



Servemox investments

t/a

LGL Tobacco

CORPORATE PROFILE AND BUSINESS PLAN

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BACKGROUND

Servemox Investments (Private) Limited Company is a company incorporated in Zimbabwe under the Companies Act Chapter 24:03. The company was formed by persons with keen interest in dealing with tobacco after seeing that there is an opportunity in the marketing of the tobacco crop abroad. The company will participate in value addition and beneficiation of the crop before it is sent to international markets in the long term.

Servemox Investments is proudly and purely a Zimbabwe indigenous company which is run by seasoned professionals who have experience from the various economic sectors of the country which among them are agriculture, retail, manufacturing, insurance and the financial services.

The company was launched in 2014, to develop export markets, for agricultural commodities with the primary focus on Flue Cured Virginia (FCV) tobacco. The company's core business is to be a tobacco merchant participating on the auction floors to source tobacco for export orders. In order to achieve this, the company will also need to participate in farming the crop in the coming farming and marketing season.

The company is poised to become a force to reckon with in the medium term as a prominent tobacco player.

1. OUR VISION

To be a dominant tobacco player and exporter to the world markets by 2020.

2. OUR MISSION

To be a sustainable business meeting our stakeholders needs.

3. OUR CORE VALUES

In order to ensure that excellent service is given to our stakeholders our core values are best captured in the acronym SPIRIT. These values are displayed in this acronym as Simplicity, Professionalism, Integrity, Respect, Innovativeness and Teamwork (SPIRIT).

a. Simplicity

Our building blocks and processes are basic to the appreciation of even the laymen.

a. Professionalism

Our service levels are elevated beyond reproach. We are responsible, reliable, and evenhanded and our promise is what we deliver.

b. Integrity

We value ethics, moral uprightness, straightforwardness, honesty and consistency of character.

c. Respect

We value and appreciate other people's views, effort and roles.

d. Innovativeness

We embrace new ideas each and every new day. Continual improvement and always pursuing ways of doing things better.

e. Teamwork

Everyone is a key member and their contribution matters. From a diversity of backgrounds and personalities, we know that our goal remains the same and we cooperate with one another to achieve it.

4. PEST ANALYSIS

a. POLITICAL ENVIRONMENT

The company operates in Zimbabwe. Zimbabwe is a country situated in Southern Africa and a member state of a number of regional economic groupings. Some of them include Southern Africa Development Community (SADC) and Common Market for Eastern and Southern African (COMESA) and Preferential Trade Area (PTA).

Zimbabwe is a peaceful nation which enjoys peaceful and cordial relations with its neighbors who among them are Zambia, Mozambique, South Africa and Botswana. The international relations are also on the mend.

In November 2017, the country experienced a peaceful transition of power and is now under a new dispensation. The previous administration had been improvising and implementing controversial investment policies under the Economic and Indigenization legislation which were very scary to investors. Moreover, they had sour international relations. The current political dispensation has removed all these draconian measures making the country a favorable investment destination.

b. ECONOMIC ENVIRONMENT

The economic environment for the country has remained stable. Agriculture is a major contributor to the country's Gross Domestic Product with tobacco crop coming top of the country's agricultural foreign currency earners followed by cotton. On the other hand the country also relies on minerals although these are at times affected by fluctuations in international prices of commodities for minerals such as gold, platinum and chrome.

The country uses a multi-currency system in transacting, trading, settling and paying for goods and services and the most dominantly used currencies are the United States of America dollars (USD) and the South African Rand (ZAR) to a lesser extent.

The country is heavily dependent on primary extractive industries.

Liquidity constraints persist and the country is short of money supply. The financial services sector has been stabilized following rationalization of participants.

The country's current account has been in deficit for the past six years. The extent of the deficit is not practicable given a lot of undeclared remittances coming from the country's citizenry working abroad. This has affected the industry a great deal and the capacity utilization rates for most industries as published in recent survey journals ranged between 30% and 75%.

The country in addition to agriculture has vast reserves of mineral deposits. There has been a strong advocacy for industries in the nation to consider avenues for value addition and beneficiation to export commodities in semi-finished and finished states other than the current raw form.

c. SOCIAL ENVIRONMENT

The country's social fabric is relatively stable compared to other nations in the region. The country has a developed education system with own local examination boards that regulate the sittings. At least every person in the nation has managed to go to school up to grade seven; the highest sitting level for elementary/primary education in the nation. The country is rated top in Africa in terms of literacy rates. The number of universities in the country count to more than eight. The number of people of who are able to read and write surpasses 92% of the total population.

The country also enjoys a high level of mobile phones penetration rates which are over 100%. The major network providers are Econet wireless, Telecel and Netone. In terms of internet penetration the country commands a large number of people who are using the internet. Economic transactions taking place via mobile connectivity are mainly for transferring credit and settling bills through platforms such as Ecocash (mainly by Econet subscribers) and Telecash (being the subscribers from the remaining two network providers). Users have so far well received the use of mobile connectivity to do transactions although business transactions via the web still are limited in use given the cost of internet connectivity which is relatively high compared to other nations.

The health delivery system of the nation is also relatively satisfactory since 2008. The country's referral hospitals are all functional. A lot of support has been received from the international community to improve the health delivery system since the year 2009.

The country has about 16 languages which are recognized under the national constitution with major indigenous languages being Shona and Ndebele. English is the primary foreign language which is understood and spoken by a large number of the population in the country. It is actually the official language for executing business deals and communication.

