

# **BUSINESS PLAN**

## **MPUMALANGA HEALTH SOLUTIONS PRIMARY COOPERATIVE LIMITED**



**Mpumalanga Health Solutions Cooperative Limited**

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Co Reg. No: 2013/014647/24

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Signature

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Name (typed or printed)

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Date

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## Mpumalanga Health Solutions Cooperative

### 1.0 Executive Summary

**Mpumalanga Health Solutions Cooperative** registration number 2013/014647/24 was duly registered on 17 September 2013 as a new business to specialise in the provision of public health, primary health, occupational health, travel medicine and aviation medicine in Mpumalanga Province. **Mpumalanga Health Solutions Cooperative** is 100% black owned and will be trading as a cooperative.

**Mpumalanga Health Solutions Cooperative** will deliver high public health services to bridge the gap demand for occupational health, travel medicine and aviation medicine starting in Mbombela Municipality and expanding throughout Mpumalanga Province. This method of trade will result in the realization of skilled workforce that will cause a palpable economic impact to the provision of public health services of Mpumalanga Province due to its community base in nature and ability to meet market demands as well as customer satisfaction with quality public health services. **Mpumalanga Health Solutions Cooperative** will secure funding from the Small Enterprise Finance Agency (SEFA) as a vehicle for growth and expansion.

This method of operation will create an advantage as cooperatives are allowed to mobilize funding from all sectors of funding. The advantage gained by this type of trading is that solid relationships will be established with Government, business, funders and the community. This places the organization in an ideal position to expand even in areas never imagined possible.

**Mpumalanga Health Solutions Cooperative** would be in a position to create immediate employment opportunities for 10 employees in the preventive and promotive sectors of the health economy.

**Mpumalanga Health Solutions Cooperative** requires capital from Cooperative Incentive Scheme amounting to **R350,000** to establish the business. The funds will be used to:

- Procure a mobile clinic
- Procure audiometers
- Procure spirometers
- Procure keystone
- Procure electrocardiogram
- Procure consumables for machinery

Section 7.1 details start-up requirements. **Mpumalanga Health Solutions Cooperative** will require funding from Small Enterprise Finance Agency of R1, 200, 000-00 as detailed in section 7.2 to fund the establishment of the business.

The business is located in Mbombela, Nelspruit. A suitable business site has already been identified, which is located in 28 Samora Machel Drive. **Mpumalanga Health Solutions Cooperative** has entered into a 1 year lease agreement for 42 square metres of office space..

**Mpumalanga Health Solutions Cooperative** will stock a variety of medical equipment, consumables, fridges, vaccines and other medical products that are manufactured to SABS and Internationally quality standards for applications such as:

- Masks
- Stationery
- Mouth Pieces
- Ear Muffs
- Needles and swabs
- Travel vaccines.
- Fridge

**Mpumalanga Health Solutions Cooperative** is already registered as a cooperative and will strive to be preferred occupational health, travel medicine and aviation medicine provider in Mbombela Municipality.

Developed by The Phangas Trust on behalf of Mpumalanga Health Solutions,

## Mpumalanga Health Solutions Cooperative

### Financial Highlights:

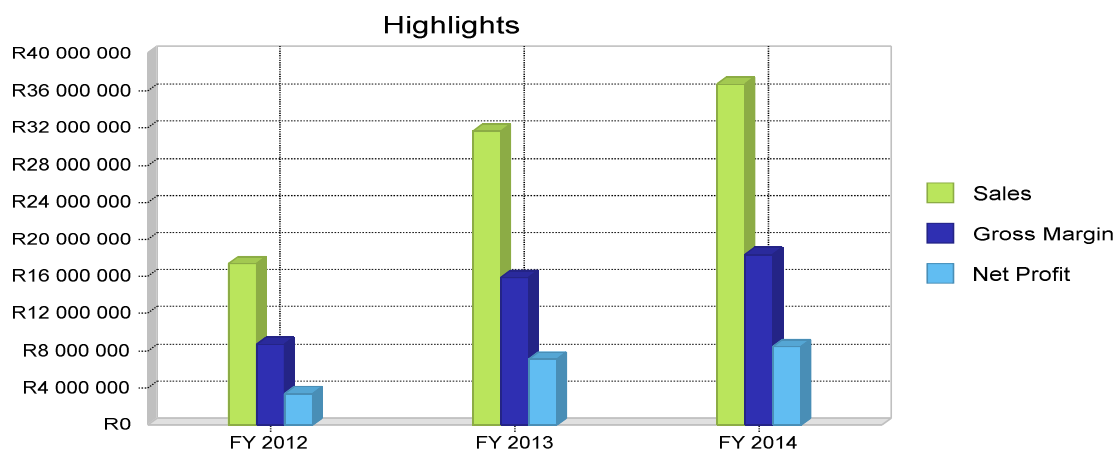
- A net cash flow of R506, 942.00 is projected for year one, R992, 404.00 for year two and R9, 837,477.00 for year three.
- A cash balance of R1,006,942.00 is projected for year one, R1,999,346.00 for year two and R11,836,823.00 for year three. The cash balances are inclusive of the initial opening cash balance of R500, 000.00 and yearly-retained earnings.
- A net worth of R4,326,583 is projected for year one, R6,462,916 for year two and R10,919,548 for year three.

More detail appears in the various sections of the business plan. Yearly tables appear in the text and first's year's monthly projections in the appendix. Three-year analyses are included in the annexure of the business plan.

The public health clinic will be designed using a systems approach to include a reception desk for registration of clients with receptionists' assistance the clients will move from the audio room, cardiothoracic room to the visual room for processing. The processed clients will move to the Occupational Health Practitioner for evaluation of results and will then be referred to the Occupational Medicine Practitioner for quality assurance. The required funding for conversion and refurbishment of the public health clinic is estimated **at R5, 413,690** which must include interior design, electrical and air conditioning compliance with OHSA.

The public health establishment will be designed in such a way that the office accommodation includes occupational health and safety inspectorate, an occupational health clinic, quality control, environmental health as well as a management space. Security will be maximized through the installation of alarms, locking the doors and windows, password protection of documents as well as Uninterrupted Power Supply. The proposed building is attached as appendix 1.

Chart: Highlights



### 1.1 Objectives

The objectives of **Mpumalanga Health Solutions Cooperative** are to:

- Intercept business (Mpumalanga Health Solutions) as a preferred provider of Occupational Health services

## Mpumalanga Health Solutions Cooperative

- To provide travel health services
- To provide aviation medical services
- To create jobs for a workers cooperative
- To develop skills (for members, employees and the community)
- To improve job security (since people will be earning income)

### 1.2 Mission

The mission is to source funding to set up a clinic with 2 mobile clinics, expand and equip the clinic, train staff appropriately in order to produce and deliver quality public health services.

### 1.3 Keys to Success

The following keys to success have been identified:

- The members of **Mpumalanga Health Solutions Cooperative** have already acquired rental space in Mbombela
- There are countless employed community members who will benefit from this project by developing beneficiation projects in Health and Safety, Transport, Machinery services and construction.
- The pricing structure of competitors is known as **Mpumalanga Health Solutions Cooperative** has already done a market research of the surrounding area.
- The management team has gained sufficient experiences in the health sector and the supply chain of government and funders.
- The target market where **Mpumalanga Health Solutions Cooperative** intends to operate in is large enough to cause a palpable impact to the socioeconomic status of the province.

The operation areas in which **Mpumalanga Health Solutions Cooperative** intends embarking on have been identified by the government as critical shortages in occupational health service supply and is hampering the achievement of the objectives of the International Labour Organisation (ILO).

## 2.0 Company Summary

**Mpumalanga Health Solutions Cooperative** will commence with redesign and expansion of current operation to meet growing demands during 2013/14 FY by procuring extra occupational health equipment, refurbishment and expanding the clinic, and acquiring 2 mobile occupational health trucks. The first production from the expansion will be recorded as 30 January 2014 amounting to a 50% increase in services. Thereafter, a stepwise increase in the number of services is envisaged as government participation in health and safety is heightened.

The following public health services are projected over a 10 year period.

| Public Health Services Projected Analysis |   |                                   |                                       |       |
|---|---|-----------------------------------|---------------------------------------|-------|
| Year                                      | Occupational health (Number of Clients) | Travel health (Number of Clients) | Aviation Medicine (Number of Clients) | Total |
| 2014                                      | 18000                                   | 1200                              | 24                                    | 19224 |
| 2015                                      | 18600                                   | 1350                              | 35                                    | 19985 |
| 2016                                      | 19200                                   | 1480                              | 49                                    | 20729 |
| 2017                                      | 19800                                   | 1800                              | 60                                    | 21660 |
| 2018                                      | 19900                                   | 1900                              | 65                                    | 21865 |
| 2019                                      | 21500                                   | 2050                              | 100                                   | 23650 |

## Mpumalanga Health Solutions Cooperative

|      |       |      |     |       |
|------|-------|------|-----|-------|
| 2020 | 21700 | 2500 | 300 | 24500 |
| 2021 | 21960 | 4500 | 350 | 26810 |
| 2022 | 22800 | 5300 | 405 | 28505 |
| 2023 | 23268 | 6250 | 450 | 29968 |

Table 1: Projected Clients for Public Health Services over a ten year period

The organization will strive to increase its market share of public health clients in the province and the Republic as well as maintain it throughout the lifetime of the organisation. This will be done in association with on the job training and regular maintenance of equipment as well as using the stringent selection methods that will ensure that employees are placed in appropriate streams of work. This may be tough initially as systems and mechanisms are being adapted, but will improve over a period of time. Staff performance appraisal especially the manager of the clinic will include marketing as part of the performance management agreement.

Therefore, a decision is hereby taken that the mobile transport operations of the organisation will be divorced from the MHS cooperative and placed under a transport management cooperative in order to manage the day to day running of the mobile clinics and transport operations in a profitable manner. The benefit is that the clinic manager will report to the Board of Directors of the cooperative and the transport manager to the board of directors of the transport cooperative.

**Mpumalanga Health Solutions Cooperative** is 100% black owned and its transport division will be transport cooperative managed.

**Mpumalanga Health Solutions Cooperative** will raise funds directly from member contribution, SEFA, NEF, DTI, IDC, SETAs and Government and invest in a factory for manufacturing of medical equipment including dental supplies, medical devices and technology, medical and surgical equipment as well as consumables. The next sections provide relevant business and membership information.

### 2.1 Business Information

The following table provides business registration information.

|   |  |
|---|--|
| <b>Registration Number</b>                    |  |
| <b>Enterprise Name</b>                        | <b>Mpumalanga Health Solutions Primary Cooperative</b>       |
| <b>Enterprise Shorten Name (Trading Name)</b> | MHS  |
| <b>Registration Date</b>                      | 17 September 2012  |
| <b>Enterprise Type</b>                        | Medical Cooperative  |
| <b>Enterprise Status</b>                      | In Business  |
| <b>Financial Year End</b>                     | March 31   |
| <b>TAX number</b>                             | 9117810185   |
| <b>VAT Number</b>                             |  |
| <b>Postal Address</b>                         | P.O.BOX 10293, NELSPRUIT, 1200                               |
| <b>Physical Address</b>                       | LAROCA MEDICAL CENTRE, 28 SAMORA MACHEL, NELSPRUIT           |
| <b>Contact Details: Cellphone</b>             | 0832078417   |
| <b>Fax Number</b>                             |  |
| <b>E-mail</b>                                 | <a href="mailto:phangas78@gmail.com">phangas78@gmail.com</a> |

Table 2: Business Registration Information



## Mpumalanga Health Solutions Cooperative

### Banking Particulars

|                       |   |
|-----------------------|---|
| <b>Bank</b>           | First National Bank                     |
| <b>Account Holder</b> | Mpumalanga Health Solutions Cooperative |
| <b>Account Number</b> | 62440045426                             |
| <b>Branch</b>         | Riverside Park                          |
| <b>Branch Code</b>    |   |

Table 3: Banking Details

### Table 4: External Accounting Officer

### 2.2 Company Ownership

The business is 100% member owned and managed.

#### Member Particulars:

|                       |                               |
|-----------------------|-------------------------------|
| Surname               | See attached Curriculum Vitae |
| Names                 |                               |
| Identification Number |                               |
| Physical Address      |                               |
| Postal Address        |                               |
| Contact Home          |                               |
| Contact Work          |                               |
| Contact Cellphone     |                               |
| E-mail Address:       |                               |
| Shareholding          |                               |
| BEE Compliance        |                               |

Table 5: List of Cooperative Owners

A copy of Identification and detailed CV are included as appendix 2

### 2.3 Business Location

**Mpumalanga Health Solutions Cooperative** is currently operating from a 35mm2 area medical practice in Promenade Centre, Nelspruit which is located at Mbombela Local Municipality in Ehlanzeni District Municipality of Mpumalanga Province and is formally established and operating from a secure and suitable business premises.

A suitable business premises with a public health clinic type of building estimated at (600 m2) is being planned, which will be secured in the future. The building will be bought at a cost of R19, 000, 680.00 (exclusive of renovation costs and exclusive of VAT and architectural fees). Operational cost includes maintenance, electricity, refuse removal, insurance, security (24hrs), servicing of mechanical equipment & fire guards and extinguishers. 2 fridges for vaccines and a dispensary as well as a consumables storage area will be constructed.

**Mpumalanga Health Solutions Cooperative** has not entered into a capital infrastructure contractual agreement as yet until the required funding is secured to implement the business strategy.

## **Mpumalanga Health Solutions Cooperative**

### **3.0 Products**

**Mpumalanga Health Solutions Cooperative** will specialise in provision of occupational health services, primary health care, travel medicine, aviation medicine as well as health research, medical training and ethics

#### **Product Range**

**Mpumalanga Health Solutions Cooperative** will equip the practice with medical equipment and stock variety of vaccines, medicines as well as medical consumables:

- 12 Lead Electrocardiogram
- Opturator 5000 and ishihara charts
- Audiometer and audio booth
- Lung function machine and calibration syringe

#### **The services range will include:**

- Dangerous Goods Drivers Permit Examinations
- Public Drivers Permit Examinations
- Pre travel and post travel examinations
- Pilot, air crew, air traffic controller examinations
- Health Risk Assessments
- Medical Surveillance Programme development
- Health Research Ethics Assessment and Approval

#### **Grades of Services:**

The services that will be provided are compliant with a number of different legislations such as the Occupational Health and Safety Act, the National Health Act, the Mine Health and Safety Act as well as the Civil Aviation Authority regulations and protocol:

- Compensation for Occupational Diseases and Injuries Act (COIDA)
- Regulation on Lung Diseases
- Regulation of Noise Induced Hearing Loss
- Work Related Upper Limb Disorder (WRULD)
- Policy on Health Research In South Africa
- Port health

**Mpumalanga Health Solutions Cooperative** will stock a comprehensive range of medical consumables from the community cooperatives to increase output and assist in job creation.

#### **Expansion Opportunities:**

There are many potential opportunities to expand the business with establishment of the services on the rail, road, airport and sea port transport network as well as the provision of travel insurance. The business strategy is firstly to focus on the provision of public health services before expanding the business with other public health products such as travel health insurance, medical evacuation, patient transport, emergency medical services, flight medical services, as well as manufacturing of medical equipment and consumables. **Mpumalanga Health Solutions Cooperative** will

## Mpumalanga Health Solutions Cooperative

however order products when there is a demand for these products or order these products when there is a special request from clients.

### 3.1 Operational Equipment and Asset Requirements Analysis

Operational equipment and assets are categorized in the following categories:

- Office furniture inclusive of a sales counter, office desks, desk chairs, filing cupboards and client chairs,
- Office equipment inclusive of computers, point of sale system, fax machine, internet network
- Operational fixtures include lung function machine, audiometer and audio booths, vision testing machine, Ishihara charts, Opturator as well as electrocardiographs.
- Transportation trucks for mobile clinics are an inherent requirement of the business.

Medical equipment is inherently sensitive to movement and requires specially designed trucks to move from one area to the next for delivery of services where occupations such as forestry and mining due to their location in nature are distant from services that would normally be provided in the city centre or town. A light heavy truck with a covered body of not less than 10 meters in length is required to deliver services to clients. Section 7.1 details operational asset and equipment requirements and purchasing costs.

### 3.2 Stock / Inventory Requirements

**Mpumalanga Health Solutions Cooperative** will stock the following products when commencing with the business. The stock (inventory) will specifically relate to a large range of medical equipment and public health related products that complement the core purpose of the business. As the business grows in sales and maturity more service lines will be implemented.

The opening stock (inventory) required is based on four main product categories. **Mpumalanga Health Solutions Cooperative** needs to purchase opening medical equipment, consumables stock, vehicular equipment and medicines and vaccines which amounts to **R1, 800,000.00**. M H S Cooperative will add a profit margin of 40% on all services to leave sufficient margins to recover transportation and service costs and to make provision for discounts and sales commission.

