



**THE EXPANSION OF FRANKE
INTO EGYPT**

(A Business Plan for submission to Franke Board of Directors)

By

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CONFIDENTIALITY CLAUSE

15 September 2003

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Due to the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of five (5) years or as approved by the writer

Sincerely

L. van den Berg

096338

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed:

Date: 15 September 2003

STATEMENT 1

This dissertation is being submitted in partial fulfillment of the requirements for the degree of Masters in Business Administration

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ABSTRACT

The aim of this study is to identify the opportunities that currently exist in the Egyptian market in order for Franke to make a decision on the expansion of their business into this market. In order for the Board of Directors to make a quality decision they require good and accurate information.

In line with the Franke growth strategy Franke South Africa was given the clear directive to grow the market share on the African continent. With this continent being as diverse as it is and suffering from many years of poverty, a focused strategy is required. With this in hand a study of the African continent was undergone and a couple of markets were identified as targets for either a take-over or new formation. With the information gathered on Egypt it became clear that this would be the ideal market to establish another Franke operation.

Egypt has many positive issues that attract a decision like this of which the local market size, geographical position, COMESA membership and the fact that the market is well structured form the backbone.

Based on this Business Plan, which researches all the relevant issues required to make a quality decision, an investment could be qualified and supported. It focuses on the possible target as well as elaborates on the medium term forecasted performance of the new setup.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Franke Holdings entered the African continent when they acquired City Metal Products (CMP) in 1999. The purpose of this acquisition was not only for Franke Holdings to increase their presence in South Africa but also to use the newly acquired company as a springboard into Africa. This company, Franke Kitchen Systems (Pty) Ltd (herein after referred to as: FSA), was the market leader in SA and had a market share of about 70% of the SA market and 11% of the African market. As part of the Franke global Kitchen Systems strategy, Franke Kitchen Systems (Pty) Ltd (FSA) was given the clear directive of increasing the Franke market share in Africa.

The further increase of it's' market share is now hampered by various political (e.g. war, poverty and government instability) and economical issues (e.g. weak economies due to government policies, barriers to entry, trade agreements etc.). It had thus become clear that FSA needed to increase its presence on the African continent by opening either a trading office or another factory in Africa. This lead to another problem – where?

Africa can be described in no other way, but as “a boiling pot” filled with opportunity, danger, and diversity. Africa represents a largely untapped market for Franke FSA. Market information is essential in knowing who you are you dealing with, and where the markets are heading. The following statistics show the current market situation in Africa:

The African Continent is one of the highest populated continents in the world in millions (814.8) (World Bank Statistics 2003):

- It has the lowest education levels in the world – 89% enrolment for primary education, and 33% enrolment for secondary education (1995 – 1999) (World Bank Statistics 2003).
- The highest levels of broad spectrum crime in the world
- At 17 per 1,000, Africa's death rate is the highest in the world (the next-highest is 11 per 1,000 in the former communist countries of Europe and Central Asia).
- During the past two decades fertility rates have dropped in every African country. Nevertheless birth rates remain the highest in the world. Average annual percentage population growth is decreasing : 1975-1984 – 2.9% ; 1985 – 1989 – 2.8% ; 1990 – 2001 – 2.5%
- Poorest continent in the world regarding GNI figures, showing only 0.3% growth from 1990 – 2001 (World Bank Statistics 2003).

The African continent is the highest recipient of foreign donor aid, and most of the listed countries of HIPC debt forgiveness are African countries. The foreign aid is justified when considering the following statistics:

- Of the 814.8 million populations between 60-70% do not have access to water.
- 74% do not have basic telecommunication access
- In 2000 there were 34 million people living with HIV/AIDS worldwide, 28.5 million of them in sub-Saharan Africa (Oxfam Community Aid Abroad).
- Currently war and civil unrest is occurring in no less than 25% of African countries (www.mbendi.co.za)
- 47% of Africa population earns less than US\$1.00 per day.
- Highest malnutrition and starvation rates in the world.
- Political mismanagement has led to 80% of countries being totally reliant on foreign aid.

For any company wishing to enter the African market, it holds the following traits:

- Extremely price conscious.
- Do not display much brand loyalty.
- Very small luxury market segment.

The statistics do not show good investment potential in Africa; however, African politicians, and the world, have realised the devastating effects on the people of Africa, and are working towards formulating strategies to improve standards of living through housing, sanitation and economic policies.

It is essential for FSA to provide a product and the service to match the needs of the market. Until now this was one of the biggest problems due to the fact that the sink market as such is just as diversified as the continent itself. Sink sizes differ and the market requirements also differ. In some markets FSA products are said to be over engineered. In addition to this is the fact that many countries in the world use Africa as a dumping ground for low quality products. In addition to this is the difficult trade barriers that not only hampers to possibility to enter a new market but gives member countries preferential duties which need to be competed with. An example of this is in Mauritius, a SADC and COMESA member, where FSA has a 90% market share but their products are imported with a SADC reduced duty of 24%. As a COMESA Mauritius can import sinks at 0% duty. This gives a COMESA manufacturer a 24% price advantage

The impact of trade agreements thus have a real impact on the distribution possibilities in Africa There are various trading agreements in Africa, some are only regionalized and other span countries all over Africa. These trading agreements have been put in place to assist with the elimination of trading barriers between countries. In many cases these agreements puts strain on inter country trading if the two trading countries do not support the same agreement. Following is a summary of the two most common agreements, affecting the trading of FSA product in Africa, and there members:

SADC

The Southern African Development Community (SADC) was formerly the Southern African Development Co-ordination Conference (SADCC), established in July 1979 to harmonize economic development among the countries in Southern Africa and reduce their dependence on South Africa. Renamed and rejuvenated in 1992, SADC now encompasses 14 countries, including South Africa, working on a regional basis to increase economic integration and regional security.

SADC includes all the countries traditionally considered to constitute Southern Africa (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe) plus the Indian Ocean island nations of Mauritius and Seychelles (which have submitted a withdrawal request in September 2003) and the recently admitted Democratic Republic of the Congo.

The addition of South Africa and Mauritius in 1992 brought Africa's economic powerhouse and a dynamic island economy into what is now the most vibrant economic organization in Africa, one with a combined Gross Domestic Product (GDP) of nearly \$200 billion. The Declaration and Treaty establishing the SADC was signed in Windhoek, Namibia in August 1992. The objectives of the SADC are to:

- ✚ Achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa and support the socially disadvantaged through regional integration.
- ✚ Evolve common political values, systems and institutions.
- ✚ Promote and defend peace and security.
- ✚ Promote self-sustaining development on the basis of collective self-reliance, and the inter-dependence of member states.
- ✚ Achieve complementarities between national and regional strategies and programs.
- ✚ Promote and maximize productive employment and utilization of the resources of the region.
- ✚ Achieve sustainable utilization of natural resources and effective protection of the environment.

- ✚ Strengthen and consolidate the long-standing historical, social and cultural affinities and links among the peoples of the region.

The general headquarters of SADC are located in Botswana, but each member state has responsibility for overseeing an economic sector. Diplomatic missions of member states also act as SADC diplomatic representatives in a number of key countries in Europe, the Far East, and North America.

COMESA

The COMESA agreement is probably the only agreement in Africa that has the likelihood of negatively impacting on current and future growth for FSA in Africa. COMESA exists as a organization of free independent sovereign states which have agreed to co-operate in developing their natural and human resources for the good of all their people'. With its 20 member states and population of 385 million it forms a major integrated trading block.

COMESA is to establish a Free Trade Area (FTA) by the year 2000 and all countries are supposed to have reduced tariffs by 80% as at October 1996. In fact, only 5 countries (Comoros, Eritrea, Sudan, Uganda and Zimbabwe) have reached this level, with Kenya, Malawi and Mauritius on 70% and processing the 80% level. Tanzania is also currently processing the 80% tariff reduction, which is now before parliament, but will only be applicable for East African countries as Tanzania has temporarily withdrawn from the COMESA agreement. All other countries, except Angola, Ethiopia and Zaire (which have yet to reduced tariffs by the 60% reduction rate), and those countries which still enjoy a derogation from publishing these tariffs like Lesotho, Swaziland and Namibia (whom have now also withdrawn from the COMESA agreement as of May 2004), have reduced tariffs by either 60% or 70%. Following is a map of Africa identifying the COMESA members:



As mentioned earlier, the fact that South Africa is not part of the COMESA countries it has increased trading difficulty in some countries especially Zimbabwe as they now import products from COMESA countries at reduced or no duties. FSA currently suffers under a 75% import duty and a 15% surcharge on all Stainless Steel sinks and sanitary ware.

1.2 Research Background

Franke Kitchen Systems (Pty) Ltd (FSA) is the largest manufacturer of Stainless Steel sinks and sanitary ware in Africa and is owned by an international group with the holding company based in Switzerland by the name Franke Holding (FHO).

Franke was founded in 1914 by Mr. Herman Franke and their core competency was sheet metal manufacturing. During the mid 50's, when Stainless Steel was now a stable product the company embarked on the manufacturing of Stainless Steel products with the focus on kitchen sinks. Franke, now taken over by the eldest son, Walter Franke, increased its market share in the German speaking countries. The company was bought out by Mr. Willie Pieper in the early 1970's. This is where the global expansion really

took off as Mr. Pieper had a felocify “We will go to the customer and not wait for the customer to come to us”. In 1988 the son of Mr. Pieper, Michael, accelerated to global growth with the slogan “Thinking global and acting local”

By now the company was well established as a leading sink manufacturer. It was the dream of Mr. Pieper (jnr) to grow the company to become the largest sink manufacturer in the world. He realized that to achieve this he would have to follow a strategy of acquisitions. He targeted the leading manufacturers in some of the largest markets and bit by bit acquired market share in many countries.

Today Franke owns 62 companies in 39 countries and is the world leader in sink manufacturing. Franke has an estimated 19% of the world sink market. The closest competitor is a company by the name of Blanco which has an estimated 8% market share. The Franke group manufactures a total of 6.5 million sinks per annum.

1.3 Research Motivation

From the Introduction it is clear that in order for FSA to increase its African market share it needs to expand the business to a COMESA country as the SADC block is covered by South Africa. The market that FSA chose to investigate for the purpose of establishing another company is Egypt and, the type of operation will be a full manufacturing company. The reasons for this decision are based on the following:

- ✚ Egypt has a large local market that will be able to sustain a manufacturing company which eases the pressure on a need to export from the word go.
- ✚ It is one of the better structured markets in the COMESA block.
- ✚ It position is good as it will give Franke an entry into the North Africa market as well as the Middle-east.
- ✚ It is far away from South Africa and will not infringe on the close border trade of FSA.

- ✚ By using a bonding facility in South Africa, FSA could import products from Franke Egypt (FEC) and add local products to complete an order for exports to close border COMESA countries.
- ✚ FEC will be a low cost manufacturer of Drop-on sinks which can be exported to Franke Morocco (a trading company) and Franke Tunisia (a fully paid agent), already in desperate need of a cheaper range of drop-on sinks to compete in their own markets.

This was the perfect opportunity to comprehensively apply all the aspects of business science that has been taught to date. The company has a clear strategic decision, with a high level of risk, where an ideal solution should be found. Good analysis is required as, there is a shortage in good information to be able to take a quality decision. The research is in line with the existing strategy of growth by acquisition.

1.4 Project Value

FSA has a Big Hairy Odacious Goal which is to manufacture 300 000 sinks per annum. The company in Egypt would not only assist FSA to achieve this goal but even possibly increase it to 500 000 units per annum. Due to synergies that could be created between FSA and the company in Egypt it would also result in a higher number of products being manufactured at FSA, to be finished of in Egypt, which would make the high investment assets at FSA sweat.

This document will give Franke a clear understanding of the Egyptian market as well as all other possibilities available to the company should a own operation/acquisition in Egypt realise. It is with the results of the market study that Franke would need to take a decision whether to proceed with an operation in Egypt or not. This document will prove the viability of such an operation in Egypt.

This document will contain all required information from competitor analysis to market potential, from market structure to forecasts, from management income statements to the final cost of the projects as well as the estimated payback period.

1.5 Problem Statement

The problem to Franke is: “How will Franke proceed to increase their market share in Africa, as well as cope with the pressure on sales and margins to countries that form part of trade agreements, to effectively become an African continent market leader? This as well as the fact that as part of the KSD strategy, the group need to rationalize their products and establish a specialist Drop-on sink manufacturer for the group and this is where the combination between FSA and the company in Egypt could create this opportunity.”

1.6 Objectives of the Study

The objective of this study is two pronged:

- 1 To evaluate the feasibility and viability of an investment in a sink manufacturer in Egypt.
- 2 To determine whether Egypt is the correct country of choice.

1.7 Research Methodology

The research method for this business plan is qualitative of nature. The research information for this study has been gathered over a period of 3 years from the initial trip reports from visits from Franke International to more recent reports by the Managing Director and external consultants. Other information was gathered via unstructured interviews with various sources in Egypt like Accounting firm PWC in Egypt, The Economic attaché from the SA Embassy, local distributors, The General Authority For Investment and Free Zones (GAFI) as well as acquisition targets.

1.8 Project Limitations

Over the period of 3 years that information had been gathered most of the limitations had been eliminated. The only limitation is the lack of willingness of GAFI to assist in the request to consider duty reductions on semi-manufactured products. This would

mean that imports of finished and semi-finished products will be handled as normal imports.

1.9 Structure of the Study

The study takes the form Business Plan, on a predetermined Franke Investment Request Application structure, for take-over or forming of new companies as set out by the Franke Board of Directors. The chapter summary looks as follows:

- ✚ Chapter 2 will be the Business plan executive summary and gives an overview on Egypt.
- ✚ Chapter 3 looks at the description of the Egypt relevant market statistics and competitors.
- ✚ Chapter 4 focuses on the acquisition target.
- ✚ Chapter 5 is a discussion on the description of the project.
- ✚ Chapter 6 involves the strategic goals.
- ✚ Chapter 7 commences with the rating of the take-over.

1.10 Conclusion

This chapter outlines the impetus for conducting this study in conjunction with the aims and objectives as can be identified from the problem statement. The importance of the study for the future growth of Franke in Africa is highlighted.

CHAPTER 2

2.1 EXECUTIVE SUMMARY

The Gross Domestic Product of the Arab Republic of Egypt (Egypt) with its capital in Cairo has an economy estimated at US\$ 247 billion per annum with a growth rate of 5% (2000 est.) A population of 69 000 000 share in this economy with an average life expectancy of about 63 years and a GDP per capita of US\$ 3600. 23% of the population lives below the poverty line in an economy, which has an unemployment rate of 12%.

Literacy in this largely Muslim (94%) Arabic speaking country is skewed. A total of 52% of the population over 15 can read and write with 64% of males and 39% of women. English and French is widely understood by educated classes. The country is considered a Moderate Risk country using different analysis methods. The legal system is based on the English common law, Islamic law and Napoleonic codes. The people's assembly consists of 444 seats with the National Democratic Party (NDP) of Hosni Mubarak having 88% of the seats.

The size of the Egyptian market for stainless steel kitchen sinks is approximately 460 000 units per annum. This market is shared between seven local manufacturers (and a portion of imported product) of which two, probably three manufacturers are experiencing problems, mostly financially induced. A reduction in the number of competitors over the next two to three years is expected with probably two strong competitors emerging to take control of the market. When differentiating between drop-on sinks and inset sinks it is estimated that 440 000 units are of the drop-on variety and 20 000 units are of the inset variety. The most popular size is a 100 x 50 Single bowl product with other smaller sizes being popular due to the limited space available in dwellings.

Karnak is situated in Burg Al Arab about 30km West of the port of Alexandria in the north west corner of the Nile delta and was established by Mr Sammy Ezzat with Mr Taw-Feek during the late 1990's. The Karnak product range consists of 6 drop-on products ranging from a 42cm bowl to a 120 x 50 Single Bowl product. Monoblock

technology is used and the entire factory is set-up to be cost effective. Karnak claims sales volumes of around 200 000 plus units.

The following business plan is based on the establishment of Franke Egypt and the re-establishment of the Franke brand in that country. The current Karnak drop-on product range is to be complemented with additional monoblock products imported as pressing from Franke SA and finished in Egypt. The addition of a range of inset sinks, a range of WSE products and some up market sink products is planned to complete the market offering. In conjunction with the development of the local market certain export markets, particularly in the COMESA trade block is to be developed.

This is in line with the corporate KS division strategy of servicing the African continent with, two manufacturers, one in each of the two major trade blocks, COMESA with 24 member countries and the SADC with 14 member countries. The export strategy of Franke Egypt revolves around exports to Morocco and Tunisia on the North African coast, to Zimbabwe and Kenya in Southern and Eastern Africa and to Nigeria and Ghana in West Africa. Development of exports to countries in the Middle East is also envisaged. Exports from Franke Egypt are estimated to contribute 6% to sales in year 1 and about 16% of sales in year 6.

The forecast for year 1 constitutes unit sales of 147 594 units generating revenue of EGP 11 660m. Cost of sales run at 69.44% generating a gross profit of EGP 3, 563 m. Fixed costs amount to EGP 1,576 m (13.5% of sales) resulting in an EBITDA of EGP 1, 987 m.

The forecast for year 6 constitutes unit sales of 293 938 units generating revenue of EGP 27, 172 m. Cost of sales run at 67.70% generating a gross profit of EGP 8, 776 m. Fixed costs amount to EGP 3, 296 m (12.1% of sales) resulting in an EBITDA of EGP 5, 479 m.

Capital expenditure of EGP 1, 000 m is envisaged as well as EGP 380 000 in the construction of an administrative facility. Interest is calculated on the overdraft at the

rate of 11%, which reaches a maximum level of EGP 6, 025 m in month 6 of year 3 after repayment of the loan made to make the investment.

The project, based on a ten-year forecast displays a payback period of 4 years and 4 months, a Net Present Value of EGP 5,520 million at a 16% discount rate and EGP 10, 797 million at a 10% discount rate. The Internal rate of return is 26.79%.

The above analysis point to a good investment that will add value to the shareholders of Franke, a comment which is particularly true when assessing the project on a strategic as well as a financial level. By all indications this is an investments that is recommended.

It is a known fact that a lot of business in Egypt is conducted without records and/or proper documentation, mainly in the interest of customers not wanting to pay sales tax. Karnak is no exception in this regard and could thus not produce any sales history to us. We have thus been very conservative, basing our local sales forecast on less than half of what was reported to us, as being the sink sales of the current Karnak business. The credit risk in Egypt is also reported to be high which could limit sales growth initially.

CHAPTER 3

COUNTRY RISK ASSESSMENT

3.1 Summary

Using the International Country Risk Guide (ICRG), at 68.2%, Egypt is classified according to the ICRG formula as a **Moderate Risk** country (70% is considered as low risk)

1. Egypt is a relative stable African country
2. The reason why the PRI score and evaluation are lower is directly influenced by the Palestinian issue and the conflict in the Middle East.
3. Our own assessment would point out the potential complication of credit risk as well as a tendency towards doing business unrecorded to avoid paying taxes.

3.2 Introduction

Private enterprise has struggled to improve and keep its economic competitive edge in developing states. It is a well-known fact that political situations have directly influenced economic growth and development. Political risk analysis is a practice that refers to the possibility that political decisions and events in a country will affect the business climate in such a way that the investors will lose money or not make as they expected when the investment was made.

In providing political risk analysis the elements of that phrase required attention. In this field we are examining political as distinct from economic risk. Political means having to do with:

- ✚ The governance system of a country (political structures)
- ✚ The nature of particular governors (authority)
- ✚ The response of the population to the government (legitimacy)
- ✚ The nature of the society being governed (cultural, social phenomena).

3.2.1 Reasons for investing in Egypt:

1. Relative stable democratic political leadership and institutionalized means of leadership succession.
2. Adherence to basis “rule of law” principles and a sophisticated judiciary
3. Relative high growth rate (comparing with developing countries)
4. High quality and standards in higher education and the involvement of the World Bank in education restructuring. (The Higher Education Enhancement project is part of a comprehensive strategy for education reform in Egypt and is one of 25 reform projects, 11 of which will receive World Bank funding.)
5. Dedicated restructuring of the economy (Socio-economic plan) with the active support of the World Bank and International Donors
6. Successful Empowerment projects for women (Development Marketplace Projects) helping millions of poor women living in rural areas. (For millions of poor women living in Egypt accessing basic rights such as credit, pensions and voting without identification cards and birth certificates is impossible)
7. Flexible but comprehensive employment strategy and policies with the emphasis on sustainable growth in jobs, productivity.
8. Low crime rate for an developing country. Professional and efficient police system.
9. Relative high level of technological advancement and innovation. (communication systems, transport)
10. Bridge between Europe, Africa and the Arab world. (Close to world markets)

3.2.2 Possible risk factors

1. High level of unemployment in urban areas
2. Regional disparities
3. Environmental hazards Droughts, desert, flooding,
4. Existence of Muslim fundamentalist in Egypt
5. Conflict potential with Libya and border disputes with the Sudan
6. Conflict in the Middle East (the Palestinian issue)

CHAPTER 4

MARKET DESCRIPTION

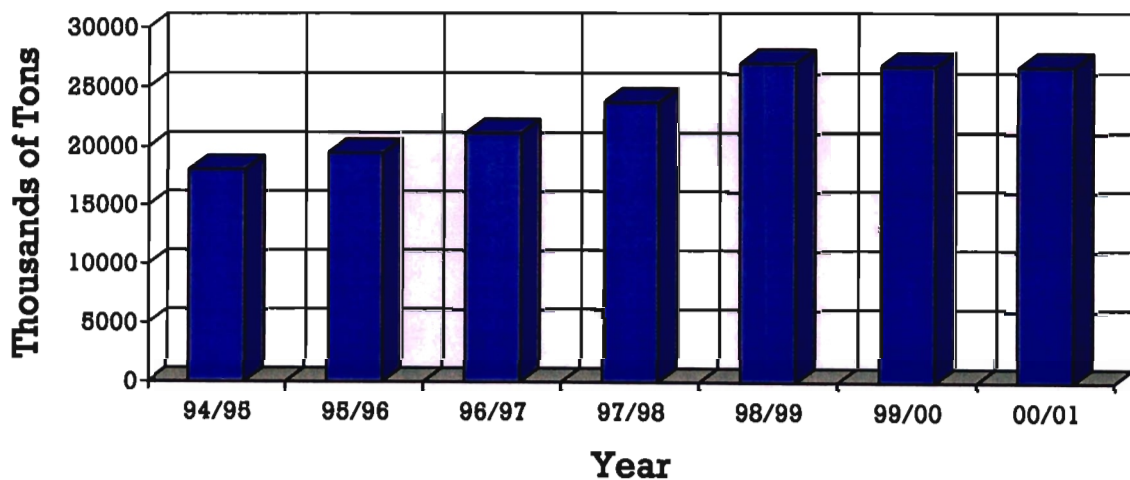
4.1 Building Industry in Egypt

4.1.1 Overview of the Construction Industry in Egypt

Indicators that could assist with the profiling of trends in the building and construction industry are the rate of the domestic consumption of cement and steel as well as the commercial and household consumption of electricity.

The domestic consumption of cement and steel has increased by approximately 7% per annum since 1994/1995 up to 2000/2001. Growth overall was the highest between 1997-1999 with a leveling of the trend at 26,7 million tons during 2000 and 2001. Unfortunately domestic consumption includes all consumption and a breakdown between industrial and household consumption is not provided (Monthly Economic Digest, July 2002, p48.)

Cement sales



The utilization of electricity, on the other hand, is clearly defined by industrial sector and the commercial and household sector. Commercial and household electricity consumption has increased from 16,140 million MWH in 1994/1995 to 25,070 million MWH in 2000/2001. This translates to an annual growth rate in consumption of approximately 7.5%. Growth in electricity consumption has taken place at a constant rate (7.5%) year on year from 1994/1995 to 2000/2001 (Monthly Economic Digest, July 2002, p47.)

4.1.2. Household Expenditure and household credit

Credit provided by banks to households form an important trend as this trend could fuel the increase in the number of dwellings in Egypt (approximately 12 million currently) as well as drive the trend of upgrading of dwellings.

The provision of credit to the household (and other) sector has allowed Egyptian households to borrow EGP 36 billion by April 2002. This is double the amount of credit to households since June 1996. This translates to a 12% annual growth rate in the provision of credit (Monthly Economic Digest, July 2002, p18.)

A new law has been promulgated allowing for the extension of credit to the private household sector which could further increase credit provision.

According to Investing in Egypt (Ministry of Economy and Foreign Trade, 2000, p.80) the middle income household constitutes the greater portion of household expenditure.

Reflective of rising household consumption and expenditure is the rising growth rate of electricity consumption of average 7% per annum. The middle class is increasingly spending on equipment such as microwaves, stereos, videos and washing machines which reflect the change of lifestyle resulting from improvement in the standard of living (Investing in Egypt, p.81.)

Household expenditure during 1996/1997 comprised EGP 60.8 billion on food and beverages, EGP 32.1 billion on Non-Food commodities and EGP 28.14 billion on services bringing the total to EGP 121.4 billion. Of the non-food commodities clothing and footwear was EGP 12.56 billion (10%), housing expenditure (EGP 4.1 billion (3.3%), Fuel and Lighting EGP 3.9 billion (3.1%) and Furniture EGP 6.04 billion (5%).

4.2 Market size for sinks in Egypt

From previous figures available the estimated size of the market was assumed to be 430 000 units per annum (Par 6 United Report). Several additional views have been added which are reflected in the table. Of the eight distributors visited in Cairo one served the very top end of the market via two branches. Two distributors served the middle market and five distributors served the mass market.

