

OILCOM (T) LIMITED

PROPOSED BUSINESS PLAN

FOR

THE ESTABLISHMENT OF FUEL BULK STORAGE FACILITIES INDUSTRY IN MTWARA REGION, TANZANIA.



Prepared by:
OILCOM (T) LIMITED,
PLOT NUMBER 312.4
KURASINI INDUSTRIAL AREA,
ILALA DISTRICT,
P O BOX 71731,
DAR ES SALAAM,
TANZANIA

JULY, 2023

Table of content

List of Abbreviations	4
EXECUTIVE SUMMARY	5
1.0. BUSINESS OVERVIEW AND BACK GROUND INFORMATION.	6
1.1. Overview – Petroleum sector in Tanzania.....	6
1.2. The opportunity of harnessing petroleum fuel resources for investing in growth.....	6
1.3. Domestic versus Export Market.....	7
1.4. The company overview.....	7
2.0. PROJECT OVERVIEW	9
2.1. The Industry	9
2.2. Business Plan Objectives	9
2.4. Project establishment Overview	10
2.4.1. Project description	10
2.5. Technical Characteristic of the project.....	11
2.5.1. Project Location and site analysis.....	11
2.5.2. Buildings and related fixed cost.....	11
2.5.3. Machinery and Equipment.....	11
2.5.4.. Motor Vehicles.....	12
2.5.5. Furniture & Fittings and computers.....	12
2.5.6. Pre-Operational Expenses.....	12
2.5.7. Initial Working Capital	12
2.5.8. Project Financing	12
2.5.9. Project Implementation	12
2.5.10. Auxiliary Materials/ services	12
2.5.12. Warehousing and distribution	13
2.5.13. Waste management for industry	14
3.0. MANPOWER AND SALARY BUDGET	15
3.1. Employment.....	15
3.2. Recruitment.....	15
3.3. Training and the use of Consultants.....	15
3.4. Organization and Management	15
4.0. PROJECT FINANCING AND CAPITAL INVESTMENT SUMMARY	18
4.1. Project Cost & Financing Pattern	18
5.0. RISK ANALYSIS	20
5.1. Risk Analysis	21
5.2. Macroeconomic risk analysis.....	21
5.3. Finance risk analysis	21
5.4. Other potential external risk.....	21
5.4. Mitigating potential risk.....	22
6.0. ECONOMIC AND SOCIAL ASPECTS	23
6.1. Impact Investment Index Framework	23
7.0. FINANCIAL MODELLING AND ANALYSIS	25
7.1. Project investment inputs and revenue projects	25
7.2. Production, Revenue and project viability.....	25
7.3. Objective and Scope of Financial Model.....	26
7.3.1. Objective.....	26
7.3.2. Scope.....	26
7.3.3. Project financial plan.	26
ANNEX I – INCOME STATMENT	27
ANNEX II – CASH FLOW	29
ANNEX III – BALANCE SHEET	30
LOAN PAYMENT	31
ANNEX IV - IRR	32
ANNEX V PAY BACK PERIOD	32
8.0. CONCLUDING REMARKS AND WAY FORWARD	33
8.1. Evidence of project viability based on financial model and policy	33

Framework support	33
8.2. Policy Framework Support	33
8.3. Conclusive Remarks and Way Forward	34

List of Abbreviations

4WD – Four Wheel Driver
CAPEX – Capital Expenditure
CIF- Central in Flight
EU – European Union
GDP – Growth Domestic Products
IRR – Internal rate of return
Kg – kilo gram
LTD - Limited
MIS - Management Information System
MT – Metric Ton
MW – Mega Watts
NBS – National Bureau of standard
NEMC – National Environment Management Council
OPEX – Operating Expenditure
SIDO- Small Development Organization
SWOC – Strength Weakness Opportunity Challenge
TANESCO – Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS – Tanzania Shilling
UK – United Kingdom
US\$ - United State Dollar
USA - United state of America
VAT – Value Added tax
VETA - Vocation Education Training Authority

EXECUTIVE SUMMARY

OILCOM Tanzania Limited imports, distributes, and markets premium-quality petroleum products across East and Central Africa. OILCOM was incorporated on the 20th of July, 1990, as a company limited by shares under the Companies Ordinance. In the past years

OILCOM has expanded rapidly in the sub regional petroleum business. The headquarters of OILCOM is in Dar es Salaam, the main port and commercial capital of Tanzania, and from there the wings of investment spread out to the neighboring countries of Malawi, Rwanda, Zambia, Kenya, and the Democratic Republic of Congo. The main goal of OILCOM is focused on commitment, efficiency and customer satisfaction.

OILCOM is one of the Major Company in On-Shore Bunkering to various Military Vessels, Offshore Drilling Rigs, Commercial Shipping Lines, Tug Boats, Marine Vessels, Speed Boats, Chase Boats, Seismic Survey Vessels, etc. OILCOM has recently set up its own LPG Storage at Dar Es Salaam with a capacity of 500 Metric Tons and has become one of the major players in the Tanzanian market in a very short time.

The company aimed to expand her production by producing petroleum by purchasing establish a bulk storage facility with a capacity of 60million little's of fuel per month. The project will be established by complying to NFPA 56 and SANS 10067-3, 2015 standard. The plant will be located in Mtwara Region. Whereas the yard is already secured with necessary amenities and petroleum production facilities.

The company will Refinery petroleum sweetening is the process used to purify a fuels stream for further use in a process. Storage tanks for petroleum production, the anticipated capacity of 4 storage tanks with capacity of 15million little's per tank. The construction of Tanks will build with high quality moulded bullet with total capacity of 60million little's of petroleum fuel which will make the largest plant in southern of Tanzania.

The proposed integrated project is estimated to cost a total of US\$ 21,165,225 this as proceeds from capital contribution of the project. The Current asset of US\$ 4,118,412 during the first year of operation and it increase as the project will be in full operation (see Balance sheet), fixed assets 18,865,225US\$ and total liquidity of 12,372,966 US\$. The project will be implemented within 5 years.

The basis for pricing has been from observations and data collected from various parts of Tanzania, market value for exploration is estimated to 0.5USD per liters which is equivalent to 1,150TZS per Liters as a whole selling price. The annual anticipated selling price per year is 360Million USD with annual capacity of 720Milion little's annually, this includes all fuel products.

