BUSINESS PLAN

FOR A

REFINERY PROJECT

SAB GOLD LIMITED

SAB GOLD LIMITED

P O BOX 5710

DAR ES SALAAM

PROJECT SUMMARY

PROMOTING COMPANY:	SAB GOLD LIMITED
PROJECT PURPOSE:	GOLD Refinery
COUNTRY OF ORIGIN:	Tanzania
COUNTRY OF DESTIN:	Tanzania
PROJECT OWNERS:	SAB GOLD LIMITED
PROJECT VALUE:	US $ 1.50 Million
Financing:	Owners equity and Loans

1.0 INTRODUCTION

Shinyanga is one of the fast growing commercial and business centers in Central, Southern and Eastern Africa. As a result the region is inhabited by an ever increasing population which and a diversified demand of dally plus durable basic needs which are either imported or locally sourced but stocked in shops and supermarkets. The business people need offices and accommodation for their daily activities running. This report is a product of a thoroughly done research on the feasibility level of owning and running a premise of shopping places, office spaces and apartments to serve business people, workers and other people who may wish to hire and stay around the city. This report is a true idea coming out to underline available opportunities of productive capital investment for income generation as desires of investing entities and entities who own a limited company which in turn is now the owner of this plan. It is a company tool intended to be presented to stakeholders for permits, resources and authoritative credentials acquisition for the project development.

1.1 THE PROMOTING AND OWNING COMPANY

SAB GOLD LIMITED is a project promoting company. The company will promote a project which is being located at, Shinyanga region. The contacts will be P.O. Box 5710 Dar es Salaam. The is a venture project under two shareholders which by names are

Name	% shareholding
Abbas Hussein Bandali	99.99
Sukaina Bandali	0.01

The above mentioned entities are shareholders who have pulled together their resources including capital to invest and carry out planned project. Their intention is to construct a Eight storey residential commercial building.

1.2 Company objective:

This venture was established with the objective of carrying on the business of establishing, owning and operating a commercial premise with shopping places, office spaces and apartments.

1.3 POLICIES

Tanzania has a National Trade Policy of February, 2003. The Mission of the policy is centred on the need to "….stimulate the development and growth of trade through enhancing competitiveness aiming at rapid social economic development".

Among the policy objective is:

i. To stimulate a process of trade development as the means of triggering higher performance and capacity to withstand intensifying competition within the domestic market. This includes the establishment of improved physical market place infrastructure and stimulating dissemination of market information and increasing access to the market.

To go in line with that policy objectives, the company has made it planned to make it possible that the premise will help people make trade links in and outside the country for its in and out supplies. The company has therefore made it a direct to concerns of this company one objective is: 'to promote capacity building)i.e. technical, financial and managerial) of all actors involved in services delivery and economic development.'

Reference has been also made to The National Investment Promotion Policy of October 1996, whose one of the main objectives is the encouragement of development of the private sector. The company has taken the policy on two ways outlook. One is pro private sector development which needs the private sectors initiatives to support it, and the company has established this project to support it. Second the company takes the policy as an opportunity to work with in this project as it offers incentives for the projects' implementation.

The last was the reference to the National Housing Corporation Policy allowed the joint venturing into commercial buildings to up-lift the face of the city of Dar es Salaam.

2.0 THE PROJECT PLANNED

The proposed project in this business plan is to construction and operation of the Refinery in Shinyanga. The structure will comprise two storey. This will be built in a single compound with all basic facilities in a single structure.

The building will be constructed basing on locally and international sourced resources like machinery and spares. The idea is to lower the cost of construction and have a good state of the art refinery.

The investment plan is made to accommodate all these requirements so as to make sure that at last the customers find it easy to access to almost everything.

This construction plan is expected to be implemented and completed in a year.

3.0 TECHNICAL REQUIREMENTS

So far several basic requirements for the project initial stage of implementation have been acquired, including the land which is ready acquired, the company is registered, the business license will be acquired, Tax Identification Number (TIN) also acquired and the headquarters for company operations is established, the implementation technical requirements are in place, constructors contracted; and the current requirements are:

CONSTRUCTION REQUIREMENTS

3.1 Additional Capital

From their savings, the shareholder (investors) have prepared about USD 1.42 million as capital for the project implementation the summary of which is presented below in the table.

