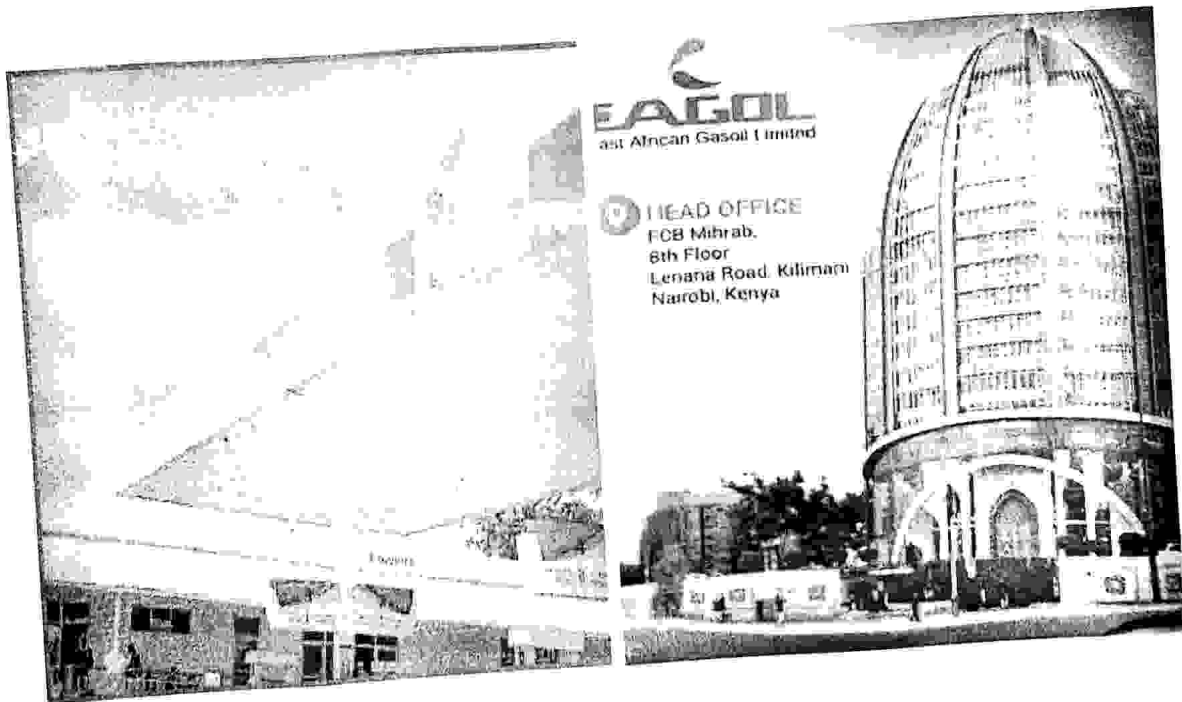




# Business Plan:

## East African Gasoil TZ Limited (EAGOL) Business in Tanzania



### 10-Year Business Plan (2022/23 - 2032/33)

1 August 2022

Witnessed True Copy of the Original  
Signed: *M. M. M. M.* Date: 12<sup>th</sup> Nov. 2022  
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## List of Acronyms

AGO	Automotive Gas Oil
BOT	Bank of Tanzania
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CBM	Cubic Metres
CIF	Cost Insurance and Freight
DCF	Discounted Cash Flow
EAC	East African Community
EAGOL	East African Gasoil TZ Limited
EWURA	Energy and Water Utilities Regulatory Authority
FTE	Full Time Employees
GDP	Gross Domestic Product
HFO	Heavy Furnace Oil
IDO	Industrial Diesel Oil
IK	Illuminating Kerosene
IRR	Internal Rate of Return
LATRA	Land Transport Regulatory Authority
MDAs	Ministries, Departments and Agencies
NEMC	National Environmental Management Council
NPV	Net Present Value
OMCs	Oil Marketing Companies
PBPA	Petroleum Bulk Procurement Agency
PPE	Property, Plants and Equipment
ROI	Return on Investment
SADC	Southern African Development Community
SBM	Single Bouy Mooring
SGR	Standard Gauge Railway
SPV	Special Purpose Vehicle
TBD	To Be Discussed
TIC	Tanzania Investment Centre
TZS	Tanzania Shilling
US\$	Unites States Dollar
WACC	Weighted Average Cost of Capital

# EXECUTIVE SUMMARY

## Introduction

**East African Gasoil TZ Limited** (herein referred to as "EAGOL") is a newly registered as private limited company and incorporated under the Companies Act, 2002 of the Tanzanian Laws with the purpose of dealing in three tiers of petroleum value chain, namely: owner/operator of petroleum terminal depot, wholesaler of petroleum products, and retail owner-operators of petrol stations in Tanzania. All products are white products mainly Petrol (AGO), Diesel (IDO) and Kerosene (IK). In longer term the EAGOL may also supply JT A-1 and HFO depending on the market. The Tanzania Company is owned by **East African Gasoil Limited (EAGOL)**, a limited liability company established on 13<sup>th</sup> October 2009 under the Companies Act 2015 of laws of Kenya. EAGOL operations are governed and regulated by relevant legislation and regulatory authorities.

EAGOL has established its headquarters in Nairobi and has regional supply branches in Mombasa, Nakuru, Kisumu and Eldoret. Further EAGOL has four fully owned and operated retail stations in Namanga, Kilifi, Eldoret, and Naivasha. It also has two retail stations, which are dealer owned and dealer operated in Mombasa and Eldoret. The company is guided by cycles of five years Corporate Plans, which provide focus and direction in its operations.

EAGOL- Kenya currently moves on average 120 million litres of fuel and lubricant products per year for both the local and regional markets and is annually importing and distributing in Kenya alone to the wholesale and retail markets 70 million litres (retail stations, transporters, construction companies, International Organisations, and Government parastatals). The project will become operational immediately after the relevant approvals and licences have been obtained from relevant Government Authorities such as EWURA, NEMC, etc. and will be managed by a dedicated team of competent and professional staff and directors of EAGOL (mostly to be recruited from Tanzania) and some will be seconded from HQ Office Nairobi with a clear strategy on succession plan to empower Tanzania nationals to fully run the Tanzania operations.

The promoters of this expanded scope project shall remain as **East African Gasoil TZ Limited (EAGOL)** as a majority shareholders and **Mr. Abdi Ali (Dutch National)** who owns 95% and 5% respectively. The company has an arrangement with Sharia Financing banks in the East African region specifically the Gulf African Bank and First Community Bank in Kenya and around the globe (in Dubai).

As per this Business Plan, EAGOL will construct three terminal depots at Dar es Salaam (30,000m<sup>3</sup>) Mtwara (15,000m<sup>3</sup>), and Tanga (15,000m<sup>3</sup>) making a total storage capacity of 60,000m<sup>3</sup> for receiving the petroleum white products. The company intends to also acquire strategic land suitable for construction of as many petroleum stations, but start with 10 petrol stations within main cities and towns (Dar es Salaam and Arusha) as well as along main roads heading to upcountry. To allow smooth running of the wholesale and retails segments of the proposed business model EAGOL will acquire at least 20 new tankers (Mercedes Benz) for haulage of the petroleum products from the three depots to its retail outlets as well as to other customers (Mozambique to be served by Mtwara Depot, Kenya and South Sudan served from Tanga, and DR Congo, Uganda, Rwanda and Burundi to served from Dar es Salaam Depot).

The company is head quartered in Nairobi but will shortly open a Sub-HQ Offices in Dar es Salaam and two regional offices in Tanga and Mtwara. The Dar es Salaam Office will be specifically responsible to the business growth of the Tanzania market.

This business plan sets out the project cost benefit analysis, financing structure and projected cashflows for the next Ten-year period, which is assumed as loan financing tenure and a reasonable time period for establishing the viability of the EAGOL-TZ Project. This business plan and feasibility report provides a roadmap for the project implementation and will assist the company to obtain necessary support and endorsements that may be sought from relevant government authorities such as NEMC, EWURA and PBPA for the development of the project.

This report and the accompanying annexures are for the internal use of EAGOL and its advisors for the envisaged business and the transaction. This report is not to be published or referred to, in whole or in part, in connection with any other purposes other than those specified in the preceding paragraphs above without any express consent of the EAGOL.

## Main Economic Performance and Outlook

- In Tanzania, GDP grew at 4.90% in 2021, up from 4.8% in 2020, supported by the global economic recovery. Growth was driven by agriculture and services on the supply side and final consumption and investment on the demand side. Monetary policy remained tight, which stabilized inflation at 3.3% in 2020 and 3.7% in 2021. The Tanzanian shilling remained stable in 2020-21, depreciating by only 0.2% against the US dollar. The ratio of NPLs to gross loans fell to 9.4% in March 2021 from 11.0% in March 2020, but was still above the statutory requirement of 5%. The fiscal deficit increased to 3.4% of GDP in 2021 from 0.8% in 2020 due to weak revenue performance and growing financing needs to address the impacts of COVID-19; external and domestic borrowing financed it.
- The current account deficit widened from 1.5% of GDP in 2020 to 3.1% in 2021, partly due to subdued tourism receipts, and was mainly financed by external commercial debt because other financial inflows, including FDI and grants, declined. International reserves increased to 6.6 months of import cover in 2021 from 5.6 months in 2020 due to increased external official inflows and the SDR allocation of \$543 million (0.8% of GDP). Tanzania had previously reduced poverty, but about 1 million people are estimated to have fallen back into poverty in 2020 due to COVID-19.
- GDP growth is projected at 5.0% and 5.6% in 2022 and 2023, due to improved performance in tourism, the reopening of trade corridors, and accelerated rollout of vaccines. Inflation is projected to increase to 4.4% in 2022 and to 3.8% in 2023 due to higher energy prices because of the Russia-Ukraine conflict.
- The fiscal deficit is expected to narrow to 2.7% and 2.8% of GDP in the same period due to better revenue performance and will be financed by domestic and external borrowing. The current account deficit is expected to widen to 4.0% of GDP in 2022 due to higher oil prices before narrowing to 2.6% in 2023 as merchandise exports and tourism receipts stabilize, and will be financed mainly by external borrowing. The major downside risks relate to new COVID-19 variants and associated disruptions to economic activity, but should be mitigated by increased public awareness and uptake of vaccines.

## Rationale for the Business Plan

This Business Plan has been motivated by the positive performance by EAGOL in other market where it has been operating, namely: Kenya, Uganda, and South Sudan. The performance of the petroleum sector in Tanzania and the sharp rebound of the Tanzania

economy from the negative impact of the pandemic that slowed down the economic growth from 7.1% to 4.5% per year post-COVID 19. According to EWURA, importation of liquid petroleum products increased by 22% from 6.15 billion litres imported in 2020 to 7.07 billion litres imported in 2021. Local imports increased by 11% while transit imports increased by 40%. The increase is mainly attributed to increased economic activities particularly in the neighbouring countries where they ended lockdowns that were implemented in the year 2020 due to the corona virus outbreak (Downstream Petroleum Subsector Performance Review Report 2021, EWURA April, 2022).

