

ENTEPRENEURSHIP

Term paper

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BUSINESS PLAN: AUTOMATIC COMPOSTER (BOKASHI)



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1. INTRODUCTION

Automatic home composter is a unit that transform **home organic waste** into **useful fertilizer**. The market of these units is already existed although two main issues were noticed through our study; (1) the price range of the units is higher than what people is willing to pay and (2) the product is not well-known or at least not recognized by the potential customer. Our motive to study this product and to create this business plan at our hands, is to analyze these two issues and reduce the production costs at levels where our customers can accept the final price. As well as to find the proper canals to market the unit for the potential customers.

The environmental and social benefits of this unit is essential. In Germany alone, 46 million ton of waste is generated annually, and the household organic waste is more than 10% of the total household waste. The expenditure of the German government on waste is related to the amount of waste generated. Figure 1 shows the trend in the expenditure and the generated waste since 2005 till 2013. One way to reduce the cost of waste on the government and by default on the society is to process the waste locally at the house. Our unit Bokashi aims to do that!

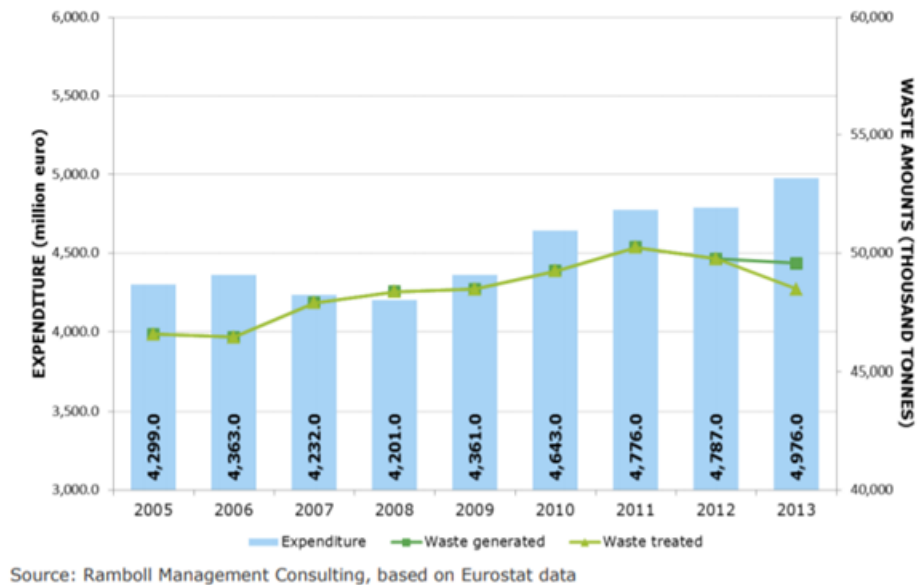


Figure 1 Municipal waste development in Germany. Waste Generated and waste expenditure in the years from 2005 to 2013

2. BUSINESS IDEA

The small living spaces in urban areas and the increasing trend in the awareness about recycling materials has led to a need of making possible the homemade composting with modern techniques, odorless and an aesthetic design. The automatic composter “Bokashi” provides the ability to transform the own organic wastes into valuable compost useful for giving nutrients to every garden plant directly at home.

3. MARKET ANALYSIS

According to DW-Culture, I quote here “gardens are becoming more and more popular, even in Germany’s major cities where young families, nature lovers and amateur gardeners are increasingly taking up urban gardening.

Urban gardening - lovingly planting small plots or enthusiastically decorating balconies - is a growing trend in Germany. In cities like Berlin, Bonn, Freiburg and Cologne, these gardens have become lively social habitats”.

The aforementioned reason leads us to pick out Germany as the Automatic Composter – Bokashi marketplace because it is a relatively new growing market. It is estimated that 11.67 million inhabitants (A third of the owners listed in Figure 2 due to the shared ownership) out of the whole population have a garden in Germany. Bokashi company projects to design and come up with a business plan which allows to fabricate and sell 126.720 Automatic composters by 2023, that is, roughly 1% of the total population engaged in gardening in Germany.