The value of this information does not lie in its statistical accuracy but rather in the confirmation achieved that the previous estimate of 430 000 should prove to be a sound assumption and could even be somewhat conservative, which is of further value in the investment decision. The view held by distributor 2 at 660 000 units were in fact somewhat higher but by means of other data he provided this adjusted lower figure is used. The view of distributor 3 is believed to be somewhat conservative as this distributor has a high incidence of contact in the middle market and not with the lower end of the market therefore his estimate reflects his experience which leans towards the middle and some upper market product. This view was not changed. Several distributors were quite hesitant to and actually refrained from offering an estimate of the market size.

	View by	Quantity	Comments on detail
1	Karnak	400 000	300 000 Single bowl, 60 000 double bowl and 40 000 imports at present.
2	Main Distributor Mass Market	660 000 +	90% local 10% imports
3	Main Distributor Middle Market Segment	260 000 +	60% local and 40% imports
4	Main Distributor Mass Market	500000 – 600 000	75% local 25% import
5	4 Distributors declined to estimate the market size		
	Average Market View	467 500	
	Average Market view on Imports	86 875	18.5% of the total
	Average Market View on Local Quantities	380 625	81.4% of the total

Growth in the market seems far more volatile when comparing the expansion of the stainless steel kitchen sink market to the expansion of the Egyptian economy, which is assumed at 3%. The stainless steel kitchen sink market would seem to expand more rapidly than 3% when the economy is sound but would simultaneously contract equally quickly when difficulty in the economy is experienced. From all accounts it would seem that this market would reach 500 000 plus sinks in good times fairly easily but would then contract to under the 400 000 units when there is less money in the economy.

4.3 Drop-on versus inset market share

Drop on products are typically classified as mass market products with the inset type product being a product which is preferred by the middle to upper end of the market and the person who has a choice regarding the sink that is to be installed. The following

table displays the view held by various respondents. It is unrealistic to work with a total average relationship between drop-on and inset sinks products as there is such a clear distinction between the different market segments. The result in this comparison is taken to be quite accurate.

	Position in Market	Drop-on	Inset
1	Top End Market	10%	90%
2	Middle Market	75%	25%
3	Middle Market	70%	30%
4	Middle Market	50%	50%
5	Mass Market	97%	3%
6	Mass Market	98%	2%
7	Mass Market	90%	10%
	Top End Market	10%	90%
	Middle Market	65%	35%
	Mass Market	95%	5%

4.4 Product size popularity

Egyptian dwellings consist virtually entirely of flats in high rise apartment buildings. Space is at a premium in these dwellings with the average size, according to several people asked being in the region of 120m² – 150m². The poor segment of the population would have several families to a flat with the middle class having a flat per family and the wealthier portion of the population having their own, larger dwelling.

The popular sink size is linked to this socio-economic dynamic and the result from the market is found in the table on the following page. The results speak for themselves.

	Position in Market	Most Popular	Second Most Popular
1	Top End Market	100 x 50	100 x 50 (2.5 Bowl)
2	Middle Market	100 x 50	120 x 50
3	Middle Market	100 x 50	120 x 50 DEB (Large bowls)
4	Middle Market	100 x 50 (34 x 36 bowl)	100 x 50 (36 x 42)
5	Mass Market	100 x 50 SEB	80 x 50 SEB
6	Mass Market	100 x 50 SEB (36 x 36) as deep as possible	120 x 50 SEB (36 x 36) as deep as possible
7	Mass Market	100 x 50	120 x 50
8	Mass Market	100 x 50	120 x 50

4.5 Overview of competitors in the Egyptian market

There are seven local manufacturers in the Egyptian stainless steel kitchen sink market. The table below is an attempt to place them into historical, geographic and overview context.

	Local Competitor & Location	Founder	Overview comment
1	Tekka (Burg El Arab)	Samy Ezzat	Under financial pressure
2	Nado (Burg El Arab)	Samy Ezzat	Under Provisional Liquidation
3	Karnak (Burg El Arab)	Samy Ezzat	Karnak Industries seems Financially Strong
4	Nile Industries SAMI (halfway between Burg El Arab and Alexandria)	Owens BMW (and Nissan?) in Egypt	Owner not allowed to leave country – possible financial difficulties
5	Horus	?	Not known
6	Nova (6 October City Cairo)	?	Product quite visible in marketplace
7	United (Sadat City)	SM Soliman	Production Erratic. Cash Flow constraints. Customers frustrated.

4.5.1 Tekka

Tekka seems to have a substantial overdraft and has moved into bathtubs as an additional product. This move seems to have caused further financial pressure in the organization as the move has been made into enamel bath tubs which are not very popular due to this product material chipping easily. Acrylic bathtubs are the most popular and TechnoMisr makes dies for Robex, which is one of the most prominent manufacturers. The pricing of enamel is higher than acrylic and this; together with the habit of enamel chipping easily has caused this product to be squeezed between the acrylic product range at the bottom of the market and the cast iron products at the top end of the market. The relevance of this to Franke is that Tekka has diversified its product range and has done so into a market where it will always be a follower. This strategy could possibly worsen their financial position. It is important to note that Tekka has a set of one-piece dies but these products do not have round corners. Tekka further purchased a second set of one-piece moulds from Italy, which due to the bowl depth only operate with 0.8mm stainless steel, increasing the price of these products. In addition the bowl design on this Tekka one piece is round, which is not well received in the market. It is speculated that these dies were purchased on credit adding an interest cost to the manufacturing operation.

4.5.2 Nado

Nado sells an estimated 4000 sinks per month. Nado has an overdraft of EL 13 million at an interest rate of 17%. In addition to this Nado have press problems, has a cumbersome manufacturing process and has problems with their dies causing “bowed” sinks.

4.5.3 Karnak

The manufacturing process is efficient as well as the distribution strategy and the distribution network. It appears that the group, Karnak Industries are financially sound due to the PVC manufacturing [manufacturers PVC pipes and fittings for three applications namely water, electricity and sewerage with the diameters ranging from 12.5mm to 280mm] activities witnessed. A substantial strategic advantage is the limited

number of customers and these customers' ties with the PVC manufacturing as this reduces the risk of extended debtors days and bad debts.

4.5.4 Nile Industries

Nile Industries or Sami did, according to the distributors that were interviewed, a sterling job of establishing the Franke brand in Egypt. The owner of Nile Industries is also the owner of the BMW and Nissan franchises in Egypt. Certain irregularities have caused this individual's passport to be withdrawn and some rumors have surfaced that SAMI is experiencing financial difficulties. Nile Industries are active in the stainless steel kitchen sink market with the brands Sami and a brand called Maxim Nile Industries. Any distributor receiving a request for Franke product will provide the customer with a Sami product, to the satisfaction of the customer. A concern is the manner in which Sami has taken their logo design from the Franke logo design. If this could be eliminated it would add to the rate at which Franke in Egypt would claw market share from Sami or Nile Industries.

4.5.5 Horus

Not much is known of Horus other than that they manufacture a limited range of products and is estimated to have approximately 5% - 8% market share at the best estimate. It would seem that Horus is an attempt to gain a share of this market with a second hand press or two and it is purported that they focus on the key 100 x 50 product.

4.5.6 Nova

The Nova product is quite prominent in the market place and can be seen in the majority of the lower end retail stores and some middle-end stores. From all accounts it seems as if Nova is a solid competitor which is well known in the market place, attracts little criticism from distributors and retail stores and has a fairly visible product and brand name.

4.5.7 United Engineering Manufacturers

In addition to previous information available it should be noted that United's products have a fair presence in the market but complaints were received from several distributors that the supply is infrequent. United has also changed their distribution strategy whereby United by pass the distributors and supply the retail customers. This has added to a frustration experienced in the market place by distribution customers and it has to be assumed that it has had an effect on the distribution costs of the company.

The latest information on UEM is that Mr Soliman contacted FSA to advise that he is selling his plant and equipment to an Australian company, but that he would still consider selling to Franke at USD 1.6 million (excl. land and buildings). He has the intention of settling in Australia permanently and even asked if we would consider him as agent for our products in Australia.

4.6 Local versus imported market share

The following table provides an indication of perceived market share of local product versus imported product. There are very few top end retailers and this market is naturally far smaller but the value per sale and margins would be substantial. Although only one customer in this market segment was visited they controlled two retail branches, which cater exclusively for the top end of the market. The products imported and for which this retailer is the agent includes Spanish Teka, Reginox, Greek Pyramids, Sami Egypt, Nova and Tekka Egypt. Of the locally manufactured product that they sell 80% is Sami and 20% is Nova. A statement made by these top-end retailers (which included the branch manager and three of their employees) is that "Franke is welcomed for its well known quality, in addition to the poor quality of the existing local insets." This retailer incidentally sells 90% insets and 10% drop-ons.

The middle market customers visited experience a significantly higher local content in their sales with this figure average being 59% local content and 41% imported product.

The mass market or contractor market experience an average of 83% local content and 17% imported product with Turkish products being prominent in this market segment. The essential aspect of this split is that it emphasizes the importance of being a cost-effective manufacturer in the Egyptian market. It is estimated that the import duties imposed recently will cull the import percentage further as indicated by some of the distributors. Price drives this market and this outweighs quality and other related issues such as customer satisfaction etc by far. This market is focussed on first time installations of kitchens by contractors and by building consultants and once the kitchens are installed a middle market is created for the home-improvement individual who would then remove the first sink and replace it with a product of choice. The dimension that dominates this market is: 100 x 50 x 16cm deep SEB.

	Position in Market	Local	Imported
1	Top End Market	25%	75%
2	Middle Market	62%	38%
3	Middle Market	40%	60%
4	Middle Market	75%	25%
5	Mass Market	90%	10%
6	Mass Market	93%	7%
7	Mass Market	70%	30%
8	Mass Market	80%	20%
	Total Average	67%	33%
	Top End Market	25%	75%
	Middle Market	59%	41%
	Mass Market	83%	17%

4.7 Competitor market share analysis

The local competitor that leads the mass-market segment stainless steel kitchen sinks is Sami. This lead has been developed with the Franke brand name and even now customers who come in and ask for a Franke product these customers will be given Nile Industries' product instead even if it means that the brand name is Maxim. These percentages are not statistically stable but are believed to give an indication of what is

the rank between manufacturers. Karnak, according to sources has about 18% market share. It should be considered that no Karnak distributors were interviewed which could push this figure substantially higher but which could also have contained a certain bias. It is further interesting to do a comparison with the data used initially (Point 7 Market Share in previous report) Sami was then allocated a 50% market share with UEM at 20% and Karnak was not recorded. Since then Sami has lost market share to possibly not being as strongly related to the Franke brand as they used to and UEM has definitely lost market share due to unavailability of product, a statement often heard when interviewing distributors.

When searching for confirmation of the Karnak share of the market it is interesting to note a small presence in the middle and top end of the market. Secondly, when considering that this market is extremely price sensitive it is worth bearing in mind that the Karnak operation is cost effective in its manufacturing, packaging and distribution strategies. When contrasted to most of the other manufacturers it is interest bearing free which is a further burden from which it is exempt. Sami controls the top and middle end of the market, historically with the Franke brand but more recently with a Nile Industries packaging and a Maxim brand. It is our view that the Nile Industries wording also form part of and possible weighs heavier in the opinion of the customer than the word Maxim.

The opportunity that this current dominance in the market offers to Franke in Egypt is clear.

	Mass Market	1	2	3	Ave	Top & Middle Markets	1	2	3	4	Ave
A	Local Competitors	93%	90%	75%	86%		25%	40%	62%	70%	50%
1	Tekka	12%	10%	10%	10%			15%			4%
2	Nado	10%	10%	10%	10%				5%		1%
3	Karnak	8%	37%	10%	18%			5%	5%		3%

				%							
4	Sami	30 %	23 %	60 %	35%		80%	75 %	80 %	100 %	80%
5	Horus	8%			3%						
6	Nova	12 %	10 %	10 %	11%		20%	5%	10 %		10%
7	United	20 %	10 %		13%						
B	Imports	7%	10 %	25 %	14%		75%	60 %	38 %	30 %	50 %

4.8 Synergies to Franke SA activities

The most obvious synergy to Franke SA is the coverage offered of Africa by controlling the COMESA and SADC trade blocks via the acquisition of Karnak in Egypt and establishing Franke Egypt. This provides for a marketing “footprint” which covers at an estimate 60% of African markets. In addition access is gained to the West African trade block from Egypt with accessibility to those markets believed to be higher when serviced from Egypt.

The direct synergy to Franke SA activities is that larger quantities of monoblock pressings are required increasing the utilization of equipment which in turn will have a direct impact on profitability. Exclusive fixed overheads are now spread over more units allowing for economies of scale to reduce these costs in real terms.

A new direct market is created for Franke SA allowing for the advantages offered by a weak currency and the consistent availability of raw material to be used. A possible synergy is the added negotiation leverage gained from higher levels of stainless steel consumption as supplied by Columbus.

Certain specialized management skills could be duplicated over both manufacturing facilities increasing the productivity gain from knowledge workers at the cost of an air-ticket for which a provision has been made in the budget of Franke Egypt.

CHAPTER 5

DESCRIPTION OF KARNAK

5.1 Karnak history

The history of Karnak (for interest sake named after an ancient Egyptian temple site) as a manufacturer of stainless steel kitchen sinks is as much the history of Samy Ezzat.

Mr Ezzat is an engineer by profession who specializes in the manufacture of tools and dies and the design and layout of factories, of which he has done numerous around Alexandria. He is the owner of TechnoMisr (pronounced Technomas) which he registered as a company about five years ago (1994) after four failed attempts at partnerships with various people. TechnoMisr produce dies and tools for a variety of clients and operates a 2000m² factory with about 25 employees close to Karnak's premises in Burg-Al Arab City.

Mr Ezzat became involved in the stainless steel kitchen sink market around about 1984 when he initiated the founding of Tekka (the name of which is a brand name copy off the Spanish manufacturer Teka). Tekka was one of the early, if not the very first stainless steel kitchen sink manufacturer in Egypt. Around 1990 conflict of some kind arose between Samy Ezzat and the management of Tekka.

Nado was formed after the fall-out with Tekka's management when Mr Ezzat became aware of some second hand equipment for the manufacture of stainless steel kitchen sinks in Europe. He put a consortium of friends and family together and started Nado around 1990-1991 with about seven or eight other partners. Nado has monoblock technology and still produce some sinks with this technology. Around 1996 Nado's marketing division offered reduced prices on products to the market and not only damaged the market but with simultaneous increases in stainless steel put themselves into what we would define as provisional liquidation.

It is at around this time that Mr Ezzat withdrew to form TechnoMisr, the die and tool manufacturing company of which he is the sole shareholder.

Since the Nado failure, and with the assistance of his financial manager at TechnoMisr (a young 27 year old by the name of Henny) Mr Ezzat met with Karnak Industries. With the assistance of Karnak Industries and Mr Tawfeek, Mr Ezzat repeated his formulae of buying and repairing old presses and created a third stainless steel kitchen sink manufacturer in Burg Al Arab near Alexandria. Mr Ezzat will, through TechnoMisr, repair the equipment to very good working order and design and make the tools and dies to manufacture the products. The spare parts for the presses were sourced from the original manufacturers of the presses who were quite satisfied to get rid of old spare part stock at very reasonable prices.

Of further relevance to the stainless steel market in Egypt is the fact that Samy Ezzat still holds 20% of the equity in Nado. Mr Ezzat has instituted legal proceedings against his previous partners and is convinced to win back Nado, in part of full from these partners, the detail which I do not have. The crux of this matter, however, lies in the intention that Mr Ezzat harbours to re-develop Nado should the company be placed back under his control over the next year or two. Samy Ezzat has no problem whatsoever competing against Karnak in future with a resurrected Nado, which he is convinced he will be able to obtain. The implication of this is two-fold. Firstly, the market is prevented from shrinking by one competitor. Secondly, it allows for a skilled person with substantial experience to bring improved designs to the market. This needs to be prevented. Nado needs to be removed as a competitor and Samy Ezzat needs to be tied down in order to prevent him from establishing his fourth Egyptian stainless steel sink manufacturer.

5.2 Karnak product range

Karnak manufactures six different items at present. These sink items are the most popular sizes and configuration in the market. Karnak is of the intention to add further products to this product range.

The range currently consists of the following:

	Product Description	Rank in Sales / 20 000	Percentage	Selling price
1	80 x 50 SEB	2 000	10%	49 EL
2	100 x 50 SEB	16 000	80%	50 – 52 EL
3	120 x 50 Centre Bowl	1 000	5%	85 EL
4	120 x 50 SEB	500	2.5%	85 EL
5	150 x 50 SEB	500	2.5%	115 EL
6	42 X 42 BOWL	150	$\frac{3}{4}$ of 1 %	35 EL

5.3 Karnak sales volumes

Karnak sales volumes are unverified due to the absence of any documentation. Purchases of raw materials take place through agents, which for the same reason as Karnak would not reflect real figures. It was clearly stated to me that Karnak declares less than half of its sales to the government. An estimated, according to three different sources, 60% of the Egyptian economy is practiced in this fashion with the same percentage of cash by-passing the banking or any other system. There are four sources, which are usable to form an opinion of the sales figures of Karnak. Firstly there are the figures provided by Karnak itself. Secondly there is the percentage of the market share that Karnak has according to some distributors, Thirdly there is the comparative competitor view that could be used and finally there is the opinion that could be formed by counting and assessing stock in stores. Two views confirm the sales quantities in broad terms and two views contradict these sales quantities.

Karnak provided us with the following sales information as tabulated below for the last 12 months ending August 2001. In addition they ventured a forecast for the following 12 months. The rounded off figure for the year was 150 000. A seasonality profile is included which takes place due to various holidays and building patterns. It is the belief

of Karnak that they will increase this figure to approximately 186 000 units over the following year which is shown in the second set of columns in the table.

Last year	2000-2001	% in a month	Next Year	2001-2002	% in a month
September 2000	16 129	10.75%	September 2001	20 000	10.75%
October 2000	16 129	10.75%	October 2001	20 000	10.75%
November 2000	12 096	8.06%	November 2001	15 000	8.06%
December 2000	8 064	5.38%	December 2001	10 000	5.38%
January 2001	5 645	3.76%	January 2002	7 000	3.76%
February 2001	5 645	3.76%	February 2002	7 000	3.76%
March 2001	5 645	3.76%	March 2002	7 000	3.76%
April 2001	16 129	10.75%	April 2002	20 000	10.75%
May 2001	16 129	10.75%	May 2002	20 000	10.75%
June 2001	16 129	10.75%	June 2002	20 000	10.75%
July 2001	16 129	10.75%	July 2002	20 000	10.75%
August 2001	16 129	10.75%	August 2002	20 000	10.75%
	149 998	99.97%			99.97%

5.4 Karnak costing structure

Karnak provided a preliminary costing which has been used as a basis but have been reworked to reflect what is believed to represent the true costing of the product. The following table reflects the details, which is rudimentary in that firstly the accuracy needed to be checked and secondly the definition of “benefit” needed to be clarified and thirdly standard cost items, which have been excluded needed to be added back to reflect a true position.

	Description	Cost in EL
1	Material cost for 1 m unit which is 80% of sales at 0.6mm and 3.7kg's at 11.5 EL per kg cost.	42.55
2	Other materials	0.45
3	Wages	0.50
4	Electricity	0.15

5	Depreciation of machines, dies, buildings	0.25
6	Sale of scrap	-1.90
7	Cost of Product	42.00
8	Selling price of a 1m unit	52.00
9	“Benefit”	10.00

5.5 Karnak production

Cut raw material in trapezium shape with cutting tool. The sizes in which the raw material is cut is of importance and is given in the table below:

	Product Size	Length of Material	Width of Material	Surface of material	Weight material 1m ² @ 0.6mm = 4.968kg's	Weight Material 1m ² @ 0.5mm = 4.1400kg's
1	80 x 50 x X SEB	100 cm	64 cm – 68 cm (66)	0.6600 m ²	3.2789 kg's	2.7324 kg's
2	100 x 50 x X SEB	118 cm	64 cm – 68 cm (66)	0.7788 m ²	3.8691 kg's	3.2242 kg's
3	120 x 50 x X SEB	135 cm	64 cm – 68 cm (66)	0.8910 m ²	4.4265 kg's	3.6887 kg's
4	120 x 50 x X MB	135 cm	70 cm	0.9450 m ²	4.6948 kg's	3.9123 kg's
5	150 x 50 x X SEB	165 cm	70 cm	1.1550 m ²	5.7381 kg's	4.7817 kg's

The cut sheets are palletized and this pallet is moved to the spraying booth when deemed full. After the raw material has been cut to size the sheets are sprayed prior to the deep draw process creates the bowl. Each sprayed sheet is carried directly to the designated press for the following activity. There is no holding area.

The bowl is created on the deep draw press set up with the tool for that particular item. The cycle time for this activity is in the region of 26 seconds. The following table allows for an insight into the production capacity of Karnak.

This production capacity is valid for the existing infrastructure and labor complement.

	Description	Calculation	Results
1	Insert of sheet, press and removal to following insert of sheet		26 seconds
2	Number of cycles per hour	$3600 \text{ s} / 26 \text{ s}$	138 cycles
3	Productive use of machine availability	75%	103.5 cycles
4	Round off to products per hour		100 cycles
5	Working Day Hours of 8 hours apply	8×100	800 units/day
6	Working days per month	25	20 000

After the product has been deep drawn it is carried to the following press where two activities take place. The first activity is the forming of the washboard that occurs simultaneously with the trimming of the previous product on the second die in the same press. After the cycle has been completed the formed product (which is step1) is moved across to the second die for trimming. A new product to this activity is carried from the deep draw press to fill the forming tool. The efficiency in this process is obvious.

After the product has been trimmed it is carried to the final activity where the products' drop-on edge is pressed, the hole for the drain is cut and the sound deadener is glued on. The manner in which the drop-on edge is formed by means of a press is unique in the Egyptian market as no welding is required which clearly is cost efficient in that no labour, consumables such as welding rods, additional equipment such as welders or any other activity is required. Once the product leaves this press it is placed on a packing station. The packing station activity includes packing the units into case-lots of five per case lot regardless of size and placing the product onto pallets. Once pallet has a 100 products stacked on it, it is removed for storage to where the transportation is done from.

An overview of the activity flow for each product is provided in the table on the following page:

	Description of Activity	80 x 50	100 x 50	120 x 50 SEB	120 x 50 MB	150 x 50 SEB
1	Cutting tool	1	1	1	1	1
2	Palletised	2	2	2	2	2
3	Forklift transport	3	3	3	3	3
4	Sprayed	4	4	4	4	4
5	Carried to Deep Draw	5	5	5	5	5
6	Muller Press Large Press	6	6	6	6	6
7	Carried to SMG /Other Press	7	7	7	7	7
8	SMG Press Forming		8			
9	SMG Transfer		9			
10	SMG Trimming		10			
11	Carried to next press	11	11	11	11	11
12	Sound Deadener applied	12	12	12	12	12
13	Inserted into Press	13	13	13	13	13
14	Muller Press 2	8,9,10		8,9,10	8,9,10	8,9,10
15	Muller Press 3	14		14	14	14
16	Muller Press 4 Hole & Bend		14			
17	Strapping	15	15	15	15	15
18	Palletising	16	16	16	16	16

Polishing is done on an as required basis, when polishing is requested by a particular customer. A charge of EL 2 per item is then added to the sales price.

5.6 Karnak reject rate

The reject rate for the Karnak Factory was estimated at about 1000 (maybe 1500) sinks over the entire production period of the factory which has been operational for 2-3 years. The output is calculated by Karnak to be in the region of 350 000 sinks over this period. This would allow for a calculated reject rate in the region of 0.0029% - 0.0043%. This is particularly low when comparing to Franke SA. Some reasons could contribute to this. Firstly there are very few die changes therefore the initial reject percentage due to machine set-up is very low. The 1m die is on the one press permanently and the other product are made in runs to be put into stock which will last for 3 to 4 months. Secondly few people work with the product. Thirdly if any tear or other problem occurs the supervisor would stop the manufacturing process and call the

technical support company TechnoMisr to Karnak. A fourth reason is that minor scratches, dents and other small defects are not seen as rejects and the product is simply handed on to the customer. If you view the manner in which packaging is done it is easy to see how this can happen as the product is stored face down on a pallet 50 to a heap with two heaps on a pallet.

5.7 Karnak product quality

No formal quality control in the Karnak factory. Items with small dents or marks would be sent to customers. There does not seem to be any such concept as customer returns in Egypt. The product seen in the shops often had its packaging in tatters and the product was often somewhat damaged but still out for display.

5.8 Karnak packaging

Karnak straps the sinks into case lots of five irrespective of the product. The blue raw material sheet is used as cover for the front of the sinks and a single strap across the width of the product holds the case lot together. Twenty case lots are placed onto a pallet with fifty products on each of two piles on the pallet. This allows for 100 products per pallet lying face down. Deliveries of 13 pallets or 1300 products are then made to about ten customers, which are large PVC customers. Any smaller loads are not really considered creating a very cheap way in which to distribute.

5.9 Karnak accounts receivable

All sales are cash sales, which are qualified to mean a period of one week.

5.10 Karnak labour

Labour employed at the Karnak factory is detailed as follows:

	Area of work	No Employees	Rate (EL)	Total cost, area
1	Cutting Tool	3	450	1 350
2	Spray Booth	1	450	450

3	Deep Draw Press	2	450	900
4	Forming, Trimming Press	2	450	900
5	Hole Punching, Bending	1	450	450
6	Packing	1	450	450
7	Transport	1	450	450
8	Assisting, Spare, Help	4	450	1 800
9	Supervisor	1	3 000	3 000
	Total	16		9 750

In addition to this direct labour a labour cost will have to be considered for the technical manager Mr Samy Ezzat and also for the administrative staff, the admin currently being done by the Karnak Industries administration personnel.