The country has a reliable road network in addition to the rail and air which links to major route centres and ports within the region and abroad. This has made it possible to facilitate the transportation of goods and people within the region and abroad. Major linkages to the ports are via Beira in Mozambique and Durban in South Africa. Of late the country has been upgrading their road network with work being underway to dualize the Plumtree - Mutare highway. This will see the country benefiting as all roads now have operating tollgates.

d. TECHNOLOGICAL ENVIRONMENT

The country exploits information technology in enhancing service delivery. The computer literacy in the country is more than satisfactory. At the moment, computers are now being taught from elementary primary level in most schools as there has been progressive effort by country leadership and well wishers to distribute computer machines (desktops and laptops) to schools over the past years.

The country has also seen increase in internet penetration rates with broadband now connecting a considerable number of the populace, communities and the businesses. Individuals now enjoy internet connectivity via their mobile gadgets. Settlement of transactions and bills is also now possible using mobile networks and gadgets with current payment platforms being facilitated over Ecocash and Telecash, which are trade names, used by service providers and are readily identified by the market.

5. BUSINESS ENVIRONMENT

Most other businesses have downsized to match their operating capacities and manage expenses. Others have closed shop given the operating challenges.

The tobacco industry has been dominated with a few big players who used to dictate the direction the business is taking. Of late however there have been new entrants, who have come into the industry. This has affected the industry landscape and business dynamics.

The country has three tobacco processing plants which are Tobacco Processors Zimbabwe (TPZ), Zimbabwe Leaf Tobacco Company (ZLT) and Mashonaland Tobacco Company (MTC). Together they have a capacity to deal with all the annual production in the country which oscillates around two hundred (200) million kgs of tobacco.

6. FOOTPRINT

Currently the company has one branch which is in Harare. The company operates from Willowvale Industrial area, on the following business physical address;

Iron Craft Centre
185 Willowvale Road
Willowvale
Harare
ZIMBABWE

In order to defray expenses, this has been maintained as a seasonal office covering the tobacco marketing season. This office was chosen initially given its close proximity to the major auction floor in the Country.

7. SWOT ANALYSIS

a. Strengths

Among the key strengths of the company, the company is very proud of the following items; which makes it capable to compete with other well established players.

Some of the notable strengths of the company inter-alia are the following items;

- The company has secured Asian customers markets for the tobacco crop and will be looking forward to having a win-win relationship with customers from that region.
- From farming perspective the company has adequate relationship with farm owners who are able to avail the land they hold to reach the required hectares of land under cropping. More land has been promised from the Ministry of Lands and applications have been submitted for farming lands in Mashonaland West Province which is also a major tobacco producing area and is favored by fast growth varieties.
- The company is run by professional people who include some past bankers before and some with proper training in farming operations. This level of professionalism is an unrivalled competence which the company is very delighted to possess; as professionalism is an issue with many companies in the country.
- The team is comprised of vibrant and very energetic people who are very enthusiastic and always forward looking to break new grounds which have never been achieved in the industry.
- The team is willing and eager to learn.
- The company has a leaner structure. This makes it possible for decision making to be done on time as very few referrals are needed before a final decision is made. It also addresses issues to do with cost base.
- The company culture is very conducive to produce a high performance team.
- The company has enough support from its customers, which is a key requisite for any tobacco exporting firm to be able to operate.
- The company is an indigenous outfit which resonates well with the laws of the country such as the Indigenization and Economic Empowerment Act.

b. Weaknesses

Internally the company has identified the following as weaknesses which it is working towards reducing their impact on the company and turning some of them into strengths;

- The company would need funding capital outlay to be able to compete with established players on the market.
- The company is still at infancy stages and is strengthening the bonding that is needed.

c. Opportunities

The company sees the following items as opportunities which would assist in taking the business a step further.

- The country, through the indigenization and empowerment drive, is encouraging the participation of the indigenous Zimbabweans in the marketing of the tobacco product. This will mean the company will enjoy the support of the regulatory agencies in terms of dealing with the product.

- The tobacco output has been increasing, with the output now hovering around 200 million kilograms which would mean constant supply of the crop to the markets. The company will be able to supply its customers without difficulties. This has been stable at this level over the years showing that the industry has fully recovered.
- The country is opening up to international markets after many years of economic embargoes which were affecting the country's engagement of the trading partners. The removal of trading embargoes by the international community would allow the company to take advantage and enjoy the benefits of the new dispensation where the frontier markets are opening doors to the country.
- The Zimbabwean brand of Flue Cured Virginia (FCV) tobacco is on high demand in the world markets. This has put the country under spotlight with many international buyers looking forward to benefit from accessing the much needed FCV tobacco brand. The Zimbabwean FCV tobacco is highly sought after due to its flavor.
- There has been an export incentive for exporters in the country where companies exporting will be charged low tax levels as far as 15% plus levy by tax authority effective 2016 and also effective 2017 exporters now enjoy a rebate of 5% from the Central bank which will be credited into their accounts.

d. Threats

The company is currently exposed to the following items which have been classified as threats. These include the following items;

- There are long time players in the industry who boast of the being big-brothers and these might have bullish tendencies towards smaller players. However assurances received from the regulators indicated that this is something now under control.
- The tobacco market has few players making competition very stiff.
- The small players are dependent on the huge players for the scheduling of their production. This means that small dealers in tobacco would have to wait for the large market players to have their production done and scheduled at the end of the day.
- The industry is moving away from the auction based marketing system to a contract based system of marketing the product. This marketing methodology will simply mean most of the product will be going directly to the established players who have been contracting the crop since the introduction of the multi-currency environment.
- There are potential changes in legislation in certain markets which will impact the uptake of the product by our clients supplying those markets. Some countries have banned the consumption of the product in public places and this affects the marketing of the product.
- The company is operating in a market where liquidity constraint is a challenge. This is affecting settlement transactions between players who are dealing with each other at the end of the day.
- Legislation changes. The market is heavily regulated in terms of funds that are supposed to be dealing with tobacco. Such funds are however required to be of foreign source before one is allowed to buy tobacco from the auction floors. No one is allowed to use Zimbabwean funds to buy tobacco from the auction floors at any given time. Moreover in the event that one exports the crop out of the country, one is required to deal with the matter of settling the CD 1 Forms with their respective bank as promptly as is possible.
- The country has added some other surrogate currency in the form of bond notes to ease the liquidity challenges which have been blamed on externalization and a host of other reasons.