The Business Plan is also in line with the EAGOL Strategic Plan (2022-2024) in terms of identified Strategic Thrust for the Company. These include the following drivers of the EAGOL business:

- Revenue Growth
- Market Expansion
- Building a strong Brand
- Build fast and satisfactory customer service
- Application of Technology for efficiency and effectiveness
- Performance- oriented and ethical organization culture
- Building of strategic partnerships to enhance business growth

### Projected Annual Performance

YEAR	2023	2024	2025	2026	2027	2028
<b>Capacity Utilisation:</b>						
Dar Depot Tank Farm (CBM)	15,000	15,000	15,000	15,000	15,000	15,000
Bulk Sales (CBM/Year)	65%	70%	72%	74%	80%	82%
Retails (CBM/Year)	132,300	132,300	132,300	132,300	132,300	132,300
	2023	2024	2025	2026	2027	2028
Revenue (\$' 000)						
Sales Revenue	109,275	307,258	324,206	341,974	360,715	291,874
Total Revenue	109,275	307,258	324,206	341,974	360,715	291,874
Cost of Sales	(103,077)	(291,834)	(308,450)	(325,976)	(344,466)	(276,108)
Gross Profit	6,197	15,424	15,756	15,998	16,249	15,765
<b>Operating Expenses (US\$ '000):</b>						
Sales & Marketing	(109)	(535)	(556)	(579)	(602)	(538)
General and Admin.	(109)	(307)	(324)	(342)	(361)	(292)
Total Operating Expenses	(219)	(842)	(881)	(921)	(963)	(830)
Operating Profit (EBITDA)	5,979	14,582	14,875	15,077	15,286	14,935
Depreciation charge	-	(704)	(704)	(704)	(704)	(704)
EBIT	5,979	13,878	14,172	14,373	14,583	14,231
Islamic Finance Costs & Charges	(98)	(492)	(453)	(412)	(369)	(324)
Profit before tax (PBT)	5,880	13,386	13,719	13,961	14,214	13,908
Corporate tax	(1,764)	(4,161)	(4,261)	(4,333)	(4,409)	(4,317)
Net Profit/(Loss) after tax	4,116	9,225	9,458	9,628	9,804	9,590

## Key Ratios

Year	2023	2024	2025	2026	2027	2028
EBITDA % income	4.7%	4.6%	4.4%	4.2%	5.1%	5.1%
EBIT % income	4.5%	4.4%	4.2%	4.0%	4.9%	4.9%
Net Profit (loss) % income	3.0%	2.9%	2.8%	2.7%	3.3%	3.3%
Gross Profit Margin	5.0%	4.9%	4.7%	4.5%	5.4%	5.4%
Return on Equity (%)	56.8%	38.2%	28.8%	23.2%	18.9%	16.2%
Debt Service Cover (times)	11.4	11.7	11.8	12.0	11.7	11.8
Islamic Fin. costs Cover (times)	29.6	32.8	36.6	41.4	46.1	54.3

## Economic Analysis

NPV <sup>□</sup> (US\$' 000)	\$2,421.2
IRR <sup>□</sup>	20.4%
ROI	62.4%
ROE	33.4%

- The project is still able to generate sufficient cash to cover debt service and secure 62.4% return on investment, which is well above the cost of capital as measured by WACC.
- Return on Equity is projected at 33.4% higher than the dividend payout ration that is regarded as the threshold minimum return acceptable to equity investors

# 1 PROJECT OVERVIEW

## 1.1 Introduction and Background

M/s Ossy & Williams Associates (T) Limited, a consulting firm, registered in Tanzania, providing a wide range of business advisory services across many sectors in the economy in Tanzania and neighbouring countries with main focus in Corporate Finance Services to lead the Promoters of EAGOL in developing a business plan for the envisaged business growth strategy that involved setting up a Company in Tanzania that will operate in the petroleum (down stream) in Tanzania. This is a working document setting out East African Gasoil TZ (EAGOL) business plan underpinning its mission of investing in petroleum depots at Dar es Salaam, Mtwara, and Tanga, in Tanzania over the next 10 years as well as setting up several retail petrol stations in Tanzania. This Business plan will be implemented over the next 10 years and the Board and management of EAGOL are keen to expand both vertically and horizontally due to their confidence in the market growth and economic stability in Tanzania.

As per this Business Plan, EAGOL will construct the first terminal depots for receiving the petroleum white products at Dar es Salaam (15,000m<sup>3</sup>) as Phase 1 of the Project and 15,000m<sup>3</sup>) as under Phase 2. The Company will then in future (Phase 3) invest in Mtwara (15,000m<sup>3</sup>), and Tanga (15,000m<sup>3</sup>) making a total storage capacity of 60,000m<sup>3</sup> in the next 15 years or so.

The company intends to also acquire strategic land suitable for construction of as many petroleum petrol stations, but start with 10 petrol stations within main cities and towns (mainly in Dar es Salaam and Arusha) as well as along main roads heading to landlocked countries. To allow smooth running of the wholesale and retails segments of the proposed business model EAGOL will acquire at least 20 new tankers (Mercedes Benz) for haulage of the petroleum products from its depots to its own retail outlets as well as to other customers (Mozambique to be served by Mtwara Depot, Kenya and South Sudan served from Tanga, and DR Congo, Uganda, Rwanda and Burundi to served from Dar es Salaam Depot).

In its endeavour to achieve this mission, EAGOL through this business initiative is committed to work in environment friendly methods through its modern depots and petrol stations. The proposed tank farms and the petrol stations will be constructed using first class contractors who have experience and can deliver the project on a turnkey approach. The expansion and modernisation project is being established after EAGOL, through its petroleum products trading experience that spans over 20 years, has gathered enough market intelligence and has amassed relevant experience and confidence confirming that there is substantial and stable market for the envisaged business model.

One petroleum storage terminal depot will be located on a strategic location at Kigamboni area in Dar es Salaam; just next to various other facilities while the other two tank farms (under Phase 3) will be constructed in Tanga, northern part of Tanzania and Mtwara, southern Tanzania. The Company will also acquire strategic plots at various strategic locations for 10-25 petrol stations (starting with 10 stations in the first three years). As part of same Business Plan EAGOL will also acquire 20 oil tankers to be used by EAGOL and/or any other company for transportation of the white products for various anchor customers and usual retail consumers at petrol stations.

This Business Plan shall be used in the following ways:

- Draws the strategic direction and business plans of the first depot, 10 retails outlets and 20 tankers that are required to ensure reliable and timely transportation of the oil products to the customers.

- A feasible document for the investment and financing purposes enabling EAGOL to communicate with financiers/investors such as banks, financial institutions, equity investors;
- A reference business document providing quality information for decision-making by those directly involved in the Project success. These include among others Tanzania Investment Centre (TIC) for investment incentives, EWURA for licencing purpose and Petroleum Bulk Procurement Agency (PBPA) and other government institutions involved in a number of approvals of the Project; and
- Provides documentation that the business venture was thoroughly investigated. □

### 1.2 Sources of Information

- Bank of Tanzania [www.bot.go.tz](http://www.bot.go.tz)
- Energy and Water Utility Regulatory Authorities [www.ewura.go.tz](http://www.ewura.go.tz)
- IMF - World Economic Outlook Database
- National Bureau of Statistics [www.nbs.go.tz](http://www.nbs.go.tz)
- Tanzania Investment Center (TIC), [www.tic.go.tz](http://www.tic.go.tz)
- EAGOL Financial and operational performance reports
- Desk research on market performance and dynamics in the petroleum sector.

### 1.3 About the Company & Shareholding

Promoter's Name	<b>East African Gasoil Limited (EAGOL)</b>	
Address	Mr. Abdi Ali Group CEO EAST AFRICAN GASOIL LIMITED (EAGOL) FCB Mihrab - 8 <sup>th</sup> Floor, Kilimani P. O. Box 37952 - 00100, Nairobi, Republic of Kenya +254 716 776 600, +254 715 151 330 <a href="mailto:ceo@eastafricangasoil.com">ceo@eastafricangasoil.com</a>	
Phone:		
Email:		
Group CEO	Mr. Abdi Ali	
Contact Person :		
Company Type:	Private, Limited by share	Certificate of Incorporation of East African Gasoil TZ Limited (EAGOL)

### 1.4 Scope of business plan

The scope of work is limited to preparation of business plan and financial model for **East African Gasoil Limited ("EAGOL")**. The main objective of this Business Plan being essentially an assessment of the financial viability of the investment in petroleum terminal depot (Phase in Dar es Salaam), bulk and retails sales of white products together with the construction of 10 petrol retail stations and 10 tankers that will be used to move the products from terminal depots to clients. The project's 10 outlets would depend on the same 20 tankers for transportation.

More specifically, the preparation of the this Business Plan involved the following tasks:

- Carrying out a desk research, detailed review and analysis of petroleum markets and its operational environment in order to establish the licensing requirements for the project;
- Evaluate the feasibility of the Project, based on, among other parameters, the formulation of series of valid assumptions to be used to prepare a feasible Business Plan;
- Based on these assumptions design a robust financial model for the EAGOL business in Tanzania supported by financial projections over a Ten-year period, which is assumed to be reasonable projection period for this type of project;
- Carry out a detailed analysis of the Project including establishing the project economics (key financial ratios, NPV, IRR, Payback period and Return on Equity and project the future cashflows/profitability of the project; and
- Prepare a comprehensively business plan report for EAGOL.

### 1.5 Proposed Business Model

The business model for EAGOL involves three linked business lines: three receiving terminal depots, wholesale of white petroleum products, and 20 retails outlets.

- One receiving terminal depot located at Dar es Salaam (Phase 1) with total nominal storage capacity of 15,000m<sup>3</sup>;
- Bulk Sales with the target capacity of between circa 42,000 QBM on average per month; and
- 10 modern petroleum retail outlets supported by 20 owned tankers for transporting the white products from depots to EAGOL stations and other clients who do not own tankers.

### 1.6 Customer Segments □

Targeted segments shall be decided as follows: □

- Private Sector in Tanzania, mainly wholesalers.
- Government institutions. □
- Private Sector in Tanzania and neighbouring countries such Kenya, Uganda, Rwanda, Mozambique, Zambia, DRC, Burundi, mainly retailers of petroleum operating under Dealer Owned Dealer Operated (DODO) business model of retails business. □
- Institutional and corporate buyers through long-term contracts.

