common fish species landed from L. Victoria are Tilapia, Nile Perch, and Omena. These are the three fish species that would be the major inputs for the project. In 1989, L. Victoria landed 61210 tons of Nile Perch, 17,000 tons of Tilapia and 40,861 tonnes of Omena. These species constituted over 90% of the total catch landed.

3.2.4 Statistics show that out of the total fish landed from the lake each year, an average only 40% is processed while the rest is consumed fresh. Statistics also reveal that more than 95% of the fish from L. Victoria is marketed and only 5% or so is retained by the fishermen for home consumption. These figures show that since the fish from the lake is already being marketed for processing, it would be thus easy for the project to purchase the fish in the open market in competition with other buyers.

3.3 PRODUCTION CAPACITIES AND RAW MATERIAL (FISH) REQUIREMENTS

3.3.1 Fish Filleting Plant

The fish filleting plant is planned to have a capacity to produce 5 tons of fish fillet per day or 1450 tones of fillet per year. Since the fish fillet from each fish is only about 35% of the total weight of the whole fish, it is estimated that about 15 tonnes of fresh fish will be required daily or 3750 tonnes per annum.

3.3.2 Fishmeal Plant

The fishmeal processing plant is planned to have a capacity of processing 10 tons of fish in a day or 2500 tonnes in a year. Out of this total requirements of fish about 8 tonnes shall be the fish carcass from the fish filleting line and 2 tonnes will be of whole fish of which half would be Omena.

3.3.3 Fish Oil Processing Plant

About 5 - 18% of the total weight of the fish is made up of fat. Nile perch is one of the fish that contains the highest proportion of oilfat. The project would use the Nile Perch and to a limited extent the Tilapia as the raw material for oil extraction. The plant would be having a capacity to produce about 150,000 litres per year or 600 litres per day of

refined fish oil. The oil will be extracted during the process of fish filleting and fishmeal processing and therefore extra raw material (fish) will be required.

3.3.4 Fish bladders

Each fish contain an air sac called the bladder. Although for a long time fish bladders have been considered fish waste, nowadays they have a commercial value, especially in the pharmaceutical industry. The project is expected to clean and package about 50,000 bladder in a year.

3.3.5 Fish Leather Tanning Plant

The Leather processing line of the project will have a capacity to process 5,000 pieces of fish skin/day which is about 350,000 pieces per year. Out of these pieces, about 40% will be obtained from the project's fish filleting line and the rest, about 200,000 pieces will be obtained from the other filleting plants that currently do not utilize them.

3.4 AUXILIARY INPUTS

The other inputs/raw materials required for the project are chemicals, water and electricity.

3.4.1 Chemicals

Chemicals are an important input in the leather production and large quantities of various chemicals are required. The chemicals required for the Nile Perch Leather processing as given in the table below:-

Type	Use	Quantity
Sodium Sulphide	Lining	400,000
Ammonium Sulphate Ammonium Chloride Sodium Bisulphite Bales	Delining and bating	390,000
Common Salt Sulphuric/Formic Acid	Picking	510,000
Chrome Salt, Sodium Bicarbonate and Fungicides	Tanning and Basification	265,000
Retainning Agents - Sytans - Mimosa	Retanning	600,000
Fat liquors - Raw oils, sulphated oils and sulphited oils	Fat liquoring	1,150,000

A total of Kshs. 4 million will be required annually for the purchase of various types of chemicals and other related inputs.

3.4.2 Water

Fish processing consumes large volumes of water. The water required should be portable and clean.

The plant will need approximately 100,000 litres of water/day (2.5 million litres /year). It is suggested that in order for the plant to avoid being adversely affected by water shortages, that are very common in the town, the plant has an additional source of supply.

3.4.3 Electricity

Electricity is another important input required for the running of the plant. It is estimated that a total of 30,000 KWH will be required daily. This would be provided from the national power supply grid system, and in cases of breakdown by a standby generator.

3.4.4. Packaging Materials

Several types of packaging materials would be required for packaging the various final products. These packaging materials are:-

a) Plastic drum: 10 litre drum for packaging of the fish oil.

b) Polythene sachets: for packaging of the fish fillet at weight of 1 Kg per sachet

c) Paper board boxes: for packaging the sacheted fillet with each box packaging 20 kgs and 50 kgs.

d) Polythene bags: 50 Kgs plastic/polythene bags for packaging of the fish meal.

4.0 LOCATION AND SITE

4.1 LOCATION

4.1.1 The factory would be located in Homa Bay town, in Nyanza Province. Homa Bay is situated on the shores of L. Victoria and is the district headquarters of Homa Bay District.

4.1.2 Homa Bay district is a relatively new district which was carved from S. Nyanza district in 1992. Since statistics on Homa Bay district as it is today are not available, the analysis of location and site will be done using data on South Nyanza district.

4.1.2 South Nyanza district covers an area of 7,778 sq km (5714 sq km of land and 2,064 sq km of water). It is bordered by Tanzania to the south and Uganda to the west. It also borders Kisumu, Kisii and Narok districts.

4.1.3 Rainfall in the district varies from 700 - 800 mm near the lake shore to 1400 - 1500 mm in the higher eastern area of the district. Mean temperatures range from a minimum of 14 - 18°c to a maximum of 30 - 34°c while the mean annual duration of bright sunshine is 7 - 8 hours/day.

4.1.4 Demographically, the district has a population density that ranges from 91 persons per sq km to 245 persons sq km. According to 1979 population census figures, the district had a population of 817,601 people and currently the population is estimated at as shown in the table below:-

Division	1979	1988	1993
Kendu	105,908	160,699	193,618
Oyugis	106,995	162,328	195,605
Central	178,438	270,718	326,215
Ndhiwa	95,767	145,293	175,078
Migori	85,354	129,495	156,041
Kehancha	85,082	129,083	155,545
Macalder	75,369	114,347	137,788
Mbita	84,688	128,485	154,824
TOTAL	817,601	1,240,428	1,494,714

The population growth rate in the district is high and is estimated at 3.8% p.a. Most of the people live in the rural areas and only about 2.5% live in urban centres namely Homa-bay town, Migori, Kendu-bay, Oyugis, Rongo and other small market centres.

4.1.5 The principal means of income generation in the district are farming, livestock, fishing, wage employment and the information production and service

sector. It is estimated that 76.6% of the labour force in wage employment in the district is employed in community, social and personal services such as education, health etc. The manufacturing sector employs only 4% while the agricultural sector the second most important employer with 9%.

4.1.6 In terms of availability of industrial infrastructure such as electricity, roads, water and other support institutions, the district is well served. The district has a total of over 2,000 km of road network most of which are all weather roads. Electricity is supplied to the district from the national grid system (NGS). The power lines network coincides with the road network and therefore all centres that are connected by road are served by electricity. The other infrastructure support services that are available in the district are banks and financial institutions, educational institutions, hospitals and cooperative societies.

4.1.7 Given the general overview of the location of the project, it can therefore be said that the location has been chosen because:-

- The easy availability of fish since Homabay town is located on the shores of L. Victoria, the second largest lake in the world that produces over

90% of the fish landed in Kenya.

- The town has a good communication network that connects it with most parts of the country.
- The district has a high population that will provide cheap labour to the plant
- The town is served with most of the support services e.g. banks required for the promotion of industrial projects.

4.2 THE SITE

4.2.1 The factory is to be located on a parcel of land with an area of 7 acres of which 3 acres will be set aside solely for the project.

4.2.2 The plot, is served with electricity, water, sewer and an access road. The plot is therefore on an ideal site for the location of the project.

5.0 PROCESSING TECHNOLOGIES AND ENGINEERING

5.1 GENERAL

5.1.1 The fish processing technology is a quite old technology. In Northern Europe and Northern America surplus fish catch has always been used to produce fishmeal and fish oil since the early 1800's.

5.1.2 The early fish processing industry was mainly geared towards the production of fish oil for the

leather and soap industries, with the solid residues being used as a high nitrogen and phosphorus fertilizer and only a small proportion of the fish was canned or frozen for future use. More recently however, due to increase in population, and hence consumption, of fish even in areas where fish resources are not available, the filleting of fish for either canning or freezing gained popularity.

5.1.3 The current utilization of fish therefore is mainly for processing of fishmeal for animal feed, fish oil for the pharmaceutical industry and fish canning/filleting for human consumption.

5.2 FISH FILLETING TECHNOLOGIES

5.2.1 Fish filleting is still in many countries done manually. The process of filleting fish involves the following procedures:-

a) Receiving of the fish
b) Cleaning of the fish
c) Removing of the fish skin
d) Cutting of the fish steak to fillets
e) Packaging the fillets and then putting them into a freezer.

5.2.2 As already noted, the fish filleting is basically done by normal labour. The most crucial

thing that must be observed during fish filleting is the maintenance of very high hygienic standards. Fish is a very delicate product and can easily be contaminated by bacteria. Another important thing that should be observed during fish filleting is the temperature and humidity levels at which the fish is handled at high temperature and humidity. It is therefore important that the filleting plant should have reasonably low temperatures.

5.3 FISHMEAL PROCESSING

Broadly speaking, the whole process of fish mealing may be classified into 3 major unit processes namely;

1. Preliminary Treatment:- cutting and crushing
2. Cooking:- Cooking and compression
3. Drying:- disintegration, drying, cooling, crushing and finally packaging

5.3.1 Preliminary treatment

This process involves two stages:-

a) Cutting: the raw material is cut into approximately sized pieces with cutter equipped with revolving knives. If small fish like 'omena' is used, cutting is not necessary.

b) Crushing:- the cut pieces are crushed on a toothed roll crusher so as to provide easy cooking.

5.3.2 Cooking

Cooking also involves two stages. These are:-

a) Cooking: the raw material that is crushed is cooked with steam in cylindrical or conduit type cooker. The cooking is completed while it is moving in the cooker on a conveyor and the cooked material is discharged from the other end.

b) Compression: the cooked raw material is compressed using a screwpress. Oil and water are separated turning out pressed cake containing about 50% moisture. The separated oil and water is collected and it will be processed further for the production of oil as discussed later.

5.3.3 Drying

Drying process involves 5 stages:-

a) Disintegration: the pressed cake is disintegrated in order to provide easy drying

b) Drying: the disintegrated cake is dried in a long rotary drier. A number of scooping blades through which steam passes are installed in the interior of the drier. As the cake moves, it is scooped up while keeping contact with the heating surfaces of the scooping blades until it falls into a section through which hot air passes.

c) Cooking: the cake coming out of the drier has temperatures of 60 to 80°c and therefore it is

passed through a cooling conveyor to reduce the temperatures

d) Crushing: Once cooled, the meal is put into a crusher so as to crush it into suitable size.

e) Final cooking: the meal still has some heat left in it. If left as it is, its quality may decline and in some cases combustion may occur. Hence the final cooling is done. Once cooled, the fish meal is ready for packaging.

5.3.4 Packaging

Fishmeal is normally packaged in 50Kg or 20Kgs bags ready for the market. During the packaging however, it is important that the fishmeal dust is arrested. This is done by the installation of a cyclone type dust collector. The dust collector collects the dust of meal mixed in air exhausted from the dryer. After the collection of the dust, the exhaust is discharged into air.

5.4 FISH OIL PROCESSING

5.4.1 The processing of fish oil is a continued process derived from the fishmeal processing. Once the fish oil and water is separated from the fish cake, which has been screw pressed during the cooking stage of fishmeal processing, it is collected into drums (tanks) ready for use in the fish oil refining plant.

5.4.2 The collected oil and water first is separated. The separation of the oil from water is done by using the different densities method. Once separated from the water the oil is taken to the oil refinery and the water is discharged to the sewer.

5.4.3 The oil is then put into the oil refinery where it is filtered, bleached and deodorised before it is ready for packaging.

5.5 FISH SKIN TANNING PROCES.

5.5.1 Although the process technology used in the production of leather from fish skin is different from that of mammalian skins, due to insitological differences, the chemical brands and steps involved are the same. The processing of Nile Perch fish skin, based on chrome can be categorised into the following stages: Pre-taning (blamhouse) tanning, re-tanning, dyeing, fatliquoring, drying and finishing.

5.5.2 Pre-tanning

The pre-tanning process involves washing, fleshing, liming and baking. These operations are aimed at removing excess dirt, fish flesh, scales and non-collagenous proteins.

a) Washing:- removal of dirt from the skin

b) Fleshing:- removal of excess that remain in the

fish skin after filleting

c) Liming:- this is for de-scaling and destruction of the epidermal layer plus the globular proteins. Normally lime and sodium sulphide is used.

d) Deliming:- limed skins have a pH of 12 and this has to be lowered for subsequent tanning. Ammonium salts and sodium bisulphate are used to delime the skin and consequently reduce the pH level.

e) Baking:- this helps in the removal of non-collagenous proteins

f) Pickling:- this is the treatment of the skin with salt and acid to lower the pH to 2-3. The levels acceptable for chrome tanning.

5.5.3 Tanning

In chrome tanning, the reaction between the chromium sulphate and the skin collagen gives a stable leather which is resistant to bacteria and has better physical properties as compared to other tannages. Chrome tanning is one batch process, where the skins are at pH 3.0 when the chromium sulphate salt is introduced after leaving the skins overnight in the pickled state. The skins are run for about 2 hrs before basification, then run for another 4 hrs to complete the tanning.

5.5.4 Dyeing

Once the skin is tanned, it is ready for dyeing. The dye application is done in the drum in the liquor to crust leather ration of 2:1 based on stock weight. In dyeing, the leather is washed of excess salts, that may precipitate the dye out.

5.5.5 Fatliquoring

The pre-tanning process of liming and bating removes most of the natural oils and fats from the skin and the leather. The resultant leather has to be fatliquored to stop the fibres from drying into hard mass. Lubrication fatliquoring gives the leather its good physical properties in terms of break, stretch, tensile strength and stich tear.

5.5.6 Drying

The leather is dried after dyeing and fatliquoring so as to remove bulk water and microspore water. Drying also adds in the permanent fixation of the chemicals within the leather.

5.5.7 Finishing

In the finishing of the fish leather, the finish should not be heavily pigmented so as to obscure the natural pattern that is on the grain of the fish leather. The finish must be able to provide a strong

transparent film able to stand up to a reasonable amount of both wet and dry abrasion. Once the finish is done on the leather, the leather pieces are then packaged ready for the market.

5.6 POLLUTION AND EFFLUENT TREATMENT

5.6.1 The discharge from the fish processing plant into the environment can cause a lot of pollution if not properly managed. The pollution of the environment as a result of the fish processing plant can be in two ways:-

- from the vapour and dust primarily during the crushing and packaging stages.
- From liquid affluent resulting from the washing down of the plant and the chemical discharge from the tanning process.

5.6.2 It is therefore important that pollution management control measures be taken. For this project, the water pollution may be reduced by the use of screens and settling tanks and by the adjustment of the pH in the effluent to flocculate the protein solids. Also, it is important that a complete tannery effluent treatment plant is installed to heat the toxic materials discharged by the tannery. (Annex II).

6.0 ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCE REQUIREMENT

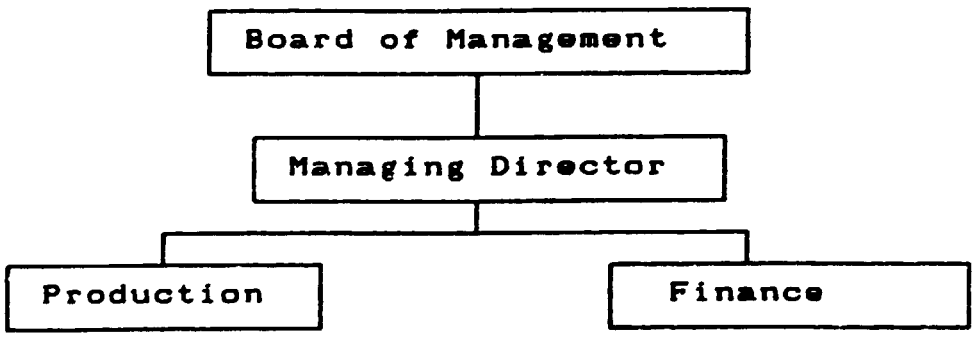
6.1 THE MANAGEMENT ORGANIZATION

6.1.1 The organization of the factory would comprise of a Board of Management that is headed by a chairman and a managing director who shall be the chief executive and directly incharge of the day-to-day operations of the plant.

6.1.2 The factory shall be organised in two main departments namely:

- Production department
- Finance Department

A simple organizational chart of the proposed plant is given below:-



6.1.3 As already stated, the Managing Director shall be the overall in-charge of the day-to-day running of the plant and he shall be answerable to the Board of Management. Below him, shall be two departmental heads, one in charge of production and

6.1.4 The head of the Production department shall be an engineer. He shall be responsible for the management and coordination of all the production activities e.g. preparation of production targets, quality control, machinery maintenance and general supervision of production.

Under the production manager there shall be 2 food technologist and a leather technologist. Each of the food technologist will be responsible for two lines of the fish processing plant. The first shall be incharge of the fish oil and fish meal plant and the other will be incharge of the fish fillet and fish bladder processing lines. The leather technologists shall be responsible for the fish skin leather processing unit.

6.1.5 The finance and Administration department shall be responsible for all the financial, personnel, marketing/sales, supplies/stores and other related activities of the factory. This department shall be headed by an Administrator with a strong background in Accounting and Business Administration. Below the head of this department, there shall be several skilled people heading the finance, stores, personnel and marketing units of the department.

6.1.6 For the smooth running of the project, about 39 people shall be employed as detailed in the section below.

6.2 LABOUR AND LABOUR COSTS

6.2.1 The factory would operate a single shift of 8 hours a day for at least 250 days in a year. For the plant to operate successfully, at least 39 will be required.

6.2.2 Office of the Managing Director

The following staff will be working in the office of the Managing Director:-

Staff	Salary (P.M) (KSHS)
Managing Director	20,000.00
1 Secretary/Typist	8,000.00
1 Driver	4,000.00
1 Messenger	3,000.00
Total	35,000.00

6.2.3 Production Department

The production department shall require 20 people as indicated below:-

Staff	Salary (p.m) (Ksh)
Production Engineer/Manager	18,000.00
2 Food technologist @ 15,000	30,000.00
1 Leather Technologist @ 15,000	15,000.00
6 Machine Operators @ 8,000	48,000.00
3 Mechanics/Electricians @ 7500	22,500.00
1 Copy Typist	5,000.00
6 Unskilled workers @ 2,500	15,000.00
TOTAL	153,500.00

Staff	Salary (p.m) (Ksh)
6.2.4 Finance and Administration	
Finance/Administration Manager	18,000.00
Accountant	15,000.00
Supplies Officer	10,000.00
Marketing/Sales Officer	10,000.00
Personnel Officer	10,000.00
2 Secretaries/Typist @ 6000	12,000.00
2 Messengers @ 3000	6,000.00
3 Cashiers/Clerks @ 3,000	9,000.00
3 Unskilled labourers @ 2500	7,500.00
TOTAL	97,500.00

6.2.5 The total labour force and labour cost can be summarised as follows:-

Summary of Staff	No	Salaries
Office of MD	4	35,000.00
Production Dept	20	153,500.00
Finance/Admin Dept	15	97,500.00
TOTAL	39	286,000.00 p.m

The total labour cost per year is Kshs:3.34 million.

7.0 INVESTMENT REQUIREMENTS AND COSTS

7.1 LAND AND DEVELOPMENT

7.1.1 The project requires 3 acres of land. the piece of land has already been acquired at a cost of Kshs:270,000.00.

7.1.2 This plot has to be developed, that is levelled, fenced etc at a cost of Kshs:30,000.00
The total investment cost for the acquisition of the project site is therefore estimated at Kshs:300,000.00

7.2 BUILDING AND CIVIL WORKS

7.2.1 The factory building would accommodate the following:-

- Plant and machinery
- offices
- stores
- workshops

All the factory building will be constructed of reinforced concrete frames supporting a steel roof structure. The walls will be built of stone/or concrete blocks and the roof calvanised iron sheets.

7.2.2 The total area of the building will be about 1500 sq m. and the total construction costs of the building including civil works such as access road, sewer system, electrical installation etc is estimated to be Kshs:12 million.

7.3 PLANT, MACHINERY AND EQUIPMENT

7.3.1 The plant and machinery required for the project will have to be imported from Alfa Laval of Sweden or any other company that specialises in the

manufacture of fish processing plants. The plant and machinery required would consist of the following:-

7.3.2 FISH FILLETING PLANT

This would basically comprise of cold storage facilities, deep freezer/chillers, large water troughs for cleaning the fish, filleting equipment i.e. knives, matchets etc and other accessories. The total cost of this is estimated to be Kshs. 5 million or US$ 71,500 most of which would be spent on the purchase and installation of the cold storage facilities.

