



Business Plan

2017-2027

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I. Background

SOLOMON Commodities Ltd is a private commercial entity that is double faceted whereby one side is a member of Tanzania Mercantile Exchange (TMX); and the other side is an agri-business company – engaging in both farming and commodities trading.

SOLOMON Commodities Ltd was incorporated in year 2015 – as a Commodities Dealer under Commodities Exchange Act No 10 of 2005. As we were waiting for TMX to take off, in year 2020, the Company decided to change its modus operandi – to Agri-Business.

Our mission is to be part of the agricultural transformation in Tanzania; and the world at large.

SOLOMON Commodities Ltd has so far spent more than TZS 550m as capital investment into the business.

Our first season of farming was year 2021/2022, we started with 100 acres of maize and 50 acres of sunflower. For this season (2022/2023) we have leased 200 acres of land for maize farming – at Kiteto district. We have also managed to lease a warehouse for storage.

II. Governance Structure

SOLOMON Commodities Ltd comprises of 6 Board Members - responsible for the formulation of policies and strategies of the company; as well as management and operations of the company

The Board of SOLOMON Commodities Ltd shall establish Board Committee with delegated authority to decide on certain issues and to recommend the more important ones to the Board for approval. One of the committees to be formed initially is the

Board Audit Committee (BAC) which shall be responsible for Internal Audit and Risk Management issues of the Company

Board of Directors

DIRECTOR	NATIONALITY	ADDRESS	OCCUPATION	DATE OF APPOINTMENT	MEMBER TYPE
MIRIAM J. SOLOMON	TANZANIAN	DAR ES SALAAM	OPERATIONS DIRECTOR	2015	EXECUTIVE
KISALI G. SOLOMON	TANZANIAN	DAR ES SALAAM	CEO – SOLOMON STOCKBROKERS	2015	NON-EXECUTIVE
SIOI G. SOLOMON	TANZANIAN	DAR ES SALAAM	MANAGING DIRECTOR	2015	EXECUTIVE
NASIWA J. SOLOMON	TANZANIAN	DAR ES SALAAM	GENERAL MANAGER	2015	EXECUTIVE
NOEL L. SOLOMON	TANZANIAN	DODOMA	CEO – JMS POLYCLINIC	2015	NON-EXECUTIVE
JONATHAN M. KASEMBE	TANZANIAN	BELGIUM	INDEPENDENT CONSULTANT	2015	NON-EXECUTIVE

Management Team

Our team currently comprises of 4 permanent employees ie. The Managing Director, General Manager, Operations Manager (Director) and a Driver; 2 seasonal employees; 2 consultants (Accountant and IT); and 10 seasonal labourers

Sioi G. Solomon (MD)

Mr Sioi is a highly motivated and dynamic lawyer with Bachelor's Degree in Law, Post-Graduate Diploma in Human Resources Management; and a Master's Degree in Banking & Finance with adequate working experience, combined unique ability in understanding business affairs of an organization to meet its compliance obligations under relevant laws in an organizational outlook.

He is also an active participant on various platforms requiring legal input with a quick decision-making and problem resolution

techniques. Is able to define, communicate and fulfill objectives and break complex issues into manageable parts. Team player, creative thinker, detail oriented, inter personal and communication are Mr. Sioi's well developed skills.

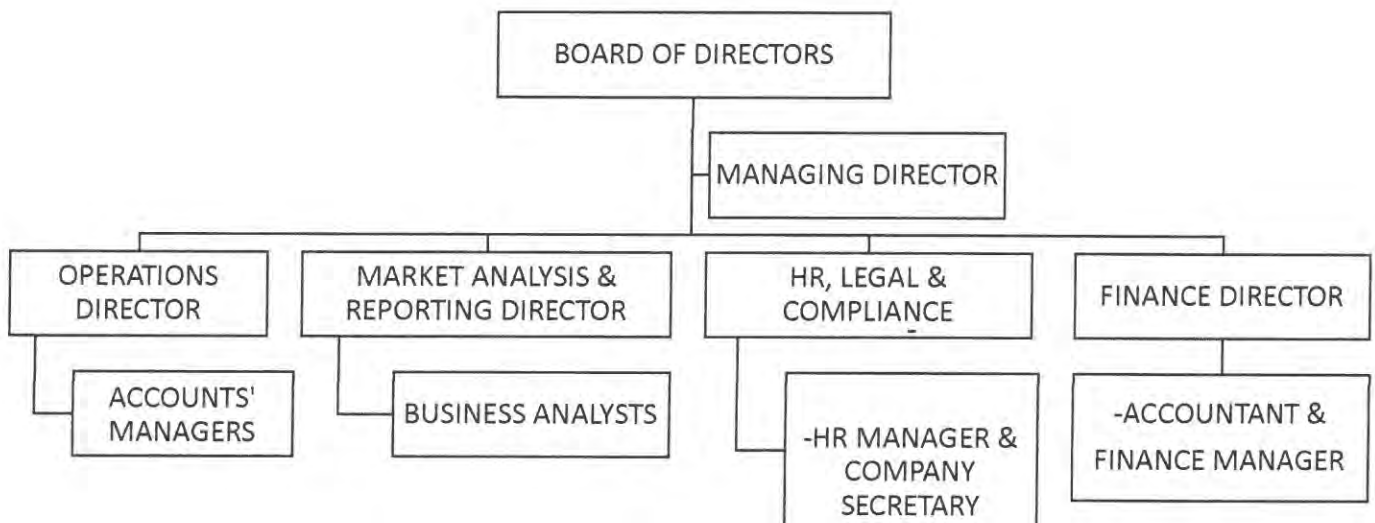
Miriam J. Solomon (Director)

Mrs. Solomon is one of the founders of SOLOMON Stockbrokers Ltd, a holding company of SOLOMON Commodities Ltd. Miriam holds an MBA(Finance) and BCom (Marketing) from the University of Dar es salaam. She worked for TARETO Bureau De Change before founding SOLOMON Stockbrokers Ltd; and later worked for the same from its inception in year 1998 until year 2020 when she retired. Miriam has attended various securities market trainings including Forum for corporate and investment advisory; work in regulated market; capacity building forum on new products (REIT, ETF's, CIS and Derivatives); Going for inclusive growth building capital markets organized by London Stock Exchange; Derivatives market organized by CMSA and Capacity Building on Market Research activities. Other courses attended include Foreign Exchange Market Opportunities workshop and Building African Financial Markets-Capacity Building Seminar organized by Johannesburg Stock Exchange and World Bank Group (South Africa). She has over 20 years' experience in capital markets.

Nasiwa J. Solomon (General Manager)

Nasiwa has been with SOLOMON Stockbrokers Ltd over 10 years having worked as Cashier at TARETO Bureau De Change; Assistant Manager – Reporting at Tigo Tanzania Limited and Accounts Manager at SOLOMON Stockbrokers Ltd. She is a holder of MSc (Finance) from University of Strathclyde, Commerce Special from University of Pretoria and Bachelor of Commerce from University of Bangalore, India where she specialized in Financial and Management Accounting

Proposed Organizational Structure



III. Market Analysis

Agriculture accounts for 30 percent of Tanzania's GDP and provides employment for majority of the nation's population. Opportunities exist for agriculture businesses across domestic, regional and international markets, for both traditional and new products. It is dominated by smallholder farmers dependent on rain-fed production, limited use of improved seeds and fertilizers, and the low share of cultivated over arable land.

The most common food crops in Tanzania are maize, wheat, rice, sweet potatoes, bananas, beans sorghum, and sugar cane. Cash crops include coffee, cotton, cashew nuts, tobacco, tea and sisal. Multiple factors influence the farmer's choice of crops, including 1) physical factors, such as soil quality and water availability; 2) economic factors, such as marketability and seed prices; 3) personal preferences of the household; 4) crop profiles, including crop yield and pest resistance; and 5) resource availability such as machinery and fertilizer. - slowing export revenues; land acquisition hurdles; and smallholder farmers struggling to access economically viable technology, adequate storage facilities, markets and credit have affected the sector.

Although farmers and other sector stakeholders face considerable challenges in modernizing the industry to increase yields, exports and value-added processing; the government is taking measures to address these challenges by introducing subsidies to farmers and investors as well as removing unnecessary levies that have been seen to hamper growth of the sector. The government has also sought foreign financing for its flagship project Southern Agricultural Growth Corridor of Tanzania (SAGCOT) designed to quickly develop that region's agricultural potential. These wide-reaching efforts should see production levels of key crops return to growth in the coming years, helping boost value-added processing in the sector.