The next analysis provides the stock or product range, stock and retail values when establishing the business.

| Opening Stock & Retail Value Analysis (Cost of Sale/Gross Profit Margin) |            |            |             |              |              |              |                     |
|--|------------|------------|-------------|--------------|--------------|--------------|---------------------|
|  | Stock type | % of Stock | Stock Value | Added Profit | Retail Value | Cost of Sale | Gross Profit Margin |
| Y1   | Vaccines   | 100        | 16002000    | 16002000     | 32004000     | 50%          | 50%                 |
|  |            |            |             |              |              |              |                     |

Table 6: Stock and Retail Value Analysis

**Mpumalanga Health Solutions Cooperative** will sell and stock the most fast moving items in order to increase monthly product turn-over. Once the business grows in sustainability and maturity new product lines such as travel insurance products will be implemented.

### 3.3 Supplier Analysis

**Mpumalanga Health Solutions Cooperative** has made use of a number of local suppliers as the business could not previously purchase stock items directly from manufactures or large distributors of medical equipment and other medical consumables.

## Mpumalanga Health Solutions Cooperative

### Local Suppliers / Retailers:

| Name of Supplier | Contact Number | Contact Person |
|------------------|----------------|----------------|
|                  |                |                |
|                  |                |                |
|                  |                |                |
|                  |                |                |

Table 7: Local suppliers

The disadvantage of using local suppliers of medical consumables and equipment is for the simple fact that that income generated from sales and services is more commission based and in some cases with a very low added mark-up, which results in a low profit margin or earnings. The advantage is that the pricing structures of these suppliers is known, which would be an advantage for **Mpumalanga Health Solutions Cooperative** to create a competitive edge public health business.

### National Suppliers:

National suppliers (manufacturers and distributors) are already identified and **Mpumalanga Health Solutions Cooperative** would be able to purchase directly from them once they have established the business. The disadvantage is that all stock purchase will be strictly cash for the first six to twelve months to establish sales records. Once a sales record is established with national suppliers credit facilities will become available.

**Mpumalanga Health Solutions Cooperative** has identified a number of national suppliers and distributors to purchased stock from which discount can be sought. Most of the manufacturers of medical equipment and consumables distribute their products through a distributor and do not sell directly to retailers, while a few manufacturers sell directly to retailers in bulk product volumes.

### National Suppliers:

| Name of Supplier | Contact Number | Contact Person |
|------------------|----------------|----------------|
|                  |                |                |
|                  |                |                |
|                  |                |                |
|                  |                |                |

Table 8: National suppliers

Some suppliers offers consignment stock as a pushing strategy in order to ensure that their stock reach the market, which is in some cases a disadvantage as it will limit **Mpumalanga Health Solutions Cooperative** to stock their brand and other brands of similar products. Medicines and vaccines tend to have a short expiry date as well.

**Mpumalanga Health Solutions Cooperative** is confident in their finding that there are sufficient manufacturers and distributors of medical consumables, vaccines and medicines to purchase stock at much lower prices as opposed to purchase the stock from local suppliers. It is irrelevant where stock is purchased as both **Mpumalanga Health Solutions Cooperative** and local retailers are not storing medical consumables but will promote product sales and consumption through the nature of the business. It is also advantageous for company to sell travel insurance to close the loop.

## **Mpumalanga Health Solutions Cooperative**

### **3.4 Industry Analysis**

**Mpumalanga Health Solutions Cooperative** will operate initially as a service provider then later as a manufacturers of health products within a very specific segment of the health industry to supply public health products and supply a variety of medical consumables and related products medical products.

This specific segment of the retailing industry that relates to medical consumables, medical equipment and vaccines is robust and highly competitive. Retailers are buying products and supply a variety of products to end users with and added profit.

One of the key factors that influence pricing structures of public health services is demand and the price of consumables, labour, marketing and fuel. Any increase in fuel prices has a negative impact on service pricing. It cost the cooperative more to travel to a mine, farm or plantation as it needs to purchase diesel for trucks and pay doctors per hour of travel and need to cover the cost of the service. It is common practice for occupational health companies in this segment of the market to deliver services to their clients through the use of locums, which requires transportation adding fuel costs as a general expense.

Consumers or end users on other hand purchase services from suppliers offering the lowest prices, which force competition between service providers as they are forced to adjust their pricing structures resulting in lower profit margins. This result that service providers lower their profit margins to secure maximum sales is forcing competition between service providers. The benefit is that service prices varies from 50% up to 500% of initial service purchasing prices that leave sufficient flexibility to lower service prices and to absorb any unexpected increases in the price of fuel.

**Mpumalanga Health Solutions Cooperative** will monitor the pricing structures of competitors on a regular basis to ensure that service retail prices remains competitive in order to attract and to intercept maximum business from sales. The prices of main service providers will be monitored with each financial year in order to keep up with market trends.

**Mpumalanga Health Solutions Cooperative** will be registered as a preferred supplier with the Mbombela Municipality and will register with all local, municipalities, mines, companies and the Department of Public Works Roads and Transport, Department of Education, Department of Health who is a regulator and user of the services **Mpumalanga Health Solutions Cooperative** intends to embark on.

#### **In Summary:**

- **Mpumalanga Health Solutions Cooperative** is confident that it will be able to intercept a large number of clients from local businesses as their sales strategies and service pricing structures are known to **Mpumalanga Health Solutions Cooperative**
- The business is 100% black owned and managed and considered to be BEE compliant, which is a requirement of all Local Governmental and Municipal departments, companies and other business entities such as hospitals, schools and National parks.

### **3.5 Risk Analysis**

The following risks have been identified.

Theft is normally a big problem in any health industry and many stock shortages occurs between monthly stock checks. It is slightly difficult to steal large packaged health related products and accessories as most of the stock are kept in the stock area, which is not accessible to clients. Stock thefts mostly occur when products purchased are dispatched to clients. In most cases internal staff members are involved as clients have no access to the stock area. **Mpumalanga Health Solutions Cooperative** will make use of the following strategies to control stock losses and stock theft:

## **Mpumalanga Health Solutions Cooperative**

- A point of sale system will be used to record all stock received and retailed to keep accurate record of stock movement. Weekly spot checks will be conducted on high risks product items to verify stock received, retailed and stock on hand. A full stock count will be conducted once per month.
- All orders will be checked before it leaves the stock area for correctness and to ensure the correct stock is dispatched to minimize potential losses.
- Stock received will be counted and verified against the delivery note to ensure that the correct stock is received and at the correct pricing before it is uploaded on the point of sale system.
- All access doors to stock will be locked after stock is received or dispatched.
- Spot checks at point of sale areas will be conducted to ensure that the correct pricing structure is used for stock sales.
- Security surveillance of stock and Geographical Position System will be implemented on vehicular equipment.
- Compliance with the Pharmacy Act will ensure safety of medicines and vaccines

Fire is the second highest risks identified and the following preventative strategies will be in place to reduce such risks.

- No smoking will be allowed in the building
- No fires or heating systems will be used in the dispensary and stock area.
- The medical testing area will be separated from the main stock holding area. All products that need to be stored accordingly will be done in a safe and separate area with all safety strategies in place.
- All areas will be equipped with fire extinguishers.
- Staff will be trained to control any unexpected fires.

Burglary is identified as another risk.

- The premises have to be protected and surrounding premises with a camera and night guards who patrol the area.
- The offices will be equipped with a security system to monitor unwanted access combined with an alarm system and linked to an armed response unit.

**Mpumalanga Health Solutions Cooperative** has made provision for insurance to ensure that the business is protected against fire, burglaries and against public liability.

### **Sales on Credit:**

Companies and government purchase services by supplying providers with an order number instead of upfront payment, which will force **Mpumalanga Health Solutions Cooperative** to supply on 30-day credit terms. This is risky as unexpected delays in payment could be experienced, which will have a negative impact on the cash balances of the business. **Mpumalanga Health Solutions Cooperative** will limit the supply of products on credit to Governmental or Municipal departments. No products or services will be provided once they have reached the credit limit until previous invoices are settled.

This action is also risky as they can easily approach competitors to purchase services instead of settling outstanding accounts. **Mpumalanga Health Solutions Cooperative** will ensure to retain a solid relationship with these departments to ensure prompt payment of invoices is encouraged.

## **4.0 Management Summary**

The Personnel structure of **Mpumalanga Health Solutions Cooperative** consists of the following positions.

## **Mpumalanga Health Solutions Cooperative**

### **Key Position: Manager**

**Mpumalanga Health Solutions Cooperative** will employ a manager who has sufficient experience in all aspects of community health as well as in the management of similar business in an industrial environment, which will make him/her understand the various product uses and demand for the products intended for distribution

### **Qualifications and Achievements:**

- Post graduate diploma in Public Health/ Occupational Health as well as experience at managerial level.

### **Workplace Experienced Gained:**

- Minimum 4 years in management position.

The **Mpumalanga Health Solutions Cooperative members** have gained sufficient managerial, financial and technical skills since 1994, which makes them highly competent to successfully manage **Mpumalanga Health Solutions Cooperative** trading on a full-time basis. They have already gained success with previous recorded medical practices as providers of health services for communities. They will be responsible for the overall management of the business and for decision on all the purchasing of stock and equipment.

The members will oversee and manage the following positions, which include:

- A finance Officer with a relevant qualification or experience for general financial management inclusive of debtors and creditors accounts, payroll, preparation of management accounts and other related functions. The accounting officer will be responsible to manage counter sales, reception and administration and the related employees
- Assistant Managers with a relevant diplomas or qualifications. The assistant managers will be responsible for departmental control and responsible for all operational staff that related to the operations of medical equipment, research and development components. The Assistant managers will be responsible for the line functionaries.
- External Sales and Marketing Manager will be responsible for external marketing, marketing and market research as well as client liaison. The external Sales and Marketing Manager will report directly to the management team of the business.
- The Technicians will be responsible for operating the testing machines under the watchful supervision of an Occupational Health Practitioner
- The Occupational Health Practitioner will be responsible for medical history taking, examination, analysis of data and reporting of deviations to the occupational health medicine practitioner or Medical Practitioner
- The truck drivers will be responsible for the delivery of staff to the remote operation site and driving the staff to outreach sites
- Seasonal workers will be employed during the major contractual obligations such as construction of road and rail networks

- **4.1 Organogram**

The next chart represents the Organogram of **Mpumalanga Health Solutions Cooperative**, the members will be selected to fill the organizational structure and be mentored to execute activities related thereof.

## Mpumalanga Health Solutions Cooperative

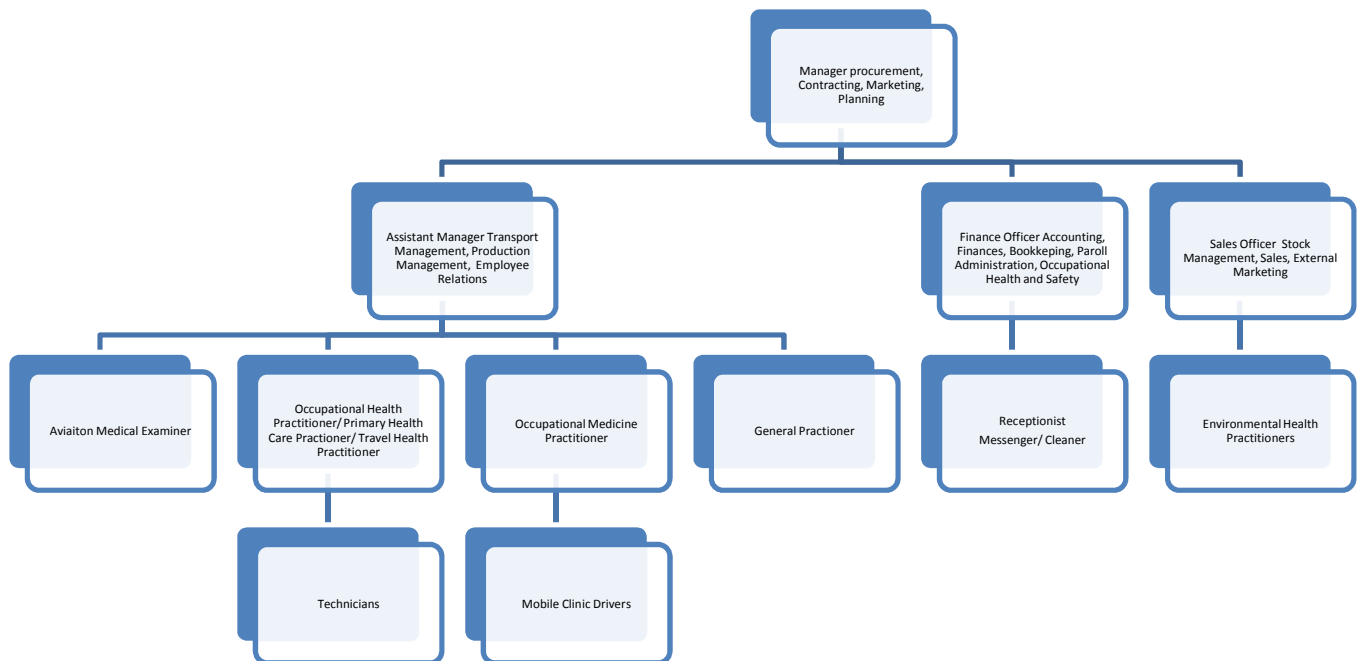


Figure 2: Organogram

The next section details the personnel plan and personnel costs.

### 4.2 Personnel Plan and Skills Development Plan

**Mpumalanga Health Solutions Cooperative** will provide skills development in terms of its skills development which will include health development and mentoring, occupational health, health and safety, business planning, Marketing, Financial management and Facility management. Employment opportunities for 10 permanent employees and 4 seasonal workers inclusive of the cooperative members will be provided. All projected amounts are based on Total Cost to Company, which includes UIF contribution, payroll taxes, skills levies and all other related payroll expenses. All monies deducted from employees such as UIF, PAYE, Site-tax and SDL will be paid directly to the relevant institutions.

The initial refurbishment phase of the project will have a desirable effect of producing the necessary skills in interior design and decorations. Air-conditioning and cooling will also benefit from the project. It will also assist the skills development if FET colleges can send electrical students for observation and participation.

The next analysis was used to determine TCTC. (Total Cost to Company)

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## Mpumalanga Health Solutions Cooperative

| Item                    |                             | Ranks                  |                 |                             |                                  |                                    |                          |             |                          |                | Total    |
|-------------------------|-----------------------------|------------------------|-----------------|-----------------------------|----------------------------------|------------------------------------|--------------------------|-------------|--------------------------|----------------|----------|
|                         | Office Manager<br>12 months | Occupational Therapist | Medical Officer | Primary Health Practitioner | Occupational Health Practitioner | Occupational Medicine Practitioner | 2x Mobile Clinic Drivers | Audiologist | 1x Administration Clerks | 1 x Specialist |          |
| Total salary Incl. UIF  | 53595                       | 42500                  | 42500           | 37 800                      | 121500                           | 239100                             | 305400                   | 42500       | 101800                   | 525960         | 1470155  |
| Once off Bonus          | 330                         | 310                    | 310             | 250                         | 750                              | 1500                               | 300                      | 310         | 1000                     | 4500           | 9250     |
| Service Bonus           | 4466.25                     | 4000                   | 4000            | 3150                        | 10125                            | 19925                              | 25450                    | 4000        | 8483                     | 43830          | 123429.3 |
| House owner's allowance | 6448                        | 6400                   | 6400            | 6200                        | 18600                            | 39600                              | 79200                    | 6400        | 26400                    | 118800         | 308048   |
| Pension Fund            | 8932.5                      | 7500                   | 7500            | 3150                        | 10125                            | 19925                              | 25450                    | 7500        | 8483                     | 43830          | 134895.5 |
| Medical Fund            | NHI                         | NHI                    | NHI             | NHI                         | NHI                              | NHI                                | NHI                      | NHI         | NHI                      | NHI            |          |
| Overtime                |                             | 4250                   | 4250            |                             | 12000                            | 20000                              | 25000                    | 4250        | 9000                     | 45000          | 119500   |
| Total                   | 73774.75                    | 64960                  | 64960           | 50 550                      | 173100                           | 340050                             | 460800                   |             | 155166                   | 781920         | 2165281  |

Table 9: Annual salaries breakdown

The annual salaries represent basic salaries exclusive of sales commission. Sales personnel will earn commission on sales based on a minimum sales target and on a sliding scale. Provision was made for commission and discounts in the Profit and Loss table and provision was made for average yearly increase of 10% per year. A detailed payroll analysis is included in the appendix of this plan.

| Personnel Plan                     |            |          |          |          |          |
|------------------------------------|------------|----------|----------|----------|----------|
|                                    | FY 2014/15 | 2015/16  | 2016/17  | 2017/18  | 2018/19  |
| Office Manager                     | 73774.75   | 81152.23 | 89267.45 | 98194.19 | 108013.6 |
| Occupational Therapist             | 64960      | 71456    | 78601.6  | 86461.76 | 95107.94 |
| Medical Officer                    | 64960      | 71456    | 78601.6  | 86461.76 | 95107.94 |
| Primary Health Practitioner        | 50550      | 55605    | 61165.5  | 67282.05 | 74010.26 |
| Occupational Health Practitioner   | 115400     | 126940   | 139634   | 153597.4 | 168957.1 |
| Occupational Medicine Practitioner | 57700      | 63470    | 69817    | 76798.7  | 84478.57 |
| 2x Mobile Clinic Drivers           | 340050     | 374055   | 411460.5 | 452606.6 | 497867.2 |
| 1 Radiographers                    | 460800     | 506880   | 557568   | 613324.8 | 674657.3 |
| 1x Administration Clerks           | 155166     | 170682.6 | 187750.9 | 206525.9 | 227178.5 |
| 1 x Specialist                     | 781920     | 860112   | 946123.2 | 1040736  | 1144809  |
|                                    | 2165280.75 | 2381809  | 2619990  | 2881989  | 3170188  |

Table 10: A sample of 5 year payroll projection

Table 10 is sample of a summary table of yearly payroll and the totals carried forward to the profit and loss table in section 7.4. First year's monthly projections appear in the appendix.