CHAPTER 6

DESCRIPTION OF THE PROJECT

6.1 History of the project

The project has a history starting with SAMI in Egypt distributing Franke products. During the course of 2000 it became apparent that SAMI was doing very well from kitchen sinks. During 1999 SAMI generated a profit of EGP 8 million. After repeated enquiries and discussions to do a JV project with SAMI and with no result forthcoming from these discussions with Mr Eid a dialogue was started with Mr Soliman from United Engineering Manufacturers. These discussions progressed substantially with agreement on the purchase price of the business and the price of land and buildings, amongst others, being a point of contention and slowing negotiations down. During 2001 enquiries were made by Mr Kotzee of Franke SA into a third alternative named Karnak owned by Mr Taw-Feek. A visit to Karnak was arranged where it became obvious that Karnak, which makes use of monoblock technology to produce a limited range of drop-on sinks was probably a more suitable proposition than UEM. Have done a subsequent assessment of Karnak and their position in the marketplace it became more obvious that certain product range synergies exist between Franke SA and Karnak.

The KS Division strategy in Africa is to serve Africa in two trade blocks namely the 14 SADC countries from South Africa and the 24 COMESA countries from Egypt. This business plan has been developed with the particular intention of defining the acquisition of Karnak and the development of Franke Egypt in support of the KS division strategy while simultaneously exploiting the synergies on offer from Franke SA regarding the supply of monoblock technology pressings and other know-how.

6.2 Financial evaluation overview

Firstly, the financial evaluation of Karnak as an acquisition is made based on a range of qualified assumptions made in order to generate a forecast for the project. These assumptions are tabulated below in order to assess the impact each respective assumption will have on the forecasts that have been made.

Secondly, a set of budgets spanning six years have been developed based on the listed assumptions. This initially provides the opportunity to do a detailed analysis of unit sales, revenue the cost of sales and expenses incurred and then furthermore provide a set of forecast cash flows for the Karnak project, which are then discounted against the initial investment that will be made.

Thirdly, the financial evaluation is done with a step-by-step description of the income statement in context with the unit sales that needs to be achieved, the costs of raw materials and expenses incurred. A detailed analysis of the financing requirements is also provided as well as cash flow requirements and cash. A summary evaluation precedes the step-by-step description.

Finally, in order to provide assistance with the investment decision the internal rate of return (IRR), the net present value (NPV) and the payback (PB) of the acquisition as a project have been calculated.

Risks, which naturally form part of any financial analysis, are discussed elsewhere. It should be noted that the discount rate used to calculate the Karnak project's NPV could include a quantification of risk over and above to net cost of capital.

6.3 Financial evaluation assumption index

A recorded list of assumptions is fundamental to understand the quantification of uncertainty that exists within a project. Such assumptions are typically weighted in their importance. The project forecasts would typically be sensitive to some assumptions and less sensitive to others. Assumptions are qualified in the sense that research has been undertaken to verify certain assumptions (market size, expatriate costs), experience validate others (cost of flights) and comparisons to known scenarios have been made (building costs). The following assumption register forms the foundation of what follows and the high sensitivity assumptions need to be well understood and agreed upon.

A subjective sensitivity scale and a subjective confidence scale are provided together with every assumption. The scale is 1 – 10 with 10 being highly sensitive or very confident. Codes explain the type of assumption. “S” indicates sales based assumptions, “P” indicates price driven assumptions and “G” indicates general assumptions.

No	Description	Sensitivity	Confidence
S1	Local mass market size 440 000 units per annum	6	7
S2	Market growth rate of 3% p.a.	6	9
S3	Sales: Seasonal	5	6
S4	Sales: Franke Egypt sells 120 000 standard Karnak units in year 1 with a product mix which includes 80% 100x50	10	9
S5	Sales: FSA drop on range sales of 18000 in year 1 with growth to 45 000 in year 6	10	9
S6	Sales: FSA insets 3000 in year 1 with growth to 6000 in year 6	6	6
S7	Sales: of up-market Ex Italy and ex FSA products of 132 units in year 1 growing to 396 units in year 6. Import duty of 40%. Mark-up of 35%.	6	10
S8	Sales: Low volumes of WSE sales in year 1 of 280 growing to 3000 units in year 6	3	8
S9	Sales: exports: 2 products 100x50 and 150 x 50 DCB. Same price structure as in Egypt. Quantity of 6160 in year 1 growing to 33 000 in year 6	9	8
P10	Price: 100x500 SEB EGP50 implication all prices same as previously in 2001	8	8
P11	Price: Ex FSA drop on range: cost + 10% ex FSA with duties of 15% due to pressings only from FSA. Mark-up of 35%.	8	8
P12	Price: Ex FSA inset range: cost + 10% ex FSA with duties of 40% due to finished product from FSA. Mark-up of 35%.	8	6
P13	Price: Inset range: price competitive at costing done in A10.	8	9
P14	Price: Up market range – market not significantly price sensitive. 40% duty + 35% FE mark-up	7	7
P15	Price: WSE – 40% duty + 35% mark-up	7	7
G1 6	Scrap sales of EGP1.90 per product	6	9
G1 7	Net sales tax adjustment 5%	6	9
G1 8	Material costs at R18.69/kg	10	10
G1 9	Customs as a % of raw material attracts a 5.34% duty	6	9
G2 0	Wages for factory workers EGP 600 per month	4	9
G2 1	Factory Supervisor at EGP 3000 / month	3	9
G2 2	Factory admin at EGP 2000 / month	2	9
G2 3	General Manager at EGP 12 000 / month	4	8
G2 4	Works Manager at EGP 8500 / month	4	8
G2 5	Financial Manager at EGP 8500 / month	4	8

G2 6	Sales Reps at EGP 3000 / month ea	3	7
G2 7	Driver at EGP 1000 / month	1	9
G2 8	Secretary at EGP 1500 month	1	9
G2 9	Professional Fees / FSA Management – cost invoiced by FSA for an average of 1 manager per month for a week	4	9
G3 0	Water & electricity assumed at EGP 4000 per month and maintenance at EGP 500 / month in year 1	3	8
G3 1	Communications at EGP 5000 for normal, EGP 1500 for cellular and EGP 500 additional for FE-FSA link	4	7
G3 2	Marketing assumed at EGP 20000 per month as a standard expense	6	9
G3 3	Insurance & Licenses EGP 3000 / month	3	6
G3 4	Audit fees EGP 36000 for year		
G3 5	Bank charges EGP 72 000 for the first year	5	7
G3 6	Bad debt provision – 2% of turnover	8	8
G3 7	Normal trade legal EGP 500 / month	3	7
G3 8	Vehicles at EGP 15000 per month	7	7
G3 9	Points numbered “8” small value assumptions	3	8
G4 0	Monthly visit from FSA cost EGP 5700 per month, accommodation, flight, transport.	4	8
G4 1	Capital Expenditure of EGP 1000 000. Loan repayable over 60 months at interest rate of 11%	8	8
G4 2	Building additions of EGP 380 000 (300m2 @ R2500m2 convert by EGP/ZAR of 2.27) Repayment over 60 months at 11% interest	8	8
G4 3	Purchase price Loan of (EGP 9 240 000 repayment over 72 months at 11% interest.	10	9
G4 4	Overdraft taken at 11% interest to calculate interest charge	8	8
G4 5	Depreciation in SA allowed on capital equipment over 5 years in factory – allowing for tax deductible depreciation. Article A12 allowance. In SA Admin buildings not depreciable. Assume same applies in Egypt but this possible different.	2	5
G4 6	No Income during first three months as the debtor’s book is built assuming 90 days + in an illiquid Egyptian Market. Also ignoring any current income streams that will come to FE via the current business.	8	8
G4 7	60 day raw material credit line	6	6
G4 8	Other expenses taken in month of occurrence	5	5
G4 9	Extraordinary items – project costs - due diligence cost of EGP 200 000 spread over 2 months, exploratory visits, marketing launch costs, project management	9	9

6.4 Financial evaluation forecast budgets

Six years' worth of budget forecasts has been prepared based on the above assumptions. The detail of these budgets can be viewed in appendix A. Each year is separately printed and numbered. The format consists of thirteen categories of information essentially following the format of an income statement. These categories are listed herewith in the order in which they follow each other together with a short synopsis of each category.

1. Production statement

This category provides an ongoing measure of production capacity, which is available for the manufacture of local products. In the first six years the total capacity will not be exceeded. This calculation is based on a 22 day production month with one shift in operation. Output per shift is 900 units.

2. Market demand statement

The market demand statement allows for an indication of the market size in local mass-market products with the estimated units sold by each manufacturer. The overall accuracy of information is believed to be sufficient. The detail information is not that accurate although the data at large is not unsubstantiated. The value of this data is the background it provides for the gain in market share from year 2 through to year six.

3. Market share statement

Provides an estimate of the mass market share which Karnak enjoys.

4. Product ratio statement

Provides the product mix of sales made which forms an integral part of the costing which follows on from this and also the gross profit generated from this market segment.

5. Sales statement local

Five sub categories exist to form five product ranges. These are numbered A – E. They are:

- A Karnak drop-on products
- B FSA drop-on products to complete the drop-on range
- C FSA inset products to ensure growth in this market segment (*Strength)
- D Up market products
- E WSE product range

Each sub category has three elements numbered A1, A2, & A3. Etc. This allows for the calculation of product range revenue as A1 would be quantities sold, A2 the sales price and A3 the revenue from those products.

6. Sales statement export ex Egypt

Six different regions are listed as export targets for Franke Egypt. Quantities, prices and revenue are reflected.

7. Income statement

Revenue is reflected from each product range as well as the export revenue generated. In addition scrap sales income and sales tax adjustments are shown to provide total revenue. This is done on a monthly basis summarised annually.

8. Cost of Sales

Overall cost of sales comprise six different components. These are:

- Raw material costs for Karnak products
- Landed costs for buyouts excluding freight charges
- Customs charge for raw material used in Karnak products
- Freight charges on buyouts
- An added Fixed Overhead charge for the completion of drop-on products ex FSA
- Variable cost charge per unit of manufacture

Values reflecting the cost of sales of each cost component are accompanied by a percentage to allow for easy comparison to norms and standards.

9. Operating profit

Returns the gross profit or operating profit monthly and annually

10. Fixed costs

All fixed costs including all labour used directly in the production process. Ten different categories of expenses are shown and they are numbered accordingly from human resource expenses (1) through to tooling charge (10). The fixed costs are expressed as a percentage. Earnings Before Interest Tax Depreciation and Amortization (EBITDA) is calculated on a monthly and annual basis.

11. Financing schedule

The financial schedule reflects the three different financing projects that are envisaged. These are the financing of capital expenditure, the financing of the building of an administration block and the financing of the purchase price from the business.

12. Cash flow statement

Cash inflows and cash outflow are reflected inclusive of interest charges culminating in a monthly cash position and a cumulative monthly cash position which is an indication of the funding requirement.

13. Depreciation schedule which includes the profit before tax.

Depreciation, being an accounting expense and not an item having an impact on cash flow have, for the purposes of calculating the viability of the Karnak project been ignored. Financing costs have, however been summarized in this section to allow for the calculation of a Profit Before Tax (PBT) position.

6.5 Financial evaluation step-by-step budget analysis

6.5.1 Summary analysis of financial forecast

The size of the mass market in year 1 (2004 AD) is 443 000 units growing to 513 000 by year 6 (2009). Franke Egypt's share of this market grows from 27% in year 1 to 40% in year 6.

Total unit sales in Year 1 is budgeted at 147 594 units increasing to 293 938 units in year 6.

Revenue in year 1 is EGP 11,660 m growing to EGP 27,127 m in year 6. Total Cost of Sales start out at 69.44% reducing to 67.07% as market share economies of scale and growth reduce the impact of the primary 100x50 product. This translates to a operating profit of EGP 3,563 m in year 1 which gradually increases to a operating profit of EGP 8,776 m in year 6.

Fixed costs start out in year 1 at EGP 1,576 m increasing to EGP 3,296 m in year 6 but reducing by 1.5% expressed as a percentage of sales. This is due to economies of scale in overhead and administrative costs.

EBITDA of EGP 1,987m is achieved in year 1 growing to EGP 5,479 m in year 6 (2008).

Financing costs present a distorted view of the profitability of the project as the calculation is done after repaying a long-term loan incurred to purchase 76% of the project. Joint shareholders will never allow such a financing structure. The true value of the project can be taken as the EBITDA and by further subtracting financing charges incurred by means of capital expenditure and the building of administrative buildings. The NPV, IRR and PB have all been calculated in this manner.

Overall financing charges amount to 25.9% in year one and reduce to 6.7% in year 6 after the repayment of the building additions and the capital expenditure and as the purchase price financing reduces.

For a detailed summary report see Annexure B.

6.5.2 Production constraints

Every month is estimated to have 22 working days. One shift lasting 8 hours will allow for the production of an average of 900 units per shift translating into 19800 units per month. This production capacity is never challenged over the period of one year as the total capacity is 237 600 units with year 6 placing a demand of 205 532 units on the factory during the course of the year. Should additional capacity be required a second shift will be considered. During some months, in particular during year 6, the demand exceeds production capacity by a couple of hundred units per month due to seasonal demand. This could however be alleviated by small amounts of overtime thereby ensuring that production constraints do not occur.

6.5.3 Market size and competitors

According to current figures provided by Karnak they sell in excess of 200 000 units per year. These units however are sold in conjunction with PVC pipe products, which represents the main line of business for the current owners of Karnak. In addition to these numbers being unsubstantiated by any formal source of documentation the absence of Karnak products in retail stores is apparent. The reason for this absence has always been given that Karnak sells to primarily the contracting market. A first year total sales figure of 120 000 Karnak mass market drop-on units have been included in the budget. This represents 27% of the drop-on market which, is assumed to be at least realistic. Further, it has to be stated that Franke Egypt intends to conduct 60% of their sales on a cash basis and 40% on an account basis. This is due to the lack of credit checking institutions in the Egyptian economy as well as the high incidence of cash

transactions that take place in this economy. This strategy is intended to reduce the risk of bad debt, already budgeted at 2% of all revenue.

During year 2 of the Franke Egypt project the intention is to gain some market share at the expense of Nile Industries. This gain in market share would for all practical purposes not happen as clinically as presented on a particular month but the overall intention will be to reduce the market share of Nile Industries. This has to be seen in conjunction with the fact that the Franke-Sami brand has been established in Egypt by Nile Industries and that the Franke brand in Egypt is solid and will easily become a strong and even better known brand. This trend continues in year 3 of the project.

During year 4 it is assumed that one of the manufacturers will close down. By all accounts the most likely candidate will be Nado. It could be any of the other manufacturers and in year 5 it is predicted that the market will experience a further shake out with another competitor closing down. Again, this could be any of the remaining competitors but UEM could be a likely candidate. Based on these assumptions and the consistent growth in the market size of 3% Franke Egypt is forecast to extend the market share of 27% in year 1 to a solid 40% during year 6. This would translate into 205 000 small drop-on units during 2008. Together with the drop-on units sold in the larger sizes this will provide a market share of approximately 45%.

6.5.4 Market share statement

The market share that Franke Egypt will have in the drop-on range with the current Karnak products only will increase from the 27% in year 1 to 30% in year 2, 33% in year 3, 36% in year 4 38% in year 5 and 40% in year six. Including the sales of larger drop-on units pressed by Franke SA this will provide Franke Egypt with an approximate market share of 45% of the Egyptian market by 2008. The larger drop-on units supplied by Franke SA off their mono-block technology will amount to 18 000 units in year 1 with near linear growth of between 20% and 25% per annum to 45 000 units in year 6.

6.5.5 Product ratio

The ratio between Karnak products is discussed in 4.2 above. It would suffice to mention that the 100 x 50 constitute 80% of the volume and has by smallest margin of the Karnak products by quite a way. The cost of sales on this product is 63.75% as it is sold for EGP 50 and raw material costs amount to EGP 31.86. This product therefore is a market share creator and loss leader. This size is the most popular size in the Egyptian market due to the small size of dwellings in which this product is installed. There are 12 million households in the Egyptian economy (Investing in Egypt, 2000, p80) of which the bulk are housed in flats.

6.5.6 Karnak drop on sales quantities

During the first year 120 000 units are sold in the ratio 80% 100 x 50, 10% 80 x 50 and 10% distributed between the four other Karnak products. The projection is for 137 000 units in the second year, 155 000 units by year 3, 174 000 units during year 4, 189 000 units by year 5 and 205 000 units by year 6. This translates to a growth rate of 15% compounded with the growth envisaged to come from Nile Industries and a reduction in competitors as discussed previously. It could very well transpire that this forecast turns out to be very conservative but for the purposes of the business plan for Franke Egypt it is a safe and solid forecast coupled to an envisaged strategy. Briefly this strategy is to lead with a very popular size in a very well known brand maintaining and creating an entrance into the market. From this position other additional sales are made, systematically taking over market share based on brand strength and creating an environment in which the number of manufacturers in the marketplace will reduce in quantity over the next 6 years.

The revenue generated from this product range amount to EGP 6,438 m in year 1 and eventually EGP 11, 044 m in year 6. Of particular interest is the percentage of total revenue generated by this product range. During the first year this product range generates 55% of revenue and by year 6 it is responsible for only 40% of the revenue. This allows for a more balanced portfolio of product ranges.

6.5.7 FSA Drop-on sales quantities

Three products are added to the Karnak drop on range in year 1. Where the Karnak range constitutes a range of single bowl products the additions to this range is a range of ex Franke SA monoblock pressings constituting double bowl products. A 120 x 50 DEB, 150 x 50 DCB and a 180 x 50 DCB product is added. Sales of these products during year 1 is forecast at 18 000 units with unit sales increasing to 45 000 units by year 6. 40% of these units are expected to be 120 x 50 DEB and 40% 150 x 50 DCB. 20% of sales is estimated to be of the 180 x 50 DCB variety. According to research notes as well as price lists received from both Nile Industries as well as UEM the Franke Egypt (ex FSA) range of drop-on sinks will be very well priced to attract a healthy percentage of the market. The following table summarizes the price comparison made with similar products from other manufacturers.

Product size	Franke Egypt	Nile Industries	UEM
1200 x 500	EGP 177.37	EGP 225.00	EGP 195.85
1500 x 500	EGP 203.12	EGP 323.00	EGP 333.00
1800 x 500	EGP 228.76	EGP 368.00	EGP 321.00

It is clearly demonstrated that the FE products (costing: pressed in SA where added 10%, 15% duty, added freight charges, finished in FE and sold at a 35% margin) compete favorably enough to create the followings scenario's:

- Force a reduction in price by the competition creating additional pressure
- Increasing the FE price to equal pricing levels to make a better margin
- Increase the price slightly but remain cheaper and gain market share in volume to have the optimal gross profit margins on the product range

It is envisaged that the revenue from this product range will be EGP 3, 564 m in year 1 increasing to EGP 8, 955 m by year 6. The current budget forecasts allow for a 35% margin throughout the six years. Pricing strategies could differ from time to time.

During the first year this product range contributes 30% to revenue. This increases marginally to 32% by year 6 thereby maintaining the level of contribution throughout.

6.5.8 FSA Inset sales quantities

With an estimated 5% of the current Egyptian market being held by inset sinks this represents a product range segment with significant strategic importance. The total annual units sold into the market could be in the region of 20 000 units. Following international trends this product range will become more and more popular as the Egyptian economy continues to develop. This would place FE at a distinct advantage as the only local supplier of this product range albeit that the units are sourced from a manufacturing facility within the group Franke SA. The rationale behind the position of strength is that it would be at the expense of a set of tools and related costs that an Egyptian competitor will be placed in the same position as FE regarding the inset sinks market segment. This, together with the expected increase in the popularity of inset sinks this place FE in a favorable position.

It is expected that FE will sell 3000 units in year 1 increasing this to 6000 units by year 6. A comprehensive range of inset sinks will be made available to the market ranging from a prep bowl to a 150 x 50 product.

Six percent of revenue is expected to come from inset sinks during year 1. This remains constant throughout the six-year period.

The margins on this product range is taken at 35% in the forecast but later reduction in import duties could be obtained by completing only the pressings at Franke SA and adding value to the product at FE by completing the trimmings, cut-out etc.

6.5.9 Upmarket sales

Four products are included in the preliminary up market product range, three of these products are imported from Europe and a further product will be sourced from Franke

SA. These products throughout the six-year forecast contribute 1% to the total revenue. Unit sales are forecast at 130 in year 1 with 400 units sold in year 6. As these products are brand defining flagship products their value lie not only in the sales generated but also, far more significantly, in the prestige and image that is created for the bread and butter items. In the Egyptian market, with the Franke brand not being fully utilized at present this product range could be a valuable strategic tool.

6.5.10 WSE range

Washroom and Sanitary Equipment (WSE) will be offered to the market to ensure that FE provide a full range of products to the Franke Egyptian and Middle Eastern customers. Intended to form part of the WSE range is a washbasin, a drop-on tub, squat pan, single unit urinal, shower tray and a toilet. The quantity of sales are expected to be small, in the region of 300 unit in year 1 growing to a substantial 3200 units in year 6. Growing from 0.5% of revenue to 4.2% of revenue this product range will form the basis of the Franke WSE market in Egypt. Revenue will grow from EGP 70 000 in the first year to a solid EGP 1,164 m by year 6. This product range should reduce the exposure FE will have mass market products which are sensitive to mood changes in the Egyptian economy. The reason being that these products are expected to be contract driven in typical government projects, hotels, shopping malls (of which there are currently very few in Egypt) etc.

6.5.11 Export sales

Export sales are envisaged to be one of the key aspects of establishing FE as a regional manufacturer in the Franke group. Together with Franke SA the company Franke Egypt will be in a position to enter markets throughout the African continent on a duty free basis. This allows for the opening up of current markets where FSA currently have limited exposure or are trading at a disadvantage.

During the first six years four countries in particular and two regions have been identified as target markets for Franke Egypt. The countries are Zimbabwe, Kenya,

Morocco and Tunisia. The regions are the West African region of Ghana, Nigeria and neighbouring countries and the Middle Eastern block of countries including Lebanon, Syria, Jordan, Iraq and the Sudan further up the Nile.

Zimbabwe, a neighbouring country to South Africa protect their own stainless steel kitchen sink manufacturer (Monarch) by imposing significant duties on imports from South Africa. This is not the case regarding imports from Egypt from where duties will not be applicable. Relatively small quantities are forecast due to economic instability at present. From 1800 units in year 1 a steady increase to 8000 units in year 6 takes place. The forecast exports will consist of two drop-on units the 100 x 50 unit and the 150 x 50 DCB unit. These are the only units planned for export in the business plan.

Kenya, a COMESA country will be developed as a market with 600 units exported to Kenya in year 1. The product mix will consist of the above mentioned products with 50% of each product being exported in the mix. During year six 3600 units is planned for export to Kenya.

Exports to Morocco is planned from the latter part of year 1 with slightly more than 3000 units being exported in the same configuration as the exports to other countries. The intention is to establish Morocco as the largest export market for FE with about 10 000 units going to Morocco by the sixth year (2008).

Small quantities are envisaged for export to Tunisia during the first year, as little as 400 products. During year 6 this market needs to be developed to absorb approximately 4000 units per annum. Forecasts indicate that the product mix will consist of an equal quantity of the 100 x 50 and 150 x 50 drop-on products.

West Africa (**huge potential in Nigeria and Ghana**) and the Middle Eastern group of countries will be developed as export markets during the second year of FE. Small quantities will then be exported with the number being less than a thousand product units to each of these to regions. This will be developed to approximately 4000 units per region by the sixth year.

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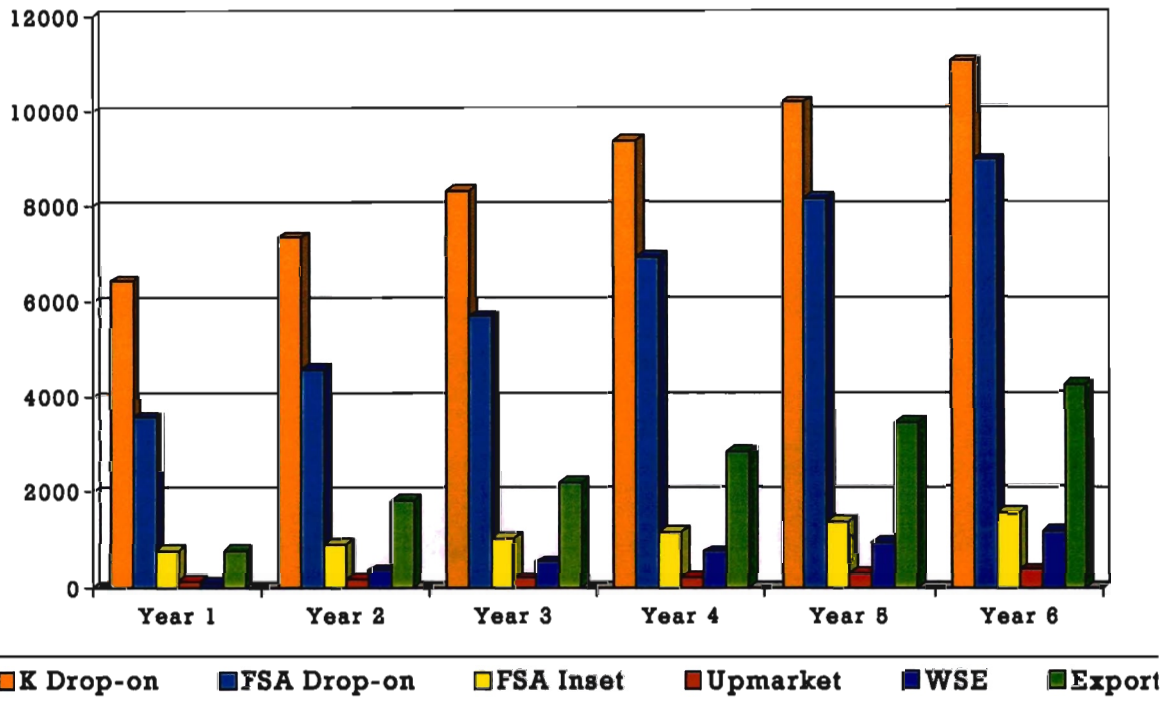
Total exports in the first year amount to slightly more than 6000 units. Growth will take this to about 34 000 units by year 6. Expressed in revenue this amounts to EGP 779 000 in year 1 and EGP 4, 235 m in year 6. Sales prices have been taken at the prices received for the same products in Egypt. The exports as a percentage of revenue increase from about 7% to about 16%. This is a further strategy to reduce the dependency of FE on the vagaries of the Egyptian economy and will truly entrench it as a leading stainless steel manufacturer in North Africa. Based on this platform FE can continue to grow markets in Egypt and in the surrounding countries. The export markets that are available to Egypt have to be perceived as FE's most substantial opportunity.