The most common food crops in Tanzania are maize, wheat, rice, sweet potatoes, bananas, beans sorghum, and sugar cane. Cash crops include coffee, cotton, cashew nuts, tobacco, tea and sisal. Multiple factors influence the farmer's choice of crops, including 1) physical factors, such as soil quality and water availability; 2) economic factors, such as marketability and seed prices; 3) personal preferences of the household; 4) crop profiles, including crop yield and pest resistance; and 5) resource availability such as machinery and fertilizer.

According to BoT Annual Report Year Ended June 2022 - The value of goods exports grew by 10.0 percent to USD 6,457.9 million, owing to an increase in the value of non-traditional goods exports. Non-traditional exports increased by 21.7 percent to USD 5,567.8 million largely driven by gold, manufactured goods, horticultural products and other exports. The value of gold export recorded an annual growth of 16.9 percent to USD 3,028.8 million in 2020/21, mainly on account of an increase in price in the global market and the government's initiatives to improve the management of mineral resources. During the period, other exports surged by 72.8 percent to USD 665.5 million, emanating from the significant increase in exports of rice and beans to the neighbouring countries

IV. Products and Services

- We do maize and sunflower farming
- We trade in different commodities ie. maize, pulse, sesame, rice, sunflower seeds, sunflower cakes; and sunflower oil – both unrefined and double refined

V. Customer Segmentation

Customer segmentation is based on both geographic location and commodity type.

On the basis of geographic location, we have customers from East Africa, the rest of Africa; and international customers.

On the basis of commodity type we have maize, pulse, rice, sunflower seeds, sunflower seeds cake and sunflower oil.

VI. Marketing Plan

Our marketing plan is to use every platform possible that is available out there especially digital platforms ie social media, acquire sectoral memberships ie EAGC, TIC; and attend networking events – to mention a few.

VII. Logistics and Operations Plan

Following Ministry of Agriculture Strategic Plan of having every region focus on farming of its best food crop – we intend to work along with that plan by having warehouses on strategic locations ready for trading; these crops are (but not limited to) maize, beans, green gram, pigeon peas, rice, peanuts, and sunflower seeds and oils.

VIII. Social and Economic Aspect

SOLOMON Commodities Ltd will play an important role in the agricultural sector as well as the economy at large in Tanzania.

- SCL operations will enhance employment with direct employment of staff and a number of other indirect employment in other areas such as farm labourers, warehouse, transport, etc
- SCL will be paying direct taxes and levies to the government; and indirect taxes through increased business activities in the whole agriculture chain
- Contribution to the development of commodities markets as a farmer and trader hence contribute to further financial deepening in Tanzania

IX. Risks associated with the Business

The four major risks that SCL will be exposed to are market risk, liquidity risk, credit risk and operational risk

- a. Market Risk is the risk of losses as a result of adverse movements in the market prices. Market risk consists of price risk which refers to the risk of losses resulting from adverse movements in market prices

Mitigants: SCL will monitor market prices on continuous basis

- b. Liquidity Risk arises when organization does not have sufficient funds to meet its liabilities as and when they fall due.

Mitigant: SCL will invest its excess liquidity in assets with high liquidity such as Treasury Bills and Bonds and Unit Trust – which will be monitored on a regular basis. Also, SCL will sign lines of credit with its bankers

- c. Credit Risk arises when counterparty fails to fulfill its financial obligation as and when they fall due. Credit risk

consists of settlement risk which is represented by the volatility of potential earnings caused by the failure of an organization's counterparties to fulfill their financial obligations in a timely manner.

- d. *Operational Risk* is the potential exposure to financial or other damages resulting from insufficient or failed internal processes or from external events. It includes human resources, legal and reputation risks.

Mitigants:

- segregation of duties amongst staff
- establish internal control procedures and annual audit of SCL operations
- establish clear reporting lines

X. Monitoring and Evaluation

SCL management will be monitoring and evaluating this plan on annual basis. The annual plans and budget shall be developed from this plan and strategic goals identified.

XI. Financial Projections

SCL is expected to gradually increase maize farming - to 1,000 acres by 2025. The plan is to expand maize farming by 100% in Yr1 and Yr2 then 50% expansion in Yr3, Yr4 and Yr5.

Annex 1: Cash Flow Projections

YEAR	2023	2024	2025	2026	2027
CASH INFLOW (in TZS)					
Sales	270,000,000	540,000,000	810,000,000	1,080,000,000	1,350,000,000
Income from Investments	74,400,000	74,400,000	74,400,000	74,400,000	74,400,000
TOTAL CASH INFLOW	344,400,000	614,400,000	884,400,000	1,154,400,000	1,424,400,000
CASH OUTFLOW (in TZS)					
Farming Expenses					
Farm Lease	8,000,000	20,000,000	30,000,000	40,000,000	50,000,000
Seeds	6,800,000	13,600,000	20,400,000	27,200,000	34,000,000
Labourers	3,000,000	6,000,000	12,000,000	16,000,000	20,000,000
Tractor trackers	300,000	300,000	300,000	600,000	600,000
Fuel	31,173,800	35,627,200	35,627,200	66,801,000	66,801,000
Repairs and Maintainance	600,000	600,000	600,000	1,200,000	1,200,000
Miscellaneous	2,500,000	3,500,000	4,500,000	7,500,000	8,500,000
Total Farming Exp	52,373,800	79,627,200	103,427,200	159,301,000	181,101,000
Personnel Expenses					
Staff Salaries	38,000,000	41,800,000	45,980,000	50,578,000	55,635,800
WCF	190,000	209,000	229,900	252,890	278,179
NSSF	2,680,000	2,948,000	3,242,800	3,567,080	3,923,788
Over Time	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
Total Personnel Exp	43,620,000	47,707,000	52,202,700	57,147,970	62,587,767
Administrative Expenses					
Travel & Entertainment	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Audit Fees	2,000,000	2,200,000	2,420,000	2,662,000	2,928,200
Telephone	13,500	13,500	13,500	13,500	13,500
Motor vehicle/s	10,000,000	11,000,000	12,100,000	13,310,000	14,641,000
Rent	6,187,920	6,187,920	6,187,920	6,187,920	6,187,920
Service fees - office space	1,628,400	1,628,400	1,628,400	1,628,400	1,628,400
Parking	1,628,400	1,628,400	1,628,400	1,628,400	1,628,400
Service fees - parking	325,680	325,680	325,680	325,680	325,680
Electricity	840,000	840,000	840,000	840,000	840,000
Legal & Professional	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000
Bank Charges	600,000	600,000	600,000	600,000	600,000
Marketing	500,000	500,000	500,000	500,000	500,000
Office Stationery	300,000	300,000	300,000	300,000	300,000
Licence Fees	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Medical	1,140,000	1,254,000	1,379,400	1,517,340	1,669,074
Miscellaneous	1,500,000	2,000,000	2,050,000	2,150,000	2,200,000
Total Admin Exp	40,263,900	42,077,900	43,573,300	45,263,240	47,062,174
TOTAL CASH OUTFLOW	136,257,700	169,412,100	199,203,200	261,712,210	290,750,941
NET CASHFLOW	208,142,300	444,987,900	685,196,800	892,687,790	1,133,649,059

Basic Assumptions

The implementation of the above projections for 2023-2027 will be based on the following assumptions:

- Cost for farm lease is the same over the years
- Land availability is constant
- Maize production is 15 bags per acre
- Staff costs will increase by 10% every year with the same number of staff
- Cash inflow is from farming activities only



SOLOMON **Commodities**

Member of Tanzania Mercantile Exchange & Authorized dealer of Commodities

Business Plan

2017-2021

SOLOMON COMMODITIES LIMITED BUSINESS PLAN: 2017-2021

Document Type	Next Review by
Business Plan	January 2017

Approved by	Signature	Date
Miriam Solomon, G.M		30 th January 2017
Board of Directors		8 th May 2017

Version Control

Version Number	Reason for change	Author/s	Date
1.0	Initial Draft		June 2017

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Introduction

A. Background

In an effort to improve agricultural output, enhance transparency and ensure that farmers obtain fair price for their produce, the Government of Tanzania through Capital Markets and Securities Authority (CMSA) has facilitated the establishment of Commodities Exchange in Tanzania to be known as Tanzania Mercantile Exchange Plc (TMX). The Exchange is being established to facilitate the regulation of commodities market in Tanzania with the purpose of ensuring that farmers gets the best price for their produce once they are brought to the formal market. TMX is an additional level of regulation to the existing crop marketing boards which are specific to certain crops.