### 1.7 Project location

The company is head quartered in Nairobi with Regional Office in Dar es Salam specifically to respond to the envisaged business growth. Nairobi office will be responsible for all the support and administrative matters while the Dar es Salaam offices will be proving both marketing and operational services for EAGOL operations in Tanzania. The project is regarded to be located at the following points:

- Regional Office will be located in Dar es Salaam
- 10 strategically located retails outlets
- Strategically located petroleum depots at Dar es Salaam ports

## 2 PROJECT OPERATIONAL MODEL

### 2.1 Business Objectives and Experience

EAGOL has over 15 years of trading petroleum products in Kenya, Uganda and South Sudan. EAGOL currently moves on average 120 million litres of fuel and lubricant products per year for both the local and regional markets. EAGOL is a major supplier of fuel in many sectors. For over 15 years EAGOL has been in operation, EAGOL has acquired a deep understanding of the regional market and enhanced logistical ability to meet the ever-demanding customer requirements in East African region. The company is the preferred supplier for many organizations and companies in the manufacturing, transport and construction industries and both local and international government agencies as evidenced by numerous recommendations from our happy customers. EAGOL, since 2020, has been the primary supplier of bulk locomotive diesel for Kenya Railways, initially at its Makadara Depot in Nairobi and Nakuru Depot, and as of 2022 managing four Kenya Railways Depots. During this period the EAGOL management of the contract can be considered very successful and the following achievements can be observed:

- ZERO Delays or Diesel Shortages from insufficient stocks. Using the EAGOL stock management system, EAGOL has ensured sufficient stocks are available at all times. Even to the extent of going over and beyond by ensuring there is a truck of diesel on stand-by especially during periods of high demand such as during the Xmas holiday period.
- Regular Tank and Meter Calibrations at both the Makadara and Nakuru Depots to ensure accuracy. □
- Carrying out Quarterly Maintenance of the Equipment. □
- Speedy Repairs of any Breakdowns that have occurred to avoid downtime. □
- Regular Clean-ups of the Depots to look neat, tidy, and clean at all times. □
- Immediate Reporting of any challenges to the Kenya Railways. □
- Responsive to Kenya Railways requests. □

In addition to EAGOL own transport and to ensuring product availability to our esteemed customers 24/7, EAGOL moves approximately 120 million litres of petroleum products annually and has a very sizeable capacity for moving the products around the country.

In support of this EAGOL has signed Long-Term Agreements (LTA) with various transporters giving EAGOL permanent access to over Twenty Two 30,000 litre fuel tankers.

The following terminals are also available for EAGOL to use.

- Transport and storage Agreement between East African Gasoil Limited and Kenya Pipeline Company Limited for access to their terminals in Mombasa, Nairobi, Nakuru, Eldoret and Kisumu.
- Hospitality Agreement between East African Gasoil Limited and OLA Energy Kenya Limited (For Nairobi Loading).

The receiving depot and retail outlets will all be constructed and completed in 15 - 24 months. The tankers will be acquired in staggering period of 12 months and start operating by providing haulage services to the existing EAGOL business of trading and to other retails outlets operators.

## 2.2 Operational Model

EAGOL TZ intends to follow similar operational model as the EAGOL Kenya. The following operational plan will be followed:

- EPC contract offered and supervised - Nominal capacity of three terminal receiving depots is 15,000 cubic metres built in Dar es Salaam under Phase 1 and the second depot of 15,000m<sup>3</sup> depot in Dar es Salaam will be built under Phase 2. In long-term horizon EAGOL will build two more Depots at Tanga and Mtwara with 15,000m<sup>3</sup> capacity under Phase 3. □
- Total Capex of the Dar es Depot (Phase 1) on Turnkey Contract basis is: **US\$5.1 million** (36% of total Capex)
- Acquisition of strategic land plots and construction of 10 outlets is: **US\$5,000,000** (36% of total Capex)
- Acquisition of 20 new tankers will required **US\$2,000,000** (14% of total Capex)
- Initial working capital, mainly required to support the wholesale and retail business is **US\$2,000,000** (14% of total Capex)
- The total Capital cost up to fully running the entire value chain proposed under this business plan is **US\$14.1 million**.
- For the initial stage of the project, EAGOL TZ has signed a six-year hospitality agreement with Hass Terminal Limited commencing January 2022 and will expire on December 2027, which is with the life of the wholesale licence. It is envisaged that EAGOL TZ own tank farms will be ready for commissioning well before this period expires.
- As part of its brand, EAGOL will construct state of the art petrol stations that will provide more services other than just petroleum products. These specialized services would include, but not limited to: Special facilities for accommodation and rests. with shower facilities for drivers and passengers, towing services for tracks and cars, over-night packing, car wash and general services, etc.

## 2.3 Operational Assumptions

Table 1: Operational Assumptions for EAGOL

	2023	2024	2025	2026	2027	2028
<b>Operational Assumptions</b>						
Dar Depot Tank Farm (CBM)	15,000	15,000	15,000	15,000	15,000	15,000
Utilisation %	65%	70%	72%	74%	80%	82%
Bulk Sales (CBM/Year)	132,300	132,300	132,300	132,300	132,300	132,300
Retails (CBM/Year)	72,000	72,000	72,000	72,000	72,000	72,000
Tankers	15,000	15,000	15,000	15,000	15,000	15,000

### 2.3.1 Proposed Facilities & Terminal Operations cost

Key assumptions for the operating the three connected lines of business are as shown below:

Table 2: Storage Revenue assumptions

Dar Depot Capacity (4-tanks) - Cubic Meters (CBM)	15,000	Capacity (CBM)
Rotation	1.3	Times
Occupancy - Capacity Utilisation (Base Year)	65%	
Fee (\$/CBM)	\$8.00	Per month
Gain Factor (temperature differentials)	0.5%	

Table 3: Projected operations Costs for Tank Farms

(US\$ '000)	2023	2024	2025	2026	2007	2028
Maintenance & Repair	(34)	(36)	(37)	(38)	(41)	(42)
Utilities (Electricity & Water)	(45)	(48)	(50)	(51)	(55)	(57)
Depot Managers (Salary US\$)	(72)	(72)	(72)	(72)	(72)	(72)
<b>TOTAL Terminal Opex</b>	<b>(150)</b>	<b>(156)</b>	<b>(159)</b>	<b>(161)</b>	<b>(168)</b>	<b>(171)</b>

On the other hand, the operational costs for retail outlets are included in the costs of sales that has been calculated based on the EWURA pricing formula for pump prices, which allocated TZS 108.00/litre (\$46.32 per CBM) as margins for retailers and TZS 123.00/litre (\$52.76 per CBM) for wholesalers.

#### 2.4 Project Implementation

The implementation period for the project under consideration will be 15-24 months. This period assumes that all main activities such as TIC Investment registration, Social & Environmental Impact Assessment (SEA), Application of all administrative licenses, and fund mobilization will be completed in time.

Detailed Activity plan as developed (Annex 1) indicating key milestones for Project. EAGOL management and its Board are determined to achieve the milestones within the shortest possible time.

#### 2.5 Human Resource Plan

EAGOL observes strict corporate governance practice with a fully constituted Board of Directors, which is made up of private individual with experience across various sectors of the economy. Furthermore, EAGOL has a team of senior management and executive directors who are well trained and are dedicated to the business growth strategies for EAGOL.

The organizational structure of EAGOL - TZ will be lean but effective with the Country Manager (member of Senior Management Team) reporting directly to the Group CEO based at the Head Quarters in Nairobi. The incumbent will be a person of experience in the industry and couple with significant experience in leadership in a complex business which its performance is result oriented.

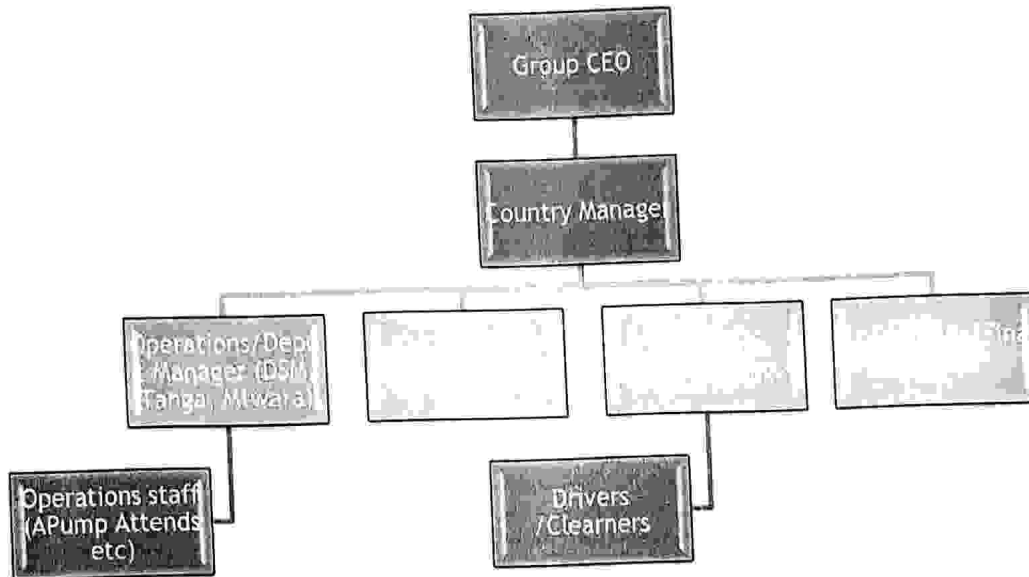
The team in Tanzania will be based almost 100% in Dar es Salaam with small team of experts in Mtwara, and Tanga. The Organogram (Figure 1) reflects and supports EAGOL strategic headlines and the key business processes. It applies a functional structure to facilitate its day-to-day activities and to achieve its future goals. The functional structure comprises of a depot management, inward and outward logistics, Quality and safety, HR, and Finance. Other key members of staff for the company are: HR and Administration who are instrumental in the smooth running of the EAGOL business.

The Group CEO will be responsible for implementing the vision and strategies of the SPV and would report to the Board of Directors that will constitute various persons of high integrity and oversees the operations of EAGOL.

## 2.6 Management & Corporate Governance

### 2.6.1 Organisation Structure

Figure 1: Proposed EAGOL Organisation Chart



The Human Resources Department shall carry out the following services taking into account the Tanzania labour laws: Policy formulation, organizational development and manpower planning, job analysis and job description, compensations and rewards, employee's relations, performance management, and training and development. In addition to safety and security related issue the HR Department will deal with all other administrative functions.

In order to mitigate operational and financial risks and applying good governance system, the company shall outsource Internal Auditor to provide the board with periodic reports on compliance and business processes development.

### 2.6.2 EAGOL Headcount for the Business Plan

The total headcount is shown below and projected to be 400 full time employees (FTE) including 360 pump attendants and 20 tankers drivers.<sup>1</sup>

Team Title	Headcount
Country Manager	1
Terminal & Retail managers	5
Supplies and Operations	2
Finance Manager	1
Accountants	2

<sup>1</sup> Engineering team will be outsourced as and when required.

Team Title	Headcount
Human Resource	2
Clearing and forwarding	1
Business Development	1
Marketing	1
Internal Audit	1
Drivers General/Pool	1
Tanker Drivers	20
Pump Attendants	360
Cleaners	2
<b>TOTAL STAFF (FTE)</b>	<b>400</b>

### 2.6.3 Labour Cost

Table 4: Annual Labour Costs (US\$)

Number Of Working Operator Level	No. of Workers	Gross Salary (US\$)	Total GS per month (\$)	Annual (\$)
Country Manager - TZ Operations	1	2,000	2,000	\$24,000
Terminal & Retail managers	2	1,200	2,400	\$28,800
Supplies and Operations	4	1,200	4,800	\$57,600
Finance Manager	1	1,200	1,200	\$14,400
Accountants	2	900	1,800	\$21,600
Human Resource	1	900	900	\$10,800
Clearing and forwarding	2	800	1,600	\$19,200
Business Development	1	800	800	\$9,600
Marketing	1	800	800	\$9,600
Internal Audit	1	900	900	\$10,800
Drivers General/Pool	2	400	800	\$9,600
Cleaners	2	300	600	\$7,200
<b>TOTAL</b>	<b>20</b>		<b>18,600</b>	<b>\$223,200</b>

Note: Salaries are net of PAYE and other statutory contributions such as NSSF.