7.3.3 Fishmeal Plant

	Item	No
a)	Pre treatment section	
	Drug conveyor	1
	Tooled roll crusher	1
b)	Cooking Section	
	Bucket elevator for raw material	1
	Cooker	1
	Screw press	1
	Screw conveyor	
c)	Drying Section	
	Disintegrator/Grinder	1
	Bucket elevator	1
	Rotary Drum dryer	1
	Air heater	1

Blower and Exhaust Pipe	1
Dust Collector (cyclone)	1
Crusher for finished product	1
Magnet separator	1
Boiler	1

The FOB price of a 10 ton/day capacity of the machinery and equipment listed above is estimated to be Kshs:14 million which is approximately US$200,000

7.3.4 Fish Skin Tannery Plant

Item	No
Soaling and Liming drums	4
Fleshing machine	1
Sammying machine	1
Dyeing drums	2
Selting machines	2
Room drier	1
Vacuum drier	1
Milling drier	1
Buffing machine	1
Glazing machines	2
Hand Spray cabins	2
Balances	2
Air Compressors	2
Steam Boiler	1
Other auxillary equipment	Several

The estimated FOB price of the above machinery with a capacity process 5000 pieces of skins/day is estimated at Kshs:25 million or approximately US$ 350,000.

7.3.5 Fish Oil Plant

A complete fish oil refining machinery and equipment will be acquired. The details of the various plant components would be obtained from the supplier. It is estimated that this would cost about Kshs: 1.4 million or US$ 20,000

7.3.6 Motor Vehicles

Initially, the project will require the following vehicles:-

1 refrigerated lorry @ 6 million	- 6,000,000
1 mini lorry/pick-up @ 3 million	- 3,000,000
1 sales van	- 1,200,000
1 saloon car	- 1,300,000

7.3.7 Electricity Generator

In order to ensure continuous supply of power especially for the cost rooms/ fish store, for times when there is no power from the national supply grid, it is important to have a standby generator. The standby generator will be a capacity to generate 150 KVA and it is estimated to cost Kshs:750,000

11,500

7.3.8 Furniture, fixtures and Office Equipment

The project will require adequate furniture and office equipments such as desks, chairs, typewriters, calculators, filing cabinets etc. The total cost of these equipment and furniture is estimated at Kshs:600,000. A fax and computer will have to be added later estimated at another Kshs:300,000.00

7.4 WORKING CAPITAL

7.4.1 The project would require an average working capital of about Kshs:9.8 million most of which would be for purchasing of raw materials, spare parts.

7.5 PRE-OPERATIONAL EXPENSES

7.5.1 These are expenses that would or are envisaged to be incurred for the project even before the start of the production activity. This includes:-

1)	Feasibility study	-	40,000.00
2)	Licences & Legal fees	-	100,000.00
3)	Commissioning trials	-	200,000.00
4)	Others	-	160,000.00
	Total	-	700,000.00

7.6 SUMMARY OF INVESTMENT COST

	Kshs. 000
Land Development	300
Building and civil works	10,000

Plant, Machinery and Equipment	59,500
Motor Vehicles	11,500
Generator (Power)	750
Furniture and Fixture	900
Working Capital	9,800
Pre-operational Expenses	700
Contingencies (2.5%)	220
Total Investment Cost	93.670

1,377,500

8.0 FINANCIAL AND ECONOMIC EVALUATIONS

8.1 FINANCING

8.1.1 The total cost of the projec Kshs:17,132,786. The required finance is to be raised as follows:-

Source of Finance	Amount (Kshs '000)
Loan (60%)	50582
Equity 40%	38898
Total	

8.1.2 The long term loan is to be sought mainly from the local commercial and development banks. Some financial assistance is also to be sought from foreign and international donor agencies. Interest on the loan has been computed at the prevailing interest rate of about 30% per annum. The loan would repaid within a period of eight years.

8.1.3 With the above plan, the project displays the following debt-equity ratios over the years:-

1995	1996	1997	1998	1999	2000	2001	2002	2003
1.14	0.98	0.81	0.65	0.49	0.33	0.16	00	0.00

The ratio as can be seen from above gives an acceptable leverage to equity capital. The financiers should also find the patterns favourable to them as the ratio falls drastically from 1.14 in

1995 to 0.16 in 2001. The financiers should, therefore give the project a priority since it is also aimed at rural industrialization and in line with the district focus strategy for development.

8.2 LIQUIDITY

8.2.1 Liquidity of a project is of prime significance in project analysis. Two measures of liquidity are discussed below. These are the current and quick ratios.

8.2.2 The current ratio is a measure of the project's capability to meet its short term financial obligations. It is defined as:-

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The project displays the following trend of current ratios:-

1995	1996	1997	1998	1999	2000	2001	2002	2003
3.91	3.71	3.37	3.24	3.00	2.89	2.72	2.11	2.49

However, the current ratio tends to mislead in as far as the liquidity situation f the firm is concerned. In fact, it includes other assets that cannot be disposed of soon enough. So, to guard against this, the quick ratio is computed in addition to the current ratio.

8.2.3 The quick ratio which eliminates inventory and prepaid expenses from current assets is defined as follows:-

$$\text{Quick ratio} = \frac{\text{Cash plus marketed securities plus discounted receivables}}{\text{Current liabilities}}$$

The project displays the following scenario of quick ratios:-

1995	1996	1997	1998	1999	2000	2001	2002	2003
2.48	2.27	1.94	1.80	1.57	1.45	1.28	1.18	1.05

8.2.4 Debt service coverage ratio is another crucial element in financial analysis. Debt-service coverage is defined as the ratio of cash generation to debt service (interest plus repayment of principal).

The debt-service coverage ratios for the project are as shown below:-

1995	1996	1997	1998	1999	2000	2001	2002	2003
1.03	1.12	1.60	1.86	2.58	3.09	4.32	5.45	0.0

The above ratios are quite satisfactory. The ratio varies between 1.03 in 1995 to 5.45 in 2002. This is good indication that the project would be able to service its debt.

8.3 PROFITABILITY

8.3.1 The project's net profit after tax rises from Kshs:12.657100 in 1995 to Kshs.49,285,500 in 2003. Between 1995 and 2003 the project is expected to generate about Kshs.227.8 million as net profit after tax.

8.3.2 The gross and net profit margins for the project as follows:-

Gross Profit margin (%):-

1995	1996	1997	1998	1999	2000	2001	2002	2003
12.66	16.33	20.37	21.73	24.29	25.48	27.29	28.25	29.57

Net profit margin (%):-

1995	1996	1997	1998	1999	2000	2001	2002	2003
8.23	10.61	13.24	14.12	15.79	16.56	17.74	18.36	19.22

Profitability is the net result of a large number of policies and decisions. All other ratios examined or to be examined reveal some interesting aspects about the way the project is operating, but profitability ratios give final answers about how effectively the project is being managed. For example, a net profit margin below 5% is not satisfactory. A low net profit margin indicates that either the project's sales prices are relatively low or that its costs are relatively high or both.

8.3.3 The second set of profitability ratios are the rate of return on total assets and the return on net worth ratios. The return on total assets ratio is defined as:-

8.4 FINANCIAL EVALUATIONS

8.4.1 Payment Period

The payback period for this project is three and a half years, as shown below:-

Year	"Profits"	Balance
1995	19472.5	67244.2
1996	25124.1	45089.6
1997	3654.6	16604.8
1998	39009.8	48995.8

Profits as above is defined as net profit after tax

8.4.2 Net Present Value (NPV)

A project is acceptable if it has a net present value which is positive. For this project, at a discount rate of 20% per annum, the NPV is Kshs.88491.9 (see annex 9), and this being positive, the project is financially viable.

8.4.3 Internal Rate of Return (IRR)

IRR is the discount rate at which the present value of cash inflow is equal to the present value of cash outflows or the rate at which the present value of receipts from the project is equal to the present value of the investment and the NPV = 0.

IRR generally represents the exact profitability of the project and is represented by the following formula:-

$$i_r = i_1 + \frac{P_v (i_2 - i_1)}{P_v + N_v}$$

Where,

i_r = IRR

P_v = NPV at the low discount rate of i_1

N_v = NPV at the high discount rate of 12

For our project,

IRR = 22.99%

Since the IRR exceeds the present market rate of interest of 20 - 22%, it can be safely concluded that the project is financially sound.

8.5 BREAK-EVEN ANALYSIS

8.5.1 The break-even for a project is defined as:-

$$B.E.P = \frac{f}{r - v,}$$

where,

f = fixed costs

v = variable costs

r = sales revenue

8.5.2 Break-even analysis is basically an analytical technique for studying the relations among fixed costs, variable costs and profit. If a firm's costs were all variable, the problem of break-even volume would never arise, but by having both costs, the project must suffer loses upto a given volume. The analysis is a formal profit-planning approach based on established relations between costs and revenues. It is a device for determining the point at which sales will just cover total costs. If the firm is to avoid losses, its sales must cover all costs - those that vary directly with production and those that do not change as production levels change.

8.5.3 At 80% capacity, the fixed costs are:-

Item	Kshs:'000
Labour	3432.00

Repair and Maintenance	270.00
Interest	800.00
Depreciation	5690.00
Amortisation	3127.80
	13049.8

8.5.4 The associated variable costs are:-

Item	Kshs: '000
Raw Materials	150277.50
Electricity	2250.00
Fuel	1620.00
Other Costs	5000.00
	159147.50

8.5.5 The Break-even Point (B.E.P) is, therefore, given as follows:-

$$B.E.P = \frac{130498}{230805.0 - 159147.5}$$

$$= \frac{13049.8}{71657.50}$$

$$= 18\%$$

The project, therefore, has to produce and sell at least 18% of its capacity in order to be able to generate any profits.

8.5.6 The observed rather low break-even point means that there is a large difference between the unit sales price and variable operating costs. This in turn implies that the fixed costs are absorbed much faster by the difference between unit sales price and variable unit costs. The observed break-even point is, therefore, quite favourable for the project since it means that the firm is not vulnerable to changes in the level of production (sales) This is due to the full utilization of the fish.

8.6 ECONOMIC EVALUATION

8.6.1 Value Added

Value added is a measure of the additional wealth generated in an economy by factors of production over a fixed period of time, usually one year. In this project, the gross and net value added are Kshs:45,485,000.00 and Kshs.360,467.50 respectively in 1995.

8.6.2 Employment

About 40 persons would directly employed by the project.

8.6.3 Foreign Exchange Savings

To the extent that the project is import-substitution, it will save the government a substantial

8.6.4 Other Indirect Benefits

- The project will buy her auxillary materials from other existing industries in the country e.g. Premium Drums Ltd. This will be a good stimulant to the economy.
- The project will facilitate a more economic use of the Nile Perch and other fish;
- The project will indirectly employ the fishermen as and when the project trawler cannot provide enough fish;
- The local personnel will be equipped with some very useful skills;
- The project will ensure continuity in the supply of the final products;
- There will be several other useful forward and backward linkage effects. The project could for example, encourage the setting up of a local industry to process soap using the Nile Perch Oil. KIRDI has so far produced some good soap from the Nile Perch oil.

8.7 CONCLUSION

8.7.1 After a long and careful analysis, it must be concluded that this project has all the necessary evidences to corroborate its acceptability. Not only does the project pass all the necessary financial tests, it also passes the major socio-economic tests.

8.7.2 It is, therefore, recommended that the project should be implemented as per the implementation schedule.

[illegible]

[illegible]	
Starting year	[illegible]
Working days/year	[illegible]
Monetary unit	[illegible]
Total investment	83480
Equity capital	38598
Total loan	50582
Interest on loan (%)	[illegible]
Repayment (years)	3
Grace period (years)	0
Corporate tax (%)	[illegible]
Sales tax (%)	0
[illegible] on equity (%)	3
Disc. factor (%)	[illegible]

Annex 1 PRODUCTION PROGRAMME AND MATERIALS

	Quantity 100% cap.	Unit price	1995	1996	1997	1998	1999	2000	2001	2002	2003
Capacity:			60.0	60.0	70.0	[illegible]	80.0	80.0	90.0	90.0	100.0
Materials:											
Nile Perch	[illegible]	[illegible]	[illegible]	96000.0	112000.0	112000.0	128000.0	128000.0	144000.0	144000.0	160000.0
Omena	300.0	10000.00	1800.0	1800.0	2100.0	2100.0	2400.0	2400.0	2700.0	2700.0	3000.0
Boxes (Soby plastic)	3000.0	25.00	45.0	45.0	52.5	52.5	60.0	60.0	67.5	67.5	75.0
Polythene bag [illegible]	1450000.0	2.00	1740.0	1740.0	2030.0	2030.0	2320.0	2320.0	2610.0	2610.0	2900.0
Other Packages	50000.0	20.00	600.0	600.0	700.0	700.0	800.0	800.0	900.0	900.0	1000.0
TOTAL:			100135.0	100185.0	116882.5	116882.5	133580.0	133580.0	150277.5	150277.5	166975.0
Products:											
Fish Fillets	1350.0	54000.00	43500.0	43500.0	50750.0	50750.0	58000.0	58000.0	65250.0	65250.0	72500.0
Fish oil	150000.0	45.00	4050.0	4050.0	4725.0	4725.0	5400.0	5400.0	6075.0	6075.0	6750.0
Fish meal	[illegible]	[illegible]	90000.0	90000.0	105000.0	105000.0	120000.0	120000.0	135000.0	135000.0	150000.0
Fish skin	1250000.0	20.00	15000.0	15000.0	17500.0	17500.0	20000.0	20000.0	22500.0	22500.0	25000.0
Fish bladder	550000.0	4.00	1320.0	1320.0	1540.0	1540.0	1760.0	1760.0	1980.0	1980.0	2200.0
TOTAL:			153870.0	153870.0	179515.0	179515.0	205160.0	205160.0	230805.0	230805.0	256450.0

Annex 2 PROJECTED PRODUCTION COSTS

	[illegible]	1995	1996	1997	1998	1999	2000	2001	2002	2003
Materials	[illegible]	100185.0	100135.0	116882.5	116882.5	133580.0	133580.0	150277.5	150277.5	166975.0
Labour	[illegible]	1399.2	1399.2	1399.2	1399.2	1399.2	1399.2	1399.2	1399.2	1399.2
Electricity	2500.0	1500.0	1500.0	1750.0	1750.0	2000.0	2000.0	2250.0	2250.0	2500.0
Fuel	1800.0	1080.0	1080.0	1260.0	1260.0	1440.0	1440.0	1620.0	1620.0	1800.0
Repair & Maintenance	800.0	480.0	480.0	560.0	560.0	640.0	640.0	720.0	720.0	800.0
Other costs	5000.0	5000.0	5000.0	5000.0	5000.0	5000.0	5000.0	5000.0	5000.0	5000.0
OPERATING COSTS:	[illegible]	109644.2	109644.2	126851.7	126851.7	144059.2	144059.2	161266.7	161266.7	178474.2
Interest		15174.6	13277.8	11381.0	9484.1	7587.3	5690.5	3793.7	1896.8	0.0
Depreciation		9438.8	5683.9	4577.8	4029.3	3548.8	3127.8	2758.9	2435.5	2152.0
[illegible]		140.0	140.0	140.0	140.0	140.0	0.0	0.0	0.0	0.0

[illegible]

Annex 3 PROJECTED PROFIT AND LOSS ACCOUNT

	[illegible]	1995	1996	1997	1998	1999	2000	2001	[illegible]	
Revenue	256450.0	153870.0	153870.0	179515.0	179515.0	205160.0	205160.0	230805.0	[illegible]	[illegible]
Operating costs	180507.0	109644.2	109644.2	126851.7	126851.7	144059.2	144059.2	161266.7	161266.7	[illegible]
OPERATING PROFIT	75943.0	44225.8	44225.8	52663.3	52663.3	61100.8	61100.8	69538.3	69538.3	77975.8
Interest		15174.6	13277.8	11381.0	9484.1	7587.3	5690.5	3793.7	[illegible]	0.0
Depreciation		9438.8	5683.9	4577.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amortisation		140.0	140.0	140.0	140.0	140.0	0.0	0.0	0.0	0.0
NET PROFIT BEF. TAX		19472.5	25124.1	36564.6	39009.8	[illegible]	[illegible]	62385.9	[illegible]	[illegible]
Corporate tax		6815.4	8793.4	12797.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sales Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT AFTER TAX		12657.1	16330.7	23767.0	25356.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dividents on equity		1166.9	1166.9	1166.9	1166.9	1166.9	1166.9	1166.9	1166.9	[illegible]
Undistributed profit		11490.2	15163.7	22600.0	24189.5	[illegible]	32616.7	[illegible]	[illegible]	[illegible]
Acc. undist. profits		11490.2	26653.9	49253.9	73443.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Annex 4 FUNDS FLOW STATEMENT

	Const.	1995	1996	1997	1998	1999	2000	2001	2002	2003	
A. CASH INFLOW											
1. Financ. resources	89480.0	[illegible]	0.0	2154.1	[illegible]	[illegible]	0.1	2154.1	[illegible]	[illegible]	
2. Sales revenue		153870.0	153870.0	179515.0	179515.0	205160.0	205160.0	230805.0	230805.0	[illegible]	
TOTAL	99480.0	[illegible]	153870.0	181669.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
B. CASH OUTFLOW											
1. Total assets	[illegible]	50596.9	2672.3	-2940.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
2. Operating costs		109644.2	-109644.2	126851.7	126851.7	144059.2	144059.2	161266.7	[illegible]	[illegible]	
3. Debt services											
Repayment		6322.8	6322.8	-6322.8	6322.8	6322.8	6322.8	6322.8	[illegible]	0.0	
Interest		15174.6	-13277.8	-11381.0	-9484.1	7587.3	5690.5	3793.7	[illegible]	0.0	
4. Corporate tax		6815.4	-8793.4	-12797.6	-13653.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
5. Sales tax		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
5. Dividents		-1166.9	-1166.9	-1166.9	-1166.9	1166.9	1166.9	1166.9	1166.9	1166.9	
TOTAL	-4639.4	189720.8	-136532.8	161460.3	-155452.9	179515.2	[illegible]	[illegible]	[illegible]	[illegible]	
Surpl.(+)/Def.(-)	84780.6	[illegible]	17337.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Cum. Cash Balance	84780.6	61856.9	79192.1	99400.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Loan balance	-50582.0	44259.3	37936.5	31613.8	[illegible]	18968.3	[illegible]	[illegible]	0.0	0.	0.

Annex 5 CASH IN HAND

	1995	1996	1997	1998	1999	2000	2001	[illegible]	[illegible]
Production costs	[illegible]	128745.9	[illegible]	[illegible]	155335.3	[illegible]	[illegible]	[illegible]	[illegible]
Less:									
Raw materials	100185.0	-100185.0	116882.5	116882.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	2500.0	[illegible]	-3010.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation	9438.8	[illegible]	-4577.8	-4029.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amortisation	140.0	140.0	-140.0	140.0	-140.0	0.0	0.0	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Annex 6 WORKING CAPITAL

	Days	1995	1996	1997	1998	1999	2000	2001	2002	2003
A. CURRENT ASSETS										
1. Account receiv.	15	10007.7	9232.2	10900.1	10770.9	10438.9	12309.6	13977.5	13848.3	15518.3
2. Inventories										
Basic mater.	14	5576.8	5576.8	6506.2	6506.2	7435.7	7435.7	8365.1	8365.1	9294.6
Aux. mater.	14	33.6	33.6	38.2	39.2	44.8	44.8	50.4	50.4	56.0
Finished goods	21	12925.1	12925.1	15079.3	15079.3	17233.4	17233.4	19387.6	19387.6	21541.8
Spare parts		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal		18535.4	18535.4	21624.7	21624.7	24713.9	24713.9	27803.2	27803.2	30892.4
3. Cash in hand		23053.8	20157.0	18340.2	16443.3	14626.5	12729.7	10912.9	9016.0	7199.2
TOTAL		50596.9	47984.6	50865.0	48838.9	51779.3	49753.2	52693.6	50817.4	53710.4
B. CURR. LIABILITIES										
Account payable	21	-12925.1	-12925.1	-15079.3	-15079.3	-17233.4	-17233.4	-19387.6	-19387.6	-21541.8
NET WORKING CAPITAL		37671.9	34999.5	35785.7	33759.6	34545.8	32519.8	33306.0	31429.9	32168.7
Increment		37671.9	-2672.3	786.2	-2026.1	786.2	-2026.1	786.2	-1876.1	738.8

Annex 7 DEPRECIATION SCHEDULE

	%	1995	1996	1997	1998	1999	2000	2001	2002	2003
Building & civil										
Principal val.		10000.0	9750.0	9506.3	9268.6	9036.9	8811.0	8590.7	8375.9	8166.5
Replacement		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	2.5	250.0	243.8	237.7	231.7	225.9	220.3	214.8	209.4	204.2
Balance		9750.0	9506.3	9268.6	9036.9	8811.0	8590.7	8375.9	8166.5	7962.4
Plant & Equipm.										
Principal val.		45000.0	39375.0	34453.1	30146.5	26378.2	23080.9	20195.8	17671.3	15462.4
Replacement		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	12.5	5625.0	4921.9	4306.6	3768.3	3297.3	2885.1	2524.5	2208.9	1933.0
Balance		39375.0	34453.1	30146.5	26378.2	23080.9	20195.8	17671.3	15462.4	13529.4
Furniture										
Principal val.		350.0	306.3	268.0	234.5	205.2	179.5	157.1	137.4	120.3
Replacement		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	12.5	43.8	38.3	33.5	29.3	25.6	22.4	19.6	17.2	15.0
Balance		306.3	268.0	234.5	205.2	179.5	157.1	137.4	120.3	105.3
Motor vechicles										
Principal val.		4000.0	480.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Replacement		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	88.0	3520.0	480.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance		480.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPRECIATION		9438.8	5683.9	4577.8	4029.3	3548.8	3127.8	2758.7	2435.5	2152.0
Cumm. deprec.		9438.8	15122.7	19700.4	23729.8	27278.6	30406.4	33165.1	35600.6	37752.6

