

**M/S DAG FARM COMPANY LIMITED**

**P. O. Box 22**

**TARIME**

**Tel No. +255621657151.**

**BUSINESS PLAN**  
**FOR**  
**SETTING OF MILK PROCESSING PLANT**

**Prepared for:**

**M/S DAG FARM COMPANY LIMITED**

**P. O. Box 22,**

**TARIME**

**Tel No. +255621657151.**

**FEBRUARY, 2021**

## **EXECUTIVE SUMMARY:**

### **1.1 Dairy Industry Overview:**

The Tanzania Dairy Industry is among the important components of the livestock sector. It contributes about one-third of the 4.6% livestock industry's contribution to the Gross Domestic Product (GDP). The industry has even greater potential for improving the living standards of people through improved nutrition arising from milk consumption and incomes raised from sales of milk and milk products. Out of the 21 million cattle in Tanzania, about 680,000 are dairy cattle mainly cross of Friesian, Jersey, and Ayrshire breeds with the Tanzania Shorthorn Zebu (TSZ). Total annual milk production is currently estimated at 1.65 billion litres. About 70% of the milk produced comes from the traditional sector (indigenous cattle) kept in rural areas, while the remaining 30% comes from improved cattle mainly kept by smallholder producers. Currently, the total milk processing capacity is about 384,100 litres per day; however the actual processed amount is about 105,000 litres per day. To date, per capita milk consumption in the country is estimated at 47 litres. This consumption level is relatively low compared to the recommended milk per capita milk consumption of 200 litres by FAO standards.

### **1.2 The Project Proposal:**

Dag Farm Company Limited involves in Milk processing in Tarime Township. The Company currently process 1000 litres per day of fresh Milk to produce Yogurt in different categories such as Strawberry and Vanilla. The company intends to invest in modern facilities of a dairy factory in order to control post-harvest losses of milk from smallholder livestock keepers who formerly were members of Musoma Dairy, Mara Fresh and Utegi Milk. The expansion will also enable the company to reach far demand of milk in the country and nearby countries like Kenya as well as increasing the number of product such as packed fresh milk, Gee and Mtindi. The Company is now carrying operation of Milk production at Sirari road, Nkende area in Tarime District. The expansion is expected from processing of 1000litres of Milk per day to

5000 Litres. The client is a registered and licensed Farming Company with its head office based in Tarime Town, Mara region. The Company was established and incorporated on 17<sup>th</sup> October 2016 with registration No. 130312 under Companies Act of 2002. It is involved in livestock keeping and milk processing into Yogurt mixed with Strawberry and Vanilla. The idea of investing into dairy processing project has been promoted by the Company due to increasing demand and supply forces of Milk in Tarime and Serengeti Districts. Dag Farm Company Limited has therefore seen as an alternative approach aimed at sustaining the existing Milk processing industry by having surplus supply of Milk by start keeping Milk Cattle at Magena whereby all infrastructures has been developed already. The company own 20 acres at Magena area in Tarime district where livestock keeping and other arrangement that support harvesting of milk to feed the project has been prepared.

### **1.3 The Project Sponsors:**

The company has two directors as below analyzed; Julius Wankuru Gimunta (Managing Director), and Yunis Gati Julius (Director). All directors are family members. The capital of the Company is Shillings 2Bln divided into 100 shares of shillings 20Mln each. The operation of the project is managed by Operation Manager known as Brian Mwita graduate in Dairy Science and Technology from Egerton University in Kenya.

### **1.4 Purpose of the Business Plan:**

This document has been prepared for purposes of providing basic highlights on the project inclusive of the magnitude of investment costs and project implementation plan schedule to support fast and smooth implementation of the project.

### **1.5 The Market for Dairy Products:**

The market for dairy products to be produced is mainly local and possible exports to Regional Markets in the East African Community. There is indeed a wide range of customers which include; supermarkets and restaurants, hotels, government Institutions and departments, schools and other academic institutions, mining and other private companies, tourists etc. A close review of the dairy products industry in Tanzania reveals that the market is steadily expanding with increasing awareness by Tanzanian households in consuming milk as an important food for improved nutrition of the families. The industry is also very competitive. As a matter of fact, one has to be highly creative, customer centric and proactive if you must survive in this industry. The company is aware of this stiff competition and is well prepared to compete effectively with other dairy products producers in the Lake Region and the Nation at large.

### **1.6 The Project Investment Costs:**

The investment costs of the project are estimated at **Tshs. 807.593 Million** consisting of **Tshs. 307.593 Million** in existing investments and **Tshs. 500 Million** in additional investments. The additional investments consist of **Tshs. 440.530 Million** in capital costs and **Tshs. 50 Million** for initial working capital.

The entire costs for the expansion of the project were financed through term loan facility from TADB amounting to **Tshs. 440.530 Million** by TADB. And working capital loan of TZS 50mln to give the total loan facility explore to TZS 500mln. The term loan tenor of 5 years with interest at 15 % per annum excluding one year grace period.

### 1.7 Human Resources Requirement:

The total human resources requirement for the new proposed milk plant is 20 permanent employees as per the table given under;

Item No.	Job Title	Required No. of Persons	Tshs.	
			Monthly	Annual
1	Plant Manager	1	1,500,000	18,000,000
2	Finance / Admin Manager	1	1,000,000	12,000,000
3	Sales & Procurement Manager	1	700,000	8,400,000
4	Accounts Assistant	1	450,000	5,400,000
5	Shift Supervisors	2	400,000	9,600,000
6	Secretary	1	350,000	4,200,000
7	Plant Operators	6	200,000	14,400,000
8	Laboratory Staff	2	500,000	12,000,000
9	Procurement / Sales Staff	2	400,000	9,600,000
10	Mechanics	2	250,000	6,000,000
11	Drivers	2	250,000	6,000,000
12	Casual Laborers	2	100,000	4,800,000
13	Security Guards	2	150,000	10,800,000
14	Staff Benefits		1,515,000	18,180,000
15	<b>Total</b>	<b>31</b>	<b>11,615,000</b>	<b>139,380,000</b>

### 1.8 Training Requirement:

Training opportunities will be given for staff as part of welfare enhancement in addition to health programs. The machinery suppliers will organize in house training for technical staff during plant installation prior to commissioning.