### 3 MARKET AND COMPETITION ANALYSIS

#### 3.1 Industry Overview

Tanzania, being strategically located by the Indian Ocean, neighbouring six landlocked countries that include Zambia, Congo, Malawi, Uganda, Rwanda and Burundi, presents significant business opportunity at Dar es Salaam and Tanga ports, which are two of the three main importation receiving ports for refined petroleum fuel for both local consumption and transit for the neighbouring countries.

As of 31st December 2021, fuel for local consumption constituted up to 56% of the total annual importations and transit consignments for the six land-locked neighbouring countries. The total annual imported volume has been significantly increasing at a cumulative annual growth rate (CAGR) of 7.58% for the past nine years (2012 - 2021).<sup>2</sup> In the same period the transit importations for the neighbouring countries have experienced an impressive growth in terms of CAGR reaching 13.59%. On the other hand, local imports grew by 4.5% (similar to the GDP growth recorded by Tanzania post-pandemic) but still significant growth in the economy. Table 5 shows the petroleum fuel importation trend from years 2012 to 2021.

EWURA project the volumes imported through Tanzania to continue growing. Such growth is attributed to confidence neighbouring countries have in the bulk procurement system that has reduced demurrage charges in the range of billion dollars. The spill over effect is the reduced or stable pump prices.

Table 5: Petroleum Fuel Importation Trend from 2012 to 2021 (in Litres)

YEAR	Local Imports	Transit Imports	Total	Local import %age
2012	2,673,029,870	988,654,884	3,661,684,754	73%
2013	3,134,346,764	1,543,782,735	4,678,129,499	67%
2014	2,864,469,755	1,542,406,791	4,406,876,546	65%
2015	3,338,097,164	1,825,467,871	5,163,565,035	65%
2016	3,302,298,898	2,185,151,066	5,487,449,964	60%
2017	3,193,252,759	2,168,192,874	5,361,445,633	60%
2018	3,264,785,479	2,440,025,165	5,704,810,644	57%
2019	3,537,891,891	2,615,679,703	6,153,571,594	57%
2020	3,572,048,669	2,204,808,548	5,776,857,217	62%
2021	3,957,735,267	3,112,410,734	7,070,146,001	56%
CAGR	4.46%	13.59%	7.58%	
%age change last two years	10.80%	41.16%	22.39%	

Source: Downstream Petroleum Subsector Performance Review Report 2021 (April 2022)

As per EWURA report (2021), petroleum infrastructures in the mid and down stream sub-sector include: berthing facilities, storage terminals and distribution facilities. Berthing facilities include Dar es Salaam port (Kurasini Oil Jetty (KOJ) and Single Bouy Mooring (SBM)), Tanga Port, and lastly Mtwara Port, which began receiving petroleum products in July 2018 after being revived. At the end of 2021, the total operational storage capacities

<sup>2</sup> EWURA Report, 2012 - 2019

for liquid petroleum had reached 1,409,244 cubic meters (m<sup>3</sup>) at the receiving terminals owned by various OMCs and 75,626 cubic meters (m<sup>3</sup>) at inland terminals.

As of 31<sup>st</sup> December 2021 there were over 2,000 operational petrol stations in the country and the demand for such retail facilities is expected to continue increasing. The number having increased at the average of 3.3% per year and mainly driven by the economic activities growth and the recent strategy of licencing rural area petrol stations that are meant to offer services to the rural population (curbing or reducing) illegal sale of white products in the manner that is risky to the same population.

The petroleum market in the country remained competitive and fairly distributed among different Oil Marketing Companies (OMCs). Five dominating OMCs occupied 51.6% of the total market share. These are Puma (14.0%), Total (13.1%), GBP (8.5%), Mansoor (8.5%) and Oryx (5%) while the remaining OMCs share the remaining portion. EAGOL is aware of the competition and has in place strategies for the market entry and using its experience in Kenya they are confident that they will grab some market share and overtime they will be in the twenty OMCs.

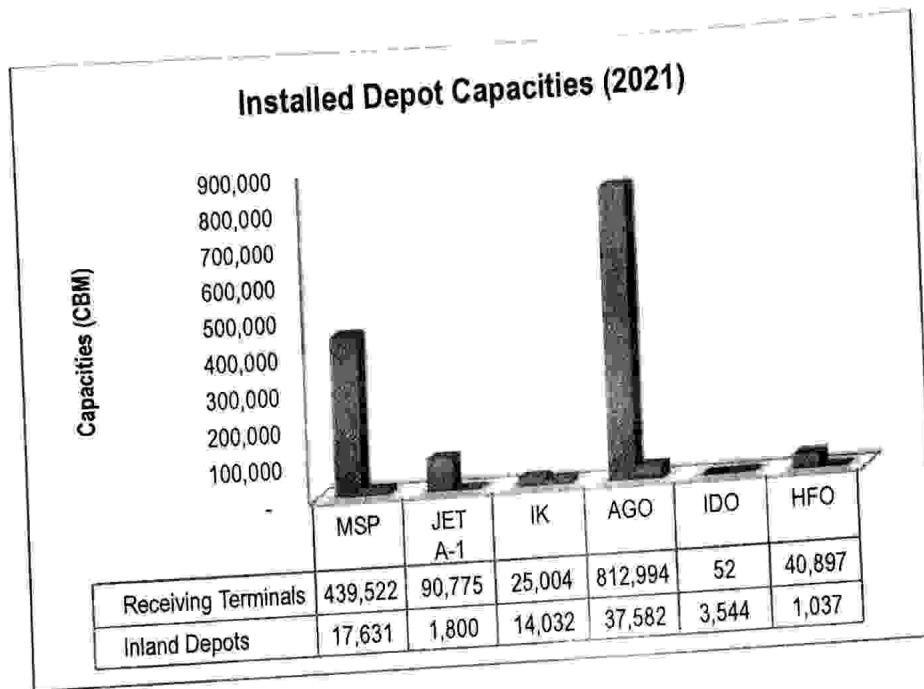
### 3.2 Petroleum Storage Terminals in Tanzania

According to EWURA<sup>3</sup>, Tanzania Mainland has 23 operational petroleum receiving terminals located around Dar es Salaam, Tanga and Mtwara ports with a total storage capacity of 1,409,244 cubic metres. Amongst all facilities, TIPER has the largest storage capacity, which is equivalent to 18% of the total capacity. These terminals receive petroleum products directly from berthing facilities and can store products to meet the country's demand for about 122 days at the current consumption rate of 4,131,560,960 cubic metres per annum.

There are 29 upcountry inland storage depots with a total storage capacity of 75,625 cubic metres. These depots can receive products from terminals by means of railway wagons and trucks. However, as road tankers transport most of the petroleum products, use of these depots was considered to be cost inefficient mainly due to double handling costs. As a result, most of these depots are non-operational. Road tankers are now used to transport petroleum products directly from receiving terminals at the ports to the petroleum retail outlets and consumer installations. Following revival of the railway route from Tanga to Isaka, Kigoma and Mwanza, some of the inland storage depots have been rehabilitated and have started operations.

Figure 2: Installed Depot Capacities (31 December, 2021)

<sup>3</sup> The mid and downstream petroleum sub-sector performance review report (EWURA, 2021)



Source: EWURA Report 2021

The storage capacities of inland depots are 75,626 cubic metres and the capacities for receiving terminal are 1,409,244 cubic metres. Figure 4 shows the breakdown of the two capacities by products. At glance it shows that there are still opportunities, given the amount of white products imports, for construction of more depots and that is why EAGOL has developed this Business plan for the investment in that area.

The total storage capacity of all receiving oil terminals suffices to store petroleum products that can cater for about 115 days of the country's demand thereby leaving a significant storage facility gap that need to be addressed by a project such as the Petroleum Storage Terminal.

It is worth noting however that not all licensed Oil Marketing Companies (OMCs) owns fuel storage terminals.<sup>4</sup> This implies that the remaining OMCs depend on the existing facilities for storage and handling of their imported fuel by means of hospitality arrangements. EAGOL has already signed the Agreement with Hass Terminal Limited for the period from January 2022 to December 2027, which EAGOL will use especially during the period of constructing own depots in Dar es Salaam, Tanga, and Mtwara.

### 3.3 Competitor's Analysis

The mid and down streams of the petroleum sector in Tanzania is regulated by EWURA, which is carries out both technical and economic regulations. EWURA regulate the entire value chain from the receiving terminal all the way down to retails outlets. It sets pump prices for retails outlets and ensures petrol stations meet certain standards as prescribed along with their licensing conditions.

The regulations mimics the competitive market by trying to instil level playing ground for all players, which brings stability in the market. Nevertheless, EAGOL is expected to face usual competitions and market dynamics from the other actors in the market the Company is entering, currently made up of at least 2,000 retail outlets, over 23 Oil Marketing

<sup>4</sup> EWURA Report 2021

Companies (OMCs) and installed capacity of receiving terminal depots located in Dar es Salaam, Tanga, and Mtwara with 1,409,244 cubic metre of Receiving terminal capacity.

Both bulk and Retail segment are subjected to regulated margins at depot or pump located in Dar es Salaam/Tanga respectively, with additional revenue allowable based on distance to take care of transportation from Dar es Salaam or Tanga to upcountry outlets. The current margins are **TZS 108.00** (US\$46.32)/litre and **TZS123.00** (US\$ 52.76)/litre for retails and wholesale dealers respectively.

#### 3.4 Gap Analysis

The market in Tanzania is stable and has shown resilience even during tough times such as the pandemic, slowdown of the economy due to external services. Given its political stability, the country has witnessed stable growth in the petroleum sector. The sector regulation environment is stable and predictable supporting the all players.

## 4 PROJECT SUSTAINABILITY ANALYSIS

### 4.1 Introduction

The strategy for financial sustainability for EAGOL is enshrined in four key areas of sustainability. As part of its vision the EAGOL will strive to ensure that the following elements of sustainability are emphasised: Access to Capital, Profitability, Reporting, and Planning.

EAGOL reckons that it takes money to make money, and that the company will need sufficient liquidity to sustain its business and result to running a successful petroleum facility in the country. Typically, this needs sufficient capital supported by optimum working capital that would ensure EAGOL maintains its day-to-day operations and investment capital reinvested into the company and support the envisaged growth.

In the following sections we highlight on key parameters that will support EAGOL in its endeavour to run a business that is financial sustainable.

### 4.2 Revenue Sources & Strategies

As part of EAGOL financial sustainability, the company has planned to focus on three specific areas that are believed to be key in stable income generation.