## Mpumalanga Health Solutions Cooperative

### 5.0 Market Analysis Summary

**Mpumalanga Health Solutions Cooperative** will be located in Nelspruit (Mbombela) which falls within the Mbombela Municipality. The Mbombela Municipality falls within the Ehlanzeni District Municipality, which is one of the four District Municipalities in Mpumalanga.

The Mpumalanga Province is currently regarded as one of the fastest economical hubs in South Africa. The legislative offices are based in Mbombela (Nelspruit), which is an important centralized business centre of the Province.

Mbombela is politically stable and offers clear and consistent economic policies, which are complimented by an investor friendly climate. The excellent infrastructure includes revamped road networks, extensive railway links to Mozambique, Swaziland and the rest of South Africa. A first world transport axis between Gauteng and the deep-sea port of Maputo in Mozambique is a major transport route that runs through the district connecting several towns is almost complete. In addition, Mbombela offers support, business, educational and financial services. Internationally renowned companies and representatives of European manufacturers have invested in Mbombela. The labour force consists of skilled, semi-skilled and unskilled people.

Manufacturing, Construction, Agriculture, Forestry and Mining, specific Governmental Departments and Municipalities are key sectors of the economy that are highly active that will be beneficial to **Mpumalanga Health Solutions Cooperative** trading in terms of product supply.

Real estate is booming again after the recent recession with a number of new residential developments underway. Governmental departments such as Public Works and Education, Municipalities, Construction, Mining and Agricultural businesses will be frequent users of public health products.

Despite the recent economic melt-down the province is still experiencing a high growth in population, which creates the demand for more public health services.

The high growth rate of the economy and population in the EDM not only forces the creation of new business for business support but also to provide products and basic services to a growing population. The services that **Mpumalanga Health Solutions Cooperative** intends to sell relate occupational, travel and aviation health.

Infrastructure Development in Process:

Other initiatives that the IDP focus on:

- Promotion of business tourism (Development of the International Convention Centre (ICC) and the possibility of the Mpumalanga University);
- Establishment of new heritage and cultural products (development of a tourism interactive centre and the development of a tourism township/rural route with possible linkage into the Kruger National Park, promotion of local arts and crafts businesses);
- Cross-border shopping tourism (Prefeasibility study for tourism rail services between Mozambique, Swaziland and Mbombela);
- A focus on sports and events tourism and of the attraction of major events into the city (this will ensure a sustainable Mbombela Stadium and increase economic spin offs).

All these above-mentioned developments require occupational medicine services

There is no doubt that there are a lot of business activities happening with all the infrastructure development in and around Mbombela, which draw new business opportunities into the area. Considering the high number of businesses, business activities and developmental activities there is no doubt that there is a major need for occupational health services and safety products and will remain for the years to come. The renewed focus on service delivery forces municipalities to improve and to maintain service delivery related to the supply of housing and infrastructure such as roads water, sewage which will put residents in townships and in turn will be beneficial for **Mpumalanga Health Solutions Cooperative** trading as most of the public health services are a requirement for economic growth.

## **Mpumalanga Health Solutions Cooperative**

### **Mbombela and Surrounding Areas (Accessibility)**

Mbombela Local Municipality (Swati: A lot of people together in a small space) is one of the municipalities of South Africa, located in the Ehlanzeni District Municipality, Mpumalanga province. The municipality was formed in 2000 by the merger of Hazyview, Nelspruit and White River Local Councils. The municipality is situated in the North Eastern part of South Africa within the Lowveld sub region of the Mpumalanga Province. The Mozambican coastline is around 200 km away and 55 km from the famous Kruger National Park. Urban areas in Mbombela include Nelspruit, White River and Hazyview as well as former homelands towns such as Kabokweni, Kanyamazane and Matsulu.

The municipality is the capital city of the Mpumalanga province and the head office of the provincial government (legislature). The location and its status of a capital city provide the municipality with a competitive advantage as a corridor for growth and development. The city has two airports, Kruger Mpumalanga International Airport to the north east, and the general aviation Nelspruit Airport to the south west. Kruger Mpumalanga is used for scheduled flights to Johannesburg and, less frequently, to Cape Town and other cities.

It is also a home of the Government Research Institute for Citrus and Subtropical Fruits, and the Lowveld Botanical Gardens. Nelspruit is a major stopover point for tourists travelling to the Kruger National Park and to Mozambique. 1998) are used. The Mbombela Local Municipality comprises of an area of approximately 3 451km<sup>2</sup>.

**Mpumalanga Health Solutions Cooperative** will be ideally located, accessible and within range of these areas considering to be a very large target market to deliver public health services provided the business has own transportation for delivery of mobile services to clients that are located in the following areas:

1. Nelspruit A Wards 12, 14, 15, 16, 17, 30 & 38
2. Nelspruit B Wards 2, 4, Part of 10, Part of 21, 22, 23, Part of 24, 26, 29 & Part of 34
3. Nelspruit C Wards 13, 18, 19, 20, Part of 21, 27, 28 and Part of 39
4. Hazyview Wards 1, 3, 5, 6, 7, 8, 9, 25, Part of 34 and Part of 39
5. Nsikazi 10, 11, 31, 32, 33, Part of 34 35, 36, 37 and Part of 39

According to Census 2011 results, MLM has the population of 588 794. This population constitutes 35% of the entire population of Ehlanzeni District. Hence, MLM is the most populous municipality in Ehlanzeni District (Stats SA, 2011). With regards to the municipality's population trends over the past 15 years, the municipality has been one of the fastest growing municipalities in the district.

### **In Conclusion:**

- The target market is large enough for **Mpumalanga Health Solutions Cooperative** to generate sufficient income from the provision of occupational health services and other public health services to sustain the business.
- As the population increase and development increase are directly proportional to demand for public health services. Large scale construction conducted by municipalities to improve housing and related services requires occupational health services for promotion of health and safety, which would also impact positively to **Mpumalanga Health Solutions Cooperative** as a preferred supplier of public health services.

**Mpumalanga Health Solutions Cooperative** is confident that they will attract sufficient business combined with dedicated sales and marketing strategy to sustain the business and to intercept a large number of customers who currently purchase services from other similar businesses.

## Mpumalanga Health Solutions Cooperative

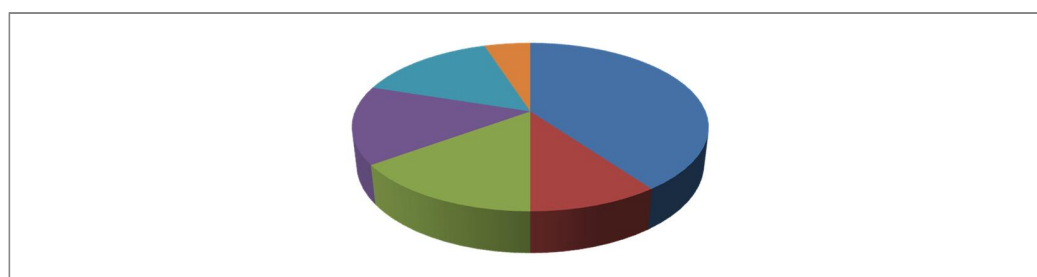
### 5.1 Market Segmentation

**Mpumalanga Health Solutions Cooperative** will cater for a specific market segments with provincial government, local municipalities, mining and manufacturing sectors as the main target market. The next table and chart represents the foreseen target market as a percentage (%) of sales.

| Market Analysis                  | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|----------------------------------|---------|---------|---------|---------|---------|
| Potential Customers              |         |         |         |         |         |
| Community Companies and Forestry | 40      | 40      | 40      | 40      | 40      |
| DoPWRT                           | 10      | 10      | 10      | 10      | 10      |
| Mines                            | 15      | 15      | 15      | 15      | 15      |
| DoE                              | 15      | 15      | 15      | 15      | 15      |
| Construction                     | 15      | 15      | 15      | 15      | 15      |
| SAPS and Correctional Services   | 5       | 5       | 5       | 5       | 5       |
| Total (%)                        | 100     | 100     | 100     | 100     | 100     |

Table 11: Market Analysis and Segmentation

Figure 3: Chart: Market Analysis (Pie)



### 5.2 Target Market Segment Strategy

**Mpumalanga Health Solutions Cooperative** will target the various market segments with the following strategies:

- Register with Governmental Departments and Municipalities as a preferred service provider. **Mpumalanga Health Solutions Cooperative** will register as a service provider with the Ehlanzeni District Municipality. **Mpumalanga Health Solutions Cooperative** will also register with the Gert Sibande and Nkangala District Municipalities during January 2015 as they invite service providers and suppliers to register as preferred suppliers every year during January.
- Direct Proposals and Brochures will be disseminated to communities, mining, manufacturing and other companies who are regular users of occupational health services.

Section 6 provides more detail of the Sales and Marketing strategies to reach the target market of **Mpumalanga Health Solutions Cooperative**.

### 6.0 Sales and Marketing Strategy

The next section represents the sales and marketing strategies of **Mpumalanga Health Solutions Cooperative**.

#### 6.1 Sales Strategy

The sales strategies are typically based on the conducting health risk assessments, developing medical surveillance programs as well as the provision of occupational health, travel medicine as well as aviation medicine programs. To establish an industrial production process for a range of products for occupational health, travel health as well as aviation

## **Mpumalanga Health Solutions Cooperative**

medicine and sell it for profit to clients of the service. In most cases retailers cannot buy directly from manufacturers, but need to purchase products from their approved distributors. We plan to supply directly to communities and retail outlets.

**Mpumalanga Health Solutions Cooperative** will purchase machinery and consumables from developing and emerging companies directly to increase the capacity as well as output. **Mpumalanga Health Solutions Cooperative** will add a 100% Profit margin on all products to absorb the cost of:

- Rent and operational expenses,
- Payroll,
- Service provision, manufacturing
- Transportation cost. Distributors have already factored transport or delivery cost into their pricing structures.
- Research and Development,
- Sales Commission, and
- Discounts.

The mark-up on OHS products average between 50% and up to 500%, which depends on the specific item and the volume of stock purchased. **Mpumalanga Health Solutions Cooperative** will base a mark-up on all products at an average mark-up of 100%. **Mpumalanga Health Solutions Cooperative** will purchase stock for distribution from various suppliers to purchase stock at the lowest price and from distributors offering the highest discounts to leave sufficient room to accommodate a mark-up of 100%. An opening stock and retail value analysis appears in section 3.2 to illustrate purchasing and retailing values.

### **6.2 Marketing Strategy**

**Mpumalanga Health Solutions Cooperative** will implement the following marketing strategies.

#### **In-House Presentations:**

A price list of services will be displayed internally on boards and web page with the relevant product description and code. Clients will be able to identify the services they need and order it directly from the counter assistant or by email orders.

#### **Brochures / Booklets:**

**Mpumalanga Health Solutions Cooperative** will illustrate all services and products in the form of brochures and in product booklets. Brochures will be distributed to all potential clients and when visiting them in order to force orders.

#### **Direct Proposals:**

The external Sales and Marketing team will visit all current and potential new clients to source business. Clients will be presented with direct proposals and a product booklet. Order forms with the company's details will be distributed to enhance easy ordering.

#### **Registering as a Preferred Supplier:**

**Mpumalanga Health Solutions Cooperative** will register with the Departments Public Works Roads and Transport, Education and Safety Security and Liaison as a preferred supplier. Governmental and municipal

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## **Mpumalanga Health Solutions Cooperative**

departments invite service providers and suppliers every year during the year to register with these entities as preferred providers in terms of procurement processes. **Mpumalanga Health Solutions Cooperative** will register with the Mbombela Local Municipality, and currently in the process to register with retailers as a preferred service provider.

### **Other Marketing Strategies will include:**

- Short Radio advertisements and competitions
- Advertisements in local newspapers.
- Submitting of tenders and quotations for construction and foreign projects

The marketing strategy of this type of business requires more of a personal interaction with clients and potential clients to attract and force sales as the services are aimed for a specific markets and the broader public. Therefore, funds will be invested to market in newspapers especially to attract specific interests from individuals and companies who are interested in public health provision.

The next three sections compliment the marketing strategy.

### **6.2.1 Product Pricing**

Product pricing is one of the most important factors to ensure the sustainability of the business. Over pricing kills potential sales and under-pricing kills the sustainability of the business.

The pricing structure of **Mpumalanga Health Solutions Cooperative** is based on the own service provision as well as purchasing price of consumables from other suppliers for distribution to the retailers while monitoring the prices of various competitors. A sample of retail prices of the most common products used were obtained from distributors and competitors as stock will be regularly delivered to provide to the working population of Mbombela Local Municipality and beyond. The retail prices were then compared between retail prices to the end user and prices of local and national distributors, which confirm mark-ups between 50% and 500%.

**Mpumalanga Health Solutions Cooperative** will purchase future stock directly from the emerging companies at the lowest prices to use and distribute in its outlets at a better price. This leaves sufficient margin to add higher profit margins to accommodate operational expenses, delivery expenses and to make realistic profits to grow the business. More important is that higher profit margins could be used effectively to offer discounts to secure large orders or to serve as a buffer during difficult times, and to reduce pricing from time to time on selected products to maintain a competitive edge amongst other competitors.

Pricing will always be considered as a strategic tool in the business to influence sales and to compete effectively in a competitive market. Prices of main service providers will be regularly monitored to source the lowest prices when purchasing additional stock, while the retail prices of competitors will be monitored to prevent over or under pricing.

The pricing structure of **Mpumalanga Health Solutions Cooperative** is strategically based to ensure a good profit margin, attractive pricing range and very competitive to the prices of competitors.

### **6.2.2 Product Presentation**

Product presentation is limited for this type of business as the business mainly provides occupational health, travel health as well as aviation medical services that are mainly of public health importance.

**Mpumalanga Health Solutions Cooperative** will present a pricelist of services on large display boards, which will be located in the reception area of the business in order for walk-in clients to identify the services and products they need. The product on display will include the product description and product code for easy reference. The end users of these products know the products commonly used very well and may not need any displays or marketing material.

## **Mpumalanga Health Solutions Cooperative**

Marketing material is only effective when new product ranges are introduced into the market to make end users aware of the new products. Brochures and Product booklets will be used for external marketing purposes. Many of the main suppliers offer a variety of marketing material as they need to push their product ranges into the market. **Mpumalanga Health Solutions Cooperative** will obtain sufficient marketing material from various product manufacturers to distribute to their clients or to give to walk-in customers.

### **6.2.3 Product Promotion**

Product promotion is very effective in this segment of the service industry as products are manufactured when needed for new projects or for general maintenance and repairing purposes.

In most cases product promotion is in the form of offering clients higher discounts when they buy specific products with a very high profit margin or when large discounts were received from main suppliers that is passed on the end user. A very common form of product promotion is to invite all regular clients to a special function associated with a competition to increase product awareness, while displaying new products and selected product lines during the event. The giving of selected hand tools as gifts to selected clients is a common practice in the specific segment of the retail industry and often regarded as some sort of promotion.

These strategies are mainly to secure and to buy the loyalty of clients in order to create repeat business.

New clients are not attracted by product promotions as they rather focus on consistency in terms of pricing. New clients are intercepted with strong marketing skills to influence change and require a lot of canvassing, and a promise of excellent services.

### **6.2.4 Product Distribution**

Product distribution plays a very important factor in this type of business, which comes with costs as transportation is required. The majority of regular clients will place an order telephonically and expect prompt delivery of the products they have ordered when it comes to Personal Protective Clothing/ Equipment. Delivery of services to remote clients is an inherent requirement of the business and provision was made to purchase suitable mobile clinic vehicles.

