

1001 ORGANIC LIMITED

Business Plan

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LIST OF ABBREVIATIONS

BRELA	Business Registrations and Licensing Agency
GDP	Gross Domestic Product
TBS	Tanzania Bureau of Standards
TFDA	Tanzania Food and Drugs Authority
TIN	Tax Identification Number
TRA	Tanzania Revenue Authority
TSHS	Tanzanian Shillings
USD	United States Dollars
VAT	Value Added Tax

1 INTRODUCTION

1.1 *Purpose of the document*

The objective of this Business Plan is to facilitate the Shareholders decision-making in the establishment of a brewing company in Tanzania. This business plan may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, finance, marketing and business management.

Further objectives of this business plan include, to:

- Ascertain total investment required to set up the Company in Tanzania.
- Identify the operational plan.
- Propose steps to be followed in the implementation of such project.

The document also provides sector information and a brief on government policies, which have a bearing on the project itself.

1.2 *Key considerations in decision making for investment*

Before making any investment decision, it is advisable to evaluate the associated risk factors by taking into consideration certain key elements. For brewing industry as envisaged in this study, critical factors that should be taken into consideration before launching the project are listed below: -

- The economic performance of the Tanzania economy and its macroeconomic state should be a significant aspect in the consideration. Also, the political landscape and stability and predictability of policies should be taken into account.
- Brewing industry pattern in the primary market which is Tanzania.
- Competition landscape in the country in the brewing subsector.
- The potential for foreign market may be established by a review of the brewing industry patterns by Regions (From East Africa and the rest of Africa).
- Considering the nature of the products envisaged, the location of the company will be critical. Assessment of the location for adequate infrastructure (airport, roads and telecom) and social amenities (utilities).

2 PROJECT PROFILE

2.1 *Project Brief and Objectives of this document*

The company registered office is located at Zahra Tower, Plot number 66/99, Indira Gandhi/Zanaki Street, Kisutu Ward, Ilala District, Dar es Salaam Region in the Eastern part of Tanzania which is the largest commercial region in Tanzania and important economic center regional-wise. It is Tanzania's leading financial center with the Dar es Salaam Stock Exchange (DSE) being the country's first and most important stock exchange market.

The company will carry the following main businesses:

- Establishing a microbrewery or mid-scale craft brewery in order to brew and supply different kinds of beer depending on the market demand.
- To offer the “real taste of beer” and to produce unique and award-winning premium beverages for domestic and international markets.
- Producing premium beverages in a state-of-the-art brewery using advanced and effective machinery and technology to target a designated market enjoying freshly drafted premium beers.
- To operate brew pubs.
- To import and supply necessary machineries including brewhouses, tanks, dispensers, CO2 bottles, fridges, kegs, cleaning, kegging and bottling lines etc. for selling craft beers in own and third-party outlets.

2.2 *Project Location*

The Company's registered office is in Dar es Salaam while, the microbrewery is located at AIM Mall, Plot number 445, Block number CC, House number G-2, Dodoma Road, Majengo Street, Ngarenaro Ward, Arusha Municipality within Arusha Region. Later on, the microbrewery will be established in Dar es Salaam Region. The main factors considered being the size of market, developed infrastructure, accessibility and availability of raw materials.

The suitability of the location is based on the following factors:

- i. Dar es Salaam is situated at the coast in the Eastern zone of Tanzania, which has the largest port in East Africa, feeding five landlocked neighboring countries.
- ii. Dar es Salaam has the largest population in Tanzania (6.3 Million) and is the first fastest growing city in Africa¹.
- iii. Both Dar es Salaam and Arusha Regions have relatively reliable infrastructure, water supply, electricity and roads;
- iv. Both Dar es Salaam and Arusha are easily accessible using Air and Road;

¹ www.jobnetafrika.com

2.3 Target market and Customers

The Target market is: -

- Local market such as restaurants, hotels, pubs, night clubs and safari camps.
- Foreign Market for bottled or canned micro-brewery products.