The development of a large and complex project such as OILCOM (T) LIMITED is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is very important.

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, OILCOM (T) LIMITED will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

Financial analysis results show that when the construction of project facility is financed using a combination of equity debt ratio (40:60), it gives an IRR of about 21.32%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 3years, which is within the range for this type of investment.

1.0. BUSINESS OVERVIEW AND BACK GROUND INFORMATION.

1.1. Overview – Petroleum sector in Tanzania.

Tanzania has been exploring for fuel oil and gas for the past 60 years since 1952. The first natural petroleum discovery was made in 1974 on the Songo Songo Island (Lindi Region) followed by a second discovery at the Mnazi Bay (Mtwara Region) in 1982. The Songo Songo natural petroleum and gas was commercialized in 2004 and that of the Mnazi Bay in 2006.

The commercialization of the two discoveries propelled further exploration both on- and off-shore. In 1999 petroleum exploration in the deep sea commenced with the shooting of speculative seismic survey along the entire East African coastal area after which the deep-sea Tanzania was divided into blocks.

In 2005 the first exploration license in the deep-sea was awarded. In 2010, these exploration endeavors culminated in large quantities of natural gas discoveries. Exploration continues and more gas discoveries are anticipated. Natural gas has become an increasingly important energy source around the world, and its importance is expected to increase in the coming decades as demand continues to rise and new sources of supply are exploited.¹

With rising global interest in natural gas has come an enormous expansion in exploration and discovery including, in the last decade, in the Indian Ocean off the East African coast, yielding significant finds. While exploration activity around these finds has been dominated by international oil and gas firms – both ‘majors’ and independents – the development of the fields will draw the Government of Tanzania directly into the sector and will also start to generate potentially large flows of revenue to government.

The natural gas sector therefore represents a hugely beneficial opportunity for Tanzania. If used efficiently, a natural resource windfall can contribute to poverty reduction and help place the country on a successful and inclusive economic growth path. But as is widely appreciated, the transition to substantially increased natural resource dependence is far from straightforward and places considerable demands on government and key stakeholders to develop a coherent medium-term economic and political strategy for the management of the resource windfall. Close attention is required across a range of areas, including: fiscal and monetary policy formulation; industrial and trade policy; skills, training and employment; and the development of robust and transparent institutional foundations for effective inclusive growth. This note provides some brief background to the natural gas sector in Tanzania and then outlines the main opportunities and challenges facing the country.

1.2. The opportunity of harnessing petroleum fuel resources for investing in growth

Exporting to the global market International trade in gas has been bolstered by the development of liquefied petroleum fuels transportation and the construction of an intercontinental network of pipelines. Given their strategic location, West African countries, like Nigeria and Angola, have the possibility to develop exports towards Europe and North America. East African producers, including Tanzania and Mozambique may export to the neighboring countries, to the Middle East and the fastest growing region of the world, East and South Asia. By 2040, Asia is expected to become the leading consumer of natural gas in the world, accounting for almost 40% of global demand

Meeting local energy demands Thanks to its versatility, fuels can be used extensively in the industrial sector and by enabling a reliable and affordable access to energy, fuel can help reduce energy costs and contribute to a sectorial diversification of the economy.

¹ https://www.tanzania.go.tz/egov_uploads/documents/Natural_fuel_Policy_-_Approved_sw.pdf

1.3. Domestic versus Export Market

Domestic versus Export Market The allocation of a finite supply of petroleum production between domestic and export markets is a delicate balancing act. The value of increased supply to the domestic market – for energy and to support downstream development, particularly given projections on population growth, industrial development and urbanization – needs to be traded off against the requirement of a guaranteed minimum throughput of petroleum to the export sector in order to justify the extremely high capital costs of constructing petroleum trains. Striking this balance between competing legitimate concerns will require a transparent and coherent policy framework for the sector combined with careful and flexible management capable of responding to changing market conditions and developmental concerns.

Currently in Tanzania there is a dichotomy between the large multinational mining companies and the artisanal petroleum production. OILCOM (T) LIMITED will seek to exploit this dichotomy in petroleum reservation, distribution in the southern zone of Tanzania; it will operate in a way that will add value to artisanal fuel oil while not troubling the larger fuel supply companies. The company provides the following services: distributes, and markets premium-quality petroleum products across East and Central Africa²

1.4. The company overview.

OILCOM Tanzania Limited imports, distributes, and markets premium-quality petroleum products across East and Central Africa. OILCOM was incorporated on the 26th of July, 1990, as a company limited by shares under the Companies Ordinance. In the past years

OILCOM has expanded rapidly in the sub regional petroleum business. The headquarters of OILCOM is in Dar es Salaam, the main port and commercial capital of Tanzania, and from there the wings of investment spread out to the neighboring countries of Malawi, Rwanda, Zambia, Kenya, and the Democratic Republic of Congo. The main goal of OILCOM is focused on commitment, efficiency and customer satisfaction.

OILCOM has its own Depots at Strategic locations with following Storage Capacities. In Tanzania, 76,000 Cu3 in Dar es Salaam 4,800 Cu3 in Mtwara 6,000 Cu3 in Isaka (Near Kahama) 2,200 Cu3 in Kigoma In Democratic Republic of Congo, 8,000 Cu3 in Lumumbashi In Zambia, 5,000 Cu3 in Lusaka In Malawi, 2,500 Cu3 in In Rwanda, 18,000 Cu3 in Kigali OILCOM has Aviation Fueling Facilities at Dar es Salaam International Airport, Mwanza Airport & Kigoma Airport in Tanzania.