B. Ownership

Solomon Commodities Limited (SCL) is a private sector company being promoted by Solomon Stockbrokers Ltd (SSL), a company owned by Solomon family since 20th March 1998. Solomon Stockbrokers Ltd (SSL) is one of the founder members of the Dar es Salaam Stock Exchange Plc (DSE) holding the dealing license number LDM 002 when the DSE was a mutual company before its recent demutualization. Solomon Stockbrokers Ltd continues to be an active market in Initial Public Offers (IPOs) as well as secondary market trading of listed securities. As part of its growth strategy as well as exploiting the unfolding potential in commodities exchange, Solomon Stockbrokers Ltd together with its founding shareholders are promoting the establishment of Solomon Commodities Ltd (SCL) to be licensed as a commodity broker/dealer. Solomon Commodities Ltd (SCL) shareholding will be as follows:

SSL	999.99	99.99%
Miriam Solomon MD	1	.01%
Total	1,000	100%

Proposed total paid up capital for SCL is TZS 550,000,000.00 (\$250,000@Tsh.2200) million as required by the Commodity Exchange Act. SCL is expected to start operations in 2017 after being duly licensed by CMSA. Solomon Commodities Ltd (SCL) will be situated on ground floor of PPF House, Samora Avenue, Dar es Salaam.

C. Purpose

SCL is a commercial entity which is being established to tap into commodity exchange market activities in Tanzania. Solomon Commodities Ltd (SCL) will be a member of the Tanzania Mercantile Exchange (TMX) by subscribing to its establishment.

D. Tanzania Mercantile Exchange (TMX)

TMX is a public company established under the companies Act (CAP 212). TMX was incorporated on 25th August 2014 as a commodity exchange platform with the objective of Improving efficiency in the marketing of crops through on-line trading in a dematerialization form. TMX is also expected to minimize settlement risks; enhance efficiency of operations by providing best infrastructure and latest technology; advocate for the implementation of best quality standards of warehousing, grading and testing in tune with trade practices; improving facilities for structured finance due to availability of a reliable market; improving quality of services rendered by suppliers; promoting awareness about spot and futures trading services of TMX across the length and breadth of the country and development and implementation of hedging needs.

Tanzania Mercantile Exchange (TCX) is expected to start trading in 2017 following finalization of Regulations and licensing of dealers. So far, some have been licensed as commodity dealers by CMSA. More dealers are expected to be licensed in the near future, including SCL. TMX is expected to start trading with sesames, cashew nuts, maize and coffee. Rice trading will start at the later date. and probably. These commodities are current traded under warehouse receipt system. TMX is regulated by the Capital Markets and Securities Authority (CMSA) under the Commodity Exchanges Act, 2015. To start with, TMX is expected to trade in nine cash crops namely cashewnuts, coffee; tea; tobacco; cotton; sisal; pyrethrum; sesame and sunflowers. For food crops, TMX will deal with maize; paddy; wheat; millet; cassava; beans; banana and sweet potatoes.

E. TMX Trading Systems

TMX is expected to establish a reliable, time tested and transparent trading platforms very similar to those being used by successful electronic spot and futures exchanges. TMX will provide screen based trading and hence it will be possible for one to place trades on the platform without visiting the Exchange. TMX members will be able to access TMX market infrastructure as they are currently accessing the Dar Es Salaam Stock Exchange PLC (DSE) trading platform without visiting the DSE trading floor. These platforms are credited with increased efficiency and transparency as dealers are

forced to place their orders in the system as they are not aware of the orders from their counterparties. Placement of the order in time is also achieved as the dealer may lose a deal if there are delays in placing orders in the system. As a result, price discovery and hence fair price to commodity owners is achieved, which is the ultimate objective of having TMX.

F. Clearing and Settlement Systems

TMX clearing and settlement of trades will be automated from the inception to ensure that settlement is done using TMX Clearing Banks. TMX clearing and settlement platform will assume a Central Counter Party (CCP) risk for all members' trades. It will establish the net obligations of each member, informs the members of their daily net obligations and transfers cash funds and commodity ownership among members. TMX will identify settlement banks which will have to have dedicated TMX settlement team in their Head Office.

G. Vision

To be the leading commodity broker / dealer in Tanzania

H. Mission

To be part of the agricultural transformation in Tanzania through the provision of commodity brokerage / Dealer services which enhances transparency, market efficiency and fair returns to stakeholders.

I. Core Values:

- **Teamwork**
- **Integrity**
- **Passion**
- **Efficiency**

Tanzanian agricultural sector

Tanzania is an agricultural country with agriculture accounting for over 40% of Gross Domestic Product (GDP). Annual value of exports of goods and services amounted to USD 9,426.5 million in November 2016 compared to USD 8,855.1 million recorded in the corresponding period in 2015. This improvement came mostly from increases in traditional exports, gold, and travel receipts which originated mainly from tourism activities. In particular, the value of traditional export rose by 21.2 percent to USD 943.3 million in the year ending November 2016 compared to the value recorded in the year ending November 2015. Save for coffee and sisal, all other export crops increased. The value of cotton, tea, tobacco and cashew nuts increased on account of both volume and price, whilst cloves export improved as a result of volume as price declined. It is worth noting that, there are good prospects for cashewnuts during 2016/17 crop season as the season started with higher producer prices in the wake of increased demand from Vietnam and India. The decrease in value of coffee and sisal exports was contributed by a fall in both price and volume. To a large degree, prices of the traditional exports were consistent with world markets prices.

Food Stocks constitute those which are held by the National Food Reserve Agency (NFRA) and the private sector. Economic performance was impressive in the second quarter of 2016 relative to the corresponding period in 2015. Real gross domestic product (GDP) grew by 7.9 percent compared with 5.7 percent. About 59 percent of GDP growth was driven by value added in transport and storage, mining and quarrying, construction, agriculture, and manufacturing activities. Transport and storage, mining and quarrying, information and communication, as well as financial and insurance activities grew much faster than any other activities. Annual headline inflation eased to an average of 4.8 percent in the quarter ending September 2016 compared with 5.3 and 6.3 percent in the preceding and corresponding quarter, respectively. The moderation in inflation was driven by food inflation, which decreased to an average of 7.0 percent from 7.6 percent in the preceding quarter. Meanwhile, food supply was satisfactory in most of the regions, albeit characterized by pockets of food shortages. Food reserves held by the National Food Reserve Agency amounted to 86,545 tonnes at the end of September 2016.

II. Technical Aspects

A. Company location

Solomon Commodities Ltd will be headquartered in Dar-es-Salaam. Regional operations will be facilitated by having representatives including those who represent Solomon Stockbrokers Ltd to solicit business for Solomon Commodities Ltd as well as ensuring that high quality commodities are held in selected warehouses for Solomon Commodities Ltd dealership purposes.

B. Market conditions

Solomon Commodities Ltd is expected to operate in the market which has a number of agricultural commodities produced in large number but lacks adequate and efficient marketing system. Survey by Eleni, a consulting firm which provided information and market structure for TMX indicates an existence of a number of commodities eligible for the establishment of TMX. To start with, TMX is expected to start with nine agricultural products namely cashewnuts; coffee; tobacco; cotton; sesame; sunflower; maize; paddy and beans. These products are a result of agricultural activities conducted by over 7 million Tanzanians engaged in agriculture throughout the country. Annual production of the above products is around 9 million metric tons with a market surplus of 4 million tons. These products provide huge potential for TMX and SCL in carrying out commodity dealership business in Tanzania.

C. Key success factors

Commodity Exchange can only survive if it is supported by the supply of commodities being traded, adequately capitalized market intermediaries, availability of market information and fair prices to farmers. Solomon Commodities Ltd will ensure that it is well capitalized, has adequate market information and has necessary infrastructure needed to tap the huge potential in TMX establishment.

D. Timing and phasing of SCL establishment

Solomon Commodities Ltd as a commodity dealer will be established in the following phases:

Phase 1 – registration of the company and obtaining the necessary legal documents. In this phase, promoters will undertake all necessary activities needed to have SCL registered as TMX dealer. These activities include incorporation of the company, getting the necessary office space, obtaining

CMSA/TMX Broker/Dealership licenses and having the operational infrastructure needed for the operationalization of SCL.

Phase II – Identification of necessary warehouse facilities needed for Solomon Commodities Ltd business. Dealing in TMX requires Solomon Commodities Ltd to have counterparties such as warehouses which will keep the commodities traded in the required quality in fulfilling the transaction with potential buyers of commodities. It is estimated that Tanzania has a total storage capacity of 360,000 metric tons with facilities ranging from 500 to 40,000 metric tons. Identification of these facilities as well as entering into contracts with them is key to Solomon Commodities Ltd successful operations. This phase includes searching for potential counterparties both within and outside Tanzania.

