

**HENY AMAS INTERNATIONAL COMPANY
LIMITED.**

FEASIBILITY STUDY REPORT FOR

**INVESTMENT IN THE SOCKS AND
RELATED TEXTILE PRODCUTS
MANUFACTURING PROJECT**

***PRESENTED BY COMPANY'S DIRECTOR
HENY AMAS INTERNATIONAL COMPANY LIMITED
MKURANGA
COAST REGION***

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DISCLAIMER

The purpose and scope of this information in this feasibility study reports is to introduce the subject matter and provide a general idea and information on the said area. All the material included in this document is based on data/information gathered from various sources and is based on certain assumptions. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. A consultant does not assume any liability for any financial or other loss resulting from this Report in consequence of undertaking this activity. The prospective user who is Heny Amas International Company Limited is encouraged to carry out additional diligence if it is necessary needed and gather any information feels necessary for making an informed decision for executing the planned investment.

0.0 INTRODUCTION

1.0 EXECUTIVE SUMMARY

1.1. Preamble

M/S Heny Amas International Company Limited is a newly established company created to carry on the business of manufacturing of socks and textile related products (panties, and peripheral products). The growing utilization of textile socks to both women and men led to an increased demand for these products.

One of the fastest growing types of socks which is going to be manufactured by M/S Heny Amas International Company Limited is the synthetic fabrics which wick moisture away from foot skin and special fabric combinations and knitted structures to channel moisture out the top of your shoe.

The knitted structures are also intended to provide added support, to prevent the sock from sliding around on the foot, a potential source of discomfort and blisters and improve the way the sock conforms to the contours of the foot.

M/S Heny Amas International Company Limited has well and experienced business project promoters who have been in various businesses for a number of years in China since 2009. The promoters are now looking out the new target market in Tanzania to establish this project as they see a lot of potential in the area. They are seeing a very bright future in the business and have decided to invest in this sector of Manufacturing and locating the centre of operations at Mkuranga Coast Region.

1.2 PURPOSE OF THE DOCUMENT

The objective of the feasibility study is primarily to facilitate potential Chinese entrepreneurs investment and provide an overview about textile (socks, panties, and peripheral products) business. The project feasibility may form the basis of an important investment decision and in order to serve this objective, the document covers various aspects of socks and related textiles manufacturing business concept development, start-up, and production, marketing, finance and business management.

The document also provides sectoral information, brief on government policies and international scenario, which have some bearing on the project itself. Thus this particular feasibility study report is of two fold. First is to determine the viability of the proposed project. Second is to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997) for the Project.

2.0 PROJECT PROFILE

2.1 Opportunity Rationale

Knitted socks are items of general use. These have a sizeable market at in Tanzania given the fact that most of socks are most imported from China and Other Asian Countries, but also knitted socks have an export potential to EAC countries and Central Africa Countries. For the Cotton socks, as compared to nylon socks, are subject to rapid replacements. Further, due to higher rate of urbanization, local demand has also increased Manifolds in recent years so this validates the opportunity to set up a new socks manufacturing unit to capture the need of expanding market.

2.2 Project Brief

Socks are broadly classified into two main categories, cotton and nylon or blended socks. Cotton socks are specially preferred by sportsmen, besides their normal use and also have export potential as well. Cotton sports socks are further classified into two types: Pouch socks and reel socks.

The proposed project will be manufacturing 60% pouch socks and 40% reel socks. It will be started with 10 machines. The machines shall deploy 120 local workers whereas foreign expatriates workers will be only 6. All the equipments and machines for the project are new. Second hand machinery can also be used to reduce the cost of project, which is easily available in the market. The project will be started with 60% initial year capacity.

2.3 Market Entry Timing

Various products and services have high dependence on their commercialization timing and delivery to the customers. But the socks and related products (panties, and peripheral products) manufacturing unit can be started at any time during the year.

2.4 Proposed Business Legal Status

The Company is operating within the ambit of the law due the fact that, it has legal documents legitimizing its operation which include Memorandum and articles of association Business Registration Certificate, Tax Identification Number, Business License and Industrial License.

2.5 Project Location

The Project shall be located at acquired farm in Plot No.23 and 25, Block D Mkuranga Pwani Region. The plot has adequate warehouse to accommodate both installation of the machineries and equipment but construction of more storages facilities. Additionally, the project location has passable road throughout the year, power energy cable is less than one kilometer from the site and is located close to source of water.