6.5.12 Income statement

In addition to the revenue generated from the five product groups in the Egyptian market as well as the export markets discussed in the preceding paragraphs additional revenue is generated by the sale of scrap metal which is a waste by-product of the manufacturing process. Only the products manufactured in full at the FE factory would generate this waste. The scrap value amounts to EGP1.90 per unit manufactured mounting to EGP 233 000 in the first year climbing steadily to EGP 416 000 in year 6.

A net sales tax adjustment has to be made as a General Sales Tax (GST) is in effect in Egypt. The net result is that 5% of revenue is paid to the government on sales made. This amounts to EGP 321 000 in year 1 climbing steadily to EGP 552 000 by year six. The graph clearly summarizes the revenue generated by the five key product groups and the contribution made by exports.

The Y-axis expresses the revenue in EGP (000's) with the X-axis representing the six years forecast.



6.5.13 Cost of sales calculations for the Karnak drop-on range

The cost of sales consists of the raw material component of product units fully manufactured in Egypt. The base stainless steel price used is ZAR 18.69. At an exchange rate of 2.27 ZAR:EGP this translates to a price of EGP 8.23 per kg of stainless steel.

The weight of each locally manufactured product is recorded in the detailed information in annexure A. With a 0.6mm diameter the required quantity of stainless steel per product is:

	Weight	EGP / kg	Raw material Cost
80 x 50 SEB	3.2789 kg	EGP 8.23	EGP 27.00
100 x 50 SEB	3.8691 kg	EGP 8.23	EGP 31.86
120 x 50 SEB	4.4265 kg	EGP 8.23	EGP 36.45

120 x 50 MB	4.6948 kg	EGP 8.23	EGP 38.65
150 x 50 SEB	5.7381 kg	EGP 8.23	EGP 47.25
42 x 42 Bowl	1.7885 kg	EGP 8.23	EGP 14.72

This cost of the raw material forms the basis of the cost of sales for the Karnak produced products. A customs charge of approximately 10.5% exists on raw material imported which is charged on the FOB price of the raw material as well as the freight charges. This compound 10.5% duties are calculated at 5% duties on the total cost (FOB + freight) of the raw material and then again 5% on this new cost (FOB + Freight + 5% Duties). The second 5% comprise several overhead duties amounting to 5%. In addition to these customs charges a variable cost charge of EGP 0.60 cents per product is applicable in the calculation of the cost of sales for this class category of product or product range. This cost of sales component particularly is the cost of consumables used during the process of manufacturing.

6.5.14 Cost of sales calculation for the buyouts

The buyout cost of sales calculation differs depending on whether the pressings are imported from FSA or the completed products are imported.

The units that are imported as pressings are the drop-on product-range that extends the current Karnak product range. These products consist of a 120 x 50 DEB, 150 x 50 DCB and a 180 x 50 DCB. These products are pressed with monoblock technology at Franke SA.

The costing for these products happen in two stages. The first stage is costs incurred to complete the pressings. This costing is done as follows:

- The stainless steel price has been assumed at R18.69/kg (ZAR:EGP 2.27 & EGP:USD 4.62).
- The raw material cost is calculated at a 0.8mm stainless steel to ensure that product quality and rigidity is maintained.

- The labour cost is taken at the labour costs incurred to complete the pressings only
- The variable overhead cost is calculated at 50% of the normal 50% as pressings are delivered
- The common fixed overhead is calculated for pressings only
- The exclusive fixed overhead is taken in full
- A 10% mark-up on this price is done by Franke SA
- A import duty of 15% is assumed on the pressings
- This provides a cost of sales price used in the calculation of the raw material component for pressing to Franke Egypt (FE).

During the second stage two further costs are added to complete the full cost of sales of imported pressings:

- ❖ Freight charges are levied against the pressings at USD 1200 per container with 1000 units per container translating to a EGP 6.05 per unit.
- ❖ A fixed overhead, similar to the overhead not incurred by Franke SA is added back into the cost of the product

The units that are imported as complete units by Franke Egypt from Franke SA attract the full cost pricing from Franke SA. This would be the buy-out range that includes the inset sink range, the WSE range and a particular Daphne 2 up market product. These products will attract the following costing:

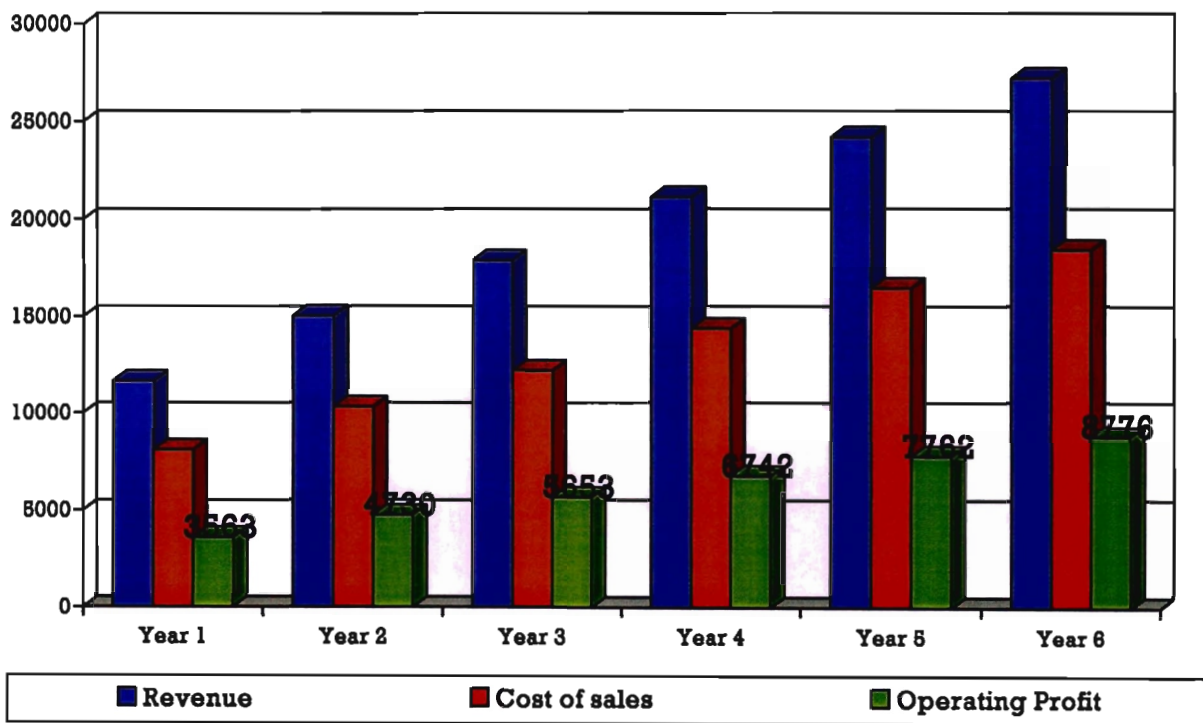
- The normal costing as per the Franke SA costing system
- A 10% mark-up on this cost will be done by Franke SA
- A duty of 40% is assumed on complete product imports
- A freight charge of EGP 6.05 per unit is added to the inset range of product and the Daphne2 product with an EGP 10.00 per unit is added as a freight charge for the WSE range due to the bulky nature of the products.

Up market products that are imported directly from Europe will not attract the 10% mark-up added by Franke SA. These products are the Studio, Pappilon and PRX 120. Annexure B and Annexure C can be viewed should further detail be required.

6.5.15 Operating Profit

Operating profit is best analyzed when presented in graphic format over the six year period forecast expressed together with revenue and cost of sales. The Y-axis is in (000's). The operating profit percentage increased steadily from 30.56% in year 1, 31.45% in year 2, 31.67% in year 3, 31.93% in year 4, 32.07% in year 5 and 32.3% in year 6.

Franke Egypt – Operating Profit



6.5.16 Fixed Costs

The fixed costs range from 13.5% of sales in year 1 to 12.1% of sales in year 6. These costs have, for purposes of the financial forecasts been grouped in 10 different classes. These classes are:

- 1) Human resource costs

- 2) Building and building related costs
- 3) Communication costs
- 4) Marketing costs
- 5) Third party finance costs
- 6) Bad debt provisions
- 7) Vehicles
- 8) Small monthly charges
- 9) Staff travel costs
- 10) Tooling charges

6.5.16.1 Human resource costs

The 2001 Karnak wage per factory worker was EGP450 per month. In the forecast business model this has been taken at EGP600 per month per factory worker. The current (Karnak 2001) number of 15 factory workers will be increased to 20 in year 1, to 25 in year 2, to 30 in year 3 and to 35 in year 5. This will take care of labour requirements regarding a finished goods warehouse, receiving of products, and any additional manufacturing labour requirements that will take effect as Karnak Egypt expands.

The wages of the current factory supervisor is EGP 3000 month. This remains the same. A second supervisor is added to Franke Egypt during year 5 as it is expected that this additional capacity at supervisory level will be required. This person might control inventory etc.

A position for a factory administration assistant earning EGP 2000 per month is created. This person is expected to be involved in the manufacturing data process, capturing and recording output, be involved with inventory holdings and possibly do some buying of raw materials, quality control records etc.

A general manager of Egyptian extraction is appointed during year 2. This would mean that there would be an overlap year between the project general manager and the De

facto general manager that will continue to run Franke Egypt once the project general manager's tenure comes to an end after two years. For purposes of the forecast it is assumed that such a local general manager will be appointed at the beginning of year 2. The estimated cost is forecast at EGP 15 000 per month. The same scenario exists in the case of the works manager where the local works manager is employed during year two in order to gain knowledge from the project works manager whose tenure also comes to an end at the end of year two. The estimated monthly cost in the case of a works manager is EGP 8500 per month.

A financial manager of Egyptian extraction is appointed at the outset of year 1. The expected cost is envisaged to be similar to that of the works manager at EGP 8500 per month.

Two sales reps each costing an estimated EGP 3000 per month is appointed at the start of the project. It is advisable that one of these sales reps is fluent in French as this would be of use in some of the North African countries targeted for exports. A third sales rep is added in year three with a fourth sales rep in year 4 and a fifth sales rep in year 6.

A driver will be employed with provision made in the forecast for a second driver to be added by year 3. The estimated cost of a driver is EGP 1000 per month.

A secretary / assistant is employed to assist the general manager at a cost of EGP 1500 per month.

Professional fees to the value of EGP 6000 per month is allocated to management of Franke SA expected to visit Franke Egypt on an ongoing monthly basis. The rationale is that, for example, the Franke SA quality manager will spend 10 days in Egypt in one month with the IT manager spending time there during the second month etc. In this manner skills will be used on an ad hoc basis to develop the Franke Egypt business and develop and consolidate the new acquisition.

6.5.16.2 Land and building costs

As the land and buildings form part of the purchase of Karnak these assets will be reflected on the balance sheet with the result that no monthly rental is payable. Building maintenance is estimated at EGP 500 per month increasing to EGP 750 per month in year 2 and EGP 1000 per month in year 3.

Water and electricity is estimated at EGP 4000 per month during year 1 increasing by EGP 500 per month during year 2 and a further EGP 500 during year 3 (EGP 5000 per month). From year 4 (EGP 6000 per month) this expense increases at EGP 1000 per month to EGP 8000 per month in year 8.

6.5.16.3 Communication costs

Communication costs consists of normal telephone services, cellular services and special services such as ISDN connections. It is estimated that normal telephone costs will be EGP 5000 per month during year 1 growing to EGP 10000 per month as the business expands.

Cellular costs are estimated to start out at EGP 1500 per month with this expense increasing to EGP 4000 per month by year 6.

Additional telecommunication costs such as links to Franke SA, ISDN lines etc is projected at EGP 500 per month during year 1 growing to EGP 2000 per month by year 6.

6.5.16.4 Marketing costs

A budget of EGP 20 000 per month have been provided from year 1 for normal marketing costs. These costs will contribute to developing client relationships, developing the Franke brand in Egypt and ensuring that sales promotions are put in

place in order for market share to continue to grow. During year 2 this budget increases to EGP 24 000 per month, during year 3 to EGP 28 000 per month, during year 4 to EGP 32 000 and during year 5 to EGP 36 000 per month where this cost levels off.

6.5.16.5 Third party finance charges

Three costs comprise this category of costs. They are the audit fees, bank charges and insurance charges. Insurance is estimated to cost EGP 3 500 per month in year one increasing to EGP 8 700 per month by year 6.

Audit fees during year 1 is expected to be EGP 36 000. This expense will continue to grow and a budget provision of EGP 7 400 per month (EGP 90 000 per annum) has been made.

Bank charges are forecast as being EGP 72 000 during the first year (EGP 6000 per month). This is forecast to grow to EGP 15 000 per month by year 6 which translates to an annual cost of EGP 180 000.

6.5.16.6 Bad Debts

Bad debts represent one of the significant risks in the entire project. A provision for bad debt to the value of 2% of total revenue has been made. When working on the assumption that 60% of Franke Egypt's sales will be COD and the other 40% will be on account basis this translates to a 5% bad debt on the accounts receivable turnover generated by Franke Egypt. The premise of this provision is twofold. Firstly there is the high level of illiquidity in the Egyptian economy to consider. Secondly there is the practice of keeping transactions in the informal sector and working on a cash basis. As these two facts are interrelated with too little money chasing too many transactions it is anticipated that bad debts will occur. Legal fees have also been provided for the follow-up work that will have to take place to manage the accounts receivable book. This legal fee budget is EGP 500 per month in year 1 growing to EGP 2000 per month during year 6.

6.5.16.7 Vehicles

The cost of EGP 15 000 per month has been allocated to vehicle costs. This would include the entire cost to operate the vehicle excluding the driver which cost has been accounted for elsewhere. In year three this cost is budgeted to escalate to EGP 25 000 per month. Deliveries will be done with these vehicle(s) to customers based on the assumption that for the period of the budgeted forecasts deliveries are done in a bulk manner.

6.5.16.8 Small monthly charges

A set of small monthly expenses has been grouped under this class of expense. Entertainment costs, rental of office equipment, stationery, uniforms and protective clothing, consumables, security, levies and sundry expenses have all been budgeted for. These charges total EGP 6700 per month during year 1 and increase to EGP 20 100 during year 6.

6.5.16.9 Staff travelling costs

Staff traveling costs includes flights made by management from Franke SA to Franke Egypt. The calculation is based on one ten-day trip per month for the duration of the project. Naturally this would not be the case on an on-going basis, as support from Franke SA will reduce as the business Franke Egypt becomes established. This cost however is forecast to remain, as other trips will start taking place in order to develop export markets such as West Africa, Morocco, Kenya etc. For budgeting purposes the cost remains constant over the six year period.

6.5.16.10 Tooling costs

Tooling costs are budgeted at EGP 5000 per month. It is envisaged that Samy Ezzat of TechnoMisr shall remain in charge of this part of the business and that the EGP 5000 will be paid to TechnoMisr as a form of a retainer.

6.5.17 EBITDA

In conclusion it should be noted that operating profit minus the fixed costs incurred result in the Earnings Before Interest Tax Depreciation and Amortization (EBITDA). From EBITDA the financing charges for capital expenditure and interest charges need to be subtracted to provide the free cash flow position of the project from where the NPV, IRR and PB calculations can be made. The EBITDA of Franke Egypt is EGP 1,987 m in year 1, EGP 2,651 m in year 2, EGP 3,099 m in year 3, EGP 3, 977 m in year 4, EGP 4, 623 m in year 5 and EGP 5,479 m in year six.

6.5.18 Capital expenditure financing

The intention for Franke Egypt is to invest EGP 1 000 000 in the acquisition of additional equipment to allow for the final process treatment of the drop-on monoblock pressings imported from Franke SA, amongst others.

Equipment that is envisaged include a second hand trimming guillotine, a notching press similar to Franke SA's Boschart machine, a bending brake with the ability to bend skirts with the bowl in place from Franke SA a new corner welding machine and a packing line.

It is planned that the capital expenditure will not take place at once but in approximately four different stages of expansion. This has been budgeted to take place in four equal amount of EGP 250 000 and is envisaged to happen in month 3 of year 1, month 9 of year 1, month 12 of year 1 and month 4 of year 2.

The capital and interest of each portion will be repaid over a period of 60 months with an interest rate of 11% to be charged.

6.5.19 Building alteration and addition financing

The addition of a 300 m² administration building as well as a fence and a separate transformer to control the use of electricity have been budgeted. The building costs have been calculated at the Egyptian par value to R 2500.00 per square meter with R100 000 (EGP 50 000) provided for a fence and transformer. It is assumed that this cost will be incurred in the first month of year 1. In practical terms it would be sensible to start the building project as soon as possible after finalization of the purchase transaction.

Repayment of a building loan is assumed to take place over a period of 60 months at an interest rate of 11%. Capital and interest are repaid monthly.

6.5.20 Purchase price

The purchase price is known to be USD 2000 000, which includes existing land and buildings, all fixed assets used to produce sinks, know-how and intellectual property. This is the price paid for a 76% share in Karnak which will become Franke Egypt in which Mr Taw-Feek et al will hold a 24% share. At an exchange rate of EGP4.62:1USD this translates to EGP 9240 000.

In the current appendix “A” this cost has been added to the long-term liabilities that Franke Egypt have to service. Over a 72-month period at an interest rate of 11% while repaying the capital as well as the interest this transaction places substantial pressure on the cash flows of the business. This will cause the business to have a substantial overdraft which increases systematically to EGP 6 025m by the 6th month in year 3.

A reduced purchase price in line with all the equity (including the 24% equity of Mr Taw-Feek et al) being provided by Franke will reduce the size of the long term loan and the subsequent capital and interest repayments.

A lower interest rate (the Egyptian discount rate being 11%) will naturally also play a significant role in reducing the size of the monthly interest portion of the loan. At the current 11% interest rate used in the business plan the interest payments in year 1 amount to EGP 937 750 and over the life of the loan EGP 3 052 500. At an 8% interest rate the year 1 interest bill is EGP 682 000, a saving of EGP 255 750. The life of loan interest saving is EGP 832 500.

6.5.21 Cash Inflows

Cash inflows are generated after 90 days of the sale of products. Currently this accounts receivable position makes the assumption that 100% of the sales are on account, which strategically will not be the case. In practice the target will be to do generate 60% of sales COD and 40% of sales with account holding customers. The reflected cash inflow position is however conservative.

6.5.22 Cash Outflows

Cash outflows consist of the payments to the suppliers of raw materials of between 60 and 90 days. This relates to the direct purchase of raw materials as well as the products purchased from Franke SA and elsewhere in the Franke group.

Cash outflows to customs, freight charge payments, fixed overhead costs incurred on Franke SA buyouts, variable charges incurred, fixed cost expenses incurred and payments of the various capital expenditure and loan repayments are assumed to take place in the month of the expense.

Interest charges on the overdraft are also considered cash outflows in the month of occurrence.

6.5.23 Project costs

Prior to calculating the cash position certain project costs are incurred during the first two years of business. These costs are incurred on a one-off basis over the first 24-months and does not form part of the ongoing fixed costs of Franke Egypt.

These costs are a due diligence cost of EGP 200 000 incurred in the first two months most of which will be to legal due diligence expenses.

A new company and brand re-launch marketing cost of EGP 120 000 has been allocated in addition to the normal marketing budget in order for the company Franke Egypt to be launched in the market place.

The costs of an expatriate (ex SA) project general manager and an expatriate (Ex SA) works manager has been added as a project cost over the first 24 months. The detail of these costs can be viewed in Appendix "D". The monthly cost in EGP for a project general manager is EGP 24 137 and for a works manager EGP 21 567. This includes the total cost structure of the expatriates.

6.5.24 Cash Position

The cash position is dependent on a final decision made regarding the funding of the purchase price and the repayment structure of such a loan. Based on the current scenario cash inflows and cash outflows the cash position is reflected on a monthly basis and on a compound basis.

The compound cash position equates to the overdraft or cash surplus position, which in accordance with the previous assumptions provides for the overdraft to grow systematically until the maximum negative cash position is reached in month 6 of year 3. Thereafter the overdraft reduces systematically with a surplus being achieved for the

first time in month 10 of year 6. The overdraft creates an interest burden which is calculated at 11%.

Depreciation, having no effect on cash flows is ignored for purposes of calculating the viability of the project.

6.5.25 Financing costs

Financing costs consists of four contributing items to these charges. These are:

- Capital expenditure
- Building alteration loan
- Purchase Price loan
- Interest charges on overdraft

The financing charges amount to 25.9% of revenue in year 1, 22% of revenue in year 2, 17% in year 3, 13% in year 4, 10% in year 5 and 7% in year 6. During the following years the financing charges will be only due to additional capital expenditure.

6.6 SWOT Analysis

The SWOT analysis is done from the perspective of Franke Egypt having been newly established.

Strengths:

- The FRANKE brand in Egypt:
The FRANKE brand could be considered well established but dormant in the Egyptian market. A rapid confirmation of the brand in the market will be a valuable management tool.
- Funding to manage the business with:
Funding could be considered the single largest constraint experienced by the competitors of Franke Egypt and prevents these competitors from a smooth supply of product to the market.

- Location in Alexandria:
Access to ports; as 15% of the revenue is forecast to come from exports from Franke Egypt to other countries, about 40% of sales are derived from imports of pressings and complete products. In addition to this raw materials have to be imported.
- Comprehensive product range:
Ownership of a comprehensive range of drop-on products at competitive prices has to be considered one of the primary strengths.
- Monoblock Technology
The use of monoblock technology at Karnak Egypt and at Franke SA for the entire range of drop-on products places FE at a distinct advantage over other manufacturing processes employed by some of the competitors.
- Access to Raw Material
The access to raw material from different suppliers by the Franke group has to be considered a particular strength in the Egyptian market, in particular when taking cognisance of the credit facilities made available by these suppliers .

Weakness:

- Lack of in-depth, intimate understanding of the Egyptian market and the lack of client relationships.
- Language barrier could be a weakness
- The change of supply: from bulk supply of a limited product range to selected customers to a different product mix to probably a larger customer base. This is expected to create logistical and administrative challenges most likely to cause a set of problems that will take up large amounts of management time.

- The high gearing over the first couple of years have to be considered a weakness in that the financing charges places pressure on short term profitability and raises the break-even point of the business over the first three years.
- The lack of systems and processes during the initial stages of the project could add pressure to the task facing management. Fortunately this weakness will diminish over the first year as the business Franke Egypt is settled down and systems and procedures already being utilized successfully elsewhere in the group is implemented.

Opportunity:

- The Inset product range
This medium term opportunity has to be considered significant. A comparison with CitiMetal Products (now Franke SA) highlights this opportunity. A decade ago CitiMetal sold mostly drop on products with the bulk of sinks today being inset products. This trend should most likely take shape in Egypt over the following decade. Irrespective of the exact ratio between the drop-on and inset product ranges it is without question true that Franke Egypt will be in a far better position to update, develop and create a continuous range of inset products based on the first range imported. This, in contrast, will be expensive and time consuming to any of the local manufacturers who, with the possible exception of Nile Industries do not possess over the ability to compete in this market. Tools etc is, for a start, too expensive as they mostly have to be imported.
- Development of export markets
The development of export markets in countries with strong links to Egypt (typically countries also belonging to the Arabian League of Nations) such as Morocco, Tunisia, Syria etc must be considered an opportunity to position Franke Egypt as a gateway into these countries. Similarly, trade with West Africa and the COMESA block of countries are sound opportunities.

- **Tool and Die making**
The opportunity exist for Franke SA to make use of price competitive tool and die making facilities at TechnoMisr and thereby locking this business into FE.

- **Manufacturing Industry Rationalisation**
The anticipation of a shake out amongst competitors in the Egyptian market will provide FE with the opportunity to develop their market share. Should the reduction in competitors continue the opportunity for better margins will eventually exist. It would not be an unrealistic scenario to find FE and Nile Industries as the two primary competitors in the Egyptian market with one or two smaller, secondary, single product type manufacturers still existing on the fringes.

- **WSE market**
The establishment of a market for WSE products should be considered an opportunity particularly as this range of products could fill the requirements of tenders that are offered by government etc. A limited range of WSE products will further substantiate the intent with which FE will be entering the Egyptian market.

Threats

- **Import duties**
The raising of or changing of the structure of import duties must be considered a threat seen in the light of the Franke Egypt dependency on imports, in various stages of manufacture. It is not inconceivable that certain individuals with strong ties to government in Egypt could successfully lobby for the protection in some form of the stainless steel kitchen sink manufacturers. This could benefit competitors with a local only content or a very high local content.