### **1.9 The Business Management:**

The project management will be under the overall guidance by the Board of Directors of the company under competent management team to be engaged from the open labor market. The Management shall include; the Executive Director, Ranch Manager, Factory Manager, Accountant and Marketing and Distribution Manager.

### **2.0 Economic Benefits:**

- The project will generate the following economic benefits;  
It will serve to provide quality fluid milk for the growing market in the Lake Region and the Nation at large.
- The milk factory will provide a ready market for surrounding small holder livestock keepers hence improvement in their well being.
- The cattle feedlot fattening unit will also provide quality beef cattle for market both local and foreign.
- It will create permanent employment of at least 20 permanent people and several casual workers who will be involved in the cattle ranch operations.
- It will serve to generate income for the company and its employees thereby improving their standard of living hence support the government development policies and programs in poverty alleviation and employment creation.

### **2.10 Conclusions and Recommendation:**

- **Conclusion:**

The analysis carried out in this Business Plan, show that the proposed expansion project in production of raw milk and processing of same to milk products for the local and export markets is technically feasible, financially and economic sound. The project investors i.e. M/S DAG FARM CO.LTD has been financed by TADB bank term loan amounting to **Tshs. 500 Million** for successful undertaking of the project.

The company has already invested in the project a total of **Tshs. 307.593 Million** consisting of land and pastures, machinery and

equipment and animal stock. The company also has adequate security to cover for the loans required.

- **Recommendation:**

In view of the foregoing conclusion, Tanzania Agriculture Development Bank has consider and provide the company **M/S Dag Farm Co. Ltd** with term loan financing of **Tshs. 500.00 Million** to finance the expansion project in new Cow Milk Processing Plant. The term loan is tenor of 60 months, 6 months grace period with interest at 15% per annum.

## 2.20 : Project Investment Plan

### 1.2.1 Investment plan (TZS)

Items	Existing		Additional		Total
	Equity	Loan	Equity	Loan	
Land development	200,000,000				200,000,000
Building	107,593,240				107,593,240
Furniture and fitting			10,000,000		10,000,000
Bulk Milk Cooling tank 2@1000 litres and 1 @2000 litres				9,660,000	9,660,000
Display fridge branded 'Skolts', Yoghurt packaging crates, Laboratory with Lactoscan, Aluminium cans (Datini) and black pasteurizer electric power				33,120,000	33,120,000
Yoghurt aging tank/vat double wall stainless steel 1500litres				36,800,000	36,800,000
Back-up generator 30KVA				46,000,000	46,000,000
Cold room (20 feet) reefer container				92,000,000	92,000,000
Automatic Yogurt cup filling and sealing machine				133,400,000	133,400,000
Air compressor system 250 litres				19,550,000	19,550,000
Animal stocks			60,000,000		60,000,000
Haulage and fitting				20,000,000	20,000,000

<i>Motor Vehicles (refrigerated vehicles)</i>				60,000,000	60,000,000
<i>Working Capital</i>				49,000,000	49,000,000
<b>Grand-total</b>	<b>720,000,000</b>		<b>70,000,000</b>	<b>499,530,000</b>	<b>877,123,240</b>

### 2.2.1 Schedule of Implementation:

The project is planned to be implemented in twelve (6) months timeframe starting from when funds for the project have been fully mobilized. Commercial operations are therefore expected to start by January, 2021. An outline of the implementation time frame is as given under;

<b>S/No.</b>	<b>Activity</b>	<b>Time Frame</b>
1.0	Site Clearance	February / Mar, 21
2.0	Buildings Construction	March – Jun,21
3.0	Other infrastructure construction	Jul / Sep, 21
3.0	Machinery Procurement	April 21
4.0	Personnel Recruitment	May / Jun, 21
4.0	Machinery arrival & Clearance	Jul / Aug, 21
5.0	Machinery Installations	Sep / Oct, 21
6.0	Electrical Installations	Oct/ Nov, 21
7.0	Trial runs and commissioning	Nov / Dec, 21
8.0	Commercial Operations	Jan, 2022

### 2.2.2 Project linkage with smallholder Farmers

- i. The company creates market to smallholder farmer involved in dairy farming in Tarime District by purchasing raw milk from smallholders for Pasteurised Milk, UHT Milk, Mtindi, Cheese and Yogurt processing.
- ii. The company will map and mobilize smallholder farmers and be trained in animal husbandry, quality management and will also be availed with access to the veterinary and hybrid bulls to improve on their livestock.
- iii. This project is expected to impact over 3,000 smallholder farmers especially women and improve tremendously on gender balance by training them on animal husbandry to boost raw milk production.
- iv. The company will link famers with heifer international to get cows/heifer on credit to boost raw milk production for the factory and empower economic livelihood of more than 100 smallholder farmers in Mara region.

## **2.3 : MARKETING OF THE PROPOSED PRODUCT**

There is an increasing demand of Milk in the local market which has resulted in widespread small milk processing industry specifically in Mara region. The demand for establishing Milk processing is also reflected by the failure of giant processing industries such as Mara Fresh, Musoma Dairy and Utegi Milk. The supply of Milk to the industry comes from smallholder farmers who once sold to the above mentioned milk processing industries.