Annex 8 PROJECTED BALANCE SHEET OF 31st December

	Constr.	1995	1996	1997	1998	1999	2000	[illegible]	[illegible]	[illegible]	
A. ASSETS											
1. Current Assets											
a) Cash balance	84780.6	61854.9	79192.1	59400.9	123463.0	151262.0	182910.0	218333.7	[illegible]	30717[illegible]	
b) Current assets		50530.9	47974.6	50865.0	48030.9	51779.3	49751.[illegible]	[illegible]	[illegible]	[illegible]	
2. Fixed assets	4699.4	4879.3	-10703.2	-15421.0	-19590.4	-23279.2	-26407.0	[illegible]	[illegible]	[illegible]	
Total assets	89480.0	107572.5	116413.5	134844.9	152711.6	179762.1	206256.1	[illegible]	[illegible]	[illegible]	
B. LIABILITIES											
1. Current liab.		12925.1	12925.1	15079.3	15079.3	17233.4	17233.4	19387.6	[illegible]	[illegible]	
2. Loan	50582.0	44259.3	37936.5	31613.8	25291.0	18968.3	12645.5	6322.8	0.0	0.0	
3. Equity	38898.0	38898.0	38898.0	38898.0	38898.0	38898.0	38898.0	38898.0	[illegible]	[illegible]	
4. Reserves		11490.2	26653.9	49253.9	73443.4	104662.5	137479.1	[illegible]	[illegible]	[illegible]	
Total liab.	89480.0	107572.5	116413.5	134844.9	152711.6	179762.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Annex 9 CASH-FLOW TABLE FOR CALCULATION OF PRESENT VALUE

	Constr.	1995	1996	1997	1998	1999	2000	[illegible]	[illegible]	[illegible]	[illegible]
A. CASH INFLOW:											
Revenue		153870.0	153870.0	179515.0	179515.0	205160.0	205160.0	230805.0	230805.0	256450.0	
B. CASH OUTFLOW											
1. Total investments	89480.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]
2. Operating costs		-109644.2	-109644.2	-126851.7	-126851.7	-144059.2	-144059.2	[illegible]	[illegible]	[illegible]	
3. Corporate tax		6815.4	8793.4	-12797.6	-13053.4	17438.6	18298.9	20045.0	[illegible]	[illegible]	
4. Sales tax		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total outflow	-89480.0	116459.6	-118437.6	-139649.3	139905.1	-161497.8	[illegible]	183311.7	[illegible]	[illegible]	[illegible]
C. NET CASH FLOW	-89480.0	37410.4	35432.4	39865.7	39609.9	43662.2	42801.9	47493.3	[illegible]	[illegible]	[illegible]
D. PRESENT VALUE	-89480.0	31175.4	24605.8	23070.4	18912.6	17546.8	14334.3	[illegible]	[illegible]	[illegible]	[illegible]

NET PRESENT VALUE 88491.9

Annex 10 INTERNAL RATE OF RETURN

	x	1995	1996	1997	1998	1999	2000	2001	[illegible]	[illegible]	[illegible]
Net cash flow		37410.4	35432.4	39865.7	39609.9	43662.2	42801.9	47493.3	[illegible]	[illegible]	
Present value	20.0	31175.4	24605.8	23070.4	18612.[illegible]	17546.8	14334.3	13254.5	[illegible]	[illegible]	74153.5
	[illegible]	21138.4	20676.7	20411.2	15378.4	14907.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]	[illegible]	[illegible]		
	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]		[illegible]		
	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]	0.0	[illegible]	[illegible]	

Annex II FINANCIAL INDICATORS

		1995	1996	1997	1998	1999	2000	2001	2002	2003
Debt/Equity ratio		[illegible]	0.90	0.81	0.65	0.49	0.33	0.16	0.00	0.00
Current ratio		3.91	3.71	3.37	3.24	3.00	2.89	2.72	2.61	2.49
Quick ratio		2.48	2.27	1.94	1.80	1.57	1.45	1.28	1.18	1.05
Debt service coverage		1.03	1.12	1.60	1.86	2.58	3.09	4.32	5.45	0.00
Gross profit margin	%	12.66	16.33	20.17	21.73	24.29	25.48	27.29	28.25	29.52
Net profit margin	%	8.23	10.61	13.24	14.12	15.79	16.56	17.74	18.26	19.22
Net present value		88491.94	88491.94	88491.94	88491.94	88491.94	88491.94	88491.94	88491.94	88491.94
Int. rate of return		22.99	22.99	22.99	22.99	22.99	22.99	22.99	22.99	22.99
Break even point	%	70.27	57.49	42.58	37.93	28.80	24.78	18.52	15.32	8.76
Net value added		36046.20	39801.09	49344.71	49893.49	[illegible]	59372.17	68178.62	68502.01	-77823.00
Gross value added		45485.00	45485.00	53922.50	53922.50	62361.00	62500.00	70937.50	70937.50	79375.00
Payback period		67244.16	45089.57	18604.82	-12920.91	-48995.78	-86107.23	-129806.66	-174626.24	-226063.71

ELECTRICITY	144000 LTS.	500 TONS DESICCATE-400 TONS	3200 PER TON.	LOCAL	270	NIL	N/A	2000-300 PER MONTH.	
WOOD FUEL	60 TONS	STARCH 80000 KG. ANIMAL FEED 1700000 KG.	1/- PER KG 1,3 PER KG	FOREIGN & LOCAL	220	CASSAVA WASTE PULP	10 CTS PER KG.	100 LTS	
ELECTRICITY	3000 KWH.	GENERAL WEAR-10000	30/- PER 100 PCS.	FOREIGN & LOCAL	270	CLOTH CUTTING	50 CTS PER KG	900 LTS.	
ELECTRICITY	10000 KWH	CRUDE COCONUT-30000 KG	12/- PER KG.	NATIONAL	260	COPRA CAKE	90 CTS PER KG.	NIL.	
ELECTRICITY	10000 KWH.								

ATC-USA

AGREEMENT

WHEREAS it is the desire of MCDAFFIE DESIGN,INC.., a United States, company organized under the laws of Georgia and HEMA QUALITY FURNITURE, LTD., a company organized under the laws of Kenya, to enter into a joint venture to manufacture, process, purchase, import, export, warehouse, market, whether by wholesale or retail various categories of furniture and furniture products for the African and International Market.

NOW THEREFORE in CONSIDERATION of the mutual covenants herein the parties AGREE as follows:

1. The parties shall form a company with Articles of Association and Memorandum filed in Kenya with five (5) Board Members and such terms as are agreeable and ratified within 60 days. Unless mutually agreed, upon to the contrary HEMA QUALITY FURNITURE, LTD. shall have the right to elect three directors and McDAFFIE DESIGN INC. shall have the right to elect two directors.

2. Unless mutually agreed upon otherwise, the parties hereby agree to commence the pre-organizational activities and business procedures outlined and consistent with the Business Plan attached as Exhibit "A". Stage One of said Business Plan shall be activated upon a deposit of funds pursuant to an Escrow agreement executed by the parties.

3. After complying with the contractual elements of Stage One as further outlined in the attached Exhibit "A1" the parties further agree to expend the sum of $840,000, USAD as initial Capital Contribution with the following equity assignment: 51% HEMA QUALITY FURNITURE, LTD and 49% MCDAFFIE DESIGN, INC. The parties further agree to expend or deposit into a bank account the sum of $428,400 by HEMA QUALITY FURNITURE, LTD and $411,600 by MCDAFFIE DESIGN, INC. within 60 days hereof. The parties agree that future equity may be negotiated up to a mutually acceptable percentage with cash or capital requirements payable on a prorata basis.

3. 3.1. It is understood that each party shall deposit into a designated bank the sums indicated in this Paragraph 5 within 60 days of signing this agreement.

4. With respect to Stage One, HEMA QUALITY FURNITURE, LTD agrees to manufacture, contract or otherwise process furniture and furniture products with the following assumptions, terms and conditions consistent with the Business Plan: In Exhibit A1.1

5. MCDAFFIE agrees to market said described in Paragraph 4 and provide HEMA QUALITY FURNITURE, LTD with at least 30 days notice, or as agreed upon, to the benefit of the parties collectively. MCDAFFIE shall also provide:

a) Technical expertise to install new machinery.
b) Technical expertise to train personnel on new machinery
c) Provide expertise to identify new markets both within Africa and Internationally.
d) Expertise necessary to train personnel in management skills needed to export Internationally as well as to identify and maximize the opportunities available within Africa

6. Any declared profits from the sale of furniture or furniture products shall be governed by the equity ratios stated in paragraph 3, or as agreed upon by the parties.

7. Dividends shall be payable quarterly unless two-thirds of the directors vote to do otherwise.

8. HEMA QUALITY FURNITURE. LTD agrees to provide a building with total floor area of approx. 800sq. ft. suitable for the setting up a furniture manufacturing plant on 4 acres of land.

9. MCDAFFIE DESIGN agrees to secure quotes to purchase the machinery itemized on the attached exhibit "C" below and to provide technological training to operate said machinery.

10.. The parties agrees to the following monthly capital and resource requirements for furniture processing based upon the assumptions, terms and conditions consistent with the Business Plan: In Exhibit A1.2.

11. The parties agree that the following Capital Investment of USD 253,900 will be needed to cover the following expenditures.

a)	Machines, Spares and installation (tax included)	$190 ,425
b)	Transportation & communication equipment	$ 42,606
c)	Recruitment and Training of staff	$ 15,000

12. It is further agreed that Working Capital investment of USD 6,000 shall be needed to cover the first three months of operation as outlined in the Business Plan.

13. The parties further agree to expend the sum of USD 93,900 as outlined in the attached Exhibit A2 designated as Direct Start Up Costs. It is understood and agreed by the parties that all bills of purchase and invoices shall be supplied to each other for all expenditures involved. It is contemplated that the parties shall expand the following sums with expenditures to control and any balances due towards said sum payable by deposit in the bank account of Hema Quality Furniture on or before 60 days. It is understood that the parties shall deposit within 21 days of signing this agreement the sum of USD 200,000 in the bank account of Hema Quality Furniture.

102,000	Kenya	USD
98,000	USA	USD
Total	200,000	USD

14. The parties further agree as follows:

a) This agreement may be modified or amended by mutual consent of all parties.

b) This agreement shall stand approved within 21 days of signing the same unless written notice of rejection is provided to all parties by DHL, Federal Express Return Receipt to evidence delivery to the parties at the following addresses:

Elkana Mose
P.O. Box 58916
Nairobi, Kenya

Ray Wright
P.O. Box 1246
Atlanta, GA 30031 USA

8. HEMA QUALITY FURNITURE. LTD agrees to provide a building with total floor area of approx. 800sq. ft. suitable for the setting up a furniture manufacturing plant on 4 acres of land.

9. MCDAFFIE DESIGN agrees to secure quotes to purchase the machinery itemized on the attached exhibit "C" below and to provide technological training to operate said machinery.

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Elkana Mose
P.O. Box 58916
Nairobi. Kenya

Ray Wright
P.O. Box 1246
Atlanta. GA 30031 USA

15. Any dispute under this agreement shall be resolved by ARBITRATION through the International Center for the settlement of Investment Disputes, U.S. Arbitration, as the party aggrieved shall file.

In consideration of the mutual covenants herein, the parties do agree to the said terms and conditions this 18th day of December, 1993.

SIGNED

Nairobi, Kenya

Atlanta, Georgia U.S.A

BANKI YA TAIFA LA KENYA LIMITED

NATIONAL BANK OF KENYA LIMITED

HILL BRANCH P.O. BOX 46219 NAIROBI KENYA
Telephone: 720151/2, 722211 Telex: 22797 Telegraphic Address: "NBKHIL KE"

28th December, 1993

Our ref: AKM/CA/26/692

M/S ATC/USA
5 Concourse Parkway,
Soute 2800
Atlanta Georgia,
30328 U.S.A. ATT. MR M. GICHILE

FAX 404 512 4096

Dear Sirs,

RE: KISII HEMA QUALITY FURNITURE LTD.

At the request of the above named, we wish to advise that the company is a private incorporated company, in Kenya on 13th November, 1990.

The principal director is Hon. Dr. Hezron Manduku. The directors are people of integrity and well versed in their line of business.

The company specialises in the manufacture and sale of quality furniture, and for the time they have banked with us, have demonstrated good financial management. We therefore, do not hestitate to recommend them to you.

Yours faithfully,

A.K. MWANGI
M A N A G E R

c.c. Hon. Dr. Hezron Manduku,
Kisii Quality Furniture,
P.o Box 58916,
NAIROBI

ATC-USA

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA [IPPA]
WITHIN THE
FRAMEWORK OF THE
INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA [IDDA]

INDUSTRIAL INVESTMENT PROJECT PROFILE

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS
[UNIDO]
&
ATC-USA, CO.
A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT
DECEMBER, 1993

ATC-USA • 5 Concourse Parkway, Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4026
ATC-SEMBULE • P.O. Box 16182 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41-270918 • Telex 61[illegible] SEMBULE

INDUSTRIAL INVESTMENT PROJECT PROFILE/FOR IPPA UNIDO-GEORGIA
DECEMBER 1993

COUNTRY: **Kenya** PROJECT # **003**

PROJECT TITLE: **Quality Furniture** SUBMISSION DATE: **18 December 1993**

Project Description/Briefly

To produce high quality furniture for the Domestic and Export markets

Part A - Information on the project

1. Technical Aspects

1.1 Is the project a new enterprise or expansion/modernization of an existing one?
-- **Expansion and Modernization**

1.2 Has this project been promoted before? **No**
If yes, when: _____ By which organization. .....

1.3 Product(s) to be manufactured:

PRODUCT	QUANTITY	UNIT PRICE
Full range of Domestic and Office furniture		**See attachment A1.1**

1.4 Market (Domestic, Export)

1.4.1 What percentage of production goes into domestic market? **90%**

1.4.2 What share in the domestic market it covers? **40 % of high quality furniture**

1.4.3 What percentage of production is designated for export?(name and respective percentage) **30% (various)**

1.4.4 Other potential markets? (if any) **USA, PTA (Preferential Trade Area), East Africa Markets, Middle East and European Market**

1.5 Plant capacity (as detailed as possible)
= **See attachment A1.2**

1.6 Manufacturing process (as detailed as possible)
= **See attached Business Plan**

1.7 Manpower

Indicate estimated personnel requirements and average monthly wages inclusive of all allowances and benefits: **see attachment 1.2**

Manpower	Number	Monthly/Salary/ Person {Local currency}
Management	7	140,000
Clerical	1	6,000
Technical Supervision	10	60,000
Skilled Labor	30	90,000
Semi-skilled labor	37	37,000
Unskilled labor	2	3,500
Seasonal labor	25	122,500
Total	112	459,000

1.8 Raw materials and other inputs

Indicate quantities required and unit prices **See attachment A1.1**

	Quantity [per year]	Unit Price
1.8.1 Domestic		
1.8.2 Imported		

1.8.3 For materials which have to be imported, indicate customary sources and specify import duties, where applicable:

1.9 Utilities

Indicate quantities required and unit prices for the following utilities:

Utilities	Quantities (per qtr year)	Unit Price (Local currency)
- Fuel [oil, gas, coal, etc.]	-----	300,000
- Electricity [Kwh]	----	18,000
- Water [own borehole]m3	----	3,000
- Other	----	33,000
Total		3,064,000

1.10 Plant location and availability of infrastructure facilities: (as detailed as possible)

1.10.1 Location and reason for selection of site = **Kesii , West Kenya - Established factory and relationship to labor pool**

1.10.2 Availability of infrastructure

	Yes	No
Water Supply	X	
Power Line	X	
Roads rail, water, air, etc.	X	
Postal & communication services	X	

2. Financial Aspects **See Business Plan Attached**

2.1 Total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component:

Fixed Investment	Local Currency Component [In US$]	Foreign Currency component [In US$]	Total [In US$]
Land	**104,169**		**104,169**
Buildings	**150,000**	**144,118**	**294,118**
Machinery & Equipment		**84,914**	**89,914**
Furniture/fittings	**8,058**	**13,737**	**11,667**
Working Capital	**38,445**	**28,624**	**67,267**
Pre-operational expenses	**14,625**	**45,496**	**60,221**
Interest during construction	**61,549**	**15,750**	**77,299**
Provision for contingencies	**42,323**	**65,682**	**93,000**
Total	**419,169**	**398,421**	**817,590**

2.2 Proposed financial structure, indicating expected sources and terms of equity and loans:

	Local Sources [In US$]	Foreign Sources [In US$]	Total [In US$]
Equity	428,400	411,600	840,000
Long-term loans			
Medium-term loans			
Short-term loans			
Total	428,400	411,600	840,000

2.3 Is local development bank in principle willing to consider participation in the project? If no, why? = **Yes**

2.4 What is the local investors equity contribution to the project (as detailed as possible) **Land, Building and manpower, established customer base and Marketing network as well as established Sales outlets.**

3. Foreign Contribution Desired

Indicate whichever is needed among the following:

-- Equity Participation **X**

-- Loans **X**

-- License and know-how **X**

-- Machinery & Equipment **X**

-- Access to Foreign Markets **X**

-- Technical collaboration **X**

-- Management **X**

-- Training **X**

-- Other

4. Project study available (if available provide copy):

-- Prepared by: **ATC - USA**
-- Pre-feasibility **X**
-- Feasibility **X**

-- Other
-- None

4.1 Information on profitability and return on investment (as detailed as possible): (important)
= **See Attached Business plan**

5. Currency exchange rate used:

Date: **18 December 1993**

Rate: **68 Ksh to the dollar**

Part B - Information on Project Sponsor(s)

1. Name of company: **Hema Quality Furniture**

Contact person: **Mr. Elkana Mose**

Address: **P.O. Box 2 Kisii**
Nairobi

Telephone: **447186**

2. Present line of business: **Furniture Manufacturing**

3. Annual turnover (gross sales) (in US$)

4. Present ownership including equity distribution: **Sole Proprietor**

5. Bank connections: (Name Address)

6. Year of establishment: **1985**

7. Number of employees: **112**

Signature of Project Sponsor

Signature of Consultant/Coordinator

DATE: 12-18-93

HEMA QUALITY FURNITURE

BREAKDOWN OF IMPORTANT ITEMS

1. TYPES OF WOOD

Wood is available as logs, planks or in specified sizes of timber. The timber sizes are for example 12"x1"x12"-0"; 12"x2"x12"; 8"x2"x12".

The price ranges are depending on the types of timber and size from Ksh.300.00 per foot to Ksh.600.00 per metre.

It requires 500 running metres (about 1500 running feet) of various sizes of sawn timber to fill a 12 tonner lorry and HEMA QUALITY FURNITURE uses 9 of such lorries of timber per quarter. The average cost to fill the lorry is Ksh.300,000.00. Three lorry loads are required per quarter. Buying logs and/or planks to be later split at the factory would be cheaper.

The main types of timber used are mahogany, mvuli, teak, blue gum, camphor and meru oak (all popular hard woods). Some amount of soft woods are used; pine, cypress for special purposes.

2. LABOUR

1.0. Hema Quality Furniture has a total labour workforce of 112 personnel comprised as follows:-

	STAFF	KSHS PER QUARTER	US$ PER QUARTER
(a)	1 General Manager	105,000.00	1567
(b)	1 Workshop manager	60,000.00	883
(c)	1 Quality Controller	60,000.00	883
(d)	1 Sales Manager	60,000.00	883
(e)	1 Administrator	45,000.00	662
(f)	2 Supervisors	90,000.00	1324
(g)	20 Salesmen	300,000.00	4412
(h)	10 Skilled Technicians	180,000.00	2647
(i)	30 Skilled Artisans	270,000.00	3970
(j)	37 Support Staff	111,000.00	1632
(k)	3 Drivers	27,000.00	397
(l)	1 Messenger	6,000.00	88
(m)	1 cleaner	4,500.00	66
(n)	1 Receptionist/ Telephone Operator	10,500.00	154
(o)	1 Secretary	18,000.00	264
(p)	1 Accountant	30,000.00	441
	TOTAL	1,377,000.00	20,173

HEMA QUALITY FURNITURE LIMITED

ECONOMIC FEASIBILITY STUDY

FOR THE PROPOSED

EXPANSION PROGRAMME

5TH DECEMBER, 1993

HEMA QUALITY FURNITURE LIMITED

ECONOMIC FEASIBILITY REPORT

1. INTRODUCTION

Hema Quality Furniture Limited is a Manufacturing Establishment started in 1985, and specialises exclusively in high quality Domestic, Office, Institutional and hotel furniture for the local market. Currently, the company has machinery and other equipments capable of producing 40 pieces of various specialised furniture per month. The Company is proposing to raise this capacity to 80 pieces per month to cater for both the local and export market.