ITEMS	US DOLLAR
Land & Buildings	1,020,000.00
Plant & Machinery	100,000.00
Motor Vehicles	50,000.00
	0.00
Furniture & Fittings	30,000.00
Preoperational Expenses	50,000.00
Fixed Investments	
Working Capital	170,000.00
Total Revised Investment Cost	**1,420,000.00**

Much of the capital will be spent on a building construction and finishing because that is the main company's investment.

The project promoter plans to work together with the construction to source some less costly but high quality construction materials from outside which will have the effect of lowering the overall construction costs. Much innovation will be sought with incentives/bonus for peculiar materials with proven quality and strength to be used in the construction process. With the exception of cement ,nails, cables and timber, almost all other materials will be imported. These include heavy floor and wall tiles, toilet fittings, aluminum fixtures and fittings, electrical fittings, decorative wall glass, security system equipment and fire fighting equipment.

4.1.3 Building Construction Rates

The usual or common rates range from US$ 250 per m2 to US$400 per m2 as already put by unions of constructors. In consideration of the above factor requirements, the average construction cost for the proposed project will be in the reach of US$ 300 per m2.

4.1.4 Construction Procedures

a) Civil Construction: structure, water systems, power system, drainage systems, auxiliary systems and structure; then fencing

b) Finishing: Ceiling, colors, fixtures, tiles, Installation etc.

The construction progress assessment will be carried out using the agreed program of works submitted prior to work progress of the project just immediately after agreements with the contractor are done.

The following program of work will be adhered to at site for smooth execution of the project:

a) Mobilization of materials and other resources
b) Construction of the framed additions on buildings
c) Fixtures, fittings, finishes and decoration
d) External works including plumbing, water supply, parking, roads, gardening and landscaping.

4.1.5 Review of the Working Drawings

The consultancy team will be reviewing the drawings to fit the locality and construction schedule, any alterations and any client's needs in the course of construction. The contractor will immediately be informed of the reviews and recommendations. Also the client will be advised of the cost (time materials and funds) implication on the effected alterations.

4.1.6 Costing Details

The quantity surveyors have been doing using the standard format of bills of quantities basing on the part going prices with factors of anticipated changes in the market prices and time required for the project implementation period, plus details of the document comprising drawings and specification of the building.

5.0 INVESTMENT AND FINANCING

5.1 Assumptions

All prices and costs used in this project are based on December 2022 market levels and are in the real value assumptions. The budgets have been incremented by 20% to cover the possible changes in real prices due to inflationary effects likely to fall in. Only the construction costs have and are kept constant for the entire project development. The project operation costs are also fixed for the all life on the assumption that when real costs rise, they affect both buyer, seller and income-expenditure at the same proportional levels within means the profit margin will be maintained constant.

The project's life span is planned to be 25 years assumed that construction will take 4 years and after construction the operation will have be in the next 20 years period a period considered long enough to scale the impact of the project to the communities.

To bring all costs to a conservative level, capital and operating costs estimates have been increased by a contingent allowance of capital financing.

5.2 Summary of Investment Funds Allocation

The total capital investment is estimated at US$ 1,920,000.00 and is itemized as follows:

ITEMS	US DOLLAR
Fixed Investments	1,350,000.00
Working Capital	170,000.00
Total Investment	**1,420,000.00**

Financing Plan

The project is expected to be financed by owner's equity contributions at 30%, (US$ 0.426 million) and, loans at 60%, (US$ 0.994 million).

6.0 MARKET ANAYSIS AND STRATEGIES

6.1 The Market

Shinyanga Municipal has no less than three million residents, it is a upcoming commercial centre of Tanzania, it is a trading centre attracting visitors from all over the world, it links seven countries with cross border trade, it is a headquarter of the government which brings together five developing countries the delegates of which meet regularly in the city. All these factors make it an ideal location of a modern investment building with offices to cater for the day to day, time to time requirement of all those communities which range from smallest business to biggest ones etc. This is one side of the operational sell market.

To the other side of supplies, the policies of Tanzania are market oriented because the country is now a business hub for the very fast growing and industrializing East African Community and countries around it. Several reasons are behind the wave.