OILCOM is one of the Major Company in On-Shore Bunkering to various Military Vessels, Offshore Drilling Rigs, Commercial Shipping Lines, Tug Boats, Marine Vessels, Speed Boats, Chase Boats, Seismic Survey Vessels, etc. OILCOM has recently set up its own LPG Storage at Dar es Salaam with a capacity of 500 Metric Tons and has become one of the major players in the Tanzanian market in a very short time. OILCOM is supported by its own sister company Al-Hushoom Investments which is the back bone of OILCOM in transportation of Petroleum Products through East & Central Africa with fleet of more than 400 Trucks. OILCOM Petro Card helps its customers to fuel their vehicles from the nearest OILCOM Petrol Station within Dar es Salaam and presently at few strategic locations within up-country areas 24x7.³

1.4. The company objectives include the followings;

- i. To carry on the business of producer, refinery, stores, supplies, and distributors of petroleum and its products and explore for, produce, refine, treat, distil, manufacture, smelt, store, transport, use, experiment with, market, distribute, exchange, purchase,

² <https://www.theigc.org/wp-content/uploads/2014/08/Background-note.pdf>

³ https://rocketreach.co/oilcom-tanzania-limited-profile_b5df746bf42e487a

- sell and otherwise dispose of any kind of petroleum products, oil, gas and other volatile substance,
- ii. To construct, erect, equip and carry on the business of petrol station with all usual or convenient building, petrol an oil pumps, plant of the said business, to carry on the business of garage proprietor's, service proprietor's, mechanical engineering, manufactures, etc.
 - iii. To tender for and enter contracts of manufacturing, procurement, and supply of equipment and machinery in the industry.
 - iv. To carry on the business of importers and exporters of heavy plant and equipment.

1.5. Project setup at Mtwara – Tanzania.

The aim of this project proposal entails setting up bulk fuel storage facilities, so that customers may equipped of all petroleum laboratories facilities from using modern technology. The project will be created in the said site above. The proposed project will therefore involve the following activities:

- ❖ Additional Acquisition of mentioned machineries and equipment's to ensure maximum production of final mining products
- ❖ Development of processing camps and infrastructure
- ❖ Construction of laboratories building, storage warehouses, workshops and offices
- ❖ Importation and installation of petroleum processing plants, laboratory for noble metal testing
- ❖ Procurement and installation of environmental protection plant equipment
- ❖ Importation and installation of equipment, machinery and plants for petroleum storage and distribution processing
- ❖ Procurement of heavy duty trucks fleet for transportation of petroleum and tailings. Other utility vehicles will also be procured for the project. This will include pickups, 4-WD station wagons to facilitate movement. Armored vehicles will also be procured for transportation.
- ❖ Purchase of furniture, equipment, fittings and administration motor vehicles, fencing of the factory compound and storage yard.

2.0. PROJECT OVERVIEW

2.1. The Industry

OILCOM (T) LIMITED is a Tanzanian company registered in Tanzania with certificate of incorporation number 18300 of 26th of July, 1990 The Company with Taxpayer Identification Number 100-143-690. OILCOM has expanded rapidly in the sub regional petroleum business. The headquarters of OILCOM is in Dar es Salaam, the main port and commercial capital of Tanzania, and from there the wings of investment spread out to the neighboring countries of Malawi, Rwanda, Zambia, Kenya, and the Democratic Republic of Congo. The main goal of OILCOM is focused on commitment, efficiency and customer satisfaction.

The main office of the company is located at Kurasini, Mandela road, plot No. 312/4 Mandela road, Ilala district, Dar Es Salaam City in Tanzania. The anticipated project site will be located at plot 3, Mtwara Industrial area in Mtwara region.

The initial Authorized Share Capital of the company is TZS 20,000,000,000/= divided into 1000 ordinary shares of TZS 20,000,000/= each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 2.1. Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Address	Occupation of Subscriber	Number of Shares
1.	Mr. Khalid Munif abdallah (TANZANIAN)	P O BOX 71731, DAR ES SALAAM, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 18300	3,333,33 3
2.	Mr. Ameir Munif Abdallah Nahdi, (TANZANIAN)	P O BOX 71731, DAR ES SALAAM, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 18300	3,333,33 3
3.	Mr Said Edha Abdallah (TANZANIAN)	P O BOX 1406, IRINGA, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 18300	3,333,33 3

2.2. Business Plan Objectives

The objectives of this study are three-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferrals and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

Thirdly, it will be presented to Banks/Financial Institutions for application of Term Loan 12,699,135.00 US\$ to support smooth implementation and running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advise on detailed technical and economic evaluation of the project and in determining its

viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

2.4. Project establishment Overview

2.4.1. Project description

Oilcom are planning to undertake construction of a new fuel tank farm in Mtwara Region in efforts to encourage trade in the region by increasing the bulk storage capacity in Mtwara to be able to receive a full load Bulk Procurement Vessel at Mtwara Port. This will enable the fuel price to go down effectively even lower than Dar es Salaam.

Reduced fuel prices will open up regional and transit markets for the nearby countries and also provide a way to decongest Dar es Salaam of the fuel trucks traversing the roads to the other neighboring countries like Malawi, Zambia, and Mozambique. Nearby island nations like Seychelles can also be served by back loading form the port.

Projects Specifics

1. Construction of 4 Tanks Each With a capacity of 15 Million Liters (60 Million Total Capacity)
2. Construct 12” 1.7km pipelines to the port of Mtwara for connecting to the new tanks.
3. Construction of 5 New Loading Gantries (Loading 10 Trucks Simultaneously).
4. Installation of 20 Nos. Electronic Flow Meters at the Loading Gantry with respective batch controllers.
5. Parking Area with capacity to temporarily hold 40 trucks after loading.
6. Construction of a new pump house with centrifugal pumps installed for truck loading and bunkering operations.
7. Installation of new fire-fighting system approved by international standards NFPA and local FRF Standards.

The approximate cost of investment for the project is estimated to be close to 20 Million USD and is expected to kick off by the start of Q3 2023 and end by End of Q3 2024 barring any unforeseen circumstances.

	<u>Year</u> <u>0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>TOTAL</u>
Revenue Generated from Resort activities	-						
Annual Sale fuel		360,000,000	378,000,000	396,900,000	416,745,000	416,745,000	1,968,390,000
Total Operating Revenue	-	360,000,000	378,000,000	396,900,000	416,745,000	416,745,000	1,968,390,000

2.5. Technical Characteristic of the project.

2.5.1. Project Location and site analysis

Based on physical inspection of the proposed site at plot 3, Mtwara industrial area, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

2.5.2. Buildings and related fixed cost

The floor plan and elevation of buildings and other related structures will be rehabilitating to OILCOM (T) LIMITED as rented at Mtwara New industrial area by the shareholders. However, the total major rehabilitation of the yard and buildings, Storage of raw materials and finished processing a structure, the estimated cost of buildings 14,390,435US\$, the cost includes Renting, rehabilitation of administration building and offices, Laboratories, storages of chemicals and spare parts, workshop, and camp. The industry also set budget as working capital which involves purchase of raw materials and factory overhead cost of 100,000US\$ The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and other cost.