8. COMPETITOR ANALYSIS

The competitors in the industry are the big players who have dominated the industry for quite a long time. These include Mashonaland Tobacco Company (MTC), Zimbabwe Leaf Tobacco (ZLT), Premium Tobacco Company (formerly Tribac) and TSL Classic, Chidziva Tobacco Company, Curverid, MaxiLucky Tobacco and Tianze to mention a few.

However, the Chinese are also now a dominant force to reckon with in the tobacco market dynamics. All these competitors participate on the auction floors, although some of them have engaged farmers on a contract basis. The Chinese are participating in the market through their company which is Tianze. This buys tobacco for the Chinese government who would in turn distribute the crop to other players in their country.

However there is not much information available to the public on competitor information on the tobacco industry competitors given that most of the players are private companies which are not listed on any local Stock Exchange and have no obligation to share their trading performance with the public.

9. MARKET ANALYSIS

The tobacco market is such that, most of the output is earmarked for international markets (exports) which are China, Europe, Russia, the Americas, Asia and partly other African markets. Of these markets, the American and European markets used to dominate but of late the emergence of the Chinese market in the equation has also changed and affected the market dynamics. Almost 98% of the entire crop farmed locally is exported.

With China coming in the market, this has assisted in slightly pushing the prices up for the green leaf unprocessed tobacco for the farmers. Prices were previously capped at a ceiling of \$3.00 per kg (for the farmers) before the coming in of the Chinese players. When the Chinese players came on board, they helped to push the prices up to \$4.99 per kg at the auction floors. This has also become a ceiling to date and nothing has changed given that the price of \$4.99 per kg has also become a ceiling. No farmer has ever earned above that mark on the auction floors, except for selected commercial farmers who are on contract basis where premium prices to a maximum \$5.60 /kg can be fetched.

The China market however despite having breached the previously set price records in terms of prices, they have also impacted negatively on the longevity of payments for the Export Invoices. Other export markets have invoice payment period up to a maximum of ninety (90) days, whilst the Chinese market has a period of one-hundred and eighty (180) days to settle an invoice. However this only applies to that market alone that has the longer periods of settling accounts.

Inter-firm tobacco transfers also happen, in the event a firm has received unfulfilled orders from its markets but do not have the product in place, the company may get in touch with other market players to have the styles required to produce the grades required by their customers. This is subject to the availability of the crop with other market players. Low grades as is the norm are readily available as compared to top leaf grades.

The Zimbabwean Flue Cured Virginia (FCV) tobacco is wanted all over the world because of its high quality and flavor. Its demand is very high but its supply has remained restricted.

The supply side would restrict the markets to which the crop is to be delivered to deal with issues of competition of the final product.

10. PROPOSED BUSINESS MODEL

Servemox Investments Private Limited business model is hinged on buying the green leaf crop from auction floor and also exporting the dry leaf to export market destinations. For the past three years there have been three auction floors that have been operating in the country.

This is further explained in terms of the modus operandi in the following paragraphs.

a. Tobacco marketing and export model

The marketing and distribution of tobacco is Order/customer driven. For one to successfully export you have to have a customer outside to take your product otherwise you will not be able to export. Servemox is privileged to have gone past this hurdle. Upon sending samples to customers of various styles which are available, customers will then raise Orders of the styles wanted to buy. The orders will stipulate quantities which are required and these quantities give a clear guidance of how much is supposed to be obtained from the auction floors.

The company has been sending samples to its markets and they have been received very well. This has happened during the first three years where the company has been opening up on markets and its has participated in the Trade Expo in Asia for two consecutive years where finally opportunities arose and the company found a ready market and contacts.

The company had found a market and customers who are ready to receive deliveries of the dry leaf from Zimbabwe. Initially it was given an order to supply fines which was met with funding limitations as no sources were found for the finances required. However it has been in constant contact with its customers and as such they have remained committed to receive supplies from Servemox Investments. This current year the company has an arrangement and is hopeful that it will be sending at least two containers to its customers.

In the 2017/8 agricultural seasons, the firm intends to participate in buying the crop from the auction floors and then have it processed through the three processing companies in the country before it is shipped to the markets to which it will be guided by the customer. The other scrap fines will be obtained from the production processes.

Shipments to most of the markets are mainly FOB Durban with a few exceptions of CIW Harare for other markets.

b. Farming model

Under this model the company would farm at least 1,600 hectares of tobacco under both dry land and irrigated crop basis. With an average yield of 2,500 kg per hectare, the company will produce at least 4 million kilograms of dry leaf. Comprehensive studies have been carried out in terms of the cost structure per ha of tobacco under both commercial and communal model of production.

The limiting factor on the commercial farming side will be the barn capacity for designated farms where this model will be carried out. Pilot projects have been carried out in areas of Treelawney in Banket and Marondera to confirm the above output per ha.