In addition the company also manufactures steel products such as Burgler Proofs, windows, doors and does other services such as partitioning of offices and furnishing of houses.

The Company intends to consolidate production of these items and the services rendered to various institions in the country and even look beyond our borders for export especially with the East African region and the Preferential Trade Area (PTA) in particular. These is also potential market in the middle East, Europe, Japan and America.

Due to high demand of it's products in the local and export markets, the company has found it prudent to purchase specialised additional machinery, equipments and vehicles to enable it increase it's production and improve on the finishing of some of some of the very high quality furniture.

2. LOCATION

The Company's workshop are located on a 4 acre plot within the Kisii Municipality in godowns currently valued at KShs.20 million. The land and godowns are all owned by the company and hence the expansion won't require construction of more godowns. It is in these workshops where all the making of furniture and other products is done. There is also a showroom within these premises which serves as one of the outlets for the company's products.

In addition the company has a rented showroom in a prime area of Nairobi which serves as an International Shop Window. In this case once the furniture is made in the Workshops at Kisii some of it is transported to the Nairobi Showroom for sale in both the local and export market.

Indeed this kind of location is in line with the Government policy of the District Focus for Rural Development strategy of decentralising industries to the rural areas or outside the major urban centres. This in essence has various benefits to the company in terms of being located nearer to the source of the major raw material timber and also to the local community in terms of creation of employment. For the capital cost of the expansion, the company will benefit from the 85% investment allowance allowed for industries located outside the major urban centres.

This will benefit the company in terms of 2 years tax holiday after writing off the 85% of the additional capital investment.

3. THE COMPANY

Hema Quality Furniture Limited is a registered Private Limited Company whose Headquarters is in Kisii. The production is done at the Company's workshop in Kisii and distribution of the furnished product is done both from Kisii and Nairobi where the Company has a showroom.

The furniture manufacturing concern has been in operational since 1985 and the propriators have put in quite substantial amount of capital which they are now formalising as the share capital of the company.

As for the financing plan and the costings the current owners have put in KShs.36.75 million which is already tied in the existing assets. This is already 63% of the total cost of the proposed expansion programme.

The total cost is estimated at KShs.58.523 million and hence the Company is seeking KShs.17.773 million in form of a long term loan to finance the cost of additional machinery. The Company will also double it's overdraft facility from the current KShs.2 million to KShs.4 million whose utilization depends on the level of production.

The proposed loan is 30% of the total financial requirements for the expansion programme and is expected to be paid in 6 years after a 2 years grace period at an interest rate of 25%.

The Company intends to approach a financial institution for the loan and it is hoped that due to the high potential that the Company has it will be able to acquire a term loan from Kenyan Financial market.

4. MANAGEMENT AND STAFF

The project Company will have a Board of Directors consisting of the shareholders. The day to day management of the workshop will be entrusted to a General Manager who is supposed to be somebody conversant with operations of such as establishment.

Under the General Manager, it is proposed that the Company set-up 4 Departments viz:-

(i) Production headed by a workshop manager, and a quality controller and other support staff to be under him.

(ii) Sales department to be headed by a Sales Manager and a Sales force to be under him.

(iii) Administration department to be under an Administrative Officer assisted by other support staff. This will co-ordinator all administrative matters.

(iv) An Accounting Department headed by a qualified Accountant and a Purchase/Supplies Officer to be under him and some Accounts Clerks. This is a very crucial department as far as the control of the Company's finances is concerned.

For details of the proposed organization structure see Annex II.

5. STAFF TRAINING

The three key personnel will require intensive training especially the quality controller who will be handling one of the very sensitivity areas. Quality control is very important because the better the quality the higher the prices which will be fetched by the end product. This is important in that better quality furniture move faster apart from fetching premium prices in the market.

The General Manager should also be well trained to be able to co-ordinate the overall operations of the company.

It is also important that the company engages a qualified Accountant who will be able to control all the financial matters of the Company. This is in terms of controlling the Sales receipts, the raw material purchases and the cost of production for the company in general.

Other skilled workers and artisans is assumed will have attained their vocational training in local institutions. However, intensive on the job training will be done to improve on their performance and competence.

6. THE PROJECT

The expansion programme entails purchase and installation of additional machinery, equipments and vehicles for transporting both the raw materials form the source and finished products to the market especially from the workshop in Kisii to the showroom in Nairobi.

The additional machinery and equipment will enable the company to gradually increase its production capacity and undertake manufacture of high quality furniture by improving on the finishing.

The project concept is good given that the Company's products are already known in the market, especially by the high and middle income segments of the market.

7. CAPITAL COST ESTIMATES

The total cost of expansion programme including additional working capital is estimated at Kshs.58.523 million. A detailed breakdown of the costs together with the corresponding financing is given in Annex 2 (a) - 2 (c).

Below is a summary of costs.

	KSHS'000
Land (4 acres) Existing	2000
Buildings (Existing)	20000
Machinery (Existing)	4100
Machinery (NEW)	2873
Vehicles (Existing)	8400
Vehicles (New)	14500
FURNITURE & FITTINGS	
- Existing	500
- New	200
Pre-operating Expenses related to the expansion	1950
Working Capital	4000
TOTAL	58523

The project workshop is located on a 4 acre plot within Kisii Municipality. On the plot there are various godowns where the existing machinery is installed. With the additional machinery there is still room for their installation and hence no more cost of buildings has been provided in the cost estimates. The 4 acre plot is currently estimated to be valued at KShs.2 million while the godowns are estimated to be valued at KShs.20 million. These values have been used in the cost estimates.

9. Machinery cost estimates are based on the current value of the existing machinery and equipments, while cost of the new machinery is based on quotations from prospective suppliers.

10. Pre-operating expenses includes adminstrative expenses, interest during implementation and other fees payable to the financial institution which will advance the loan during its processing and approval.

11. FINANCIAL PLAN

The expansion programme is proposed to be financed as follows:

	KSHS'000
Shareholders contribution	36,750
Term Loan	17,773
Overdraft facility	4,000
GRAND TOTAL	58,523

12. The proposed term loan of KShs.17,773 million will be used in purchasing the additional machinery which will be imported.

The loan will be for a period of 8 years including 2 years grace period at 25% interest rate per annum.

13. The sponsors have contributed quite substantial amount of cash in form the existing assets and required to only meet the pre-operating expense pertaining to the expansion programme. The debt/equity ratio is therefore impressive at 0.5 : 1 compared to most financial institutions requirement of a 2:1 debt/equity ratio.

14. RAW MATERIALS

In the production of furniture the main raw materials are various types of timber, cloth Rolls, foams, conta, twopack, vanish, veneer, sacks, tyres, files, sand paper etc. These are sourced from various places in western Kenya for timber and from various suppliers in Nairobi for those other requirements. There may be need to import some of these items in bulk in future so as to save on the cost.

For the steel products, the company uses steel pipes, angles and wires. The main manufacturers of the steel raw materials are steel makers limited Mombasa, Rollmill Kenya Limited - Nairobi, Nalin Nail Works Limited - Nairobi, Khetshi Dharamshi Limited, Wire products Limited - Mombasa, Brollo Kenya Limited - Mombasa.

Insteel Limited and Kusco Limited.

The installed capacities in most of these above companies are higher than their current production levels. Due to the competition of supply of raw materials by the above companies, prices are generally reasonable and delivery is prompt.

15. THE MARKET

Hema Quality Furniture Limited has been in the market since 1985, specialising exclusively in high quality Domestic, Office, Institutions and Hotel furniture for the local market.

The main clients have been hotels, schools, offices and homes. These have been purchasing furniture as follows:-

(i) Hotels - Beds, Furnishings, chairs, partioning.

(ii) Schools - Black Boards, Desks, Chairs, Cabinets and Benches.

(iii) Offices - Executive office chairs, secretarial chairs and desks in Meru Oak, Mahogany, Elgon teak, Drylon, Velvet or any other material, filing cabinets, carpeting, curtaining, partitioning etc.

(iv) Domestic - Executive dinning tables with six, eight or 12 chairs, dressing tables, wardrobes, sideboards, coffee tables, beds, wall units, rocking chairs, baby cots, garden chairs, bed sofas and matresses.

There is much scope for more market given that the country's population is growing at the rate of 3.8% and most of the institutions like schools are expanding to cater for this increasing population.

It can rightly be said that growth of both domestic and institutional furniture is a function of our country's population growth rate and the per capita income. Therefore it is expected that more furniture will be required as our population grows. Hence the need for the Company to expand and diversify its production to cater for the ever growing demand.

16. MARKETING AND DISTRIBUTION

The Company has been using and will continue to use the following distribution outlets:

(1) Direct sales through the Nairobi showroom which is their International Shop window situated in a prime section of the capital city.

(2) Direct purchase from the factory.

(3) Through various agents to be distributed in strategic towns in the country.

This is a clear indication that the Company will have no problem in marketing all what it produces.

18. FINANCIAL PROSPECTS

The projected income statements with expnasion, sources and application of funds and balance sheet for the years 1994 to 2003 are given in annexes 6, 7 and 8 respectively.

The assumptions underlying the financial projections are given in annex 1.

19. The Company's sales are expected to increase gradually from KShs.47.922 million in 1994 to KShs.63.897 million from 1996 onwards when the expansion programme is expected to be fully onstream. It is expected to be fully onstream. It is assumed that the Company will operate at 60% capacity utilization in 1994 and 70% in 1995 thereafter production will stabilize at 80%.

20. The Company is expected to make a profit after tax of KShs.4.351 million in 1994 which will improve to KShs.8.165 million in 1966, The Company will enjoy a 85% Investment Allowmance on the new machinery nad hence the high profit after tax in the initial years as a result of a two years tax holiday.

21. The Company is expected to have a positive cashflow of KShs.4.945 million in 1994 which improves further gradually as loan repayment eases out. This is an indication that the project will be able to service its loans and generate enough cash to meet the working capital requirement.

22. RATES OF RETURN

The project has an Internal Financial Rate of Return (IFRR) of 38.8% as shown in the annex 9 and an Economic Rate of Return (ERR) of 38.8% as shown in the annex 9 and an Economic Rate of Return of 48.3% as shown in annex 10. These rates are considered reasonable for this kind of expansion project where no additional buildings are required and hence the initial capital investment is not as high as it could be for the completely new project.

23. ECONOMIC ANALYSIS

The project will have substantial economic benefits in terms of use of locally available raw materials, earning of foreign exchange and creation of employment for 100 people in a rural urban centre. This is in line with Government policy of decentralising industries and fits well with District Focus for Rural Development strategy.

It will also go along way in assisting the Government in availing more jobs for Kenyan, hence alleviating the unemployment problem. This will also assist in imparting various skills to Kenyans.

This is a venture with various positive economic attributes from both the shareholders, employees and the Kenya economy point of view and hence worth supporting.

BASIC ASSUMPTIONS AND BASIS OF FINANCIAL PROJECTIONS

YEAR	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Production capacity %	60%	70%	80%	80%	80%	80%	80%	80%	80%	80%
Rated capacity(units/month)	80	80	80	80	80	80	80	80	80	80
Production units/month	48	56	64	64	64	64	64	64	64	64
Number of days	300	300	300	300	300	300	300	300	300	300
Total Productipn (Units/annum)	576	672	768	768	768	768	768	768	768	768
Average Price Per Unt (Kshs.)	64000	64000	64000	64000	64000	64000	64000	64000	64000	64000
Sales Revenue Projected (Kshs.000)	36864	43008	49152	49152	49152	49152	49152	49152	49152	49152
Revenue from steel products 20% of furniture Revenue	7372	8602	9830	9830	9830	9830	9830	9830	9830	9830
Revenue from furnishing of houses 10% of furniture	3686	4301	4915	4915	4915	4915	4915	4915	4915	4915
TOTAL REVENUE (KSHS'000)	47922	55911	63897	63897	63897	63897	63897	63897	63897	63897
OPERATING COSTS										
Raw materials 50% of sales	23961	27955	31948	31948	31948	31948	31948	31948	31948	31948
Salaries & Wages 5% of sales	2396	2795	3194	3194	3194	3194	3194	3194	3194	3194
Repairs & Maintenance 2% of sales	958	1118	1278	1278	1278	1278	1278	1278	1278	1278
Utilities 2% of sales	958	1118	1278	1278	1278	1278	1278	1278	1278	1278
Administration Overheads 3% of sales	1437	1677	1916	1916	1916	1916	1916	1916	1916	1916
Marketing Costs 2% of sales	958	1118	1278	1278	1278	1278	1278	1278	1278	1278
Miscellaneous Costs 2% of sales	958	1118	1278	1278	1278	1278	1278	1278	1278	1278
SUB - TOTAL	31626	36899	42170	42170	42170	42170	42170	42170	42170	42170

ESTIMATED PROJECT COSTS

	KSHS'000
Land (4 acres) (Existing)	2000
Buildings (Existing)	20000
MACHINERY (EXISTING)	
Combined Machine with 7 works and 2/3 motors	1600
2 Meter Lathe Machine	250
Band Saw	220
1 Cutting Machine	150
1 Splitting Machine	1200
Plainer	500
Machine for Joining Band Saws	180
	4100
MACHINERY (NEW)	
Combined Machine with 7 works and 2/3 Motors	1600
2 Meter Lathe Machine	250
Band Saw	220
Duties 20% C & F	414
C B K Fees 1.5% C & F	32
L/C Charges 1.5% C & F	32
Clearing & Forwarding 3% C & F	64
Contingency 10%	261
	2873

PROJECTED DEPRECIATION SCHEDULE

KSHS'000

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
(1) Land (4 acres)		2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
(2) Buildings		20000	19200	18400	17600	16800	16000	15200	14400	13600	2800
Depreciation at 4% at line		800	800	800	800	800	800	800	800	800	800
Net Book Value		19200	18400	17600	16800	16000	15200	14400	13600	12800	2000
(3) MACHINERY & FURNITURE & FITTINGS (EXISTING)											
Current N.B.V.		4600	4600	4600	4600	4600	4600	4600	4600	4600	4600
Depreciable Assets		4600	4025	3522	3082	2697	2360	2065	1807	1582	1382
Dep. at 12.5% R.B.		575	503	440	385	337	295	258	225	197	173
Net Book Value		4025	3522	3082	2697	2360	2065	1807	1582	1385	1212
(4) MACHINERY & FURNITURE FITTINGS (NEW)											
At cost plus contingency		3073	3073	3073	3073	3073	3073	3073	3073	3073	3073
Depreciable Assets		3073	2950	2832	2719	2610	2506	2406	2310	2218	2129
Depreciation at 4% R.B.		123	118	113	109	104	100	96	92	89	85
Net Book Value		2950	2832	2719	2610	2506	2406	2310	2218	2129	2044
VEHICLES (EXISTING)											
Current N.B.V.		8400				8400				8400	
Depreciable Assets		8400	6300	4200	2100	8400	6300	4200	2100	8400	6300
Depre. at 25% at. line		2100	2100	2100	2100	2100	2100	2100	2100	2100	2100
Net Book Value		6300	4200	2100	0	6300	4200	2100	0	6300	4200

LOAN AMORTIZATION SCHEDULE

KSHS'000

	1993	1994	1995	996	1997	1998	1999	2000	2001	2002	2003
Prpposed Loan	-	17773									
Principal payment	-	0	0	2962	2962	2962	2962	2962	2963		
Interest at 25%		3332	4443	3703	2962	2222	1481	740	-	-	-
Loan Balance		17773	17773	14811	11849	8887	5925	2963	-	-	-

YEARS	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
FINANCIAL CHARGES										
Interest on loan	3332	4443	3703	2962	2222	1481	1111	370	-	-
Interest on O/D	1000									
Depreciation (Old &New Assets)	7613	7536	7468	7409	7356	6920	6879	6842	6811	6783
Sub-Total	11945	11979	11171	10371	9578	8401	7990	7212	6811	6783
Profit before tax	4351	7033	10556	11356	12149	13326	13737	14515	14916	14944
Investment Allowance 85%	(15107)									
Taxable profits	(10756)	(3723)	6833	11356	12149	13326	13737	14515	14916	14944
Tax at 35%	-	-	2391	3474	4252	4664	4807	5080	5220	5230
Profit after Tax	4351	7033	8165	7382	7897	8662	8930	9435	9696	9714
Acc. Retained profits	4351	11384	19549	26931	34828	43490	52420	61855	71551	81265
P B T/REVENUE %	9%	13%	17%	18%	19%	21%	22%	23%	23%	23%
P A T/REVENUE	9%	13%	13%	12%	12%	14%	14%	15%	15%	15%

PROJECTED SOURCES AND APPLICATION OF FUNDS

YEARS	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
SOURCES											
Shareholders contribution		36750									
Proposed term loan		17773									
Profit before Tax		4351	7033	10556	11356	12149	13326	13737	14515	14916	14944
Dept. and Amort.		7613	7536	7468	7409	7356	6920	6879	6842	6811	6783
Sub-Total		66687	14569	18024	18765	19505	20246	20616	21357	21727	21727
APPLICATIONS											
Capital costs		54723				22900				22900	
Loan Repayments		-	-	2962	2962	2962	2962	2962	2962	2962	2962
Tax paid		-	-	-	2391	3974	4252	4664	4807	5080	5220
Incr. W/Capital		7019	1170	1170	-	-	-	-	-	-	-
Sub Total		61742	1170	4132	5353	29836	7214	7626	7769	30942	8183
Surplus/(Deficit)		4945	13399	13892	13412	(10331)	13032	12990	13588	(9215)	13544
Acc. Surp./(Deficit)		4945	18344	32236	45648	35317	48349	61339	74927	65712	79256

PROJECTED BALANCE SHEET STATEMENT

KSHS'000

YEARS	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
NET FIXED ASSETS	46910	39374	31906	24491	40041	33121	26242	19400	25489	18706
CURRENT ASSETS										
Stocks	5390	6288	7187	7187	7187	7187	7187	7187	7187	7187
Debtors	4792	5591	6389	6389	6389	6389	6389	6389	6389	6389
Bank Balance	4945	18344	32236	45648	35317	48349	61339	74927	65712	79256
Sub-Total	15127	30223	45812	59224	48893	61925	74915	88503	79288	92832
CURRENT LIABILITIES										
Creditors	3163	3690	4217	4217	4217	4217	4217	4217	4217	4217
Taxation	-	-	2391	3974	4252	4664	4807	5080	5220	5230
Overdraft	-	-	-							
Sub-Total	3163	3690	6608	8191	8469	8881	9024	9297	9437	9447
Net Current Assets	11964	26533	39204	51003	40424	53044	65891	79206	69851	83385
Total Assets	58874	65907	71110	75530	80465	86165	92133	98606	105340	118015
Financed by: Shareholders contribution	36750	36750	36750	36750	36750	36750	36750	36750	36750	36750
Term loans	17773	17773	14811	11489	8887	5925	2963	-	-	-
Acc. Retained Earnings	4351	11384	19549	26931	34828	43490	52420	61855	71551	81265
Sub-Total	58874	65907	71110	75530	80465	86165	91333	98606	105340	118015

Kshs '000

YEARS	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Profit before Tax	4351	7033	10556	11356	12149	13326	13737	14515	14916	14944
Interest	3332	4443	3703	2962	2222	1481	740	370	-	-
Depr. & Amort.	7613	7536	7468	7409	7356	6920	6879	6842	6811	6783
Sub-Total	15296	19012	21727	21727	21727	21727	21727	21727	21727	21727
Capital costs	54723				22900				22900	
Incr. W/Capital	7019	1170	1170							
Redidual value										28706
Sub-Total	61742	1170	1170	0	22900	0	0	0	22900	28706
Net Benefits	(46446)	17842	20557	21727	(1173)	21730	21356	21727	(1173)	53433
Discount factors at 40%	1	0.714	0.510	0.364	0.260	0.185	0.132	0.094	0.067	0.034
Present value	(46446)	12739	10484	7908	-(1173)	4020	.2818	2042	(1173)	1816
Net present value	(6965)									
Discount factors at 30%	1	0.765	0.591	0.455	0.350	0.269	0.207	0.159	0.122	0.094
Present value	(46446)	13720	12149	9885	(1173)	5845	4420	3454	(1173)	5022
Net present value	54113									

Therefore Internal Financial Rate of Return

IFRR = $30 + 10 \frac{(5413)}{(6|0.8)} = \underline{38.8\%}$

ECONOMIC RATE OF RETURN KSHS'000

YEARS	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Profit before Tax	4351	7033	10556	11356	12149	13326	13737	14515	14916	14944
Interest	3332	4443	3703	2962	2222	1481	740	370	-	-
Dep. & Amort.	7613	7536	7468	7409	7356	6920	6879	6842	6811	6783
Sub Total	15296	19012	21727	21727	21727	21730	21356	21727	21727	24727
Capital costs (Econ.)	41042				17175				17175	
Incr. Working capital 90%	6317	1053	1053							
Residual Value										28706
Sub-total	47359	1053	1053	-	17175	-	-	-	17175	28706
NET BENEFITS	(32063)	17959	20674	21727	4552	21730	21356	21727	10552	(3979
Discount factors at 40%	1	0.714	0.510	0.364	0.260	0.185	0.137	0.094	0.067	0.034
Present value	(32063)	12822	10543	7908	1183	4020	2818	2042	706	(3979
Net value	6000									
Discount factors at 50%	1	0.666	0.444	0.197	0.131	0.087	0.058	0.039	0.026	0.017
Present value	(32063)	11960	9179	6431	896	2846	1857	1260	411	(3979
Net present value	(1202)									

Therefore Economic Rate of Return

$$ERR = 40 + 10\ \frac{(6000)}{(7202)} = 48.3\%$$

ATC-USA

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA [IPPA]
WITHIN THE
FRAMEWORK OF THE
INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA [IDDA]

INDUSTRIAL INVESTMENT PROJECT PROFILE

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS
[UNIDO]
&
ATC-USA, CO.
A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT
DECEMBER, 1993

ATC-USA • 5 Concourse Parkway, Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4026
ATC-SEMBULE • P.O. Box 15142 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41-270918 • Telex 61371 SEMBULE

INDUSTRIAL INVESTMENT PROJECT PROFILE/FOR IPPA UNIDO-GEORGIA
DECEMBER 1993

COUNTRY: **Uganda** PROJECT # **001**

PROJECT TITLE: **Computer Assembly** SUBMISSION DATE: **December 18, 1993**

Project Description/Briefly

Joint Venture to assemble, manufacture, warehouse, market, test, import, stock, purchase, sell by wholesale or retail personal computers.