Phase III – actual trading on TMX. This is the start of operation by participating in TMX trading platform and fulfilling orders received from buyers. This phase is also dependent on the operationalisation of TMX which is scheduled for Q2 of 2017.

III. Financing Plan and Projections

In order to ensure compliance with the laws and regulations, Solomon Commodities Ltd has developed a funding strategy for entry to the commodity market activities.

A. Funding Sources

Solomon Commodities Ltd operationalization will be funded by its shareholders who have contributed a total of TZS 200,000,000.00 needed for licensing purposes. In addition, Solomon Commodities Ltd will arrange lines of credit with its bankers to facilitate working capital availability on continuous basis to ensure that the company fulfills its mandate under TMX legislation.

B. Management

Effective liquidity and funding policy will include maintenance of several bank lines of credit (unsecured borrowing) and creating and maintaining a market for the company's debt. A diversified funding policy will allow the company to remain liquid through adverse market conditions and to minimize the cost of its funding. The ability to operate through several funding channels allows the company to select the lowest cost (on a risk adjusted basis) funding instrument.

Solomon Commodities Ltd will maintain adequate liquidity sources through careful balance sheet management. However, the company could encounter some extraordinary circumstances. For this

reason, the company should maintain an adequate unsecured overnight borrowing capacity. This line (or lines) should be tested periodically through actual draws.

C. Reporting

SCL shall be reporting on quarterly basis to CMSA as required by the Act. In addition, annual audit will be conducted by an approved auditor and the audit report will be submitted to CMSA, Tanzania Revenue Authority (TRA) and BRELA as per legal requirement. The annual report will be laid before Solomon Commodities Ltd Annual General Meeting (AGM) as required by Companies Act before being filed with BRELA and TRA.

D. Investments

Solomon Commodities Ltd will invest excess funds in Treasury bills and in Fixed Deposits (FDR) in order to optimize cash utilization and enhance profitability.

IV. Marketing Strategy

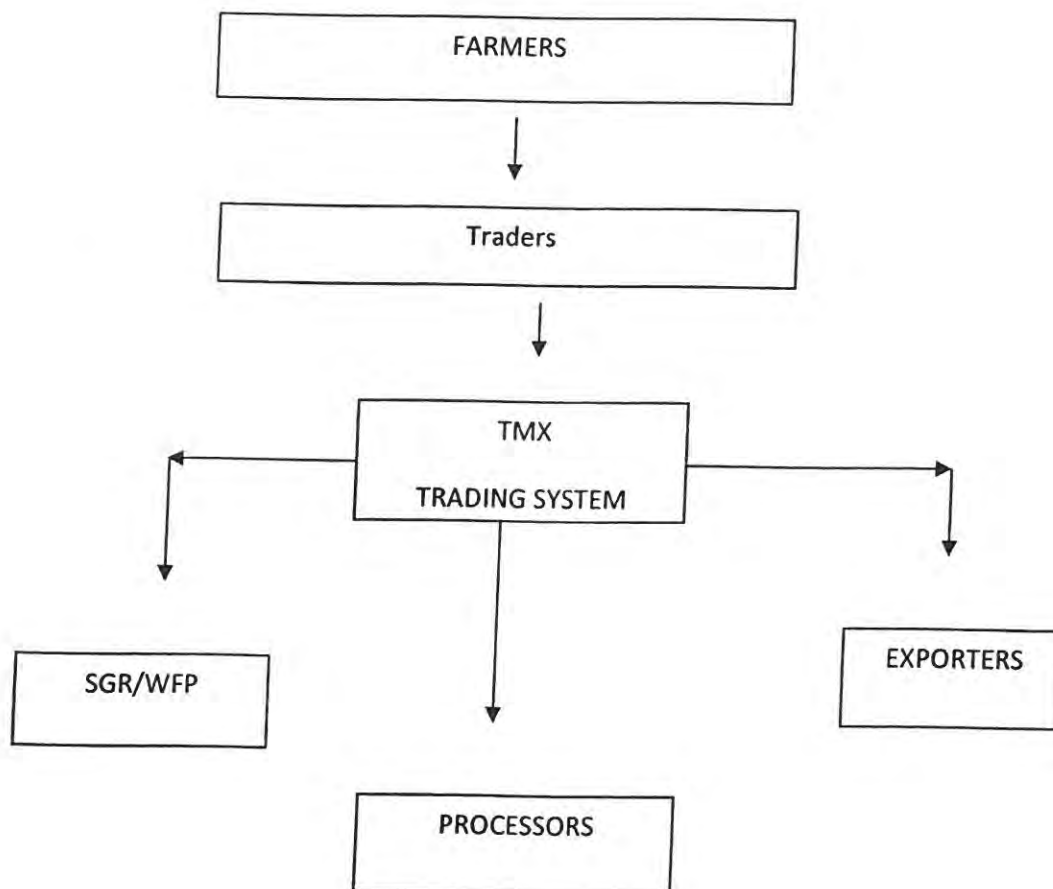
A. Product

Solomon Commodities Ltd will be trading on commodities identified in the TMX Strategic Plan.

Price

Solomon Commodities Ltd pricing will be based on the approved commission by CMSA for all trades executed on the TMX.

Commodity value chain



B. Promotion

Most of the SCL advertising will be done by engaging Solomon Commodities Ltd with close connections with agricultural marketing boards and outlets. Regular visits to these organisations including warehouses, export dealers and website review will be undertaken to ensure that Solomon Commodities Ltd will generate enough clientele to make the business profitable and contribute to enhancing shareholders value. Solomon Commodities Ltd will be doing the following to increase awareness and marketing:-

- Develop and constant update Solomon Commodities Ltd website;
- Develop brochures and fliers to advertise Solomon Commodities Ltd activities;
- Circulate Solomon Commodities Ltd business proposal to potential clients through bulk e-mail and sms;

- Occasional television and radio interviews to promote Solomon Commodities Ltd business by utilizing free air time in TV and radio stations; and
- Participating in TMX and CMSA public awareness programs aimed at increasing the awareness on TMX activities and commodity exchange business.

In additions Solomon Commodities Ltd will visit all crop marketing boards, licensed warehouses and link up with major exporters for identifying potential customers to partner with Solomon Commodities Ltd in the business development.

V. SWOT Analysis

Review of the Solomon Commodities Ltd internal and external environment indicates various strengths, weaknesses; opportunities and threats availed by the external operating environment. Each strength, weakness, opportunity or threat has been described in the relevant section where it has been identified.

A. STRENGTHS

SCL has the following strengths on which it capitalizes its future operations:

1. Large domestic agricultural market with around 70% of the population involved in the sector and around 25% of GDP contribution;
2. Variety of commodities to participate in the TMX;
3. Existence of organised markets for some commodities like coffee and cashewnut offering business opportunity to Solomon Commodities Ltd;
4. Supportive banking and communication infrastructure for the commodity exchange business in Tanzania;
5. Market position – Solomon Commodities Ltd is one of the few commodity brokerage companies which is being established in Tanzania to promote commodity exchange activities;
6. It has strong management with wide experience in securities business, having operated as stockbrokers for over twenty years in securities business;
7. Solomon Commodities Ltd has adequate staff to support its business;
8. Solomon Commodities Ltd has identified enough warehouses to start business with sufficient stock of the first commodities to be traded at TMX;

9. Strong institutional relationship – Solomon Commodities Ltd has good relationship with major stakeholders.
10. Regulated by Capital Markets and Securities Authority (CMSA) which gives the company an edge in terms of capital market activities and link to its holding company clients.

B. WEAKNESSES

Solomon Commodities Ltd has organizational, staffing, facilities, services and technology capacity weaknesses that are addressed in this Business Plan. The weaknesses are as follows:

1. Newness of the market – TMX is yet to start operations. Both Solomon Commodities Ltd and TMX are completely new in the market. Being a start-up organization brings perceived risk;
2. Lack of an active commodities market – commodities market exist for some of the commodities including cashewnut and coffee, but they are not very active to warrant a significant business for the existing four commodity dealers as well as prospective dealers such as Solomon Commodities Ltd. This weakness can be mitigated by the creation of awareness on commodity exchange trading as a new product which is being developed by the Government and other stakeholders to improve the wellbeing of Tanzanians;
3. Expensive IT to support Solomon Commodities Ltd trading – since TMX is new, IT investment may cost substantial amount of money to Solomon Commodities Ltd as a start-up business before Solomon Commodities Ltd becomes profitable and revenue generation can support IT costs;
4. Lack of adequate skills in the market – TMX and commodity trading is a new phenomenon in Tanzanian Market. Many Tanzanians lack skills in this area. Solomon Commodities Ltd will capitalise on few staff already trained to develop a pool of more staff to take over the business as it grows over time.