2.5.3. Machinery and Equipment.

Proper machinery selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive production. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation and variable costs based essentially on wages.

The requirements of various items of equipment have been worked out taking into consideration the production programs, average equipment utilization and normal productivity level of an average worker etc. While working out details of equipment required, it has been assumed that the plant will be working in a double shift of 16 hours a day, 25 days a month or a total of 300 days a year.

The projects machinery and equipment will be sourced from Europe and Asia are estimated to cost 4,084,790US\$, this includes, Rolling Machines for the Plate Rolling Machine, 45mm Thick x 2 m wide Hi Hi-Level Alarms, Impressed Current Cathodic Protection system with a Design Life of 50 Years and Working Life of 30 Years,, Centrifugal Pump-sets With Strainers and Expansion Joint, PD Flow Meter, Strainer/Air Eliminator, Batch Controller, Fire Water Engine Complete Set with Engine + Pump + Battery + Heat Exchanger + Fuel tank + Stack + Jockey Pump, Fire Extinguisher 10 Kg Capacity (DCP + ABC), Steel Housing containing 2.5" twin hoses + 2 Branch pipes,, Fire Monitors Water/Foam, Thermal Stress Relief Valves, Process Distribution Board, Light Distribution Board. , UPS Panel 10 KVA. Minimum.(With Battery Bank, Electrical Transformer 1000 KVA ,Diesel Generator 60KVA, Diesel Generator 1000 KVA, Lighting System-Well Head Lamps, Flameproof Enclosed, 150W LED Light etc.

All these will be able to produce 60Milion litres per single entry, and the plant capacity is to produce 720Milion Liters per year Equivalent to 360Milion USD per year.

The total cost of machineries and equipment's is estimated to 4,084,790US\$, these cost assumptions are C.I.F Dar es Salaam and include installation, commissioning, consultancy, port

charges and transport to the project site. Calculated depreciation of machines and other working facilities is estimated to cost 1,175,727US\$ and increases tremendously.

2.5.4.. Motor Vehicles

4 motor vehicles 1000-3000CC worth 140,000USD for distribution/ supporting trucks will purchased for this project totaling to 140,000USD

2.5.5. Furniture & Fittings and computers

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. A budget of 50,000US\$ will be allocated from general administration budget for furniture fittings and computer accessories. The total budget for furniture and fittings is small due to nature of industry as few or minor requirement of furniture and fittings.

2.5.6. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. Budget allocated for this is 800,000US\$

2.5.7. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The initial working capital allocated budget is 1,500,000US\$.

2.5.8. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility. The project promoters are planning to finance project cost in the following pattern:

2.5.9. Project Implementation

Full implementation of the project is planned to take place by end of 2023. Machineries and motor vehicles will be imported immediately while construction/renovation works are in process.

2.5.10. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

- (i) Workshop
- (ii) Electric power
- (iii) Water supply

- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

(i) Workshop

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters. The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum.

(ii) Electric Power and Generator

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line from Mwalimu Nyerere Hydropower in Dar es Salaam the main power station distributor and electric transformer 1000KVA substation nearby the project site. There also a two diesel generator with a capacity 1000KVA and 60KVAh. Lighting system well head Lamps, flamed enclosed with 10W led light will be installed. As part of an alternative power supply, the company will install UPS system in case of abruptly power cut off with a capacity of 10KVA minimum with a battery bank.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to MTWAUSCO - Mtwara Uban water supply Authority water network, the agency is major supplier of water to urban and peri urban area in the region. The main line from this source will be tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.
- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment etc.

2.5.12. Warehousing and distribution

The Oilcom (T) Limited's warehousing service is ready to meet 24/7/365 in provision of drilling services and necessary material and chemicals imported. The efficiency of on-site combined with focal lift is already accommodated all needs and reduce supply chain costs. The industry uses electronics inventory management system means will ready for the efficiently movements of goods to next level.

The industry will use quick dispatch for fast distribution of final products and packed by manual

means or by semi-automatic machines. The industry will take Extra care is therefore taken to make it hygienic so that the products do not get spoiled during storage.

2.5.13. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals)

In his strategic management for Oilcom (T) Limited's; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include chemicals discharged into air, water and soil as well as energy pollution all these will be taken into consideration of the proposed project.

Noise pollution caused by poorly planned settlement programs is also included in this plan. Furthermore, safety and health of those working in production will be also taken into account by installing modern machines free from noise pollution.

3.0. MANPOWER AND SALARY BUDGET

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 33 permanent jobs on full implementation and operation of the project. The industry is divided into 4 Departments; Administration and finance (3), Management (5), Maintenance (10), Operation (12) and store and logistic (3)

3.2. Recruitment

Recruitment of the operation department personnel's will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority "VETA" and employees of OILCOM (T) LIMITED in Tanzania, based on demonstration of skills and aptitude basis and their willingness to work for OILCOM (T) LIMITED. Careful methodology is being worked out by a competent management consultant who will set the job descriptions. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will be under the administrator under which the day to day leader/management of production line will be vested in the management team headed by a Administrator. The Administrator is to be assisted by qualified and experienced personnel.

Table 3.1. Proposed organization and manpower requirement for the plant is as follows:

<i>S/NO.</i>	<i>DEPARTMENT</i>	<i>STRENGTH /NUMBERS</i>	<i>MONTHLY SALARY US\$</i>	<i>ANNUAL BUDGET US\$</i>	
<i>A</i>	<i>ADMINISTRATION AND FINANCE OFFICE ADMINISTRATOR</i>	<i>1</i>	<i>782.61</i>	<i>9,391.32</i>	
	<i>DRIVERS</i>	<i>2</i>	<i>434.78</i>	<i>10,434.72</i>	
	<i>ACCOUNTANT</i>	<i>1</i>	<i>652.17</i>	<i>7,826.04</i>	
	<i>SUB TOTAL</i>	<i>3</i>	<i>1,217.39</i>	<i>19,826.04</i>	
	<i>MANAGEMENT PROJECT MANAGER</i>	<i>1</i>	<i>1,173.91</i>	<i>14,086.92</i>	
	<i>DRIVERS</i>	<i>1</i>	<i>330.43</i>	<i>3,965.16</i>	
	<i>SUB TOTAL</i>	<i>5</i>	<i>2,721.73</i>	<i>37,878.12</i>	
	<i>C</i>	<i>MAINTAINANCE MECHANICS</i>	<i>1</i>	<i>913.00</i>	<i>10,956.00</i>
		<i>ELECTRICIAN</i>	<i>1</i>	<i>913.00</i>	<i>10,956.00</i>
		<i>CHEMICAL PROCESSING ENGINEER</i>	<i>1</i>	<i>870.00</i>	<i>10,440.00</i>
<i>PLUMBING</i>		<i>1</i>	<i>1,087.00</i>	<i>13,044.00</i>	
<i>LABORATORY TECHNICIAN</i>		<i>2</i>	<i>783.00</i>	<i>18,792.00</i>	
<i>MAINTENANCE PLANNERS</i>		<i>1</i>	<i>761.00</i>	<i>9,132.00</i>	
<i>DRIVERS</i>		<i>2</i>	<i>326.09</i>	<i>7,826.16</i>	
<i>SENIOR ICT</i>		<i>1</i>	<i>1,348.00</i>	<i>16,176.00</i>	
<i>SUB TOTAL</i>		<i>10</i>	<i>7,001.09</i>	<i>97,322.16</i>	

	OPERATION			
	<i>SUPERVISORS</i>	<i>1</i>	<i>1,043.00</i>	<i>12,516.00</i>
	<i>PRODUCTION</i>	<i>1</i>		
	<i>ENGINEERS</i>		<i>1,043.48</i>	<i>12,521.76</i>
	<i>SAFETY</i>	<i>2</i>		
	<i>PERSONNELS</i>		<i>696.00</i>	<i>16,704.00</i>
	<i>QUALITY</i>	<i>2</i>		
	<i>CONTROLLER</i>		<i>874.00</i>	<i>20,976.00</i>
	<i>TANK FILLING</i>	<i>4</i>		
	<i>PERSONALS AND</i>		<i>874.00</i>	<i>41,952.00</i>
	<i>DRIVER</i>			
	<i>UTILITY WORKER</i>	<i>2</i>		
			<i>522.00</i>	<i>12,528.00</i>
	SUB TOTAL	12	5,052.48	117,197.76
E	STORE AND			
	LOGISTIC			
	<i>PURCHASING</i>	<i>1</i>		
	<i>COORDINATOR</i>		<i>1,087.00</i>	<i>13,044.00</i>
	<i>STORE</i>	<i>1</i>		
	<i>SUPERVISOR</i>		<i>652.00</i>	<i>7,824.00</i>
	<i>DRIVERS</i>	<i>1</i>		
			<i>330.43</i>	<i>3,965.16</i>
	SUB TOTAL	3	2,069.43	24,833.16
	GRAND TOTAL	33	18062.12	297,057.24

4.0. PROJECT FINANCING AND CAPITAL INVESTMENT SUMMARY

4.1. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 21,165,225.00 this including, own equity of 40% (8, 5466, 00US\$) as proceeds from capital contribution of the project. The Current asset of US\$ 4,118,412 during the first year of operation and it increase as the project will be in full operation (see Balance sheet statement), fixed assets 18,865,225US\$ and total liquidity of 12,373,966US\$. The project will be implemented within 10 years.

4.2. Project Capital Investment Summary

<i>Investment Summary</i>			
land and Buildings	Quantities		
Medium Velocity Sprinkler Nozzle (Model K22 with 120 Deg), UL approved System for fuel tanks cooling	600MT	\$	6,000.00
Medium Velocity Foam Sprinklers	150MT	\$	1,575.00
Deluge Valve system for Tank Sprinkler with Low and High Pressure Switch system.Dry Type Gong 80 NB	2MT	\$	20,400.00
Deluge Valve system for Filling Shed with Low and High Pressure Switch system. Dry Type Gong , 80 NB	2MT	\$	20,400.00
Deluge Valve system for Pump Shed with Low and High Pressure Switch system. Dry Type Gong , 80 NB	2MT	\$	20,400.00
Lighning Arrestor, 60 m radius with Pole	6MT	\$	69,000.00
Static Earthing + Electrical Equipment Earthing	20MT	\$	73,600.00
Earth Pits	15MT	\$	7,500.00
Programmable Logic Controller Panel	5	\$	151,800.00
Flame Proof ON/OFF Switches	50MT	\$	138,000.00
Fire Proof Type FLP Junction Box	10MT	\$	171,760.00
Welding Electrodes	50	\$	143,750.00
Circular Grinding & Cutting Discs (Various Sizes)	20	\$	24,000.00
Epoxy Top Coat, Primer & Thinners For Steel Structures & Buildings	15000	\$	300,000.00
Assorted Rebars & Steel Structures for Mound Structure	800	\$	680,000.00
Armored Cable XLPE	500	\$	375,000.00
Distribution Boards, Capacitor Banks, Motor Control Centers	3	\$	450,000.00

Various Sizes Galvanzied Cable Trays	50	\$ 143,750.00
Fire Resistant Power Cabels (XLPE INSULATED,EXTRUDED PVC ST2 INNERSHEATHED	300	\$ 862,500.00
Fire Resistant Instrumentation Cables	100	\$ 187,500.00
I Beams, Angles, Flat Bars, Rods, Channels, Purlins	8000	\$ 6,800,000.00
ASTM A36 Steel Plates	1000	\$ 1,300,000.00
ASTM A106 Grade B Pipes	1000	\$ 1,150,000.00
ANSI B16.5 Flanges	100	\$ 110,000.00
Gate Valves & Ball Valves	500	\$ 625,000.00
Elbows, Tees, Reducers, Sockets	500	\$ 550,000.00
CLASS 300 Sight Flow Indicator	2	\$ 8,500.00
Subtotal Fixed Assets		\$ 14,390,435.00
Machineries and Equipment's		
Rolling Machines for the Plate Rolling Machine, 45mm Thick x 2 m wide	1	\$ 75,000.00
Impressed Current Cathodic Protectiuon system with a Design Life of 50 Years and Working Life of 30 Years.	1	\$ 110,000.00
Hi Hi-Level Alarms	2	\$ 207,000.00
Centrifugal Pump-sets With Strainers and Expansion Joint	4	\$ 500,500.00
PD Flow Meter, Strainer/Air Eliminator, Batch Controller	14	\$ 853,200.00
Fire Water Engine Complete Set with Engine + Pump + Battery + Heat Exchanger + Fuel tank + Stack + Jockey Pump	24	\$ 450,000.00
Fire Extinguisher 10 Kg Capacity (DCP + ABC)	3	\$ 9,200.00
Steel Housing containing 2.5" twin hoses + 2 Branch pipes,	40	\$ 106,000.00
Fire Monitors Water/Foam	20	\$ 52,350.00
Thermal Stress Relief Valves	20	\$ 25,000.00
Pressure Guages	50	\$ 25,000.00
Computers, Printers, Scanners	1	\$ 100,000.00
Security Cameras	50	\$ 75,000.00
DVR for Cameras	5	\$ 141,250.00
Power Factor Control Panel.	5	\$ 69,000.00
PMCC (Process Motor Control Centre)	5	\$ 241,500.00
Process Distribution Board	5	\$ 149,900.00