To plant 1600 ha of tobacco, the company needs about US\$9.0 million and at an average price of US\$3.20/kg of output it will fetch \$12.8 million dollars in sales and a profit of \$3.8 million. However in the cases where average price surpasses the US\$3.20 /kg mark, the company will make additional profit for every cent above the average prices as the cost will not change. The company can get better prices given that it already have farming skills within its ranks which would help to improve quality and quantity of yield. The estimated output and prices have however been set on the conservative side.

The company can elect to acquire the same crop from the farm and further process it for exports this will only have the impact of increasing the profit margin from the farm operations. The company will need a contractor license in order to do this so that it can buy its own crop from its farming operations including buying directly from contract farmers. By doing this the company will have quality crop which it can blend with auction floors acquired stocks.

c. Cost structure and human resources

In terms of staff compliment, the company has a leaner structure to support the operations. This will be maintained going forward. Thereafter vacant positions will be filled in on a need basis. The current compliment of the senior management team is as in the in the following manner; Mr. Last Tsindi - the Managing Director; Mr. Gift Damage - the Chief Operating Officer and Mr. Isaac Kurewa - the Chief Finance Officer. The experience of this top team resonates well with the assignments they are tasked within the organization.

Other roles will be on a temporal basis given that the crop is seasonal as the marketing season runs from February to August each year. Once the crop is in the warehouse the overheads can be kept under check and control again waiting for the marketing season for the ensuing year.

In an endeavor to work on low cost business processes the company has ensured that overheads are kept at a minimum and their growth being kept under a check. The company will not be paying market related salaries during the first year of operations for the senior management to build up the critical mass. It is rather that performance bonuses will be paid after later say at the end of the year when activity has improved. Adjustments will then be made in subsequent years.

Given the nature of the crop which the company will be specializing in, even if it is raised in various parts of the country, it is marketed locally in Harare. The company will therefore to maintain its presence in Harare.

The company has worked hard enough on developing the export markets in Asia and the Middle East. There has been a growing demand for the crop in this side of the market, where the crop is in high demand.

Of late the Asian markets have been opening up to the Zimbabwean tobacco brands. Hence the company will be the choice supplier of this market as it has strong ties with reputable customers from this side. The company has learnt a lot during the 2014 to 2017 farming seasons about the tobacco marketing for the export market. The directors have enough experience in the industry and this will go a long way in managing the business going forward.

11. MANAGEMENT PROFILES

The executive management team which is instrumental in setting up Servemox Investments (Private) Limited enjoys synergies and team work having worked together for a period of at least four years since the inception of the company.

The profiles of the Executive Managers are as follows;

a. Mr. Last Tsindi – Managing Director

Last is a renowned banker by profession. Having started his career in Banking with Barclays Bank, Last has worked for various financial institutions in Zimbabwe. He rose through the ranks in a career spanning for more than twenty-one (21) years to be a Manager of the flagship branch with one of the Commercial banks. He left the banking environment and was instrumental in setting up Servemox Investment (Private) Limited Company.

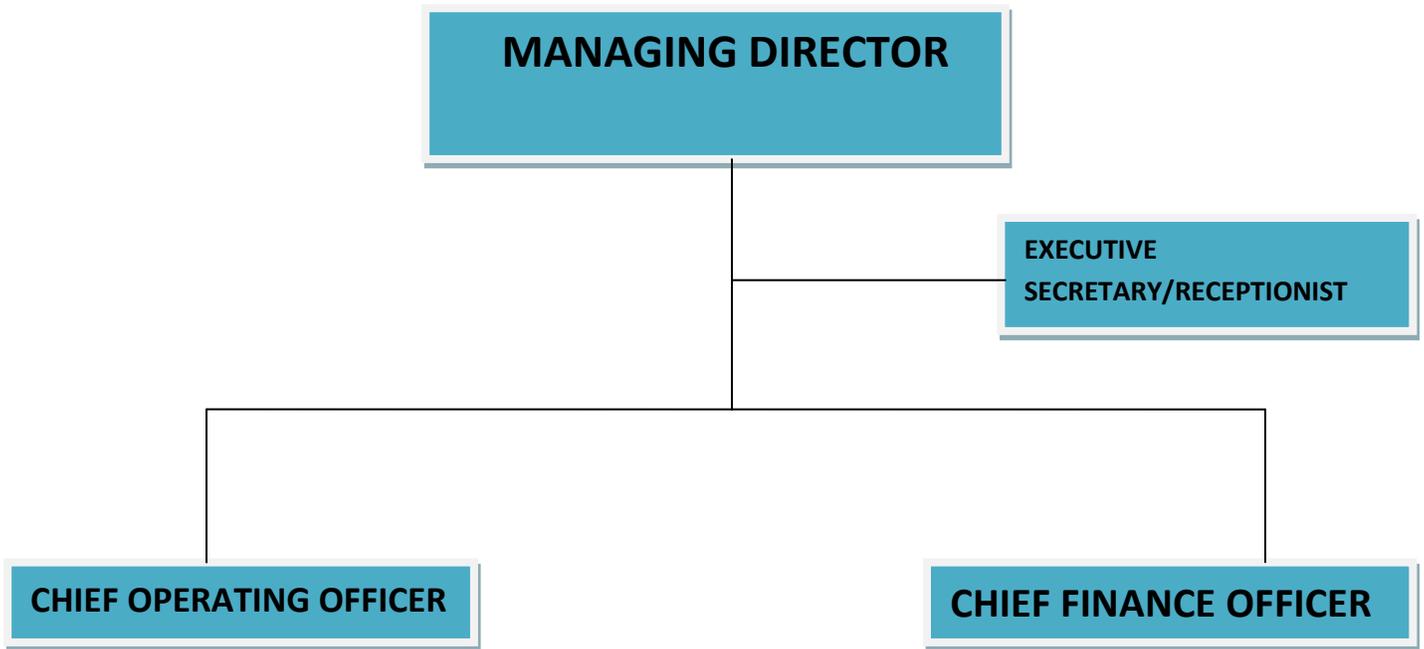
b. Mr. Isaac Kurewa – Chief Finance Officer