Pricing structure on the market on the general structure and functioning of the gas station market in general has remained stable over so long period. The Energy and Water Regulatory Authority has a role of preparing and publish cap prices of the petroleum products that consumed locally. The local pump prices or petroleum retail prices for all regions computed based on the cost of discharge at Dar es Salaam, Tanga and Mtwara ports. EWURA publish petroleum products wholesale and retail cap prices for petrol, diesel and kerosene as per the requirement of the The Energy and Water Utilities Regulatory Authority (Petroleum Products Prices Setting) (Amendment) Rules, 2018 and shall be read as one with the Petroleum Products Pricing Setting Rules 2009 and the applicable pricing formula and the applicable pricing formula. Currently, the cap prices are published on the monthly basis. EWURA started to publish cap prices in January 2009.

Pursuant to Section 168 of the Petroleum Act, 2015, Cap 392 importation of petroleum products in the country has to be conducted through an efficient procurement mechanism, so specified by the Minister responsible for Petroleum affairs.

### 4.3 Key profitability ratios

Figure 3: Profitability ratios - Five Years projected

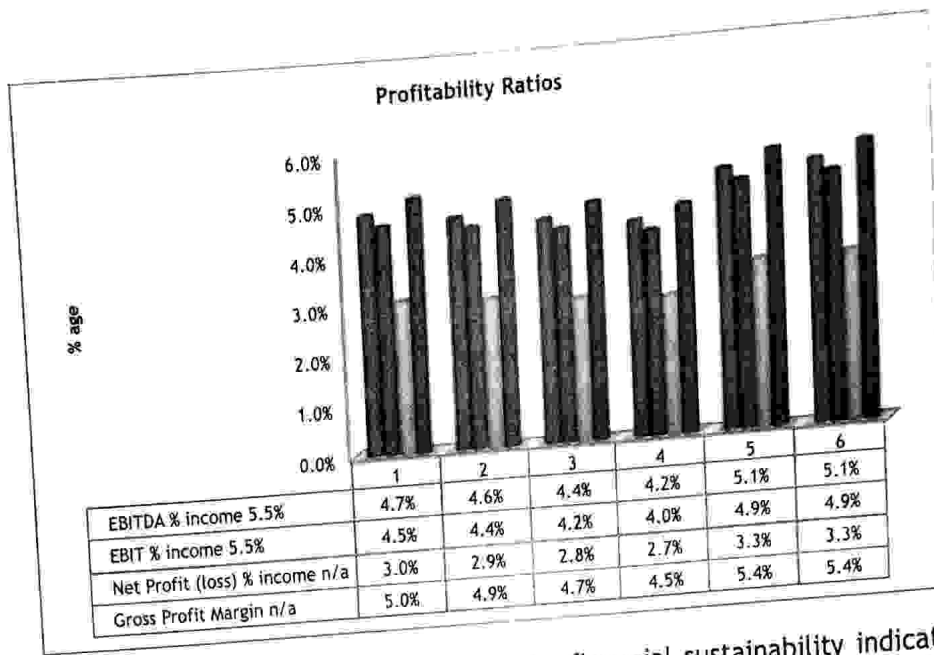
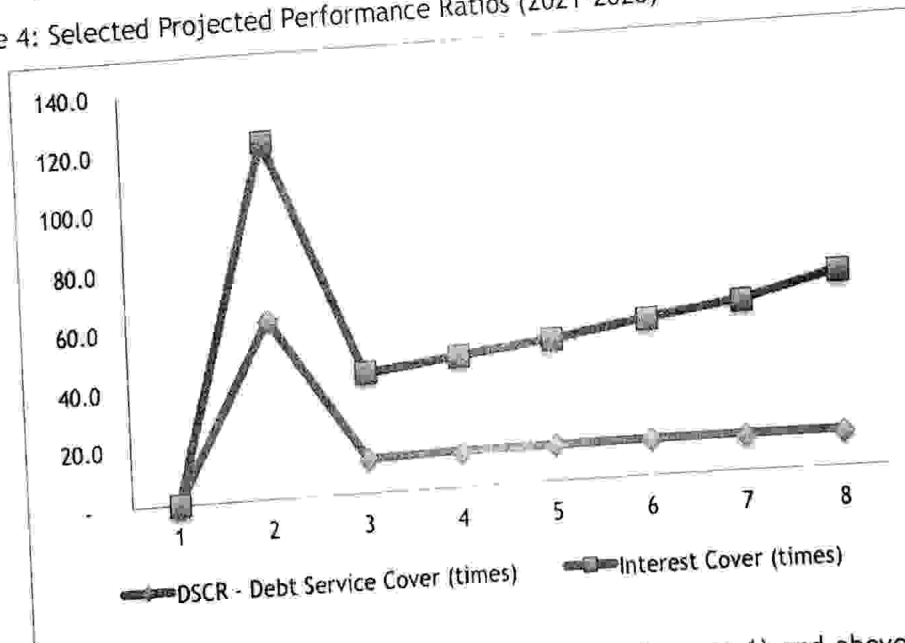


Figure 3 show that all key ratios that show the financial sustainability indicate that the EAGOL project will steadily generate significant profits that would ensure the business growth as well as the financial capability that will see EAGOL paying massive returns on investments.

#### 4.4 Key Financial Performance ratios

Figure 4: Selected Projected Performance Ratios (2021-2028)



As per Figure 4 above, the DSCR is almost linear (save for year 1) and above the rule of thumb hurdle levels of 1.5x, which implies healthy cashflow generated from EAGOL business and ability to repay its financing obligations when they fall due. This liquidity level is sustainable through the project period.

Islamic Fin. Costs cover ratio is raising year-on-year basis showing comfortable scenario in terms of liquidity, which is key for financial sustainability.

Some of the medium and long term that will be devoted to shall include, but not limited to, the following:

- Periodic review of current and future capital needs and determine how we will address the anticipated growth. As a long-term strategy, EAGOL is committed to pay dividend up to 10% to its shareholders (subject to liquidity) as the profits recorded especially after the construction and commissioning of the three tank farms will generate sufficient cash to pay out dividend at the rate of 10% per share. The projected income statement shows a healthy profits that will be retained in the business to ensure we sustain our projected growth;
- Continuously analyze and work to balance its profitability. This will be monitored and implemented in line with governance approvals through the Board of Directors and or executive committee;
- Periodically, usually annually, will assess and continue improving on EAGOL reporting and planning capabilities; and
- Annually, evaluate and understand its customers' need and key prospects.

## 5 PROJECT FINANCIAL & INVESTMENT ANALYSIS

### 5.1 Projected Investment Costs

As summarised in Table 6, total capital expenditure for the project is estimated to be **US\$14,070,000**. **EAGOL** has estimated that this amount will be spread into the following major components:

- Total Capex of the Dar es Depot (Phase 1) on Turnkey Contract basis is: **US\$5.1 million** (36% of total Capex)
- Acquisition of strategic land plots and construction of 10 outlets is: **US\$5,000,000** (36% of total Capex)
- Acquisition of 20 new tankers will required **US\$2,000,000** (14% of total Capex)
- Initial working capital, mainly required to support the wholesale and retail business is **US\$2,000,000** (14% of total Capex)
- The total Capital cost up to fully running the entire value chain proposed under this business plan is **US\$14.1 million**.
- For the initial stage of the project, EAGOL TZ has signed a six-year hospitality agreement with Hass Terminal Limited commencing January 2022 and will expire on December 2027, which is with the life of the wholesale licence. It is envisaged that EAGOL TZ own tank farms will be ready for commissioning well before this period expires.

Table 6: Summary of Investment Costs estimates in (US\$ '000)

	DSM	TOTAL US\$ '000
<b>DEPOT CAPEX</b>		
Land Acquisition - Depot	2,500	2500
Main Office Block	150	150
Driver's and Staff mess	50	50
Control & Dispatch Office	60	60
Loading Gantry	90	90
Fire Fighting	10	10
Block 3 (Toilet Block & Changing Room)	20	20
Generator / Power House	30	30
Pump House & Workshop	30	30
Warehouse	100	100
Controls Office	40	40
External Works (Civil)	200	200
Fuel farm - Storage tanks & Piping	1,500	1500
Fire Water tank (1 No's) & Piping	60	60
Site preparation works (Bulk earthworks)	30	30
Other Project Cost - Miscellaneous Exp.	200	200
<b>SUB-TOTAL</b>	<b>5,070</b>	<b>5,070</b>
<b>Petrol Stations</b>	<b>Outlet Cost</b>	
Land Acquisition & Preparation (Average estimates)	10@ 100,000	1,000
Retails Outlets	10@ 400,000	4,000,
		<b>US\$5,000</b>
<b>Tankers &amp; Trucks (Complete)</b>	<b>20 tracks, US\$ 100K @</b>	<b>US\$2,000</b>
Initial Working Capital - from EAGOL		<b>\$ 2,000</b>
<b>TOTAL PROJECT COSTS</b>		<b>US\$14,070</b>

### 5.1.1 Depreciation

Depreciation used in the projection was done in accordance with the International Financial Reporting Standards. Land is not depreciated. Depreciation on non-current assets is calculated using the straight-line method to write off the cost of each asset value over its estimated useful life at a given rate per annum as details indicated in Table 7.

Table 7: Depreciation charges

Capex Item	Depreciation Rate
Land & Buildings	5%
Tanks Farms & Pipes (Fuel & Water)	5%
Machinery & Equipments	10%
Tankers & M/Vehicles	20%
Other Assets + Initial WC	10%

### 5.1.2 Revenue Projection

Reporting year start from January and ends December. Income is derived from three main business segments namely: Storage, Bulk/Wholesale, and Retails of petroleum products. Table 8, Table 9 and Table 10 provides a summary of the key underlying assumptions that have been used in projecting the future revenues.

Table 8: Storage Revenue Assumptions

STORAGE REVENUE		
Dar Depot Capacity (4-tanks) - Cubic Meters (CBM)	15,000	Capacity (CBM)
Rotation	1.3	Times
Occupancy - Capacity Utilisation (BASE YEAR)	65%	
Fee (\$/CBM)	\$8.00	Per month
Gain Factor (temp. differentials)	0.5%	

Table 9: Bulk Sales Assumptions

BULK SALES			
Minimum Sales in CBM	65%	9,750	CBM/per month
Maximum Sales (CBM)	82%	12,300	CBM/per month
Average sales		11,025	CBM/per month
Sales - Customer Own Collection	50%	5,513	
Sales - CIF Customers	50%	5,513	
	100%	11,025	CBM/Month
<b>Bulk Sales</b>			
Dar Depot (Phase 1)		11,025	
		11,025	
<b>WHOLESALE PRICES</b>			
DAR DEPOT (50% of Bulk sales)			
Petrol		3,088	
Diesel		3,011	
Kerosene		3,309	
Average Wholesale Price for white products as per EWURA (DSM)	TZS	3,136	Per litre
EWURA MARGINS (TZS 123.00/litre)	US\$	52.76	Per CBM

Table 10: Retail Sales Assumptions

Monthly Sales (Litres)/Station	600,000	
Number of Stations	10	
Gross Sales/Month	6,000,000	Litres/month
	6,000	CBM/month
Retail Margins per EWURA (TZS 108.00/Litre)	\$46.32	Per CBM

### 5.1.3 Operating Expenditure

Table 11: Projected Opex (US\$'000)

OPERATING EXPENSES	2023	2024	2025	2026	2027
Salaries and Benefits	(109)	(535)	(556)	(579)	(602)
Commissions % of Revenue	(109)	(307)	(324)	(342)	(361)
<b>TOTAL OPEX</b>	<b>(219)</b>	<b>(842)</b>	<b>(881)</b>	<b>(921)</b>	<b>(963)</b>

Table 11 provides a summary of operating expenses. These are calculated based on the industry and standard practice by allowing a percentage of sales to be expensed for commissions payable to the marketing and sales team. The allowable percentages are between 0.05% and 0.1% due to the fact that most of the Opex are included in the EWURA capped retail margins.