- Since its capitalistic economy orientation initiative which started in 1990s, Tanzania has been able to create a young private sector driven economy whose executives are increasingly investing and employing resources.
- The Middle East and the Far East areas trade connections with Central and East African region which is now operating at the best of its time in Dar es Salaam.
- The other is peace and security of the Tanzania Harbours compared to the competing Somalis frustrates Mombasa harbor.
- The favorable policies of Tanzania on trading with its neighbors, are the main boost of the vibrant social economic operations we see now.

As an outcome, national and international business operators are increasingly putting pressure on seeking spaces to trade and do business with Tanzania especially in cities like Shinyanga, Tanga, Dar es Salaam, Mwanza, Arusha, Mtwara, Mbeya and Dodoma. This new demand has caused an increasing market taste for eastern produced products like vehicles, electronics, clothing, furnishing, etc. The market of such items has grown to the extent of individuals going to China, Japan, Malaysia, Dubai to shop fro personal and household items. Our project will help them cut the costs of traveling, time and risks down by giving them space of organizing things down here in the country.

6.2 Targeted Markets

As it has been leant elsewhere, the targeted markets are all groups and class of business/economic actors and officials including residents and traders as populations which include both local and foreign people; public workers; as well as people in transit. No single community or group of people is left out of the target.

Prospects in the growth of this target market are quite good given the increasing prominence of Tanzania as both a commercial/industrial centre as well as the centre of government activities in making the country a trade link of the world with other member countries of the Great Lake Region, East Africa Community and SADC.

In addition to the above recognition and findings, the project promoters will have to engage marketing skills and financial resources to enable them to acquire a reasonable share of the market. Market knowledge and connections on the international sphere network are of special importance.

Our company plans to undertake a comprehensive and concerted marketing program in order to obtain the necessary networking connections. It will reach out to all relevant stakeholders both locally and internationally through missions and presentations at international and national potentials which may avail the company the requisite net workings. A focused aggressive marketing strategy is planned in this case to include outsourcing adequate working capital, hard ware, software and human to package to back up the marketing effort.

For the company establishment and consolidation, a considerable budget will be set aside over the period of the first five years towards the marketing and networking effort, which will be used largely in preparation of physical, media and internet, promotional and advertising materials.

6.4 Promotion and Advertising

The greater job is to promote and market in a qualitative channel that keeps the company reputation and credibility growing but with the objective of capturing new market segments and to attract faster responses in various market segments without stretching the company's human and financial resources too thin, a comprehensive marketing plan will be outlined in the creative promotion and advertising strategies.

7.0 FINANCIAL AND ECONOMIC ANAYSIS

Projecting for financial statement is based on the following assumptions:

- The project is evaluated for 5 years based on the useful life of major assets
- The implementation of the project will cost US$ 1.92 million
- Capital expenditure will be spread over a period of 5 years.
- Economic depreciation rates are based on useful life of fixed assets and capital items.

Depreciating and Amortization Schedule

It is assumed that the project will be granted a 50% capital investment allowance on the year of acquisition of capital/deemed capital goods and thereafter the balance of 50% be subjected tot eh normal depreciation rates. This applies to Machinery, Equipment, Motor Vehicles and furniture for this particular case.

It then follows that the schedule will be:

DEPRECIATION SCHEDULE	
	RATE
Land & Buildings	4.00%
Equipment & Machinery	10.00%
Motor Vehicles	20.00%
Office Equipment	20.00%
Furniture & Fittings	12.50%
Preoperational Expenses	20.00%

7.1 Sales Projections and Expenses

Sales projections and expenses are based on the sale of space in the premise as a main revenue generating services. Though there may be a slight positive increase every year, the first three operating years give that picture as salesas annexed

7.2 Operating costs:

- Salaries, wages and allowances plus Social Benefits

7.3 Administrative Costs

- Director/Board fees
- Professional/audit fees
- Traveling
- Insurance: 2% of major capital assets (motor vehicles and Machinery/equipment)
- Licences
- Taxes/duties/levies
- Marketing and Advertisement

7.4 Financial Statements

7.4.1 Profits

Net profit increases form US$ 264,042 in the first year growing to USD 353,0744 in the fourth year which will then rise to USD 360,395 in the fifth year and remain constant to the tenth year.