C. OPPORTUNITIES

1. Strong and fast growing economy with positive image in the international community.
2. Country's peace and tranquillity – makes Tanzania a peaceful country with the opportunity to work and own properties.
3. Agriculture remains to the backbone of Tanzanian economy.
4. Significant interest from the Government to promote agricultural value chain.
5. Strong economic growth in Tanzania which opens up business opportunity to Solomon Commodities Ltd.
6. Strong demand for adequate and efficient agricultural marketing systems in Tanzania.

7. Possibility to link with the existing crop marketing systems such as coffee and cashew which are up and running in Tanzania.

D. THREATS

1. Additional costs to farmers who are already bearing huge costs and low prices;
2. Low level of understanding may result in little chance of Solomon Commodities Ltd and other intermediaries success;
3. Reluctance by some crop marketing boards to join TMX market infrastructure leading to ineffective TMX, hence affecting market intermediaries;

VI. Tanzanian agricultural market outlook

Consistent with the global market developments, the establishment of a commodity exchange in Tanzania has emerged as the most appropriate channel through which the free marketing of commodities can occur in a liberalized environment. Establishing the commodity exchange was therefore given priority by the Government and was included among the "Kilimo Kwanza" milestones as the more reliable, transparent and efficient marketing platform for farmers' produce to fetch competitive prices transparently and thus reward them for their efforts. Establishment of commodity exchange in the country is expected to revolutionize the agricultural sector by providing reliable markets for agricultural produce which is expected to effectively boost production and enable agricultural sector to assume its rightful role in the economy by improving rural livelihood and contribute to economic growth as well as creation of employment opportunities.

A. Strategic Goals

Based on the SWOT analysis and the above vision and mission statements, the following have been identified as Solomon Commodities Ltd's strategic goals in relation to this Strategic Plan:

1. The company is fully capitalized as is a subsidiary of Solomon Commodities Ltd and therefore have the minimum capital for licensing. Solomon Commodities Ltd endeavors to ensure adequate capitalization is achieved;
2. To sign business lines with warehouses;
3. To operationalize Solomon Commodities Ltd in 2017;
4. To roll out this Strategic Plan which intends to deliver value to Solomon Commodities Ltd stakeholders including shareholders, TMX; CMSA and agro stakeholders;

5. Improve Solomon Commodities Ltd organization and management through sharing of skills and experiences with other institutions similar to Solomon Commodities Ltd, training of Solomon Commodities Ltd management team and general capacity development in order to exploit TMX potential;
6. Create customer focused and performance based culture;
7. Maximize shareholders return;
8. Comply with the regulatory requirements;
9. Obtain international business alliance with International Commodity Dealers;
10. Create the image and Solomon Commodities Ltd visibility as a number one TMX dealer choice; and
11. Initiate process of owning warehouses for TMX dealing.

VII. Key milestones

Solomon Commodities Ltd is set achieve the following:

S/No.	Activity	Date
1.	Incorporation of Solomon Commodities Ltd	August 2016
2.	Preparation of Strategic Plan	February 2017
3.	Application for licensing as commodity broker/dealer	April 2017
4.	Procurement of office	April 2017
5.	Procurement of office furniture	May 2017
6.	Procurement of software	June 2017
7.	Recruitment of staff	June 2017
8.	Identification of Warehouses stakeholders	July 2017
9.	Signing of contracts with warehouse stakeholders	August 2017
10.	Further Staffing Solomon Commodities Ltd	August 2017
10.	Final preparations for commodity trading	Sept 2017
12.	Initial trading of commodities on TMX	Sept 2017

VIII. Business Model

TMX model involves an infrastructure utilized by market intermediaries to trade agriculture products. TMX as a market operator will provide trading, clearing and settlement system for the identified commodities which will be traded in an electronic trading platform. All intermediaries shall be hooked to the system as it is currently done with the DSE.

IX. Financial Requirements

This Section illustrates Solomon Commodities Ltd financial projections over a period of 5 years. Solomon Commodities Ltd penetration in total commodity market will start at 20% of the total market share. Currently, there are three TMX dealers licensed by CMSA. The plan assumes that these intermediaries will share almost equally the market..

A. Basic Assumptions:

1. Agricultural market growth: 15 percent in 2017, 20 percent in remaining years to 2021 for the selected products. It is expected that the country will receive adequate rains during the plan period to result in the projected output.
2. Price stability: average price for the 9 commodities are expected to grow by 5% in the five year plan period.
3. Capital: Solomon Commodities Ltd will have a paid up capital of TZS 200,000,000.00.
4. Depreciation: Straight line depreciation method.
5. Tax Rate: profit tax of 30 percent
6. Dividends: 50 percent of the profit after tax (annual payout) based on annual results.
7. General and administrative expenses: based on best estimate of the projected actual spend in the first year and inflationary growth thereafter.

X. OUTCOME INDICATORS' TARGETS

Implementation of the Business Plan so as to attain our Strategic goals will be focused on achievements/results only if Outcome Performance Indicators' Targets (OPIT) are set from the planning stage. The above strategic objectives have been used to develop the following baseline indicators of targets for the strategic goals:

SCL STRATEGIC GOALS FOR THE PLAN PERIOD

S/N	Strategic Goal	Current Status	Strategic Plan Target
1.	Incorporation of Solomon Commodities Ltd	Done	Dec 2016
2.	Obtaining CMSA licence	In progress	March 2017
3.	Signing of agreements with warehouses	In progress	May 2017
4.	Capacity building for SCL staff and management	Done	May 2017
5.	Start trading at TMX	➤ To achieve revenue: TZS 104 m in 2017	Dec 2017
6.	Continue trading at TMX	➤ To achieve revenue: TZS 397.3 m in 2018	Dec 2018
7.	Continue trading at TMX	➤ To achieve revenue: TZS 827.8 m in 2019	Dec 2019
8.	Continue trading at TMX	➤ To achieve revenue: TZS 1.39bn in 2020	Dec 2020
9.	Continue trading at TMX	➤ To achieve revenue: TZS 2.0 bn in 2021	Dec 2020
10.	Start paying dividend	50% of profit after tax to be paid to shareholders	Dec 2019
11.	Strategic alliance with international Commodity Dealers	To sign strategic alliance with two international commodity dealers	Dec 2020
12.	Further consolidation with international Commodity Dealers	To sign five strategic alliance with International Commodity Dealers	Dec 2021

XI. Governance structure

A. Board of Directors

DIRECTOR (FULL NAME)	NATIONALITY	PERMANENT ADDRESS	OCCUPATION	DATE OF APPOINTMENT	MEMBER TYPE	NO. OF SHARES HELD
JONATHAN M. KASSEMBE	TANZANIAN	1160 DSM	INDEPENDENT CONSULTANT	2009	NON EXECUTIVE	NIL
WILFRED L. NYACHIA	TANZANIAN	33099 DSM	RETIRED CIVIL SERVANT	2014	NON EXECUTIVE	NIL
ABRAHAM T. PALLANGYO	TANZANIAN	6703 DSM	RETIRED CIVIL SERVANT	2009	NON EXECUTIVE	NIL
ESUVAT D. MOLLEL	TANZANIAN	32313 DSM	LAWYER/ADVOCATE	2009	NON EXECUTIVE	NIL
KISALI G. SOLOMON	TANZANIAN	7586 DSM	CHIEF EXECUTIVE OFFICER	2007	EXECUTIVE	20%
MIRIAM J. SOLOMON	TANZANIAN	77049 DSM	CHIEF MARKETING OFFICER	1996	EXECUTIVE	50%

B. Management Team

Mrs. Miriam J. Solomon: G.M

Mrs. Miriam Solomon is one of the founders of Solomon Stockbrokers Ltd, a holding company of SCL. Miriam holds an MBA (Finance) and B.Com (Marketing) from the University of Dar es Salaam. She worked for TARETO Bureau De Change before founding Solomon Stockbrokers Limited and later worked for the same from its inception in 1998, to date as Chief Marketing Officer. Miriam has attended various securities market trainings including Forum for corporate and investment advisory work in regulated market; Capacity Building forum, on new products (REIT, ETFs, CIS and Derivatives); Going for inclusive growth building capital markets organised by the London Stock Exchange; Derivatives markets organized by CMSA and Capacity Building on Market Research activities. Other courses attended include Foreign Exchange Market Opportunities workshop and Building African Financial Markets-Capacity Building Seminar organized by Johannesburg Stock Exchange and World Bank Group (South Africa). She has over 20 years' experience in capital markets.