## 5.2 CAPEX Financing

As indicated in the Table above, the promoters east African Gasoil Limited (EAGOL) is planning to acquire three strategic plots in Dar es Salaam, Tanga, and Mtwara. Petrol stations that are non operational and area available for being acquired will form part of the EAGOL portfolio. In the initial five years of this Business Plan the Company is planning to have 10 retail stations operational.

These three plots are conservatively estimated at US\$5.5M. In addition to the depot land the promoters will also acquire lands for the 10 retail outlets at approximately \$1M making the total investment in land acquisitions to \$10.5M, which is 26.5% of the total investment cost. Table 12 provides for a summary of the capital financing structure for the proposed project.

Table 12: Proposed capital financing structure

Financing Structure	CAPEX (\$)	%age
Loan from Bank	\$9,849,000	70%
EAGOL Equity	\$4,221,000	30%
<b>TOTAL FINANCING</b>	<b>\$14,070,000</b>	<b>100%</b>

### 5.3 Assumptions and Projections

In this section, using Microsoft Excel we developed a base case scenario financial model to test the viability of the project. Detailed financial projections including key assumptions, statement of comprehensive income statement, cash flow and financial position are included in this Section.

The following key assumptions underlie the financial projections:

- Financial projections are in US\$ for 10-year period (door-to-door) in line with the proposed loan tenure under Islamic Banking model;
- US\$/TZS exchange rate is US\$1/TZS 2,331.45
- Depreciation is calculated using straight-line method.
- Dividend is payable to shareholder in line with company policy at 10% (subject to liquidity of the Company); and
- Corporate tax is assumed to remain at the current rates of 30%.
- Funding is projected to partly being sought from Islamic banks both in Kenya and the Middle East (Dubai) at the tune of equity of about **US\$9.85 (70%)** and the equity will be **US\$4.22M (30%)**.
- Islamic financing costs (under diminishing Musharaka) on US\$ loan is fixed at 5% per annum (obtained from an inquiry to a local bank for such a project);
- All-in Fee to all Other advisory services - One off fees (% of Loan amount) - 1.0% to cater for possible expenditure to professional advisors.

#### 5.4 Depreciation and capital Allowance

CAPEX ITEM (US\$)	US\$	Depreciation rate %	Useful Life
Land Acquisition, Preps. & Buildings	7,980,000	5%	20
Tanks Farms & Pipes (Fuel & Water)	1,760,000	5%	20
Machinery & Equipments	130,000	10%	10
Tankers & M/Vehicles	2,000,000	20%	25
Other Assets + Initial WC	2,200,000	10%	10
<b>Project Expected CAPEX</b>	<b>14,070,000</b>		
Assumed Economic life of assets			20

## 5.5 Fixed Assets Schedule

EAST AFRICAN GASOIL TZ LIMITED											
FIXED ASSETS DEPRECIATION SCHEDULE											
Project YEAR	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Land &amp; Buildings</b>											
Opening Balance	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000
Additions and replacements	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cumulative Assets	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000
End of Assets life	-	-	-	-	-	-	-	-	-	-	-
Net asset to depreciate	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000
Depreciation	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)
Accumulated Depreciation	-	(399,000)	(798,000)	(1,197,000)	(1,596,000)	(1,995,000)	(2,394,000)	(2,793,000)	(3,192,000)	(3,591,000)	(3,990,000)
Closing net book value	7,980,000	7,581,000	7,182,000	6,783,000	6,384,000	5,985,000	5,586,000	5,187,000	4,788,000	4,389,000	3,990,000
Capital Allowance	-	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)	(399,000)
<b>Tank Farms &amp; Machinery</b>											
Opening Balance	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000
Additions and replacements	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cumulative Assets	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000
End of Assets life	-	-	-	-	-	-	-	-	-	-	-
Net asset to depreciate	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000	1,890,000
Depreciation	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)
Accumulated Depreciation	-	(94,500)	(189,000)	(283,500)	(378,000)	(472,500)	(567,000)	(661,500)	(756,000)	(850,500)	(945,000)
Closing net book value	1,890,000	1,795,500	1,701,000	1,606,500	1,512,000	1,417,500	1,323,000	1,228,500	1,134,000	1,039,500	945,000
Capital Allowance	-	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)	(94,500)
<b>Petrol Tankers &amp; MVV</b>											
Opening Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Additions and replacements	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cumulative Assets	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
End of Assets life	-	-	-	-	-	-	-	-	-	-	-
Net asset to depreciate	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Depreciation	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Accumulated Depreciation	-	(100,000)	(200,000)	(300,000)	(400,000)	(500,000)	(600,000)	(700,000)	(800,000)	(900,000)	(1,000,000)
Closing net book value	2,000,000	1,900,000	1,800,000	1,700,000	1,600,000	1,500,000	1,400,000	1,300,000	1,200,000	1,100,000	1,000,000
Capital Allowance	-	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)



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**EAST AFRICAN GASOIL TZ LIMITED**  
**FIXED ASSETS DEPRECIATION SCHEDULE**

Project YEAR	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Other Assets + Initial WC	0	1	2	3	4	5	6	7	8	9	10
Opening Balance	-	2,200,000	2,090,000	1,980,000	1,870,000	1,760,000	1,650,000	1,540,000	1,430,000	1,320,000	1,210,000
Additions and replacements	-	-	-	-	-	-	-	-	-	-	-
Disposals	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Cumulative Assets	-	-	-	-	-	-	-	-	-	-	-
End of Assets life	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Net asset to depreciate	-	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Depreciation	-	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)
Accumulated Depreciation	-	(110,000)	(220,000)	(330,000)	(440,000)	(550,000)	(660,000)	(770,000)	(880,000)	(990,000)	(990,000)
Closing net book value	2,200,000	2,090,000	1,980,000	1,870,000	1,760,000	1,650,000	1,540,000	1,430,000	1,320,000	1,210,000	-
Capital Allowance	-	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
Additions and replacements	14,070,000	-	-	-	-	-	-	-	-	-	-
Disposals	-	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)
Total depreciation	14,070,000	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)
Total closing net book value	-	13,366,500	12,663,000	11,959,500	11,256,000	10,552,500	9,849,000	9,145,500	8,442,000	7,738,500	7,145,000
Total capital allowances	-	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)	(1,113,500)
Tax Computation											
Profit before tax	5,880,177	13,385,598	13,718,625	13,961,257	14,213,541	13,907,722	14,016,748	14,161,240	14,374,496	14,490,723	16,369,986
Add: Depreciation	-	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	593,500
Less: Capital allowances	-	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
Less: Taxable Profit / (Loss)	5,880,177	13,869,098	14,202,125	14,444,757	14,697,041	14,391,222	14,500,248	14,644,740	14,857,996	14,974,223	16,963,486
Less: Brought Forward Losses	-	-	-	-	-	-	-	-	-	-	-
Net Taxable Profit / (Loss)	5,880,177	13,869,098	14,202,125	14,444,757	14,697,041	14,391,222	14,500,248	14,644,740	14,857,996	14,974,223	16,963,486
Loss Carried Forward	-	-	-	-	-	-	-	-	-	-	-
Tax	1,764,053	4,160,730	4,260,637	4,333,427	4,409,112	4,317,366	4,360,075	4,393,422	4,457,399	4,492,267	5,089,046



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## 5.6 Projected Income Statement

EAST AFRICAN GASOIL TZ LIMITED												
Projected Income Statement												
YEAR	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Project YEAR	0	1	2	3	4	5	6	7	8	9	10	
Revenue (US\$)	109,274,539	307,258,148	324,206,449	341,974,056	360,715,092	291,873,584	291,942,500	292,045,874	292,218,163	292,287,079	497,127,020	
Sales Revenue	109,274,539	307,258,148	324,206,449	341,974,056	360,715,092	291,873,584	291,942,500	292,045,875	292,218,165	292,287,082	497,127,024	
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	
Total Revenue	109,274,539	307,258,148	324,206,449	341,974,056	360,715,092	291,873,584	291,942,500	292,045,875	292,218,165	292,287,082	497,127,024	
Cost of Revenue	(103,077,323)	(291,834,419)	(308,450,396)	(325,976,301)	(344,465,999)	(276,108,485)	(276,110,897)	(276,114,515)	(276,120,545)	(276,122,957)	(478,836,487)	
Gross Profit	6,197,216	15,423,729	15,756,053	15,997,755	16,249,093	15,765,099	15,831,603	15,931,360	16,097,620	16,164,125	18,290,557	
GP Margin	6%	5%	5%	5%	5%	5%	5%	5%	6%	6%	4%	
Operating Expenses (US\$):												
Sales & Marketing	(109,275)	(534,922)	(566,424)	(578,836)	(602,314)	(538,304)	(543,302)	(548,433)	(553,733)	(559,032)	(769,207)	
General and Administration	(109,275)	(307,258)	(324,206)	(341,974)	(360,715)	(291,874)	(291,942)	(292,046)	(292,218)	(292,287)	(497,127)	
Total Operating Expenses	(218,549)	(842,180)	(880,630)	(920,810)	(963,029)	(830,178)	(835,244)	(840,478)	(845,951)	(851,319)	(1,266,334)	
Operating Profit (EBITDA)	5,978,667	14,581,548	14,875,423	15,076,945	15,286,064	14,934,921	14,996,359	15,090,881	15,251,670	15,312,806	17,024,224	
Depreciation change	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(703,500)	(593,500)	
EBIT	5,978,667	13,878,048	14,171,923	14,373,445	14,582,564	14,231,421	14,292,859	14,387,381	14,548,170	14,609,306	16,430,724	
Islamic Financing Costs	(98,490)	(492,450)	(453,298)	(412,188)	(369,023)	(323,700)	(276,110)	(226,141)	(173,674)	(118,583)	(60,738)	
Profit before tax (PBT)	5,880,177	13,385,598	13,718,625	13,961,257	14,213,541	13,907,722	14,016,748	14,161,240	14,374,496	14,490,723	16,369,986	
Corporate tax	(1,764,053)	(4,160,730)	(4,260,637)	(4,333,427)	(4,409,112)	(4,317,366)	(4,350,075)	(4,393,422)	(4,457,399)	(4,492,267)	(5,089,046)	
Net Profit/(loss) after tax	4,116,124	9,224,869	9,457,987	9,627,830	9,804,428	9,590,355	9,666,674	9,767,818	9,917,097	9,998,456	11,280,940	
Dividend Paid	411,612	922,487	945,799	962,783	980,443	959,036	966,667	976,782	991,710	999,846	1,128,094	
Retained profits (Loss)	3,704,511	8,302,382	8,512,189	8,665,047	8,823,986	8,631,320	8,700,007	8,791,036	8,925,387	8,998,611	10,152,846	