**Mpumalanga Health Solutions Cooperative** will deliver quality services to all clients based on the size of the order and within the province. The mobile clinic service will only be applicable to orders that are large enough to absorb service delivery or outreach costs. **Mpumalanga Health Solutions Cooperative** will deliver small orders of PPC/E to regular or cash retailers and will factor a delivery cost into the price to reduce potential loss of profit. A smaller vehicle will be used for delivery of small orders as the running cost of a truck for small deliveries is too expensive.

An additional delivery cost will be charged to clients who are located outside the radius of 200km.

## **6.3 Competition and Buying Patterns**

The consumer of public health products is very sensitive to pricing and purchase from service providers who offer the best prices, discounts, prompt service and the convenience of a delivery or outreach service.

The pricing of **Mpumalanga Health Solutions Cooperative** will be competitive and provision has been made for discounts. Discounts will vary and based on the type of product/ services purchased and according the size of the order without having negative impact on gross profit margins. Pricing of competitors will be regularly monitored to prevent over or under pricing. Under pricing will always be good for the consumer, but not good for the business as it will leave no margins to cater for quieter periods of the year or when unexpected price changes are experienced. Therefore, **Mpumalanga Health Solutions Cooperative** will manage the pricing of all products and services in order to avoid negative income as monthly fixed expenses still needs to be covered.

## Mpumalanga Health Solutions Cooperative

**Mpumalanga Health Solutions Cooperative** will provide a friendly and prompt service to all clients and offer conditional delivery services to intercept clients as well as to retain new and current clients.

### 6.4 Competitive Edge

**Mpumalanga Health Solutions Cooperative** will create a competitive edge by:

- Offering clients prompt and friendly services.
- Offer and maintain outreach programs
- Regular visits to corporate and large clients.
- Visiting all potential new clients to sell a service of excellence.
- Keep pricing realistic and within a competitive range.
- Break-away sessions with regular clients every six months to retain loyalty
- Listen to client's needs and react to client wants
- Stock sufficient stock to supply on demand.
- Offer a conditional delivery service.

**Mpumalanga Health Solutions Cooperative** will focus on the offering of competitors in order to provide similar or better offerings. One of the key strategies to create a competitive edge is to engage personally with clients and to build a long-term relationship and trust with the client.

### 6.5 Website Marketing

**Mpumalanga Health Solutions Cooperative** will create a website to advertise the entire product/service range and location of the business. The website is not only aimed to market the business, but also to expose the product/service range to current or new clients.

**Mpumalanga Health Solutions Cooperative** will also link an online order form in order for clients to order their products/services requirements online.

### 6.6 Milestones

It is the intention of **Mpumalanga Health Solutions Cooperative** to have the business fully operational by 2 January 2014 as they still need to apply for funding to fund the establishment of the business. Therefore, provision was made to allow for sufficient time to source the required funding by means of a long-term Government Funding. Consideration was given to the upcoming December holidays, which is in general identified as a quieter period for public health services as business and consumers spend it enjoying festive holidays.

Consideration was also given to prepare the outlay of the business and to purchase stock. A realistic target date is set to secure funding before 02 January 2014 in order to prepare the official opening of the business on 02 January 2014. **Mpumalanga Health Solutions Cooperative** will commence business on an earlier date or the soonest when funding is approved.

The next table and chart highlight important implementation milestones.

**Table: Milestones**

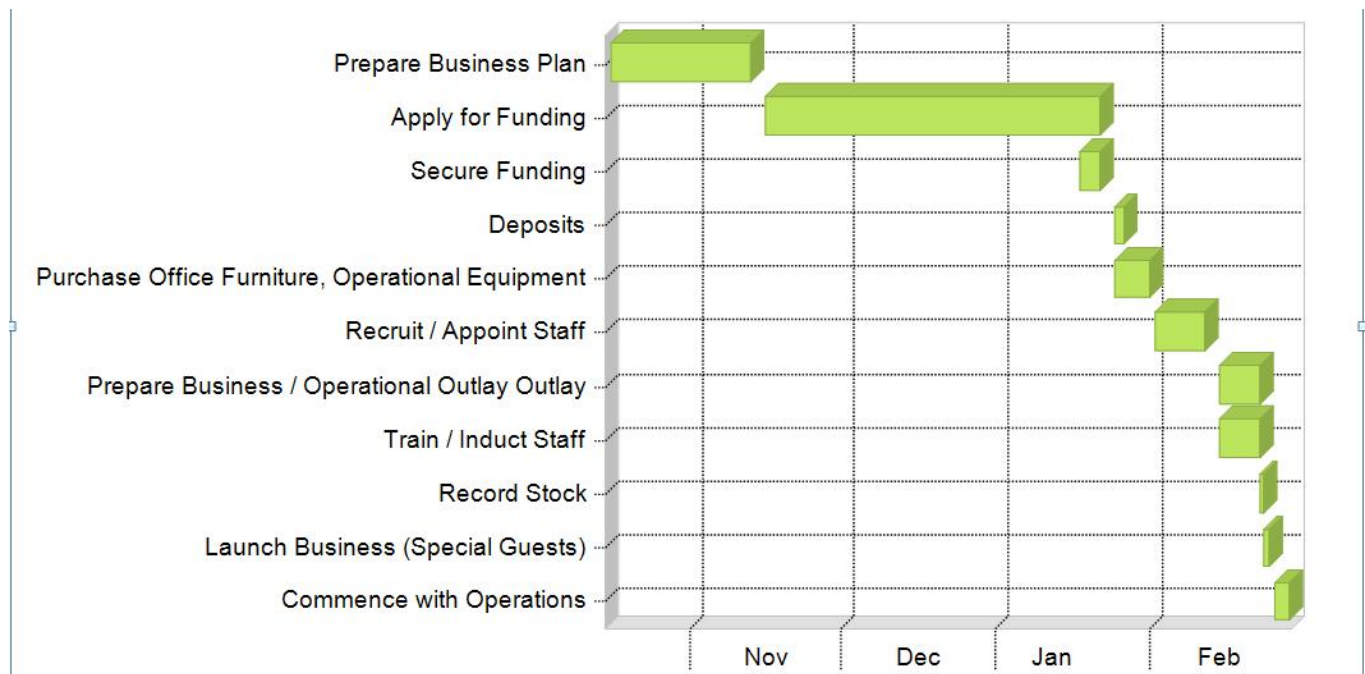
| Milestones |  |  |
|------------|--|--|
|            |  |  |



## Mpumalanga Health Solutions Cooperative

| <b>Milestone</b>  | <b>Start Date</b> | <b>End Date</b> |
|---|-------------------|-----------------|
| <i>Prepare Business Plan</i>                            | 2013/12/01        | 2013/12/06      |
| <i>Apply for Funding</i>                                | 2013/12/07        | 2013/12/21      |
| <i>Secure Funding</i>                                   | 2013/12/21        | 2013/12/21      |
| <i>Sign Extension Agreement / Deposits</i>              | 2013/12/24        | 2013/12/26      |
| <i>Purchase Office Furniture, Operational Equipment</i> | 2013/12/27        | 2013/12/30      |
| <i>Recruit / Appoint Staff</i>                          | 2013/12/01        | 2013/12/31      |
| <i>Prepare Business / Operational Outlay</i>            | 2013/12/14        | 2013/12/22      |
| <i>Train / Induct Staff</i>                             | 2014/01/02        | 2014/02/22      |
| <i>Record Stock</i>                                     | 2014/02/22        | 2014/02/23      |
| <i>Launch Business (Special Guests)</i>                 | 2014/02/23        | 2014/02/24      |
| <i>Commence with Operations</i>                         | 2014/02/25        | 2014/09/15      |

Chart: Milestones



### 6.7 SWOT Analysis

The following sections represent the SWOT analysis of the business. Strengths and Weaknesses relates to internal factors and Opportunities and Threats to external factors.

#### 6.7.1 Strengths

The following strengths have been identified:

- **Mpumalanga Health Solutions Cooperative** will be ideally located to access a very large target market as provision was made for transportation to deliver products and services to clients.

## Mpumalanga Health Solutions Cooperative

- There are not many competitors who only specialise in provision of public health services although they have access to acquire these services when needed.
- The members are adequately qualified and have gained sufficient experience in the medical field
- The business has the potential to grow as a new footprint in the local market and to intercept clients purchasing services from other similar businesses. Attracting clients from the government departments is not excluded as all purchases will be cash based.
- **Mpumalanga Health Solutions Cooperative** will register as a preferred service provider of the Mbombela Local Municipality and will undergo a process to register as a preferred supplier with the Departments of Public Works Roads and Transport, Safety Security and Liaison, Education and Correctional Services.
- **Mpumalanga Health Solutions Cooperative** does not foresee problems to register as a preferred service provider with all the local municipalities, manufacturing companies and surrounding mines.
- **Mpumalanga Health Solutions Cooperative** is 100% BEE compliant and registration as a preferred service provider would be beneficial to clients as it will improve their BEE score-card to prove that they support empowerment initiatives of Government.

One of the biggest strengths is that the services Mpumalanga Health Solutions Cooperative intends to embark on will be always in demand both for new companies, established companies and international markets.

### 6.7.2 Weaknesses

The following weaknesses have been identified:

- Changing operations from single primary health care product line to diversification during the next three years by establishing a fully-fledged public health practices is difficult as funding is required to purchase all operational assets and equipment, transportation and inventory. **Mpumalanga Health Solutions Cooperative** will address funding requirements by applying for funding from DTI and SEFA.
- Debt adds risks to the business as the funding needs to be repaid, which adds a fixed burden on the financials of the business during the period the funding is repaid. Mpumalanga Health Solutions Cooperative will work very hard to push sales in order to ensure the business generate sufficient income to sustain operations, serve the short-term funding and simultaneously expand the business with higher volumes and variety of the most wanted products and services.

**Mpumalanga Health Solutions Cooperative** is confident that the business will be in a position to address all types of weaknesses based on the members experience in business, and provided that the business purchase all the operational assets and equipment to support the infrastructure for this type of business.

### 6.7.3 Opportunities

The following Opportunities have been identified:

- **Mpumalanga Health Solutions Cooperative** has access to a very large and growing target market provided that the existence and location of business is made known to potential consumers. **Mpumalanga Health Solutions Cooperative** will market the business effectively by means of direct proposals and visits to potential consumers. Provision will be made to appoint an external marketer, which will be responsible for external marketing and client visits.
- **Mpumalanga Health Solutions Cooperative** has identified many other product other than occupational health, which will be introduced at a later stage once the business is financially stable and sustainable, which will increase their market share in the provision of public health services within the local market it intends to operate in.
- Expansion of sales to external markets such as diving medicine, emergency services and patient transport will prove to offer many potential opportunities.

## **Mpumalanga Health Solutions Cooperative**

**Mpumalanga Health Solutions Cooperative** will react swiftly to any changes within the market and to supply travel insurance product as demanded by consumers to capitalize any potential opportunities that will generate additional income.

### **6.7.4 Threats**

The following threats have been identified:

- Theft of stock is identified as a threat as it will result in the loss of potential income. **Mpumalanga Health Solutions Cooperative** will implement stringent measures to manage stock effectively to prevent theft or stock losses.
- The majority of the clients of MHS Cooperative will be local communities, individuals, Governmental Departments and Municipalities who purchase by means of an order number and only settle invoices after the products/ services are delivered which could be cash or take up to 30 days. Provision has been made for a higher opening cash balance and to stock at least six to 8 months of consumables supplies to carry the business to absorb the impact of sales on credit. Doing business with government departments is always risky as they often do not stick to 30-day payment terms.
- Other risks such as fire or burglaries have been identified and provision was made for insurance.

**Mpumalanga Health Solutions Cooperative** will implement stringent risk management policies to cater for the prevention of all types of risks

## **7.0 Financial Plan**

The following sections represent the financial plan for **Mpumalanga Health Solutions Cooperative** Trading

- Start-up Summary. (Section 7.1)
- Start-up Funding. (Section 7.2)
- Sales Strategy & Sales Forecast. (Section 7.3 & 7.3.1)
- Projected Profit and Loss Table. (Section 7.4)
- Projected Cash Flow. (Section 7.5)
- Break-even Analysis. (Section 7.6)
- Projected Balance Sheet. (Section 7.7)
- Business Ratios. (Section 7.8)

The financial plan is based on conservative estimates, assumptions and financial benchmarks related to the retailing of public health services and related products. Various detailed analysis and summary tables were used support broad-based financial figures in the Profit and Loss, Cash Flow tables and the Balance Sheet.

### **Note: Summary Tables (Supporting Financial Tables)**

The following tables in this business are summary tables that were used to determine accurate financial estimates to support the Profit and Loss and Cash Flow tables. The tables are supported with a number of analyses to determine accurate and realistic financial values.

- The Personnel table is a summary table (section 4.2) to determine monthly and yearly payroll cost per employee. The total payroll costs are carried forward and included in the profit and loss table in section 7.4.

## Mpumalanga Health Solutions Cooperative

- The start-up table (Section 7.1) and start-up funding table (section 7.2) summarizes total funding requirements and funding strategies. Opening balances are carried over to the Balance Sheet. (First Year's monthly projection in appendix)
- The Sales Forecast table is a summary table to determine income from sales and associated cost of sales. The total amounts are carried over to the profit and loss table in section 7.4. A detailed three-year analysis is included in the annexure to support the broad-based projections in the sales forecast projections.

### Financial Tables

The following tables represent broad-based financial information that was subtracted from the summary tables and analysis included in this plan.

- The Profit and Loss table (section 7.4) lists all expected expenses; determine depreciation values, tax liabilities, interest charges and net profits.
- The Break-even analysis (section 7.5) highlights monthly break-even points.
- The Cash Flow table (section 7.6) is an extension of the profit and loss table to determine net cash flows and cash balances.
- The Balance Sheet (section 7.7) provides critical financial information to determine the net worth of the business.

### Note:

- The Profit and Loss Table was used as a basis to prepare the Cash Flow Projections. These two tables complement each other.
- Cash Payments in the Cash Flow Table represents payroll cost.
- Expenses are a summary of all the expenses listed in the Profit and Loss table and exclusive of depreciation as it has no immediate cash value, but used to calculate accurate tax liabilities.
- The interest portion of the SEFA Funding repayment is included in the Profit and Loss (7.4) to calculate tax liabilities as interest payments are deductible from taxation. The principle portion of the SEFA Funding payment is included in the Cash Flow projections in section 7.5.

The above mention tables represent the financial projections, which forms the basis of the Balance Sheet in section 7.7. All financial tables are supported with notes and explanations.

### Note:

**The interest portion of the SEFA Funding and principal portion of the SEFA Funding in the two tables equals the total monthly repayment of the SEFA Funding.**

### 7.1 Start-up Summary

Although **Mpumalanga Health Solutions Cooperative** is not business by serving as a primary health care practice it was not required to own business infrastructures that consist of a business premises, operational assets and equipment and stock on hand. In order to establish a business with own identity **Mpumalanga Health Solutions Cooperative** needs to expand the entity from where it was left of and on a similar basis as when establishing a new business.

**Mpumalanga Health Solutions Cooperative** requires an amount of **R4586310** to establish a business with own infrastructure, operational assets and equipment.