7.4.2 Projected Cash Flows

As shown in the cash flow, the project has a positive net cash flow from year 1 of operation to the 5th year.

7.4.3 Revenue Reserves

Revenue Reserves Increasing the company value are increasing all over the project life span, at a multiplier of about eight times in the period of ten years (from USD 264,042 to USD 3,072,325 in the fisth year) meaning the project multiplier move on its wealth is high.

7.5 Financial Indicators

Financials indicators showing the financial viability of the project are summarized below:

7.5.1 Internal Rate of Return (IRR)

The project' internal rate of return (IRR) after tax is computed as annexed at the discount rate of 4%

7.5.2 Net Present Value

The Net Present Value wil as per schedule annexed

7.5.3 Payback Period

The payback period is computed at 3 years

8.0 ECONOMIC BENEFITS OF THE PROJECT

The successful operation of the Project will contribute significantly to the economic and benefits to Tanzania people. In summary, the benefits that will be realized are as follows:-

- Job offer to professionals and non professional workers
- It will serve to provide more standard, modern and quality working space in the county.
- Provision of market to other Input (local producers) and services providers, thus contributing to their income creation.
- The income to be earned will help in improving standard of living of the workers and other people residing in the area.
- The direct income for the workers, combined with other social benefits that the will provide and help in overall efforts of alleviation of poverty in the country.
- Provision of a market for goods demanded, services demanded
- Investment tax will add up on tax revenue of the Treasury and local Government authorities.
- The Government earns considerable revenue from the workers and investors in terms tax collections.

8.0 MANAGEMENT AND STAFF

To perform a professional job in the services industry a company requires a team of skilled and well-motivated personnel. Under the implementation program the project envisages undertaking a deliberate 2 prolonged plan.

- Out – Sourcing staff with relevant and adequate industry skills capable of strategizing and operationalizing growth and profit oriented marketing and operational plans and strategies. The local labour market has enough personnel with relevant skills and experience in the fields of marketing, operations and information technology. In case of short falls, more effort will be spared in looking for requisite skills elsewhere including on the neighbouringlabour market.
- Motivation and retention scheme: Continuity being a vital element in any efficient operation, focus will be given to minimize frequent manpower run out. In order to achieve this, an attractive incentive package will be part of the expansion program. The objective is to attract the best-qualified personnel to the company labour force and to retain them for a reasonable period of service in order to achieve continuity and harmony in the company's operations.

11.0 SWOT ANAYSIS

9.1 Strengths

The strengths of this project will be the same as those that have served the project promoters other businesses operations in good stead. These are:

- Sound and credible management and financial policies
- All incredible determination and perseverance of the directors against immense odds
- A fairly well skilled, committed and efficient labor force
- A quality maintenance.

9.2 Weaknesses

- No weaknesses are anticipated so far

9.3 Opportunities

The company is focused to take optimum possible advantage on the following:

The increased attractiveness of the country as a quality investors' destination through available policies including:

- Market liberalization
- Lucrative investment incentive package
- Duty exemption on capital goods
- 50% capital investment allowance with indefinite loss carry over period against future profits
- A stable economic and political environment
- Heavy investments in infrastructural development in roads (all weather)

9.4 Threats

The main, profound and most likely threat to the company's well being in the market includes:

- Unfair competitive practices among stakeholders such as negative (publicity, skilled manpower draining and agent/client poaching.

10.0 CONCLUSION AND RECOMMENDATIONS

10.1 Conclusion

The project as analyzed in this report is both economically and technically viable. The project has come at the right time to provide the much needed quality goods and living facilities for all living communities in Tanzania and neighbors.

10.2 Recommendations

A fast implementation of this venture is therefore highly recommended especially at this juncture when the Government in collaboration with donor communities is implementing a program of boosting investment in trade, improving living standards, and free movements of goods in the East African Community.