Isaac is a Chartered Accountant and a Registered Public Accountant by profession. He has vast experience in retail, agriculture, manufacturing, insurance, banking and financial services sectors. He rose through the ranks from being a trainee accountant to Finance Director before teaming up with Last to work on Servemox Investments (Private) Limited Company.

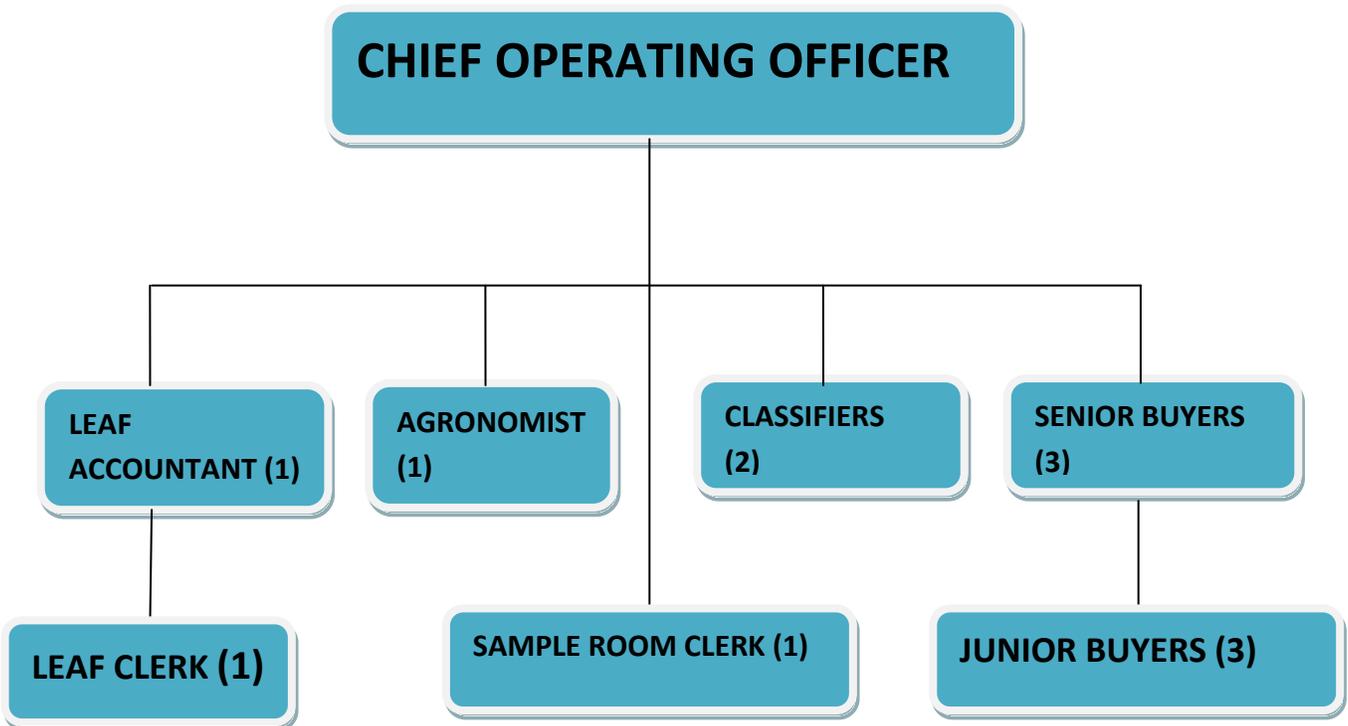
c. Gift Damage - Chief Operating Officer

Gift has over sixteen years of experience in the tobacco industry. He started his career as Ticket Marker with Boka Tobacco Auction floors, where he worked for three years. He moved on to Central Leaf Tobacco and then to Migdale Tobacco as a Buyer. He had a stint with Gold Driven Investment and Midriver Investment as Senior Buyer. He is experienced in tobacco processing and shipping as well.