- **TechnoMisr**
TechnoMisr, owned by Sammy Ezzat pose a threat as this innovative individual has been involved in a variety of stainless steel manufacturing start-ups.

➤ War

Instability in the region would be very unlikely to affect Egypt directly but could have an effect on consumer spending patterns from time to time. The Egyptian market, with its high level of illiquidity and the limited availability of consumer credit facilities could cause large contractions in the size of the market fairly quickly. Such a contraction could affect local sales patterns of Franke Egypt.

➤ Cheap imports

Cheap imports from particularly nearby Turkey could add an over supply of product onto the market from time to time over and above the accepted levels of imports. This could have an impact on sales volumes. Quality from these sources is generally poor.

6.7 Investment viability analysis

To establish financial acceptance of the project Karnak and the viability of making an investment to establish Franke Egypt certain analysis have been done in order to assist with the capital budgeting or investment decision.

For purposes of these calculations the EBITDA performance of every year is used from which is further subtracted the financing of capital expenditure for both equipment and buildings and also the interest charge incurred due to the overdraft. The long term loan repayment created as a result of the purchase price is ignored as well as the effect of depreciation.

Assuming an investment of EGP 9240 000 (USD 2000 000) the Payback period for the entire project is calculated to be three years and 8 months (44 months). When only attributing 76% of the cash flows to the investment made the Payback increases to 4 years and 4 months (52 months)

When calculating the Net Present Value of the project the future cash flows are subjected to a discount rate. A discount rate represents the cost of the capital used to make the investment as well as an added percentage for the risk inherent in the project. This would mean that if the capital for the investment was acquired at an interest rate of 11% and a further 5% is added for the carrying of risk the discount rate would be 16%. All future cash flows would then be discounted back to present value at this rate. Assuming a realistic ten years of cash flow from Franke Egypt according to the financial forecasts made and using the sixth year as an representation of years 7 to 10 then the NPV of the project is EGP 5, 520 million. As any negative NPV values would cause a project to be discarded this project can be safely said to be in the money. To underwrite this position as conservative would be the fact that years 7 – 10 would probably be more successful than year 6 and secondly all future years from year 11 onwards are being ignored.

Should the investor have a lower discount rate by diverting cash from a fixed term investment where the money is earning 6% interest and the risk profile is a further 4% then the discount rate that is applicable would be 10%. In this instance the NPV of the same scenario above would be EGP 10, 797 million excluding years following year 10. For a spread of discount rates appendix “E” can be consulted.

The internal rate of return is the particular discount rate that forces the NPV to equal zero. This method is the discount rate, which equates the present value of a project’s expected cash inflows to the present value of the project’s expected cost. If the internal rate of return exceeds the cost of the funds used to finance the project, as is the case with the acquisition of Karnak and the establishment of Franke Egypt, a surplus remains after paying for the capital, and this surplus accrues to the owners.

When calculating the IRR for this project we find that the IRR is 26.79% over a ten year period, which is soundly in excess of the cost of funds that will be used to finance the investment, which for all practical purposes will be around 10%.

6.8 Cost of the acquisition

- a.) Purchase price - refer to Annexure F for the detailed cost as per the headlines of agreement. The purchase price will be **USD 2.0 million** for all assets, including land and buildings.
- b.) Setting up expenses – these will consist mainly of professional fees for legal advice, contracts, due diligence (limited), travel expenses of FHO & FSA personnel as well as the first year re-launch of Franke in Egypt. The total of these expenses could be **EGP 180 000** and it must be decided where these will be reported.
- c.) Subsequent urgent investments – To fulfill the strategy of finishing FSA mono-block pressings into various inset- and drop-on double bowl sink models, FE will have to invest in the capability of bending (with bowl) and welding. Depending on whether existing FSA equipment can be relocated and/or new equipment will be considered, this investment could vary from **EGP 500K - 1000K**. The building will have to be secured (from the remaining Karnak facilities) and an administration block will have to be added at a cost of around **EGP 400k**.

6.9 Financing the acquisition

The initial financing can be summarized as follows, based on the business plan requirements of an opening equity of EGP 7 million:

Requirement	FHO EGP'000	Franke Egypt EGP'000
Cash to Karnak	6,954	
External funding requirements:		7,000
Bank credit		5,100
Creditors		1,900
Estimated cost of the due diligence process	300	
Shareholders loan (balance of purchase		516

price)		
Total requirements	7,770	

Based on the above FE would require an overdraft facility from a local bank of EGP 8,500k. If this overdraft can not be secured, the balance will have to be funded via long term loans from shareholders. The acquisition team already had preliminary discussions with Barclays Bank in Alexandria which indicated that they would be able to finance FE with no guarantees, only the land and property as security required. Furthermore, it became apparent that Mr Tawfik is not in need of cash and indicated that he would want to invest the proceeds from the transaction in the new company. This could be an opportunity to get a shareholders loan from Mr Tawfik instead of bank financing.

6.10 Implementation of the acquisition

Certain issues form part of the take-over. These issues include the due diligence (particularly the legal aspects), the establishment and registration of a legal entity (company) in Egypt and the shareholders agreement between the two shareholders. The appointment of auditors and registration with the necessary national and local authorities such as the Egyptian revenue service, customs etc will be dealt with by the auditors and as part of the take-over.

The acquisition will be implemented as a project. It is considered that this project will be developed in detail once the acquisition has been finalized.

As part of the business plan it is relevant to mention that certain key areas will enjoy attention as soon as a take-over date has been established. Aspects that will require immediate attention prior to take-over would be:

- The specification and construction of administration facilities
- The installation of a separate transformer and the erection of a separation wall
- The search for some personnel, in particular the sales representatives
- Finalisation of the expatriate appointments

- The layout of the manufacturing facility in order to optimize space and create a finished goods area
- Drawing up a bill of equipment regarding information technology equipment required in order for the establishment of systems.
- The planning of a LAN network for FE and interconnectivity with Franke SA
- The application for telephone facilities with the necessary providers of telecommunications
- The gathering of information on the market and key customers
- The planning of exports from Franke SA to tie in with any sales in the budget during the quarter.

CHAPTER 7

STRATEGIC GOALS

7.1 Corporate Strategy

This acquisition is in line with the KS strategy of increasing international market share to over 17%, as it would add about 200k – 300k sink units additional to the division. From FSA's perspective, it fits into the objective of developing the sink market in Africa and with two manufacturing companies situated in different trade blocks, it would give FSA the opportunity to enter markets (low- or no duties) that have been very difficult to access out of South Africa. The investments that Franke has made in North Africa could also be leveraged from Egypt due to preferential trade agreements, geographical position and similar product requirements.

7.2 Goals and expectations from Franke Egypt

The initial goals of the new company will be:

- a.) to become profitable within three years of the initial investment
- b.) to rapidly gain market share in Egypt vs. its main competitor SAMI
- c.) to sell 300k sinks by 2009
- d.) to export > 15% of its production by 2007
- e.) to be self-managed (by Egyptian citizens) by 2006

CHAPTER 8

RATING OF THE TAKE-OVER

8.1 Take-Over Benefits

The benefits of the take-over lie firstly in the achievement of a key corporate strategic objective. This objective is to follow the CitiMetal take-over in South Africa with a second take-over on the African continent to increase the market access and penetration capabilities of the Franke group. With the establishment of Franke Egypt the KS division will create a marketing footprint in two of the three major trade blocks on the African continent. Where Franke SA have access and cover the SADC trade block Franke Egypt will have access to COMESA countries.

A second benefit is the realization of a gateway into the Arabic world via Egypt. Egypt has Free and Preferential Trade Agreements in place with Lebanon, Syria, Morocco, Tunisia, Libya, Jordan and Iraq (Monthly Economic Digest, Vol. 4 No 5, Table 32, P39). In addition to these formal structures that has been established there is in addition the informal interaction with the Arabian portion of the world population that becomes accessible.

The Franke brand value will increase in the Egyptian context. This issue has been discussed extensively elsewhere in this document.

The increased utilization of the existing manufacturing facility in Durban has to be of benefit as the assets deployed in Durban will be better utilized. Due to the increase in throughput, an increase on the return on the investment made by Franke in South Africa will occur, as the profitability of Franke South Africa will be affected positively.

A particular benefit of the take-over relates to the timing of the establishment of Franke Egypt. It is anticipated that the company will be established at the initial phase of a ten year market shift from drop-on sinks to inset sinks. This shift in market will place pressure on the other manufacturers as expensive research, development and the

purchase of tools and dies will increase the cost of these manufacturers' products making Franke Egypt's products more price competitive which could entrench market share.

A financial benefit would accrue to the Franke group on the return on investment generated for by the successful take-over of Karnak. This benefit is extensively documented as well as the assumptions that underlie the position.

8.2 Risks

8.2.1 The concept "risk"

The concept "risk" implies a probabilistic assessment. That is, political risk does not result in a prediction. It is closer associated with forecasting. The difference is that there are elements to the analytical process that prevent the projection of specific events. The projection is that given history, usually or there is a high probability that history will repeat itself. Certain key factors must be considered in the analysis.

A number of elements of the analytical method and the model prevent precise prediction. Social systems are notably complex and some; representative approximations of societal attributes are utilised in any model

The political and social systems are complex entities dealing with complex phenomena;

Partial information prevents prediction;

Human intervention also prevents prediction

Many host governments have argued that political risk forecast are inaccurate because of "labour or ethnic tension" did not turn into "civil strife" and subsequently war damage, for which an investor had been insured. This is by no means an indication that the risk was not there. It may have been avoided probabilistically, or

may have been managed – by the investor or the host government – such that the potential harm was avoided or eliminated.

8.2.2 Political risk index (PRI) (Model)¹

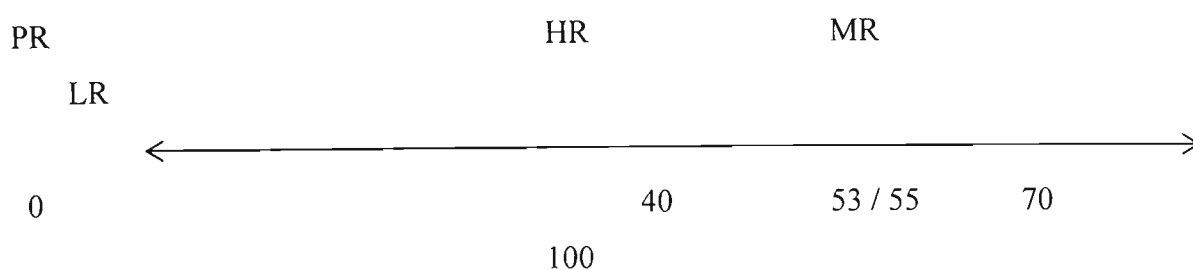
The concept focuses wholly on socio-political conditions in a country by:

- 1.) Creating a multi-component system with flexibility to weigh key factors.
- 2.) Utilising socio-political and policy theories with an empirical and evaluate basis.
- 3.) Providing data that can move independently of other BERI SA risk measures.
- 4.) Three time periods are involved.
 - Present conditions
 - + 5 years conditions
 - + 10 years conditions

Interpretations: There are four categories of political risk:

- 1) **70 – 100 Low Risk (LR)**. E.g. Political changes will not lead to conditions seriously adverse to business. No major socio-political disturbances are expected.
- 2) **55 – 69 Moderate Risk (MR)** E.g. Political changes seriously adverse to business have occurred, but government in power during the forecast period have a low probability of introducing such changes. Some disturbances will take place.

- 3) **40 – 54 High Risk (HR)** Political developments seriously adverse to business exist or could occur in the near future. Major socio-political disturbances are occurring periodically.
- 4) **0 – 39 Prohibitive Risk (PR)** E.g. Political conditions severely restrict business operations. Loss of assets is possible. Disturbances are part of daily life.



Indicators²

- 1) Fractionalization of the political system and the power of political parties. Political leadership.³
- 2) Fractionalization by language, ethnic and/or religious groups and the power of these factions. A legacy of vengeance-seeking group grievance or group paranoia.
- 3) Restrictive (coercive) measures required to retain power. E.g. suspension of the rule of law, security apparatus operating as a “state within a state”

¹ Two models are used in the Egypt analysis. The PRI model places emphasis on the importance of socio-political factors.

² The program manipulates over 1 000 cells of data

³ This indicator addresses the question of the viability of the current government, based on the degree of stability of the leader and its regime, the probability of the effective survival of the government, and the continuation of its policies if the current leader dies or is replaced.

- 4) Mentally, including xenophobia, nationalism, corruption, nepotism, and willingness to compromise.
- 5) Social conditions, including population density, wealth distribution, health status.
- 6) Organisation and strength of forces for a radical left government and a massive, chronic or sustained human flight.

Two external indicators

- 7) Dependence on or importance to a “hostile” major power.
- 8) Negative influences of regional political and social forces.

Two symptoms of political risk

- 9) Social conflict involving demonstrations, strikes and street violence.
- 10) Instability as perceived by non-constitutional changes, assassinations and guerrilla wars.

8.3 Take-Over Risks

Obvious risks exist such as regional instability etc. These risks are recorded and calculated into the country risk assessment of Egypt undertaken by the Unit for Policy Studies, Centre for International Political Studies, University of Pretoria in South Africa. According to the two analysis, conducted Egypt is considered a Moderate Risk country, the definition of which could be found in this document in section 2.

The most immediate risk to Franke Egypt is during the first six-month incubation period of the project. The risk lies in the quality of execution of the take-over. A well-planned project executed with the appropriate management structure will ensure long-term success whereas an implementation poorly executed carries substantial risk.

The achieving of sales targets is a risk that states the obvious. Lower than expected sales targets will place Franke Egypt under financial pressure, as certain commitments will have been made regarding the expense structure of the operation. The project carries a high sensitivity for particularly sales of the drop-on range (Karnak and Franke SA), especially in year 1.

Changes in duties carry price costing and subsequent pricing risk as a large portion of trade in Franke Egypt will take place with products being imported and value-added, imported complete and imported, value added and exported again.

Bad debt and a culture of late payment when not paying cash and subsequent long cash conversion cycles is a risk that must be emphasized. The strategy is to manage sales on a 60% COD basis and a 40% account basis. A substantial provision has been mad for bad debt but the risk remains nevertheless.

With substantial loan repayments during the first six years an increase in the interest rate is a risk that must not be under estimated. Depending on the source and cost of capital this interest rate could vary and also reduce to provide a benefit. It has to be taken into account as a risk factor.

With the purchase of land and buildings as part of the deal and the addition of an administration block an exit strategy, should this ever be considered (whether it is only from Burg Al Arab), will carry an inherent cost. These immovable assets will have to be sold to realize the cash.

CHAPTER 9

CONCLUSION

The above Business Plan contains a large amount of information, all of which is required to make a decision of this kind. The decision to acquire Karnak Industries should be calculated but swift. Every day that passes where a decision is not taken affects the further growth of Franke on the African continent as well as entering into a market which has a large sustainable local market, taking pressure of the new company to expand internationally immediately.

It is my opinion that an acquisition in Egypt is the only viable way to solve the problem statement. At the outset the acquisition of Karnak could sound expensive and carry a risk. It is however very clear that should Franke wish to expand according to the Kitchen System Division this suggested acquisition is required. The advantages clearly outweigh any possible risks and with this acquisition Franke Kitchen Systems will, in a short time, truly become the leading brand on the African continent thus adding to the total Franke world dominance.

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ANNEXURES

- Annexure A : Franke Business Plan summary income statement
Format (6 years) plus 2 years detailed**
- Annexure B : Product Cost assumptions**
- Annexure C : Discounted Cash Flow**
- Annexure D : Expatriate Employee Cost**
- Annexure E : Management Income Statement (3 years)**
- Annexure F : Projected Balance Sheet (abbreviated)**
- Annexure G : Funding of the Acquisition & Balance Sheet Structure**

ANNEXURE A:

**Franke Business Plan Summary
Income Statement Format
(6 Years)**

KARNAK BUSINESS PLAN YEAR 1

	2004	2005	2006	2007	2008	2009	Totals
MARKET SIZE - MASS MARKET							
Totals	443,412	456,705	470,378	484,377	498,908	513,848	2,867,628
MARKET SHARE % - MASS MARKET							
Karnak % market share as calculated	27.06%	30%	33%	36%	38%	40%	
UNIT SALES							
A.1 Karnak Drop-On Sales Quantities	120,000	137,001	155,222	174,393	189,584	205,532	981,732
B.1 FSA Drop-On Sales Quantities	18,022	23,165	28,810	35,000	41,160	45,290	191,447
C.1 FSA Inset Sales Quantities	3,000	3,442	3,900	4,500	5,230	6,000	26,072
D.1 FSA Upmarket Sales Quantities	132	179	204	228	324	396	1,463
E.1 FSA WSE Quantities	280	1,080	1,560	2,100	2,640	3,240	10,900
F.1 FE Exports	6,160	14,160	17,520	22,560	27,240	33,480	121,120
Total Units	147,594	179,027	207,216	238,781	266,178	293,938	1,332,734
REVENUE							
A Karnak Drop-On	6,438,000	7,350,104	8,327,660	9,356,184	10,171,182	11,044,024	52,687,154
B FSA Drop-On	3,564,404	4,580,832	5,696,969	6,921,180	8,139,308	8,955,856	37,858,549
C FSA Inset	779,433	893,564	1,012,233	1,169,150	1,358,426	1,558,866	6,771,672
D FSA Upmarket	116,788	167,436	177,627	187,411	289,523	350,363	1,289,148
E FSA WSE	70,200	353,880	524,700	745,200	923,040	1,164,600	3,781,620
F Export Revenue	779,610	1,791,240	2,216,280	2,853,840	3,445,860	4,235,220	15,322,050
Scrap Sales @ EL 1.90 per product	233,852	273,754	311,566	352,779	386,088	416,047	1,974,086
-5% Net Sales Tax adjustment	-321,900	-367,505	-416,383	-467,809	-508,559	-552,201	-2,634,357
Total Revenue	11,660,387	15,043,305	17,850,652	21,117,935	24,204,868	27,172,775	117,049,922
COST OF SALES							
Direct Raw Material Karnak Production	4,020,590	4,564,175	5,146,768	5,759,736	6,245,448	6,755,365	32,492,082
<i>Karnak Production Raw Material Cost %</i>	60.98%	59.23%	58.71%	58.05%	57.54%	56.85%	58.56%
Direct Raw Material All Buyouts	3,368,461	4,857,774	6,002,117	7,387,965	8,806,548	10,094,354	40,517,219
<i>Buyout Raw Material Cost as % Sales</i>	65.62%	65.35%	65.31%	65.31%	65.35%	65.43%	65.40%
Customs for Karnak products only	403,335	472,115	537,317	608,375	665,803	728,258	3,415,203
<i>Customs COS % as part of Karnak Prod</i>	5.59%	5.16%	5.10%	4.98%	4.89%	4.77%	5.08%
Freight charges on buyouts only	148,617	214,606	266,494	328,219	389,461	443,982	1,791,379
<i>Freight COS% expressed over total sales</i>	1.27%	1.43%	1.49%	1.55%	1.61%	1.63%	1.50%
FSA buyout range fixed o/h total	82,087	117,653	146,147	180,029	213,094	241,297	980,307
<i>Variable COS% expressed over total sales</i>	0.70%	0.78%	0.82%	0.85%	0.88%	0.89%	0.82%
Variable cost charge per Karnak product	73,848	86,449	98,389	111,404	121,922	133,363	625,375
<i>Variable COS% expressed over Karnak</i>	1.15%	1.18%	1.18%	1.19%	1.20%	1.21%	1.18%
Total Cost of Sales	8,096,938	10,312,772	12,197,232	14,375,728	16,442,276	18,396,619	79,821,565
<i>Cost of Sales %</i>	69.44%	68.55%	68.33%	68.07%	67.93%	67.70%	68.19%
OPERATING PROFIT / GROSS PROFIT							
Total Operating Profit	3,563,449	4,730,533	5,653,420	6,742,207	7,762,592	8,776,156	37,228,357
FIXED COSTS							
Fixed Costs (& Additional) % of Sales	1,576,008	2,078,666	2,554,213	2,764,759	3,138,713	3,296,297	15,408,656
	13.5%	13.8%	14.3%	13.1%	13.0%	12.1%	13.2%
EBITDA	1,987,441	2,651,867	3,099,207	3,977,448	4,623,879	5,479,859	21,819,701
FINANCING COSTS							
Financing costs @ 11% As a % of revenue	3,020,753	3,243,684	3,119,267	2,843,486	2,446,699	1,820,017	16,493,906
	25.9%	21.6%	17.5%	13.5%	10.1%	6.7%	14.1%
PROJECT CASH FLOWS							
	-1,033,312	-591,817	-20,060	1,133,962	2,177,180	3,659,842	5,325,795

ANNEXURE A:

Year 1 Detailed

KARNAK BUSINESS PLAN YEAR 1

PRODUCTION STATEMENT	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
Production Constraints													
Production days	22	22	22	22	22	22	22	22	22	22	22	22	264
Shifts	1	1	1	1	1	1	1	1	1	1	1	1	1
Hours per shift	8	8	8	8	8	8	8	8	8	8	8	8	8
Average units per shift	900	900	900	900	900	900	900	900	900	900	900	900	900
Production capacity	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	237,600
Capacity Available	15,284	15,284	15,284	6,897	6,897	6,897	6,897	6,897	6,897	6,897	10,123	13,346	117,600
MARKET DEMAND STATEMENT													
Market size - Competitors													
Nile Metallic - SAMI	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	144,000
UEM	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Tekka	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Nova	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Nado	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Horus	951	951	951	951	951	951	951	951	951	951	951	951	11,412
Karnak	4,516	4,516	4,516	12,903	12,903	12,903	12,903	12,903	12,903	12,903	9,677	6,454	120,000
Imports	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Totals	31,467	31,467	31,467	39,854	39,854	39,854	39,854	39,854	39,854	39,854	36,628	33,405	443,412
MARKET SHARE STATEMENT													
Market share in units													
Karnak % market share as calculated													27.06%
PRODUCT RATIO STATEMENT													
Karnak figures													
1 80 x 50 SEB	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
2 100 x 50 SEB	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	
3 120 x 50 SEB	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
4 120 x 50 MB	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
5 150 x 50 SEB	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
6 42 x 42 BOWL	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Total Percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SALES STATEMENT LOCAL													
A.1 Karnak Drop-On Sales Quantities	Quantities												
1 80 x 50 SEB	452	452	452	1290	1290	1290	1290	1290	1290	1290	968	645	
2 100 x 50 SEB	3613	3613	3613	10322	10322	10322	10322	10322	10322	10322	7742	5163	
3 120 x 50 SEB	113	113	113	323	323	323	323	323	323	323	242	161	
4 120 x 50 MB	181	181	181	516	516	516	516	516	516	516	387	258	
5 150 x 50 SEB	113	113	113	323	323	323	323	323	323	323	242	161	
6 42 x 42 BOWL	45	45	45	129	129	129	129	129	129	129	97	65	
Total	4516	4516	4516	12903	12903	12903	12903	12903	12903	12903	9677	6454	120,000
A.2 Karnak Drop-On Product Price EGP													
1 80 x 50 SEB	49	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49
2 100 x 50 SEB	50	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50
3 120 x 50 SEB	85	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85
4 120 x 50 MB	85	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85
5 150 x 50 SEB	115	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115
6 42 x 42 BOWL	35	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35
A.3 Karnak Drop-On Revenue													
1 80 x 50 SEB	22,128	22,128	22,128	63,225	63,225	63,225	63,225	63,225	63,225	63,225	47,417	31,625	588,000
2 100 x 50 SEB	180,640	180,640	180,640	516,120	516,120	516,120	516,120	516,120	516,120	516,120	387,080	258,160	4,800,000
3 120 x 50 SEB	9,597	9,597	9,597	27,419	27,419	27,419	27,419	27,419	27,419	27,419	20,564	13,715	255,000
4 120 x 50 MB	15,354	15,354	15,354	43,870	43,870	43,870	43,870	43,870	43,870	43,870	32,902	21,944	408,000
5 150 x 50 SEB	12,984	12,984	12,984	37,096	37,096	37,096	37,096	37,096	37,096	37,096	27,821	18,555	345,000
6 42 x 42 BOWL	1,581	1,581	1,581	4,516	4,516	4,516	4,516	4,516	4,516	4,516	3,387	2,259	42,000