FINANCIAL ACCOUNTS

PROJECTED INCOME STATEMENT						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue		639,000	766,800	920,160	1,104,192	1,325,030
Cost of Sales		127,800	127,800	127,800	127,800	127,800
Gross Profit		**511,200**	**639,000**	**792,360**	**976,392**	**1,197,230**
Operating Expenses						
Administrative Overhead						
Costs		33,000	33,330	33,663	34,000	34,340
Motor Vehicle running		34,000	34,340	34,683	35,030	35,381
Salaries and Wages		26,600	26,866	27,135	27,406	27,680
Depreciation		117,250	118,423	119,607	120,803	122,011
Utility Costs		14,000	14,140	14,281	14,424	14,568
Insurance		35,500	35,855	36,214	36,576	36,941
Interest on Loan		44,400	44,844	45,292	45,745	46,203
Total Expenses		**237,750**	**240,128**	**242,529**	**244,954**	**247,404**
Profit before Tax		**273,450**	**398,873**	**549,831**	**731,438**	**949,827**
Tax (30%)		82,035	119,662	164,949	219,431	284,948
Profit After Tax		**191,415**	**279,211**	**384,882**	**512,007**	**664,879**

PROJECTED BALANCE SHEET					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	1,220,000	1,102,750	1,023,000	942,000	861,000
Long term Assets					
Depreciation	117,250	82,250	82,250	82,250	82,250
Total long termassets	**1,102,750**	**1,020,500**	**940,750**	**859,750**	**778,750**
Current Assets					
Cash	3,528,730	4,058,040	2,632,581	4,941,437	7,570,679
Account Receivable	170,000	195,500	224,825	258,549	297,331
Inventory	0	0	0	0	0
Total Current Assets	**3,698,730**	**4,253,540**	**2,857,406**	**5,199,986**	**7,868,010**
Total Assets	**4,801,480**	**5,274,040**	**3,798,156**	**6,059,736**	**8,646,760**
Curent Liabilities					
Accounts Payable	42,500	48,875	56,206	64,637	74,333
Other Current Liablit	3,500	4,025	4,629	5,323	6,122
Subtotal Current Liabi	**46,000**	**52,900**	**60,835**	**69,960**	**80,454**
Long term Liabilties					
Long term Liabilitie	0	0	0	0	0
Total Liabiities	**46,000**	**52,900**	**60,835**	**69,960**	**80,454**
Captil and Reserves					
Owners Contribution	1,420,000	1,657,415	2,180,941	2,905,868	3,872,717
Retained Earning	**191,415**	**470,626**	**664,093**	**896,888**	**1,176,885**
Total Capital	**1,657,415**	**2,180,941**	**2,905,868**	**3,872,717**	**5,130,057**

OTHER OPERATING COST						
Other Operations Cost		**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Motor Vehicle running expens		34,000	37,060	40,395	44,031	47,994
Salaries and Wages		26,600	29,260	32,186	35,405	38,945
Adminitrative Overhead Costs		33,000	36,300	39,930	43,923	48,315
Utility Costs		14,000	15,400	16,940	18,634	20,497
Interest on Loan		44,400	39,960	35,964	32,368	29,131
Communication Exepnses		18,000	19,800	21,780	23,958	26,354
Total Costs		**170,000**	**177,780**	**187,195**	**198,318**	**211,236**

FIXED ASSETS SCHEDULE						
NAME OF ASSETS		**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Land and Buildings		1,020,000	969,000	918,000	867,000	816,000
Plant & Machines		100,000	80,000	60,000	40,000	20,000
Motor Vehicle		50,000	10,000	5,000	0	-5,000
Furniture & Fixtures		50,000	43,750	40,000	35,000	30,000
Total		**1,220,000**	**1,102,750**	**1,023,000**	**942,000**	**861,000**
Depreciation		**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Land and Buildings		51,000	51,000	51,000	51,000	51,000
Plant & Machines		20,000	20,000	20,000	20,000	20,000
Motor Vehicles		40,000	5,000	5,000	5,000	5,000
Furniture &Fixtures		6,250	6,250	6,250	6,250	6,250
ANNUAL DEPRECIATION		**117,250**	**82,250**	**82,250**	**82,250**	**82,250**
CLOSING FIXED ASSETS		**1,102,750**	**1,020,500**	**940,750**	**859,750**	**778,750**

INVESTMENT BREAKDOWN			
PARTICULAR			**AMOUNTS USD**
Land and Buildings			1,020,000.00
Plant & Machines			100,000.00
Motor Vehicles			50,000.00
Furniture & Fixtures			50,000.00
Pre Expenses			30,000.00
Working Capital			170,000
TOTAL			**1,420,000**