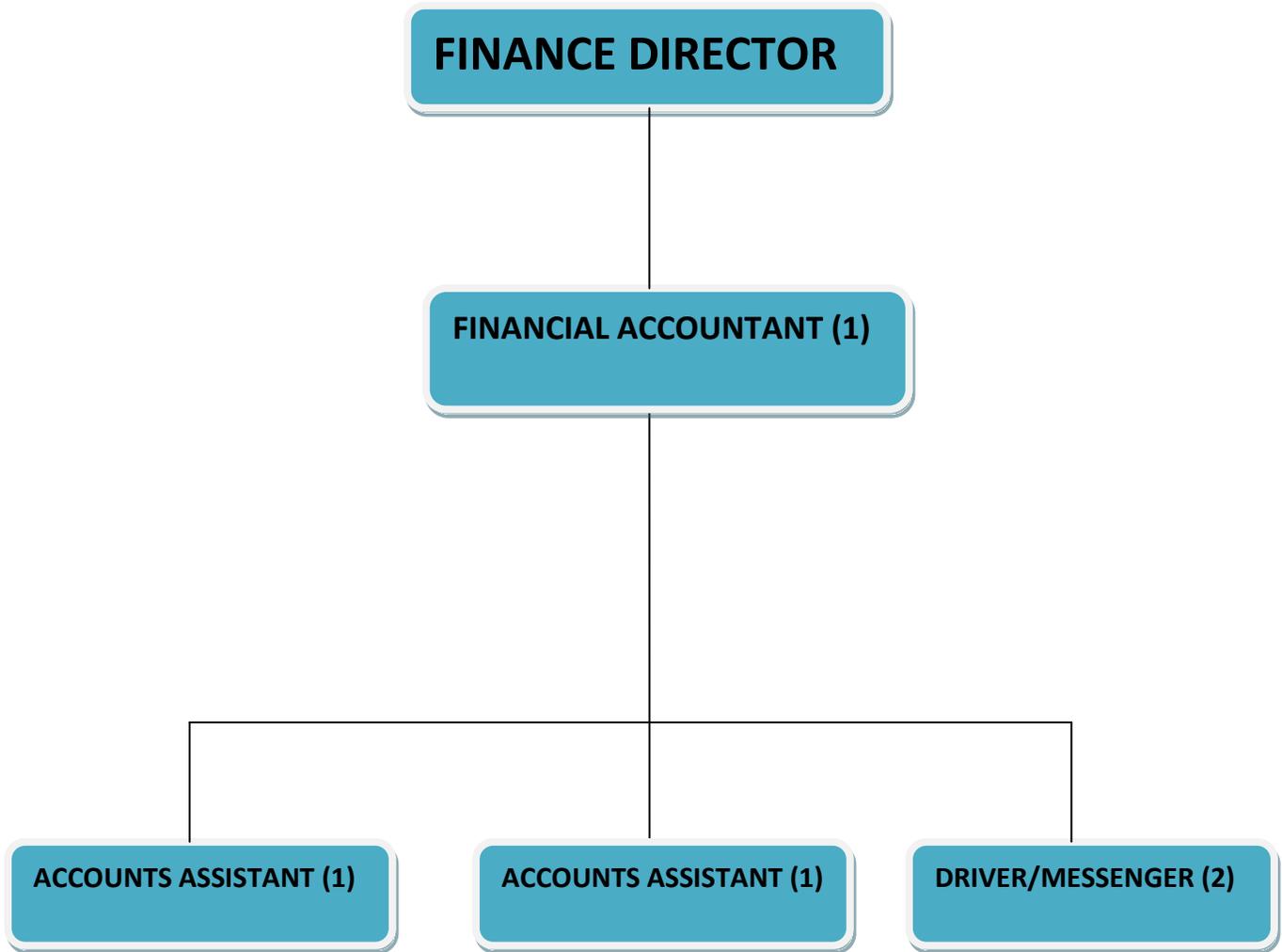
12. CORPORATE STRUCTURE



a. OPERATIONS DEPARTMENT



b. FINANCE DEPARTMENT



13. FINANCIAL PROJECTIONS

12.1. Projected Income statement

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
REVENUE											
Export sales - semi processed	-	-	-	-	-	-	5,038,308	15,668,532	23,530,914	15,861,186	60,098,940
Local sales - green leaf	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	5,038,308	15,668,532	23,530,914	15,861,186	60,098,940
COST OF SALES											
Export cost of sales	-	-	-	-	-	-	2,865,900	8,931,600	13,526,700	8,958,300	34,282,500
Farm - greenleaf for auction	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	2,865,900	8,931,600	13,526,700	8,958,300	34,282,500
Gross profit	-	-	-	-	-	-	2,172,408	6,736,932	10,004,214	6,902,886	25,816,440
OPERATING EXPENSES											
Staff costs	141,933	145,627	153,014	153,014	153,014	153,014	153,014	153,014	153,014	153,014	1,511,674
Transport and shipping	-	-	-	-	-	-	167,700	485,900	752,500	516,000	1,922,100
Occupancy costs	66,316	66,316	66,316	66,316	66,316	66,316	66,316	66,316	66,316	66,316	663,160
Administrative costs	4,023	180,538	301,580	279,157	361,928	81,024	253	253	253	253	1,209,263
Computer costs	1,200	1,320	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	12,760
Connectivity costs	723	723	723	723	723	723	723	723	723	723	7,228
Marketing costs	8,500	8,100	2,300	200	4,700	200	200	200	200	200	24,800
Motor vehicle costs	3,000	3,100	3,245	3,245	3,134	3,135	3,727	3,134	3,200	3,111	35,667
Depreciation and amortization	15,257	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	195,891
Audit fees	-	-	-	-	-	-	-	-	125,000	-	125,000
Farm admin and selling expenses	-	-	-	-	-	-	-	-	-	-	-
Total expenses	240,952	425,794	548,528	524,005	611,166	325,763	413,283	730,890	1,122,556	760,967	5,707,542
Profit before interest and taxation	(240,952)	(425,794)	(548,528)	(524,005)	(611,166)	(325,763)	1,759,125	6,006,042	8,881,658	6,141,919	20,108,898
Interest payable	58,333	87,500	105,000	163,333	233,333	262,500	262,500	280,000	291,667	291,667	2,035,833
Profit before tax	(299,285)	(513,294)	(653,528)	(687,339)	(844,499)	(588,263)	1,496,625	5,726,042	8,589,991	5,850,252	18,073,065
Taxation	-	-	-	-	-	-	-	935,147	2,211,923	1,506,440	4,653,509
Profit after tax	(299,285)	(513,294)	(653,528)	(687,339)	(844,499)	(588,263)	1,496,625	4,790,895	6,378,068	4,343,812	13,419,556