Part A - Information on the project

1. Technical Aspects

1.1 Is the project a new enterprise or expansion/modernization of an existing one?
Expansion

1.2 Has this project been promoted before? **Yes**
If yes, when: **Sept. 1992** By which organization. **ATC-USA**

1.3 Product(s) to be manufactured:

PRODUCT	QUANTITY	PRICE
Personal Computers	**Various**	**Various**

1.4 Market (Domestic, Export)

1.4.1 What percentage of production goes into domestic market? **50%**

1.4.2 What share in the domestic market it covers? **40%**

1.4.3 What percentage of production is designated for export?(name and respective percentage) **60%**

1.4.4 Other potential markets? (if any)
members of the Preferential Trade Association

1.5 Plant capacity (as detailed as possible)
Assemble 100 + computers a week
Train 70 people per month

1.6 Manufacturing process (as detailed as possible)

a. Import parts, components and peripherals and assemble.
b. Planning to manufacture some of the components

1.7 Manpower
Indicate estimated personnel requirements and average monthly wages inclusive of all allowances and benefits:

Manpower	Number	Monthly/Salary/ Person {Local currency}
Management	**2**	
Clerical	**2**	
Technical Supervision	**2**	
Skilled Labor	**3**	
Semi-skilled labor	**2**	
Unskilled labor	**2**	
Commissioned Sales person	**2**	
Total	**15**	**2,832,000**

1.8 Raw materials and other inputs
Indicate quantities required and unit prices

		Quantity [per year]	Unit Price
1.8.1	Domestic	**30%**	
1.8.2	Imported	**70%**	

1.8.3 For materials which have to be imported, indicate customary sources and specify import duties, where applicable: **From US Partners. 0 Import duties.**

1.9 Utilities
Indicate quantities required and unit prices for the following utilities:

Utilities	Quantities (per year)	Unit Price (Local currency)
- Fuel [oil, gas, coal, etc.]	-----	-----
- Electricity [Kwh]	----	----
- Water [own borehole]m3	----	----

- Other ---- ----

1.10 Plant location and availability of infrastructure facilities: (as detailed as possible)

1.10.1 Location and reason for selection of site
In Kampala City - Close to market.

1.10.2 Availability of infrastructure

	Yes	No
Water Supply	X	
Power Line	X	
Roads, rail, water, air, etc.	X	
Postal & communication services	X	

2. Financial Aspects

2.1 Total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component:

Fixed Investment	Local Currency Component [In US$]	Foreign Currency Component [In US$]	Total [In US$]
Land			
Buildings	2,000		2,000
Machinery & Equipment		5,000	5,000
Furniture/fittings	3,000		3,000
Working Capital	14,000	20,000	34,000
Pre-operational expenses	10,000	10,000	20,000
Interest during construction			
Provision for contingencies	24,000	12,000	36,000
Total	53,000	47,000	100,000

2.2 Proposed financial structure, indicating expected sources and terms of equity and loans:

	Local Sources [In US$]	Foreign Sources [In US$]	Total [In US$]
Equity	**53%**	**47%**	**100%**
Long-term loans			
Medium-term loans			
Short-term loans			
Total	**53%**	**47%**	**100%**

2.3 Is local development bank in principle willing to consider participation in the project? If no, why? **Yes**

2.4 What is the local investors equity contribution to the project (as detailed as possible)
Facility and Capital

3. Foreign Contribution Desired
Capital and Expertise

Indicate whichever is needed among the following:

-- Equity Participation **X**

-- Loans **X**

-- License and know-how **X**

-- Machinery & Equipment **X**

-- Access to Foreign Markets **X**

-- Technical collaboration **X**

-- Management

-- Training **X**

-- Other **X - Parts and Components**

4. Project study available (if available provide copy):

-- Prepared by: **ATC - USA**
-- Pre-feasibility **X**
-- Feasibility

-- Other
-- None

4.1 Information on profitability and return on investment (as detailed as possible): (important)
See attached proforma

5. Currency exchange rate used:

Date: **December 18, 1993**

Rate: **1 US $ = 1,200 UG Shilling**

Part B - Information on Project Sponsor(s)

1. Name of company: **Sembule Electronics Ltd**

Contact person: **Mr. C. Sembuya**

Address: **P.O. Box 15182,**
Kampala, Uganda

Telephone: **256-41-270918**

2. Present line of business: **Manufacturing, Finance Resale and Service**

3. Annual turnover (gross sales) (in US$) **In millions (confidential)**

4. Present ownership including equity distribution: **100%**

5. Bank connections: (Name Address) **Sembule Investment Bank Ltd.**
Plot 24 Jinja rd.
P.O. Box 2750
Kampala, Uganda

6. Year of establishment: **Over 25 years**

7. Number of employees: **Over 300+**

Signature of Project Sponsor

_____

Signature of Consultant/Coordinator

_____ DATE: 12-18-93

ATC-SEMBULE, INC.

PROJECT: ASSEMBLY EXPANSION

ATC-SEMBULE is a joint venture company established in September 1992. between ATC-USA and Sembule Electronics Limited. to assemble computer hardware. custom made Software and to provide computer training programs.

Currently. the joint venture is in full operation assembling Personal Computers. supplying computer hardware to Uganda and PTA market. as well as providing computer services and training sessions. ATC-SEMBULE has established dealerships for PC distribution from Uganda to Kenya. Ethiopia. Djibouti. and agreements with other PTA countries are progressing.

To provide more complete and comprehensive service to local and PTA markets. ATC-SEMBULE is in the process of an expansion program. The Board Members have decided to invest more capital in order to upgrade the facility as well as expand the assembly line. They will also develop more training sessions. and renew marketing activities.

ATC-SEMBULE partners jointly agreed that there is an immediate need to develop effective computer industry services in Uganda and other PTA countries. The parties strongly believe that the availability of a low cost computer supply would greatly assist small and medium businesses to increase their productivity through the application of modern computer systems.

However. due to the capital investment needed to develop an extensive computer production facility. the parties further agreed to apply for external funding assistance. The external funding coupled with ATC-SEMBULE's technical expertise ensures that even with the increased production ATC-SEMBULE will be able to provide effective service to the PTA region.

The board also identified those organization which would willing. and ready to support the development of this industry they include but are not limited to:

UNIDO. ADB. Government's industrial sectors. and other international organization.

ATC-SEMBULE

EXPANSION PLAN

The expansion phase of the project will take approximately six months activities. This phase will include the following activities, but not limited to: The cost is estimated to $60,000 to cover the following associated costs.

1.	Marketing Strategies Development Domestic & export . ..	$18,000
2.	Training More Technician for Assembly & Services	$10,000
3.	Component sets for computer systems Diagnostic software packages. Assembly and service tool kits. & Advanced Training for assemblers. testers. and service personnel...	$15,000
4.	Training of marketing and Sales Staff. Materials development for marketing, seminars, briefing and other marketing activities...	$10,000
5.	Develop & print Promotional materials, organize public relations activities. advertising campaign, select media, services, and R & D.	$7,000
	TOTAL EXPANSION COST	**$60,000**

Sembule Electronics Ltd.
P.O.BOX 15182, TELEPHONE :(256)41-257498/9, 270146/7
FAX: (256) 41-270918, TELEX: 61371 'SEMBULE' KAMPALA, UGANDA.

A G R E E M E N T

WHEREAS it is the desire of AFRICAN TECHNOLOGY COMPANY (ATC US), a United States, company organised under the laws of Georgia, 40 Marietta Street, Suite 6161, Atlanta, Georgia, and SEMBULE ELECTRONICS LIMITED, a company organised under the laws of Uganda, to enter into a joint venture to assemble, manufacture, warehouse market, test, import, stock, purchase, sell, whether by wholesale or retail various categories of computers, computer systems, electronic parts, computer peripheral equipment and related goods and merchandise for the African market.

NOW THEREFORE in CONSIDERATION of the mutual covenants herein the parties AGREE as follows:

1. The parties shall form a company with Articles of Association and Memorandum filed in Uganda with seven (7) Board Members and such terms as are agreeable within 21 days.

2. ATC USA Agrees to produce a graphic logo for ATC SEMBULE LTD. with an African map in the background with actual design and colours to be decided by the parties on or before October 6, 1992.

..../2-

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3. ATC USA agrees to provide technological training and procure computer parts, systems, electronic partsie computer peripheral equipment and related goods and merchandise in the U.S.A or other locations vending points disclosed to ATC SEMEULE LIMITED and forward to serve for assembly, manufacture or otherwise to ATC SEMEULE LIMITED.

4. SEMBULE ELECTRONICS LTD agrees to provide facilities for assembly and manufacture otherwise with dust free conditions and specification at thier premises in Kampala, labour and other assistance necessary to be decided by the parties on or before October 31, 1992.

5. The parties further agree to expand the sum of USD.100,000 as outlined in the attached Exhibit A designated as Direct Start Up Costs. It is understood and agreed by the parties that all bills of purchase and invoices shall be supplied to each other for all expenditures involved. It is contepla-ted that the parties shall expand the following sums with

...../3-

Sembule Electronics Ltd.
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with expenditures to control and any balances due toward said sum payable by deposit in the bank account of ATC SEMBULE, LIMITED on or before October 31st 1992. It is understood that Mr. Henry M.B. Makmot shall deposit within 21 days of signing this agreement the sum of USD. 5,000 in the bank account of ATC SEMBULE LIMITED.

SEMBULE ELECTRONICS LTD.	USD.	48,000
A T C USA.	USD.	47,000
MR. HENRY M.N MAKMOT	USD.	5,000
	USD.	100,000

..../4-

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6. The parties further agree to expand or deposit into the bank account of ATC SEMBULE LTD an additional sum of USD 100,000 payable on a prorata basis, 48% SEMBULE ELECTRONICS LTD., 47% ATC USA, and 5% Mr. Henry M.B. Makmot as follows:

   a) USD 60,000 - On December 1, 1992 or upon demand of the Board of Directors of ATC, SEMBULE LTD.

   b) USD 20,000 - The following month January, 1993 or upon demand of the Board of Directors of ATC, SEMBULE LTD.

   c) USD 20,000 - The month thereafter.

7. The parties further agree as follows:

   a) This agreement may be modified or amended by mutual consent of all parties.

   b) This agreement shall stand approved within 21 days of signing the same unless written notice of rejection is provided to all parties by DHL, Federal Express Return Receipt to evidence delivery to the parties at the following addresses:

SEMBULE ELECTRONICS LTD.

ATT: MR. C.C SEMBUYA
P.O.Box 15182
KAMPALA

KAMPALA, UGANDA

ATT: MR. I. KAKEMBO-NTAMBI
P.O.Box 15182
KAMPALA
---

with copies to:

.....5/4-

Sembule Electronics Ltd.
P.O.BOX 15182, TELEPHONE :(256)41-257498/9, 270146/7
FAX: (256) 41-270918, TELEX: 61371 'SEMBULE' KAMPALA, UGANDA.

ATT: MR. FRANCIS SEMBUYA
P.O. Box 15182
KAMPALA

African Technology Co. (ATC USA)

ATT: Mathew Gidile
African Technology Co.
40 Merietta Street,
Suite 1616,
Antlanta, Ca. 30303
Phone 404 - 688 - 7000

with copies to Randal Mangham
C/O Merietta Street,
Suite 1616
Antlanta, Ca. 30303
Phone 404 688 7000

and

Michael Landry
5 Concourse Parkway
Suite 2800
Atlanta Ca 30328

Henry M.B. Makmot:
Contact International Ltd
P.O. Box 8540, KAMPALA

along with Fax to:
041-244125

..../6-

Sembule Electronics Ltd.
P.O.BOX 15182, TELEPHONE :(256)41-257498/9, 270146/7
FAX: (256) 41-270918, TELEX: 61371 'SEMBULE' KAMPALA, UGANDA.

b) Any dispute under this agreement shall be resolved by ARBITRATION through the International Centre for the settlement of Investment Disputes, U.S. Arbitration, as the party aggrieved shall file.

In consideration of the mutual covenants herein, the parties do agree to said terms and conditions this 22nd day of August, 1992.

SIGNED: SEMBULE ELECTRONICS LTD. BY _____

AFRICAN TECHNOLOGY CO. By _____

HENRY M.B. MAGGOT BY _____

ATC-USA

ATC Business Plan

Executive Summary

African Technology Company (ATC) is a joint business development effort between Advance Technology Consultants and Sembule Electronics, Ltd. The goal of the venture is to provide Personal Computer products and related services to Uganda and other PTA countries.

Component parts will be imported and assembled in Uganda. The resulting computers, as well as peripherals, software, and training and support services will be sold through the appropriate distribution channels in Uganda and other surrounding markets.

The keys to the success of this project are to: establish a volume of assemblies to allow for good price breaks on component parts, set up local assembly to add value by assembling the parts into finished computers, provide local testing, installation and support services so that ATC can offer low cost, reliable personal computers to Ugandan businesses.

This venture will help establish the use of computer technology in small, medium and large Ugandan businesses by providing low cost equipment along with the needed training, service and support to make those projects successful. Local assembly sales and servicing of the systems will provide quality jobs to the Ugandan work force. Gaining government support and favorable tariff treatment is a key to establishing a viable personal computer distribution network in Africa.

ATC-USA • 5 Concourse Parkway Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4096
ATC-SEMBULE • P.O. Box 15182 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41-270918 • Telex 61371 "SEMBULE"

Market Strategy

ATC will provide IBM compatible computers that are 100% equiva'ent or superior to the IBM and compatible computers now being imported into Uganda. Micro Computers, along with supporting software and services have become an indespensable tool for small and medium-sized businesses that are the foundation of Uganda's future growth and competitiveness. Experience in Europe and the United States has shown that micro-computers give smaller firms a competitive edge by maximizing efficiency, planning, and cash flow management that makes them competitive with large companies. With new software applications available (such as scientific, communications and publishing), small companies can now compete more effectively with large companies. The continuing drop in hardware prices has made this technology affordable to a wide range of businesses.

At one time, the computer market supplying this crucial business sector was dominated by "name brand" firms: IBM, NEC, Apple, Bull, etc. However, in recent years it has become clear that computer hardware has become a commodity in that any standard machine compatible with IBM operating protocols uses essentially identical off-the-shelf parts. Indeed, even the major brands are essentially assemblers, rather than manufacturers, since they source most of their components outside their company. Operationally identical - or superior - machines can be assembled from parts at significant savings in cost compared to the products of traditional suppliers. The key is that, while it is very difficult to compete against the (mostly) Asian manufacturers of components due to industrial scale, it is extremely easy to compete with the heavily capitalized, top-heavy assemblers like IBM or Compaq.

In the United States hundreds, perhaps thousands of very small firms are competing successfully by supplying business users with machines assembled from components. In Atlanta alone, 46 firms (at last count) assemble and sell computers to the business and institutional market. Nationally, a number of assemblers like Gateway or Northgate have located in remote regions and used direct mail advertising effectively to build high-volume sales operations now shipping all over the world.

For the most part African business has missed out on the productivity revolution because the African computer market has been dominated by name brand machines sold at very high margins. This has kept the effective market for computers tiny and exclusive. There are very few assemblers operating at small scale scattered throughout Africa, but the rule of high margins for imported name brand systems holds nearly without challenge.

The key to introducing lower cost, locally assembled IBM compatible computers into Uganda on a large scale is to demonstrate the fact that they are functionally equal, or superior to, the name brands. It is critical that ATC assembly operations turn out products of the highest quality and provide excellent technical servicing and maintenance after the sale. To accomplish this, we will use high quality components and implement a thorough six-stage pre-shipment and post assembly testing program.

We will also make an effort to establish a brand identification as we build a quality, value image. This effort will include printed materials, packaging, delivery of services, etc.

Having an assembly plant in Uganda will insure a ready supply of quality-tested computers that are configured to meet the specific needs of the Ugandan business market. Local assembly, sales and support operations will also ensure ready access to maintenance and support by the purchasers of this equipment. Successful implementation of computer systems by small and mid-sized businesses depend on the availability of quality hardware, appropriate software applications and the training and support necessary to make those systems work in each individual business.

We are in the process of analyzing the Ugandan and Eastern African market to determine the appropriate mix of computer configurations, software applications and training and support needed. This analysis will also indicate the general volume levels of the assembly operation. It is important to determine not only the number and size of businesses in the Ugandan market, but to also identify the nature of the information needs in each business type as well as the status of technology (computer) utilization in each.

The strategy is to provide a lower cost alternative to other computer systems that are currently being imported into Uganda, while offering better warranty and support. Local assembly and distribution of these products will also provide Uganda a foot in the door to becoming a player in the technology arena.

Assembly Operations

The Ugandan assembly operation will require the following: trained assemblers and testers, an assembly facility, component parts inventory, tools and equipment for assembly, testing and packaging, and management and administrative personnel.

The key to making the assembly operations work (and thus the entire venture), is to obtain a good, trained assembly work force. The assembly process, while not extremely complex, depends on training, quality control and testing at every step. Advance Technology Consulants of Atlanta, Georgia, USA have been involved in the planning process and will provide training to assemblers and testers. Training will also be provided for ongoing technical assistance and sales and support operations.

People currently assembling phones can be cross-trained to assemble computers. The initial training would be provided with a two or three week on-site instructor, depending on the existin skill levels of the people. Further training would be provided for support and sales staff.

The assembly, testing and packaging operations will be organized to fit the expected volume of operations as indicated by the marketing study. An existing facility could be utilised to house the assembly and distribution operations.

We are also researching the best cost / quality mix for components that will be used in the assembly process. These components and peripherals must be purchased and inventoried to support expected assembly and servicing operations.

Computers should be considered as perishable items in that their prices tend to decline, sometimes rapidly, with age. The main implication of this is that our facility must accurately understand the market so that we do not build computers beyond what our buyers can rapidly absorb.

The assembly facility will be capable of building a full range of compatible

systems, with a limited amount of additional training for each. The key factor in the number of levels of systems to provide is the requirement in component and replacement parts inventory, as well as ongoing customer support training.

The management and administration team is a critical factor in getting the project through the startup phase and in running an operation that can produce quality equipment and service. This team will facilitate the initial setup of the operation, conduct the staff hiring and coordinate the training efforts. They must implement a plan for operations and procedures necessary to build a functioning business.

When day to day operations have commenced, they will be responsible for managing orders, scheduling production, overseeing the quality and timeliness of the work, shipping goods, etc. They must develop an accounting and scheduling system to facilitate running the operation and providing information for customer service and management decision making.

Distribution & Sales

The distribution channels that are established for the ATC products and services will be determined by the market analysis -- what products and services are needed for what reasons by whom? The key factor is, how much information or training is needed by the potential customer before making a decision to buy or not to buy a computer (or to buy our system or that of a competitor)?

The venture will sell primarily through company authorized dealers, as well as potentially through a direct sales force augmented with telemarketing.

Any channels used will include the following:

- Demonstration Activities: Our marketing approach fits the relatively small markets of Africa. We focus on hands-on demonstrations

of the various systems, taking time to familiarize the buyers with the benefits of the system in terms of their own business needs. We can then provide systems, software and services tailored to meet those needs.

- Free Seminar/Workshop: Our general marketing outreach tool is the free seminar on computers in business. The size of these is limited to 10-15 participants so that each can spend some time "hands-on". The goal of this meeting is to set up a one-on-one interview opportunity in which the appropriate the prospective customer's needs are identified and matched to the benefits of a system. The initial round of seminars will be conducted by Atlanta partners staff and, in some cases, by the Head of the Training program. This format can be very flexible: for instance a seminar can be designed for different kinds of businesses (hotels, government agencies, etc.).

- Product Awareness Tools: ATC will also produce a variety of product awareness tools to help create a brand image. As noted in the marketing section, the image of ATC products will be good value, very reliable and increased value to the business as a result of excellent service, training and support. These might initially include branded t-shirts, knit shrits, buttons, banners and signs, as well as logos for all communications, advertising and packaging.

Where possible, ATC will build relationships and establish contracts to provide equipment and services on an ongoing basis. This can help level the operations and create stability in the startup phases of the business.