Light Distribution Board.	5	\$ 55,200.00
UPS Panel 10 KVA. Minimum.(With Battery Bank)	5	\$ 193,200.00
Electrical Transformer 1000 KVA	1MT	\$ 143,750.00
Diesel Generator 60KVA	2MT	\$ 136,000.00
Diesel Generator 1000 KVA	2MT	\$ 300,500.00
Lighting System-Well Head Lamps, Flameproof Enlcosued, 150W LED Light	72MT	\$ 66,240.00
Sub total Fixed Assets		\$ 4,084,790.00
Motor vehicles		
Motor Vehicle - 1000cc Up to 1500cc	2	\$ 20,000.00
Motor Vehicle - 1500cc Up to 3000cc	4	\$ 120,000.00
Subtotal Fixed Assets		\$ 140,000.00
Other Facilities		
Furniture and fittings	1 set	\$ 50,000.00
Office Equipments - Computers, Printers, Scanners	50	\$ 100,000.00
Other cost		\$ 100,000.00
Subtotal Fixed Assets		\$ 250,000.00
Subtotal Fixed Assets		\$ 18,865,225.00
Current Asset		
Pre operational expenses - consultant works	Professional Services - mechanics	\$ 500,000.00
	Professional Services - civil work	\$ 200,000.00
	Professional Services - electric work	\$ 100,000.00
Working capital		\$ 1,500,000.00
Sub total current Assets		\$ 2,300,000.00
Total Investment		\$ 21,165,225.00
Equity + Loan		
Loan (60%)		\$ 12,699,135.00
Equity 40%)		\$ 8,466,090.00
Total Equity		\$ 21,165,225.00

5.0. RISK ANALYSIS

5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the OILCOM (T) LIMITED. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.2. Macroeconomic risk analysis

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.3. Finance risk analysis

- a) **Supply Risk:** The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.
- b) **Processing Risks:** The technology, machines and equipment used in Gas processing are in rudimentary stages all of which contribute to reducing production efficiency. Also quality/food safety and standards consideration in the production environment is limited. In gold processing facilities operation know-how is very low as there are notarized labourers.
- c) **Sales/market risk:** Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, distributor are not aware of the selling price mostly are controlled by world market.

5.4. Other potential external risk

- a) **Lack of Governance:** the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;
- b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;
- c) **Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing TBS, NEMC etc, are regulatory role in issuing licensing in Tanzania
- d) **Industry associations:** Associations are weak at all levels of the chain;
- e) **Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and
- f) **Integration:** there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as OILCOM (T) LIMITED is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. ECONOMIC AND SOCIAL ASPECTS

The project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
Frame Work for OILCOM (T) LIMITED		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX US\$ 21.165,225US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of earnings of 360,000,000US\$ out of annual average collection	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2023-2033 DIRECT TANZANIAN JOBS 33 local employed workers	<ul style="list-style-type: none"> • Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and • Improving skills development for Industrial production
Technology applied	High Tech Environmentally friendly machinery	<ul style="list-style-type: none"> • Enhancing technological transfer; and • Applied technology which is free from environmental pollution,
Other Implied Project Benefits		
<ul style="list-style-type: none"> ▪ Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications; ▪ Increased business transacted by local banks and institutions providing financial services; ▪ Business opportunities for local entrepreneurs in market distribution channels, ▪ Business opportunities to contractors and sub-contractors during the minor construction phase; ▪ Increased regional intra-trade and international trade due to better infrastructure facility and links to markets; ▪ Increase of technology transfer & expertise to local employed staff, ▪ Capital spends in local economy over 21.165Million US\$ aand ▪ Contribution to GDP growth through increased economic activities 		

Based on the Impact Investment Index analysis, the company can develop projections that the

project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, OILCOM (T) LIMITED will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the OILCOM (T) LIMITED. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of establishing this project is to speed up the country's economic development by being a catalyst for restructuring the existing local industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Project investment inputs and revenue projects

EXPECTED QUANTITIES FOR PRODUCTION	
<i>ALL COST AND REVENUE IN US\$</i>	
REVENUE FROM SELLING FUEL	
<i>WORKING DAYS PER MONTH</i>	20.00
<i>ANNUAL WORKING DAYS</i>	240.00
<i>NUMBER OF TANKS</i>	4.00
<i>CAPACITY OF EACH TANKS</i>	15,000,000.00
<i>TOTAL CAPACITY OF THE STORAGE TANKS</i>	60,000,000.00
<i>AVERAGE FUEING CAPACITY PER MONTH</i>	1.00
<i>MNTHLY CAPACITY FUELING</i>	60,000,000.00
<i>ANNUAL CAPACITY PER LITER JETFUEL</i>	720,000,000.00
<i>PRICE PER LITER</i>	0.50
<i>ANNUAL SALE FUEL</i>	360,000,000.00
TOTAL SALES REVENUE	360,000,000.00

7.2. Production, Revenue and project viability

- ✚ The estimated revenue gain in provision of fuel productis annually 360millionUS\$ in the first year of production per 60Million liters of fuel stored and distribution in the first year and increases positively.
- ✚ Net profit before tax is 12,373,966US\$, second year earning is ten times to 19,945,185US\$, which show the profit is increasing, (see Income statement)
- ✚ Net profit after tax for the first years in production is 3,118,412US\$ and second year is increasing to 9,291,096US\$ for remaining year increasing positively, (see Income statement).
- ✚ Gross sales contribution in the first year of service is quietly promising (see Income statement)

- ✦ The expected sales increase in a second year over 5%, this is due to the company will utilize all necessary machine and equipment during the operation of the project after imposed
- ✦ Total investment cost of the project is 21,165,225US\$ whereas the own equity is 400% and loan-able amount is 60% (see investment summary)
- ✦ The end balance of project in cash flow statement is positive and increases tremendous. (See cash flow statement)
- ✦ Testing the project viability is positive whereas IRR is positive 21.32% which is above bank assumed loan interest of 8%, and payback period of project is within 3 years. Which is project economic life
- ✦ Return on investment is posit positive and increases tremendously (see balance sheet)
- ✦ Breakeven point is positive from the first year of operation.