12.2. Projected Statement of Financial Position

ASSETS	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Non-current assets										
Property and equipment	722,543	973,953	953,882	933,812	913,741	893,671	873,600	853,530	833,460	813,389
Current assets										
Stocks - Merchandise	-	5,113,575	13,636,200	21,555,600	31,782,750	34,090,500	31,263,000	22,389,000	8,881,500	-
Trade receivables	-	-	-	-	-	-	3,022,985	12,424,104	26,542,652	33,036,379
Other assets	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	8,524,678	7,822,994	1,788,110	2,015,642	3,046,834	4,889,988	4,734,374	12,953,367	22,952,380	29,581,747
	8,524,678	12,936,569	15,424,310	23,571,242	34,829,584	38,980,488	39,020,359	47,766,471	58,376,532	62,618,126
TOTAL ASSETS	9,247,221	13,910,521	16,378,192	24,505,053	35,743,325	39,874,159	39,893,959	48,620,001	59,209,992	63,431,515
EQUITY AND LIABILITIES										
Non-current liabilities	-	-	-	-	-	-	-	-	-	-
Current liabilities										
	-	-	-	-	-	-	-	-	-	-
Borrowings	10,000,000	15,000,000	18,000,000	28,000,000	40,000,000	45,000,000	45,000,000	48,000,000	50,000,000	50,000,000
Other liabilities	4,023	180,538	301,580	279,157	361,928	81,024	253	253	253	253
Paye and NSSA payable	10,359	10,437	10,595	10,595	10,595	10,595	10,595	10,595	10,595	10,595
Taxation payable	(465,351)	(465,351)	(465,351)	(1,628,728)	(1,628,728)	(1,628,728)	(3,024,781)	(2,089,634)	122,288	-
	9,549,031	14,725,624	17,846,824	26,661,024	38,743,795	43,462,891	41,986,067	45,921,214	50,133,136	50,010,848
Shareholder's equity										
Share capital	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Share premium	-	-	-	-	-	-	-	-	-	-
Retained profit	(303,809)	(817,103)	(1,470,632)	(2,157,970)	(3,002,469)	(3,590,732)	(2,094,108)	2,696,787	9,074,855	13,418,668
	(301,809)	(815,103)	(1,468,632)	(2,155,970)	(3,000,469)	(3,588,732)	(2,092,108)	2,698,787	9,076,855	13,420,668
TOTAL EQUITY AND LIABILITIES	9,247,221	13,910,521	16,378,192	24,505,053	35,743,325	39,874,159	39,893,959	48,620,001	59,209,992	63,431,515

12.3 Projected cash flow statement

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Profit/(loss) before tax	(299,285)	(513,294)	(653,528)	(687,339)	(844,499)	(588,263)	1,496,625	5,726,042	8,589,991	5,850,252
Add: non cash items										
Depreciation and amortisation	15,257	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070
Cash generated from operations	(284,028)	(493,224)	(633,458)	(667,268)	(824,429)	(568,192)	1,516,695	5,746,112	8,610,061	5,870,322
Taxation paid	(465,351)	-	-	(1,163,377)	-	-	(1,396,053)	-	-	(1,628,728)
Dividend paid										
Working capital changes										
(Increase)/decrease in merchandise stocks	-	(5,113,575)	(8,522,625)	(7,919,400)	(10,227,150)	(2,307,750)	2,827,500	8,874,000	13,507,500	8,881,500
(Increase)/decrease in trade receivables	-	-	-	-	-	-	(3,022,985)	(9,401,119)	(14,118,548)	(6,493,727)
(Increase)/decrease in other assets	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in trade payables	4,023	176,515	121,042	(22,423)	82,771	(280,904)	(80,771)	-	-	-
Increase/ (decrease) in short term borrowings	10,000,000	5,000,000	3,000,000	10,000,000	12,000,000	5,000,000	-	3,000,000	2,000,000	-
Increase/ (decrease) in other payables	10,359	79	158	-	-	-	-	-	-	-
Net Cash Inflow /(Outflow) From Operating Activities	9,265,002	(430,205)	(6,034,884)	227,531	1,031,193	1,843,154	(155,614)	8,218,993	9,999,013	6,629,367
CASHFLOWS FROM INVESTING ACTIVITIES										
Purchase of property and equipment	(737,800)	(271,480)	-	-	-	-	-	-	-	-
Purchase of intangible assets										
Net Cash Inflow /(Outflow) investing activities	(737,800)	(271,480)	-	-	-	-	-	-	-	-
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	8,527,202	(701,685)	(6,034,884)	227,531	1,031,193	1,843,154	(155,614)	8,218,993	9,999,013	6,629,367
EFFECTS OF FINANCING ACTIVITIES										
Issue of share capital	2,000	-	-	-	-	-	-	-	-	-
Issue of loans and borrowings	-	-	-	-	-	-	-	-	-	-
Net cash inflow from financing activities	2,000	-	-	-	-	-	-	-	-	-
NET INCREASE/ DECREASE IN CASH AND CASH EQUIV	8,529,202	(701,685)	(6,034,884)	227,531	1,031,193	1,843,154	(155,614)	8,218,993	9,999,013	6,629,367
Opening cash balance	(4,524)	8,524,678	7,822,994	1,788,110	2,015,642	3,046,834	4,889,988	4,734,374	12,953,367	22,952,380
CLOSING CASH BALANCE	8,524,678	7,822,994	1,788,110	2,015,642	3,046,834	4,889,988	4,734,374	12,953,367	22,952,380	29,581,747

14. ASSUMPTIONS ON FINANCIAL PROJECTIONS

The above projections have been made based on the followings assumptions;

- The economic environment will not deteriorate any further.
- The country will continue to use the United States of America dollars as the functional currency for the period under review as has been guided by the Reserve Bank of Zimbabwe.
- The company is to engage additional staff members as and when need arises during the year. These will be seasonal workers.
- The tobacco to be supplied in the respective styles is to be available from the auction floors from which the company will be sourcing the product.
- The salaries for staff will lag behind market trends in the first year of operations, and adjustments will then be made later in future, when the company has sent further deliveries and built critical mass.
- The company will have its own buying team at the auction floors who would be buying relevant styles of tobacco as specified by their customers.
- The company will both farm and source the tobacco from the auction floors.