## Mpumalanga Health Solutions Cooperative

- The funds will be used to purchase assets and equipment as detailed in the next analysis, which amounts to R3610206.72 and supported with relevant quotations.

| Asset Analysis (Assets & Operational Equipment) |     |            |           |         |             |                        |
|---|-----|------------|-----------|---------|-------------|------------------------|
| Asset/Operational Equipment Description)        | QTY | Unit Price | Sub-Total | VAT     | Total Costs | Supplier               |
| <b>Office Furniture</b>                         |     |            |           |         |             |                        |
| 1800x1200 Office Desks                          | 5   | 1875       | 9375      | 1312.5  | 10687.5     | Waltons                |
| Kingston High Back Chair                        | 5   | 850        | 4250      | 595     | 4845        | Waltons                |
| Roller Door Credenza                            | 5   | 2350       | 11750     | 1645    | 13395       | Waltons                |
| Kingston Visitor Chair                          | 20  | 650        | 6500      | 910     | 7410        | Waltons                |
| Sales Counter (Custom)                          | 1   | 32000      | 32000     | 4480    | 36480       | Contractor             |
| <b>Office Equipment</b>                         |     |            |           |         |             |                        |
| Desktop Computer                                | 3   | 6200       | 18600     | 2604    | 21204       | Canon Masakhane        |
| HP Compaq Notebook                              | 2   | 3999       | 7998      | 1119.72 | 9117.72     | Canon Masakhane        |
| Samsung CLX6290FX Network Printer/Fax           | 1   | 18500      | 18500     | 2590    | 21090       | Canon Masakhane        |
| Network Accessories/ Cabling                    | 1   | 5500       | 5500      | 770     | 6270        | Canon Masakhane        |
| Microsoft Software                              | 5   | 1875       | 9375      | 1312.5  | 10687.5     | Incredible Connections |
| Point of Sale (software)                        | 1   | 12500      | 12500     | 1750    | 14250       | Canon Masakhane        |
| <b>Operational Equipment</b>                    |     |            |           |         |             |                        |
| Audiometer machinery                            | 2   | 500000     | 1000000   | 140000  | 1140000     | Contractor             |
| Lung function                                   | 2   | 4680290    | 4680290   | 761900  | 5442190     | Contractor             |
| 12 Lead Electrocardiograph                      | 2   | 5500       | 11000     | 1540    | 12540       | Barberton Auctioneers  |
| Audiometer Booths                               | 3   | 15000      | 45000     | 6300    | 51300       | Adendorf Machinery     |
| Opturator 5000                                  | 5   | 8500       | 42500     | 5950    | 48450       | Contractor             |
| Ishihara charts                                 | 2   | 75000      | 150000    | 21000   | 171000      | Contractor             |
| Trolleys  | 7   | 1500       | 4500      | 630     | 5130        | Adendorf Machinery     |
| Visual acuity testing machine                   | 1   | 2500       | 2500      | 350     | 2850        | Midas                  |
| Vaccine fridges                                 | 2   | 5500       | 5500      | 770     | 6270        | Aspen                  |
| Display cabinets                                | 1   | 185000     | 185000    | 25900   | 210900      | Woodoc                 |
| Air conditioner                                 | 3   | 215000     | 645000    | 90300   | 735300      | TATA                   |
| <b>Transport</b>                                |     |            |           |         |             |                        |
| FAW Truck                                       | 2   | 450000     | 900000    | 126000  | 1026000     | KIA                    |
| Vehicle Registration                            | 2   | 4500       | 9000      | 1260    | 10260       | KIA                    |
| Modification                                    | 2   | 500000     | 100000    | 140000  | 1140000     |                        |
| Miscellaneous                                   | 1   | 5500       | 5500      | 770     | 6270        |                        |
| <b>Total Assets and Operational Equipment</b>   |     |            |           |         |             |                        |

## Mpumalanga Health Solutions Cooperative

To purchase assorted inventory amounting to R451.497.00 as summarized in the next analysis and supported with quotations.

| <b>Inventory Analysis (Quotation Based)</b> |      |                 |               |              |               |          |
|---|------|-----------------|---------------|--------------|---------------|----------|
|   | QTY  | As Quoted       | Sub-Total     | VAT          | TOTAL         | Supplier |
| Mouthpiece                                  | 4000 | 72              | 288000        | 40320        | 328320        | Medgo    |
| Paper                                       | 20   | 400             | 8000          | 1120         | 9120          | CNA      |
| Thermometers                                | 20   | 182             | 3640          | 509.6        | 4149.6        | Dr Temp  |
| Client Management System                    | 1    | 63400           | 63400         | 8876         | 72276         | Hificorp |
| Diesel                                      | 2200 | 12.05           | 26510         | 3711.4       | 30221.4       | Shell    |
| Unforeseen                                  | 1    | 6500            | 6500          | 910          | 7410          |          |
| <b>Total Opening Stock</b>                  |      | <b>70566.05</b> | <b>396050</b> | <b>55447</b> | <b>451497</b> |          |

- Provision for an opening cash balance of R300, 000.00 that will be used for operating capital during the first few months of being in business.

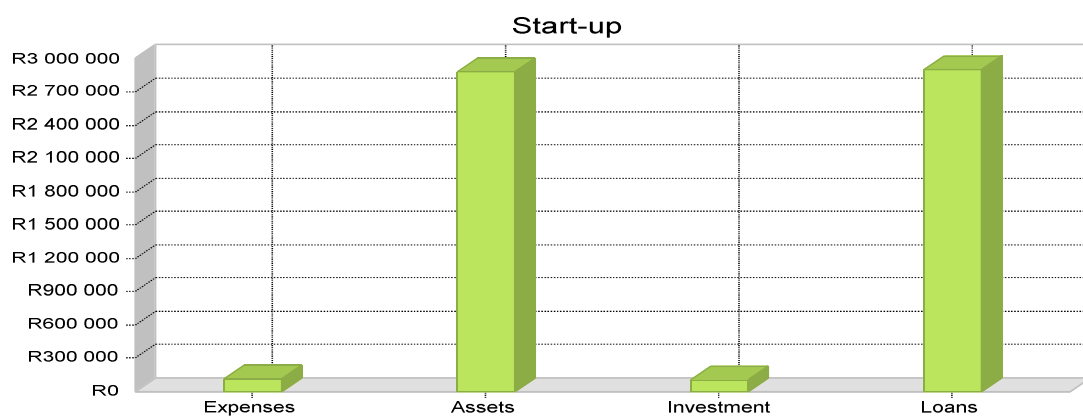
**Mpumalanga Health Solutions Cooperative** needs to fund general start-up expenses, which amounts to R224, 606.30. General start-up expenses are expenses for example training, fuel deposits and other expenses that does not contribute to any assets values of the business. The start-up expenses are included in the following summary table that consolidates all start-up requirements.

**Table: Start-up**

| <b>Start-up Expenses</b>         |                   |
|----------------------------------|-------------------|
| Interior Design and decoration   | 25000             |
| Advance Contractual Payments     | 25000             |
| Electricity Deposit              | R 10 000          |
| Water Deposit                    | R 10 000          |
| Stationery /Computer Consumables | 8500              |
| Signage                          | 25000             |
| Advertising                      | 35000             |
| Brochures / Marketing            | 18000             |
| Office Utilities                 | 15500             |
| Protective Clothing              | 15000             |
| Kitchen Utilities                | 5500              |
| Telephone / Network              | 7000              |
| Unforeseen Costs                 | 25106.3           |
| <b>Total Start-up Expenses</b>   | <b>224606.3</b>   |
| <b>Start-up Assets</b>           |                   |
| Cash Required                    | 300000            |
| Start-up Inventory               | 451 497           |
| Long-term Assets                 | 3610206.72        |
| <b>Total Assets</b>              | <b>4361703.72</b> |
| <b>Total Requirements</b>        | <b>4586310</b>    |

## Mpumalanga Health Solutions Cooperative

Chart: Start-up



### 7.2 Start-up Funding

The next table represents the funding strategy of **Mpumalanga Health Solutions Cooperative**. The funding strategy is based on owner contribution and a long-term Government Funding, which will be repaid over a period of five years.

- Owners' contribution amounts to R1,000.00, and
- The long-term SEFA funding amounts to 10, 000,000.00.

Funding strategies will be negotiated with funders.

#### **Surety and Equity:**

The personal net worth of the owners is approximately R507, 450.00. Additional surety will be required and provision was made to obtain an 80% Guarantee from Department of Public Works Roads and transport. Movable assets and operational equipment will also be ceded to the financial institution to serve as additional surety.

## Mpumalanga Health Solutions Cooperative

The next table summarizes the proposed funding strategy for **Mpumalanga Health Solutions Cooperative**.

**Table: Start-up Funding**

| <b>Start-up Funding</b>                                 |                   |
|---|-------------------|
| <i>Start-up Expenses to Fund</i>                        | R115 000          |
| <i>Start-up Assets to Fund</i>                          | 3610206.72        |
| <b>Total Funding Required</b>                           | <b>4586310</b>    |
| <b>Assets</b>   |                   |
| <i>Non-cash Assets from Start-up</i>                    | R2 385 000        |
| <i>Cash Requirements from Start-up</i>                  | R300 000          |
| <i>Additional Cash Raised</i>                           | R0                |
| <i>Cash Balance on Starting Date</i>                    | R300 000          |
| <b>Total Assets</b>                                     | <b>R2 885 000</b> |
| <b>Liabilities and Capital</b>                          |                   |
| <b>Liabilities</b>                                      |                   |
| <i>Current Borrowing</i>                                | R0                |
| <i>Long-term Liabilities</i>                            | R2 900 000        |
| <i>Accounts Payable (Outstanding Bills)</i>             | R0                |
| <i>Other Current Liabilities (interest-free)</i>        | R0                |
| <b>Total Liabilities (Long-Term Government Funding)</b> | <b>R2 900 000</b> |
| <b>Capital</b>  |                   |
| <b>Planned Investment</b>                               |                   |
| <i>Owner</i>  | R100 000          |
| <i>Additional Investment Requirement</i>                | R0                |
| <b>Total Planned Investment</b>                         | <b>R100 000</b>   |
| <i>Loss at Start-up (Start-up Expenses)</i>             | (R115 000)        |
| <b>Total Capital</b>                                    | <b>(R15 000)</b>  |
| <b>Total Capital</b>                                    | <b>R2 885 000</b> |
| <b>Total Funding</b>                                    | <b>R3 000 000</b> |

### 7.3 Sales Forecast

The sales forecast projections represent broad-based yearly projections consisting of sales and cost of sale. (Retail Stock)

The next table summarizes the sales forecast projections for **Mpumalanga Health Solutions Cooperative**. First year's monthly projections appear in the appendix and a detailed three-year monthly sales analysis in the annexure of the business plan. Sales include added profit margins and cost of sale is the cost of products purchased from manufacturers or the distributors of manufacturers. December months are identified as busy periods as many companies close for the December holidays until after New Year and the demand for occupational health services increases in the community.

**Table: Sales Forecast**

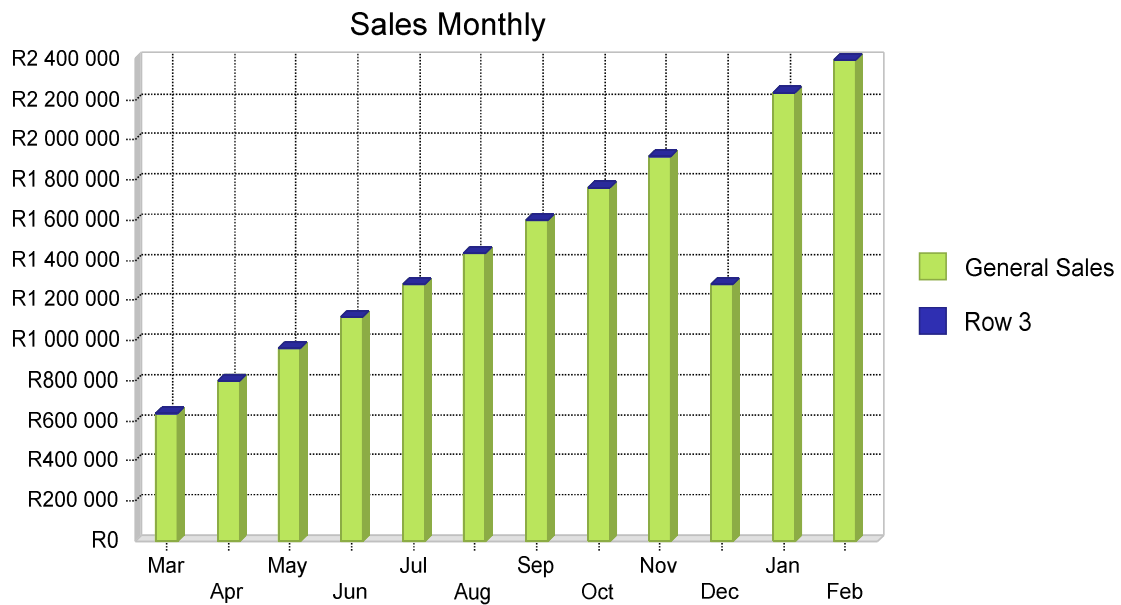
| <b>Sales Forecast</b> |  |  |  |  |  |
|-----------------------|--|--|--|--|--|
|-----------------------|--|--|--|--|--|



## Mpumalanga Health Solutions Cooperative

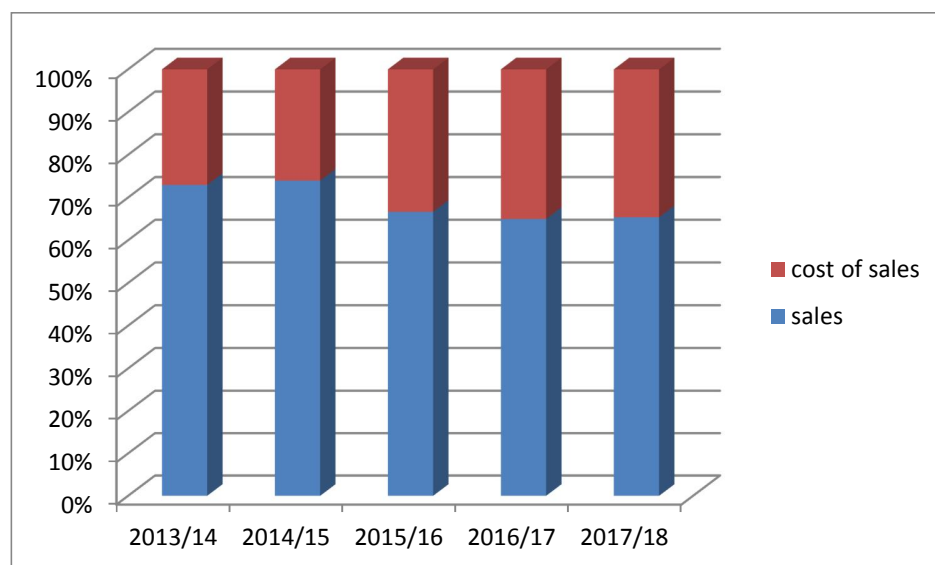
|                                      | FY 2014/15        | FY 2015/16        | FY 2016/17         | FY 2017/18         | FY2018/19          |
|--------------------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| <b>Sales</b>                         |                   |                   |                    |                    |                    |
| <i>General Sales</i>                 | R6 522 000        | R7 761 600        | R36 800 000        | R39 700 000        | R42 800 000        |
| <b>Total Sales</b>                   | <b>R6 522 000</b> | <b>R7 761 600</b> | <b>R36 800 000</b> | <b>R39 700 000</b> | <b>R42 800 000</b> |
| <b>Direct Cost of Sales (Stock)</b>  | <b>FY 2014/15</b> | <b>FY 2015/16</b> | <b>FY 2016/17</b>  | <b>FY 2017/18</b>  | <b>FY2018/19</b>   |
| <i>Stock Purchases</i>               | R2 419 000        | R2 735 040        | R18 400 000        | R21 400 000        | R22 720 000        |
| <b>Subtotal Direct Cost of Sales</b> | <b>R2 419 000</b> | <b>R2 735 040</b> | <b>R18 400 000</b> | <b>R21 400 000</b> | <b>R22 720 000</b> |

Chart: Forecast Sales Monthly FY 2014/15



## Mpumalanga Health Solutions Cooperative

Chart: Sales by Year as a percentage of sales



### 7.4 Projected Profit and Loss

The Profit and Loss table lists all expected monthly expenses. Direct Cost (cost of sale) was calculated in the sales forecast projection in table 7.3.1. As the profit and loss table shows, the business expects to experience a growth in income based on a good marketing strategy, and to grow the business into a highly profitable entity within a three-year period.

The profit and loss table includes fixed and variable monthly expenses. Some expenses are fixed for example payroll and insurance cost. Variable expenses relate to telephone costs, electricity cost, maintenance costs and bank charges. More accurate variances in terms of variable cost will surface after being in operation for at least twelve to twenty four months. Therefore, fair budgets were estimated for monthly variable expenses. Provision was made for SEFA Finance or unforeseen costs and insurance.

#### Depreciation and Insurance:

Depreciation was calculated on a straight-line approach of 20% per year based on movable assets. Depreciation is only applicable to assets and equipment that is depreciable. Depreciation was included in the profit and loss table to determine the tax benefit. The cost for depreciation was added back in the cash flow projections to calculate accurate cash balances of the business as depreciation only reduces the value of assets.

The cost for insurance was calculated at an average of 6% of asset value per annum.

#### Note:

- The current tax rate of 37% was used to determine the potential tax liability.
- The net profit is the available net profit after cost of sale, expenses, interest payments and tax considerations is taken into account.

#### Net Profit or Losses:

## Mpumalanga Health Solutions Cooperative

A net profit of R3,341,583.00 is projected for year one, R7,136,333.00 for year two and R8,456,633.00 in year three, and based on realistic income generated from the retailing of occupational health accessories. It is the intention of **Mpumalanga Health Solutions Cooperative** to grow the business during the first two years with new clients and it is expected that sales ratios will stabilize from year three.

The next table summarizes the yearly profit and loss table. First year's monthly projections appears in the appendix.