2.6 Project Capacity and Rationale

Selection of project size is really critical. After doing thorough market research, it is decided that the proposed feasibility will be based on 10 machines. As it is assumed that all the production of the unit will be for both local market and for exports, a sizeable production is required. 30 machines production can be exported in one container. Each machine will be having a capacity of manufacturing 60 pair of socks per every hour of production. In totality all 10 machines per hour shall have capacity of producing 600 set of socks. The output of 8 hours a day is assumed to be 4800 million Tanzanian Shillings. This feasibility study is based on 10 machines which is the minimum viable size for a socks manufacturing unit and related textile products.

2.6. Technical implementation of the project

Under the implementation program new civil works structures will be constructed and new equipments are envisaged to be acquired in order to establish quality of service. The objective is to create competitive preparedness for increased operations and to enhance the image of the company as a reliable and professional outfit capable of delivering quality service like rest of the best in the industry. The company will need to:

- To accomplish land acquisition procedures/Premises leasing at Mkuranga for the purpose of this Investment
- To complete the industry by constructing necessary warehouses structures which shall accommodate machineries Installation and other related facilities
- Obtain series and chains of knitting Socks and other textiles related products machines from China Genuine Supplier, which include labeling and packaging, dying facilities, thermal dryer and boilers, standby power generator etc.
- Procure the following items necessary for a manufacturing industry under competitive environment
 - 3 Light trucks
 - Two pick ups

2.7 Project Investment

Total cost of the project is worked out in the table below:

Table 2.7.1

HENY AMAS INTERNATIONAL COMPANY LIMITED						
Investment Plan						
Planning years >>	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Investment						
Land & Bulding	30,000	0	0	0	0	30,000
Plant & Machinery	300,000	200,000	100,000	0	0	600,000
Equipment	200,000	200,000	0	0	0	400,000
Motor vehicles	50,000	0		0	0	50,000
Furniture & Fixtures	20,000	0	0	50,000	0	70,000
Working capital	150,000	200,000	200,000	200,000	100,000	850,000
Total investment	750,000	600,000	300,000	250,000	100,000	2,000,000

2.8 Key Success Factors/Practical Tips for Success

As of now In Tanzania there are no any other units existing which are indulged in socks, panties and peripheral products manufacturing but still they are not successful in catering the demand. So there is a potential for new entrepreneurs Heny Amas International Company Limited to enter the market. Key success factors will be:

- Wastage ratio of production should be kept at minimum.
- Advance orders for sale can ensure the success of the business.
- Strong controls on purchase price of raw material
- Quality maintenance will play an important role as it is assumed that 100%
- Production will be exported.

3.0 SECTOR & INDUSTRY ANALYSIS

3.1 Textile Sector

Tanzania's textile sector comprises three standalone spinning mills and a number of integrated businesses. The industry chiefly spins cotton yarns for woven and knitted fabric. Some fabric mills focus on making printed and woven women's khangas and kitenges, along with home textiles, dyed-yarn woven kikoi fabrics and bed linen. The bulk of these traditional fabrics are retailed in Tanzania, but some are exported to its neighbouring countries.

According to data from the International Textile Manufacturers Federation (ITMF), Tanzania's installed capacity is around 16,000 open-end rotors and 415,000 ring spindles. The bulk of the spun yarn manufactured in Tanzania is 100% local carded cotton, with counts ranging between 1/12 Ne and 1/30 Ne. The country has some combing capacity that enables counts of up to 1/40 Ne to be manufactured, but there is not much demand for it. Most of the spun yarn manufactured is 1/24 Ne, which is made use of in the base fabric for sheeting and for printed kangas and kitenges, the national dress for women.

Between 2000 and 2004, the value of world exports of textile products grew at an average annual rate of 4.4 percent. With exports from emerging economies growing at a slightly higher rate, their share of world exports increased by 1.5 percentage points to 46.7 percent in 2004. Currently, the major players in the global textile market are China, the US, the EU, India, Pakistan, Japan, Republic of Korea and Turkey. Low cotton prices provide cheap inputs to textile operations worldwide. According to the EIU, estimated global consumption of cotton in 2004/05, at 23.4m tons, was slightly higher than expected and represents an increase of almost 10 percent over the last year. Overall, world cotton consumption in 2005/06 was forecast to reach 24.35m tons, an increase of 4 percent.

3.2 Sector Characteristics – Socks Manufacturing

Cotton sports socks manufacturing, which is a comparatively new phenomenon, has started since, last 40–50 years and its consumption has increased rapidly with the passage of time as more and more people became health conscious and adapted athletic life.