PRODUCTION STATEMENT	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
Total	242,283	242,283	242,283	692,246	692,246	692,246	692,246	692,246	692,246	692,246	519,171	346,257	6,438,000
B.1 FSA Drop-On Sales Quantities													
1 120 x 50 DEB	50	273	273	777	777	777	777	777	777	777	583	583	7,201
2 150 x 50 DCB	50	273	273	777	777	777	777	777	777	777	583	583	7,201
3 180 x 50 DCB	50	136	136	388	388	388	388	388	388	388	291	291	3,620
Total	150	682	682	1942	1942	1942	1942	1942	1942	1942	1457	1457	18,022
B.2 FSA Drop-On Prices EGP													
1 120 x 50 DEB	177	177	177	177	177	177	177	177	177	177	177	177	2,128
2 150 x 50 DCB	203	203	203	203	203	203	203	203	203	203	203	203	2,436
3 180 x 50 DCB	228	228	228	228	228	228	228	228	228	228	228	228	2,736
B.3 FSA Drop-On Revenue													
1 120 x 50 DEB	8,869	48,422	48,422	137,816	137,816	137,816	137,816	137,816	137,816	137,816	103,407	103,407	1,277,241
2 150 x 50 DCB	10,150	55,419	55,419	157,731	157,731	157,731	157,731	157,731	157,731	157,731	118,349	118,349	1,461,803
3 180 x 50 DCB	11,400	31,008	31,008	88,464	88,464	88,464	88,464	88,464	88,464	88,464	66,348	66,348	825,360
Total	30,419	134,849	134,849	384,011	384,011	384,011	384,011	384,011	384,011	384,011	288,104	288,104	3,564,404
C.1 FSA Inset Sales Quantities	Quantities												
1 C1	12	12	12	32	32	32	32	32	32	32	24	16	300
2 Curvline C8	12	12	12	32	32	32	32	32	32	32	24	16	300
3 Curvline C12	24	24	24	64	64	64	64	64	64	64	48	32	600
4 Quinline QL611 900 x 500	18	18	18	48	48	48	48	48	48	48	36	24	450
5 Quinline QL622 1200 x 500	36	36	36	96	96	96	96	96	96	96	72	48	900
6 Quinline QL622 1500 x 500	18	18	18	48	48	48	48	48	48	48	36	24	450
Total	120	120	120	320	320	320	320	320	320	320	240	160	3,000
C.2 FSA Inset Prices EGP													
1 C1	114	114	114	114	114	114	114	114	114	114	114	114	1,392
2 Curvline C8	188	188	188	188	188	188	188	188	188	188	188	188	2,256
3 Curvline C12	227	227	227	227	227	227	227	227	227	227	227	227	2,724
4 Quinline QL611 900 x 500	285	285	285	285	285	285	285	285	285	285	285	285	3,420
5 Quinline QL622 1200 x 500	305	305	305	305	305	305	305	305	305	305	305	305	3,660
6 Quinline QL622 1500 x 500	333	333	333	333	333	333	333	333	333	333	333	333	4,002
C.3 FSA Inset Revenue													
1 C1	1,369	1,369	1,369	3,652	3,652	3,652	3,652	3,652	3,652	3,652	2,739	1,826	34,233
2 Curvline C8	2,256	2,256	2,256	6,016	6,016	6,016	6,016	6,016	6,016	6,016	4,512	3,068	56,400
3 Curvline C12	5,448	5,448	5,448	14,528	14,528	14,528	14,528	14,528	14,528	14,528	10,896	7,264	136,200
4 Quinline QL611 900 x 500	5,130	5,130	5,130	13,680	13,680	13,680	13,680	13,680	13,680	13,680	10,260	6,840	128,250
5 Quinline QL622 1200 x 500	10,980	10,980	10,980	29,280	29,280	29,280	29,280	29,280	29,280	29,280	21,960	14,640	274,500
6 Quinline QL622 1500 x 500	5,994	5,994	5,994	15,984	15,984	15,984	15,984	15,984	15,984	15,984	11,988	7,992	149,850
Total	31,177	31,177	31,177	83,140	83,140	83,140	83,140	83,140	83,140	83,140	62,355	41,570	779,433
D.1 FSA Upmarket Sales Quantities	Quantities												
1 Corner Sink - Studio	2	2	2	2	2	2	2	2	2	2	2	2	24
2 Papillon 654	2	2	2	2	2	2	2	2	2	2	2	2	24
3 Daphne II with accessories	5	5	5	5	5	5	5	5	5	5	5	5	60
4 Undermount Sink (PRX 120)	2	2	2	2	2	2	2	2	2	2	2	2	24
5 "ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	11	11	11	11	11	11	11	11	11	11	11	132
D.2 FSA Upmarket Prices EGP													
1 Corner Sink - Studio	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	16,908
2 Papillon 654	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	12,648
3 Daphne II with accessories	408	408	408	408	408	408	408	408	408	408	408	408	4,892

PRODUCTION STATEMENT		Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
4	Undermount Sink (PRX 120)	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	16,608
5	"ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
D.3 FSA Upmarket Revenue														
1	Corner Sink - Studio	2,818	2,818	2,818	2,818	2,818	2,818	2,818	2,818	2,818	2,818	2,818	2,818	33,816
2	Papillon 654	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	25,296
3	Daphne II with accessories	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	24,460
4	Undermount Sink (PRX 120)	2,768	2,768	2,768	2,768	2,768	2,768	2,768	2,768	2,768	2,768	2,768	2,768	33,216
5	"ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	116,788
E.1 FSA WSE Quantities		Quantities												
1	Washbasin WB001/Oval Range	0	0	0	0	0	0	20	20	20	20	20	20	120
2	Lux Tub Drop On (LDL)	0	0	0	0	0	0	0	0	0	0	0	0	0
3	WC Squat Pan	0	0	0	0	10	10	10	10	20	20	20	20	120
4	Barron Bowl	0	0	0	0	0	0	0	0	10	10	10	10	40
5	Shower Trays	0	0	0	0	0	0	0	0	0	0	0	0	0
6	WC Wall Hung	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	10	10	30	30	50	50	50	50	280
E.2 FSA WSE Prices EGP														
1	Washbasin WB001/Oval Range	117	117	117	117	117	117	117	117	117	117	117	117	1,404
2	Lux Tub Drop On (LDL)	249	249	249	249	249	249	249	249	249	249	249	249	2,988
3	WC Squat Pan	351	351	351	351	351	351	351	351	351	351	351	351	4,212
4	Barron Bowl	351	351	351	351	351	351	351	351	351	351	351	351	4,212
5	Shower Trays	489	489	489	489	489	489	489	489	489	489	489	489	5,868
6	WC Wall Hung	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	14,004
E.3 FSA WSE Revenue														
1	Washbasin WB001/Oval Range	0	0	0	0	0	0	2,340	2,340	2,340	2,340	2,340	2,340	14,040
2	Lux Tub Drop On (LDL)	0	0	0	0	0	0	0	0	0	0	0	0	0
3	WC Squat Pan	0	0	0	0	3,510	3,510	3,510	3,510	7,020	7,020	7,020	7,020	42,120
4	Barron Bowl	0	0	0	0	0	0	0	0	3,510	3,510	3,510	3,510	14,040
5	Shower Trays	0	0	0	0	0	0	0	0	0	0	0	0	0
6	WC Wall Hung	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	3,510	3,510	5,850	5,850	12,870	12,870	12,870	12,870	70,200
SALES STATEMENT EXPORT EX EGYPT														
Sales Quantities Exported to region														
1	Zimbabwe - 1000 x 500	0	0	0	0	0	0	150	150	150	150	150	150	900
2	Zimbabwe - 1500 x 500 DCB	0	0	0	0	0	0	150	150	150	150	150	150	900
3	Kenya - 1000 x 500	0	0	0	0	0	0	50	50	50	50	50	50	300
4	Kenya - 1500 x 500 DCB	0	0	0	0	0	0	50	50	50	50	50	50	300
5	Morocco - 1000 x 500	0	0	0	0	0	0	280	280	280	280	280	280	1,680
6	Morocco - 1500 x 500 DCB	0	0	0	0	0	0	280	280	280	280	280	280	1,680
7	Tunisia - 1000 x 500	0	0	0	0	0	0	0	0	50	50	50	50	200
8	Tunisia - 1500 x 500 DCB	0	0	0	0	0	0	0	0	50	50	50	50	200
9	Lebanon, Syria, Jordan, Iraq, Sudan (ME)	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Ghana Nigeria West Africa	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	960	960	1,060	1,060	1,060	1,060	6,160
F.1 Sales Quantities Consolidation		Quantities												
1	80 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
2	100 x 50 SEB	0	0	0	0	0	0	480	480	530	530	530	530	3,080
3	120 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
4	120 x 50 MB	0	0	0	0	0	0	0	0	0	0	0	0	0
5	150 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
6	42 x 42 BOWL	0	0	0	0	0	0	0	0	0	0	0	0	0
7	1500 x 500 DCB	0	0	0	0	0	0	480	480	530	530	530	530	3,080

PRODUCTION STATEMENT	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
Total	0	0	0	0	0	0	960	960	1060	1060	1060	1060	6,160
F.2 Export Product Price EGP													
1 80 x 50 SEB	49	49	49	49	49	49	49	49	49	49	49	49	49
2 100 x 50 SEB	50	50	50	50	50	50	50	50	50	50	50	50	50
3 120 x 50 SEB	85	85	85	85	85	85	85	85	85	85	85	85	85
4 120 x 50 MB	85	85	85	85	85	85	85	85	85	85	85	85	85
5 150 x 50 SEB	115	115	115	115	115	115	115	115	115	115	115	115	115
6 42 x 42 BOWL	35	35	35	35	35	35	35	35	35	35	35	35	35
7 1500 x 500 DCB	203	203	203	203	203	203	203	203	203	203	203	203	203
F.3 Export Revenue													
1 80 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
2 100 x 50 SEB	0	0	0	0	0	0	24,000	24,000	26,500	26,500	26,500	26,500	154,000
3 120 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
4 120 x 50 MB	0	0	0	0	0	0	0	0	0	0	0	0	0
5 150 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
6 42 x 42 BOWL	0	0	0	0	0	0	0	0	0	0	0	0	0
7 1500 x 500 DCB	0	0	0	0	0	0	97,498	97,498	107,654	107,654	107,654	107,654	625,610
Total	0	0	0	0	0	0	121,498	121,498	134,154	134,154	134,154	134,154	779,610
INCOME STATEMENT													
Revenue													
A Kamak Drop-On	242,283	242,283	242,283	692,246	692,246	692,246	692,246	692,246	692,246	692,246	519,171	346,257	6,438,000
B FSA Drop-On	30,419	134,849	134,849	384,011	384,011	384,011	384,011	384,011	384,011	384,011	288,104	288,104	3,564,404
C FSA Inset	31,177	31,177	31,177	83,140	83,140	83,140	83,140	83,140	83,140	83,140	62,355	41,570	779,433
D FSA Upmarket	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	9,732	116,788
E FSA WSE	0	0	0	0	3,510	3,510	5,850	5,850	12,870	12,870	12,870	12,870	70,200
F Export Revenue	0	0	0	0	0	0	121,498	121,498	134,154	134,154	134,154	134,154	779,610
Scrap Sales @ EL 1.90 per product	8,580	8,580	8,580	24,516	24,516	24,516	25,428	25,428	25,523	25,523	19,393	13,270	239,852
Net Sales Tax adjustment	-12,114	-12,114	-12,114	-34,612	-34,612	-34,612	-34,612	-34,612	-34,612	-34,612	-25,959	-17,313	-321,900
Total Revenue	310,078	414,508	414,508	1,159,033	1,162,543	1,162,543	1,287,292	1,287,292	1,307,063	1,307,063	1,019,820	828,643	11,660,387
COST OF SALES													
Kamak Production	SS Price R 18.69												
1 80 x 50 SEB (0.6mm = 3.2789kg)	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
2 100 x 50 SEB (0.6mm = 3.8691kg)	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86
3 120 x 50 SEB (0.6mm = 4.4265kg)	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45
4 120 x 50 MB (0.6mm = 4.6948kg)	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65
5 150 x 50 SEB (0.6mm = 5.7381kg)	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25
6 42 x 42 BOWL	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72
1 80 x 50 SEB	13,516	13,516	13,516	36,161	36,161	36,161	36,161	36,161	36,161	36,161	27,451	18,749	18,749
2 100 x 50 SEB	116,697	116,697	116,697	330,465	330,465	330,465	330,465	330,465	330,465	330,465	248,240	166,093	166,093
3 120 x 50 SEB	7,213	7,213	7,213	14,856	14,856	14,856	14,856	14,856	14,856	14,856	11,916	8,979	8,979
4 120 x 50 MB	10,267	10,267	10,267	23,233	23,233	23,233	23,233	23,233	23,233	23,233	18,246	13,263	13,263
5 150 x 50 SEB	10,768	10,768	10,768	20,675	20,675	20,675	20,675	20,675	20,675	20,675	16,865	13,058	13,058
6 42 x 42 BOWL	1,180	1,180	1,180	2,415	2,415	2,415	2,415	2,415	2,415	2,415	1,940	1,465	1,465
Total Direct Raw Material	159,642	159,642	159,642	427,805	427,805	427,805	427,805	427,805	427,805	427,805	324,658	221,607	4,019,825
Direct Raw Material Kamak Production	159,642	159,642	159,642	427,805	427,805	427,805	427,805	427,805	427,805	427,805	324,658	221,607	4,019,825
Kamak Production Raw Material Cost %	65.89%	65.89%	65.89%	61.80%	61.80%	61.80%	59.73%	59.73%	59.52%	59.52%	59.50%	59.45%	60.98%
Buyouts													
B 120 x 50 DEB	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86
B 150 x 50 DCB	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93
B 180 x 50 DCB	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92
C C1	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48
C Curvline C8	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21
C Curvline C12	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58
C Quinline QL611 900 x 500	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61
C Quinline QL622 1200 x 500	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89
C Quinline QL622 1500 x 500	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95

PRODUCTION STATEMENT	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
D Corner Sink - Studio	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23
D Papillon 854	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59
D Daphne II with accessories	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92
D Undermount Sink (PRX 120)	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40
D "ABC"	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E Washbasin WB001/Oval Range	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69
E Lux Tub Drop On (LDL)	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41
E WC Squat Pan	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72
E Barron Bowl	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50
E Shower Trays	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04
E WC Wall Hung	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46
B 120 x 50 DEB	5,543	30,265	30,265	86,138	86,138	86,138	86,138	86,138	86,138	86,138	64,631	64,631	64,631
B 150 x 50 DCB	6,497	35,471	35,471	100,956	100,956	100,956	163,322	163,322	169,819	169,819	144,612	144,612	144,612
B 180 x 50 DCB	7,446	20,253	20,253	57,781	57,781	57,781	57,781	57,781	57,781	57,781	43,336	43,336	43,336
C C1	942	942	942	2,511	2,511	2,511	2,511	2,511	2,511	2,511	1,884	1,256	1,256
C Curvline C8	1,599	1,599	1,599	4,263	4,263	4,263	4,263	4,263	4,263	4,263	3,197	2,131	2,131
C Curvline C12	3,902	3,902	3,902	10,405	10,405	10,405	10,405	10,405	10,405	10,405	7,804	5,203	5,203
C Quiniline QL611 900 x 500	3,701	3,701	3,701	9,869	9,869	9,869	9,869	9,869	9,869	9,869	7,402	4,935	4,935
C Quiniline QL622 1200 x 500	7,916	7,916	7,916	21,109	21,109	21,109	21,109	21,109	21,109	21,109	15,832	10,555	10,555
C Quiniline QL622 1500 x 500	4,337	4,337	4,337	11,566	11,566	11,566	11,566	11,566	11,566	11,566	8,674	5,783	5,783
D Corner Sink - Studio	2,088	2,088	2,088	2,088	2,088	2,088	2,088	2,088	2,088	2,088	2,088	2,088	2,088
D Papillon 854	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561
D Daphne II with accessories	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480
D Undermount Sink (PRX 120)	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051
D "ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
E Washbasin WB001/Oval Range	0	0	0	0	0	0	1,534	1,534	1,534	1,534	1,534	1,534	1,534
E Lux Tub Drop On (LDL)	0	0	0	0	0	0	0	0	0	0	0	0	0
E WC Squat Pan	0	0	0	0	2,497	2,497	2,497	2,497	4,994	4,994	4,994	4,994	4,994
E Barron Bowl	0	0	0	0	0	0	0	0	2,505	2,505	2,505	2,505	2,505
E Shower Trays	0	0	0	0	0	0	0	0	0	0	0	0	0
E WC Wall Hung	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Raw Material	49,062	115,565	115,565	311,778	314,276	314,276	378,176	378,176	389,674	389,674	313,585	298,654	3,368,461
Direct Raw Material All Buyouts	49,062	115,565	115,565	311,778	314,276	314,276	378,176	378,176	389,674	389,674	313,585	298,654	3,368,461
Buyout Raw Material Cost as % Sales	68.78%	65.75%	65.75%	65.38%	65.42%	65.42%	65.18%	65.18%	65.23%	65.23%	65.23%	64.93%	65.62%
Customs for Kamak products only													
1 Single bowl 800 x 500	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77
2 Single bowl 900 x 500	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
3 Single bowl 1000 x 500	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74
4 Single bowl 1200 x 500	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96
5 Double bowl 1200 x 500	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84
6 Single bowl 1500 x 500	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51
1 Single bowl 800 x 500	1,250	1,250	1,250	3,571	3,571	3,571	3,571	3,571	3,571	3,571	2,678	1,786	1,786
2 Single bowl 900 x 500	11,798	11,798	11,798	33,709	33,709	33,709	35,277	35,277	35,440	35,440	27,012	18,592	18,592
3 Single bowl 1000 x 500	422	422	422	1,205	1,205	1,205	1,205	1,205	1,205	1,205	904	603	603
4 Single bowl 1200 x 500	716	716	716	2,045	2,045	2,045	2,045	2,045	2,045	2,045	1,533	1,023	1,023
5 Double bowl 1200 x 500	547	547	547	1,562	1,562	1,562	1,562	1,562	1,562	1,562	1,172	781	781
6 Single bowl 1500 x 500	68	68	68	195	195	195	195	195	195	195	146	97	97
Total Customs	14,800	14,800	14,800	42,287	42,287	42,287	43,855	43,855	44,018	44,018	33,445	22,883	22,883
Customs for Kamak products only	14,800	14,800	14,800	42,287	42,287	42,287	43,855	43,855	44,018	44,018	33,445	22,883	403,335
Customs COS % as part of Kamak Prod	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	5.39%	5.39%	5.33%	5.33%	5.12%	4.76%	5.66%
Freight Charge Rates on Buyouts													
Freight charge rates 1	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05
Freight charge rates 2	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Freight Charge Rate Totals													
Freight charge rates 1	1,634	4,852	4,852	13,685	13,685	13,685	16,889	16,889	16,892	16,892	13,473	12,989	12,989
Freight charge rates 2	0	0	0	0	100	100	300	300	500	500	500	500	500
Freight charges on buyouts only	1,634	4,852	4,852	13,685	13,785	13,785	16,889	16,889	17,392	17,392	13,973	13,489	148,617
Freight COS% expressed over total sales	0.53%	1.17%	1.17%	1.18%	1.19%	1.19%	1.31%	1.31%	1.33%	1.33%	1.37%	1.63%	1.23%
Ex FSA Drop on range fixed o/h rate													
120 x 50 DEB	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89
150 x 50 DCB	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89

PRODUCTION STATEMENT	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
180 x 50 DCB	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89
Ex FSA Drop on range fixed o/h total													
120 x 50 DEB	194.50	1,061.97	1,061.97	3,022.53	3,022.53	3,022.53	3,022.53	3,022.53	3,022.53	3,022.53	2,267.87	2,267.87	
150 x 50 DCB	194.50	1,061.97	1,061.97	3,022.53	3,022.53	3,022.53	4,889.73	4,889.73	5,084.23	5,084.23	4,329.57	4,329.57	
180 x 50 DCB	194.50	529.04	529.04	1,509.32	1,509.32	1,509.32	1,509.32	1,509.32	1,509.32	1,509.32	1,131.99	1,131.99	
FSA buyout range fixed o/h total	584	2,653	2,653	7,554	7,554	7,554	9,422	9,422	9,616	9,616	7,729	7,729	82,087
Variable COS% expressed over total sales	0.19%	0.64%	0.64%	0.65%	0.65%	0.65%	0.73%	0.73%	0.74%	0.74%	0.78%	0.93%	0.67%
Variable cost charge Kamak Product													
Variable cost per product	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	
Variable cost total													
Variable cost total	2,710	2,710	2,710	7,742	7,742	7,742	8,030	8,030	8,060	8,060	6,124	4,190	
Variable cost charge per Kamak product	2,710	2,710	2,710	7,742	7,742	7,742	8,030	8,030	8,060	8,060	6,124	4,190	73,848
Variable COS% expressed over Kamak	0.98%	0.98%	0.98%	1.02%	1.02%	1.02%	1.06%	1.06%	1.06%	1.06%	1.07%	1.08%	1.03%
Total Cost of Sales	228,430	300,222	300,222	610,852	613,449	613,449	684,176	684,176	696,565	696,565	699,515	568,553	8,096,173
Cost of Sales %	73.67%	72.43%	72.43%	69.96%	69.97%	69.97%	68.68%	68.68%	68.59%	68.59%	68.59%	68.61%	69.43%
Operating Profit / Gross Profit	81,647	114,286	114,286	348,181	349,094	349,094	403,116	403,116	410,498	410,498	320,305	280,091	3,564,213
Operating Profit Other Products	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Profit	81,647	114,286	114,286	348,181	349,094	349,094	403,116	403,116	410,498	410,498	320,305	280,091	3,564,213
FIXED COSTS													
Fixed costs incurred													
1 Wages of factory workers 20 x 600 EGP	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	
1 Wage for Supervisor of factory	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
1 Factory Administration assistant	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
1 General Manager	0	0	0	0	0	0	0	0	0	0	0	0	
1 Works Manager	0	0	0	0	0	0	0	0	0	0	0	0	
1 Financial manager	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	
1 Sales Reps x 2	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
1 Driver	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
1 Secretary / Assistant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
1 Professional Fees / FSA Management	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
2 Land & buildings	0	0	0	0	0	0	0	0	0	0	0	0	
2 Water & Electricity	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	
2 Building maintenance, tenant alterations	500	500	500	500	500	500	500	500	500	500	500	500	
3 Communications	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
3 Cellular Telecoms	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
3 Additional Telecoms / ISDN, to FSA	500	500	500	500	500	500	500	500	500	500	500	500	
4 Marketing - Normal cost	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
5 Insurance & Licenses	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	
5 Audit fees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
5 Bank Charges include forex cover trans etc	8,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
6 Bad debts (2% turnover)	6,202	8,290	8,290	23,181	23,251	23,251	25,746	25,746	26,141	26,141	20,396	16,573	
6 Legal (normal trade)	500	500	500	500	500	500	500	500	500	500	500	500	
7 Vehicles (1 x truck, 1 x ldv)	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
8 Entertainment	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
8 Rental of (office) equipment	500	500	500	500	500	500	500	500	500	500	500	500	
8 Stationery	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
8 Uniforms, Protective clothing	500	500	500	500	500	500	500	500	500	500	500	500	
8 Consumables	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
8 Security	500	500	500	500	500	500	500	500	500	500	500	500	
8 Levies etc	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
8 Sundry	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
9 Motor Vehicle Rental	500	500	500	500	500	500	500	500	500	500	500	500	
9 Flights	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	
9 Staff Accommodation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
10 Tooling charge - Technical Manager	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Fixed Costs	118,102	120,190	120,190	135,081	135,151	135,151	137,646	137,646	138,041	138,041	132,296	128,473	1,576,008
Fixed Costs (& Additional) % of Sales	38.1%	29.0%	29.0%	11.7%	11.8%	11.6%	10.7%	10.7%	10.6%	10.6%	13.0%	15.5%	14%
EBITDA	29,434	5,994	5,994	213,100	213,943	213,943	265,471	265,471	272,457	272,457	188,008	131,618	1,988,206
FINANCING SCHEDULE													
A Capital Expenditure Financing													
Capex of 1 million EGP	1,000,000												
Repayment of loan(60 months/5yrs)													

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Totals
PRODUCTION STATEMENT													
A Capital Repayment	0	0	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	42,500
A Interest at 11%	0	0	2,292	2,253	2,214	2,175	2,136	2,097	2,058	2,019	1,980	1,941	21,165
B Capital Repayment									4,250	4,250	4,250	4,250	17,000
B Interest at 11%									2,292	2,253	2,214	2,175	9,134
C Capital Repayment												4,250	4,250
C Interest at 11%												2,292	2,292
D Capital Repayment												0	0
D Interest at 11%												0	0
Total	0	0	6,542	6,503	6,464	6,425	6,386	6,347	12,850	12,772	12,694	19,156	100,000
B Building Alteration & Addition Financing													
Capex: 300m2Admin/Fence/Trans	383,000												383,000
Repayment of loan(60 months/5yrs)	50												50
Capital Repayment	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	78,000
Interest at 11%	3,511	3,451	3,392	3,332	3,273	3,213	3,153	3,094	3,034	2,975	2,915	2,855	36,198
C Purchase Price Loan													
Purchase Price in USD 2 million rate @ 4.6	9,240,000												9,240,000
Repayment of loan(72 months/6yrs)	72												72
Capital Repayment	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	1,560,000
Interest at 11%	84,700	83,508	82,317	81,125	79,933	78,742	77,550	76,358	75,167	73,975	72,783	71,592	937,750
CASH FLOW STATEMENT													
Cash Inflow													
Cash Inflow Income (120 days)	0	0	0	310,078	414,508	414,508	1,159,033	1,162,543	1,162,543	1,267,292	1,267,292	1,307,063	10,000,000
Cash Outflow													
Cash Outflow Direct Raw Material (30)	0	0	159,642	159,642	159,642	427,805	427,805	427,805	427,805	427,805	427,805	427,805	3,473,561
Cash Outflow Direct Raw Mat Buyouts (30)	0	0	49,062	115,565	115,565	311,778	314,276	314,276	378,176	378,176	389,674	389,674	2,756,222
Cash Outflow Customs	14,800	14,800	14,800	42,287	42,287	42,287	43,855	43,855	44,018	44,018	33,445	22,883	403,335
Freight	1,634	4,852	4,852	13,685	13,785	13,785	16,889	16,889	17,392	17,392	13,973	13,488	148,617
Fixed o/h FSA buyouts	584	2,653	2,653	7,554	7,554	7,554	9,422	9,422	9,616	9,616	7,729	7,729	82,087
Variable charge Karnak	2,710	2,710	2,710	7,742	7,742	7,742	8,030	8,030	8,060	8,060	6,124	4,190	73,848
Cash Outflow Fixed Costs	118,102	118,102	120,190	135,081	135,081	135,151	137,646	137,646	138,041	138,041	138,041	128,473	1,579,594
Cash Outflow Capex	0	0	6,542	6,503	6,464	6,425	6,386	6,347	12,850	12,772	12,694	19,156	96,141
Cash Outflow Building Alterations	10,011	9,951	9,892	9,832	9,773	9,713	9,653	9,594	9,534	9,475	9,415	9,355	116,198
Cash Outflow Purchase Long Term Loan	214,700	213,508	212,317	211,125	209,933	208,742	207,550	206,358	205,167	203,975	202,783	201,592	2,497,750
Cash Outflow Interest Payments (n=1)	4,880	9,596	15,376	19,411	22,479	29,791	30,406	30,977	32,193	32,245	32,227	31,867	291,448
Project Cost - Extraordinary													
Due Diligence	100,000	100,000											200,000
Exploratory Visit	22,000												22,000
Marketing Cost - New Company Launch	2,000	2,000	2,000	2,000	2,000	2,000	18,000	18,000	18,000	18,000	18,000	18,000	120,000
Project - General Manager	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	289,644
Project - Works Manager	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	258,804
	169,704	147,704	47,704	47,704	47,704	47,704	63,704	63,704	63,704	63,704	63,704	63,704	890,448
Cash Position													
Monthly Cash Position	-537,123	-523,876	-645,740	-466,053	-363,501	-833,969	-116,588	-112,359	-184,013	-57,986	-50,324	-12,857	-3,000,000
Cummulative Cash Position	0	-1,060,999	-1,706,739	-2,172,792	-2,536,292	-3,370,262	-3,486,850	-3,599,208	-3,783,221	-3,841,207	-3,891,531	-3,904,386	-3,904,386
Interest Charge													
11% Interest at 11%	-4,924	-9,726	-15,645	-19,917	-23,249	-30,894	-31,963	-32,993	-34,680	-35,211	-35,672	-35,790	-310,981
DEPRECIATION SCHEDULE													
10 Depreciation of Capital Expen (60months)	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Costs	229,635	233,185	244,396	247,377	249,419	255,774	255,552	255,292	262,231	261,433	260,564	265,895	3,020,753
Financing % of Sales	74%	56%	56%	21%	21%	22%	20%	20%	20%	20%	26%	32%	25.9%
PBT	368,089	299,089	250,306	34,277	-35,477	-41,831	9,919	10,179	10,227	11,024	72,568	-134,277	-1,032,537