The market of those who are the end consumer of Milk and other products are those who benefits from the business value chain of Dairy industry. Dag Farm Company Limited positioned their project at Tarime to attract consumers of Milk not just in Musoma where most of small milk processing industries are located but also nearby Sirari, Nyamongo and Serengeti.

Upon sustaining ample supply of Milk, the Company will seek to secure other markets like Acacia North Mara Gold Mine and Buhemba Mine. Currently since there is no enough and reliable supply of same, the company has limited supply of Yogurt to the local market.

Dag Company Limited uses both direct sales; expand sales outlets points to nearby region i.e Mwanza Simiyu, Mwanza and Shinyanga and engagement of agents on its marketing and sales strategy to reach the targeted Market Segmentation. Main approach would be a combination of competitive pricing and quality with the consideration of the average cost per unit on the itemized product brands in the market.

### ***2.3.1 Marketing Strategy***

#### ***2.3.1.1 Advertisement and Promotion***

We plan to advertise our products and services through media, trade fairs and exhibitions (like Sabasaba and Nanenane) and participation in community services activities.

Also we plan to enhance the use our website and other partner outsources to advertise our products and services. But more importantly we look forward to using the quality of our products and services to advertise ourselves. Promotional events may be used especially for provision of rewards for good and valued customers.

Our advertising and promotion goal is to develop personal familiarity between our products, services, customers, staff and the community we serve.

#### ***2.3.1.2 Selling Strategy***

#### ***2.3.1.3 Pricing***

In order to make more profit necessary for our business growth we need to increase our sales volume. We will ensure that we trade in products and provide services of very high quality compared to our competitors' products and services. Our prices will be proportion to the quality of our products and services in comparison to our competitors' prices and quality of their products and services. However, we look forward to providing discounts to customers buying in bulky.

#### ***2.3.1.4 Sales Plans***

- Demarcate the Tarime District market into sales National market for effective sales management
- Develop distribution and control programs for the target market segments

- Streamline product lines in each market segment to match respective market aspects
- Gain market penetration through maximum use possible of the existing channels of distribution , especially for sub urban areas
- Use pricing incentives for gaining market share for products in the market, boosted by the (anticipated) reduction in cost of production.
- Involve primary societies in marketing efforts as way of reaching to rural population in the regions.

#### **2.3.1.5 Product**

We offer fresh milk of high quality to meet customers' demands and expectations.

#### **2.3.1.5 Methods of Sale**

We do use sale by orders and contracts both in the local and export market. Generally, our sales method is by cash bases. However, in future in order to attract more customers and increase our sales volume we may start selling on credit along with setting efficient and effective credit and collection policy.

#### **2.3.1.5 Distribution Channels**

We look forward to strengthening our distribution channels by introducing sales centers and acquiring adequate distribution vehicles.

#### **2.3.1.7 Marketing**

Consolidate market position in the regional markets and increase market penetration in the domestic market through the following:

1. Build an efficient and effective distribution system into different regions to achieve market penetration
2. Extend rural penetration into the rest of the regions, through agency arrangements, and using attractive and economy packs
3. Engage and motivate sales force to increase efficiency in the sales activity
4. Clarify market position and methods in all market segments in operations at the moment – domestic, regional and institution markets.
5. Undertake aggressive, but targeted advertisement, promotion and publicity programs
6. Undertake product streamlining for effective product positioning
7. Branding is one of the key elements for success in the market place.
8. It is strongly emphasized that our products will use professional input from the marketing oriented companies.

#### **2.3.1.8 Goals**

- Increase product market
- Increase annual sales turnover

- Increase gross profitability

### 3.0 : ANTICIPATED RISK OF THE PROJECT

S/N	Type of Risk	Mitigation
1	Technological risk	To mitigate this risk, Dag Farm Company Limited is intending to install a very latest technology of Milk processing.
2	Production risk	Availability of raw materials for the industry. To apprehend this risk the Dag Farm Company Limited will establish collection points of Milk from Smallholder farmers and hence assures the supply of market. On the other hand, the Company has started keeping high breed for milk generation from his farm.
3	Theft and security	Monitoring of final product will be taken by experienced staff who will supervise from production to end market.
4	Market Risk	There is high demand of Milk product specifically Yogurt around the area. The demand has been increasing significantly.
5	Miss allocation of funds and Fund diversion	Miss-allocation of funds is normally affecting the client ability and results into losses. Proper monitoring and supervision by the bank funds will be disbursed against submitted implementation schedule. All related supplier fund will be disbursed direct to supplier account.
6	Management Risk	The Company has gained experience from the existing local Milk processing industries. As well the Company has well extensive management experience gained from other existing businesses.
7	Credit Risk	The probability that the borrower will fail to repay the loan with interest agreed. Collateral (Project assets) pledged by the Company reduces the chance to default. Either promoter of the Company has always been credible in all former banks. Other sister business Company cash flows may supplement repayment in case of dire need.

## SECTION 4.0 : **ORGANIZATION AND MANAGEMENT PLAN**

### ***4.1.0 Organization Structure***

We are committed to the policy of always having a sound and strong organization and management plan throughout. To adhere to this commitment, we always assess our organization structure and management plan leading to efficient and effective restructuring process.

Our current organization structure has three main functional organs including the Board of Directors, Management Team, and Technical/Supporting Staff.

### ***4.2.0 Board of Directors***

The structure of the Board of Directors of our company is composed of all founders and shareholders of the company plus three outsider members selected according to their merits for advisory and credibility of the company to creditors and the public. The CEO who is also the Chairperson of the company heads the Board of Directors.

### ***4.3.0 Management***

The management of the company is manned by the Managing Director.

The Managing Director is and always shall be required to be a person with proven qualifications and experience in business administration that in collaboration with other professionals and allies assists in putting together and leading the management team for efficient and effective planning, monitoring and attainment of company's strategic goals and objectives.

The Managing Director who is also the head of Administration and a positive change agent of the company, is currently assisted by all other heads of key functional departments i.e. Accountant (Accounting Department), Production Manager (Production and Technical Department), and Marketing and Sales Manager (Marketing and Sales Department) for smooth operations and running of day-to-day functions of the company.

All heads of Apartments are appointed or hired in accordance to relevant qualifications and experience.

In a bigger look and as we grow and expand, we look forward to having the Director of Finance and Investments, Director of Operations and Production, Director of Marketing and Sales to head the finance, operations and production, and marketing and sales departments.

### ***4.4.0 Technical/Support Staff***

For efficient and effective operations there is a technical and supporting team made up of seasoned full and part time staff hired according to their qualifications and experience.

### ***4.5.0 Managerial/Technical Gap Plan***

In case of any managerial and technical gap, we carefully and economically use consultancy services to fill up the gap(s).

- a. Dag Farm Company Limited is proposing to expand the existing local Milk processing industry whereby promoters of the project has got enough experience and competent personnel to run the milk processing.
- b. The project has direct Linkage to smallholder livestock keepers hence necessitate the TADB intervention.
- c. The proposed area to install the machineries has been developed. The same building will be used as Collateral to cover the loan in case of default.
- d. Rising demand of Milk around the area also provide chance to TADB to continue with the project. Strong market from Tarime, Rorya, Sirari, Serengeti, Bunda, Simiyu and Mwanza encourage the undertaking of the project.
- e. Collateral pledged to cover for sought facility is beyond the above coverage.
- f. The project is of vital for TADB reputation and visibility in financing Milk processing in Mara region and mark the presence of TADB.

The project is managed by competent and experienced graduate in Dairy Science and Technology.

The recommendation is based on the fact that;

- Good performance of the company with increasing annual turnover year by year.
- Cross sell business eventually deposit, and account opening for staff and others.

#### **4.6.0 Conclusion**

In view of the above and related shown schemes in this report the project is technically feasible, financially attractive and economically viable. TADB Bank granted DAG FARM Loan to undertake this investments scheme.

### **SECTION 4.70 : RECOMMENDATIONS**

#### **Recommendations:**

The preliminary review of the project shows that the project is viable to provide the expected developmental impact and repay the facility without undue delay. Our recommendations is based on the following:

- The Preliminary review shows that the project is commercially, economically and financially viable.
- This is the only Milk processing project in Tarime which is well established and client want to expand and modernize the maize processing.  
There is ready market for Milk in Tarime, Rorya and Serengeti districts. Acacia North Mara gold mine in Tarime. The product produced is of high demand hence its market is huge.
- Promoters have different lines of business such as Julius G. Company Limited. These may assist with repayment in case of dire need. Both ventures are well run and are low leveraged.
- Lead partners and promoters of the project are credible customer who has been borrowing to NMB and NBC with good repayment history.
- The project is strategically located to smallholder livestock keepers at Nkendearea in Tarime District, financing this project will help development of dairy sub sector in the area of operation

and mark TADB presence in Mara region at large.

- TADB approval term loan facility based on the following recommendations
- Good performance of the company with increasing annual turnover year by year.
- Cross sell business eventually deposit, and account opening for staff and others.

M/S. DAG FARM COMPANY LIMITED

P.O.BOX 22, TARIME

PROJECTED FINANCIAL STATEMENTS FOR THE NEXT FIVE  
YEARS.

PREPARED FOR:

M/S. DAG FARM COMPANY LIMITED

P.O.BOX 22, TARIME

Company: DAG FARM COMPANY LIMITED  
Project: Milk Processing Plant

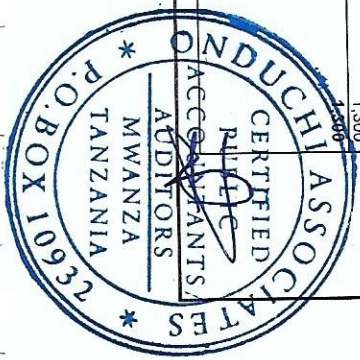
1.0 Sales Revenue	Base Unit/ Liters	Sub-Units	Year				
			Year 1	Year 2	Year 3	Year 4	Year 5
Fresh Milk 0.5 Liters Sales	Volume (Litres)	1.1	600,000	600,000	600,000	600,000	600,000
	Unit price	1.2	1,000	1,045.00	1,092.03	1,141.17	1,192.52
	Sub total		600,000,000	627,000,000	655,215,000	684,699,675	715,511,160
Yogurt Milk 0.5 Liters Sales	Volume (Litres)	1.3	600,000	600,000	600,000	600,000	600,000
	Unit price	1.4	1,300	1,358.50	1,419.63	1,483.52	1,550.27
	Sub total		780,000,000	815,100,000	851,779,500	890,109,578	930,164,508
			0	-	-	-	-
			0	-	-	-	-
			0	-	-	-	-
<b>GRAND TOTAL</b>			<b>1,380,000,000</b>	<b>1,442,100,000</b>	<b>1,506,994,500</b>	<b>1,574,809,253</b>	<b>1,645,675,669</b>

1.1 Fresh Milk 0.5 Liter Production Capacity: 5,000 Liter p. Day Milk *20 Days productions per Month	Output 50% Liters OutPut Per Day
1,200,000 Liters per Annum Out put at 50%	
600,000 Liters Per Annum	
Annual Production Capacity	Litres 600,000.00

1.3 Yogurt Liter 5,000 Liters p. Day Milk *20 Days productions per Month	50% Liters OutPut Per Day
1,200,000 Liters Per Annum Out Put at 50%	
600,000 Lites Per Annum	
Annual Production Capacity	Litres 600,000

1.2 Selling Price - Fresh Milk 0.5 Litres	TZS
Lowest available price - Beginning	1,000
Highest available price - Other timings	1,000
Mean Price	1,000
Assumption: Annual growth of 2.5%	

1.4 Selling Price - Yogurt 0.5 Litres	TZS
Average Selling price - Yogurt	1,300
Low Price	1,300
Hign Price	1,300
Mean Price	1,300
Assumption: Annual growth of 2.5%	



Annex B.6  
Notes to the forecasted Financial Statements  
Company: DAG FARM COMPANY LIMITED  
Project: Milk Processing Plant

2.0 Cost of Sales

	Year 1	Year 2	Year 3	Year 4	Year 5
Milk purchases	3,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00
Packaging Materials Costs (buckets & Bottles)	40,000,000.00	40,700,000.00	41,449,000.00	42,250,430.00	43,107,960.10
Manufacturing chemicals costs	450,000,000.00	472,500,000.00	496,125,000.00	520,931,250.00	546,977,812.50
<b>GRAND TOTAL (Rounded "000")</b>	<b>493,500.00</b>	<b>516,700.00</b>	<b>541,074.00</b>	<b>566,681.68</b>	<b>593,685.77</b>

2.1 Milk Purchases

	Year 1	Year 2	Year 3	Year 4	Year 5
Purchase of Milk	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Volume (Litres)	500.00	500.00	500.00	500.00	500.00
Unit price	3,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00
Sub total					

2.2 Packaging Materials Costs (Boxes, buckets & Bottles)

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Milk volume produced	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00
Proportion packaged in 0.5 litre	5%	60,000.00	60,000.00	60,000.00	60,000.00
Number of 0.5 L bottles required	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Total cost for 0.5 Liters bottles (TZS)	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Boxes	10,000,000.00	10,700,000.00	11,449,000.00	12,250,430.00	13,107,960.10
Total cost of Milk Packaging materials (TZS) - Rounded "000"	40,000,000.00	40,700,000.00	41,449,000.00	42,250,430.00	43,107,960.10

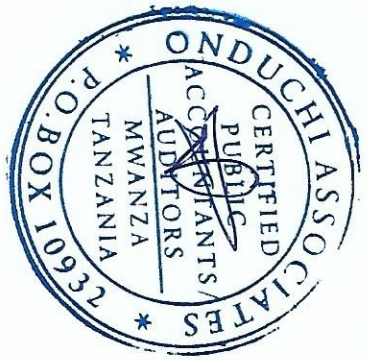
3.0 Operating Expenses

Description	Monthly	Year				
		Year 1	Year 2	Year 3	Year 4	Year 5
Plant Manager (1 post)	1,000,000.00	12,000,000.00	12,240,000.00	12,484,800.00	12,734,496.00	12,989,185.92
Finance Admin Manager (2 post)	1,500,000.00	18,000,000.00	18,360,000.00	18,727,200.00	19,101,744.00	19,483,778.88
Depreciation	B.5	76,734,402.67	78,269,090.72	79,834,472.33	81,431,161.99	83,058,785.22
Sales&Procurement Manager (1 post)	500,000.00	6,000,000.00	6,120,000.00	6,242,400.00	6,367,248.00	6,494,592.96
Accounts Assistant (1 post)	350,000.00	4,200,000.00	4,284,000.00	4,369,680.00	4,457,073.60	4,546,215.07
Shift Supervisors (2post)	300,000.00	7,200,000.00	7,344,000.00	7,490,880.00	7,640,697.60	7,793,511.55
Secretary (1post)	250,000.00	3,000,000.00	3,060,000.00	3,121,200.00	3,183,624.00	3,247,296.48
Plant Operators (9 posts)	200,000.00	14,400,000.00	14,544,000.00	14,834,880.00	15,131,577.60	15,434,209.15
Laboratory Staff (2 posts)	600,000.00	12,000,000.00	12,240,000.00	12,484,800.00	12,734,496.00	12,989,185.92
Bank and other financial charges	400,000.00	9,600,000.00	9,792,000.00	9,987,840.00	10,187,596.80	10,391,348.74
Mechanics (4 posts)	250,000.00	2,328,100.00	2,444,505.00	2,566,730.25	2,695,066.78	2,829,820.10
Drivers (2 posts)	250,000.00	6,000,000.00	6,120,000.00	6,242,400.00	6,367,248.00	6,494,592.96
<b>Other Related Costs:</b>						
Distribution Expenses		30,524,791.50	15,292,395.75	16,025,515.54	16,826,791.31	17,668,130.88
Motor Vehicle Expenses		45,177,990.20	11,294,497.55	11,859,222.43	12,452,183.55	13,074,792.73
Medical Expenses		5,850,000.00	4,972,500.00	5,221,125.00	5,482,181.25	5,756,290.31
Spare and Machines Maintenance		53,310,849.40	11,621,765.17	11,854,200.47	12,091,284.48	12,595,848.71
Directors remunerations		20,095,500.00	11,052,525.00	11,605,151.25	12,185,408.81	12,794,679.25
Branding and Labelling		13,859,000.71	6,234,750.76	6,546,488.29	6,873,912.71	7,217,503.34
Legal fees		8,501,000.50	7,225,850.43	7,597,142.95	7,966,500.09	8,364,825.10
Audit fees		65,437,000.00	9,815,550.00	10,306,327.50	10,821,643.88	11,362,726.07
Sales and Marketing		24,040,000.00	24,040,000.00	24,040,000.00	24,040,000.00	24,040,000.00
Rent for collection centres		457,593,635.87	298,974,680.80	306,831,219.27	314,965,993.65	323,750,149.54
<b>GRAND TOTAL (Rounded"000")</b>						

Annex B.1  
 Projected Profit and Loss Statement  
 TZS '000"

Company: DAG FARM COMPANY LIMITED  
 Project: Milk Processing Plant

Description	Notes: B.5	Year				
		Year 1 TZS '000"	Year 2 TZS '000"	Year 3 TZS '000"	Year 4 TZS '000"	Year 5 TZS '000"
Revenue	1	1,380,000.00	1,442,100.00	1,506,994.50	1,574,809.25	1,645,875.67
Bank Loan		680,000.00	-	-	-	-
Cost of Sales	2	-493,500.00	-518,700.00	-541,074.00	-566,681.88	-593,585.77
Gross Profit		1,386,500.00	923,400.00	965,920.50	1,008,127.37	1,052,089.90
Operating expenses	3	-457,593.64	-298,971.68	-306,831.22	-314,965.99	-323,750.15
(Loss) / profit before finance costs and taxation		928,906.36	624,428.32	659,089.28	693,161.38	728,339.75
Finance costs		-	-	-	-	-
Loan Repayments		(142,739.58)	(142,739.58)	(142,739.58)	(142,739.58)	(142,739.58)
Investment/Share Payments		(440,530.00)	-	-	-	-
Profit/Loss before taxation		345,636.78	483,688.74	516,349.70	550,422.00	585,600.17
Tax expense		-103,691.04	-145,106.62	-154,904.91	-165,128.60	-175,680.05
Profit/(loss) for the year		241,945.75	338,582.12	361,444.79	385,293.40	409,920.12
Other comprehensive income (Net of Tax)		-	-	-	-	-
Profit/(loss) for the year		241,945.75	338,582.12	361,444.79	385,293.40	409,920.12
Net Profit Margin (NPM)		0.18	0.23	0.24	0.24	0.25



Company: DAG FARM COMPANY LIMITED  
 Project: Milk Processing Plant

INVESTMENT APPRAISAL (NPV, IRR & SENSITIVITY ANALYSIS)

TZS "000"	TZS "000"					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Desedptions						
Sales Revenue		1,380,000.00	1,442,100.00	1,506,994.50	1,574,809.25	1,645,675.67
Operating costs		-951,093.64	-815,671.68	-847,905.22	-881,647.67	-917,335.92
Initial Investment	(407,593.2)					
Terminal Value of Assets						440,530.00
Net Cash flow	(407,593.20)	428,906.36	626,428.32	659,089.28	693,161.58	1,168,869.75

SENSITIVITY ANALYSIS

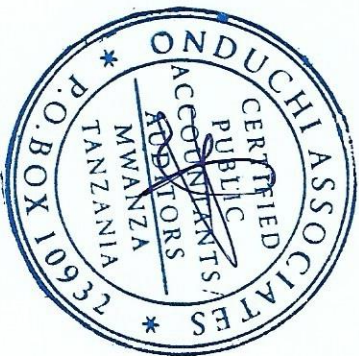
i. Changes in the discount rate

DISCOUNT RATE	NPV	IRR
3%	2,826,591.93	128%
12%	2,047,635.22	128%
15%	1,849,852.75	128%

Projected Statement of Financial Position  
TZS '000'

Company: DAG FARM COMPANY LIMITED  
Project: Milk Processing Plant

Description	Notes	Year 1	Year 2	Year 3	Year 4	Year 5
		TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
<b>ASSETS</b>						
Non current assets	B.5	671,386	594,654	517,934	442,602	598,320
Fixed Assets		100,000	238,395	389,025	330,201	238,905
Animal Stocks		771,386	833,049	910,959	772,803	837,225
Current Assets		159,404	229,305	359,045	495,033	502,093
Stocks		89,478	125,607	101,442	321,405	498,004
Debtors		69,592	161,438	238,824	292,311	323,408
Cash and Cash equivalents		318,474	518,400	697,311	1,108,749	1,323,508
<b>TOTAL ASSETS</b>		<b>1,099,863</b>	<b>1,349,450</b>	<b>1,608,271</b>	<b>1,881,553</b>	<b>2,160,731</b>
<b>EQUITY AND LIABILITIES</b>						
Capital and reserves:						
Capital Contribution		407,593	407,593	407,593	407,593	407,593
Retained earnings	B.4	241,946	580,528	941,973	1,327,268	1,737,188
		649,539	988,121	1,349,566	1,734,861	2,144,781
Current Liabilities						
Bank overdraft		-	-	-	-	-
Long term Liabilities						
Term Loan-TADB		427,404	343,137	245,325	131,788	-
Payables		12,920	18,192	13,380	14,502	15,950
		440,324	361,329	258,705	146,691	15,950
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,099,863</b>	<b>1,349,450</b>	<b>1,608,270</b>	<b>1,881,552</b>	<b>2,160,731</b>



Annex B.3  
Projected Cash Flow  
TZS '000"

Company: DAG FARM COMPANY LIMITED  
Project: Milk Processing Plant

	Year 1 TZS '000"	Year 2 TZS '000"	Year 3 TZS '000"	Year 4 TZS '000"	Year 5 TZS '000"
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OPERATING ACTIVITIES

Profit/loss before taxation  
Operating Costs  
Adjustment for:

Depreciation  
Operating profit before working capital changes

(Increase)/decrease in receivables  
(Increase)/decrease in inventory  
(Decrease) in payables  
Cash generated from operations

Income tax paid  
Net cash flow from operating activities

INVESTING ACTIVITIES

Land Development  
Building Works  
Plant & Machinery  
Water Facilities  
Furniture & Fixings  
Animal Stock  
Motor Vehicles  
Proceeds from sale of property and equipment

CASH FLOW FINANCING ACTIVITIES

Dividend paid  
Capital Injection  
Loan in Application - Term Loan  
Repayments of Long term Borrowings  
Net Cash flow used in financing activities  
Net decrease in cash and equivalents

Cash & cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year  
\* Assumptions: Milk Purchases & at 80% of Cash and Cash Equivalents  
Can Surplus/ Deficiency

Profit/loss before taxation	345,636.78	483,688.74	516,349.70	550,422.00	585,600.17
Operating Costs	(457,593.64)	(298,971.69)	(308,831.22)	(314,965.99)	(323,750.15)
Adjustment for:	(111,956.85)	184,717.06	209,518.48	235,456.00	261,850.02
Depreciation	76,734.40	76,734.40	76,741.49	75,317.74	69,317.74
Operating profit before working capital changes	(35,222.45)	261,451.46	286,259.97	310,773.74	331,167.76
(Increase)/decrease in receivables	-	-	-	-	-
(Increase)/decrease in inventory	-	-	-	-	-
(Decrease) in payables	-	-	-	-	-
Cash generated from operations	(35,222.45)	261,451.46	286,259.97	310,773.74	331,167.76
Income tax paid	(103,691.04)	(145,106.62)	(154,904.91)	(155,126.60)	(175,690.05)
Net cash flow from operating activities	(138,913.48)	116,344.84	131,355.06	145,647.14	155,487.70
INVESTING ACTIVITIES					
Land Development	(370,590.00)	-	-	-	-
Building Works	(10,000.00)	-	-	-	-
Plant & Machinery	(10,000.00)	-	-	-	-
Water Facilities	(60,000.00)	-	-	-	-
Furniture & Fixings	-	-	-	-	-
Animal Stock	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Proceeds from sale of property and equipment	(440,530.00)	-	-	-	-
CASH FLOW FINANCING ACTIVITIES					
Dividend paid	-	-	-	-	-
Capital Injection	500,000.00	-	-	-	-
Loan in Application - Term Loan	427,403.71	343,137.24	245,324.55	131,788.03	-
Repayments of Long term Borrowings	927,403.71	343,137.24	245,324.55	131,788.03	-
Net Cash flow used in financing activities	347,960.22	459,492.08	376,679.61	277,435.17	155,487.70
Net decrease in cash and equivalents	-	347,960.22	807,442.30	1,184,121.91	1,461,557.08
Cash & cash equivalents at the beginning of the year	347,960.22	807,442.30	1,184,121.91	1,461,557.08	1,617,044.78
Cash and cash equivalents at the end of the year	278,368	645,564	947,298	1,169,246	1,293,636
* Assumptions: Milk Purchases & at 80% of Cash and Cash Equivalents	69,592	161,488	236,824	292,311	323,409
Can Surplus/ Deficiency	-	-	-	-	-

\* Other Related business expenditure that drain cash from this flow statements are Working capital on Milk purchases  
\* Assumptions that Seeds purchases at 80% of Cash and Cash Equivalents

Annex B.4  
 Projected Statement of Changes in equity  
 TZS "000"

Company: DAG FARM COMPANY LIMITED  
 Project: Milk Processing Plant

	Capital Contribution TZS "000"	Retained earnings TZS "000"	Revaluation reserve TZS "000"	Total Equity TZS "000"
<b>As at the Beginning of year 1</b>	-	-	-	-
Profit/ Loss for the year	-	241,946	-	241,946
Animal Stocks TZS 100,000,000	-	-	-	-
Capital Expenditure TZS 307,593,240	-	-	-	-
Initial Capital	407,593	-	-	407,593
Dividend paid	-	-	-	-
<b>As at the end of Year 1</b>	<b>407,593</b>	<b>241,946</b>	<b>-</b>	<b>649,539</b>
<b>As at the Beginning of year 2</b>	407,593	241,946	-	649,539
Profit/ Loss for the year	-	338,582	-	338,582
Changes in working capital	-	-	-	-
Dividend paid	-	-	-	-
<b>As at the end of year 2</b>	<b>407,593</b>	<b>580,528</b>	<b>-</b>	<b>988,121</b>
<b>As at the Beginning of year 3</b>	407,593	580,528	-	988,121
Profit/ Loss for the year	-	361,445	-	361,445
Changes in working capital	-	-	-	-
Dividend paid	-	-	-	-
<b>As at the end of year 3</b>	<b>407,593</b>	<b>941,973</b>	<b>-</b>	<b>1,349,566</b>
<b>As at the Beginning of year 4</b>	407,593	941,973	-	1,349,566
Profit/ Loss for the year	-	385,295	-	385,295
Changes in working capital	-	-	-	-
Dividend paid	-	-	-	-
<b>As at the end of year 4</b>	<b>407,593</b>	<b>1,327,268</b>	<b>-</b>	<b>1,734,861</b>
<b>As at the Beginning of year 5</b>	407,593	1,327,268	-	1,734,861
Profit/ Loss for the year	-	409,920	-	409,920
Changes in working capital	-	-	-	-
Dividend paid	-	-	-	-
<b>As at the end of year 5</b>	<b>407,593</b>	<b>1,737,188</b>	<b>-</b>	<b>2,144,781</b>

Company: DAG FARM COMPANY LIMITED  
Project: Milk Processing Plant

	Year 1 TZS "000"	Year 2 TZS "000"	Year 3 TZS "000"	Year 4 TZS "000"	Year 5 TZS "000"
Opening balance	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
Additions	-	-	-	-	225,000,000
Disposals	-	-	-	-	-
Closing Balance	300,000,000	300,000,000	300,000,000	300,000,000	525,000,000
Opening accumulated depreciation	-	12,000,000	24,000,000	36,000,000	48,000,000
Depreciation Rate	4%	4%	4%	4%	4%
Depreciation	12,000,000	12,000,000	12,000,000	12,000,000	21,000,000
Closing accumulated depreciation	12,000,000	24,000,000	36,000,000	48,000,000	69,000,000
<b>Net book value</b>	<b>288,000,000.00</b>	<b>276,000,000.00</b>	<b>264,000,000.00</b>	<b>252,000,000.00</b>	<b>456,000,000.00</b>
<b>PLANT &amp; MACHINERY &amp; WATER FACILITIES</b>					
Opening balance	-	370,530,000	370,530,000	370,530,000	370,530,000
Additions	370,530,000	-	-	-	-
Disposals	-	-	-	-	-
Closing Balance	370,530,000	370,530,000	370,530,000	370,530,000	370,530,000
Opening accumulated depreciation	-	46,316,250 00	92,632,500 00	138,948,750 00	185,265,000 00
Depreciation Rate	13%	13%	13%	13%	13%
Depreciation	46,316,250	46,316,250	46,316,250	46,316,250	46,316,250
Closing accumulated depreciation	46,316,250	92,632,500	138,948,750	185,265,000	231,581,250
<b>Net book value</b>	<b>324,213,750.00</b>	<b>277,897,500.00</b>	<b>231,581,250.00</b>	<b>185,265,000.00</b>	<b>138,948,750.00</b>
<b>MOTOR VEHICLES</b>					
Opening balance	-	60,000,000 00	60,000,000 00	60,000,000 00	-
Additions	60,000,000	-	-	-	545,400.00
Disposals	-	-	-	-	-
Closing Balance	60,000,000 00	60,000,000 00	60,000,000 00	60,000,000 00	-
Opening accumulated depreciation	-	15,000,000 00	30,000,000 00	45,000,000 00	-
Depreciation Rate	25%	25%	25%	25%	545,400.00
Depreciation	15,000,000	15,000,000	15,000,000	15,000,000	-
Closing accumulated depreciation	15,000,000	30,000,000	45,000,000	60,000,000	-
<b>Net book value</b>	<b>45,000,000.00</b>	<b>30,000,000.00</b>	<b>15,000,000.00</b>	-	-
<b>OFFICE FURNITURE &amp; EQUIPMENT</b>					
Opening balance	3,343,240.00	13,343,240.00	13,343,240.00	13,343,240.00	13,343,240.00
Additions	10,000,000.00	-	-	-	-
Disposals	-	-	-	-	-
Closing Balance	13,343,240.00	13,343,240.00	13,343,240.00	13,343,240.00	13,343,240.00
Opening accumulated depreciation	-	2,001,486.00	4,002,972.00	6,004,458.00	8,005,944.00
Depreciation Rate	15%	15%	15%	15%	15%
Depreciation	2,001,486	2,001,486	2,001,486	2,001,486	2,001,486
Closing accumulated depreciation	2,001,486	4,002,972	6,004,458	8,005,944	10,007,430
<b>Net book value</b>	<b>11,341,754</b>	<b>9,340,268</b>	<b>7,338,782</b>	<b>5,337,296</b>	<b>3,335,810</b>
<b>COMPUTERS &amp; OFFICE APPLIANCES</b>					
Opening balance	4,250,000.00	4,250,000.00	4,250,000.00	-	-
Additions	-	-	21,250.00	-	35,440.00
Disposals	-	-	-	-	-
Closing Balance	4,250,000.00	4,250,000.00	4,271,250.00	-	35,440.00
Opening accumulated depreciation	-	1,416,666 67	2,833,333 33	-	-
Depreciation Rate	33%	33%	33%	33%	33%
Depreciation	1,416,667	1,416,667	1,423,750	-	-
Closing accumulated depreciation	1,416,667	2,833,333	4,257,083	-	-
<b>Net book value</b>	<b>2,833,333</b>	<b>1,416,667</b>	<b>14,167</b>	-	<b>35,440</b>
<b>MOVEMENT IN TOTAL FIXED ASSETS</b>					
Opening balance	307,593,240	748,123,240	748,123,240	743,873,240	683,873,240
Additions	440,530,000	-	21,250	-	225,580,840
Disposals	-	-	-	-	-
Closing Balance	748,123,240	748,123,240	748,144,490	743,873,240	908,908,680
Opening accumulated depreciation	-	76,734,403	153,468,805	225,953,208	241,270,944
Depreciation	76,734,403	76,734,403	76,741,486	75,317,736	69,317,736
Closing accumulated depreciation	76,734,403	153,468,805	230,210,291	301,270,944	310,588,680
<b>Net book value</b>	<b>671,388,837</b>	<b>594,654,435</b>	<b>517,934,199</b>	<b>442,602,296</b>	<b>598,320,000</b>

\* Assumptions of increased in Capex due to factory Developments

Annex B.5.1  
 Projected Fixed Assets Register  
 Company: DAG FARM COMPANY LIMITED  
 Project: Milk Processing Plant

	ITEMS	UNITS	CURRENT	AMOUNT	EX. RATE	QUANTITY	TZS EQUIVALENT
1	Land Development	-	-	-	-	-	-
2	Building Works	-	-	-	-	-	-
3	Plant & Machinery	370,530,000.0		370,530,000.00	-		370,530,000
4	Water Facilities	-		-	-		-
5	Furniture & Fittings	10,000,000.0		10,000,000.00	-		10,000,000
6	Animal Stock	-		-	-		-
7	Motor Vehicles	60,000,000.0		60,000,000.00	-		60,000,000
<b>TOTAL COSTS</b>							<b>440,530,000</b>