Mrs. Hassadi, Warida: ADR

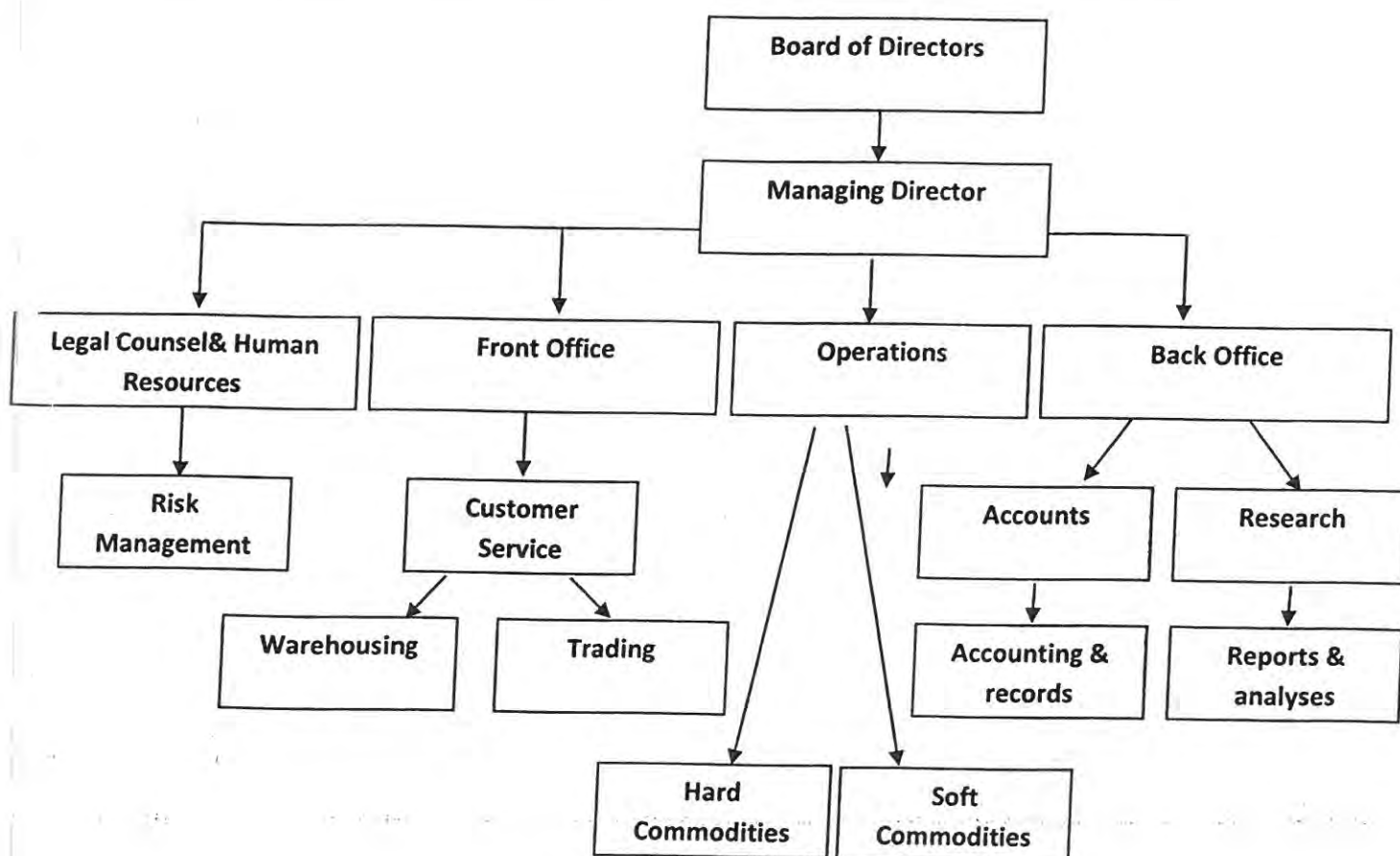
Mrs. Warida joined Solomon Commodities Ltd in 2011 after graduating with Bachelors of commerce in finance from University of Dar Es Salaam and in 2016 MSc (Finance) from University of Strathclyde. Warida has also attended various courses in commodities market including CMSA Training on

derivatives markets, Floor Traders Induction Course, Fundamentals of Securities market course, training for Market Intermediaries on Commodity Exchange and Bond workshop. She has over 7 years' experience in capital markets research.

Alex Julius: TRADER

Mr. Alex Julius is an assistant Operations/Accounting Officer. He joined Solomon Stockbrokers Ltd in April 2014. He holds a Bachelor Degree in Accounting and Finance (BAF) from St John's University of Tanzania. He also attended the floor traders course conducted by the DSE. Mr. Alex is undertaking evening classes at Tumaini University Dar Es Salaam College (TURDACO) for Masters Dgree in Business Administration.

Proposed Organizational Structure – SOLOMON Commodities Limited



XII. Regulation and Governance

A. Regulation

Solomon Commodities Ltd will be licensed by Capital Markets and Securities Authority (CMSA) in the category of commodity trading intermediary. Solomon Commodities Ltd will provide a full range of commodity exchange transactions in commodity market in Tanzania. Solomon Commodities Ltd services will include commodity brokers and dealers; trading advisors as well as associated services in commodity market. Solomon Commodities Ltd will also be offering commodity market information to its clients and public to understand the dynamics of the commodity markets as well as informing the public on the available services and prices of commodities dealt with. Solomon Commodities Ltd will be regulated by CMSA under the Commodity Exchange Act as well as principal legislation governing capital and commodity market in Tanzania. Commodity exchange business will be regulated by Commodity Exchanges Act of 2015.

B. Governance

Solomon Commodities Ltd Board shall comprise 6 members who are currently on the Board of Solomon Stockbrokers Ltd until that time when Solomon Commodities Ltd business has grown to warrant a separate Board of Directors. Solomon Commodities Ltd Board shall be responsible for the formulation of policies and strategies of the Company.

Solomon Commodities Ltd Board shall establish Board Committees with delegated authority to decide on certain issues and to recommend the more important ones to the Board for approval. One of the committees to be formed initially is the Board Audit Committee (BAC) which shall be responsible for Internal audit and Risk Management issues of the Company.

C. Board Audit Committee

Board Audit Committee (BAC) shall review the internal audit report of the Company's operations as well as the effectiveness of the financial and internal controls. The Internal Auditor and External Auditors shall report directly to BAC. The Committee shall also be responsible to ensure there is proper oversight of risks of the Company. Board of Directors sets the risk appetite and tolerance level that is consistent with the Company's overall business objectives and risk principles. The BAC role will be to assist the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and procedures to manage risks.

Market Liquidity Risk – This refers to the exposure created by lack of market depth to enable Solomon Commodities Ltd to offset or unwind its position, particularly in its investments.

Mitigant:

Solomon Commodities Ltd will invest its excess liquidity in assets with high liquidity such as Fixed Deposit Receipt (FDR) and Treasury Bills. Solomon Commodities Ltd should also monitor its investments portfolio on a regular basis.

Funding Liquidity Risk – This is the risk when Solomon Commodities Ltd is unable to meet its payment obligations in a timely and cost effective manner.

Mitigant:

- Solomon Commodities Ltd should sign lines of credit with its bankers.
In addition, the Company should plan its cash flows and monitor it closely to ensure that available funds are sufficient to meet business requirements.

C. Credit Risk:

Credit risk arises when counterparty fails to fulfill its financial obligations as and when they fall due. Credit risk consists of:

Settlement Risk – Settlement risk is represented by the volatility of potential earnings caused by the failure of Solomon Commodities Limited's counterparties to fulfill their financial obligations in a timely manner. Commodity trading takes place after the counterparty has deposited money in a trust account. Chances of settlement risk are therefore minimised.

D. Operational Risk:

Operational risk is the potential exposure to financial or other damages resulting from insufficient or failed internal processes or from external events. It includes human resources, legal and reputation risks.

Mitigants:

- ✓ Segregation of duties amongst staff
- ✓ Establish internal control procedures and annual audit of Solomon Commodities Ltd's operations
- ✓ Set up a disaster recovery site for Solomon Commodities Ltd operational challenges.
- ✓ Establish clear reporting lines.

XV. Monitoring and evaluation

Solomon Commodities Ltd management will be monitoring and evaluating this plan on annual basis. The annual plans and budget shall be developed from this plan and strategic goals identified for implementation in the subsequent year shall form the basis of the budget. The review of the plan will be done by the appointed Board Committee and recommendations for review of the plan shall be tabled before the board annually.