7.3. Objective and Scope of Financial Model

7.3.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of OILCOM (T) LIMITED based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.3.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the project on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

7.3.3. Project financial plan.

The project financial plan primarily consists of income statement, cash flow projection and balance sheet. From these 3 financial statements the project will derive Break even points, internal rate of returns, loan payment schedules, payback period and other financial ratios. These reports constitute reasonable estimate of company financial future. More importantly, the process of thinking through the financial plan improves insight into inner financial working of company.

ANNEX I – INCOME STATEMENT

<i>(ALL NUMBERS IN USD)</i>							
<u>REVENUE</u>	<u>YEAR</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
	<u>0</u>						
REVENUE	-						
GENERATED FROM							
RESORT ACTIVITIES							
ANNUAL SALE FUEL		360,000,00	378,000,00	396,900,00	416,745,000	416,745,000	1,968,390,000
		0	0	0			
TOTAL OPERATING	-						
REVENUE		360,000,00	378,000,00	396,900,00	416,745,000	416,745,000	1,968,390,000
		0	0	0			
EXPENSES	-						
	<u>0</u>						
SALARIES		297,057	305,969	315,148	324,602	324,602	1,567,379
SOCIAL CHARGES &							
PENSION PAYMENTS		59,411	61,194	63,030	64,920	64,920	313,476
RAW MATERIALS IE,							
CHEMICAL,		30,000,000	30,900,000	31,827,000	32,781,810	32,781,810	158,290,620
PETROLEUM							
PRODUCTS ETC							
FUEL		216,000,00	222,480,00	229,154,40	236,029,032	236,029,032	1,139,692,464
		0	0	0			
LUBRICANTS		7,826,087	8,060,870	8,463,913	8,887,109	8,887,109	42,125,087
TYRES AND TUBES		1,878,261	1,934,609	1,992,647	2,052,426	2,052,426	9,910,369
REPAIR AND							
MAINTANANCE		9,391,304.3	9,673,043	9,963,235	10,262,132	10,262,132	49,551,846
		5					
INSUARANCE/LICENSIN		3,913,043	4,030,435	4,151,348	4,275,888	4,275,888	20,646,603
G/OTHER CHARGES							
OTHER COSTS		78,260,870	80,608,696	83,026,957	85,517,765	85,517,765	412,932,052
OTHER COSTS		-	-	-	-	-	-
TOTAL OPERATING							
COSTS		347,626,03	358,054,81	368,957,67	380,195,685	380,195,685	1,835,029,896
		4	5	7			
OPERATIONAL NET EARNINGS							
BEFORE DEPRECIATION,		12,373,966	19,945,185	27,942,323	36,549,315	36,549,315	133,360,104
INTEREST & TAX							
%AGE GROSS							
CONTRIBUTION		3	5	7	9	9	1
DEPRECIATION AT 5%							

<i>(MOSTLY CIVIL WORKS)</i>	<i>1,175,527</i>	<i>1,745,204</i>	<i>2,444,953</i>	<i>3,198,065</i>	<i>3,198,065</i>	<i>12,002,409</i>
<i>NET EARNINGS BEFORE TAX & INTEREST</i>	<i>11,198,439</i>	<i>18,199,981</i>	<i>25,497,370</i>	<i>33,351,250</i>	<i>33,351,250</i>	<i>121,357,694</i>
<i>INTEREST PAID (BANK LOAN)</i>	<i>3,395,741</i>	<i>2,921,091</i>	<i>2,361,005</i>	<i>1,700,103</i>	<i>920,239</i>	<i>11,298,180</i>
<i>TAX (30%)</i>	<i>3,684,287</i>	<i>5,987,794</i>	<i>8,388,635</i>	<i>10,972,561</i>	<i>10,972,561</i>	<i>40,005,837</i>
<i>NET EARNINGS</i>	<i>4,118,412</i>	<i>9,291,096</i>	<i>14,747,730</i>	<i>20,678,585</i>	<i>21,458,449</i>	<i>70,294,273</i>

ANNEX II – CASH FLOW

CASH FLOW STATEMENT FROM INVESTING ACTIVITIES FOR TEN YEARS					
<i>(ALL NUMBERS IN USD)</i>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>					
CASH RECEIPTS FROM SALES	360,000,000	378,000,000	396,900,000	416,745,000	416,745,000
CASH PAID TO SUPPLIERS AND EMPLOYEES	(347,626,034)	(358,054,815)	(368,957,677)	(380,195,685)	(380,195,685)
CASH GENERATED FROM OPERATIONS	12,373,966	19,945,185	27,942,323	36,549,315	36,549,315
DIVIDENDS RECEIVED*	0	0	0	0	0
INTEREST RECEIVED	0	0	0	0	0
INTEREST PAID	(3,395,741)	(2,921,091)	(2,361,005)	(1,700,103)	(920,239)
TAX PAID	(3,684,287)	(5,987,794)	(8,388,635)	(10,972,561)	(10,972,561)
NET CASH FLOW FROM OPERATING ACTIVITIES	5,293,939	11,036,300	17,192,683	23,876,650	24,656,514
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>					
REPLACEMENT OF EQUIPMENT	0	0	0	0	0
PROCEEDS** FROM SALE OF EQUIPMENT	0	0	0	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	0	0	0	0	0
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>					
PROCEEDS FROM CAPITAL CONTRIBUTED	8,466,090	0	0	0	0
PROCEEDS FROM LOAN	18,865,225	0	0	0	0
PAYMENT OF LOAN	(2,636,940)	(3,111,590)	(3,671,676)	(4,332,578)	(5,112,441)
NET CASH FLOW FROM FINANCING ACTIVITIES	24,694,375	(3,111,590)	(3,671,676)	(4,332,578)	(5,112,441)
<u>NET INCREASE/ DECREASE IN CASH</u>	29,988,314	7,924,710	13,521,008	19,544,073	19,544,073
CASH AT THE BEGINNING OF THE PERIOD	4,118,412	9,291,096	14,747,730	20,678,585	21,458,449
CASH AT THE END OF THE PERIOD	34,106,726	17,215,807	28,268,738	40,222,658	41,002,522