**Table: Profit and Loss**

| <b>Pro Forma Profit and Loss</b>        |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | <b>FY 2013/14</b>  | <b>FY 2014/15</b>  | <b>FY 2015/16</b>  |
| <b>Sales</b>                            | <b>R17 440 000</b> | <b>R31 680 000</b> | <b>R36 800 000</b> |
| <i>Direct Cost of Sales</i>             | R8 720 000         | R15 840 000        | R18 400 000        |
| <i>Other Costs of Sales</i>             | R0                 | R0                 | R0                 |
| <b>Total Cost of Sales</b>              | <b>R8 720 000</b>  | <b>R15 840 000</b> | <b>R18 400 000</b> |
| <b>Gross Margin</b>                     | <b>R8 720 000</b>  | <b>R15 840 000</b> | <b>R18 400 000</b> |
| <i>Gross Margin %</i>                   | 50.00%             | 50.00%             | 50.00%             |
| <b>Expenses</b>                         |                    |                    |                    |
| <i>Payroll</i>                          | R664 968           | R731 400           | R804 720           |
| <i>Marketing/Promotion</i>              | R42 000            | R46 200            | R50 820            |
| <i>Depreciation</i>                     | R157 200           | R157 200           | R157 200           |
| <i>Accounting Fees</i>                  | R9 000             | R9 900             | R10 800            |
| <i>Bank Charges</i>                     | R174 400           | R316 800           | R368 000           |
| <i>Cleaning Costs</i>                   | R26 400            | R29 040            | R31 800            |
| <i>Commissions / Discounts</i>          | R1 744 000         | R3 168 000         | R3 680 000         |
| <i>Delivery Costs (Vehicle)</i>         | R174 400           | R316 800           | R368 000           |
| <i>Electricity</i>                      | R18 000            | R19 800            | R21 600            |
| <i>Insurance</i>                        | R120 000           | R120 000           | R120 000           |
| <i>Internet / Data Lines</i>            | R18 000            | R19 800            | R21 600            |
| <i>Office Utilities</i>                 | R9 000             | R9 900             | R10 800            |
| <i>Rent</i>                             | R310 260           | R341 280           | R375 420           |
| <i>Stationery / Consumables</i>         | R12 000            | R14 400            | R17 400            |
| <i>Telephone Cost</i>                   | R60 000            | R66 000            | R72 000            |
| <i>Vehicle Maintenance</i>              | R36 000            | R42 000            | R66 000            |
| <i>Unforeseen</i>                       | R105 000           | R105 000           | R105 000           |
| <b>Total Operating Expenses</b>         | <b>R3 680 628</b>  | <b>R5 513 520</b>  | <b>R6 281 160</b>  |
| <i>Profit Before Interest and Taxes</i> | R5 039 372         | R10 326 480        | R12 118 840        |
| <b>EBITDA</b>                           | <b>R5 196 572</b>  | <b>R10 483 680</b> | <b>R12 276 040</b> |
| <i>Interest Expense</i>                 | R332 917           | R275 307           | R208 090           |
| <i>Taxes Incurred</i>                   | R1 364 872         | R2 914 840         | R3 454 118         |
| <b>Net Profit</b>                       | <b>R3 341 583</b>  | <b>R7 136 333</b>  | <b>R8 456 633</b>  |
| <b>Net Profit/Sales</b>                 | <b>19.16%</b>      | <b>22.53%</b>      | <b>22.98%</b>      |

## Mpumalanga Health Solutions Cooperative

Chart: Profit Monthly

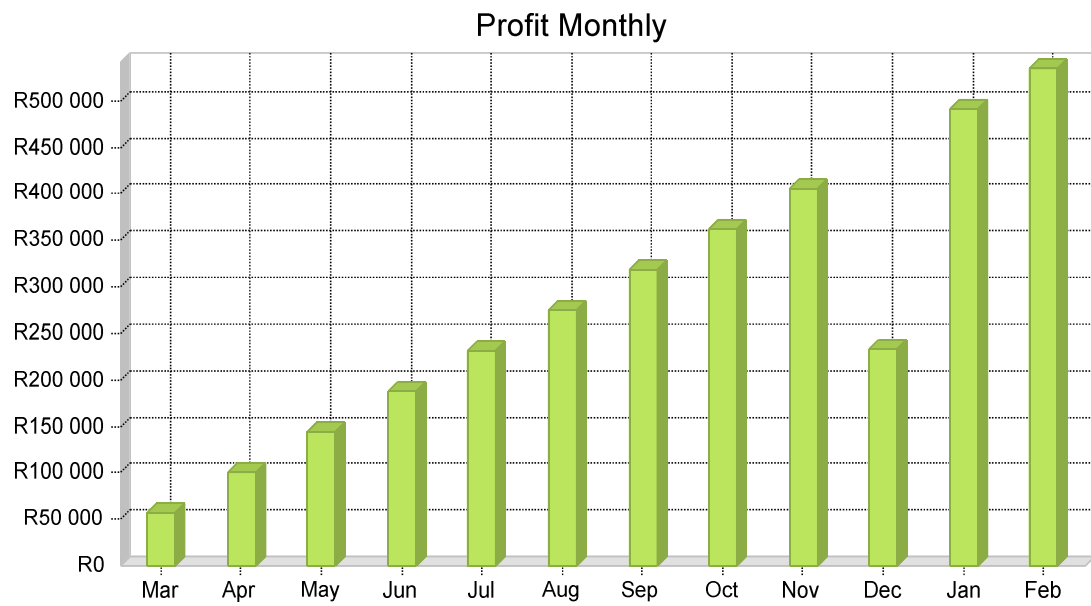
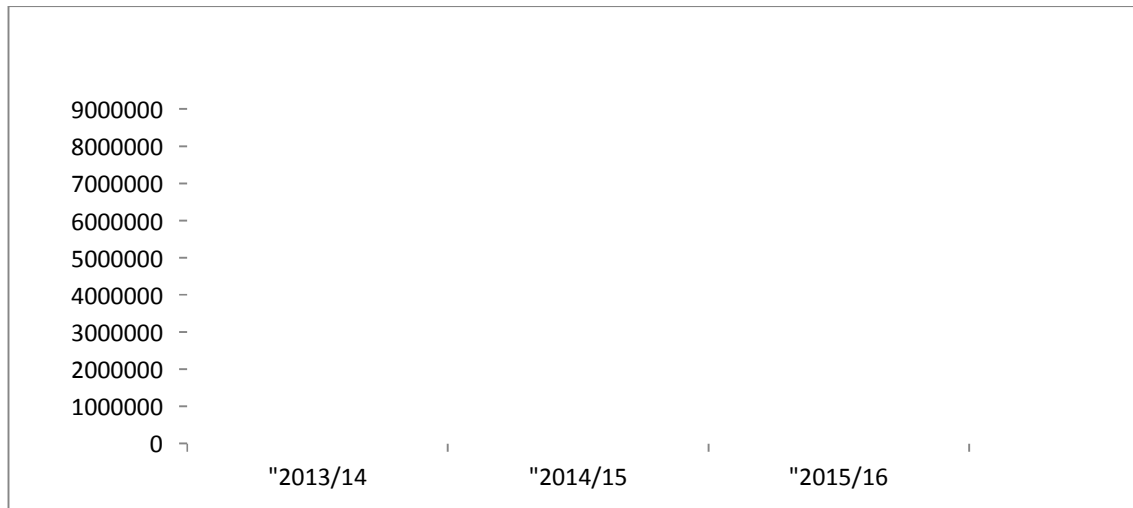


Chart: Profit Yearly



## Mpumalanga Health Solutions Cooperative

Chart: Gross Margin Monthly

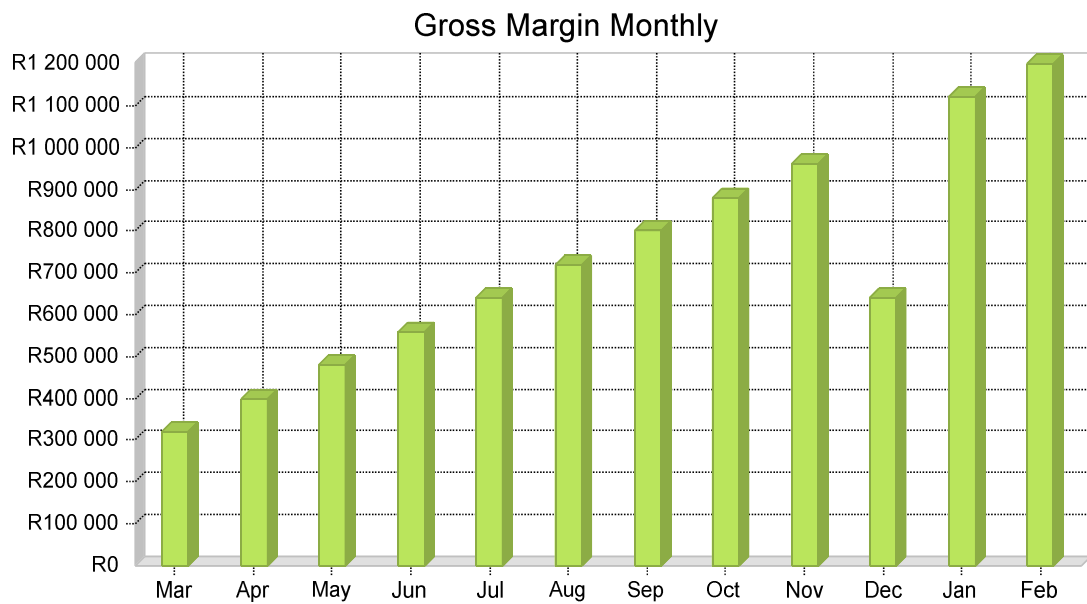
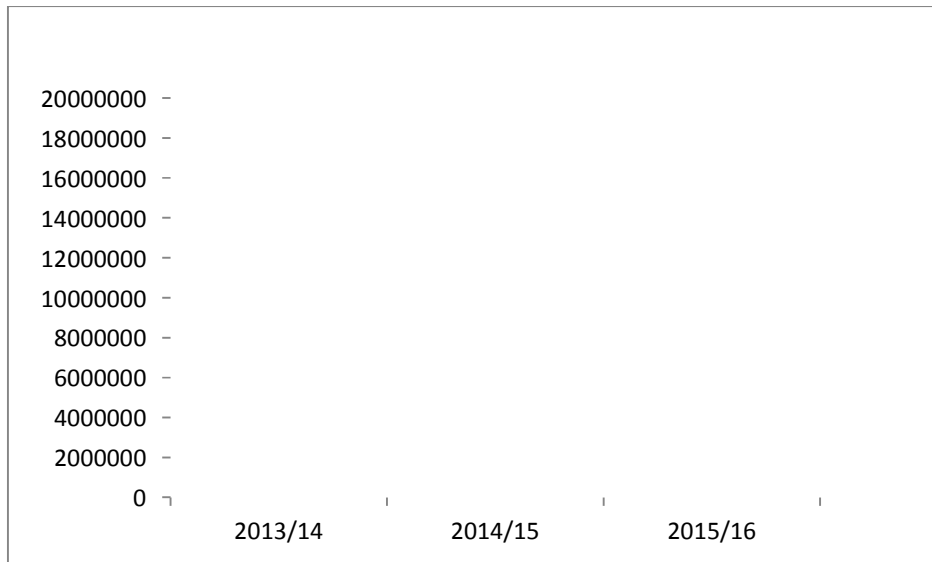


Chart: Gross Margin Yearly



## Mpumalanga Health Solutions Cooperative

### 7.5 Break-even Analysis

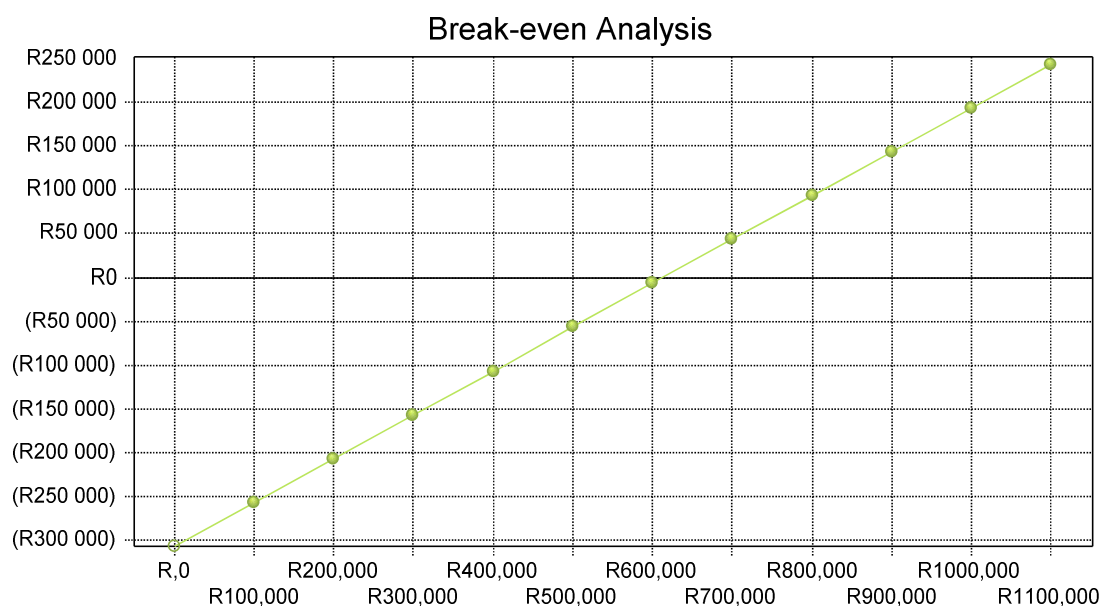
The next table highlights monthly break-even revenue, which average to an amount of R613, 438.00 per month. Average per-unit revenue equals 50% of sales. Estimated monthly fixed expenses will amount to R306, 719.00 per month.

The next table and chart represents the break-even analysis for **Mpumalanga Health Solutions Cooperative**.

**Table: Break-even Analysis**

| <b>Break-even Analysis</b>    |          |
|-------------------------------|----------|
| Monthly Revenue Break-even    | R613 438 |
| <b>Assumptions:</b>           |          |
| Average Percent Variable Cost | 50%      |
| Estimated Monthly Fixed Cost  | R306 719 |

**Chart: Break-even Analysis**



### 7.6 Projected Cash Flow

The projected cash flow table is a shortened summary of income generated, which is subtracted from the projected sales forecast table in section 7.3.1 and expenditure as listed in the projected profit and loss table in section 7.4, which includes sales, cost of sales, gross profit margins, payroll cost, monthly fixed expenditure, tax liabilities, interest payment and projected net profits. Cash payments in the table represent payroll cost and expenses represent monthly fixed and variable costs.

#### Accounts Receivable and Payable:

## **Mpumalanga Health Solutions Cooperative**

- Monthly expenses such as rent and electricity will be paid at the end of the month, but in this case payable in advance.
- Provision was made for 60% of sales on 30-day credit terms as Governmental and Municipal departments pays only 30 days after invoicing.
- Provision was made to repay the Government Funding over a five-year period at an average interest rate of 12.5%. (Prime + 3%)
- No provision was made for yearly dividends payable to the member during the first three years of being in operation.

### **VAT:**

VAT was calculated on all income received and used as an equalizer in the cash flow projections. VAT reclaimed on monthly expenses will reduce the VAT liability and improve the cash flow and cash balances.

### **Long-term Government Funding Repayment:**

The monthly repayment of a Government Funding amounting to R2, 900,000.00 amounts to R65, 244.02 per month over a five-year period at an average interest rate of 12.5%. The next analysis details first year's payments consisting of principal and interest payments as reflected in the Profit and Loss table and the Cash Flow table.

### **Net Cash Flow and Cash Balances:**

- A net cash flow of R506, 942.00 is projected for year one, R1992, 404.00 for year two and R9, 837,477.00 for year three.
- A cash balance of R1,006,942.00 is projected for year one, R1,999,346.00 for year two and R11,836,823.00 for year three. The cash balances are inclusive of the initial opening cash balance of R500, 000.00 and yearly-retained earnings.

### **Factors that will improve monthly Cash Flows:**

- VAT received and paid was used as an equalizer in the Cash Flow Tables. VAT reclaimable will reduce VAT liabilities and improve Cash Flows.
- Tax is payable yearly, and will improve the monthly Cash Balances of the business.

### **Financial Assumptions:**

- Variable expenses are kept within the set budget.
- All projected sales targets are met or exceeded.

### **Cash Management:**

All excessive cash balances will be either used to purchase more stock, expand the product range or to repay the long-term Government Funding over a shorter period.

The next table and chart represents the summarized yearly cash flow projections. First year monthly tables are included in the appendix.