ANNEXURE A:

Year 2 Detailed

KARNAK BUSINESS PLAN YEAR 2

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
PRODUCTION STATEMENT													
Production Constraints													
Production days	22	22	22	22	22	22	22	22	22	22	22	22	264
Shifts	1	1	1	1	1	1	1	1	1	1	1	1	
Hours per shift	8	8	8	8	8	8	8	8	8	8	8	8	
Average units per shift	900	900	900	900	900	900	900	900	900	900	900	900	
Production capacity	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	237,600
Capacity Available	14,032	14,032	14,032	5,393	5,393	5,393	5,393	5,393	5,393	5,393	8,716	12,036	100,599
MARKET DEMAND STATEMENT													
Market size - Competitors													
Nile Metallic - SAMI	11,243	11,243	11,243	11,243	11,243	11,243	11,243	11,243	11,243	11,243	11,243	11,243	134,918
UEM	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	30,900
Tekka	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	30,900
Nova	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	30,900
Nado	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	30,900
Horus	979	979	979	979	979	979	979	979	979	979	979	979	11,748
Karnak	5,768	5,768	5,768	14,407	14,407	14,407	14,407	14,407	14,407	14,407	11,084	7,764	137,001
Imports	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	49,440
Totals	32,410	32,410	32,410	41,049	41,049	41,049	41,049	41,049	41,049	41,049	37,726	34,406	456,705
MARKET SHARE STATEMENT													
Market share in units													
Karnak % market share as calculated													30.00%
PRODUCT RATIO STATEMENT													
Karnak figures													
1 80 x 50 SEB	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
2 100 x 50 SEB	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
3 120 x 50 SEB	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
4 120 x 50 MB	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
5 150 x 50 SEB	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
6 42 x 42 BOWL	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total Percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SALES STATEMENT LOCAL													
A.1 Karnak Drop-On Sales Quantities													
Quantities													
1 80 x 50 SEB	577	577	577	1441	1441	1441	1441	1441	1441	1441	1108	776	
2 100 x 50 SEB	4614	4614	4614	11526	11526	11526	11526	11526	11526	11526	8867	6211	
3 120 x 50 SEB	144	144	144	360	360	360	360	360	360	360	277	194	
4 120 x 50 MB	231	231	231	576	576	576	576	576	576	576	443	311	
5 150 x 50 SEB	144	144	144	360	360	360	360	360	360	360	277	194	
6 42 x 42 BOWL	58	58	58	144	144	144	144	144	144	144	111	78	
Total	5768	5768	5768	14407	14407	14407	14407	14407	14407	14407	11084	7764	137,001
A.2 Karnak Drop-On Product Price EGP													
1 80 x 50 SEB	49	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49
2 100 x 50 SEB	50	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50
3 120 x 50 SEB	85	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85
4 120 x 50 MB	85	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85
5 150 x 50 SEB	115	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115
6 42 x 42 BOWL	35	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35
A.3 Karnak Drop-On Revenue													
1 80 x 50 SEB	28,263	28,263	28,263	70,594	70,594	70,594	70,594	70,594	70,594	70,594	54,312	38,044	671,305
2 100 x 50 SEB	230,720	230,720	230,720	576,280	576,280	576,280	576,280	576,280	576,280	576,280	443,360	310,560	6,480,040
3 120 x 50 SEB	12,257	12,257	12,257	30,815	30,815	30,815	30,815	30,815	30,815	30,815	23,554	16,499	291,127
4 120 x 50 MB	19,611	19,611	19,611	48,984	48,984	48,984	48,984	48,984	48,984	48,984	37,686	26,398	485,803
5 150 x 50 SEB	16,583	16,583	16,583	41,420	41,420	41,420	41,420	41,420	41,420	41,420	31,867	22,322	393,878
6 42 x 42 BOWL	2,019	2,019	2,019	5,042	5,042	5,042	5,042	5,042	5,042	5,042	3,879	2,717	47,860

PRODUCTION STATEMENT	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
Total	309,453	309,453	309,453	772,936	772,936	772,936	772,936	772,936	772,936	772,936	594,657	416,539	7,350,104
B.1													
1 120 x 50 DEB	340	340	340	970	970	970	970	970	970	970	728	728	9,266
2 150 x 50 DCB	340	340	340	970	970	970	970	970	970	970	728	728	9,266
3 180 x 50 DCB	170	170	170	485	485	485	485	485	485	485	364	364	4,633
Total	850	850	850	2,425	2,425	2,425	2,425	2,425	2,425	2,425	1,820	1,820	23,165
B.2 FSA Drop-On Prices EGP													
1 120 x 50 DEB	177	177	177	177	177	177	177	177	177	177	177	177	2,128
2 150 x 50 DCB	203	203	203	203	203	203	203	203	203	203	203	203	2,436
3 180 x 50 DCB	228	228	228	228	228	228	228	228	228	228	228	228	2,736
B.3 FSA Drop-On Revenue													
1 120 x 50 DEB	60,306	60,306	60,306	172,049	172,049	172,049	172,049	172,049	172,049	172,049	129,125	129,125	1,643,510
2 150 x 50 DCB	69,020	69,020	69,020	196,910	196,910	196,910	196,910	196,910	196,910	196,910	147,784	147,784	1,880,998
3 180 x 50 DCB	38,760	38,780	38,760	110,580	110,580	110,580	110,580	110,580	110,580	110,580	82,992	82,992	1,056,324
Total	168,086	168,086	168,086	479,539	479,539	479,539	479,539	479,539	479,539	479,539	359,901	359,901	4,580,832
C.1 FSA Inset Sales Quantities	Quantities												
1 C1	14	14	14	37	37	37	37	37	37	37	27	18	348
2 Curvline C8	14	14	14	37	37	37	37	37	37	37	27	18	348
3 Curvline C12	27	27	27	74	74	74	74	74	74	74	55	36	690
4 Quinline QL611 900 x 500	20	20	20	55	55	55	55	55	55	55	41	27	513
5 Quinline QL622 1200 x 500	40	40	40	111	111	111	111	111	111	111	82	55	1,034
6 Quinline QL622 1500 x 500	20	20	20	55	55	55	55	55	55	55	41	27	513
Total	135	135	135	369	369	369	369	369	369	369	273	181	3,442
C.2 FSA Inset Prices EGP													
1 C1	114	114	114	114	114	114	114	114	114	114	114	114	1,408
2 Curvline C8	188	188	188	188	188	188	188	188	188	188	188	188	2,352
3 Curvline C12	227	227	227	227	227	227	227	227	227	227	227	227	2,838
4 Quinline QL611 900 x 500	285	285	285	285	285	285	285	285	285	285	285	285	3,563
5 Quinline QL622 1200 x 500	305	305	305	305	305	305	305	305	305	305	305	305	3,813
6 Quinline QL622 1500 x 500	333	333	333	333	333	333	333	333	333	333	333	333	4,161
C.3 FSA Inset Revenue													
1 C1	1,598	1,598	1,598	4,222	4,222	4,222	4,222	4,222	4,222	4,222	3,081	2,054	39,482
2 Curvline C8	2,632	2,632	2,632	6,956	6,956	6,956	6,956	6,956	6,956	6,956	5,076	3,384	65,049
3 Curvline C12	6,129	6,129	6,129	16,798	16,798	16,798	16,798	16,798	16,798	16,798	12,485	8,172	156,630
4 Quinline QL611 900 x 500	5,700	5,700	5,700	15,675	15,675	15,675	15,675	15,675	15,675	15,675	11,885	7,695	146,205
5 Quinline QL622 1200 x 500	12,200	12,200	12,200	33,855	33,855	33,855	33,855	33,855	33,855	33,855	25,010	16,775	315,370
6 Quinline QL622 1500 x 500	6,660	6,660	6,660	18,315	18,315	18,315	18,315	18,315	18,315	18,315	13,653	8,991	170,829
Total	34,919	34,919	34,919	95,821	95,821	95,821	95,821	95,821	95,821	95,821	70,990	47,071	893,564
D.1 FSA Upmarket Sales Quantities	Quantities												
1 Corner Sink - Studio	3	3	3	3	3	3	3	3	3	3	3	3	36
2 Papillon 654	3	3	3	3	3	3	3	3	3	3	3	3	36
3 Daphne II with accessories	6	6	6	6	6	6	6	6	6	6	6	5	71
4 Undermount Sink (PRX 120)	3	3	3	3	3	3	3	3	3	3	3	3	36
5 "ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	15	15	15	15	15	15	15	15	15	15	15	14	179
D.2 FSA Upmarket Prices EGP													
1 Corner Sink - Studio	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	16,908
2 Papillon 654	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054	12,648
3 Daphne II with accessories	408	408	408	408	408	408	408	408	408	408	408	408	4,892

PRODUCTION STATEMENT		Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
4	Undermount Sink (PRX 120)	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	16,608
5	"ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
D.3 FSA Upmarket Revenue														
1	Corner Sink - Studio	4,227	4,227	4,227	4,227	4,227	4,227	4,227	4,227	4,227	4,227	4,227	4,227	50,724
2	Papillon 654	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	37,944
3	Daphne II with accessories	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,038	28,944
4	Undermount Sink (PRX 120)	4,152	4,152	4,152	4,152	4,152	4,152	4,152	4,152	4,152	4,152	4,152	4,152	49,824
5	"ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,579	167,436
E.1 FSA WSE Quantities		Quantities												
1	Washbasin WB001/Oval Range	25	25	25	25	25	25	25	25	25	25	25	25	300
2	Lux Tub Drop On (LDL)	10	10	10	10	10	10	10	10	10	10	10	10	120
3	WC Squat Pan	35	35	35	35	35	35	35	35	35	35	35	35	420
4	Barron Bowl	10	10	10	10	10	10	10	10	10	10	10	10	120
5	Shower Trays	5	5	5	5	5	5	5	5	5	5	5	5	60
6	WC Wall Hung	5	5	5	5	5	5	5	5	5	5	5	5	60
Total		90	90	90	90	90	90	90	90	90	90	90	90	1,080
E.2 FSA WSE Prices EGP														
1	Washbasin WB001/Oval Range	117	117	117	117	117	117	117	117	117	117	117	117	35,100
2	Lux Tub Drop On (LDL)	249	249	249	249	249	249	249	249	249	249	249	249	29,880
3	WC Squat Pan	351	351	351	351	351	351	351	351	351	351	351	351	42,120
4	Barron Bowl	351	351	351	351	351	351	351	351	351	351	351	351	42,120
5	Shower Trays	489	489	489	489	489	489	489	489	489	489	489	489	5,835
6	WC Wall Hung	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	14,004
E.3 FSA WSE Revenue														
1	Washbasin WB001/Oval Range	2,925	2,925	2,925	2,925	2,925	2,925	2,925	2,925	2,925	2,925	2,925	2,925	35,100
2	Lux Tub Drop On (LDL)	2,490	2,490	2,490	2,490	2,490	2,490	2,490	2,490	2,490	2,490	2,490	2,490	29,880
3	WC Squat Pan	12,285	12,285	12,285	12,285	12,285	12,285	12,285	12,285	12,285	12,285	12,285	12,285	147,420
4	Barron Bowl	3,510	3,510	3,510	3,510	3,510	3,510	3,510	3,510	3,510	3,510	3,510	3,510	42,120
5	Shower Trays	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	29,340
6	WC Wall Hung	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	70,020
Total		29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	283,860
SALES STATEMENT EXPORT EX EGYPT														
Sales Quantities Exported to region														
1	Zimbabwe - 1000 x 500	150	150	150	150	150	150	150	150	150	150	150	150	1,800
2	Zimbabwe - 1500 x 500 DCB	150	150	150	150	150	150	150	150	150	150	150	150	1,800
3	Kenya - 1000 x 500	50	50	50	50	50	50	50	50	50	50	50	50	600
4	Kenya - 1500 x 500 DCB	50	50	50	50	50	50	50	50	50	50	50	50	600
5	Morocco - 1000 x 500	280	280	280	280	280	280	280	280	280	280	280	280	3,360
6	Morocco - 1500 x 500 DCB	280	280	280	280	280	280	280	280	280	280	280	280	3,360
7	Tunisia - 1000 x 500	50	50	50	50	50	50	50	50	50	50	50	50	600
8	Tunisia - 1500 x 500 DCB	50	50	50	50	50	50	50	50	50	50	50	50	600
9	Lebanon, Syria, Jordan, Iraq, Sudan (ME)	60	60	60	60	60	60	60	60	60	60	60	60	720
10	Ghana Nigeria West Africa	60	60	60	60	60	60	60	60	60	60	60	60	720
Total		1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	14,160
F.1 Sales Quantities Consolidation		Quantities												
1	80 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
2	100 x 50 SEB	590	590	590	590	590	590	590	590	590	590	590	590	7,080
3	120 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
4	120 x 50 MB	0	0	0	0	0	0	0	0	0	0	0	0	0
5	150 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
6	42 x 42 BOWL	0	0	0	0	0	0	0	0	0	0	0	0	0
7	1500 x 500 DCB	590	590	590	590	590	590	590	590	590	590	590	590	7,080

PRODUCTION STATEMENT	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
Total	1180	1180	1180	1180	1180	1180	1180	1180	1180	1180	1180	1180	14,180
F.2 Export Product Price EGP													
1 80 x 50 SEB	49	49	49	49	49	49	49	49	49	49	49	49	49
2 100 x 50 SEB	50	50	50	50	50	50	50	50	50	50	50	50	50
3 120 x 50 SEB	85	85	85	85	85	85	85	85	85	85	85	85	85
4 120 x 50 MB	85	85	85	85	85	85	85	85	85	85	85	85	85
5 150 x 50 SEB	115	115	115	115	115	115	115	115	115	115	115	115	115
6 42 x 42 BOWL	35	35	35	35	35	35	35	35	35	35	35	35	35
7 1500 x 500 DCB	203	203	203	203	203	203	203	203	203	203	203	203	203
F.3 Export Revenue													
1 80 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
2 100 x 50 SEB	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	354,000
3 120 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
4 120 x 50 MB	0	0	0	0	0	0	0	0	0	0	0	0	0
5 150 x 50 SEB	0	0	0	0	0	0	0	0	0	0	0	0	0
6 42 x 42 BOWL	0	0	0	0	0	0	0	0	0	0	0	0	0
7 1500 x 500 DCB	119,770	119,770	119,770	119,770	119,770	119,770	119,770	119,770	119,770	119,770	119,770	119,770	1,437,240
Total	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	1,791,240
INCOME STATEMENT													
Revenue													
A Kamak Drop-On	309,453	309,453	309,453	772,936	772,936	772,936	772,936	772,936	772,936	772,936	594,657	416,539	7,350,104
B FSA Drop-On	168,086	168,086	168,086	479,539	479,539	479,539	479,539	479,539	479,539	479,539	359,901	359,901	4,580,832
C FSA Inset	34,919	34,919	34,919	95,821	95,821	95,821	95,821	95,821	95,821	95,821	70,990	47,071	893,564
D FSA Upmarket	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,987	13,579	167,436
E FSA WSE	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	29,490	353,880
F Export Revenue	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	149,270	1,791,240
Scrap Sales @ EL 1.90 per product	12,080	12,080	12,080	28,494	28,494	28,494	28,494	28,494	28,494	28,494	22,181	15,873	273,754
-5% Net Sales Tax adjustment	-15,473	-15,473	-15,473	-38,647	-38,647	-38,647	-38,647	-38,647	-38,647	-38,647	-29,733	-20,827	-367,505
Total Revenue	701,812	701,812	701,812	1,530,890	1,530,890	1,530,890	1,530,890	1,530,890	1,530,890	1,530,890	1,210,743	1,010,896	15,043,305
COST OF SALES													
Kamak Production	SS Price R 18.69												
1 80 x 50 SEB (0.6mm = 3.2789kg)	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
2 100 x 50 SEB (0.6mm = 3.8691kg)	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86	31.86
3 120 x 50 SEB (0.6mm = 4.4265kg)	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45	36.45
4 120 x 50 MB (0.6mm = 4.6948kg)	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65	38.65
5 150 x 50 SEB (0.6mm = 5.7381kg)	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25	47.25
6 42 x 42 BOWL	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72	14.72
1 80 x 50 SEB	16,897	16,897	16,897	40,222	40,222	40,222	40,222	40,222	40,222	40,222	31,250	22,286	
2 100 x 50 SEB	148,808	148,808	148,808	368,799	368,799	368,799	368,799	368,799	368,799	368,799	284,102	199,482	
3 120 x 50 SEB	8,354	8,354	8,354	16,227	16,227	16,227	16,227	16,227	16,227	16,227	13,199	10,173	
4 120 x 50 MB	12,203	12,203	12,203	25,558	25,558	25,558	25,558	25,558	25,558	25,558	20,421	15,288	
5 150 x 50 SEB	12,247	12,247	12,247	22,452	22,452	22,452	22,452	22,452	22,452	22,452	18,527	14,605	
6 42 x 42 BOWL	1,364	1,364	1,364	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,147	1,658	
Total Direct Raw Material	199,673	199,673	199,673	475,894	475,894	475,894	475,894	475,894	475,894	475,894	369,645	263,492	4,563,410
Direct Raw Material Kamak Production	199,673	199,673	199,673	475,894	475,894	475,894	475,894	475,894	475,894	475,894	369,645	263,492	4,563,410
Kamak Production Raw Material Cost %	58.91%	58.91%	58.91%	59.31%	59.31%	59.31%	59.31%	59.31%	59.31%	59.31%	59.22%	59.07%	59.23%
Buyouts													
B 120 x 50 DEB	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86	110.86
B 150 x 50 DCB	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93	129.93
B 180 x 50 DCB	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92	148.92
C C1	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48	78.48
C Curvline C8	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21	133.21
C Curvline C12	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58	162.58
C Quiniline QL611 900 x 500	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61	205.61
C Quiniline QL622 1200 x 500	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89	219.89
C Quiniline QL622 1500 x 500	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95	240.95

PRODUCTION STATEMENT	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
D Corner Sink - Studio	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23	1,044.23
D Papillon 654	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59	780.59
D Daphne II with accessories	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92	295.92
D Undermount Sink (PRX 120)	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40	1,025.40
D "ABC"	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E Washbasin WB001/Oval Range	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69	76.69
E Lux Tub Drop On (LDL)	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41	174.41
E WC Squat Pan	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72	249.72
E Barron Bowl	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50	250.50
E Shower Trays	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04	352.04
E WC Wall Hung	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46	854.46
B 120 x 50 DEB	37,692	37,692	37,692	107,534	107,534	107,534	107,534	107,534	107,534	107,534	80,706	80,706	80,706
B 150 x 50 DCB	120,835	120,835	120,835	202,691	202,691	202,691	202,691	202,691	202,691	202,691	171,248	171,248	171,248
B 180 x 50 DCB	25,316	25,316	25,316	72,226	72,226	72,226	72,226	72,226	72,226	72,226	54,207	54,207	54,207
C C1	1,099	1,099	1,099	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,119	2,119	1,413
C Curvline C8	1,865	1,865	1,865	4,929	4,929	4,929	4,929	4,929	4,929	4,929	3,597	3,597	2,398
C Curvline C12	4,390	4,390	4,390	12,031	12,031	12,031	12,031	12,031	12,031	12,031	8,942	8,942	5,853
C Quinline QL611 900 x 500	4,112	4,112	4,112	11,309	11,309	11,309	11,309	11,309	11,309	11,309	8,430	8,430	5,551
C Quinline QL622 1200 x 500	8,796	8,796	8,796	24,408	24,408	24,408	24,408	24,408	24,408	24,408	18,031	18,031	12,094
C Quinline QL622 1500 x 500	4,819	4,819	4,819	13,252	13,252	13,252	13,252	13,252	13,252	13,252	9,879	9,879	6,506
D Corner Sink - Studio	3,133	3,133	3,133	3,133	3,133	3,133	3,133	3,133	3,133	3,133	3,133	3,133	3,133
D Papillon 654	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,342	2,342
D Daphne II with accessories	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,480
D Undermount Sink (PRX 120)	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076
D "ABC"	0	0	0	0	0	0	0	0	0	0	0	0	0
E Washbasin WB001/Oval Range	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917
E Lux Tub Drop On (LDL)	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744
E WC Squat Pan	8,740	8,740	8,740	8,740	8,740	8,740	8,740	8,740	8,740	8,740	8,740	8,740	8,740
E Barron Bowl	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505
E Shower Trays	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760
E WC Wall Hung	4,272	4,272	4,272	4,272	4,272	4,272	4,272	4,272	4,272	4,272	4,272	4,272	4,272
Total Direct Raw Material	240,189	240,189	240,189	482,548	482,548	482,548	482,548	482,548	482,548	482,548	388,423	370,944	4,857,774
Direct Raw Material All Buyouts	240,189	240,189	240,189	482,548	482,548	482,548	482,548	482,548	482,548	482,548	388,423	370,944	4,857,774
Buyout Raw Material Cost as % Sales	65.58%	65.58%	65.58%	65.33%	65.33%	65.33%	65.33%	65.33%	65.33%	65.33%	65.36%	65.10%	65.35%
Customs for Karnak products only													
1 Single bowl 800 x 500	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77
2 Single bowl 900 x 500	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
3 Single bowl 1000 x 500	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74	3.74
4 Single bowl 1200 x 500	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96
5 Double bowl 1200 x 500	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84	4.84
6 Single bowl 1500 x 500	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51
1 Single bowl 800 x 500	1,596	1,596	1,596	3,987	3,987	3,987	3,987	3,987	3,987	3,987	3,067	2,149	2,149
2 Single bowl 900 x 500	16,996	16,996	16,996	39,565	39,565	39,565	39,565	39,565	39,565	39,565	30,884	22,210	22,210
3 Single bowl 1000 x 500	539	539	539	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,035	725	725
4 Single bowl 1200 x 500	914	914	914	2,283	2,283	2,283	2,283	2,283	2,283	2,283	1,756	1,230	1,230
5 Double bowl 1200 x 500	698	698	698	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,342	940	940
6 Single bowl 1500 x 500	87	87	87	217	217	217	217	217	217	217	167	117	117
Total Customs	20,830	20,830	20,830	49,143	49,143	49,143	49,143	49,143	49,143	49,143	38,252	27,372	27,372
Customs for Karnak products only	20,830	20,830	20,830	49,143	49,143	49,143	49,143	49,143	49,143	49,143	38,252	27,372	472,115
Customs COS % as part of Karnak Prod	4.54%	4.54%	4.54%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.14%	4.84%	5.08%
Freight Charge Rates on Buyouts													
Freight charge rates 1	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05	6.05
Freight charge rates 2	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Freight Charge Rate Totals													
Freight charge rates 1	9,529	9,529	9,529	20,473	20,473	20,473	20,473	20,473	20,473	20,473	16,232	15,676	15,676
Freight charge rates 2	900	900	900	900	900	900	900	900	900	900	900	900	900
Freight charges on buyouts only	10,429	10,429	10,429	21,373	21,373	21,373	21,373	21,373	21,373	21,373	17,132	16,576	214,806
Freight COS% expressed over total sales	1.49%	1.49%	1.49%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.42%	1.64%	1.44%
Ex FSA Drop on range fixed off rate													
120 x 50 DEB	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89
150 x 50 DCB	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89