The socks production in general has been tradition since inception of Asia, Europe and America. China, the US, the EU, India, Pakistan, Japan, Republic of Korea and Turkey have been leading countries having family trade of socks manufacturing and Marketing within their cities/states. Mostly socks are produced on old double cylinder dress socks machines and supplied to local distributors for local consumption.

Cotton sports socks, which has a very high volume of consumption in the developed countries of Europe, North America, Middle East and Far East including Japan, was unknown to African Countries in Textile Industry couple of years ago. However, during the early 90s investment in Textile was made and encouraged by Tanzania Government to allow private to invest in the existing textiles Industries such as Mwatex, Urafiki textiles, Mutex and many others, the foci of these industries were production of Vitenge, bed sheets and Kangha for local market, the investors into these industries neither indulged in manufacturing of cotton sports socks nor engaged in production of finished garments. Most of finished garments in form socks, underwear, and shirts are still yet imported from China, Vietnam, Italy, Taiwan, and South Korea.

3.3 Leading Exporting Countries of Cotton Knitted Socks in the World

Between 2003 to 2007 Italy was one of the leading exporter of cotton knitted socks in the world and exports majority of the product to countries like USA, Japan and Germany and was followed by China, Turkey, USA, Korea and France. From 2012 China has been leading in the export of socks, followed by Vietnam and India

3.4 Target Customers of Heny Amas International Company Limited.

Due to increase in awareness of importance of adapting athletic life for a better health, the demand for sports and ordinary quality socks have been increasing with every passing year in Africa to the extent that, uses of socks has been emphasized continuously in Primary schools, Secondary schools and to the commoners at large. Thus Heny Amas International Company Limited shall be targeting Tanzania local market and to the rest of EAC Countries. The company shall design varieties of products to suit various categories of customers.

3.5 Product Mix Offered

The proposed project will manufacture knitted cotton/polyester socks especially to cater to the EAC market. The business will produce high quality socks for men, ladies and children. The proposed project will produce the following types of cotton sports socks Pouch Socks, Reel Socks etc.

3.6 Textile Industry in Tanzania

Since its independence, 1961 Tanzania invested heavily in textile industry so that it could satisfy the demand of the market in terms of clothes and the cotton growing in Tanzania. According to the Ministry of Industry and Trade 2004 report on Status of Textile Industries in Tanzania, 50 textile industries were established by the year 2002 by the government and private companies. However only 23 (46%) of the established industries are operating. The industries are involved in dyeing, spinning, weaving, printing Khanga and Kitenge, bed sheets, garments, knitting, woven blankets and socks.

In the 1960s and 1970s, Tanzania was able to meet the demand of the market in terms of clothes. The industries produce adequate clothes and materials for making clothes. Furthermore the industries were of the major employers and contributor to GDP. It employed about 25% of the working force and contributed 25% of GDP in manufacturing sector (SAILIN LTD (TIB 1996). According to Zuku A (2002), the development of the textile industry was attributed to the demand and deliberate government policies.

Though the textile industries were able to satisfy the market but it could not meet the demand of some types of clothes i.e. suits and suiting materials and other specific dress materials. This was due to the lack of technology of producing them. From 1980, the economy of the country started to decline. This also affected the textile industry. The capacity of the sector to produce adequate with good quality garments decline. At the same time the government continued to restrict the importation of goods including clothes. This limited the availability of the clothes. As a result individuals started to print batik and tie and dye. They were common known in Kiswahili as "MAWINGU" because most of them were on skies colour.