2.4 Products

The Company produces hand-crafted premium beverages including *Ale* and *Stout* beers. Further the Company will brew and supply different premium beverages depending on the market demand.

2.5 Project Investment

The projected required investment over the 5 year investment period is Tshs 8,264 Million as shown in the table below:

	Capital Item	Amount in Tshs (Millions)	Percentage (%)
1	Purchase or Acquisition of the microbrewery from previous owner	620	8
2	Brewery upgrade	580	7
3	Acquisition of land for investment	1134	14
4	Construction of the microbrewery and brew pub	570	7
5	Machineries and Equipment (New Brewhouse)	3400	41
6	Other Assets	200	2
7	Working Capital	400	5
8	Paid-in capital	1360	16
	Total Investment	8264	100%

The Company will purchase machinery for production and sale of hand-crafted premium beverages. Dispensing units will be leased, rented or sold to outlets such as restaurants, hotels, pubs, night clubs and safari camps for selling craft beer and therefore generation additional income.

In addition, the setting up will require financing for the following key items:

- Working Capital: Tshs 400 Million.
- Paid-in capital: Tshs 1,360 Million

The total investment cost is estimated at Tshs 8,264 Million. The investment cost is 100% financed by the majority shareholder, 1001 Organic GmbH & Co.KG, whose sources of funds are from personal accounts. As the business grows, the profits obtained from the microbrewery will finance the project and some bank loans will be required for the final stage.

2.6 *Project Financing*

The project is 100 percent financed through Equity.

Name	Number of Shares	Percentage ownership
1001 Organic GmbH & Co.KG	1,499,900	99.99%
Hamzaali Amirali Patwa	100	0.01%
Total	1,500,000	100%

The initial investment will be USD 700'000 to be paid by the shareholders above. Further financing will be through additional paid-in capital and intercompany loans at arms-length interest rates, as needed. For more detail, please refer to the Financials section.

2.7 *Human Resources Requirements*

The objective of the human resources plan is to support the overall business case to establish a sustainable and successful business in Tanzania. The organizational structure below will provide the necessary human capital to deliver on the overall targets set for the region as well as to provide employment opportunities for the local citizens of Tanzania. It is envisaged that the initial structure will be supported by 1001 Organic GmbH & Co.KG assignees for a contracted period to assist in the transition phase of the establishment of the legal entity, and for which we will be applying for the corresponding local work and Residence permits. The recruitment of local resources has commenced since April 2019 where they have been appointed in various roles staggered over for the period of 2 years. The sourcing of local candidates will be done by partnering with locally based recruitment agencies in Tanzania. The recruitment process may include an assessment for specific roles identified as strategic recruitment positions, to ensure a reasonable fit between the business culture and the talent identified. Job descriptions and job grades have been benchmarked and aligned with the Global standard, in addition to this industry, surveys have been procured as a resource for proposing remuneration that is competitive and fair in the local markets. Local Contracts of Employment will be issued to successful candidates in line with the local labour legislations. Below is the planned organization chart once the company has finished its recruitment process.



2.8 *Return on Investment*

The Company will make significant investments in the initial years to build the business and grow the sales volume. These investments consist of mainly machinery, equipment, acquisition of land, construction of factory, selling, General & Administrative costs together with Marketing initiatives to grow brand awareness and build the product portfolio.

The analysis provides a positive NPV over a 5 year horizon. This indicates that the project is financially viable.

3 MARKET ANALYSIS

3.1 *Regulatory environment*

Both the Ministry of Industry, Trade, and Investment and the Ministry of Health, Community Development, Gender, Elderly and Children are responsible for supervising and monitoring production and sale of alcoholic beverages, overseeing brewery product quality, registration and regulation of sales outlets or premises.