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# 5.7 Projected Balance Sheet Statement

EAST AFRICAN GASOIL TZ LIMITED		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Project YEAR		0	1	2	3	4	5	6	7	8	9	10
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS (US\$)</b>												
Non-Current Assets		14,070,000	13,366,500	12,663,000	11,959,500	11,256,000	10,552,500	9,849,000	9,145,500	8,442,000	7,738,500	7,145,000
PPE and other Fixed Assets		14,070,000	13,366,500	12,663,000	11,959,500	11,256,000	10,552,500	9,849,000	9,145,500	8,442,000	7,738,500	7,145,000
Total Non-Current Assets		14,070,000	13,366,500	12,663,000	11,959,500	11,256,000	10,552,500	9,849,000	9,145,500	8,442,000	7,738,500	7,145,000
Current Assets		16,391,181	17,292,696	18,243,794	19,247,203	20,305,799	16,391,181	16,391,181	16,391,181	16,391,181	16,391,181	16,391,181
Trade and other receivables		16,391,181	17,292,696	18,243,794	19,247,203	20,305,799	16,391,181	16,391,181	16,391,181	16,391,181	16,391,181	16,391,181
Inventory (Petroleum Products)		10,927,454	11,528,464	12,162,529	12,831,468	13,537,199	10,927,454	10,927,454	10,927,454	10,927,454	10,927,454	10,927,454
Bank and cash				2,077,055	9,578,891	17,141,313	29,438,960	37,843,086	46,288,273	54,815,344	63,360,547	71,896,816
Total Current Assets		27,318,635	28,821,160	32,483,378	41,657,562	50,984,311	56,757,594	65,161,721	73,606,908	82,133,978	90,679,181	107,948,991
<b>Total Assets</b>		<b>41,388,635</b>	<b>42,187,660</b>	<b>45,146,378</b>	<b>53,617,062</b>	<b>62,240,311</b>	<b>67,310,094</b>	<b>75,010,721</b>	<b>82,752,408</b>	<b>90,575,978</b>	<b>98,417,681</b>	<b>115,093,991</b>
Current Liabilities		(12,686,670)	(5,365,343)	(12,162,529)	(12,831,468)	(13,537,199)	(10,927,454)	(10,927,454)	(10,927,454)	(10,927,454)	(10,927,454)	(18,665,670)
Bank overdraft		(12,686,670)	(5,365,343)	(12,162,529)	(12,831,468)	(13,537,199)	(10,927,454)	(10,927,454)	(10,927,454)	(10,927,454)	(10,927,454)	(18,665,670)
Trade and other payables		(10,927,454)	(11,528,464)	(12,162,529)	(12,831,468)	(13,537,199)	(10,927,454)	(10,927,454)	(10,927,454)	(10,927,454)	(10,927,454)	(18,665,670)
Total current liabilities		(23,614,123)	(16,893,807)	(24,325,058)	(25,662,936)	(27,074,398)	(21,854,908)	(21,854,908)	(21,854,908)	(21,854,908)	(21,854,908)	(37,331,340)
<b>Total NET ASSETS/LIABILITIES</b>		<b>17,774,511</b>	<b>25,293,853</b>	<b>20,821,320</b>	<b>27,954,126</b>	<b>35,205,912</b>	<b>45,455,190</b>	<b>53,155,813</b>	<b>60,897,500</b>	<b>68,720,574</b>	<b>77,562,727</b>	<b>77,762,651</b>
Represented by:												
Equity (US\$):		4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000
Share Capital (Equity)		4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000	4,221,000
Accumulated Retained earnings/(lc	#	3,704,511	12,066,893	20,519,082	29,184,129	38,008,114	46,639,434	55,339,440	64,130,477	73,055,864	82,054,475	92,207,321
Total Shareholder's Funds		7,925,511	16,227,893	24,740,082	33,405,129	42,229,114	50,860,434	59,560,440	68,351,477	77,276,864	86,275,475	96,428,321
Non current Liabilities		9,849,000	9,065,959	8,243,767	7,380,465	6,473,997	5,522,207	4,522,826	3,473,477	2,371,660	1,214,753	-
Long Term Loans		9,849,000	9,065,959	8,243,767	7,380,465	6,473,997	5,522,207	4,522,826	3,473,477	2,371,660	1,214,753	-
Total Non-current assets		9,849,000	9,065,959	8,243,767	7,380,465	6,473,997	5,522,207	4,522,826	3,473,477	2,371,660	1,214,753	-
<b>TOTAL CAPITAL EMPLOYED</b>		<b>17,774,511</b>	<b>25,293,853</b>	<b>20,821,320</b>	<b>27,954,126</b>	<b>35,205,912</b>	<b>45,455,190</b>	<b>53,155,813</b>	<b>60,897,500</b>	<b>68,720,574</b>	<b>77,562,727</b>	<b>77,762,651</b>
Balance sheet check												



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## 5.8 Projected Cash Flow Statement

EAST AFRICAN GASOIL TZ LIMITED		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Project YEAR		0	1	2	3	4	5	6	7	8	9	10
<b>STATEMENT OF CASH FLOW</b>												
US\$												
Operating Activities	Profit / (loss) Before tax	5,980,177	13,385,598	13,718,625	13,961,257	14,213,541	13,907,722	14,016,748	14,161,240	14,374,496	14,490,723	16,369,986
Adjustments for:	Depreciation	(16,391,181)	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	593,500
Changes in working capital		(10,511,004)	(901,515)	(951,098)	(1,003,409)	(1,058,596)	3,914,618	14,720,248	14,864,740	15,077,996	15,194,223	(11,607,324)
Cash From Operating Activities		13,187,583	13,471,026	13,661,348	13,858,445	18,525,840	14,720,248	14,864,740	15,077,996	15,194,223	15,194,223	5,356,162
Income Taxes Paid		(1,764,053)	(4,160,730)	(4,260,637)	(4,333,427)	(4,409,112)	(4,317,366)	(4,350,075)	(4,393,422)	(4,457,399)	(4,492,267)	(5,089,046)
Net cash generated from operations		11,423,530	9,310,296	9,400,703	9,525,018	14,116,728	10,402,882	10,514,665	10,684,574	10,746,824	10,701,956	267,116
Investing Activities	PPE (Depot, tankers and stations)	(14,070,000)	-	-	-	-	-	-	-	-	-	-
Proceeds from disposal		(14,070,000)	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities		(14,070,000)	-	-	-	-	-	-	-	-	-	-
Financing Activities	Equity from Investors	4,221,000	-	-	-	-	-	-	-	-	-	(1,214,753)
Loan drawdown		9,849,000	(783,041)	(822,193)	(863,302)	(906,467)	(951,791)	(999,380)	(1,049,349)	(1,101,817)	(1,156,908)	(1,128,094)
Loan repayment		(411,612)	(922,487)	(945,799)	(962,783)	(980,443)	(959,036)	(966,667)	(976,782)	(991,710)	(999,846)	(1,128,094)
Dividend Paid to shareholders		13,658,388	(1,705,527)	(1,767,991)	(1,826,085)	(1,886,910)	(1,910,826)	(1,966,048)	(2,026,131)	(2,093,526)	(2,156,753)	(2,342,847)
Net cash from financing activities		13,658,388	(1,705,527)	(1,767,991)	(1,826,085)	(1,886,910)	(1,910,826)	(1,966,048)	(2,026,131)	(2,093,526)	(2,156,753)	(2,342,847)
(Decrease)/Increase in cash and cash equiv:		(12,686,670)	7,321,326	7,442,398	7,501,836	7,562,422	12,297,647	8,404,126	8,445,187	8,527,071	8,545,203	(2,075,731)
Cash at the beginning of the year		(12,686,670)	(12,686,670)	(5,365,343)	2,077,055	9,578,891	17,141,313	29,438,960	37,843,086	46,288,273	54,815,344	63,360,547
Cash at the end of the year		-	(5,365,343)	2,077,055	9,578,891	17,141,313	29,438,960	37,843,086	46,288,273	54,815,344	63,360,547	61,284,816
Working capital schedule												
Debtors (receivables)		16,391,181	17,292,696	18,243,794	19,247,203	20,305,799	16,391,181	16,391,181	16,391,181	16,391,181	16,391,181	27,998,505
Trade creditors (payables)		10,927,454	11,528,464	12,162,529	12,831,468	13,537,199	10,927,454	10,927,454	10,927,454	10,927,454	10,927,454	18,665,670
Inventory (Petroleum Products)		10,927,454	11,528,464	12,162,529	12,831,468	13,537,199	10,927,454	10,927,454	10,927,454	10,927,454	10,927,454	18,665,670
Total		38,246,089	40,349,623	42,568,853	44,910,140	47,380,197	38,246,089	38,246,089	38,246,089	38,246,089	38,246,089	65,329,844
Free cash flows		(12,275,057)	9,026,854	9,210,389	9,327,921	9,449,332	14,208,473	10,370,174	10,471,318	10,520,597	10,701,956	267,116
Net cash from operations		(14,070,000)	9,026,854	9,210,389	9,327,921	9,449,332	14,208,473	10,370,174	10,471,318	10,520,597	10,701,956	267,116
Less: Capex		(26,345,057)	9,026,854	9,210,389	9,327,921	9,449,332	14,208,473	10,370,174	10,471,318	10,520,597	10,701,956	267,116
Free cash flows		(12,275,057)	9,026,854	9,210,389	9,327,921	9,449,332	14,208,473	10,370,174	10,471,318	10,520,597	10,701,956	267,116
CF Check if same as BS		(12,275,057)	9,026,854	9,210,389	9,327,921	9,449,332	14,208,473	10,370,174	10,471,318	10,520,597	10,701,956	267,116



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## 5.9 Summary of the Financial Results