Installation, Training and Support are critical to ATC's success since we cannot continue to sell equipment and services if we do not build a base of satisfied users. The support structure will also allow us to provide a warranty which will be used as a competitive advantage. Therefore, it is important to establish a well trained base of support personnel, with a well designed plan for delivering support services after the sale.

Once the buyer has made the decision to purchase a system, the next step is to put the system together so that it fits the buyer's needs. This includes the computer components, software applications, training and the actual installation and setup and the customer's site. Each system will be built to meet the customer's specifications with software (DOS, Windows, etc.) either loaded in and tested, or provided in packaged format for training at the customer's location. Before delivery, all aspects of each system will be fully tested to ensure that each piece works as expected.

An integral part of the success of ATC is the ongoing support services provided to computer purchasers to keep them up and running. First, we believe that the best support policy is to implement strict quality control procedures and conduct extensive testing on the products before they are delivered. As problems are incurred, we will provide prompt service and maintain a full level of replacement parts so that computers are fixed in a timely manner. The requirements for this operation are a trained and service oriented support staff, backed up with a full

ATC-USA

TO DEALERS AND PROSPECTIVE CLIENTS OF ATC-USA & ATC-SEMBULE

African Technology Company - USA (ATC-USA) and African Technology Company - Sembule (ATC-Sembule) are partners in supplying personal computers, peripheral equipment and services to the African market. ATC-Sembule assembles and stocks the products for distribution. ATC-USA provides ongoing marketing, training, promotional and technical support and direction for dealers and agents that distribute ATC-Sembule products.

ATC-Sembule and ATC-USA are committed to supplying high quality products and services to meet the technology needs of the emerging African market. We sell through dealers and agents who have the experience necessary to build relationships with our target market, identify technology needs of those clients and provide the support needed to ensure that those clients utilize their new technology well.

If you are interested in finding out more about our company and our dealer organization, contact ATC-USA in Atlanta, Georgia, USA, or ATC-Sembule in Kampala, Uganda.

ATC-USA • 5 Concourse Parkway Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4096
ATC-SEMBULE • P.O. Box 15182 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41-270918 • Telex 61371 "SEMBULE"

ATC-Sembule Start-up Costs

	Uganda	U S		
		Hard	Soft	Date due
Travel - trade show		5000		20 Sep
Expenses - trade show		1800		01 Nov
Time - trade show			3000	
Brochures		5000		15 Oct
Artwork - Logo		750		01 Oct
Business cards		132		15 Oct
Letterhead		100		15 Oct
PC Emblems		250		15 Sep
3 computers		3800		20 Sep
Shipping charges		500		20 Sep
6 Toolkits		600		
Time - coordination			5000	
Costs - setup		$17,932.00	$8,000.00	
Time - research & prep			2500	
Travel - training		4000		01 Dec
Expenses - training		2100		01 Jan 93
Time - training			6000	
20 computers	20480			01 Dec
Shipping	1650			
Misc. Fees	2500			
Vehicle	7000			
Supplies	1000			
Facility Prep/Rent	3600			
Furniture/Materials	1400			
Time - purch/shipping			5000	
Costs - preproduction	$37,630	$6,100	$13,500	
Totals	$37,630	$24,032	$21,500	

ATC Sembule Proforma

	Sept	Oct	Nov	Dec	Jan
Beginning Inventory	0	0	0	0	0
# of Computers Made	0	0	0	20	80
# of Computer Sold (Domestic)	0	0	0	10	15
# of Computers Sold (Export)	0	0	0	10	50
Ending Inventory	0	0	0	0	15
Domestic Revenue	$0	$0	$0	$28.000	$42.000
Export Revenue	$0	$0	$0	$17.640	$88.200
Total Revenue	$0	$0	$0	$45.640	$130.200
Parts and Supplies	$0	$0	$0	$24.000	$96.000
Export Costs	$0	$0	$0	$1.360	$6.800
Marketing Costs	$0	$0	$0	$3.600	$14.400
Operating Profit	$0	$0	$0	$16.680	$13.000
Labor	$0	$0	$700	$700	$700
Management	$0	$0	$0	$1.000	$1.000
Materials and Supplies	$10.200	$1.000	$2.000	$0	$0
Travel/Lodging	$0	$6.800	$8.000	$0	$7.000
Training Expenses	$0	$4.500	$7.000	$0	$0
Vehicle / Maintenance	$0	$6.800	$150	$150	$150
Facility Prep / Rent	$2.400	$2.500	$620	$620	$620
Total Expenses	$12.600	$21.600	$18.470	$2.470	$9.470
Net Profit	($12.600)	($21.600)	($18.470)	$14.210	$3.530
Beginning Cash	$0	$5.000	$5.000	$5.000	$19.210
Paid in Capital	$17.600	$21.600	$18.470	$0	$0
Ending Cash	$5.000	$5.000	$5.000	$19.210	$22.740

Export Cost - ATC-USA	1900
Export Price to dealer	2090
Cost Per Computer	1200
Domestic Price	2800
Export Price	1764
Export Shipping	60
Export Charges	76
Loan Threshold	5000
Monthly Interest Rate	0.015
Domestic Selling Cost	0
Export Marketing	0.15
Dealer Discount	0.15
Co-op Advertising	0.02
Aquisition Fee	0.06

Average system:
386DX 40MHz
4 MB RAM
SVGA Monitor
Mouse
106MB HDD
3.5" FDD
DOS and Windows

1900

	Feb	Mar	Apr	May	June	July	Aug	TOTAL
Beginning Inventory	15	25	25	20	20	20	20	
# of Computers Made	100	120	135	150	160	170	180	1115
# of Computer Sold (Domestic)	15	20	20	20	20	20	25	165
# of Computers Sold (Export)	75	100	120	130	140	150	160	935
Ending Inventory	25	25	20	20	20	20	15	
Domestic Revenue	$42.000	$56.000	$56.000	$56.000	$56.000	$56.000	$70.000	
Export Revenue	$132.300	$176.400	$211.680	$229.320	$246.960	$264.600	$282.240	
Total Revenue	$174.300	$232.400	$267.680	$285.320	$302.960	$320.600	$352.240	
Parts and Supplies	$120.000	$144.000	$162.000	$180.000	$192.000	$204.000	$216.000	
Export Costs	$10.200	$13.600	$16.320	$17.680	$19.040	$20.400	$21.760	
Marketing Costs	$18.000	$21.600	$24.300	$27.000	$28.800	$30.600	$32.400	
Operating Profit	$26.100	$53.200	$65.060	$60.640	$63.120	$65.600	$82.080	
Labor	$700	$700	$1.000	$1.000	$1.000	$1.000	$1.000	
Management	$1.000	$1.000	$1.000	$1.000	$1.000	$1.000	$1.000	
Materials and Supplies	$0	$0	$0	$0	$0	$0	$0	
Travel/Lodging	$0	$0	$5.000	$0	$0	$5.000	$0	
Training Expenses	$0	$0	$0	$0	$0	$0	$0	
Vehicle / Maintenance	$150	$150	$150	$150	$150	$150	$150	
Facility Prep / Rent	$620	$620	$620	$620	$620	$620	$620	
Total Expenses	$2.470	$2.470	$7.770	$2.770	$2.770	$7.770	$2.770	
Net Profit	$23.630	$50.730	$57.290	$57.870	$60.350	$57.830	$79.310	
Beginning Cash	$22.740	$46.370	$97.100	$154.390	$212.260	$272.610	$330.440	
Paid in Capital	$0	$0	$0	$0	$0	$0	$0	57670
Ending Cash	$46.370	$97.100	$154.390	$212.260	$272.610	$330.440	$409.750	

Upgrades:	
2MB RAM	100
130MB HD	200
200MB HD	500
5.25" FDD	200

ATC-USA Marketing

	Sept	Oct	Nov	Dec	Jan
Product Aquisition Fees	$0	$0	$0	$1.440	$5.760
Marketing Revenue	$0	$0	$0	$3.600	$14.400
Dealership Initiation Fees	$0	$0	$0	$4.000	$2.000
Salary Expense	$0	$0	$0	$0	$10.000
Travel	$0	$0	$0	$0	$4.000
Lodging	$0	$0	$0	$0	$3.000
Materials	$0	$0	$0	$0	$1.000
Co-op Advertising	$0	$0	$0	$353	$1.764
Overhead (Phone.Supplies.etc)	$0	$0	$0	$1.000	$1.000
Total Expense	$0	$0	$0	$1.353	$20.764
Net Income	$0	$0	$0	$7.687	$1.396

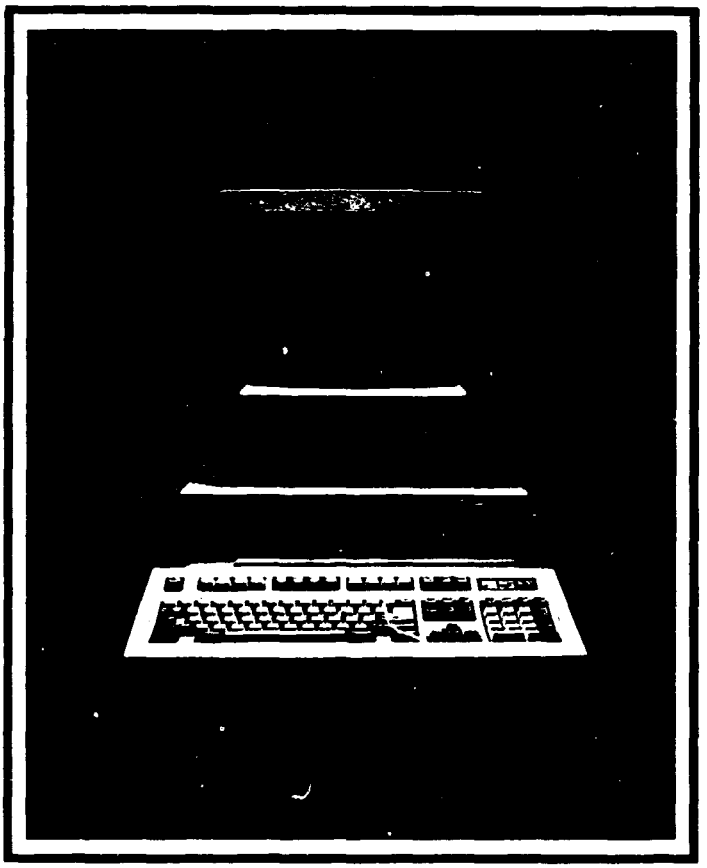
Note: Advertising expense at 2%

	Feb	Mar	Apr	May	June	July	Aug	TOTAL
Product Aquisition Fees	$7.200	$8.640	$9.720	$10.800	$11.520	$12.240	$12.960	$80.280
Marketing Revenue	$18.000	$21.600	$24.300	$27.000	$28.800	$30.600	$32.400	$200.700
Dealership Initiation Fees	$2.000	$0	$2.000	$2.000	$0	$2.000	$0	$14.000
Salary Expense	$10.000	$10.000	$10.000	$10.000	$10.000	$10.000	$10.000	$80.000
Travel	$2.000	$2.000	$2.000	$2.000	$2.000	$2.000	$0	$16.000
Lodging	$3.000	$3.000	$3.000	$3.000	$3.000	$3.000	$0	$21.000
Materials	$1.000	$1.000	$1.000	$1.000	$1.000	$1.000	$1.000	$8.000
Co-op Advertising	$2.646	$3.528	$4.234	$4.586	$4.939	$5.292	$5.645	$32.987
Overhead (Phone.Supplies.etc)	$1.000	$1.000	$1.000	$1.000	$1.000	$1.000	$1.000	$9.000
Total Expense	$19.646	$20.528	$21.234	$21.586	$21.939	$22.292	$17.645	$166.987
Net Income	$7.554	$9.712	$14.786	$18.214	$18.381	$22.548	$27.715	$127.993

Note: Advertising expense at 2%

ATC-USA

Presents



ATC-USA COMPUTERS

The designed for the business professional. Combining the highest quality components at an affordable cost is the goal of ATC-USA.

ATC-USA strives for high performance, affordability and availability. ATC-USA's local inventory assures prompt response for your orders and purchases.

ATC-USA offers a complete line of affordable personal computers. The line includes computer based on the 80386 and 80486 microprocessors that operate at 33, 40, 50 and 66 MHZ. The standard configuration for each is 1 MB RAM (4 for 486), 80 MB HDD, color VGA, 14" monitor, 3.5" FDD.

ATC-USA computers are easily expandable. The optional components include: 120MB or 200MB hard drives, RAM expansion up to 32MB, 14" VGA color monitor, an Intel 80387 or Weitek 3167 math coprocessor for 386, and a 5.25" 1.2MB floppy drive. The ATC-USA can be configured for your specific needs.

The ATC-USA — the smart investment for your business objectives.

ATC-USA • 5 Concourse Parkway • Suite 2800 • Atlanta, Georgia 30328 USA • Tel 404-512-4024 • FAX 404-512-4096

ATC-USA COMPUTERS

SPECIFICATIONS

Systems

ATC333 based on 386 SX 33
ATC340 based on 386 DX 40
ATC425 based on 486 SX 25
ATC433 based on 486 DX 33
ATC452 based on 486 DX2 50
ATC450 based on 486 DX 50
ATC466 based on 486 DX2 66

Key Features

IBM Compatible

ISA-bus expansion slot technology

Desktop small footprint design

Processor

OPTi82C39/392 chip set with high performance Write-Back, Direct Mapped Cache Controller and Tag Comparator built-in.

Socket for optional Intel 80387 or Weitek 3167 coprocessor for 386

AMI BIOS with extensive system setup options

Supports BIOS and Video Shadowing with Video BIOS caching option

Memory

RAM: 2MB system memory expandable to 32MB on-board 70ns SIMMs

Memory Cache: 64KB expandable to 256KB

I/O Connections

Interface for up to two diskette drives, including 1.2MB and 1.44MB

Two RS-232C serial ports

One parallel port

Expansion Slots

Two XT (8-bit) expansion slots

Six ISA (16-bit) expansion slots

Disk Storage

One 5.25-inch full-height internal drive bays

Hard Disk Options

80MB, 19ms seek time IDE

120MB, 19ms seek time IDE

200MB, 16ms seek time IDE

Monitor Options

14-inch VGA monochrome

14-inch VGA color, .39 dot pitch

Power Supply

230-watt switching power supply, 115V/60Hz or 230V/50Hz

Keyboard

101-key mechanical-type IBM Enhanced Keyboard compatible

12-function keys, LED indicators for CAPS LOCK, NUM LOCK, and SCROLL LOCK keys

Dimensions

17.13 in. (d) x 16.73 in. (w) x 4.06 in. (h)

System Software

MS-DOS® 5.0

Microsoft Windows 3.1 & Mouse (optional)

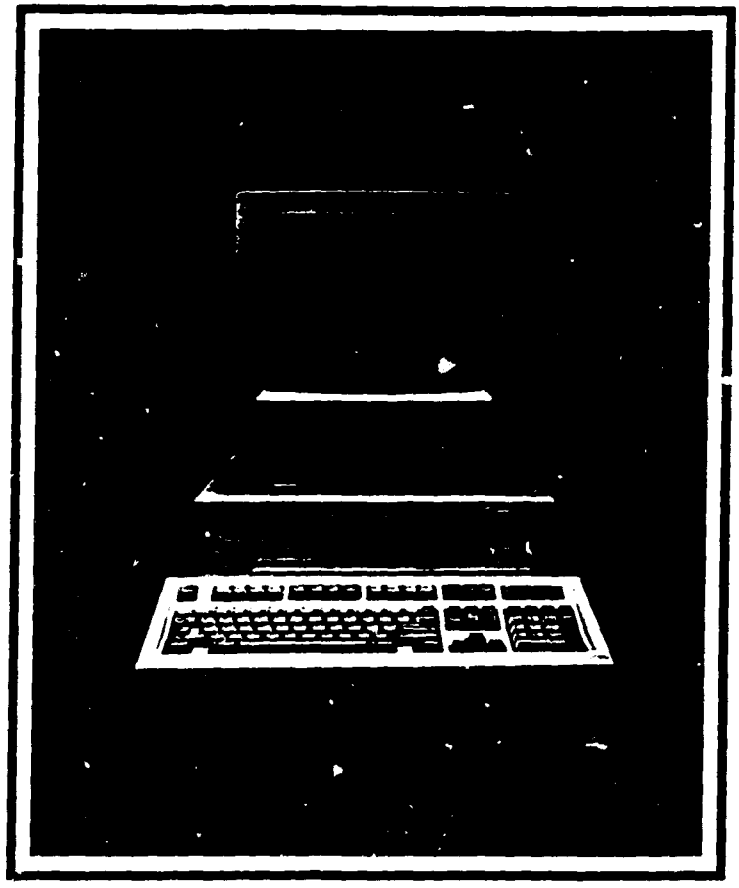
System setup utility

ATC-USA
5 Concourse Parkway
Suite 2800
Atlanta, Georgia 30328 USA
Tel: 404-512-4024
FAX 404-512-4096

ATC-USA

ATC-SEMBULE

Presents



ATC-SEMBULE 340D

The ATC-Sembule 340D is designed for the business professional. Combining the highest quality components at an affordable cost is the goal of ATC-Sembule and the 340D represents the best value in a personal computer.

ATC-Sembule strives for high performance, affordability and availability. ATC-Sembule's local inventory assures prompt response for your orders and purchases.

The ATC-Sembule 340D features an 80386DX microprocessor operating at 40 Mhz. The standard configuration of the 340D offers a 40MB hard drive, 2MB of RAM, and a 3.5" 1.44MB floppy drive.

Additionally, the 340D is equipped with a 14" VGA monochrome monitor and VGA monitor card with 256KB video RAM.

The 340D is easily expandable. The optional components include: [illegible]MB hard drives, RAM expansion up to 32MB, 14" VGA color monitor, an Intel 80387 or Weitek 3167 math coprocessor, and a 5.25" 1.2MB floppy drive. The ATC-Sembule 340D can be configured for your specific needs.

The ATC-Sembule 340D — the smart investment for your business objectives.

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ATC-SEMBULE • P.O. Box 15182 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41 270918 • Telex 61371 "SEMBULE"

ATC-SEMBULE 340D

SPECIFICATIONS

Key Features

80386DX-based personal computer

ISA-bus expansion slot technology

Desktop small footprint design

Processor

OPTi82C39/392 chip set with high performance Write-Back, Direct Mapped Cache Controller and Tag Comparator built-in.

Socket for optional Intel 80387 or Weitek 3167 coprocessor

AMI BIOS with extensive system setup options

Supports BIOS and Video Shadowing with Video BIOS caching option

Memory

RAM: 2MB system memory expandable to 32MB on-board 70ns SIMMs

Memory Cache: 64KB expandable to 256KB

I/O Connections

Interface for up to two diskette drives, including 1.2MB and 1.44MB

Two RS-232C serial ports

One parallel port

Expansion Slots

Two XT (8-bit) expansion slots

Six ISA (16-bit) expansion slots

Disk Storage

One 5.25-inch full-height internal drive bays

Hard Disk Options

40MB, 19ms seek time IDE

120MB, 19ms seek time IDE

200MB, 16ms seek time IDE

Monitor Options

14-inch VGA monochrome

14-inch VGA color, .39 dot pitch

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MS-DOS® 5.0

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ATC Dealer Proforma

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
Units Sold	40	35	45	70	80	85	90	95	100	100	100	100	940
Revenue	100000	87500	112500	175000	200000	212500	225000	237500	250000	250000	250000	250000	2350000
Cost of Good Sold	-80000	-70000	-90000	-140000	-160000	-170000	-180000	-190000	-200000	-200000	-200000	-200000	-1880000
Volume Discount	2000	1750	2250	7000	8000	8500	9000	9500	10000	10000	10000	10000	88000
Clearing Charges	-10000	-8750	-11250	-17500	-20000	-21250	-22500	-23750	-25000	-25000	-25000	-25000	-235000
Gross Profit	12000	10500	13500	24500	28000	29750	31500	33250	35000	35000	35000	35000	323000
Service Revenue	2500	2187.5	2812.5	4375	5000	5312.5	5625	5937.5	6250	6250	6250	6250	58750
Rent	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Salary	600	600	1200	1200	1800	2400	3000	3600	4200	4800	5400	6000	34800
Advertising	2500	2187.5	2812.5	4375	5000	5312.5	5625	5937.5	6250	6250	6250	6250	58750
Co-op Assistance	-1000	-875	-1125	-1750	-2000	-2125	-2250	-2375	-2500	-2500	-2500	-2500	-23500
Overhead	2000	1750	2250	3500	4000	4250	4500	4750	5000	5000	5000	5000	47000
Total Expenses	5100	4662.5	6137.5	8325	9800	10837.5	11875	12912.5	13950	14550	15150	15750	129050
Net Profit	9400	8025	10175	20550	23200	24225	25250	26275	27300	26700	26100	25500	252700

MAX. UNIT SOLD	100
Retail Price	2500
Clearing Charges Rate	0.1
Base Dealer Discount	0.2
Volume Discount Level #1	25
Volume Discount Level #2	50
Overhead as % of Revenue	0.02
Customer with Service Contract	0.5
Service Contract Fee (% of Price)	0.05
Advertising Rate	0.025
Co-op Advertising Rate	0.01
Individual Salary	600
Employees per Service Contracts	50

SUMMARY OF THE JOINT VENTURE AGREEMENT ESTABLISHED
[PROJECT PROFILE]

COUNTRY: **Uganda**

1. PROJECT TITLE : **Peanut Processing Plant**

2. PROJECT STATUS: **Plant is operational - this is an expansion**
Feasibility studies are under way

3. SPONSOR: **United Farmers Co. Ltd.**

4. ADDRESS: **P.O. Box 40251**
Kampala Uganda

5. TOTAL
INVESTMENT: **$ 210,000**

6. EQUITY SHARE:
SPONSOR **70%**

USA-PARTNER **30%**

7. EACH PART CONTRIBUTION
SPONSOR'S: **$ 130,000**

USA-PARTNER'S: **$ 80,000**

8. ORGANIZATION AND MANAGEMENT

Local Sponsor will continue the management of the plant

US Partner will provide operational funds to increase production by 40%

US Partner will provide expertise to access foreign markets PTA and Eastern Europe.