There are various Laws and regulations passed to oversee alcoholic beverage industry. Such laws include the Tanzania Food, Drugs and Cosmetics Act, 2003, the Standards Act, 2009 and the Environmental Management Act, 2004. Regulations which regulate alcoholic beverage industry include Standards (Certification) Regulations, 2009, Standards (Tested Products) Regulations 2009, Standards (Compulsory Batch Certification of Imports) Regulations, 2009 and the Environmental Management (Environmental Impact Assessment and Audit) (Amendment) Regulations, 2018. The above-mentioned laws and regulations provide about: production, labelling, storage, promotion, marketing, and sale of alcoholic beverages. Regulatory activities involve registration of brew products, premises and inspections at production area and sales outlets or premises.

3.2 *Existing Microbrewery Companies in the Area*

Currently there are only two craft breweries namely; Twiga Brewery based in Arusha and Crafty Dee's Brewing Company Limited based in Dar es Salaam. Twiga Brew, Tanzania's first craft brewery was established in 2015. It has two brands namely the Twiga Ale and the Twiga Stout while Crafty Dee's flagship is the Dee's Gold, a superbly hoppy pilsner². 1001 Organic Limited has acquired the assets of the Twiga Brewery in Arusha.

3.3 *Market Research*

Currently, in Tanzania most of the craft beer is brewed by local small-scale breweries. The formal craft brewery market is not developed however, the research has revealed that there is high demand of craft beer and the business is feasible, especially considering the growing tourism sector.

3.4 *Market Potential and Analysis*

The current demand for craft beer in the target market is high. The retail market, supermarkets, restaurants, hotels, pubs and safari camps will remain the main outlets for the micro-brewery for the reason that, these demand year-round supply of products. As the tourism sector grows, the demand for craft beer increases. The growing food and beverage service market, reaching from fast food to high-end, will provide an additional broad market opportunity.

² https://en.wikipedia.org/en.wikipedia.org/wiki/Beer_in_Tanzania

3.5 *Market Trend*

The future of this market segment is bright as the financially stable population in target marketing area keeps on increasing. Other factors which contribute to the bright future of the market is growing of tourist sector as well as ongoing increase in economic activities in Arusha which will lead to an increase of people all brought about by the idea of micro-brewery, which is first of its kind in Arusha and Tanzania at large.

3.6 *Marketing Strategy*

1001 Organic Limited stands for continuous product quality, high expertise in brewing techniques and personalized customer care service. The Company produces hand-crafted premium beverages honouring the local heritage and craftsmanship. Company's brew pub which is called Twiga brewery represents and celebrates the vibrancy, beauty and pride of Tanzania and its people.

The main goal is to cater a large number of restaurants, hotels, pubs and safari camps in the surroundings of Arusha and Tanzania at large with premium beer products. Furthermore, the 1001 Organic Limited team will be available for installations and maintenance of its products on site.

The main marketing tools will primarily be social media as well as online reviewing platforms for direct feed-back and advertisement.

3.7 *Marketing Activities*

In line with the Tanzania Food, Drugs and Cosmetics Act, 2003 and its Regulations thereof, different activities have been developed to support the launch and advertisement of craft beer products and to make consumers aware about the products the Company is offering and their price points. The main focus is on implementing printed visuals in different formats at outlets that sell Company's products, which will support the trade to showcase what they have available for sale as well as to inform adult consumers about what they can purchase.

Secondly, the Company will be utilizing hostesses at Hotels, Restaurants and Cafes (HORECA) outlets, visited by adult consumers, to inform adult alcohol drinkers (18-year-old and above) about craft beer products and price, as well as offering them samples.

3.8 *Competitive Comparison*

The Company seeks to support its clients or customers using a combination of good customer care, expertise and price efficient suppliers which all results in cost effective and premium quality services. Experience and credibility assure high client satisfaction with regard to every product Company's provides. In order to achieve all this the Company will employ well trained personnel in the relative field of food and beverage production to ensure best standard of products.

3.9 *SWOT Analysis*

The following SWOT analysis captures key strengths and weaknesses within the micro- brewing business and, try to describe the opportunities and threats facing the interior views.