EAST AFRICAN GASOIL TZ LIMITED											
Calendar Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Project Year	0	1	2	3	4	5	6	7	8	9	10
US\$	5,880,177	13,385,598	13,718,625	13,961,257	14,213,541	13,907,722	14,016,748	14,161,240	14,374,496	14,490,723	16,369,986
PBT (US\$)	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	703,500	593,500
Depreciation and amortisation	(1,764,053)	(4,160,730)	(4,260,637)	(4,333,427)	(4,409,112)	(4,317,366)	(4,350,075)	(4,383,422)	(4,457,399)	(4,492,267)	(5,089,046)
Tax paid	(16,391,181)	(901,515)	(951,099)	(1,003,409)	(1,058,596)	(1,114,618)	(1,171,643)	(1,229,668)	(1,289,703)	(1,350,738)	(1,412,773)
Change in WC	(12,275,057)	9,026,854	9,210,389	9,327,921	9,449,332	14,208,473	10,370,174	10,471,318	10,620,597	10,701,956	267,116
Net Free Cash Inflows	(14,070,000)	(783,041)	(822,193)	(863,302)	(906,467)	(951,791)	(999,380)	(1,049,349)	(1,101,817)	(1,156,908)	(1,214,733)
Capital expenditure- CAPEX	-	-	-	-	-	-	-	-	-	-	-
Loan Repayment	-	-	-	-	-	-	-	-	-	-	-
Terminal Value (TV)	(411,612)	(922,487)	(945,799)	(962,783)	(980,443)	(959,036)	(966,667)	(976,782)	(991,710)	(999,846)	(1,128,094)
Payment of dividend to shareholders	(14,481,612)	(1,705,527)	(1,767,991)	(1,826,085)	(1,886,910)	(1,910,828)	(1,966,048)	(2,026,131)	(2,093,526)	(2,156,753)	(2,418,951)
Net Cash Flow	(26,756,670)	7,321,326	7,442,398	7,501,836	7,562,422	12,297,847	8,404,126	8,445,187	8,527,071	8,545,203	343,220
Free Net Cashflow	1,000,000	0,8536	0,7286	0,6220	0,5309	0,4532	0,3869	0,3302	0,2819	0,2406	0,2054
Discount Rate (WACC)	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%
Free Net Cashflow/outflow	(26,756,670)	7,321,326	7,442,398	7,501,836	7,562,422	12,297,847	8,404,126	8,445,187	8,527,071	8,545,203	343,220
Discounted Cash Flows	1,000,000	0,8536	0,7286	0,6220	0,5309	0,4532	0,3869	0,3302	0,2819	0,2406	0,2054
NPV (US\$)	2,421,174	20.4%									
IRR	20.4%										

5.5% In line with sector and GDP Growth  
 17.2% WACC for Industry average (desk research and consultant estimation)

$$WACC = k_e \cdot W_e + k_d \cdot (1 - T_c) \cdot W_d$$

- Cost of Equity (Ke) 20% Estimated Yield based on alternative investment in Risk Free assets
- Interest (average market rate - Kd) 15% Estimated based on normal lending rates
- Debt Ratio (Wd) 30%
- Equity Ratio (We) 70%
- Corporate Tax (T) 30% Income Tax Act Cap 340 (Tanzania Laws)
- WACC 17.2%

### 5.9.1 Key Ratios

Key financial ratios (Base Case) summarised in the Table 13 below demonstrate a robust business case for EAGOL Project. Projected financial ratios show that the project will generate sufficient revenues and cash flows from operations throughout the projected period.

All profitability ratios and liquidity ratios are impressive and support the implementation of the project.

Table 13: Key Financial Ratios

Key Ratios:	2023	2024	2025	2026	2027	2028
EBITDA % income	4.7%	4.6%	4.4%	4.2%	5.1%	5.1%
EBIT % income	4.5%	4.4%	4.2%	4.0%	4.9%	4.9%
Net Profit (loss) % income	3.0%	2.9%	2.8%	2.7%	3.3%	3.3%
Gross Profit Margin	5.0%	4.9%	4.7%	4.5%	5.4%	5.4%
Return on Equity (%)	56.8%	38.2%	28.8%	23.2%	18.9%	16.2%
DSCR - (times)	11.4	11.7	11.8	12.0	11.7	11.8
Islamic Financing Costs Cover (times)	29.6	32.8	36.6	41.4	46.1	54.3

All the above ratios (calculated at base case scenario) indicate proper financial and operational performance projected by EAGOL. The Islamic Financing Costs cover ratio is high enough to secure the reimbursement of financial obligations. Return on equity margins is higher than the cost of capital.

### 5.9.2 Return on Investment

ROI, Return on Investment = (Average Net Profit / Capital) \* 100% = **62.4%**

### 5.9.3 Return on Equity

Return on Equity (ROE) is averaged at **33.4%** over the projected period of Ten years.

## 5.10 Project Financial Feasibility

### 5.10.1 Discounted Cash Flow

The DCF valuation model is based on discounted free cash flows using Weighted Average Cost of Capital (WACC) of **17.2%** calculated using the following equation:

$$WACC = k_e \times W_e + k_d(1 - T_c) \times W_d$$

Where:

$WACC$  = Weighted Average Cost of Capital

$k_e$  = Cost of Equity

$k_d$  = Cost of Debt

$W_d$  = the proportion of debt on total financing

$W_e$  = proportion of equity to total financing

$T_c$  = Corporate Tax

The DCF valuation results, Pay Back Period, IRR and NPV are discussed briefly below.

### 5.10.2 Net Present Value (NPV)

The project Net Present Value (NPV) is calculated assuming a discount rate (obtained as a weighted average cost of capital - WACC) of 17.2%. As per standard practice the DCF valuation of business viability we have calculated the NPV excluding Terminal Value (TV) to account for future cashflows beyond the projection period (year 10). The NPV for the project at the base case scenario is **US\$2.42 million** suggesting that the project is feasible.

### 5.10.3 Internal Rate of Return (IRR)

The Internal Rate of Return (IRR) of the project is an indicator for the project's profitability. For a project to be financially viable, the IRR should be greater than the cost of capital (WACC).

The IRR for the project at the base case scenario is **20.4%**, which is higher than the cost of capital (WACC) of 17.2% suggesting that the project is financially viable and feasible.

## 6 SENSITIVITY ANALYSIS

### 6.1 Scenario Analysis

A pessimistic scenario is applied to verify the project tolerance towards external environmental risks. This scenario is reflected in the first three operating years by a drop in sales demand because of a slower market recovery from Covid-19 pandemic as follows:

Scenarios	2023	2024	2025
Capacity of Storage lower due to Demand Drop (%)	15%	10%	5%
Planned Sales (\$' 000)	72,850	766,964	782,303
Scenario Sales (\$' 000)	109,275	289,046	305,106

### 6.2 Results of the Pessimistic Scenario

	2023	2024	2025	2026	2027
Revenue (\$' 000)					
Revenue from Sales	109,275	289,046	305,106	321,953	339,597
Total Revenue	109,275	289,046	305,106	321,953	339,597
Cost of Sales	(103,077)	(274,604)	(290,240)	(306,733)	(324,128)
Gross Profit	6,197	14,442	14,866	15,220	15,468
Operating Exp. (\$' 000):					
Sales & Marketing	(109,275)	(516,710)	(537,323)	(558,815)	(581,195)
General & Administration	(109,275)	(289,046)	(305,106)	(321,953)	(339,597)
Total Operating Expenses	(218,549)	(805,756)	(842,429)	(880,768)	(920,792)
Operating Profit (EBITDA)	5,978,667	13,636,153	14,023,247	14,339,666	14,547,655
	62.4%				
	33.4%				

### 6.3 Economic Analysis and sensitivity analysis

	Base Year	Stressed Years
NPV <sup>□</sup> (US\$ '000)	\$2,421.2	\$584.5
IRR <sup>□</sup>	20.4%	17.9%
ROI	62.4%	59.0%
ROE	33.4%	33.0%

- The project is still able to generate sufficient cash to cover debt service and secure 62.4% return on investment, which is well above the cost of capital as measured by WACC.
- Return on Equity is projected at 33.4% higher than the dividend payout ration that is regarded as the threshold minimum return acceptable to equity investors

# 7 PROJECT SUMMARY & CONCLUSION

## 7.1 Project Summary

Overview of investment Opportunity	
KEY PROJECT FEATURES	<ul style="list-style-type: none"> <li>• <b>Project description:</b> Petroleum Storage Terminal Depots on strategic locations near the port in Dar es Salaam.               <ul style="list-style-type: none"> <li>- Expected storage capacity of 15,000m<sup>3</sup> for Dar depot (Phase 1) - Phase 2 will also be built in Dar in order to double the capacity. Mtwara, and Tanga Port will follow under Phase 3.</li> <li>- 10 Retails Outlets at strategic plots in several locations (600,000 cubic meters/year/station);</li> <li>- 20 tankers for transportation of petroleum products;</li> </ul> </li> <li>• Wholesale of petroleum products of between 9,000 - 12,000 cubic meters per month</li> <li>• Business model structure to three clear main revenue sources:</li> <li>• Investment costs: US\$ 14.1 million (excluding VAT) with Equity financing up to 30% of the CAPEX;</li> <li>• Investment timeline: Expected construction period of circa 24 months</li> <li>• Over 400 employees - including 360 pump attendants (mostly young women) and 20 tanker drivers (mostly Tanzanians).</li> </ul>
FINANCIAL RETURN PROSPECTS	<ul style="list-style-type: none"> <li>• IRR: 20.4% (base case scenario)</li> <li>• NPV US\$2.42 million</li> <li>• ROI 62.4%</li> <li>• ROE 33.4%</li> <li>• Cash flows: Strong cash flows and attractive key financial ratios supporting the financing structure of the project.</li> <li>• Profits since year of commissioning operations</li> </ul>
REGULATORY & GOVERNMENT SUPPORT	<ul style="list-style-type: none"> <li>• Predictable regulatory framework with the following bodies:               <ul style="list-style-type: none"> <li>- EWURA approvals: Construction approval and storage licence issued with 60 days of application.</li> <li>- Approved margins with certainty</li> <li>- NEMC approval: EIA to be commissioned and approved with 90 days</li> </ul> </li> </ul>
KEY INVESTMENT RATIONALE	<ul style="list-style-type: none"> <li>• Country strategically located and serving six landlocked neighbouring countries (Rwanda, Burundi, DRC, Zambia, Malawi, and Uganda)</li> <li>• Strong demand for fuel storage facility as about 25 out of more than 35 licensed OMCs owns fuel storage terminals hence the rest depend on hospitality agreement with increasing number of retail outlets.</li> <li>• The total annual imported volume has been steadily increasing at a cumulative annual growth rate (CAGR) of 7.6% for the past six years (2012 - 2021).</li> </ul>
PROPOSED FINANCING STRUCTURES / OPTIONS	<ul style="list-style-type: none"> <li>• External financing (loans) from bank up to US\$ 15 million</li> <li>• Outright purchase of project land by EAGOL, with option of management support to setup, commission, and management of project.</li> </ul>

## 7.2 Conclusion

- The project will generate adequate cash to pay its business and operational expenses.
  -
- The projected cashflows are very strong and the projects are as a result very attractive in terms of NPV, IRR, ROE, and ROI with reasonably short pay back period.
- Venturing into investment in a value chain of the petroleum products market is viable and timely. The projected growth in the country's economy and within East Africa suggests that EAGOL will be able to sustain the projected cash flows and overall contribute massively to the economy in terms taxes and employment.
- The medium and long-term strategy for the EAGOL is to cover the entire EAC market to reap benefits of the common market and economic integration. Currently, EOGL is operating in South Sudan, Uganda and in Kenya;
- Implementing the key success factors (including owning tankers, depots and modern retails outlets) is the best tested strategy in the sector, and
- With impressive economics the proposed business case is viable.

## BUSINESS PLAN APPROVALS

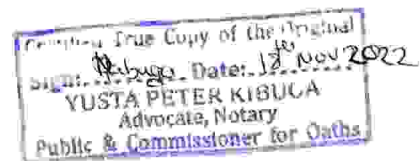
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