9. AGREEMENT/DOCUMENT

Once feasibility study is completed negotiations will begin

10. SPONSOR: **United Farmers Company Limited**

11. ADDRESS: **P.O. Box 40251**
Kampala, Uganda

12. TOTAL
INVESTMENT: **$210,000**

13. EQUITY SHARE:
SPONSORS **70%**

USA-PARTNER **30%**

ATC-USA

INDUSTRIAL PARTNERS PROGRAM FOR AFRICA [IPPA]
WITHIN THE
FRAMEWORK OF THE
INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA [IDDA]

INDUSTRIAL INVESTMENT PROJECT PROFILE

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATIONS
[UNIDO]
&
ATC-USA, CO.
A PARTNERSHIP FOR AFRICAN INDUSTRIAL DEVELOPMENT
DECEMBER, 1993

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ATC-SEMBULE • P.O. Box 15182 • Kampala, Uganda • Tel 256-41-257498/9 256-41-270146/7 • FAX 256-41-270018 • Telex 1271 SEMBULE

INDUSTRIAL INVESTMENT PROJECT PROFILE FOR IPPA UNIDO-GEORGIA
DECEMBER 1993

COUNTRY: KENYA **PROJECT #** 006

PROJECT TITLE: FRUIT JUICE PROCESSING **SUBMISSION DATE:** 12-18-93

Project Description/Briefly

PROCESSING SEVERAL KINDS OF FRUIT JUICE. CURRENTLY SUPPLYING TO LOCAL MARKET AND EUROPEAN MARKET. . .

Part A - Information on the project

1. Technical Aspects

1.1 Is the project a new enterprise or expansion modernization of an existing one?
-EXPANSION & MODERNIZATION

1.2 Has this project been promoted before? Yes/No: NO
If yes, when: _____ By which organization. .....

1.3 Product(s) to be manufactured:

PRODUCT	QUANTITY	UNIT PRICE
PLEASE SEE ATTACHED BUSINESS PLAN		

1.4 Market (Domestic, Export):

1.4.1 What percentage of production goes into domestic market? _40%

1.4.2 What share in the domestic market it covers? _70%_

1.4.3 What percentage of production is designated for export?(name and respective percentage) _80%

1.4.4 Other potential markets? (if any)
-THE MIDDLE EAST, USA & OTHER AFRICAN COUNTRIES

1.5 Plant capacity (as detailed as possible)
=PLEASE SEE ATTACHED BUSINESS PLAN

1.6 Manufacturing process (as detailed as possible)
=FRESH FRUIT PROCESSED TO PRODUCE HIGH QUALITY JUICE

1.7 Manpower
Indicate estimated personnel requirements and average monthly wages inclusive of all allowances and benefits:

Manpower	Number	Monthly/Salary/ Person {Local currency}
Management	4	CONFIDENTIAL

Clerical	5	------
Technical Supervision	-3	-----
Skilled Labor	5	----
Semi-skilled labor	4	-----
Unskilled labor	6	------
Seasonal labor	5+	-------
Total	32	-------

1.8 Raw materials and other inputs
Indicate quantities required and unit prices

	Quantity [per year]	Unit Price
1.8.1 Domestic (90%)		
1.8.2 Imported (10%)		

1.8.3 For materials which have to be imported, indicate customary sources and specify import duties, where applicable:

1.9 Utilities
Indicate quantities required and unit prices for the following utilities:

Utilities	Quantities (per year)	Unit Price (Local currency)
- Fuel [oil, gas, coal, etc.]	SEE BUSINESS PLAN	-----
- Electricity [Kwh]	----	----
- Water [own borehole]m3	----	----
- Other	----	----

1.10 Plant location and availability of infrastructure facilities: (as detailed as possible)

1.10.1 Location and reason for selection of site =
-CLOSE TO NAIROBI CITY, BECAUSE IT IS CLOSED TO THE MARKET AND TRANSPORTATION.

1.10.2 Availability of infrastructure

	Yes	No
Water Supply	=SEE ATTACHED BUSINESS PLAN	
Power Line		

Roads, rail, water, air, etc.

Postal & communication services

2. Financial Aspects

2.1 Total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component:

	Local Currency Component [In US$]	Foreign Currency [In US$]	Total [In US$]
Fixed Investment			
Land	SEE ATTACHED BUSINESS PLAN		
Buildings			
Machinery & Equipment			
Furniture/fittings			
Working Capital			
Pre-operational expenses			
Interest during construction			
Provision for contingencies			
Total			

2.2 Proposed financial structure, indicating expected sources and terms of equity and loans:

	Local Sources [In US$]	Foreign Sources [In US$]	Total
Equity			
Long-term loans	SEE ATTACHED BUSINESS PLAN		
Medium-term loans			
Short-term loans			
Total			

2.3 Is local development bank in principle willing to consider participation in the project? If no, why? = YES

2.4 What is the local investors equity contribution to the project (as detailed as possible) =BUILDING, LAND, MANPOWER, AND INITIAL CAPITAL.....

3. Foreign Contribution Desired

Indicate whichever is needed among the following:

-X- Equity Participation

-- Loans

-- License and know-how

--X- Machinery & Equipment

--X- Access to Foreign Markets

-X- Technical collaboration

-X- Management

-- Training

-- Other

4. Project study available (if available provide copy):

--Prepared by: ATC-USA, CO.
-X- Pre-feasibility
-- Feasibility
-- Other: BUSINESS PLAN, PAST REPORT BALANCE SHEET
-- None

4.1 Information on profitability and return on investment (as detailed as possible): (important)
=PLEASE SEE ATTACHED BUSINESS PLAN,

5. Currency exchange rate used:

Date: 12-18-1993

Rate: 68 K.SHILING

Part B - Information on Project Sponsor(s)

1. Name of company: OLYMPIC FRUIT PROCESSING LTD.
Contact person: MR. PETER N. NGANGA
Address: P. O. BOX 28935, NAIROBI, KENYA

Telephone: 254-2-225815

2. Present line of business: FRUIT JUICE PROCESSING

3. Annual turnover (gross sales) (in US$) CONFIDENTIAL

4. Present ownership including equity distribution: 50% -50%

5. Bank connections: (Name Address) AVAILABLE UP ON REQUEST

6. Year of establishment: 1991

7. Number of employees: 20

Signature of Project Sponsor

Signature of Consultant/Coordinator

DATE: 12-12-93

BANKI YA TAIFA LA KENYA LIMITED

NATIONAL BANK OF KENYA LIMITED

MOI AVENUE P.O. BOX 72497 NAIROBI KENYA
Telephone: 229541, 331780, 223154

TO WHOM IT MAY CONCERN

29th December, 1993

RE: OLYMPIC FRUIT PROCESSORS LTD.

This is to confirm that the above company has been banking with us since 1988. During this period the Bank has extended some banking accomodation to the company.

The Bank will consider co-financing the company subject to the company fulfilling bank lending regulations at interest ruling at the time of lending.

Yours faithfully,

N. [illegible]
MANAGER

OLYMPIC FRUIT PROCESSORS LTD.

CARGEN HOUSE HARAMBEE AVENUE
P.O BOX 28935 NAIROBI. KENYA
TEL 225815. 217814 NAIROBI 22632 THIKA
TELEX 25650 NAIROBI
FAX No (254) 2 337275

PROSPECTUS

December 06/1993

OLYMPIC FRUIT PROCESSORS LIMITED

Contents

Share offer

This prospectus has been prepared to provide information that is deemed necessary for the purpose of investing in Olympic Fruit Processor Ltd (OFPL). All the shares on offer will be issued to only one investor preferably an institution or reputable individual. The prospectus is therefore aimed to a selected audience who the shareholders consider as a reliable joint venture partners.

The directors of OFPL accept responsibility for the accuracy of information provided in this document and any matter of judgement and is made in good faith and considered to be realistic for both longterm planning and for interested shareholders.

The ordinary shares being offered will rank pari passu in all respects with the existing ordinary share capital of the company and will be entitled to participate in full in all dividend or other distribution hereafter declared on the ordinary shares of the company.

Reasons for offer

The shares are being offered in order to strengthen the capital base of the company, improve the working capital to be able to sustain reliable export business opportunities as they arise without undue financial

OLYMPIC FRUIT PROCESSORS LIMITED

following the liberalisation of interest rates the short term borrowing from Kenya Finance Company (KFC) cannot be sustained any longer and the rate charged thereon impacts adversely on the company's competitiveness.

Placing statistics

Price per new ordinary share	Shs 100
Capitalization of KFC after sale	Shs 40 mio
Current shareholders stake	Shs 50 mio
New share offer proceeds after sale	Shs 75 mio
Proportion of new share capital	60 %

Key information

Company: Incorporated in 1988.

Turnover: In 1992 total turnover of Shs 8.2 million of which 50% was exported.

Business: The principle activity is the manufacture of juices - concentrates and single strength.

Legal status: Limited liability company

OLYMPIC FRUIT PROCESSORS LIMITED

Location: Juja, Kenya

Employees: 9

Capacity: 800 kgs of fresh fruits per hour

Share capital: The authorised share capital is 2000 shares of Shs 100 and all shares are issued and fully paid. The authorised share capital will be increased to accomodate the new issue.

Current share holding:

Mr. Peter G.N. Ng'ang'a 50 %

Mrs. Keziah W. Ng'ang'a 50 %

Short term lenders Kenya Finance Company secured by company assets	Shs 40.0 mio
Bank overdraft secured by current shareholders	Shs 3.0 mio
Unsecured credits	Shs 12.0 mio
Total indebtness (estimated)	Shs 55.0 mio

OLYMPIC FRUIT PROCESSORS LIMITED

Management

The offer: OFPL is planning to increase the share capital to Shs 125 million by selling an additional 750,000 shares at a price of Shs 100 for each.

Purpose: The net proceeds of the offer will be applied for a debt/equity swap for KFC and to increase stocks of raw materials.

THE COMPANY

1. Legal status

The company was incorporated as a limited liability company in 1988 with the sole objective of processing and selling fruit juices and consentrates. The company's registered office is in Cargen House on Harambee avenue, Nairobi but the factory is located at Juja 32 kilometers from Nairobi along the Nairobi-Thika Highway.

OLYMPIC FRUIT PROCESSORS LIMITED

2. Ownership

According to the company's Memorandum and Articles of Association, Mr. and Mrs. Ng'ang'a are the sole shareholders of Olympic Fruit Processors Limited whose authorised share capital of KShs 200,000.00 is fully paid with Mr. Ng'ang'a and Mrs. Ng'ang'a owning 50% each.

Shareholder	No. of Shares	Par value (Shs)	Paid-up Capital	%
Mr.P. Ng'ang'a	1,000	100	100,000	50%
Mrs.K. Ng'ang'a	1,000	100	100,000	50%
Total	2,000		200,000	100%

3. Board of Directors

By virtue of their shareholding in the company, Mr. and Mrs. Ng'ang'a are the only Directors of the company with Mr. Ng'ang'a as the Chairman and Mrs. Ng'ang'a the Secretary.

4. Management

The management organisation of Olympic is structured with Mr. Peter G. Ng'ang'a being the Chairman and Managing Director assisted by his wife Mrs. Keziah Ng'ang'a as the Administrative Director. The two Directors are assisted by an accountant, two Production supervisors, a laboratory assistant, two clerks, a typist and a driver. This team is assisted by a group of casuals who are hired when and if necessary.

5. General Management

The general management of the company is under the care of Mr. Ng'ang'a who is the Managing Director. Mr. Ng'ang'a is a graduate from American University of Beirut (Lebanon) with a diploma in Business Administration. Prior to setting up Olympic Fruit Processors Limited, Mr. Ng'ang'a

was working in one of the major transport companys in Kenya. He has worked in his own clearing and fowarding firm which was involved in the export business but the firm has closed down since. He therefore has vast knowledge in commodity trading and export markets. Mr. Ng'ang'a is a widely travelled person who has visited Israel and parts of Europe for trade fairs relevant to the enterprise. At Olympic Mr. Ng'ang'a is responsible for all major management decisions, marketing and public relations. In addition Mr. Ng'ang'a looks after the family's farming interests which include a 450 acre coffee estate where it is proposed to set up a nucleus for passion fruits at a later date. and other investments. He is also a Director in other companys.

6. Administration and Finance

The administration of the compnay is in the hands of Mrs. K. Ng'ang'a who is a graduate from Kenyatta University Collage in Nairobi with a Diploma in Education having majored inBiology. After graduation she taught in various Kenyan secondary schools for a period of 10 years before joining her husband in the family business. At Olympic, she is in charge of finances and purchasing.

7. Accounting

The accounting funtions are overseen by Mr. S. Njuguna(37) who is an "A" Level Certificate holder with CPA 1 Section He has been with Olympic since 1992 and has worked in the accounting and administration sections in several other companies.

8. Production

The production department is manned by two production supervisors. Mr. N. Onyango(30) has a Diploma in Food Science and Technology from Kenya Polytechnic. He joined OFPL in 1991 after working in Kenya Breweries for 8 months and in Oil Extraction Limited for two years in the production line. Mr. J.C. Mwaiseghe(31) is also a holder of Diploma in Food Science and Technology from Egerton University. Prior to joining OFPL in 1992, Mr. Mwaiseghe was working in Elite Oil Limited as a production supervisor for one year, Premier Flour Mills for one year as a laboratory technician (6months) and for Kenya Breweries (one year). He works hand in hand with Mr. Onyango.

In addition to the above team of management and skilled

employees, the company has about 120 casual workers. It is anticipated that by running three shifts some 300 jobs will be created.

Sourcing of raw materials

The principal raw materials used by OFPL in the manufacturing of its products are the purple passion fruits (passi fiora edulis), apple or ngowe mangoes, valencia oranges, pineapples and canjey tomatoes. These fruits are sourced from within the vicinity of factory within a 100 miles radius and from different areas in Kenya and the national production statistics as at the end of 1991 are shown in appendix 1.

Passion

The main growing area for passion is Central Province which produces more than 50% of the total national production. Within the Province, Kiambu and Muranga Districts alone produced 2,400 tonnes and 2,000 tonnes of passion respectively as at the end of 1992. Most of the productionis under rainfed conditions except on large-scale farms which are irrigated and where passion is

mainly grown for export. Other areas of production include Eastern Province which produced 4,925 tonnes during the last crop season. The main crop seasons are between November and April.

The crop husbandry of passion in the Country is improving and production is projected to increase significantly. Prices for passion are seasonal ranging between Kshs 5.00 during the high season and Kshs. 6.00 during the low season. It can be safely concluded that passion fruits are available in the right quality and adequate amounts for processing and competition.

Oranges

The major producing areas of oranges in Kenya are the Eastern, Coast and Rift Valley Provinces. The most suitable type of orange for processing is Valencia orange which mainly grows in Kwale and Taita-Taveta District of Coast Province. A total of 14,000 tonnes of valencia were produced in Coast Province and some smaller quantities were produced in Eastern Province. There are adequate supplies of oranges for the company.

Besides fruit processors, the fruits are also bought by exporters and brokers for the fresh fruit markets. Selling prices are based on weight and/or units. However the prices range between Kshs 5 and 7 per kg depending on the season and the area. There is potential for increased production provided farmers are given the right incentives.

Mangoes

Coast and Eastern Provinces are the main sources of mangoes in Kenya. In 1992, Coast Province (Kwale, Kilifi and Lamu) alone provided more than 80,000 tonnes of mangoes, mainly ngowe and apples varieties. There are two main production seasons March to July and September to December depending on the region.

It is however evident that Kenya has adequate supply of mangoes for export, local fresh fruit market and for processing. The prices of mangoes range between Kshs 7 and 9 per kg.

Tomatoes

Tomatoes are grown in substantial quantities throughout

the country of various varieties. The most ideal varieties for processing is M82 which grows in nearly all the suitable parts of the country. In 1991, more than 300,000 tonnes of tomatoes were produced in Kenya. Tomatoes are produced under rainfed conditions and irrigation and the potential is not fully exploited. The peak season is however between June and July.

The factory grade tomatoes sell at between Kshs 5 and 8 per kg..

Production

The plant has a theoretical installed capacity of about 800 kg per hour and assuming 300 working days in a year, theplant can process 3840 tonnes of raw materials on a two shifts per day. However, since inception the company has never operated at more than 10% of the installed capacity due to cash-flow problems.

Production process

The production process involves sorting and washing of the fruits loading them onto the hopper. The fruits are fed into the crashing machine and passed through a pulper

before the extracted juice is collected into a holding vessel. The juice is then received in a holding tank centrifuged and stored in the second holding tank. From this tank the juice goes to the plate heat exchange (pasteurizer) before going into the evaporator (concentrator) at a certain temperature. After concentration the juices passes through the holding tanks again into the chiller to lower the temperature and finally filled into drums for weighing. The concentrate is coded and subjected to various tests for acidity and brix level during the process. The plant also has a facility to can the juice but this is not fully automated.

In the practice, the fruit processing is split into three lines: passy press for passion fruits, citrostar for citrus and a line for processing pineapple, mango and tomatoesalternatively. The three lines operate separately right through to the filling machine for ready to drink juices but the lines at the centrifuge operation such that from centrifuging onwards, there is only one concentrate line.

Machinery and Equipment

An assessment of the machinery indicated that the plant requires additional balancing if the company has to achieve the rated capacity of 800 kgs per hour. It is estimated that an investment of betweenn Kshs 25 - 35 million would be required.

The plant is capable of making single strength, ready to drink juices and the concentrates. Tthe conversion rates vary from one fruit to another ranging between 6% for oranges to 25% for mangoes depending on the required brix. So far the product quality has been improving over time but there is room for improvement especially for the sensitive and competitive export market.

The plant is relatively new and is well maintained but under-utilised. Most of the spare parts are imported but others are fabricated by local engineering firms which also assists in repairs and maintenance. The company has spares
worth three million shillings in store. However, the plant needs reliable plant maintainance back up and workshop.

Marketing

Olympic products are processed for both local and international markets. Pineapple, orange, passion and mango concentrates are mainly for the export markets.

Olympic exported very little of its production over the last 3 years. In 1991 and 1992 it exported less than 50 tonnes in passion fruit concentrate (45% brix) to Switzerland at an average price of US$ 4000. Between 1992 and 1993 Olympic confirmed orders from different European companies but could not meet the orders due to lack of working capital. One can argue that since Olympic does not have enough working capacity, it is difficult to market its products aggressively.

Price Competition

A comparison of Olympic and international market prices shows that Olympic is offering competitive prices.

Economic impact

The project has the potential to be a major foreign exchange earner and will generate incomes and employment for numerous small scale farmers in the rural areas.

CURRENT STATUS OF THE COMPANY

On the basis of recent estimates OFPL is currently worth about shs. 100 million financed as follows:

- Shareholders funds	- shs 50 million
- Short-term loan (KFC)	- shs 40 million
- Creditors (Bank O/D)	- shs 10 million
	shs 100 million

Currently we are seeking for additional equity funds of the order of shs 55 million to effect debt equity swap for the short term lender and to settle the bank as well as a loan of say shs 20 million working capital and balancing some of the production equipment. This would be deemed as the first phase for invitation of potential shareholder(s).

Future Expansion programme

The second phase would entail capital expenditure on fundamental improvement on the current production process incorporate the following:

- Aseptic packaging
- Recyclable packing system
- Aroma/essence recovery and packaging unit
- Installation cf larger capacity centrifuge
- Additional cold room and equipment
- Improvement in the steam conveyancing system
- Weigh bridge
- Fruits storage capacity
- Furniture and equipment - Computer, Telefax etc.
- Yard concreting and land scapping
- Contingencies

We do not have quotations for these items but estimate them to cost in the region of say shs 25 to 35 million.

We would envisage part of these funds being injected by way of further equity so as to have a strong gearing ratio.

Once the company has been put on sound financial footing then the expansion can be considered.