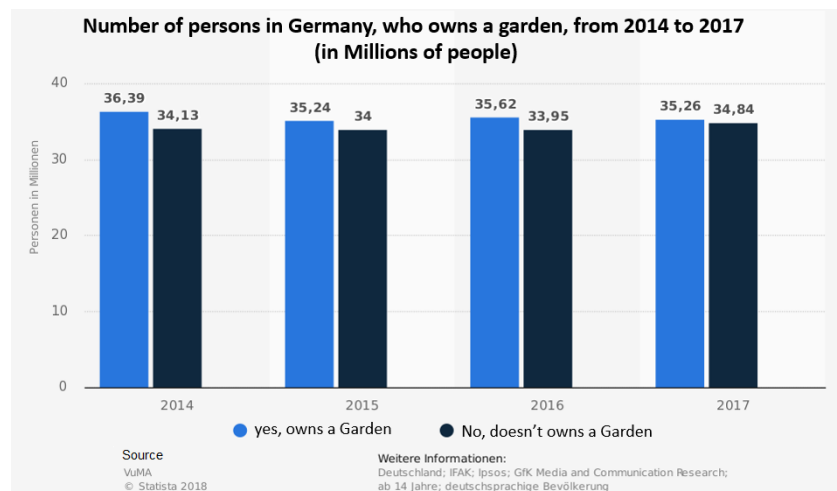


Figure 2. Number of persons in Germany who owns a Garden (Statista, 2018)

Bokashi’s customer is a person who loves gardening, he/she has a garden at household premises, or has a “Schrebergarten”, an allotment garden, or rent a plot of land for gardening. She/he also could have a family with kids and like teaching them about nature, and has fun planting vegetable and flowers. Additionally, our customers are people who make enough income to buy our product and have a garden.

Bokashi Automatic competitors are shown in Table 1. None of them is a German company.

Table 1. Bokashi's automatic composter competitors

#	Competitor	Unit name/model	Features		Price (Eur)	Shipping	Payment method	Market/Selling Location
1	Food Cyclcr	Food Cyclcr	weight (kg)	12.7	577.71	Free Shipping to Germany	Paypal, credit card, direct debit	Ebay
			Dimensions	46x40.4x34.6 cm				
			Composting time (hr)	3				
			Odor	odorless				
			Filter	filter montoring system				
			Additives	not needed				
			Capacity	1 kg				
2	Bhor	Compost machine	weight (kg)	9	594	Free Shipping to Germany	credit card, direct debit	Own website
			Dimensions	35x27x35 cm				
			Composting time (hr)	4				
			Odor	odorless				
			Filter	not needed				
			Additives	not needed				
			Capacity	2 kg				
3	Smart Cara	CS - 10	weight (kg)	9	442.44	€ 77 Shipping to Germany	Credit card	Own website, no ebay, amazon reseller authorized
			Dimensions	35x27x35 cm				
			Composting time (hr)	4				
			Odor	odorless				
			Filter	Carbon Filter				
			Additives	not needed				
			Capacity	1 kg				
4	Zera	Food recycler	weight (kg)	56.7	736.79	No shipping include	Credit card	Own website
			Dimensions	28x61x86 cm				
			Composting time (hr)	24				
			Odor	odorless				
			Filter	Air filter				
			Additives	yes				

Our Automatic composter will have the following technical features.

Table 2. Bokashi technical features

Unit name	Features	
Bokashi	Weight	22kg
	Dimensions	80cm *50cm*22cm
	Composting time [h]	24
	Filter	activated coal
	Additives	CaCo3
	Odor	odorless
	capacity	6kg

4. DEFINITION OF PRODUCTION TECHNIQUES AND STANDARDS NEEDED

The company production process will be labor intensive, the process is described as following.

First, buying the components needed to set up the Bokashi. Second, after collecting the different components/pieces in the warehouse, they are assembled in the assembly room in a continuous process of installation of each part in its correct position and connected to the control unit. Finally, after testing and packaging the product is ready to be delivered to the stores where they will be sold to the end user.

The different parts are provided by external manufacturers, who produced those using different manufacturing techniques to reach the specific mechanical, chemical and electrical characteristics for each piece made with different materials. Some of the most relevant manufacturing processes for producing the pieces for Bokashi are the following:

- Thermoforming vacuum forming
- Plastic Injection
- Metallic mold mechanization
- Metal sheet Stamping, cutting, bending
- Soldering stainless steel and electronic components

5. ORGANIZATION OF THE COMPANY

5.1 Articles of Association

The company will be registered as a limited company under the German law. The articles of association and the legal form is shown in annex 1.