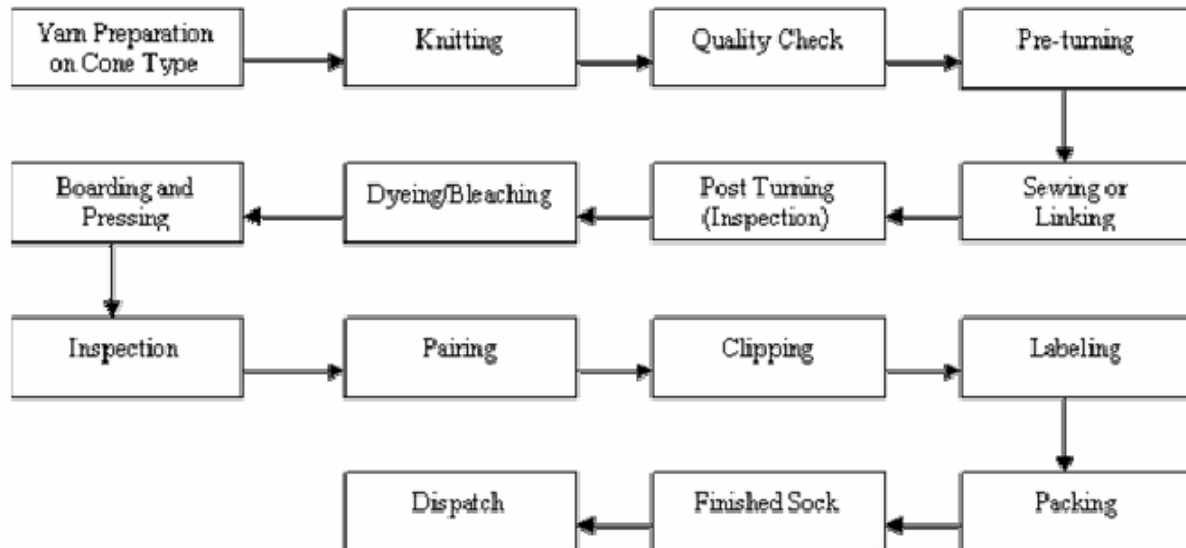
The final nail of the coffin of the textile industry was hammered in 1994/95. The sector collapsed due to poor economy and government policies emanating from the liberalization policy. According to Zuku, A, (2002) the collapse of the textile industry was due to inadequate supply of cotton lint, lack of power/power interruptions, high power tariffs, unfair competition from imports and devaluation of Tanzania shilling hence difficult to buy spare parts for the machines.

From 1980-1985, Tanzanian's experienced a shortage of goods including clothes. As it has already being mentioned that local initiatives of producing clothes emerged (batik and tie and dye) but with a poor quality and also expensive to the extent that not everybody could afford. Some people (rural areas e.g. Southern part of Tanzania) decided to wear sacks. The sacks became shirts and skirts or something to wrap-up. In order to fill the gap, some businessmen/women started to smuggle in used clothes. It is at this time, the used clothes became important and its status was raised.

4 PRODUCTION PROCESS

4.1 Production Process Flow

The following figure shows the production process flow of socks manufacturing unit:



4.2 Sock manufacturing stages

Manufacturing of socks start with the manufacturing and preparation of Raw material i.e cotton and synthetic yarn but these can be purchased from and out sources and the with the knitting the socks processing is started then with the series of process given below.

4.2.1 Knitting

Now a days high tech circular knitting machines are used having a series of knitting needles in a cylinder formation. The yarn packages are placed on the creel portion and fed according to the pre-designed program through the fed system of machine (machines have 2-4 fed systems). The vertical rows of stitches are called **Wales**, the rows are called **courses**.

The knitting is the primary step in quality process. Socks are checked at/ from the knitting machine. Before the knitting process is start it is ensured that the raw material selected is of the desire quality and the yarn fed in the creel portion is according to the

pre-define program and pattern of knitting after the few samples prepared the grey socks is inspected to meet the requirement such as size, no of wales & courses heel & foot stretch ribs pattern etc

4.2.2 Seaming

The second processing stage of socks is the seaming after the knitting the grey (un-seamed) socks are moved in the seaming section where the front portion of socks is seamed according to the requirement. For the seaming the synthetic yarn is used according to the customer requirement.

Today's modern technology saves the time and increase the rate of production now a days the machine available for the seaming are completely modern where the socks are automatically turn inside out and vice versa. Before the seaming the socks is pre-turned so that the seam is properly applied on the socks and the appearance of the seam should be inside the socks. When the seam is applied then for the quality purpose the quality auditor is available to verify the seam quality such as the yarn used for the seam is according to the requirement, the thickness of the seam is also checked for the comfort and the finally the appearance of seam whether it is properly align or not because there is a clip (particular knit area where the seam is applied) and in last the machine again turn inside out of the sock

4.2.3 Wet Finish

After the seam the sock is now in its actual shape in which it should be, now the seamed socks are ready for the application of the wet-finish and therefore brought in the finishing department. Application of wet-finish based of the many steps, these steps vary according to the material and end of the socks.

Now the socks are washed for removing the knitting oils and the waxes applied during the spinning and knitting stages. Scouring and bleaching is also carried out so that the socks should be properly cleaned and does not cause any shade problem during the dyeing and color matching. There are many other auxiliaries used such here softeners, and antimicrobial finishes according to the quality and customer requirement. Some

Socks are prepared from the dyed yarns with a particular pattern therefore it is also kept in mind during the processing that the dyes and chemicals used should not fade out the shade of dyed yarns. Temperature is also important factor I this regard.