Strengths: Strong relationship with suppliers, flexibility and quick response to special orders, high demand, stable staff offering, personalized customer service and strong relationship with vendors, local market, supermarkets, restaurants, pubs, safari camps and hotels.

Weaknesses: Access to capital and challenges to seasonality of business.

Opportunities: Growing market with significant percentage of our target market. As a result of good customer care, a number of referral customers increase by a significant rate. Hence an increase in wider range to products users.

Threats: Competitors with a greater finance or resources could not only enter the market but also try to copy the business and its ideas and modify them to their liking and hence threatening the entire market. Another possible threat comes from the big breweries such as Tanzania Breweries Limited, Serengeti breweries Limited and Banana Investment Breweries Limited which deal with the same product.

4 RISK ASSESSMENT

4.1 Introduction

This business plan has been prepared since the project is faced by various potential risks and therefore needs to estimate their likely impact on the business model and to create plans to mitigate the risks. A comprehensive framework for risk management will be established and implemented across the business. The framework will be based on an identified range of possible risks, indicating their drivers, frequency, impact, trends and respective mitigation measures. All risks related to the manufacturing industry as well as those specific to the business shall be constantly monitored and actively managed to ensure appropriate and timely intervention.

Risk management will provide a clear and structured approach to identifying risks. Having a clear understanding of all risks allows measuring and prioritizing them and take the appropriate actions to reduce losses. The following benefits will accrue by managing risks:

- Saving resources – time, assets, income, property and people are all valuable resources that will be saved with proper risk management;
- Protecting the reputation and public image of the company;
- Preventing or reducing legal liability and increasing the stability of operations;
- Protecting the Company from extreme actions; and
- Enhancing the ability to prepare for various circumstances and plan for adversities

An effective risk management practice does not eliminate risks. However, having an effective and operational risk management practice is an indication that the company is committed to loss reduction or prevention. The company in particular, as a start-up has the opportunity to set its records very clean and manage business it undertakes and ventures of investments it looks to. The risk strategy will be beneficial in guiding the long-term focus of the company.

4.2 Country risks

4.2.1 Political risk

The company will be operating in Tanzania and thus will derive all its revenue from the country. All the Company assets and employees will be located in Tanzania. Tanzania is a young multiparty democracy that transformed from communism in the early 1990's. In Tanzania, general elections are held every five years. Tanzania has always had peaceful elections and transfer of power between the leaders and is to hold elections in the 25th day of October 2020.

Key factors to watch are;

- The implementation of the devolved system of government and the operationalization of the counties.
- How the various elected representatives under various parties will work together for the common good of the country.

The history of sober handling of the election results and the peaceful and smooth transition significantly reduced the perceived political risk in the country.

4.2.2 Economic risk

The major economic risk is that of the recession happening in either Tanzania or in any neighbouring country. Although this can affect the business, it is not in the sole control of the business. Moreover, poor performance of the economy in our market area, especially micro-brewery which is a new economic activity in the area, is likely to affect the customers' cash flow.

4.2.3 Regulatory risk

Regulatory risk relates to the risk of non-compliance or non-conformity with laws, rules, regulations, prescribed practice or ethical standards issued from time to time. Regulatory risk may arise in instances where the laws and rules governing the conduct of business may be ambiguous or change drastically. There is always the risk that changes in government and subsequently regulations and legislation can affect the Industry in general and more specifically, the operations of the Company. The Administrative assistant and Legal Officer will be tasked with monitoring ongoing regulatory requirements and ensuring compliance with current laws and regulations.

4.2.4 Environment Risks and impacts

The Company should provide staff with standard uniforms and safety gears including rubber boots and gloves especially those engaged in brewing the beer. Whenever an opportunity prevails, the Company will provide safety training as the business improves.