XVI. Financial Projections

Solomon Commodities Ltd is expected to breakeven in 2018 with annual Profit Before Tax (PBT) of TZS 982,099. From this point forward, Solomon Commodities Ltd will continue to grow year to year reaching PBT of TZS 1.14 billion in 2021. The company is expected to start paying dividend to shareholders from 2019 after recovering cumulative losses sustained in the first year of operations. Projected Income Statements are attached as annex 1. The financial position is expected to grow from TZS 241 million in 2017 to TZS 1.43 billion in 2021. Projected Financial Positions are attached as Annex 2.

Annex 1: Projected income statements

PROPOSED SOLOMON COMMODITIES LTD INCOME STATEMENTS

	2017	2018	2019	2020	2021
Brokerage commission	104,258,235	397,285,734	827,762,326	1,386,025,765	2,078,994,948
Other Income	-	-	-	-	-
Total Income	104,258,235	397,285,734	827,762,326	1,386,025,765	2,078,994,948
Expenses:					
Staff costs	271,440,000	298,584,000	328,442,400	361,286,640	397,415,304
Stationery and sundries	6,750,000	7,762,500	8,926,875	10,265,906	11,805,792
Licence Fees - CMSA	7,500,000	4,000,000	5,500,000	5,000,000	5,000,000
Membership fees - TMX	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Internet charges	1,250,000	1,437,500	1,653,125	1,901,094	2,186,258
Electricity	670,000	770,500	886,075	1,018,986	1,171,834
Office rent	800,000	920,000	1,058,000	1,216,700	1,399,205
Repair & Maintenance office	450,000	517,500	595,125	684,394	787,053
Repair & Maintenance Motor vehicles	1,350,000	1,552,500	1,785,375	2,053,181	2,361,158
Telephone charges	300,000	345,000	396,750	456,263	524,702
Office cleaning expenses	150,000	172,500	198,375	228,131	262,351
Staff welfare expenses	200,000	230,000	264,500	304,175	349,801
Business Promotion and marketing expenses	1,850,000	2,127,500	2,446,625	2,813,619	3,235,662
Courier and postage	250,000	287,500	330,625	380,219	437,252
Bank charges	50,000	57,500	66,125	76,044	87,450
Depreciation and	57,750,000	46,812,500	38,609,375	32,457,031	13,842,773
Interest Expenses	40,045,841	27,036,635	-	-	-
Audit fees	600,000	690,000	793,500	912,525	1,049,404
Total Expenses	394,405,841	396,303,635	394,952,850	424,054,908	444,915,999
Profit before tax	(290,147,606)	982,099	432,809,476	961,970,857	1,634,078,949
Corporate tax	-	-	63,662,983	288,591,257	490,223,685
Profit after tax	(290,147,606)	982,099	369,146,493	673,379,600	1,143,855,264
Proposed dividend	-	491,050	184,573,247	336,689,800	571,927,632
Number of shares	200,000	200,000	200,000	200,000	200,000
Dividend Per Share	-	2	923	1,683	2,860

Annex 2: Projected Balance Sheets

PROPOSED SOLOMON COMMODITIES LTD BALANCE SHEETS

ASSETS	2017	2018	2019	2020	2021
Non current Assets	231,000,000	187,250,000	154,437,500	129,828,125	55,371,094
Current Assets:					
Trade Receivables	-	-	96,502,493	105,668,900	250,000,000
Stock	-	-	175,221,500	469,000,000	770,200,000
Bank Balance	10,055,924	122,458,734	224,778,500	250,795,100	350,333,574
Total Current Assets	10,055,924	122,458,734	496,502,493	825,464,000	1,370,533,574
TOTAL ASSETS	241,055,924	309,708,734	650,939,993	955,292,125	1,425,904,668
EQUITY & LIABILITIES:					
LIABILITIES:					
Current	-	100,000,000	793,500	912,525	1,049,404
Long term	250,203,530	150,203,530			
Total Liabilities	250,203,530	250,203,530	793,500	912,525	1,049,404
Equity:					
Share capital	281,000,000	281,000,000	281,000,000	281,000,000	281,000,000
Retained Earnings	-290,147,606	982,099	369,146,493	673,379,600	1,143,855,264
Total Equity	-9,147,606	281,982,099	650,146,493	954,379,600	1,424,855,264
EQUITY & LIABILITIES	241,055,924	532,185,629	650,939,993	955,292,125	1,425,904,668

Annex 3: KEY PERFORMANCE RATIOS

KEY PERFORMANCE INDICATORS:

Earnings Per Share	(1,450.74)	4.91	2,164.05	4,809.85	8,170.39
Return on Equity (%)	NA	0.35	56.78	70.56	80.28
Return on Assets (5)	NA	0.32	66.49	100.70	114.60
Dividend per share	-	2	923	1,683	2,860

Annex 4: Basic Assumptions

The implementation of the above Strategic goals for 2017-2021 will be done on the following assumptions:

- Solomon Commodities Ltd will be operational in Q2 of 2017
- Solomon Commodities Ltd will be adequately capitalized in Q1 of 2017
- Trading infrastructure and assets will be financed by shareholders funds
- Staff costs will increase annually by 10%
- Operating costs will increase by 15% annually
- Solomon Commodities Ltd will start with one dealer in 2017 and 2018 increasing to 2 in 2019
- Agreements with warehouses will be concluded in Q1 of 2017
- TMX will start with 9 products as per their Strategic plan
- Solomon Commodities Ltd will start with a market share of 20% in year 1 growing to 40% in year 5
- Annual crop production will grow by 10% annually
- Dealership commission will be 1.7%
- Administrative costs will be increasing by 15% each year
- Solomon Commodities Ltd will start paying dividends to shareholders in 2019 at 50% of profit after tax for year 2019
- Solomon Commodities Ltd will start with staff compliment of 5 people growing to 10 in year 5 of the plan.



SOLOMON COMMODITIES LTD

ANTI MONEY LAUNDERING POLICY

It is the policy of the company as a Commodities agent to prohibit and actively prevent money laundering and activity that facilitates money laundering or the financing of terrorist or criminal activities by complying with all applicable requirements under the Anti-Money Laundering Act, Cap 423, 2006.

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The word, "**The Company**" as used in this document, refers to "**Solomon Commodities Ltd**

ACRONYMS

AML – Anti Money Laundering

AMLA – Anti Money Laundering Act, Cap.423 2006

CDD - Customer Due Diligence

CFT- Combating of Financing of Terrorism

CIP-Customer Identification Program

CMSA-Capital Markets and Securities Authority

FATF- Financial Action Task Force

FIU-Financial Intelligence Unit

PEP-Politically exposed persons

STP-Suspicious Transaction Report

PREAMBLE

This Policy represents the basic standards of Anti Money Laundering and Combating of terrorism financing (hereinafter collectively referred to as AML) procedures within the **Solomon Commodities Ltd.**

1.0 DEFINITION

- 1.1 Money laundering refers to willful and pre-meditated transaction or series of transactions undertaken to conceal or disguise the true origins of criminally derived proceeds so that the proceeds appear to have been derived from legitimate origins or constitute legitimate assets. Examples of illegal activities that often involve money laundering are: drug trafficking; terrorism; smuggling; fraud; bribery; robbery; embezzlement; and illegal gambling.
- 1.2 There are three recognized forms of the money laundering process:
- Placement Physically depositing "cash" into banks and non-bank financial institutions such as currency exchanges; converting "cash" into other financial instruments such as by purchasing monetary instruments (travelers' checks, payment orders); or using "cash" to purchase expensive items that can be resold.
- Launderers often seek to deposit cash into banks in less regulated countries and then transfer these funds to banks in regulated environments as "clean".
- 1.3 **Smurfing** - a form of Placement where the launderer makes many small cash deposits instead of a large one to evade local regulatory reporting requirements applicable to cash transactions.
- 1.4 **Layering** - Separating the proceeds of criminal activity from their source through the use of layers of financial transactions (multiple transfers of funds among financial institutions, early surrender of an annuity without regard to penalties, cash collateralized loans, L/Cs with false invoices/bills of lading, etc.) to disguise the origin of the funds, disrupt any audit trail, and provide anonymity. Launderers want to move funds around, changing both the form of the funds and their location in order to make it harder for law enforcement authorities to identify "dirty" money.

- 1.5 **Integration** - Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds.

1.6 **Criminal and Terrorist Financing**

Criminal and or Terrorist financing may not involve the proceeds of criminal conduct, but may rather be an attempt to conceal either the origin of the funds or their intended use, which could be for criminal or terrorist purposes. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. In addition to charitable donations, legitimate sources include foreign government sponsors, business ownership and personal employment.

Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or similar to methods used by other criminals to launder funds. Funding for terrorist activities does not always require large sums of money and the associated transactions may not be complex.

2.0 Anti Money Laundering Policy

It is the policy of the company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all applicable requirements under the Anti-Money Laundering Act, Cap.423, 2006.