4.2.4 Board Pairing

After the application for the finishes the socks are ready to bring in the next section that is Boarding and pairing. Boarding is a process in which socks are put on the hot metal foot frame according to the size and passed through the steam so that the final finished look is given to the socks with not creases on it surface. After the socks boarding the socks are paired and ready for the packing but before the packing a final inspection of the paired socks is carried out so that the proper quality is delivered to the customer.

4.3 Raw Material Requirement

Tanzania is a cotton growing country and has a major advantage of availability and lower prices. Cotton fibers produced in Tanzanian ginneries are of middle or short staple and of relatively coarse grade. The cotton yarns produced by Tanzanian cotton ginneries especially of counts 8s, 10s and 12s are appropriate and ideal to produce soft socks.

The weight of an average pair of socks will be approximately, 65 grams. Raw material used in socks is about 70% cotton yarn and rest 30% is nylon, polyester, acrylic or lycra etc, which is can be imported.

4.2 Technology Highlight

4.2.1 Machinery Requirement

A total number of 10 "Single Cylinder 4 Feed machines" will be installed, out of which 4 machines will be used to manufacture pouch socks and 2 machines will be used for manufacturing reel heel socks. If the new brand machines can be sought by Investor, the second hand machinery is also readily available in the market and the price is approximately half the price of the new machines. Following table shows the machinery & equipment requirement:

Table 4:4:1 Machinery & Equipment Requirement

1.	Lonati Single Cylinder 4 Feed (pouch heel)
2.	Lonati Single Cylinder 4 Feed (Reel heel)
3.	Rosso Automatic Linear
4.	Linking Machine
5.	Bleaching machine
6.	Hydro extractor
7.	Dryer
8.	Boarding/Setting Machine
9.	Air Compressor
10.	Diesel Generator
11.	Boiler 3 ton
12.	Transformer
13.	Socks Reversing Machine
14.	Quality Control Machine
15.	Electric wiring, Steam piping
16.	Water Pump including bore

4.3 Furniture & Fixture

Following furniture and fixtures will be required for factory and management offices.

Table 4.5.1 Details of Furniture and Fixtures

1.	Computers
2.	Printers
3.	Photocopy Machine
4.	Fax Machine
5.	Telephone Sets
6.	Air Conditioners

7.	Office Furniture
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4.4 Motor Vehicles

The proposed project will also be using a Loader truck for transportation purposes. As well as two light trucks and two pick ups

4.5 Human Resource Requirements

Both skilled and unskilled labour will be required for the project. Some direct labor will be working on two shift basis and some will be working on one shift basis. Direct labour for the factory includes following human resources

Table 4:7-1 Human Resource

DISCRIPTION	NUMBER OF EMPLOYEES
Knitting Machine Operator	10
Knitting Supervisor	1
Bleaching Helper/ Bleaching Machine	1
Quality/Linking/Pressing/Packing Staff	1
Boiler Assistant	1
Technician	3
Janitorial Staff	18
Total Direct Labor	35
Production Manager	1
Bleaching Master	1
Boiler Engineer	1
Knitting Master	1
Technical supervisor	1
Quality Incharge	1
Other Direct Labor	7
GM	1

Finance Manager	1
Accountant	1
Purchase Officer	1
Assistant Accountant	1
Store Supervisor	1
Office Boys	1
Security Guard, Gate Keepers	1
Total Indirect Labor	69
Total number of Labour	51

4.6 Land & Building Requirement

4.6.1 Land Requirement

Total land required for the socks knitting unit is approximately 22,449 -Sq. ft
The breakup of the required area is given below.

Table 4:8:1: Covered Area Details

BUILDING & CIVIL WORKS	SPACE REQUIRED IN SQ. FT
Socks Knitting area	1,680
Bleaching & Dying area	1,064
Pressing Area	384
Socks Reversing Area	210
Linking Area	280
Boiler Area	600
Generator Area	600
Air Compressor Room	600
Packing area	1,200
Management Office	1,200

Accessories Store	600
Yarn Store	217
Dyes and Chemical Store	600
Finished Goods Store	334
Toilets	600
Loading, unloading Bay	1,800
Grounds	9,500
Water Tank	500
Total Space Requirements (sq.ft)	22,449

4.8.2 Recommended Mode

Building for the proposed project in initial stage shall be acquired on rent. Once the land acquisition procedures are completed at Mkuranga the construction of warehouses which will accommodated both units of socks and textile related products manufacturing. The construction cost of land and building is estimated in the **Table**

2.7.1

4.8.2 Utilities Requirement

Utilities required for a both socks , panties and related products manufacturing units are