The brewing industry is one of the largest industrial user of water. In spite of significant technological improvements over the last 20 years, energy consumption, water consumption, wastewater, solid waste and by-products and emissions of air remain major environmental challenges in the brewing industry. Among other challenges and key issues are: water consumption and waste generation, energy efficiency, emission management, environmental impact of brewing process and best environmental management practices which do not compromise quality of beer.

The AIM Mall and the other tenants dealing in gastronomy are invested to implement practices to reduce the environmental impact. It has been agreed to install a water treatment plant to recycle and treat waste water, and also install special equipment to cater for emissions hence minimizing the environmental impacts.

4.3 Business risks

4.3.1 Liquidity risk

1001 Organic Limited approach to managing liquidity will be to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when they fall due under both normal and stressed conditions without the need to incur unacceptable losses or, at the risk of damaging its reputation. The Company will implement the following core liquidity management strategies:

- The future cash flows of the business will be projected and plans will be developed to address normal operating requirements as well as contingencies;
- It will endeavor to maintain a stable funding base by ensuring that shareholders' funds are adequate and that some percentage of earnings is ploughed back into the business;

- The Company's Management Team will set limits on the minimum proportion of maturing funds available to meet calls and minimum level of borrowing facilities that should be in place to cover operating expenses, capital expenditure and contingencies; and
- The Company's Management Team will develop an investment policy that will ensure that the company's assets and liabilities are properly matched.

4.3.2 Credit risk

Credit risk is the risk that one party to a financial contract will cause a financial loss to the other party by failing to discharge an obligation. The company will be exposed to risk of default by customers where receivables remain unpaid. The following measures will be implemented to mitigate the Company's exposure to credit risk:

- Effective credit control will be implemented to ensure that credit terms are strictly adhered to; and
- Maximum limits will be set for amounts that may be advanced to individual customers by referencing to their credit history;

4.3.3 Currency risk

Currency exchange rates will have an impact on the operational expenses and the reporting currency will be the Tanzanian Shilling. The company's revenue will be denominated in the Tanzanian Shilling but some operational costs will be in hard currency, mainly United States Dollars. The value of the Tanzanian Shilling will fluctuate with changes in the exchange rate of the United States Dollar against the Tanzanian Shilling. It will therefore monitor its exposure to exchange rate fluctuations closely.

4.3.4 Operational risk

Operational risk is associated with human error, an inadequate information system, technology failures, breach in internal controls, fraud, inadequate training, unforeseen catastrophes and other operational problems that may be encountered within the operating system. Operational risk will exist as long as the company is in operation but management will ensure that an effective, integrated operational risk management framework will be adopted. This will include the following:

- Each section will have defined roles and responsibilities with regard to operational risk management;
- All Company's employees will be required to sign a code of ethics;
- A business continuity plan will be developed to assist in minimizing the impact of operational failures when disaster occurs;
- Key risks will be identified, assessed, controlled and reported on a continuous basis using appropriate tools and methodologies;
- Operational systems and procedures will be subjected to independent reviews including impromptu testing;

- Appropriate insurance to cover risks such as fire, theft and burglary shall be undertaken with reputable insurance companies;
- A comprehensive system of internal controls will be maintained and systems and procedures to monitor transactions will be established, and
- Internal auditing that will entail independent appraisal of business activities will be carried out on a regular basis.

4.3.5 Information risk

Information risk increases the possibility of harm being caused to a business as a result of a loss of confidentiality, integrity or availability of information. The value add of information technology to the business processes does at the same time increase the level of information risk through interception, system failure and inadvertent relay of data to unauthorized persons. The Company's Management Team will need to regularly evaluate the effectiveness of its information security processes. This will include disaster management plans and policies.

4.3.6 Reputation risk

This is the risk that loss of business and or public confidence will arise as a result of ethical misdemeanors by management or staff, failure to meet regulatory standards, and or due to poor customer service levels. The company will mitigate reputation risk by instituting robust regulatory compliance procedures, developing comprehensive policies and procedures and carrying out customer satisfaction surveys on a periodic basis.