15. EXPLANATION TO THE FINANCIAL PLAN

The financial plan inserted above covers the entire tobacco marketing season which has dates and activities as indicated. To best understand the numbers it has been found proper to explain the annual tobacco crop cycle which feeds into the figures that are above. The notes below chronicles the farming season cycle for the tobacco crop.

a. The Crop Cycle

- The farming season in Zimbabwe starts from the 1st of June each year for irrigated crop each year, where seedbed planting is supposed to start.
- The seedlings will then be transplanted after 90 days from the date of sowing them in the seedbed. For irrigated crop, this will be from the 1st of September. For dry land farming it will be dependent on the regions where the farms are located but normally transplanting will be done in the months late October to early December.
- Harvesting for irrigated crop normally commences after the 1st of December.
- Dry land farming harvesting will normally start from mid-to-late January each year depending on how early transplanting was done.
- Marketing of the crop would start mid-to-end of February each year or early March depending on the rainfall pattern of the preceding year. Where the rains for dry land farming have been received early, the marketing of the crop will normally start around mid February and where the rains where late, marketing would start around mid-March to late March.

The auction floors based on the above highlighted crop cycle will be opened in March 2018. However of late for the past two seasons there have been delays in the opening of the auction floors where they were opening around mid and late March for two consecutive seasons. This has been facilitated by the fact that they the rains started early this year which gave a boost to the irrigated crop.

The irrigated crop which will be planted in September 2017 will be ready for auction once the floors are opened in early March 2018.

The company would start buying the crop from onset of the marketing season as the irrigated crop is high quality, given that it would have had a reliable supply of water during the period in which it was planted to the point of harvesting.

b. Financial Statements explanations

The financial statements are premised on the following;

- The company will invest \$1 million in capital expenditure, which will cover vehicles and delivery truck/lorry.
- The company will need at least 10,000 m² of warehouse space. This will be to store both green leaf from the farms and then semi-processed tobacco ready for export shipment.
- Farm revenue will be ploughed back into acquiring export order processing or the company can alternatively procure own farm stock for further processing.
- The company will buy 12.8 million kilograms of green tobacco from the auction floors at a total cost of US\$34.2 million which is inclusive of processing.
- Total export sales will be 8.7 million kgs of tobacco and will be valued at \$60 million dollars.
- Total operating expenses for the 9 month period of operations will be \$5.7 million.
- The deliveries to export destinations are all FOB Durban. This is the market practice where delivery will be FOB Durban.
- Debtors will pay within the 90 day period to allow timely discharge of the CD1 Forms, which are discharged on 90 days. Our customers have indicated that they can pay as early as 30 days from date of Invoice.
- The company will have buying teams on all the three auction floors.
- The company will also consider contracting some farmers who would have delivered the correct crop for the 2017/8 marketing season.
- All the green leaf tobacco in the warehouse will be insured from perils and hazards which are obtaining, such as fire and allied risks.
- The staff compliment will be leaner throughout the period covering all areas of operations to contain costs.
- The funding may then be received according to monthly drawdown requirements to help build up on stocks, which will later be processed and sold to export customers.
- The loans received will be paid from export proceeds during the year.
- The auction-floors will be opened end of March 2018 and will close in August 2018 were the mop up sales will be contacted.
- The operating profit before interest and tax will be US\$20 million.
- The **Return on Investment (ROI)** on the project has been calculated at above 30% based on the figures provided above.

- We expect funds to be available this during this month of January 2018 and/or early February 2018 to secure warehouse space in which we will be storing the tobacco.

16. FINANCIAL REQUIREMENTS

The company is looking for funding from financiers and willing partners who are keen to enter into the lucrative industry. The company is looking for funding to the tune of US\$50 million to venture into buying the crop from the auction floors in the current 2018 tobacco marketing season.

This will be deployed as follows

- Buying tobacco and processing US\$34 million
- Operating expenses US\$6 million
- Capital expenditure US\$1 million
- Contract farming next 2019 season US\$9 million

The auction floor operations can immediately resume when the floor are opened in March 2018, it will be critical that funding is received before this date to secure warehouse space. All the funds received will be deployed primarily to acquire the stocks required from the auction floors and a small portion towards establishments and running expenses.

The company assures the funders that it has a real export market and is glad to share the benefits with willing funders for a return. The most interesting thing in the project is that tobacco business has been the real export business. The market is actually waiting for us to deliver our first delivery.

17. RETURN ON INVESTMENTS (ROI)

The project calculated ROI is at **58%** where drawdowns are timed as per requirements and at **33%** where there is single drawdown of the required amount over the 9 month period. This will actually go up in the coming years due to synergies and increase in quantities exported. This is in line with market players who have been operating for a considerable period of time and earnings fluctuations are not that material.

THE END