- Electricity
- Water
- Telephone

5.0 FINANCIAL PROJECTION/ANALYSIS

HENY AMAS INTERNATIONAL COMPANY LIMITED
Projected Balance sheet (end of year)

Planning years >>	Year 1	Year 2	Year 3	Year 4	Year 5
	USD	USD	USD	USD	USD
Long-term assets					
Fixed assets: property, plant and equipment	687,633	1,167,267	1,302,900	1,331,867	1,190,833
Long-term financial investments		0	0	0	0
Goodwill	0	0	0	0	0
Total long-term assets	687,633	1,167,267	1,302,900	1,331,867	1,190,833
Current assets					
Cash & cash equivalents (current account)	-286,487	-141,890	149,393	-78,683	-512,138
Deposit account	6,000	12,000	18,000	24,000	30,000
Accounts receivable	240,105	288,986	324,000	360,000	368,137
Inventories	236,452	274,489	301,192	330,390	338,271
Total current assets	196,069	433,585	792,585	635,706	224,270
Total assets	883,703	1,600,852	2,095,485	1,967,573	1,415,104
Long-term liabilities					
Long-term loans	491,078	959,580	1,214,373	941,496	359,698
Total long-term liabilities	491,078	959,580	1,214,373	941,496	359,698
Current liabilities					
Accounts payable	177,339	205,866	225,894	247,792	253,704
Other provisions	0	0	0	0	0
Total current liabilities	177,339	205,866	225,894	247,792	253,704
Shareholders equity					
Share capital	200,000	400,000	600,000	700,000	700,000
Reserves	955	2,213	3,946	6,830	9,757
Retained earnings (or - accum	14,331	33,193	51,271	71,455	91,945
Total shareholders' equity	215,286	435,406	655,218	778,285	801,702
Total liabilities & equity	883,703	1,600,852	2,095,485	1,967,573	1,415,104

HENY AMAS INTERNATIONAL COMPANY LIMITED

Projected Cashflow statement

Planning years >>	Year 1	Year 2	Year 3	Year 3	Year 5
	USD	USD	USD	USD	USD
Cash flow from operating activities					
Operating profit (EBITDA)	134,663	216,420	275,867	330,657	337,211
Interest expenses	-25,000	-49,554	-67,979	-60,719	-47,075
Interest income from investments (bank deposit)	0	300	600	900	1,200
Extraordinary charges (or incomes)	-20,000	-11,000	-9,000	-9,000	-9,000
Income tax	-8,189	-10,650	-10,356	-11,972	-12,031
Movements in working capital					
Decrease (or - increase) in accounts receivable	-240,105	-48,881	-35,014	-36,000	-8,137
Decrease (or - increase) in inventories	-236,452	-38,037	-26,703	-29,198	-7,882
Increase (or - decrease) in accounts payable	177,339	28,528	20,027	21,898	5,911
Increase (or - decrease) in other provisions	0	0	0	0	0
Total cash flow from operating activities	-217,744	87,126	147,442	206,568	260,198
Cash flow from investing activities					
Sale (or - purchase) of fixed assets	-750,000	-600,000	-300,000	-250,000	-100,000
Sale (- purchase) of long-term financial investments	0	0	0	0	0
Decrease (or - increase) of goodwill	0	0	0	0	0
cash placed in the deposit account	-6,000	-6,000	-6,000	-6,000	-6,000
Total cash flow from investing activities:	-756,000	-606,000	-306,000	-256,000	-106,000
Free cash flow	-973,744	-518,874	-158,558	-49,432	154,198
Cash flow from financing activities					
Long term loans drawn	500,000	500,000	400,000	0	0
Repayments of loans made	-8,922	-31,498	-145,207	-272,877	-581,798
Equity contribution (or - withdrawal)	200,000	200,000	200,000	100,000	0
Dividend paid	-3,821	-5,030	-4,953	-5,767	-5,854
Total cash flow from financing activities	687,257	663,472	449,840	-178,644	-587,652
Total net increase (- decrease) in cash	-286,487	144,598	291,282	-228,076	-433,455
Cash balance: beginning of the year	0	-286,487	-141,890	149,393	-78,683
Cash balance: end of the year	-286,487	-141,890	149,393	-78,683	-512,138