4.4 Responsibility for risk management

The ultimate responsibility for risk management in an organization rests in the hands of the Company's Management Team. Accordingly, 1001 Organic Limited Management Team should:

- Be aware of the most significant risks facing the company;
- Know the possible effects on shareholder value of deviations to expected performance ranges;
- Ensure appropriate levels of risk awareness throughout the Company;
- Be aware of how the Company will manage a crisis;
- Know the importance of shareholder confidence in the Company;
- Know how to manage communication with the investor community where applicable;
- Be assured that the risk management processes are working effectively; and
- Publish a clear risk management policy covering the underlying risk management philosophy and the objectives of the policy.

5 FINANCIAL PROJECTIONS

5.1 *Introduction*

In this section, we outline the financial projections developed as part of this Business Plan.

The assumptions used to derive the financial projections and the projected financial statements are presented in the following sub-sections.

5.2 *Financial Projections*

The financial forecasts have been prepared over a five-year period. The projected comprehensive income statement, financial position, and cash flow statements are included as part of this Business Plan.

5.2.1 *Basis of preparation*

In preparing the financial projection we have used assumptions from various sources including the following:

- Bank of Tanzania, Oxford Economics and IMF – Macroeconomic assumptions
- Tanzania Revenue Authority – Tax rates
- Our analysis of the industry

Key assumptions used in the model include the following:

- GDP growth between 6% and 7%
- Population growth between 2.5% and 3.4%
- Local inflation between 4.4% and 5.4%
- Average FX rate \$1 = TZS 2,300
- Corporate Income Tax 30%
- VAT 18%
- Import Duties on non-finished goods 25%
- Annual specific excise tax increases of 10%
- Local production commencement as of 2019
- Several new product launches in the next 3 years

5.2.2 PROJECTED INCOME STATEMENT FOR THE NEXT FIVE YEARS

	<u>2019</u> <u>(TZS)</u>	<u>2020</u> <u>(TZS)</u>	<u>2021</u> <u>(TZS)</u>	<u>2022</u> <u>(TZS)</u>	<u>2023</u> <u>(TZS)</u>
Revenues	216,000,000	432,000,000	648,000,000	972,000,000	1,458,000,000
Cost of sales:					
Opening stock	-	77,173,422	108,072,598	18,985,784	30,000,000
Add: Purchases	138,703,422	153,959,176	58,913,186	176,014,216	208,000,000
Less: Closing stock	77,173,422	108,072,598	18,985,784	30,000,000	50,000,000
Cost of sales	61,530,000	123,060,000	148,000,000	165,000,000	188,000,000
Gross profit	154,470,000	308,940,000	500,000,000	807,000,000	1,270,000,000
Professional fees	10,000,000	12,000,000	13,000,000	14,000,000	15,000,000
Advertising & promotions	1,000,000	800,000	1,100,000	1,300,000	1,500,000
Bank charges	1,500,000	2,000,000	2,200,000	2,400,000	2,600,000
Insurance	7,200,000	7,400,000	7,500,000	7,700,000	8,000,000
Legal & professional	3,000,000	4,000,000	4,500,000	5,500,000	6,500,000
Licenses & fees	1,000,000	1,100,000	1,300,000	1,500,000	1,700,000
Maintenance	17,500,000	19,000,000	21,000,000	24,000,000	26,000,000
Miscellaneous	750,000	1,000,000	1,200,000	1,500,000	2,000,000
Office supplies	1,200,000	1,300,000	1,500,000	1,700,000	2,000,000
Security	4,248,000	16,992,000	18,000,000	20,000,000	22,000,000
Telephone	550,000	650,000	750,000	850,000	1,000,000
Website	1,500,000	900,000	1,000,000	1,000,000	1,200,000
Total operating expenses	49,448,000	67,142,000	73,050,000	81,450,000	89,500,000
EBDT	105,022,000	241,798,000	426,950,000	725,550,000	1,180,500,000
Depreciation	233,750,000	813,000,000	813,000,000	813,000,000	813,000,000
Earnings before taxes	-128,728,000	-571,202,000	-386,050,000	-87,450,000	367,500,000
Income tax	-	-	-	-	110,250,000
NET INCOME	-128,728,000	-571,202,000	-386,050,000	-87,450,000	257,250,000