TABLE 1 PRODUCTION STATISTICS 1990/91

Passion

PROVINCES	HECTARANGE (Ha)		PRODUCTION (Mt)	
	1990	1991	1990	1991
Central	368	520	2935.25	5053
Eastern	407	432	2866	3295
Western	50	108	445	648
Nyanza	75	142.5	750	4638
R Valley	173	260.8	1384	2621.8
Total	1073	1463.3	8380.25	16255.8

Citrus

Central	666	400.5	4093.5	1970
Coast	5613	5786	26261	41990
Eastern	8422	8698	109183	105203
Western	1208	1127	9660	8302
Nyanza	821	741	4348	13950
R/Valley	2237	2534	35270	19459.9
Nairobi	30	N/R	84	-
N/Eastern	34		102	-
Total	19031	19286.5	189001.5	163874.9

Mango

Central	237.8	252	3533	3694.5
Coast	5267	5707	47445	53914
Eastern	2975	3039	15422	23810
Western	215	253	1600	1706
Nyanza	679.5	675	6498	7087.5
R/Valley	194.5	246.6	1945	3781.9
N/Eastern	48.5		233	
Total	9617.3	10172.6	76676.8	93993.9

Tomatoes

Central	6030	76778	110384	12682600
Coast	709	842	7867	8030
Western	1910	-	34020	-
Eastern	2252	2420	58644	66435
Nyanza	1113	1250	27866	35453
R/Valley	2245	3039.5	51274	62937.6
Nairobi	260	215	7800	5160
Total	12636	14066.5	264249	288399.6

Pineapples

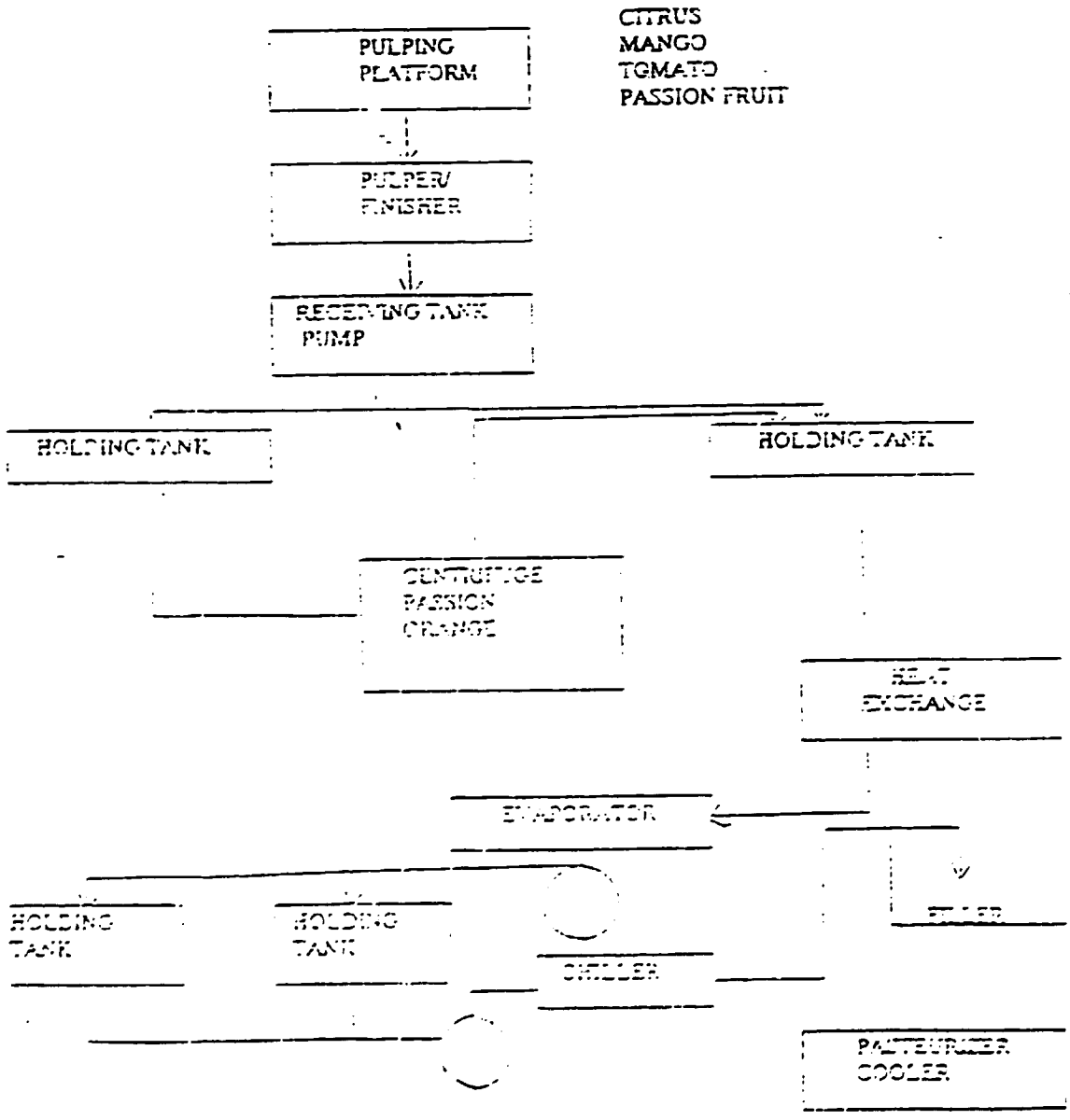
Central	4825	4851	328430	329770
Coast	1290	1112	21550	17025
Eastern	18	-	86	-
Western	892	930	13850	13632
Nyanza	786	1185.7	9659	7804.9
R/Valley	136	243	2788	10472.6
Total	7947	8321.7	376363	378704.5

OLYMPIC FRUIT PROCESSOR LTD

FLOW DIAGRAM

RECEIVING - CONVEYOR BELT ELEVATOR

WASH ELEVATOR



OLYMPIC FRUIT PROCESSORS LTD.

SCHEDULE OF MACHINERY AND VEHICLES

Fruit juice extraction processing line together with packing, pasteurising in stainless steel AISI 304 by "Bertuzzi" of Italy.
Sorting conveyor and washing tank with loading conveyor.

Passypress for passion fruit crushing.

Passion fruit extractor and seperator.

Mango destoner and pulp and peel separator together with supporting structure and guard plates.

Citrostar citrus juice extractor and separator with loading conveyor.

Juice collecting bins on castor wheels.

Two "Gioiello" juice pumps.

Turbo 150 centrifugal separator

Equipment supporting structure and

OLYMPIC FRUIT PROCESSORS LTD.

Electrical control panel for suction equipment.

Evaporator tower for juice concentration at a rate of 300kg/h of water

Two 500 ltr. mixing tanks.

Double stage extractor pump, Monix 33 V.

Plate cooler with mono-block chiller with heat exchanger utilizing glycolate water and refrigeration compressor.

Drum filling unit with roller conveyor, drum filling scale and automatic juice shut-off control.

Interconnecting pipe-work.

Two mixing tanks of 500 ltr. each capacity.

Double stage extraction pump, Monix 33 V.

Thermoflash 500 plate pasteuriser with a capacity of 500 ltr./hr.

Semi-Automatic pneumatically operated closing and filling unit.

OLYMPIC FRUIT PROCESSORS LTD.

Semi-automatic can sealing machine.

Rototek 2, tunnel pasteuriser with roller conveyor and steam heater.

Interconnecting piping and valves together with the suction electrical control panel.

650 kg/hr capacity boiler with distribution piping, fuel oil tank, header tanks and feed-water pump.

Laboratory equipment comprising centrifuge, Ph meter, microscope, consistometer, vacuum gauge, pressure gauge, bottle pressure tester, can pressure tester pump, micrometer, tin snips and four refractometers.

Air compressor unit model LE 5.

"Major" high pressure, electrically heated steam cleaner.

Water cooling tower model GRA.50 with forced draft air flow.

Complement of spare parts essential to maintaining a continuous operation of the plant.

Additional laboratory equipment comprising "OHAUS" balance scale, glass flasks and retorts and a 6in. heat sealer.

Main electrical installations comprising the connection to pole supply and the transformer, main receiving switchboard and distribution wiring to main consumption locations.

"J & E Hall" type V11 refrigeration compressor No.325-008 with a forced draft coldroom heat exchanger and interconnecting piping.

"Salbrave" platform scale - 500kg. No.473414/70.

10,000 ltr. treated water tank on 20ft. high stand together with a water treatment plant and low-level concrete collection tank.

"Braithwaite" 14,000 ltr. fresh water storage tank on an 18ft. high stand.

142 metre deep borehole with full casing and "Grundfos" bore-hole pump.

KVQ 048 Peugeot 504 pick-up.

OLYMPIC FRUIT PROCESSORS LTD.

NZD 982 Mitsubishi Lancer 1500 GLX Saloon.

KXG 577 Isuzu HTR. 114 lorry
with high sided steel body and
roof hoops.

OLYMPIC FRUIT PROCESSORS LTD.

MACHINERY AND VEHICLES

REMARKS

This factory has been established for the purpose of extracting juice from Passionfruits, Mangos and Citrus fruits.

The main processing lines have been imported from M/s. Bertuzzi SPA of Italy and although the original pro-forma invoice was dated 21st September 1988, Mr. P. Ng'ang'a had obtained their agreement to supply the units at the same price in late 1990. The factory was only commissioned for operation early in 1991 hence the relatively small difference between the depreciated replacement cost and the full reinstatement value for insurance purposes.

Included with the extraction process is a centrifugal particle separation unit, a pasteurizer, a concentration/evaporation tower, a small can capacity packing unit, a 300kg. drum packing section and a conveyor type final sterilizing machine. Together with these sections are the supporting ancillary units of steam boiler, water chilling tower and coldroom storage down to - 15°C.

A borehole and pump supply the water requirements via an elevated Braithwaite 14,000 ltr. capacity tank, and a special collection and purification system with another 10,000 ltr. elevated storage tank is nearly ready for commissioning.

Our valuations have been carried out on the basis of depreciated reinstatement cost with the exception of the motor vehicles which are based on comparisons with the market trend.

The overall figures are only while the equipment continues to be utilised as part of an economically viable business concern.

The full reinstatement costs include the supplier's current quoted cost to which has been added the relevant import expenses, installation and commissioning charges.

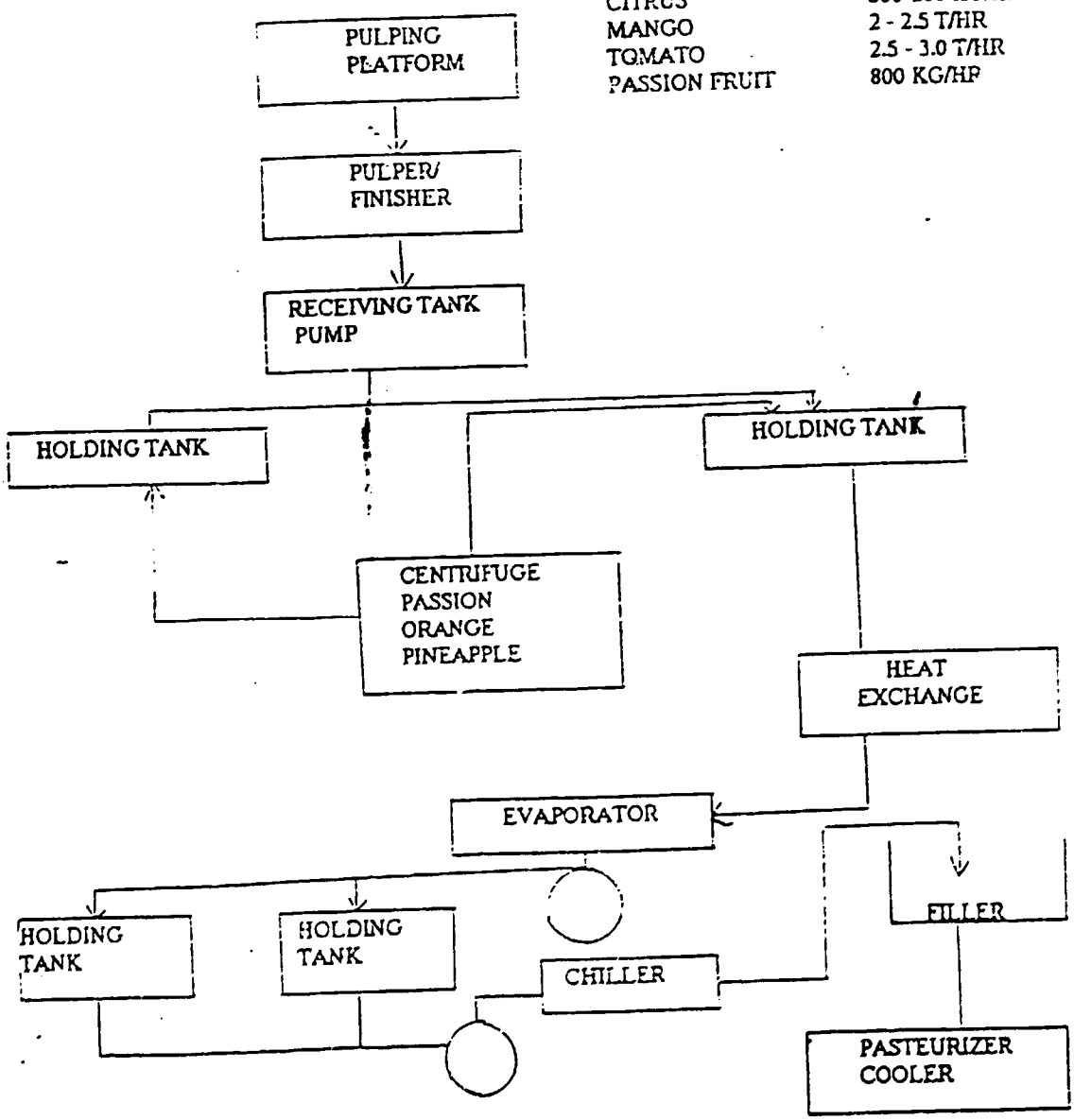
OLYMPIC FRUIT PROCESSOR LTD

FLOW DIAGRAM

RECEIVING - CONVEYOR BELT ELEVATOR

WASH ELEVATOR

CITRUS	500-200 KG/HR
MANGO	2 - 2.5 T/HR
TOMATO	2.5 - 3.0 T/HR
PASSION FRUIT	800 KG/HP



SUMMARY OF THE JOINT VENTURE AGREEMENT ESTABLISHED
[PROJECT PROFILE]

COUNTRY: **Uganda**

1. PROJECT TITLE : **Packaging Plant for Paper and Plastic**

2. PROJECT STATUS: **Feasibility Study in progress**

3. SPONSOR: **Tindamanyirek K. Gaudioso**

4. ADDRESS: **P.O. Box 526**
Jinja, Uganda

5. EQUITY SHARE:
SPONSOR **51%**

USA-PARTNER **49%**

6. ORGANIZATION AND MANAGEMENT

Local Sponsor would provide suitable for location of factory

Local Sponsor would provide basic managerial skills

Local Sponsor would provide adequate labor pool

Local Sponsor would provide processing of Investors license.

US Partner would provide machinery and equipment technology and training

US Partner will provide management expertise and training for a determined period after which local management will be trained.

US Partner will provide marketing expertise to expand into PTA market as well as local.

7. AGREEMENT/DOCUMENT

Feasibility study being conducted -- once complete, negotiations will commence

8. SPONSOR: **Mr. Tindamanyirek K. Gaudiso**

9. ADDRESS: **P.O. Box 526**
Jinja, Uganda

10. EQUITY SHARE:
SPONSORS **51%**

USA-PARTNER **49%**

December 24, 1993

Mr Curtis J Bull,
President,CEO
SENTRY Plastics and Packaging, Inc
Post Office Box 1162
Atlanta, Georgia 30310

Dear Mr Bull

Re: Letter Of Interest for Joint Venture Packaging Business

There is a high demand for high quality packaging for both export and locally sold commodities in Uganda. As per research and observation of Mr Barlow, there is currently a feasibility being undertaken by UNIDO in Uganda to validate the needs (See attached Uganda Investment Authority log).

We anticipate the need to exceed those outlined in the attached "KENYA'S PACKAGING OVERVIEW", the same situation exists in Uganda.

We in Uganda are interested in forming a joint venture packaging business with foreign investors.

Following our various discussions with Mr Chuck Barlow, your representative and Mr Matthew Gishila, and a review of the information you sent me regarding Sentry Plastics and Packaging Product Protection Systems, I am pleased to confirm that we are interested in forming a joint venture packaging business with you.

Our long range interest is to establish a full packaging plant for paper and plastic packaging, including printing. We will start in stages, then vertically integrate from distrubution to manufacturing and printing. Our immediate need is to serve the business needs of packaging "Nile Roses" and other floral and horticulture produce which is a growing industry in Uganda. Since we grow a variety fruits, asceptic packaging for fruit juices and other liquids is in demand.

.../2

A feasibility study is also being conducted in this area. The packaging plant should also be able to produce packaging and materials for packing Sembule home building supplies, electronic products, fabricated metal parts, office supplies, etc. Please inform me of your continued interestsand specific expectations to enable us to prepare a business plan for your further review.

Attached is my personal profile for your review. If you need references or more information about me, please inquire.

We are delighted to invite you to visit Uganda, within the next 90 days, along with Mr Gishile, and Chuck Barlow, for you to see the opportunities for yourself and to complete the negotiations for forming such joint venture packaging business.

Please contact me via Chuck and/or Matthew, to inform me of your continued interest in this business joint venture, and when you are likely to come to Uganda.

Sincerely,

Tindamanyire K Gaudioso

cc: Mr Chuck Barlow
Mr Matthew Gishile
Mr Randal Mangham

ESTABLISHMENT OF A PACKAGING INDUSTRY IN UGANDA
A CONCEPT PAPER

Introduction:

With Uganda revitalising her industrial sector and the export trade, the need for a well diversified and quality packaging industry becomes urgent.

Currently, packaging industries are so small, scattered, less diversified and sometimes specific to individual industries that economies of scale are not being tapped. Secondly, because of pressure from environmentalists, some industries, including those producing/importing the widely used material (pothelene paper) have been banned. New, cost effective and environmentally friendly substitutes have to be identified. All in all, with total recovery of the economy that gives way to competition, packaging is going to be one of the promotional considerations many producers will have to reckon with.

Present Status:

Uganda's packaging industry is a typical import-substitution industry wit over 75% of the raw material or finished product being imported. In the short to medium term, this approach way appear to be the most feasible. Many individual industries, e.g. Dairy, directly import their packaging materials. Others import cardboards and paper and shape it to a few customer's demands while others have no standardised and consistent packaging materials. To make matters worse, many have not yet come to grasp with international quality specifications (i.e. those trying to enter the export market)

Below, it is shown that the two old established industries are not operating to good capacity, partly because of poor linkage between production and marketing strategy and partly because of weak capitalisation.

	Installed Capacity	1986	1991
Corrugated Cardboard Boxes	720,000m^2	129,000m^2	403,000m^2
Papper sacks	12,144,000m^2	632,000m^2	1,846,000m^2

Source: Background to the Budget 1993/94

.../2

Required Approach:

To maximise returns on the investment in the packaging industry in Uganda, one would need to meet the following:

1. Diversified packaging, i.e. that which can be varied easily according to the product being packed.

2. Ablity to promote customer's trade name on the packaging material, a factor that requires some printing work.

3. Environmental standards for the Country and for export markets.

4. Possibility for recycling to begin with, and eventually to use some locally available raw materials.

Projected Demand:

On average, five out of ten Ugandans buy and use packaging material of some kind once in every two days. Uganda's population stands at 17 million people. Industries, exporters and commercial understakings are the best form of customers,to sustain increased production. The present packaging industries would not be in position to meet all the demand even if they operated at full capacity. Part of the reason is that the design of their packaging materials is not customer-tailored to the extent that some demand is still being satisfied by imported materials. The other reason is that much of the demandis rural based and current producers have not evolved cost effective distribution systems to tap such market.

Below is the range of packaging matexial that will be on high demand in Uganda for a long time to come:

Fresh foods packaging , e.g. fruit juice, fresh fish, milk;
Cereal packaging, e.g. maize, wheat, millet simsim ;
Containers, e.g. for export & domestic distribution (horticultural export)
Shopping bags, e.g. for shops, markets, hotel;
Labelling materials, e.g. for use on plastic wood & other containers.

Local Investor's Contribution:

The local investors can assume the following in order to get the industry take off with minimum cost and delay:

1. Site for the Industry;
2. Basic Managerial Skills;
3. Labour;
4. Processing of Investors Licence.

~~Twinamanike~~ K. Gakuowo

SENTRY
PLASTICS AND PACKAGING, INC.

November 18, 1993

ATC USA
5 Concourse Pkwy, Suite 2800
Atlanta, GA 30328

ATTN: Matthew T. Gichile

Dear Mr. Gichile:

I really enjoyed talking with you on November 12. I am very interested in pursuing the possibility of forming a joint venture relationship under the UNIDO/Georgia program that we discussed. I am preparing a formal presentation of our present capabilities and our aspiration in the International Market.

Unfortunately, I will not be able to make the December 3, 1993 trip but I hope to send a representative. I look forward to a long term, mutually beneficial relationship.

Sincerely,

Curtis J. Bull
President

CJB/vrm

Post Office Box 11462 Atlanta, Georgia 30310 Phone (404) 758-2399 Fax (404) 758-2014 Watts (800) 347-1461