HENY AMAS INTERNATIONAL COMPANY LIMITED

Investment and depreciation plan

Planning years >>	Year 1	Year 2	Year 3	Year 4	Year 5
Investment					
Land & Bulding	30,000	0	0	0	0
Plant & Machinery	300,000	200,000	100,000	0	0
Equipment	200,000	200,000	0	0	0
Motor vehicles	50,000	0		0	0
Furniture & Fixtures	20,000	0	0	50,000	0
Working capital	150,000	200,000	200,000	200,000	100,000
Total investment	750,000	600,000	300,000	250,000	100,000
Fixed assets accumulated: at cost	750,000	1,350,000	1,650,000	1,900,000	2,000,000
Depreciation					
Land & Bulding	1,200	1,200	1,200	1,200	1,200
Plant & Machinery	12,000	20,000	24,000	24,000	24,000
Equipment	10,000	20,000	20,000	20,000	20,000
Motor vehicles	2,500	2,500	2,500	2,500	2,500
Furniture & Fixtures	6,667	6,667	6,667	23,333	23,333
Working capital	30,000	70,000	110,000	150,000	170,000
Total depreciation	62,367	120,367	164,367	221,033	241,033
Total depreciation accumulated	62,367	182,733	347,100	568,133	809,167
Net asset book value	687,633	1,167,267	1,302,900	1,331,867	1,190,833
Depreciation period: linear, in years					
Land & Bulding	25				
Plant & Machinery	25				
Equipment	20				
Motor vehicles	20				
Furniture & Fixtures	3				
Working capital	5				

HENY AMAS INTERNATIONAL COMPANY LIMITED
Reconciliation of shareholders equity

Planning years >>	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning shareholders equity	0	222,929	453,108	672,921	795,987
+ Net profit (or - loss)	19,107	25,150	24,765	28,834	29,272
+ Equity contribution (or - withdrawal)	200,000	200,000	200,000	100,000	0
- Dividends paid	-3,821	-5,030	-4,953	-5,767	-5,854
Ending shareholders equity	222,929	453,108	672,921	795,987	819,405
Additional reserves	955	1,257	1,734	2,883	2,927
Dividends paid	3,821	5,030	4,953	5,767	5,854
Retained earnings (or accumulated lo	14,331	18,862	18,079	20,184	20,490

HENY AMAS INTERNATIONAL COMPANY LIMITED
Calculation of income tax

Planning years >>	Year 1	Year 2	Year 3	Year 4	Year 54
	USD	USD	USD	USD	USD
Net profit after extraordinary items	27,296	35,499	34,522	39,905	40,103
Income tax rate	30%	30%	30%	30%	30%
Net loss carried forward	0	0	0	0	0
Taxable income	27,296	35,499	34,522	39,905	40,103
Income tax	8,189	10,650	10,356	11,972	12,031

HENY AMAS INTERNATIONAL COMPANY LIMITED

Financing plan

planning years >>	Year 1	Year 2	Year 3	Year 4	Year 5
Shareholders equity	USD	USD	USD	USD	USD
Equity contribution (or withdrawal)	200,000	200,000	200,000	100,000	0
Share capital	200,000	400,000	600,000	700,000	700,000
Long-term loans from bank					
Loans drawn at the beginning of the year	500,000	500,000	400,000	0	0
Repayments made at the end of the year	8,922	31,498	145,207	272,877	581,798
Basis for interest calculation - end of year	500,000	991,078	1,359,580	1,214,373	941,496
Interest rate	5%	5%	5%	5%	5%
Interest expenses	25,000	49,554	67,979	60,719	47,075
Loan balance: year end (goes to balance sheet)	491,078	959,580	1,214,373	941,496	359,698
Liquidity control					
Operating costs	839,097	955,580	1,038,133	1,129,343	1,155,789
Minimum cash in relation to operating costs	20%	20%	20%	20%	20%
Minimum cash balance required (to be available)	167,819	191,116	207,627	225,869	231,158
Actual cash balance at the end of the year	-286,487	-141,890	149,393	-78,683	-512,138
Debt to equity relation control					
Debt to equity ratio - planned	3.1	2.7	2.2	1.5	0.8
Debt to equity ratio - acceptable by the bank	2	2	2	2	1.2
Deposit of excess liquidity to a bank account					
Amount deposited (at the end of the year)	6,000	6,000	6,000	6,000	6,000
Total amount deposited (per end of year) -	0	6,000	12,000	18,000	24,000
Total amount deposited (per end of year) -	6,000	12,000	18,000	24,000	30,000
Interest rate	5%	5%	5%	5%	5%