❖ Note

THE INCOME STATEMENT also called the **Profit and Loss Statement** above, shows how much money 1001 ORGANIC LIMITED will make in the next five years to come. When income statements are prepared, management or its accountants extract sales and other income totals along with totals of various expenses from internal accounting records. Once expenses are computed, they are subtracted from income and either a profit or loss is shown. The results on the income statement affect the balance sheet from period to period, so it is important to review both statements to determine the full impact each has on the other.

NET SALES is derived by adding up the total invoices billed to customers during the period covered, less any discounts taken by customers. Then, any sales returns accepted from customers during the period are deducted. After deductions are made, the remaining figure is net sales. Also, an assumption is made that the sales is expected to increase by 50% each year, this being as per projected increment in investment.

For the year 2019, the financial projections are made from July to December 2019. Hence the sales have been forecasted to half year in 2019 meaning that only for six months.

GROSS PROFIT is net sales less the cost of goods sold. Cost of goods sold includes expenses required to manufacture, purchase merchandise and service customers. The cost of goods sold takes in material costs, labour and factory expenses involved in producing merchandise.

NET PROFIT after tax (or net income after tax) is gross profit less all expenses directly applicable to the company's operations, including income taxes. Net profit after tax truly measures the operating success of the company. When total expenses exceed net sales, a minus figure results and a loss has occurred. If there is a surplus (profit), it can be added to retained earnings or distributed to owners and stockholders as withdrawals or dividends. When expenses exceed net sales (when a loss occurs), it is charged against net worth and a reduction in the equity account occurs.

5.2.3 PROJECTED CASHFLOW STATEMENT FOR THE NEXT FIVE YEARS (2019 TO 2023)

	2019 (TZS)	2020 (TZS)	2021 (TZS)	2022 (TZS)	2023 (TZS)
i) CASH FLOWS FROM OPERATIONS					
Operating profit	-128,728,000	-571,202,000	386,050,000	-87,450,000	367,500,000
Depreciation	233,750,000	813,000,000	813,000,000	813,000,000	813,000,000
	105,022,000	241,798,000	426,950,000	725,550,000	1,180,500,000
Cash outflow for purchase of inventory	-77,173,422	-30,899,176	89,086,814	-11,014,216	-20,000,000
Cash outflow for prepaid leases	-18,261,982	-	-	-	-
Changes in accounts payable	49,448,000	17,694,000.00	5,908,000	150,361,028	221,696,814
Total: Cash flows from operations	59,034,596	228,592,824	521,944,814	864,896,812	1,382,196,814
ii) CASH FLOWS FROM INVESTMENT					
Cash outflow for Purchase of Fixed assets	-1,870,000,000	-4,634,000,000	-	-	-
Total: Cash from investing activities	-1,870,000,000	-4,634,000,000	-	-	-
iii) CASH FLOWS FROM FINANCING ACTIVITIES					
Paid in capital	2,000,000,000	4,300,000,000	-	-	-
Cash from financing activities	2,000,000,000	4,300,000,000	-	-	-
Income tax	-	-	-	-	-110,250,000
Cash movement during the period	189,034,596	-105,407,176	521,944,814	864,896,812	1,271,946,814
Opening cash balance	-	189,034,596	83,627,420	605,572,234	1,470,469,046
Closing cash balance	189,034,596	83,627,420	605,572,234	1,470,469,046	2,742,415,860

POINTS TO BE NOTED

REVENUE does not necessarily mean receipt of cash, and expense does not automatically imply a cash payment. Net income and net cash flow (cash receipts less cash payments) are different.

The figures used in the above income statement are in Tanzanian shillings.