PRODUCTION STATEMENT	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
180 x 50 DCB	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	
Ex FSA Drop on range fixed o/h total													
120 x 50 DEB	1,322.60	1,322.60	1,322.60	3,773.30	3,773.30	3,773.30	3,773.30	3,773.30	3,773.30	3,773.30	2,831.92	2,831.92	
150 x 50 DCB	3,617.70	3,617.70	3,617.70	6,068.40	6,068.40	6,068.40	6,068.40	6,068.40	6,068.40	6,068.40	5,127.02	5,127.02	
180 x 50 DCB	661.30	661.30	661.30	1,866.65	1,866.65	1,866.65	1,866.65	1,866.65	1,866.65	1,866.65	1,415.96	1,415.96	
FSA buyout range fixed o/h total	5,602	5,602	5,602	11,728	11,728	11,728	11,728	11,728	11,728	11,728	9,375	9,375	117,653
Variable COS% expressed over total sales	0.80%	0.80%	0.80%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.77%	0.93%	0.79%
Variable cost charge Kamak Product													
Variable cost per product	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	
Variable cost total													
Variable cost total	3,815	3,815	3,815	8,998	8,998	8,998	8,998	8,998	8,998	8,998	7,004	5,012	
Variable cost charge per Kamak product	3,815	3,815	3,815	8,998	8,998	8,998	8,998	8,998	8,998	8,998	7,004	5,012	86,449
Variable COS% expressed over Kamak	1.10%	1.10%	1.10%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.08%	1.07%
Total Cost of Sales	480,537	480,537	480,537	1,049,685	1,049,685	1,049,685	1,049,685	1,049,685	1,049,685	1,049,685	829,832	692,771	10,312,007
Cost of Sales %	68.47%	68.47%	68.47%	68.57%	68.57%	68.57%	68.57%	68.57%	68.57%	68.57%	68.54%	68.53%	68.55%
Operating Profit / Gross Profit	221,275	221,275	221,275	481,205	481,205	481,205	481,205	481,205	481,205	481,205	380,910	318,125	4,731,297
Operating Profit Other Products	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Profit	221,275	221,275	221,275	481,205	481,205	481,205	481,205	481,205	481,205	481,205	380,910	318,125	4,731,297
FIXED COSTS													
Fixed costs incurred													
1 Wages of factory workers 25 x 800 EGP	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
1 Wage for Supervisor of factory	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
1 Factory Administration assistant	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
1 General Manager	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
1 Works Manager	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	
1 Financial manager	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	
1 Sales Reps x 2	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
1 Driver	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
1 Secretary / Assistant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
1 Professional Fees / FSA Management	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
2 Land & buildings	0	0	0	0	0	0	0	0	0	0	0	0	
2 Water & Electricity	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	
2 Building maintenance, tenant alterations	750	750	750	750	750	750	750	750	750	750	750	750	
3 Communications	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
3 Cellular Telecoms	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
3 Additional Telecoms / ISDN, to FSA	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
4 Marketing - Normal cost	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	
5 Insurance & Licenses	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	
5 Audit fees	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	
5 Bank Charges include forex cover trans etc	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	
6 Bad debts (2% turnover)	14,036	14,036	14,036	30,618	30,618	30,618	30,618	30,618	30,618	30,618	24,215	20,218	
6 Legal (normal trade)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
7 Vehicles (1 x truck, 1 x ldv)	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
8 Entertainment	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
8 Rental of (office) equipment	500	500	500	500	500	500	500	500	500	500	500	500	
8 Stationery	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
8 Uniforms, Protective clothing	500	500	500	500	500	500	500	500	500	500	500	500	
8 Consumables	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
8 Security	500	500	500	500	500	500	500	500	500	500	500	500	
8 Levis etc	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
8 Sundry	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
9 Motor Vehicle Rental	500	500	500	500	500	500	500	500	500	500	500	500	
9 Flights	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	
9 Staff Accomodation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
10 Tooling charge - Technical Manager	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Fixed Costs	162,186	162,186	162,186	178,768	178,768	178,768	178,768	178,768	178,768	178,768	172,365	168,363	2,078,666
Fixed Costs (& Additional) % of Sales	23.1%	23.1%	23.1%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	14.2%	16.7%	14%
EBITDA	59,089	59,089	59,089	302,438	302,438	302,438	302,438	302,438	302,438	302,438	208,545	149,757	2,652,631
FINANCING SCHEDULE													
A Capital Expenditure Financing													
Capex of 1 million EGP	1,000,000												
Repayment of loan(60 months/5yrs)	60												

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Totals
PRODUCTION STATEMENT													
A Capital Repayment	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	51,000
A Interest at 11%	1,902	1,863	1,824	1,785	1,746	1,707	1,668	1,629	1,590	1,551	1,513	1,474	20,252
B Capital Repayment	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	51,000
B Interest at 11%	2,136	2,097	2,058	2,019	1,980	1,941	1,902	1,863	1,824	1,785	1,748	1,707	23,985
C Capital Repayment	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	51,000
C Interest at 11%	2,253	2,214	2,175	2,136	2,097	2,058	2,019	1,980	1,941	1,902	1,863	1,824	23,985
D Capital Repayment				4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	42,500
D Interest at 11%				2,292	2,253	2,214	2,175	2,136	2,097	2,058	2,019	1,980	23,985
Total	19,041	18,924	18,807	25,232	25,076	24,920	24,764	24,608	24,452	24,296	24,143	23,985	
B Building Alteration & Addition Financing													
Capex: 300m2Admin/Fence/Trans	383,000												
Repayment of loan(60 months/5yrs)	60												
Capital Repayment	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	78,000
Interest at 11%	2,796	2,736	2,677	2,617	2,558	2,498	2,438	2,379	2,319	2,260	2,200	2,140	29,618
C Purchase Price Loan													
Purchase Price in USD 2 million rate @ 4.6	9,240,000												
Repayment of loan(72 months/6yrs)	72												
Capital Repayment	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	1,560,000
Interest at 11%	70,400	69,208	68,017	66,825	65,633	64,442	63,250	62,058	60,867	59,675	58,483	57,292	766,150
CASH FLOW STATEMENT													
Cash Inflow													
Cash Inflow Income (120 days)	1,307,063	1,019,820	828,643	701,812	701,812	701,812	1,530,890	1,530,890	1,530,890	1,530,890	1,530,890	1,530,890	
Cash Outflow													
Cash Outflow Direct Raw Material (30)	324,858	221,607	199,673	199,673	199,673	475,894	475,894	475,894	475,894	475,894	475,894	475,894	
Cash Outflow Direct Raw Mat Buyouts (30)	313,585	298,654	240,189	240,189	240,189	482,548	482,548	482,548	482,548	482,548	482,548	482,548	
Cash Outflow Customs	20,830	20,830	20,830	49,143	49,143	49,143	49,143	49,143	49,143	49,143	38,252	27,372	
Freight	10,429	10,429	10,429	21,373	21,373	21,373	21,373	21,373	21,373	21,373	17,132	16,575	
Fixed o/h FSA buyouts	5,602	5,602	5,602	11,728	11,728	11,728	11,728	11,728	11,728	11,728	9,375	9,375	
Variable charge Karnak	3,815	3,815	3,815	8,998	8,998	8,998	8,998	8,998	8,998	8,998	7,004	5,012	
Cash Outflow Fixed Costs	162,186	162,186	162,186	178,768	178,768	178,768	178,768	178,768	178,768	178,768	178,768	168,368	
Cash Outflow Capex	19,041	18,924	18,807	25,232	25,076	24,920	24,764	24,608	24,452	24,296	24,143	23,985	
Cash Outflow Building Alterations	9,296	9,236	9,177	9,117	9,058	8,998	8,938	8,879	8,819	8,760	8,700	8,640	
Cash Outflow Purchase Long Term Loan	200,400	199,208	198,017	196,825	195,633	194,442	193,250	192,058	190,867	189,675	188,483	187,292	
Cash Outflow Interest Payments (n=1)	34,000	34,000	35,000	38,000	41,000	48,000	49,000	49,000	49,000	49,000	49,000	49,000	
Project Cost - Extraordinary													
Due Diligence	0	0											0
Exploratory Visit	0												0
Marketing Cost - New Company Launch	0	0	0	0	0	0	0	0	0	0	0	0	0
Project - General Manager	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	24,137	289,644
Project - Works Manager	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	21,567	258,804
	45,704	45,704	45,704	45,704	45,704	45,704	45,704	45,704	45,704	45,704	45,704	45,704	548,448
Cash Position													
Monthly Cash Position	157,517	-10,375	-120,785	-322,938	-324,531	-848,704	-19,218	-17,811	-16,404	-14,997	\$,886	31,124	
Cummulative Cash Position	-3,746,871	-3,757,245	-3,878,031	-4,200,969	-4,525,500	-5,374,204	-5,393,423	-5,411,234	-5,427,839	-5,442,636	-5,436,750	-5,405,625	
Interest Charge													
11% Interest at 11%	-34,346	-34,441	-35,549	-38,509	-41,484	-49,264	-49,440	-49,603	-49,753	-49,891	-49,837	-49,552	-531,888
DEPRECIATION SCHEDULE													
10 Depreciation of Capital Expen (60months)	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Costs	263,083	261,809	261,550	269,683	271,251	277,624	276,392	275,148	273,891	272,622	271,163	269,469	3,243,684
Financing % of Sales	37%	37%	37%	18%	18%	18%	18%	18%	18%	18%	22%	27%	22%
PBT	-203,895	-202,721	-202,491	32,755	31,187	24,814	26,046	27,290	28,546	29,816	32,017	-119,712	-991,052

ANNEXURE B:

Product Cost Assumptions

FSA PRODUCT COSTINGS FOR EGYPT

Stainless Steel R 18.69 per kilogram

Mark-up at FSA	10%	
Import Duties	15%	40%
Exchange Rate	2.27	
Mark-up in Egypt	35%	

Description	DROP-ON Monoblock 1200x500	DROP-ON Monoblock 1500x500	DROP-ON Monoblock 1800x500
Size	1200x500	1500x500	1800x500
Bowl Description	DEB Press only	DCB Press only	DCB Press only
Product Code	R18.69/kg	R18.69/kg	R18.69/kg
Material	160.37	194.6	228.7
Labour	3.27	3.27	3.27
Variable Overhead	0.65	0.65	0.65
Sub-Total A	164.29	198.62	232.62
Common Fixed O/H	7.45	7.45	7.45
Exclusive Fixed O/H(ie tools)	27.19	27.19	27.17
Sub-Total B	34.64	34.64	34.62
Total A & B	198.93	233.16	267.24
Markup	218.82	256.48	293.96
Duty	251.65	294.35	338.05
Cost Price in EGP	118.69	129.33	148.98
Transport cost freight	6.05	6.05	6.05
Fixed overheads in EGPT	14.48	14.48	14.48
	131.39	150.46	169.45
Sales Price in EGP	177.37	203.12	228.78

Description	312951	312953
Size	1500X520	1500X520
Bowl Description	no access	accessories
Product Code	R18.69/kg	R18.69/kg
Material	285.52	465.99
Labour	61.05	61.05
Variable Overhead	25.03	25.03
Sub-Total A	371.6	552.07
Common Fixed O/H	55.88	55.88
Exclusive Fixed O/H(ie tools)	8.71	8.71
Sub-Total B	64.59	64.59
Total A & B	436.19	616.66
Markup	479.81	678.33
Duty	671.73	949.66
Cost Price in EGP	296.32	418.38
Transport cost freight	6.05	6.05
Fixed overheads in EGPT		
	301.97	424.40
Sales Price in EGP	407.88	572.94

Description	INSET C1 - 310202	INSET C8 - 310369	INSET C12 - 312211	INSET QL622-900	INSET QL622-1200	INSET QL622-1500
Size	485	860x435	1235x435	900x500	1200x500	1500x500
Bowl Description	Polished	Polished	Polished	Polished	Polished	Polished
Product Code	R18.69/kg	R18.69/kg	R18.69/kg	R18.69/kg	R18.69/kg	R18.69/kg
Material	65.5	98.05	137.92	158.22	179.29	210.32
Labour	15.46	15.61	14.64	39.01	39.01	39.01
Variable Overhead	10.03	15.00	15.00	15	15	15
Sub-Total A	90.99	128.66	167.56	212.23	233.3	264.33
Common Fixed O/H	21.67	67.04	67.04	63.65	63.63	63.65
Exclusive Fixed O/H(ie tools)	3.02	0.65	5.04	27.19	27.19	27.19
Sub-Total B	24.69	67.69	72.08	90.84	90.82	90.84
Total A & B	115.68	196.35	239.64	303.07	324.12	355.17
Markup	127.25	216.99	263.60	333.38	356.53	390.69
Duty	178.15	302.38	369.05	466.73	499.14	546.96
Cost Price in EGP	78.48	133.21	162.58	205.61	219.39	248.95
Transport cost freight	6.05	6.05	6.05	6.05	6.05	6.05
Fixed overheads in EGPT						
	114.11	188.00	227.64	285.74	306.02	333.45
Sales Price in EGP						

Description	WC Squat 356014	Washbasin WB001 - 325150	LDL 318600	WC Wall Hung 356018	Barron Bowl 333200	Shower Trays 359999
Size			600x500			
Bowl Description						
Product Code	R18.69/kg	R18.69/kg	R18.69/kg	R18.69/kg	R18.69/kg	R18.07/kg
Material	201.3	61.29	138.25	401.9	176.89	257.79
Labour	116.1	9.71	24.11	617.47	94.7	0
Variable Overhead	0.00	0.00	13.08	13.08	0.00	160.31
Sub-Total A	317.4	71	175.44	1032.45	271.59	418.1
Common Fixed O/H	50.69	42.04	57.67	227.04	97.65	100.81
Exclusive Fixed O/H(ie tools)	0.00	0.00	23.97	0.00	0.00	0.00
Sub-Total B	50.69	42.04	81.64	227.04	97.65	100.81
Total A & B	368.09	113.04	257.08	1259.49	369.24	518.91
Markup	404.90	124.34	282.79	1385.44	406.16	679.40
Duty	568.86	174.09	395.05	1939.67	568.63	769.22
Cost Price in EGP	249.72	76.99	174.41	832.45	259.59	317.96
Transport cost freight	18.69	18.69	18.69	18.69	18.69	18.69
Fixed overheads in EGPT	259.72	69.38	184.21	844.28	280.50	332.94
	350.62	117.63	248.95	1187.62	351.67	468.78
Sales Price in EGP						

	STUDIO 310027	PAPPILON 311111	PRX120 310021
Landed Cost	1693.14	1285.67	1662.61
Duty	2370.49	1771.64	2327.66
Cost Price in EGP	1044.23	789.38	1025.49
Sales Price in EGP	1409.71	1063.69	1384.23

Description	Zip 51 - 380002	Chillmaster 261 - 380049
Size		
Bowl Description		NFU (No filter)
Product Code	n/a	n/a
Material	741.15	2153.53
Labour	120.15	175.95
Variable Overhead	88.17	107.64
Sub-Total A	949.47	2437.12
Common Fixed O/H	949.47	196.04
Exclusive Fixed O/H(ie tools)	160.58	0.00
Sub-Total B	1110.05	196.04
Total A & B	2059.52	2633.16
Markup	2265.47	2896.48
Duty	3471.66	4055.07
Cost Price in EGP	1387.21	1786.33
Transport cost freight		
Fixed overheads in EGPT		
	1686.23	2411.68
Sales Price in EGP		

ANNEXURE C:

Discounted Cash Flow



Forecasting Year 1 to Year 10

Cash Flows		
Purchase Price	-EGP 9,240,000	Payback
2003	EGP 1,621,567	3years & 8 months
2004	EGP 2,172,754	
2005	EGP 2,781,030	
2006	EGP 3,933,998	
2007	EGP 4,961,044	
2008	EGP 6,474,071	
2009	EGP 6,474,071	
2010	EGP 6,474,071	
2011	EGP 6,474,071	
2012	EGP 6,474,071	

Discount Rate	NPV	IRR
9.0%	EGP 18,601,680	
10.0%	EGP 17,125,178	
11.0%	EGP 15,753,183	
12.0%	EGP 14,476,941	
13.0%	EGP 13,288,525	
14.0%	EGP 12,180,753	
15.0%	EGP 11,147,111	
17.5%	EGP 8,849,788	34.29%
20.0%	EGP 6,901,397	
25.0%	EGP 3,813,806	
30.0%	EGP 1,519,193	
35.0%	(EGP 220,355)	
40.0%	(EGP 1,563,380)	
45.0%	(EGP 2,617,758)	
50.0%	(EGP 3,458,321)	
55.0%	(EGP 4,137,926)	
60.0%	(EGP 4,694,533)	

Accept when the IRR is > than the cost of funds

Forecasting Year 1 to Year 6

Cash Flows		
Purchase Price	-EGP 9,240,000	Payback
2003	EGP 1,621,567	3years & 8 months
2004	EGP 2,172,754	
2005	EGP 2,781,030	
2006	EGP 3,933,998	
2007	EGP 4,961,044	
2008	EGP 6,474,071	

Discount Rate	NPV	IRR
9.0%	EGP 6,095,464	
10.0%	EGP 5,541,081	
11.0%	EGP 5,014,679	
12.0%	EGP 4,514,538	
13.0%	EGP 4,039,060	
14.0%	EGP 3,586,760	
15.0%	EGP 3,156,256	
17.5%	EGP 2,167,133	24.28%
20.0%	EGP 1,288,623	
25.0%	(EGP 194,157)	
30.0%	(EGP 1,386,328)	
35.0%	(EGP 2,356,061)	
40.0%	(EGP 3,153,391)	
45.0%	(EGP 3,815,533)	
50.0%	(EGP 4,370,517)	
55.0%	(EGP 4,839,702)	
60.0%	(EGP 5,239,539)	

Accept when the IRR is > than the cost of funds

ANNEXURE D:

Expatriate Employee Cost



EXPATRIATE ASSIGNMENT COST

CONSOLIDATED COST

12-Sep-03

Item	Description	Cost
Salary	35% of current salary in addition	R 54,675.00
Housing		R 30,000.00
Electricity		R 1,000.00
Water		R 1,500.00
Transport / travel		R 10,000.00
Medical		R 825.00
Visist to SA	3 People twice a year @ R 4500.00 / return trip	R 3,750.00
Initial visit	SEE PROJECT COST	R 0.00
Other	Club membership, DSTV etc.	R 2,000.00
TOTAL MONTHLY COST		R 103,750.00
TOTAL ANNUAL COST		R 1,245,000.00

GENERAL MANAGER

Item	Description	Cost
Salary	35% of current salary in addition	R 29,700.00
Housing		R 15,000.00
Electricity		R 500.00
Water		R 750.00
Transport / travel		R 5,000.00
Medical		R 591.67
Visist to SA	3 People twice a year @ R 4500.00 / return trip	R 2,250.00
Initial visit	SEE PROJECT COST	R 0.00
Other	Club membership, DSTV etc.	R 1,000.00
TOTAL MONTHLY COST		R 54,791.67
TOTAL ANNUAL COST		R 657,500.00

WORKS MANAGER

Item	Description	Cost
Salary	35% of current salary in addition	R 24,975.00
Housing		R 15,000.00
Electricity		R 500.00
Water		R 750.00
Transport / travel	(This may be a less than the indicated cost)	R 5,000.00
Medical		R 233.33
Visist to SA	3 People twice a year @ R 4500.00 / return trip	R 1,500.00
Initial visit	SEE PROJECT COST	R 0.00
Other	Club membership, DSTV etc.	R 1,000.00
TOTAL MONTHLY COST		R 48,958.33
TOTAL ANNUAL COST		R 587,500.00

ANNEXURE E:

Management Income Statement
(3 Years)



MANAGEMENT INCOME STATEMENT - EGYPT

Period:

FRANKE EGYPT - KARNAK INDUSTRIES

Date/Visa:

EGP 1000	Pos. MIS	Projected					
		2004		2005		2006	
		absolute	in %	absolute	in %	absolute	in %
Gross Sales (GS)	1	11,661	100.0%	15,043	100.0%	17,851	100.0%
Gross Operating Trade Revenue	1a	11,661	100.0%	15,043	100.0%	17,851	100.0%
Sales deduction	2	0	0.0%	0	0.0%	0	0.0%
Net Sales (NS)	3	11,661	100.0%	15,043	100.0%	17,851	100.0%
Direct material	4	0	0.0%	0	0.0%	0	0.0%
Change WIP & FG	5	0	0.0%	0	0.0%	0	0.0%
Total	6	0	0.0%	0	0.0%	0	0.0%
Material overhead	7		0.0%		0.0%		0.0%
Manufacturing expenses	8	-8,097	-69.4%	-10,312	-68.6%	-12,197	-68.3%
Special manuf. Exp	9	0	0.0%	0	0.0%	0	0.0%
Cost of goods sold	10	-8,097	-69.4%	-10,312	-68.6%	-12,197	-68.3%
Gross margin (1-10)	11	3,564	30.6%	4,731	31.4%	5,654	31.7%
Net margin (3-10)	12	3,564	30.6%	4,731	31.4%	5,654	31.7%
Administration expenses	13	0	0.0%	0	0.0%	0	0.0%
Selling expenses	14	-1,576	-13.5%	-2,079	-13.8%	-2,554	-14.3%
Group division cost	15	0	0.0%	0	0.0%	0	0.0%
Standard cost variance	16	0	0.0%	0	0.0%	0	0.0%
Operating Income (Div)	17	1,988	17.0%	2,652	17.6%	3,100	17.4%
Calculated interest	18		0.0%		0.0%		0.0%
Income tax	19	0	0.0%	0	0.0%	0	0.0%
Op. Inc. before Int. / Tax	20	1,988	17.0%	2,652	17.6%	3,100	17.4%
Total fin. Exp. / income	21	-3,021	-25.9%	-3,244	-21.6%	-3,119	-17.5%
Depreciation (ord. Oper.)	22	1,000	8.6%	1,084	7.2%	1,168	6.5%
Cash-Flow division	23	-33	-0.3%	492	3.3%	1,149	6.4%
Op. Profit (23-19-15)	24	-33	-0.3%	492	3.3%	1,149	6.4%
EBITDA (24-21)	25	2,988	25.6%	3,736	24.8%	4,268	23.9%
Amortization Goodwill	26	0	0.0%	0	0.0%	0	0.0%
EBIT (25-22-26)	27	1,988	17.0%	2,652	17.6%	3,100	17.4%
Acc. Rec. / Cred. Days	28	2,915	90.0	3,761	90.0	4,463	90.0
Stock / Turnover	29	1,034	11.3	1,316	11.4	1,557	11.5
Fixed Assets	30	9,000		8,756		8,428	
Assets / Rotation	31	12,949	0.9	13,833	1.1	14,448	1.2
(ROA) in %	32		15.4%		19.2%		21.5%
Invest / in % of CF	33	0	0.0%	840	170.7%	840	73.1%
No. personnel (0 period)	34	75		75		75	
NS per head (per year)	35	155		201		238	

ANNEXURE F:

Projected Balance Sheet
(Abbreviated)

FRANKE EGYPT - KARNAK INDUSTRIES

Projected Balance Sheets - Abbreviated

EGP 1000,S		Year 1 Assets	Year 1 Liabilities	Year 2 Assets	Year 2 Liabilities	Year 3 Assets	Year 3 Liabilities
Trade Accounts Receivable	90	2,915		3,761		4,463	
Inventory	10	1,166		1,504		1,785	
Fixed Assets		10,000		11,000		12,000	
Intangible Assets (Goodwill)		0		0		0	
TOTAL ASSETS		14,081		16,265		18,248	
	35%						
Trade Creditors	90		1,895		2,444		2,901
Retained Earnings			-1,033		-592		-20
Borrowings and Equity			13,219		14,413		15,367
TOTAL LIABILITIES			14,081		16,265		18,248
Check			0		0		0

Equity and Borrowings Split - Year 1	50% Equity	40% Equity	30% Equity
Equity (Split between Capital and Loan)	7,041	5,633	4,224
External Borrowings (Mortgages and Bank Overdraft)	7,041	8,449	9,857
TOTAL ASSETS	14,081	14,081	14,081

ASSUMPTIONS

Initial Investment = USD 2 mio. ROE USD1 = EGP5
 Debtors days = 90
 Stock Turn = 10
 Creditors Days = 90 - based on cost of sales of 65% of gross sales
 Fixed assets investments will be EGP 1 mio in years 2 and 3
 Other debtors and creditors have been ignored as the amounts are not expected to be material.

ANNEXURE G:

Funding of the Acquisition and Balance Sheet Structure

FRANKE EGYPT

FUNDING OF ACQUISITION AND BALANCE SHEET STRUCTURE

LOCAL CURRENCY - EGYPTIAN POUNDS (EGP)

1000,S

A

BASIC DATA				
Details	Currency	Amount	ROE	In Local Currency
Acquisition Price	USD	2,000	4.5750	9,150
Net Working Capital	EGP	4,850	1.0000	4,850
Other				
Total Capital Requirements				14,000

B

FINANCING OPTIONS

1

Shareholders Equity = Total Acquisition Price				
	FHO	Toufick	External Financers	Total
	76%	24%		
Equity	6,954	2,196	0	9,150
Shareholders Loan	0	0	0	0
External Financers	0	0	4,850	4,850
Total Capital Raised	6,954	2,196	4,850	14,000
CHECK				14,000

2

Shareholders Equity = 50% of Total Capital Requirements				
50%				
	FHO	Toufick	External Financers	Total
	76%	24%		
Equity	5,320	1,680	0	7,000
Shareholders Loan	1,634	516	0	2,150
External Financers	0	0	4,850	4,850
Total Capital Raised	6,954	2,196	4,850	14,000
CHECK				14,000

C

Entry in FHO Books	Investment in Franke Egypt	Loan to Franke Egypt	Other	Total
Option 1	6,954	0	0	6,954
Option 2	5,320	1,634	0	6,954

D

FHO CASH OUTLAY IN RESPECT OF ACQUISITION

Regardless of equity structuring, FHO outlay up front will always be

6,954