2.1 Client Due Diligence

2.1.1 Client Identification Program

In addition to the information the company must collect under the Anti Money laundering Act (AMLA), Cap 423, the Company has established a Client Identification Program (CIP) focusing on Know Your Customer (KYC) aspects. **Solomon Commodities Ltd** will not deal with any person on an anonymous basis or any person using a fictitious name.

The Company will collect certain minimum Client Identification information from each

Client who purchases a unit from the REIT; utilize risk-based measures to verify the identity of each Client who purchases a unit from the REIT or transacts any business with the REIT; record Client identification information and the verification methods and results; provide the required adequate CIP notice to Clients that the company seeks identification information to verify their identities; and compare Client identification information with government-provided lists of suspected terrorists and non compliant entities whether corporate or individuals once such lists have been issued by the pertinent authority and or government.

2.1.2 Required Client Information

Prior to the company transacting with any entity or individual, the company will collect the following information for all the entities or individuals that shall be intending to conduct business with the company as well as **Solomon Commodities Ltd:**

Individual Accounts

- i. The full name of the individual;
- ii. Date of birth;
- iii. Address, which will be a residential or business street address , or residential or business street address of next of kin or another contact person (for an individual who does not have a residential or business street address); and
- iv. An identification number, which will be copies of one or more of the following: passport number and country of issuance, or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing photograph identification or other similar safeguard

The beneficial owner, if any exists.

Where there is one or more beneficial owners, The Company shall take reasonable measures to obtain information sufficient to identify and verify the identity of the beneficial owner (s).

Institutional Accounts

The full name of the Institution;

An address, which will be the address of the principal place of business, local office, or other physical location; and An identification number, which will be copies of the following: a taxpayer identification number and a certificate of incorporation. When opening an account for a foreign business or enterprise that does not have an identification number, we will request alternative government-issued documentation certifying the existence of the business or enterprise.

2.2 Clients Who Refuse to Provide Information

If a potential or existing Client or unit holder either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our company will not transact or continue doing business and, after considering the risks involved, consider closing and stopping to do business with them.

2.3 Verification

The Company will use reliable, independent sources to verify the identity of the Client and all the prospective unit holders. All copies of the documents obtained will be kept.

Complete verification of the identity of the Client s and unit holders will be done:

- I. Before establishing business relation, or
- II. Before undertaking any transaction for a Client.

However, the company may establish business relations with a Client before completing the verification of the identity of the Client and beneficial owner if:

- I. The deferral of completion of the verification of the identity of the Client and beneficial owner is essential in order not to interrupt the normal conduct of the business operations, and
- II. The risks of money laundering and terrorist financing can be effectively managed.

2.4 Record Keeping

- 2.4.1 Records will be kept of all documents obtained for the purpose of identification and all transaction data as well as other information related to money laundering matters in accordance with the applicable anti-money laundering laws/regulations. All records must be kept for at least 5 years.
- 2.4.2 The company shall ensure that at all times all the requirements imposed by AMLA, Regulations and guidelines are met whenever any transaction is undertaken by the company and the transaction can be reconstructed so as to provide, if necessary, evidence for prosecution of criminal/money laundering activity.
- 2.4.3 The company shall also ensure that the relevant competent authorities in Tanzania and the internal and external auditors of the company are able to review the entity's transactions and assess the level of compliance with the law and regulations, and
- 2.4.4 The company shall make available records on a timely basis to domestic competent authorities upon appropriate authority for information.
- 2.4.5 The company shall, when setting its record retention policies and performing its internal procedures, comply with the following document retention periods:
- a. A period of at least five years as provided for under Regulation 29 of the Anti-Money Laundering Regulations, 2007.
 - b. The document retention period above is subject to paragraph 2.4.6.
- 2.4.6 The company shall retain records pertaining to a matter which is under investigation or which has been the subject of a suspicious transaction report (STR) for such longer period as may be necessary in accordance with any request or order from relevant competent authorities in Tanzania.

2.5 Due Diligence

- 2.5.1 Prior to transact any type of business, the Company will determine and document the true identity of customers and obtain background information on customers as well as purpose and intended nature of the business.
- 2.5.2 Company will obtain and document any additional customer information, commensurate with the assessment of the money laundering risk using Risk Based Approach.
- 2.5.3 Company will establish whether the Customer is acting on behalf of another natural person or legal entity as trustee, nominee or professional intermediary. In such cases a necessary precondition for Customer acceptance is receipt of satisfactory evidence of the identity of any intermediaries and of the persons upon whose behalf they are acting, as well as the nature of the trust arrangements in place.
- 2.5.4 In the event there are circumstances in which appropriate due diligence with respect to a correspondent account cannot be performed, The Company will determine, at a minimum, whether to refuse to open the account, suspend transaction activity, close the correspondent account and/or take other appropriate action.

3.0 Accounts Monitoring and Supervision

3.1 Monitoring Accounts for Suspicious Activity

The Company will monitor account activity for unusual size, volume, pattern or types of transactions, taking into account risk factors and red flags that are appropriate to our business.

3.2 Monitoring

Monitoring will be conducted through observing the conduct of the prospective unit holder's as well as existing unit holder's investment and dis-investment or position liquidation/exit policy and scrutinizing transactions undertaken to ensure that the transactions are consistent with the Company's knowledge of the Client, the business and risk profile and where appropriate, the source of funds.

indicative

of transferring value from one party to another.

- III. The purchase and sell of non-listed units and securities with a large price differential within a short period of time. This may be indicative of transferring value from one party to another.
- IV. Payments effected by administrators and asset managers in cash, bearer cheques or other transferable instruments without identifying who they are for or providing very little information regarding the underlying account holder or beneficiary.
- V. A company uses cash to pay dividends to its investors.
- VI. Use of shell companies to purchase public company shares, in particular if the public company is involved in a cash intensive business.
- VII. Transfer of assets without a corresponding movement of funds, such as through journaling or effecting a change in beneficial ownership.
- VIII. A dormant account that suddenly becomes active without a plausible explanation (e.g. large cash deposits that are suddenly wired out)
- IX. A Client's transactions have no apparent economic purpose.
- X. A Client who is unfamiliar with a financial product's performance and specifications but wants to invest in it nonetheless
- XI. Transactions that show the Client is acting on behalf of third parties.
- XII. The purchase of long term investments followed by a liquidation of the accounts shortly thereafter, regardless of fees or penalties.
- XIII. Transactions involving unknown counterparty.
- XIV. Large sum cash purchases of financial instruments and mutual funds holdings followed by instant redemptions.

3.7 Activities Inconsistent with the Client's Business Objective or Profile

- i. The Client's transaction patterns suddenly change in a manner that is inconsistent with the Client's normal activities or inconsistent with the Client's profile.
- ii. There are unusual transfers of funds or journaling (i.e. book entries) among accounts without any apparent business purpose or among apparent unrelated

accounts.

- iii. The Client maintains multiple accounts, or maintains accounts in the names of family members or corporate entities with no apparent or other purpose. The Client's account is not used for its intended purpose (i.e. Used as a depository account).

The Client enters into a financial commitment that appears beyond his or her means.

- i. The Client begins to use cash extensively.
- ii. The Client engaged in extremely complex transactions where his or her profile would indicate otherwise.
- iii. Client's credit usage is in extreme amounts that do not correspond to his or her financial status or collateral, which is provided by an unrelated third-party.
- iv. The time zone in Client's location is not consistent with the times that the trades were executed, with no apparent business or other purpose, or there is a sudden change inconsistent with the Client's typical business activity. A foreign based Client that uses domestic accounts to trade on foreign exchanges.
- v. The Client exhibits a lack of concern about higher than normal transaction costs.

4.0 Rogue Employees

- i. The employee appears to be enjoying a lavish lifestyle that is inconsistent with his or her salary or position.
- ii. The employee is reluctant to take annual leave.
- iii. The employee is subject to intense job-related demands, such as sales or production goals that may make him more willing to engage in or overlook behavior that poses Money Laundering/Terrorist Financing risks.
- iv. The employee inputs a high level of activity into one Client account even though the Client's account is relatively unimportant to the organization.
- v. The employee has the authority to arrange and process Client affairs without supervision or involvement of colleagues.

memos. Records will be maintained to show the persons trained, the dates of training and the subject matter of their training.

SOLOMON Stocbrokers Limited Board Approval

The Board has approved this AML compliance policy and program in writing as reasonably designed to achieve and monitor the company's ongoing compliance with the requirements of the AMLA and the implementing regulations under it.

This approval is indicated by signatures below.

Signed:.....
.....

Date:

Title:

Signed:
.....

Date:

Title: