

A BUSINESS PLAN

FOR

LONO INC. COMPANY LIMITED

LONO INC. COMPANY LIMITED
INITIAL BUSINESS PLAN

EXECUTIVE SUMMARY

This document sets out the Business Plan for LONO INC. COMPANY LIMITED for the immediate foreseeable future with an emphasis on the next five years. It provides the company's vision and broad strategic objectives, as well as the financial forecasts that sit behind the Business Plan. Broadly, the Business Plan sets out: The context and background to the Company. The longer term growth strategy of the business. The plan for pipeline schemes and scaling of the Company. The profit and loss, balance sheet and cashflow of the Company for the next five years.

INTRODUCTION

Lono Inc. Company Limited is a multimedia content production company registered and specialize in creating visual Augmented and mixed reality to ensure the most immersive experience using the latest technology, graphics, audio-visual and filming within the geographic boundary of Dar es Salaam. This will provide sustainable long term income and a solid asset base alongside Private Rented Sector (PRS) units. Consideration will be given to the provision of other types of accommodation as the Company develops e.g. shared ownership.

MISSION

To provide affordable and private rented accommodation for public servants and others requiring housing in the city whilst providing an income stream back to the company that can be reinvested in other services for residents.

SERVICES PROVIDED;

The objectives and services that will be provided by of Lono Inc. Company Ltd are:

1. Production of videos
2. Corporate training videos
3. Brand videos
4. Documentaries
5. Scriptwriting and editing
6. Storyboarding
7. Single-camera and multi-camera shoots
8. Professional video and lighting equipment
9. Animations/Motion graphics

COMPANY STRUCTURE AND GOVERNANCE ARRANGEMENTS

As a company it can determine tenures and rents, build homes and borrow money if required to finance schemes either via directly loans from banks and institutional investors. The company is one limited by shares (CLS) which is considered the most appropriate form of vehicle.

A sound and robust governance structure of the company is being put in place to protect the companies financial and reputational investment in the company. As sole shareholder the Council will appoint the directors, approve the business plan and other key decisions such as additional borrowing beyond those agreed in the Business Plan. These decisions will be taken by Cabinet in line with a formal shareholders agreement with the Property Company. Regular reviews with the shareholders will be undertaken.

JOB CREATION

Lono Inc. Company limited intends to grow big in order to compete favorably with leading property management company in Tanzania. We are aware of the importance of building a solid business structure that can support the picture of the kind of world class property management company we want to own. This is why we are committed to hiring the best hands within our area of operation.

We will ensure that we hire people that are qualified, hardworking, creative, customer centric and are ready to work to help us build a prosperous business that will benefit all our stakeholders. As matter of fact, profit-sharing arrangement will be made available to all our senior management staff and it will be based on their performance for a period of five years or more. In view of the above, we have decided to hire qualified and competent hands to occupy the following positions in our organization:

An initial staffing structure consists of:

- i. Chief Executive Officer - Interim
- ii. Project Management Skills to monitor and manage schemes as the programme increases
- iii. Communication and Consultation Skills to manage the day to day communication and stakeholder interface
- iv. Administrative support on a part time basis.

With the exception of the Interim CEO these skills will be commissioned as and when required. As the Company grows the staffing requirements will be kept under constant review and further more permanent staff will be likely to needed in the future. The Interim CEO will be responsible for all aspects of the development process including negotiations, appraisal, contracting, legal and funding. This will include interaction with third parties including land

owners, contractors, consultants etc. There will be an ongoing development and construction programme to oversee and commercial decisions to be made. The individual will work in partnership with both community and private sector organisations. Within its first four years, the majority of the staffing costs of the Company are allowed for as capital expenditure.

Through the appointment of Chief Executive Office with appropriate skills the company is delegating the day to day commercial operation of the business and the delivery of the Business Plan to those individuals within a framework agreed by the shareholders. This will include:

- i. Entering into contracts for the refurbishment of existing properties and development of new properties.
- ii. Agreeing the terms of funding.
- iii. Marketing strategy and property lets.
- iv. Management and maintenance arrangements in relation to the properties
- v. Rent setting
- vi. Letting policy
- vii. Rent arrears and debt recovery
- viii. Any loans entered into will be documented within a loan agreement which sets out the deals and the terms of any funding arrangements between the Council and the property company
- ix. The shareholders will control the company at a strategic level with Directors tasked with managing the property company within a framework and through delegated authority as set out in the shareholder's agreement.

COMPETITIVE ANALYSIS

Demographic Profile of Target Market

Lono Inc Company Limited will serve filmmakers, artists/celebrities, advertising agencies and corporate organizations. Over time, the company expects that the studio will gain regional and national attention.

Customer Segmentation

The Company will primarily target the following customer segments:

1. Filmmakers: The city has quite a number of creative and independent filmmakers that are in need of professional video engineers and production to polish their works.
2. Artists/Celebrities: A large part of the clients will be independent artists as well as celebrities that want to put their talent out there. The Company will record and produce good-quality videos for these artists.
3. Advertising agencies: The Company will help agencies create the best quality video for their advertisements.
4. Corporations: The Company will serve businesses by making corporate videos to help them increase their brand awareness and generate new business leads.

FINANCING THE LONO INC. COMPANY LIMITED

Lono Inc. Co. LTD owners have invested **FIVE HUNDRED THOUSAND US DOLLARS (\$500,000 USD)** as a startup investment capital. They do not intend to welcome any external business partner which is why they have decided to restrict the sourcing of the startup capital to three (3) major sources. These are the areas we generated our startup capital:

- Generating part of the startup capital from personal savings – **500,000 USD**
- Sources for soft loans from family members and friends
- Applying for loan from financial institutions.

N.B: We have been able to generate about **500,000 USD** (personal savings) from the two partners.

SALES FORECAST

We are positioned to take on the available market in Dar es Salaam and we are quite optimistic that we will meet our set target of generating enough profits from the first six months of operation and grow the business and our clientele base. We have been able to critically examine the property management industry industry, we have analyzed our chances in the industry and we have been able to come up with the following sales forecast

- Second Fiscal Year \$ 100,000

- Third Fiscal Year \$ 130,000
- Fourth Fiscal Year \$ 150,000
- Fifth Fiscal Year \$ 170,000

N.B This projection was done based on what is obtained in the industry and with the assumption that there won't be any major economic meltdown, and there won't be any major competitor offering some products and customer care services as we do within same location. Please note that above projection might be lower and at the same time might be higher.

MARKETING PLAN

We seek to position ourselves as a respectable, upper-middle-market competitor in the video production market. Customers can expect a high-quality and concept-to-reality video production experience.

Our brand will focus on the Company's unique value proposition:

- Convenient location.
- Offering high-quality service to independent artists/celebrities, ad companies, corporate organizations, and filmmakers.
- Professional video engineering for any type of video production.
- Providing excellent customer service and customer experiences with high-quality production.

Promotions Strategy

As a focused company, expects its target market to be the filmmakers, artists, corporate agencies, advertising agencies and TV stations. The Company's promotions strategy to reach the audience includes:

Pre-Opening Events

Before opening the video production company, we will organize pre-opening events designed for prospective customers, local artists, and press contacts. These events will create buzz and awareness for Lono Inc. Company Limited in the area.

Advertisement

Advertisements in print publications like newspapers, magazines, etc., are an excellent way for businesses to connect with their audience. The Company will advertise its company offerings in popular magazines and news dailies. Obtaining relevant placements in industry magazines and journals will also help in increasing brand visibility.

Public Relations

we will hire an experienced PR agency/professional(s) to formulate a compelling PR campaign to boost its brand visibility among the target audience. It will look to garner stories about the company and its services in various media outlets like podcasts, television stations, radio shows, etc.

Social Media Marketing

Social media is one of the most cost-effective and practical marketing methods for improving brand visibility. The Company will use social media to develop engaging content in terms of various forms and technologies of video production and post customer reviews that will increase audience awareness and loyalty.

Customer Loyalty Programs

we will create a winning customer loyalty program to keep its best clients coming back again and again.

Ongoing Customer Communications

we will maintain a website and publish a monthly email newsletter to notify customers about new events, products, and more.

DEVELOPMENT AND REFURBISHMENT

Assumptions have been made for the development / refurbishment costs for the different schemes based on industry bench marks, contractual estimates, soft market testing and local knowledge/research. In addition to the main acquisition and construction costs allowances for fees including architects, planning and other specialist services are included in the estimated costs.

TAX AND FINANCIAL SUPPORT

- Lono Inc. Company Ltd will be subject to various different taxation regimes, including Stamp Duty, Corporate Tax, VAT and withholding tax has been built into the model based on current thresholds and chargeable on relevant acquisitions at the appropriate rate.
- Corporate Tax has also been included in the model at the current rate of 20% and is chargeable on relevant surpluses after deducting allowable costs including loan interest. Whilst certain types of construction activity are zero exempt or subject to a 5% exemption, it is envisaged that initially any works will be undertaken by the shareholders.
- Although it is the intention to register the Company for VAT it is not envisaged that the Company will be able to recover all of the VAT that it incurs on the purchase of goods and services. An allowance has been made for VAT payments within the cash flow model.
- The Company will obtain appropriate external advice with regard to its tax affairs.
- The Company will be self-sufficient and supporting with its own distinct bank account and locally appointed auditors and accountants.

DIVIDENDS

It is envisaged that any surplus funds/profits will be paid to shareholders through the use of Dividends. Any cash sums available for Dividends will be affected by any loan repayments and taxation and the amount of cash to be retained by the Company for ongoing business requirements and re-investment. The shareholders will give the Company a steer in terms of their aspirations for dividends. Formally each year Lono Inc. Company Ltd will recommend to the shareholder the level of Dividend which is currently projected to be in the region of 70% as a minimum of post-tax profits.

CASH RETENTION

In order to ensure that the Company has sufficient funds in place to meet its day to day obligations, a minimum amount of cash equivalent to 30% of post-tax profits, will be retained at all times after the initial two year period. In addition, the allowance for any repair/refurbishment costs will be held in a separate reserve account and used as required.

ASSET VALUATION

Given that the properties are to be used for key workers, and normal citizens for affordable housing purposes and that shareholders monies are to be used in their development, based on advice, 'state aid' rules are not being breached, although formal approval from shareholders is required and will be sought. Appropriate legal advice has been taken on this matter and is attached it will be attached on the resolutions. Revaluations of the asset base will be undertaken at market rates on a 3 year cycle to reflect market conditions or more frequently depending on cost.

FUNDING

The initial development programme of 70 units is funded over a five year period. In order for the Company to purchase, invest in and refurbish the properties it needs to be well funded initially. The Company already raised \$ 500,000 as initial investment capital from the shareholders.

DEVELOPERS

Beyond year 5, significant additional properties will be provided to the Company as a result of the shareholders working with companies to develop land areas for regeneration purposes. It is envisaged that the future development of properties in other cities will generate a significant number of properties to be let through Lono Inc. Company Ltd. These opportunities have not been factored into the medium term plan at this stage. The plan will be reviewed regularly and updated as other projects progress.

PROFIT AND LOSS, BALANCE SHEET AND CASH FLOW PROJECTIONS

- Financial projections over the medium term (5 years) have been provided at Annex A, reflecting the assumptions made within this Business Plan.

- The financial models show that based on the assumptions used, the business is profitable, has a high asset value and that the cash flow can be sustained and provides for payment of all operational costs, taxes and dividends.

KEY FINANCIAL PERFORMANCE MEASURES

It is proposed to use a variety of measures to measure the financial health of the Company, namely:

- i. Rental yield of which there are two typical measures, gross and net. The latter takes out expenses (management and maintenance costs, debt charges). Net yield being calculated as $\text{rent} - \text{expenses} / \text{house price}$. Given the fact that the initial estate is being rented primarily on an affordable basis (i.e. below market rents) and the assets are being valued at market levels, yields will be lower than typical industry norms. The anticipated net yield for the Company will be in the region of 3%.
- ii. Return on capital employed which looks at the profit against the combined equity and debt capital invested in the Company. This is regarded as a good measure of the business as it looks at how effectively debt is being used and is calculated as $\text{earnings before interest and tax (debit)} / \text{Assets} - \text{Liabilities (non-current)}$ with a target of 15% plus by year 5
- iii. Price to earnings ratio, which is a commonly used measure in commercial finance in relation to share value which in relation to rented housing is calculated as the increase of the yield calculated as: $\text{House price} / \text{rent expenses}$ which theoretically indicates how much investors should be willing to pay per pound of earnings.
- iv. Profitability (profit on cost – POC) which demonstrates the profit of the business over its cost.
- v. Investor Dividend per Share – which will provide the shareholder value per share and demonstrate its growth value.