## Mpumalanga Health Solutions Cooperative

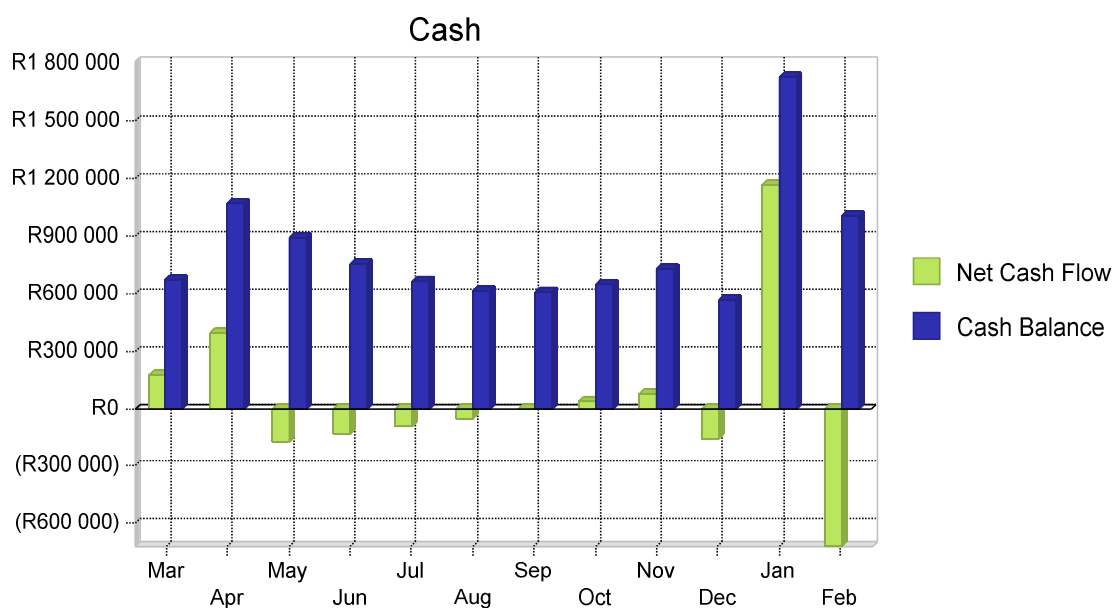
**Table: Cash Flow**

| <b>Pro Forma Cash Flow</b>                       |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | <b>FY 2013/14</b>  | <b>FY 2014/15</b>  | <b>FY 2015/16</b>  |
| <b>Cash Received</b>                             |                    |                    |                    |
| <i>Cash from Operations</i>                      |                    |                    |                    |
| <i>Cash Sales</i>                                | R6 976 000         | R12 672 000        | R14 720 000        |
| <i>Cash from Receivables</i>                     | R9 072 000         | R17 871 413        | R21 671 339        |
| <b>Subtotal Cash from Operations</b>             | <b>R16 048 000</b> | <b>R30 543 413</b> | <b>R36 391 339</b> |
| <b>Additional Cash Received</b>                  |                    |                    |                    |
| <i>Sales Tax, VAT, HST/GST Received</i>          | R2 441 600         | R4 435 200         | R5 152 000         |
| <i>New Long-term Liabilities</i>                 | R0                 | R0                 | R0                 |
| <i>Sales of Long-term Assets</i>                 | R0                 | R0                 | R0                 |
| <i>New Investment Received</i>                   | R0                 | R0                 | R0                 |
| <b>Subtotal Cash Received</b>                    | <b>R18 489 600</b> | <b>R34 978 613</b> | <b>R41 543 339</b> |
| <b>Expenditures</b>                              | <b>FY 2013/14</b>  | <b>FY 2014/15</b>  | <b>FY 2015/16</b>  |
| <b>Expenditures from Operations</b>              |                    |                    |                    |
| <i>Cash Spending (Payroll)</i>                   | R664 968           | R731 400           | R804 720           |
| <i>Expense Payments (Profit &amp; Loss)</i>      | R14 430 718        | R28 315 263        | R25 178 013        |
| <b>Subtotal Spent on Operations</b>              | <b>R15 095 686</b> | <b>R29 046 663</b> | <b>R25 982 733</b> |
| <b>Additional Cash Spent</b>                     |                    |                    |                    |
| <i>Sales Tax, VAT, HST/GST Paid Out</i>          | R2 441 600         | R4 435 200         | R5 152 000         |
| <i>Other Liabilities Principal Repayment</i>     | R0                 | R0                 | R0                 |
| <i>Long-term Liabilities Principal Repayment</i> | R445 372           | R504 346           | R571 129           |
| <i>Purchase Long-term Assets</i>                 | R0                 | R0                 | R0                 |
| <i>Dividends</i>                                 | R0                 | R0                 | R0                 |
| <b>Subtotal Cash Spent</b>                       | <b>R17 982 658</b> | <b>R33 986 209</b> | <b>R31 705 863</b> |
| <b>Net Cash Flow</b>                             | <b>R506 942</b>    | <b>R992 404</b>    | <b>R9 837 477</b>  |
| <b>Cash Balance</b>                              | <b>R1 006 942</b>  | <b>R1 999 346</b>  | <b>R11 836 823</b> |



## Mpumalanga Health Solutions Cooperative

Chart: Cash



### 7.6.1 Important Assumptions

The next table represents current, long-term interest rates and the tax rate.

Table: General Assumptions

| General Assumptions     |            |            |            |
|-------------------------|------------|------------|------------|
|                         | FY 2013/14 | FY 2014/15 | FY 2015/16 |
| Plan Month              | 1          | 2          | 3          |
| Current Interest Rate   | 12.50%     | 12.50%     | 12.50%     |
| Long-term Interest Rate | 12.50%     | 12.50%     | 12.50%     |
| Tax Rate                | 29.00%     | 29.00%     | 29.00%     |

### 7.7 Projected Balance Sheet

A net worth of R3,326,583.00 is projected for year one, R10,462,916.00 for year two and R18,919,548.00 for year three. The bulk net worth of the business is based on earnings and retained earnings and stock on hand.

The balance sheet includes:

- Current assets, which includes cash and cash earnings.
- Long-term assets values, inclusive of depreciation,
- Liabilities and capital, which includes accounts payable, Government Funding (long-term liabilities), paid-in capital, retained earnings, earnings and total capital.

The next table represents the yearly projected balance sheet for **Mpumalanga Health Solutions Cooperative**. First year's projections appear in the appendix.

## Mpumalanga Health Solutions Cooperative

**Table: Balance Sheet**

| <b>Pro Forma Balance Sheet</b>       |                   |                    |                    |
|--------------------------------------|-------------------|--------------------|--------------------|
|                                      | <b>FY 2013/14</b> | <b>FY 2014/15</b>  | <b>FY 2015/16</b>  |
| <b>Assets</b>                        |                   |                    |                    |
| <b>Current Assets</b>                |                   |                    |                    |
| Cash                                 | R1 006 942        | R1 999 346         | R11 836 823        |
| Accounts Receivable                  | R1 392 000        | R2 528 587         | R2 937 248         |
| Inventory                            | R4 800 000        | R9 767 178         | R7 255 305         |
| <b>Total Current Assets</b>          | <b>R7 198 942</b> | <b>R14 295 111</b> | <b>R22 029 376</b> |
| <b>Long-term Assets</b>              |                   |                    |                    |
| Long-term Assets                     | R785 000          | R785 000           | R785 000           |
| Accumulated Depreciation             | R157 200          | R314 400           | R471 600           |
| Total Long-term Assets               | R627 800          | R470 600           | R313 400           |
| <b>Total Assets</b>                  | <b>R7 826 742</b> | <b>R14 765 711</b> | <b>R22 342 776</b> |
| <b>Liabilities and Capital</b>       | <b>FY 2013/14</b> | <b>FY 2014/15</b>  | <b>FY 2015/16</b>  |
| <b>Current Liabilities</b>           |                   |                    |                    |
| Accounts Payable                     | R2 045 531        | R2 352 513         | R2 044 075         |
| Other Current Liabilities            | R0                | R0                 | R0                 |
| <b>Subtotal Current Liabilities</b>  | <b>R2 045 531</b> | <b>R2 352 513</b>  | <b>R2 044 075</b>  |
| <b>Long-term Liabilities</b>         | R2 454 628        | R1 950 283         | R1 379 153         |
| <b>Total Liabilities</b>             | <b>R4 500 159</b> | <b>R4 302 796</b>  | <b>R3 423 228</b>  |
| <b>Paid-in Capital</b>               | R100 000          | R100 000           | R100 000           |
| <b>Retained Earnings</b>             | (R115 000)        | R3 226 583         | R10 362 916        |
| <b>Earnings</b>                      | R3 341 583        | R7 136 333         | R8 456 633         |
| <b>Total Capital</b>                 | <b>R3 326 583</b> | <b>R10 462 916</b> | <b>R18 919 548</b> |
| <b>Total Liabilities and Capital</b> | <b>R7 826 742</b> | <b>R14 765 711</b> | <b>R22 342 776</b> |
| <b>Net Worth</b>                     | <b>R3 326 583</b> | <b>R10 462 916</b> | <b>R18 919 548</b> |

### 7.8 Business Ratios

The next table represents important business ratios. The business ratios are based on the financial projections according to the projections of the business plan.

## Mpumalanga Health Solutions Cooperative

**Table: Ratios**

| <b>Ratio Analysis</b>                      |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | <b>FY 2013/14</b> | <b>FY 2014/15</b> | <b>FY 2015/16</b> |
| <b>Sales Growth</b>                        | n.a.              | 81.65%            | 16.16%            |
| <b>Percent of Total Assets</b>             |                   |                   |                   |
| Accounts Receivable                        | 17.79%            | 17.12%            | 13.15%            |
| Inventory                                  | 61.33%            | 66.15%            | 32.47%            |
| Total Current Assets                       | 91.98%            | 96.81%            | 98.60%            |
| Long-term Assets                           | 8.02%             | 3.19%             | 1.40%             |
| <b>Total Assets</b>                        | <b>100.00%</b>    | <b>100.00%</b>    | <b>100.00%</b>    |
| Current Liabilities                        | 26.14%            | 15.93%            | 9.15%             |
| Long-term Liabilities                      | 31.36%            | 13.21%            | 6.17%             |
| Total Liabilities                          | 57.50%            | 29.14%            | 15.32%            |
| Net Worth                                  | 42.50%            | 70.86%            | 84.68%            |
| <b>Percent of Sales</b>                    |                   |                   |                   |
| Sales                                      | 100.00%           | 100.00%           | 100.00%           |
| Gross Margin                               | 50.00%            | 50.00%            | 50.00%            |
| Selling, General & Administrative Expenses | 30.84%            | 27.47%            | 27.02%            |
| Advertising Expenses                       | 0.24%             | 0.15%             | 0.14%             |
| Profit Before Interest and Taxes           | 28.90%            | 32.60%            | 32.93%            |
| <b>Main Ratios</b>                         |                   |                   |                   |
| Current                                    | 3.52              | 6.08              | 10.78             |
| Quick                                      | 1.17              | 1.92              | 7.23              |
| Total Debt to Total Assets                 | 57.50%            | 29.14%            | 15.32%            |
| Pre-tax Return on Net Worth                | 141.48%           | 96.06%            | 62.95%            |
| Pre-tax Return on Assets                   | 60.13%            | 68.07%            | 53.31%            |
| <b>Additional Ratios</b>                   | <b>FY 2013/14</b> | <b>FY 2014/15</b> | <b>FY 2015/16</b> |
| Net Profit Margin                          | 19.16%            | 22.53%            | 22.98%            |
| Return on Equity                           | 100.45%           | 68.21%            | 44.70%            |
| <b>Activity Ratios</b>                     |                   |                   |                   |
| Accounts Receivable Turnover               | 7.52              | 7.52              | 7.52              |
| Collection Days                            | 29                | 38                | 45                |
| Inventory Turnover                         | 2.95              | 2.17              | 2.16              |
| Accounts Payable Turnover                  | 8.05              | 12.17             | 12.17             |
| Payment Days                               | 27                | 28                | 32                |
| Total Asset Turnover                       | 2.23              | 2.15              | 1.65              |
| <b>Debt Ratios</b>                         |                   |                   |                   |
| Debt to Net Worth                          | 1.35              | 0.41              | 0.18              |
| Current Liab. to Liab.                     | 0.45              | 0.55              | 0.60              |
| <b>Liquidity Ratios</b>                    |                   |                   |                   |
| Net Working Capital                        | R5 153 411        | R11 942 598       | R19 985 301       |
| Interest Coverage                          | 15.14             | 37.51             | 58.24             |
| <b>Additional Ratios</b>                   |                   |                   |                   |
| Assets to Sales                            | 0.45              | 0.47              | 0.61              |
| Current Debt/Total Assets                  | 26%               | 16%               | 9%                |

## Mpumalanga Health Solutions Cooperative

|                        |      |      |      |
|------------------------|------|------|------|
| <i>Acid Test</i>       | 0.49 | 0.85 | 5.79 |
| <i>Sales/Net Worth</i> | 5.24 | 3.03 | 1.95 |
| <i>Dividend Payout</i> | 0.00 | 0.00 | 0.00 |

# Appendix

Table: Sales Forecast

| Sales Forecast                |          |          |          |            |            |            |            |            |            |            |            |            |
|-------------------------------|----------|----------|----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                               | Mar      | Apr      | May      | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        | Jan        | Feb        |
| Sales                         |          |          |          |            |            |            |            |            |            |            |            |            |
| General Sales                 | R640 000 | R800 000 | R960 000 | R1 120 000 | R1 280 000 | R1 440 000 | R1 600 000 | R1 760 000 | R1 920 000 | R1 280 000 | R2 240 000 | R2 400 000 |
| Total Sales                   | R640 000 | R800 000 | R960 000 | R1 120 000 | R1 280 000 | R1 440 000 | R1 600 000 | R1 760 000 | R1 920 000 | R1 280 000 | R2 240 000 | R2 400 000 |
|                               |          |          |          |            |            |            |            |            |            |            |            |            |
| Direct Cost of Sales          | Mar      | Apr      | May      | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        | Jan        | Feb        |
| Stock Purchases               | R320 000 | R400 000 | R480 000 | R560 000   | R640 000   | R720 000   | R800 000   | R880 000   | R960 000   | R640 000   | R1 120 000 | R1 200 000 |
| Subtotal Direct Cost of Sales | R320 000 | R400 000 | R480 000 | R560 000   | R640 000   | R720 000   | R800 000   | R880 000   | R960 000   | R640 000   | R1 120 000 | R1 200 000 |

Appendix

Table: Personnel

| Personnel Plan            |   |          |          |           |          |          |          |          |          |          |          |          |          |          |
|---------------------------|---|----------|----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                           |   | Mar      | Apr      | May       | Jun      | Jul      | Aug      | Sep      | Oct      | Nov      | Dec      | Jan      | Feb      |          |
| Manager                   |   | 6147.90  | 6147.89  | 6147.89   | 6147.89  | 6147.89  | 6147.89  | 6147.89  | 6147.89  | 6147.89  | 6147.89  | 6147.89  | 6147.89  | 73774.75 |
| Assistant Manager         |   | 5413.33  | 5413.33  | 5413.33   | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 64960    |
| Accounting Officer        |   | 5413.33  | 5413.33  | 5413.33   | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 5413.33  | 64960    |
| Counter Sales             | 3 | 14425    | 14425    | 14425     | 14425    | 14425    | 14425    | 14425    | 14425    | 14425    | 14425    | 14425    | 14425    | 173100   |
| Receptionist              | 1 | 4212.5   | 4212.5   | 4212.5    | 4212.5   | 4212.5   | 4212.5   | 4212.5   | 4212.5   | 4212.5   | 4212.5   | 4212.5   | 4212.5   | 50550    |
| Drivers                   | 6 | 28337.5  | 28337.5  | 28337.5   | 28337.5  | 28337.5  | 28337.5  | 28337.5  | 28337.5  | 28337.5  | 28337.5  | 28337.5  | 28337.5  | 340050   |
| Nurses                    | 2 | 38400    | 38400    | 38400     | 38400    | 38400    | 38400    | 38400    | 38400    | 38400    | 38400    | 38400    | 38400    | 460800   |
| Technician                | 2 | 12930.5  | 12930.5  | 12930.5   | 12930.5  | 12930.5  | 12930.5  | 12930.5  | 12930.5  | 12930.5  | 12930.5  | 12930.5  | 12930.5  | 155166   |
| Occupational Practitioner | 3 | 65160    | 65160    | 65160     | 65160    | 65160    | 65160    | 65160    | 65160    | 65160    | 65160    | 65160    | 65160    | 781920   |
| Total Payroll             |   | 180440.1 | 180440.1 | 180440.06 | 180440.1 | 180440.1 | 180440.1 | 180440.1 | 180440.1 | 180440.1 | 180440.1 | 180440.1 | 180440.1 | 2165281  |