HENY AMAS INTERNATIONAL COMPANY LIMITED					
Ratio summary sheet					
Planning years >>	Year 1	Year 2	Year 3	Year 4	Year 5
Liquidity ratios					
Current ratio	1.1	2.1	3.5	2.6	0.9
Quick test ratio	-0.2	0.8	2.2	1.2	-0.4
Efficiency ratios					
Inventory turnover -days	120	120	120	120	120
Accounts receivable turnover -day:	90	90	90	90	90
Accounts payable turnover -days	90	90	90	90	90
Fixed asset turnover	1.4	1	1	1.1	1.3
Total asset turnover	1.1	0.7	0.6	0.7	1.1
Profitability ratios					
Gross profit margin	26%	29%	30%	31%	31%
Net profit margin	2%	2%	2%	2%	2%
Operating profit margin	14%	18%	21%	23%	23%
Return on assets	2%	2%	1%	1%	2%
Return on equity	9%	6%	4%	4%	4%
Dividend payout	20%	20%	20%	20%	20%
Solvency ratios					
Debt to equity ratio	3.1	2.7	2.2	1.5	0.8
Total assets to equity ratio	4.1	3.7	3.2	2.5	1.8
Total assets to total liabilities ratio	1.3	1.4	1.5	1.7	2.3
Capitalisation ratio	0.7	0.7	0.6	0.5	0.3
Interest coverage ratio	5.4	4.4	4.1	5.4	7.2

Salaries - Cost of goods sold COGS

No.	Personnel Function / category	Number of employees					Expected annual salary increase %	Annual salary (1) employee USD					Social insurance as % of salary	Training expenses as % of salary	Fringe benefits as % of salary	Total cost / employee USD					Total cost / category USD				
		1	2	3	4	5		1	2	3	4	5				1	2	3	4	5	1	2	3	4	5
		1	Production manager	1	1	1		1	1	3%	5,000	5,150				5,305	5,464	5,628	20.00%	5.00%	2.00%	6,350	6,541	6,737	6,939
2	Storage control	2	2	2	2	2	3%	4,000	4,120	4,244	4,371	4,502	20.00%	2.00%	2.00%	4,960	5,109	5,262	5,420	5,583	9,920	10,218	10,524	10,840	11,165
3	Equipment maintenance	2	2	2	2	2	3%	4,000	4,120	4,244	4,371	4,502	20.00%	5.00%	2.00%	5,080	5,232	5,389	5,551	5,718	10,160	10,465	10,779	11,102	11,435
4	Product line workers	35	35	35	35	35	3%	2,500	2,575	2,652	2,732	2,814	20.00%	1.00%	1.00%	3,050	3,142	3,236	3,333	3,433	106,750	109,953	113,251	116,649	120,148
5	Knitting Operators	10	10	10	10	10	3%	3,340	3,440	3,543	3,650	3,759	20.00%	1.00%	0.00%	4,041	4,163	4,288	4,416	4,549	40,414	41,626	42,875	44,161	45,486
6	Engineers	3	4	4	5	5	3%	4,000	4,120	4,244	4,371	4,502	20.00%	1.00%	0.00%	4,840	4,985	5,135	5,289	5,447	14,520	19,941	20,539	26,444	27,237
7		0	0	0	0	0	0%	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0
8		0	0	0	0	0	0%	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0
9		0	0	0	0	0	0%	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0
10		0	0	0	0	0	0%	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0
11		0	0	0	0	0	0%	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0
12		0	0	0	0	0	0%	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0
Subtotal		53	54	54	55	55															188,114	198,743	204,705	216,135	222,619

HENY AMAS INTERNATIONAL COMPANY LIMITED

Assumptions

Planning years

>>

YEAR 1

YEAR 2

YEAR 3

YEAR 4

YEAR 5

Currency		USD	USD	USD	USD	USD
Income tax rate		30%	30%	30%	30%	30%
Average number of days for payment of receivables		30	30	30	30	30
Average number of days of inventory stock		20	20	20	20	20
Average number of days for payment of payables		30	30	30	30	30
Dividends in relation to net profit		5%	5%	5%	5%	5%
Percentage of profit to be allocated to the reserves		0%	0%	0%	0%	0%
Investment Cost	Total					
Land & Building		30,000	0	0	0	0
	30,000					
Plant & Machinery		300,000	200,000	100,000	0	0
	600,000					
Equipment		200,000	200,000	0	0	0
	50,000					
Motor vehicles		50,000	0		0	0
	20,000					
Furniture & Fixtures		20,000	0	0	50,000	0
	450,000					
Working capital		150,000	200,000	200,000	200,000	100,000
	800,000					
Total Investment	2,000,000	750,000	600,000	300,000	250,000	100,000