SWOT ANALYSIS

Strength

- Ability to secure funding at competitive rates
- Tanzania Investment Centre support
- Initial funding of \$ 500,000 from shareholders funding for the development of affordable/key worker accommodation
- Shareholder plans to work with developers to maximise land bank opportunities and provide properties for the Company to use as affordable housing

Weakness

- Timescales for planning, development and construction before significant number of homes available

Opportunities

- Increase of affordable housing within the Dar es Salaam city
- Increased service resilience in hard to recruit to service area
- Support for local people to rent or buy a home

Threats

- Any future government policy change in view of real estate investment
- Downturn in economy – fall in market rents and house prices
- Increase in interest rates
- Sustained low period of inflation
- Legal challenge over ‘state aid

In response to the above, it is believed that the Company is well positioned over the next 5 years and can manage any significant market downturn in that it: it has a relatively low borrowing requirement; has a high value asset base; has a low fixed cost management structure; has a high projected levels of profitability; can fix interest rates for longer term loans; which would give sufficient protection against marked changes in property prices and a fall in rental income or utilisation of 30 – 40%.

CONCLUSION

Lono Inc. Company Limited is expecting to invest and provide good and quality services across the country in the multimedia sector, also to create employment opportunities to youths and to operate according to the rules and regulations that governs Multimedia sector.

FORECASTED BALANCE SHEET AND OVERVIEW CASHFLOW

Video-A Productions pay-rates are provided in the table below. All rates are per month

Position	Rate Per Month
Cinematographer	600,000 Tsh
Lighting Assistant	400,000 Tsh
Sound Engineer	600,000 Tsh
Copy Writer	400,000 Tsh
Voice Talent	400,000 Tsh
Video Editor	500,000 Tsh
Animator/Graphic Designer	700,000 Tsh
Photographer	500,000 Tsh
TOTAL	4.100.000

Other administration staff members

Position	Rate Per Month
Managing Director	7,000,000 Tsh
Creative Director	1,000,000 Tsh
Marketing Manager	1,000,000 Tsh
Marketing Assistant	600,000 Tsh
Operations Manager	500,000 Tsh
Administrations Officer	400,000 Tsh
Driver	300,000 Tsh
Security Officer	100,000 Tsh
Kit Manager	200,000 Tsh

Legal services	5,000,000 Tsh
Internal auditors	6,000,000 Tsh
TOTAL	22.100.000

Multimedia Device & Equipment's

Name of Items	Quantity	Price inTanzanian shillings
Technical Shotgun Microphone Kit	7	80,085,000
Professional Light Kit (LSC300D) Aperture	6	6.211.170
Professional Editing software	5	3.165.000
Drone	2	9.129.800
Gimbal Image stabilizer	2	6.660.000
RED Dragon-X 5K kit Camera	1	108.520.000
Editing Desktop Gaming PC	6	20.980.000
Administration Assistant PC	1	932.000
Administration Assistant Cell phone	2	200.000
Tripods	2	2.206.940
Live Coverage Equipment	1	5.660.000
Live Motion Capture	2	20.640.000
Digital sketching Tablet	3	5.446.500
Green screen studio background	1	22.165.000
Rokoko mocup suit		837,592,400

Location and Furniture

Office Month	500.000 TSH /
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Office Assistance Tools & Equipment

Name of Items	Quantity	Price
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Frontline Desk/Chair	1	4,000,000 Tsh
MD office Desk/chair	1	1,000,000 Tsh
Post Production Desk/chair	2/6	4,500,000 Tsh
Mixed Dep Desk/chair	2/6	4,500,000 Tsh
Waiting room Char	1	500,000 Tsh
Waiting room Tv screen 64 inches	1	2000,000 Tsh
Water dispenser	2	600,000 Tsh
Fridge	1	500, 000 Tsh
Kitchen set		500,000 Tsh
17 People Van (car Bus)	3	45,000,000 Tsh
Marketing Team (Car) Jeep	1	23,000,000 Tsh

Brand & Decoration

3D signage	1500,000 tsh
In door brand (Decoration)	600,000 Tsh
Total	55.700.000
Total of all	1,168,688,810 TSH