ANNEX III – BALANCE SHEET

PRO FORMA BALANCE SHEET					
<i>(ALL NUMBERS IN USD)</i>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<u>ASSET</u>					
CURRENT ASSET	4,118,412	9,291,096	14,747,730	20,678,585	21,458,449
FIXED ASSET	18,865,225	19,242,530	19,627,380	20,019,928	20,420,326
LIQUIDITY	12,373,966	19,945,185	27,942,323	36,549,315	36,549,315
TOTAL ASSET	35,357,603	48,478,811	62,317,433	77,247,827	78,428,090
NET ASSET MINUS DEPRECIATION	34,182,077	46,733,607	59,872,480	74,049,762	75,230,025
<u>EQUITY & LIABILITIES</u>					
EQUITY	23,289,582	32,967,929	43,006,211	53,846,455	55,026,718
RESERVES					
TOTAL OWN EQUITY	23,289,582	32,967,929	43,006,211	53,846,455	55,026,718
PROVISIONS					
LONG TERM LOAN	6,032,681	6,032,681	6,032,681	6,032,681	6,032,681
SHORT TERM LIABILITIES	4,859,813	7,732,998	10,833,588	14,170,626	14,170,626
TOTAL EQUITY & LIABILITIES	34,182,077	46,733,607	59,872,480	74,049,762	75,230,025
NET FA/CL	3.13	3.19	3.25	3.32	3.38
CL/CA	1.18	0.83	0.73	0.69	0.66
DEBIT/CAPITAL RATIOS	0.32	0.29	0.28	0.27	0.27
ROI	17.7	28.2	34.3	38.4	39.0
BREAK EVEN POINT	1.52	0.96	0.70	0.55	0.56
BREAK EVEN RATIO	28.97	18.64	13.81	10.96	10.96
EQUITY/TOTAL LIABILITIES	68	71	72	73	73

LOAN PAYMENT

LOAN INFORMATION AND PAYMENT SCHEDULE					
LOAN DATA	ALL NUMBER IN USD		LOAN SUMMARY		
ORIGINAL PRINCIPAL	18,865,225.00		SCHEDULED PAYMENTS		
					6,032,680.94
LOAN TERM (YEARS)	5.00		SCHEDULED NUMBER OF PAYMENT		
					5.00
ANNUAL INTEREST RATE	0.18		ACTUAL NUMBER OF PAYMENT		
					5.00
PAYMENTS PER YEAR	1.00		TOTAL EARLY PAYMENT		
					-
PAYMENT	6,032,680.94		TOTAL INTEREST		
					11,298,179.68
YEAR	PAYMENT	INTEREST	CUMULATIVE INTEREST	PRINCIPAL	BALANCE
-					18,865,225.00
1.00	6,032,680.94	3,395,740.50	3,395,740.50	2,636,940.44	16,228,284.56
2.00	6,032,680.94	2,921,091.22	6,316,831.72	3,111,589.71	13,116,694.85
3.00	6,032,680.94	2,361,005.07	8,677,836.79	3,671,675.86	9,445,018.99
4.00	6,032,680.94	1,700,103.42	10,377,940.21	4,332,577.52	5,112,441.47
5.00	6,032,680.94	920,239.46	11,298,179.68	5,112,441.47	-
		11,298,179.68			

ANNEX IV - IRR

IRR FOR THE PROJECT		
	(ALL NUMBERS IN USD)	
	INITIAL INVESTMENT	-21,165,225
YEAR 1	ADDITIONAL ANNUAL NET PROFIT	4,118,412
YEAR 2	ADDITIONAL ANNUAL NET PROFIT	9,291,096
YEAR 3	ADDITIONAL ANNUAL NET PROFIT	14,747,730
YEAR 4	ADDITIONAL ANNUAL NET PROFIT	20,678,585
YEAR 5	ADDITIONAL ANNUAL NET PROFIT	21,458,449
	IRR (IN 5 YEARS)	21.32%
<p>THE IRR ABOVE INDICATES THAT THE EXPECTED RETURN ON THE \$ 21,165,225 INITIAL INVESTMENT AFTER 10 YEARS IS 21.32%.</p>		

ANNEX V PAY BACK PERIOD

PAYBACK PERIOD ANALYSIS				
	YEAR	BEGINNING BALANCE	NET CASH FLOWS	ENDING BALANCE
COST OF INVESTMENT	0.00	21,165,225.00	0.00	21,165,225.00
	1.00	21,165,225.00	4,118,412.28	17,046,812.72
	2.00	17,046,812.72	9,291,096.29	7,755,716.43
	3.00	7,755,716.43	14,747,730.17	6,992,013.73
	4.00	6,992,013.73	20,678,585.09	27,670,598.83
	5.00	27,670,598.83	21,458,449.04	49,129,047.87
PAYBACK PERIOD =		3.00	YEARS	

8.0. CONCLUDING REMARKS AND WAY FORWARD

8.1. Evidence of project viability based on financial model and policy Framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the project as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, OILCOM (T) LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of plant facility is financed using a combination of equity debt ratio (40:60), it gives an IRR of about 21.32%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 3 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the OILCOM (T) LIMITED is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2020-2025); Prioritize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2020-2025) recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA III (2020-2025) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by OILCOM (T) LIMITED to ensure development of one among the ultra-modern plant in Dar es Salaam Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this project will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to **21,165,225** US\$. The company will fund the development of the project minor rehabilitations of factory building, business offices, bulk storage facilities and purchasing machines as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre Office. With this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and minor building of area of proposed industrial area.

b) Conduct Environmental Impact Assessment.

The company has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

c) Minor rehabilitation to suit project Industrial requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit project manufacturing requirements. The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative insomuch that it should allow and incorporate ideas from experienced professionals from the industry.

d) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central government agencies, particularly TIC and the Ministry of Industry & Trade and Ministry of Investment.