5.2.4 PROJECTED BALANCE SHEET FOR THE NEXT FIVE YEARS (2019 TO 2023)

	2019 (TZS)	2020 (TZS)	2021(TZS)	2022(TZS)	2023(TZS)
Current Assets					
Cash	189,034,596	83,627,420	605,572,234	1,470,469,046	2,742,415,860
Inventory	77,173,422	108,072,598	18,985,784	30,000,000	50,000,000
Prepaid leases	18,261,982	18,261,982	18,261,982	18,261,982	18,261,982
Total: current assets	284,470,000	209,962,000	642,820,000	1,518,731,028	2,810,677,842
Fixed assets	1,870,000,000	6,504,000,000	6,504,000,000	6,504,000,000	6,504,000,000
Less: depreciation	233,750,000	1,046,750,000	1,859,750,000	2,672,750,000	3,485,750,000
Net fixed assets	1,636,250,000	5,457,250,000	4,644,250,000	3,831,250,000	3,018,250,000
Total assets	1,920,720,000	5,667,212,000	5,287,070,000	5,349,981,028	5,828,927,842
Accounts payable	49,448,000	67,142,000	73,050,000	223,411,028	445,107,842
Owner's equity					
Paid-in capital	2,000,000,000	6,300,000,000	6,300,000,000	6,300,000,000	6,300,000,000
Retained earnings	-128,728,000	-699,930,000	-1,085,980,000	-1,173,430,000	-916,180,000
Total liabilities & equity	1,920,720,000	5,667,212,000	5,287,070,000	5,349,981,028	5,828,927,842

- **THE BALANCE SHEET** is a statement of financial position that shows total assets = total liabilities + owners' equity. Financial position refers to the amount of resources (i.e assets) and the liabilities of the business on a specific date. Owners' equity is the residual interest, or the amount of the assets to which the owners have claim because creditor claims (liabilities) legally come first. Owners' equity in a business derives from two sources: (1) paid-in capital, which is the investment of cash or other assets in the business by the owner or owners; and (2) retained earnings, which are the accumulated profits of the business less the losses and withdrawals. The purpose of the balance sheet is to report the financial position of a business at a particular point in time.
- The currency that has been used in the financial projections is Tanzanian shillings.

6 CONCLUSION AND IMPLEMENTATION PLAN

6.1 *Project Feasibility*

Technical Feasibility

The project is feasible from a technical point of view given the availability of the necessary manpower with the technical skills for driving efficient operational delivery. The majority shareholder is a multinational company with access to qualified and experienced senior management to run the company. Personnel with the relevant skills are readily available and can be engaged in the project at anytime upon the respective needs.

The relevant skills and labor force for the proposed project is available in the local market, though it might not be easy to identify and engage. The Company's Management Team will engage reputable recruitment agency to assist in recruitment.

Operational Feasibility

The main factors that would affect the operational feasibility of the project are risks management and the cost of operations.

Market unpredictability is the greatest challenge. Manufacturing industry like many other industries is affected by increasing operational cost resulting from inflation and increased price for utilities like power, etc.

Risk management could be controlled by cost controlling by efficiency and productivity improvements.

Environmental Feasibility

Service of professionals will be used to make sure that the implementation of the project will not cause environmental concern.

Financial Feasibility

1001 Organic Limited will make significant investments in the initial years to build the business and grow the sales volume. These investments consist of mainly production, sale, general and administrative costs together with marketing initiatives to grow brand awareness and build the product portfolio.

6.2 *Implementation Plan*

In close collaboration and consultation with the Shareholders, the management team will draw up a detailed timetable of tasks and activities to be undertaken as well as a budget, to ensure the successful launch of the project.

The Managing Director and his/her team will undertake all set up activities and also ensure appropriate and legally compliant production and marketing of the products and building relationship with customers that will be instrumental to grow the business.

The 1001 Organic Limited Management Team will also facilitate the preparation of all the various policy and procedures manuals and guidelines.