Appendix

Table: Profit and Loss

| <i>Pro Forma Profit and Loss</i>        |                 |                 |                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | Mar             | Apr             | May             | Jun               | Jul               | Aug               | Sep               | Oct               | Nov               | Dec               | Jan               | Feb               |
| <b>Sales</b>                            | <b>R640 000</b> | <b>R800 000</b> | <b>R960 000</b> | <b>R1 120 000</b> | <b>R1 280 000</b> | <b>R1 440 000</b> | <b>R1 600 000</b> | <b>R1 760 000</b> | <b>R1 920 000</b> | <b>R1 280 000</b> | <b>R2 240 000</b> | <b>R2 400 000</b> |
| <i>Direct Cost of Sales</i>             | R320 000        | R400 000        | R480 000        | R560 000          | R640 000          | R720 000          | R800 000          | R880 000          | R960 000          | R640 000          | R1 120 000        | R1 200 000        |
| <b>Total Cost of Sales</b>              | <b>R320 000</b> | <b>R400 000</b> | <b>R480 000</b> | <b>R560 000</b>   | <b>R640 000</b>   | <b>R720 000</b>   | <b>R800 000</b>   | <b>R880 000</b>   | <b>R960 000</b>   | <b>R640 000</b>   | <b>R1 120 000</b> | <b>R1 200 000</b> |
| <b>Gross Margin</b>                     | <b>R320 000</b> | <b>R400 000</b> | <b>R480 000</b> | <b>R560 000</b>   | <b>R640 000</b>   | <b>R720 000</b>   | <b>R800 000</b>   | <b>R880 000</b>   | <b>R960 000</b>   | <b>R640 000</b>   | <b>R1 120 000</b> | <b>R1 200 000</b> |
| <i>Gross Margin %</i>                   | 50.00%          | 50.00%          | 50.00%          | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%            |
| <b>Expenses</b>                         |                 |                 |                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <i>Payroll</i>                          | R55 414         | R55 414         | R55 414         | R55 414           | R55 414           | R55 414           | R55 414           | R55 414           | R55 414           | R55 414           | R55 414           | R55 414           |
| <i>Marketing/Promotion</i>              | R3 500          | R3 500          | R3 500          | R3 500            | R3 500            | R3 500            | R3 500            | R3 500            | R3 500            | R3 500            | R3 500            | R3 500            |
| <i>Depreciation</i>                     | R13 100         | R13 100         | R13 100         | R13 100           | R13 100           | R13 100           | R13 100           | R13 100           | R13 100           | R13 100           | R13 100           | R13 100           |
| <i>Accounting Fees</i>                  | R750            | R750            | R750            | R750              | R750              | R750              | R750              | R750              | R750              | R750              | R750              | R750              |
| <i>Bank Charges</i>                     | R6 400          | R8 000          | R9 600          | R11 200           | R12 800           | R14 400           | R16 000           | R17 600           | R19 200           | R12 800           | R22 400           | R24 000           |
| <i>Cleaning Costs</i>                   | R2 200          | R2 200          | R2 200          | R2 200            | R2 200            | R2 200            | R2 200            | R2 200            | R2 200            | R2 200            | R2 200            | R2 200            |
| <i>Commissions / Discounts</i>          | R64 000         | R80 000         | R96 000         | R112 000          | R128 000          | R144 000          | R160 000          | R176 000          | R192 000          | R128 000          | R224 000          | R240 000          |
| <i>Delivery Costs (Vehicle)</i>         | R6 400          | R8 000          | R9 600          | R11 200           | R12 800           | R14 400           | R16 000           | R17 600           | R19 200           | R12 800           | R22 400           | R24 000           |
| <i>Electricity</i>                      | R1 500          | R1 500          | R1 500          | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            |
| <i>Insurance</i>                        | R10 000         | R10 000         | R10 000         | R10 000           | R10 000           | R10 000           | R10 000           | R10 000           | R10 000           | R10 000           | R10 000           | R10 000           |
| <i>Internet / Data Lines</i>            | R1 500          | R1 500          | R1 500          | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            | R1 500            |
| <i>Office Utilities</i>                 | R750            | R750            | R750            | R750              | R750              | R750              | R750              | R750              | R750              | R750              | R750              | R750              |
| <i>Rent</i>                             | R25 855         | R25 855         | R25 855         | R25 855           | R25 855           | R25 855           | R25 855           | R25 855           | R25 855           | R25 855           | R25 855           | R25 855           |
| <i>Stationery / Consumables</i>         | R1 000          | R1 000          | R1 000          | R1 000            | R1 000            | R1 000            | R1 000            | R1 000            | R1 000            | R1 000            | R1 000            | R1 000            |
| <i>Telephone Cost</i>                   | R5 000          | R5 000          | R5 000          | R5 000            | R5 000            | R5 000            | R5 000            | R5 000            | R5 000            | R5 000            | R5 000            | R5 000            |
| <i>Vehicle Maintenance</i>              | R3 000          | R3 000          | R3 000          | R3 000            | R3 000            | R3 000            | R3 000            | R3 000            | R3 000            | R3 000            | R3 000            | R3 000            |
| <i>Unforeseen / Khula</i>               | R8 750          | R8 750          | R8 750          | R8 750            | R8 750            | R8 750            | R8 750            | R8 750            | R8 750            | R8 750            | R8 750            | R8 750            |
| <b>Total Operating Expenses</b>         | <b>R209 119</b> | <b>R228 319</b> | <b>R247 519</b> | <b>R266 719</b>   | <b>R285 919</b>   | <b>R305 119</b>   | <b>R324 319</b>   | <b>R343 519</b>   | <b>R362 719</b>   | <b>R285 919</b>   | <b>R401 119</b>   | <b>R420 319</b>   |
| <i>Profit Before Interest and Taxes</i> | R110 881        | R171 681        | R232 481        | R293 281          | R354 081          | R414 881          | R475 681          | R536 481          | R597 281          | R354 081          | R718 881          | R779 681          |
| <b>EBITDA</b>                           | <b>R123 981</b> | <b>R184 781</b> | <b>R245 581</b> | <b>R306 381</b>   | <b>R367 181</b>   | <b>R427 981</b>   | <b>R488 781</b>   | <b>R549 581</b>   | <b>R610 381</b>   | <b>R367 181</b>   | <b>R731 981</b>   | <b>R792 781</b>   |
| <i>Interest Expense</i>                 | R29 843         | R29 475         | R29 102         | R28 726           | R28 345           | R27 961           | R27 572           | R27 180           | R26 784           | R26 383           | R25 978           | R25 569           |
| <i>Taxes Incurred</i>                   | R23 501         | R41 240         | R58 980         | R76 721           | R94 463           | R112 207          | R129 951          | R147 697          | R165 444          | R95 032           | R200 942          | R218 692          |
| <b>Net Profit</b>                       | <b>R57 537</b>  | <b>R100 967</b> | <b>R144 399</b> | <b>R187 834</b>   | <b>R231 272</b>   | <b>R274 713</b>   | <b>R318 157</b>   | <b>R361 604</b>   | <b>R405 053</b>   | <b>R232 666</b>   | <b>R491 961</b>   | <b>R535 419</b>   |
| <b>Net Profit/Sales</b>                 | <b>8.99%</b>    | <b>12.62%</b>   | <b>15.04%</b>   | <b>16.77%</b>     | <b>18.07%</b>     | <b>19.08%</b>     | <b>19.88%</b>     | <b>20.55%</b>     | <b>21.10%</b>     | <b>18.18%</b>     | <b>21.96%</b>     | <b>22.31%</b>     |

# Appendix

Table: Cash Flow

| Pro Forma Cash Flow                       |        |          |            |            |            |            |            |            |            |            |            |            |            |
|---|--------|----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   |        | Mar      | Apr        | May        | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        | Jan        | Feb        |
| Cash Received                             |        |          |            |            |            |            |            |            |            |            |            |            |            |
| Cash from Operations                      |        |          |            |            |            |            |            |            |            |            |            |            |            |
| Cash Sales                                |        | R256 000 | R320 000   | R384 000   | R448 000   | R512 000   | R576 000   | R640 000   | R704 000   | R768 000   | R512 000   | R896 000   | R960 000   |
| Cash from Receivables                     |        | R12 800  | R387 200   | R483 200   | R579 200   | R675 200   | R771 200   | R867 200   | R963 200   | R1 059 200 | R1 139 200 | R787 200   | R1 347 200 |
| Subtotal Cash from Operations             |        | R268 800 | R707 200   | R867 200   | R1 027 200 | R1 187 200 | R1 347 200 | R1 507 200 | R1 667 200 | R1 827 200 | R1 651 200 | R1 683 200 | R2 307 200 |
| Additional Cash Received                  |        |          |            |            |            |            |            |            |            |            |            |            |            |
| Sales Tax, VAT, HST/GST Received          | 14.00% | R89 600  | R112 000   | R134 400   | R156 800   | R179 200   | R201 600   | R224 000   | R246 400   | R268 800   | R179 200   | R313 600   | R336 000   |
| New Long-term Liabilities                 |        | R0       | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         |
| Sales of Long-term Assets                 |        | R0       | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         |
| New Investment Received                   |        | R0       | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         |
| Subtotal Cash Received                    |        | R358 400 | R819 200   | R1 001 600 | R1 184 000 | R1 366 400 | R1 548 800 | R1 731 200 | R1 913 600 | R2 096 000 | R1 830 400 | R1 996 800 | R2 643 200 |
| Expenditures                              |        |          |            |            |            |            |            |            |            |            |            |            |            |
| Expenditures from Operations              |        |          |            |            |            |            |            |            |            |            |            |            |            |
| Cash Spending (Payroll)                   |        | R55 414  | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    | R55 414    |
| Expenses Payments (Profit & Loss)         |        | R6 465   | R219 168   | R954 405   | R1 070 972 | R1 187 537 | R1 304 099 | R1 420 658 | R1 537 214 | R1 653 767 | R1 718 846 | R426 177   | R2 931 410 |
| Subtotal Spent on Operations              |        | R61 879  | R274 582   | R1 009 819 | R1 126 386 | R1 242 951 | R1 359 513 | R1 476 072 | R1 592 628 | R1 709 181 | R1 774 260 | R481 591   | R2 986 824 |
| Additional Cash Spent                     |        |          |            |            |            |            |            |            |            |            |            |            |            |
| Sales Tax, VAT, HST/GST Paid Out          |        | R89 600  | R112 000   | R134 400   | R156 800   | R179 200   | R201 600   | R224 000   | R246 400   | R268 800   | R179 200   | R313 600   | R336 000   |
| Long-term Liabilities Principal Repayment |        | R35 036  | R35 401    | R35 769    | R36 142    | R36 518    | R36 899    | R37 283    | R37 672    | R38 064    | R38 461    | R38 861    | R39 266    |
| Purchase Long-term Assets                 |        | R0       | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         |
| Dividends                                 |        | R0       | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         | R0         |
| Subtotal Cash Spent                       |        | R186 515 | R421 983   | R1 179 988 | R1 319 328 | R1 458 670 | R1 598 012 | R1 737 355 | R1 876 700 | R2 016 045 | R1 991 920 | R834 052   | R3 362 090 |
| Net Cash Flow                             |        | R171 885 | R397 217   | (R178 388) | (R135 328) | (R92 270)  | (R49 212)  | (R6 155)   | R36 900    | R79 955    | (R161 520) | R1 162 748 | (R718 890) |
| Cash Balance                              |        | R671 885 | R1 069 102 | R890 714   | R755 386   | R663 116   | R613 904   | R607 749   | R644 650   | R724 604   | R563 084   | R1 725 832 | R1 006 942 |



# Appendix

Table: Balance Sheet

| Pro Forma Balance Sheet              |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|--------------------------------------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                      |                          | Mar               | Apr               | May               | Jun               | Jul               | Aug               | Sep               | Oct               | Nov               | Dec               | Jan               | Feb               |
| <b>Assets</b>                        | <b>Starting Balances</b> |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Current Assets</b>                |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Cash                                 | R500 000                 | R671 885          | R1 069 102        | R890 714          | R755 386          | R663 116          | R613 904          | R607 749          | R644 650          | R724 604          | R563 084          | R1 725 832        | R1 006 942        |
| Accounts Receivable                  | R0                       | R371 200          | R464 000          | R556 800          | R649 600          | R742 400          | R835 200          | R928 000          | R1 020 800        | R1 113 600        | R742 400          | R1 299 200        | R1 392 000        |
| Inventory                            | R1 600 000               | R1 280 000        | R1 600 000        | R1 920 000        | R2 240 000        | R2 560 000        | R2 880 000        | R3 200 000        | R3 520 000        | R3 840 000        | R3 200 000        | R4 480 000        | R4 800 000        |
| <b>Total Current Assets</b>          | <b>R2 100 000</b>        | <b>R2 323 085</b> | <b>R3 133 102</b> | <b>R3 367 514</b> | <b>R3 644 986</b> | <b>R3 965 516</b> | <b>R4 329 104</b> | <b>R4 735 749</b> | <b>R5 185 450</b> | <b>R5 678 204</b> | <b>R4 505 484</b> | <b>R7 505 032</b> | <b>R7 198 942</b> |
| <b>Long-term Assets</b>              |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Long-term Assets                     | R785 000                 | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          | R785 000          |
| Accumulated Depreciation             | R0                       | R13 100           | R26 200           | R39 300           | R52 400           | R65 500           | R78 600           | R91 700           | R104 800          | R117 900          | R131 000          | R144 100          | R157 200          |
| Total Long-term Assets               | R785 000                 | R771 900          | R758 800          | R745 700          | R732 600          | R719 500          | R706 400          | R693 300          | R680 200          | R667 100          | R654 000          | R640 900          | R627 800          |
| <b>Total Assets</b>                  | <b>R2 885 000</b>        | <b>R3 094 985</b> | <b>R3 891 902</b> | <b>R4 113 214</b> | <b>R4 377 586</b> | <b>R4 685 016</b> | <b>R5 035 504</b> | <b>R5 429 049</b> | <b>R5 865 650</b> | <b>R6 345 304</b> | <b>R5 159 484</b> | <b>R8 145 932</b> | <b>R7 826 742</b> |
| <b>Liabilities and Capital</b>       |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Current Liabilities</b>           |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Accounts Payable                     | R0                       | R187 484          | R918 835          | R1 031 517        | R1 144 197        | R1 256 873        | R1 369 547        | R1 482 218        | R1 594 886        | R1 707 552        | R327 526          | R2 860 874        | R2 045 531        |
| Other Current Liabilities            | R0                       | R0                | R0                | R0                | R0                | R0                | R0                | R0                | R0                | R0                | R0                | R0                | R0                |
| <b>Subtotal Current Liabilities</b>  | <b>R0</b>                | <b>R187 484</b>   | <b>R918 835</b>   | <b>R1 031 517</b> | <b>R1 144 197</b> | <b>R1 256 873</b> | <b>R1 369 547</b> | <b>R1 482 218</b> | <b>R1 594 886</b> | <b>R1 707 552</b> | <b>R327 526</b>   | <b>R2 860 874</b> | <b>R2 045 531</b> |
| <b>Long-term Liabilities</b>         |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Total Liabilities                    | R2 900 000               | R2 864 964        | R2 829 564        | R2 793 794        | R2 757 652        | R2 721 134        | R2 684 235        | R2 646 952        | R2 609 280        | R2 571 216        | R2 532 756        | R2 493 894        | R2 454 628        |
| <b>Total Liabilities</b>             | <b>R2 900 000</b>        | <b>R3 052 449</b> | <b>R3 748 399</b> | <b>R3 825 312</b> | <b>R3 901 849</b> | <b>R3 978 007</b> | <b>R4 053 782</b> | <b>R4 129 170</b> | <b>R4 204 166</b> | <b>R4 278 768</b> | <b>R2 860 282</b> | <b>R5 354 768</b> | <b>R4 500 159</b> |
| <b>Paid-in Capital</b>               |                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Paid-in Capital                      | R100 000                 | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          | R100 000          |
| Retained Earnings                    | (R115 000)               | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        | (R115 000)        |
| Earnings                             | R0                       | R57 537           | R158 503          | R302 902          | R490 737          | R722 009          | R996 723          | R1 314 880        | R1 676 483        | R2 081 537        | R2 314 202        | R2 806 163        | R3 341 583        |
| Total Capital                        | (R15 000)                | R42 537           | R143 503          | R287 902          | R475 737          | R707 009          | R981 723          | R1 299 880        | R1 661 483        | R2 066 537        | R2 299 202        | R2 791 163        | R3 326 583        |
| <b>Total Liabilities and Capital</b> | <b>R2 885 000</b>        | <b>R3 094 985</b> | <b>R3 891 902</b> | <b>R4 113 214</b> | <b>R4 377 586</b> | <b>R4 685 016</b> | <b>R5 035 504</b> | <b>R5 429 049</b> | <b>R5 865 650</b> | <b>R6 345 304</b> | <b>R5 159 484</b> | <b>R8 145 932</b> | <b>R7 826 742</b> |
| <b>Net Worth</b>                     | <b>(R15 000)</b>         | <b>R42 537</b>    | <b>R143 503</b>   | <b>R287 902</b>   | <b>R475 737</b>   | <b>R707 009</b>   | <b>R981 723</b>   | <b>R1 299 880</b> | <b>R1 661 483</b> | <b>R2 066 537</b> | <b>R2 299 202</b> | <b>R2 791 163</b> | <b>R3 326 583</b> |