5.2 Employment Contract

A template of the employment contract is attached in annex 2.

6. MARKETING STRATEGIES

To market Bokashi the below strategies will be used:

- To sponsor garden fair all over the country in order to position the company product's brands
- To organize informative farming events in strategic places (i.e. BAUHAUSE gardening section)
- To offer discounts to customers who bring new customers to the company
- To organize tryout campaigns. Thus, letting potential customers to take our products to their homes for a period of time in order to get familiar with it.
- To get listed on both national and local popular directories in order to be founded on maps (e.g. Google Places, Yahoo Local, Bing Places etc.)
- To put the product available in e-commerce; online retail platforms (ebay, amazon, etc)
- To participate in campaigns to promote gardening at household premises

7. DEFINITION OF CAPACITIES

After completing the market research of the automatic composter in Germany, Bokashi has decided to set out the following assumptions for the business plan:

Table 3. Definition of capacities

Parameter	Spec. Assumptions	Comments
Total production	28800	composters/year
Capacity	15	composters/hour
Work time/production time	5 days a week, one shift of 8 hours	---

Parameter	Spec. Assumptions	Comments
Selling price	Vary between 442 and 736 €, we intend to sell at 400 €/composter. It is intended to sell at 400 €/composter	---
Place of production	Frankfurt	---
Product(s) produces	Automatic composter	---

8. CALCULATION OF INVESTMENT

This section shows all the cost calculation needed to produce the composters, including calculation of investment, calculation of consumption cost, labor cost, definition of the price, calculation of the turnover, cash flow for ten years, equity profitability and return of investment.

8.1 Cost Calculation

The business plan includes building a factory to assemble all components in order to get a Bokashi composter. The factory will be located in Frankfurt. Table 4 shows the calculation of investment and the depreciation cost

Table 4. Calculation of investment and depreciation cost

Description	Investment	Depreciation rate	Depreciation cost
	[€]	[Year]	[€/year]
Purchase Land			
Property 840 m2 to 250 €/m2	€ 336,000	0	0
Additional expenses - 6.5% tax and 3.5% other costs (notary, registration, etc.)	€ 33,600	0	0
Sum purchase land	€ 369,600		0
Exterior installations			
Grading work	€ 9,800	50	€ 196
Roads	€ 5,900	50	€ 118
Foundations	€ 3,900	50	€ 78
Outside lights	€ 2,400	50	€ 48
Fence	€ 2,000	50	€ 40
Drains	€ 3,900	50	€ 78
Cables for power installations	€ 2,000	50	€ 40
Sum of exterior installations	€ 29,900		€ 598
Building			
Administration building	€ 46,600	50	€ 932
Gatehouse	€ 3,900	50	€ 78
Warehouse	€ 5,900	50	€ 118
Parking	€ 4,900	50	€ 98

Description	Investment	Depreciation rate	Depreciation cost
Production hall	€ 38,900	50	€ 778
Sum of building	€ 100,200		€ 2,004
Machinery			
Welding machines	€ 1,584	10	€ 158
Motor tools	€ 792	10	€ 79
Screwdrivers sets	€ 200	10	€ 20
Drill machines	€ 480	10	€ 48
Multimeters	€ 2,500	10	€ 250
Tools kits	€ 1,488	10	€ 149
Allen keys kit	€ 250	10	€ 25
electronic soldering equipment	€ 663	10	€ 66
Lift truck	€ 8,000	10	€ 800
Multiple socket	€ 400	10	€ 40
Cable extensions	€ 300	10	€ 30
Fire extinguisher	€ 200	10	€ 20
Sum of machinery	€ 16,857		€ 1,686
Others			
Manual Hand Pallet Truck	€ 1,500	10	€ 150
Computers	€ 2,600	4	€ 650
Printers	€ 1,000	4	€ 250
Desks	€ 1,400	10	€ 140
Chairs	€ 550	10	€ 55
Work table	€ 1,000	10	€ 100
Work chairs	€ 4,765	10	€ 477
Table and chair canteen metal	€ 320	10	€ 32
Shelving Warehouse	€ 3,000	10	€ 300
Sum of others	€ 16,135		€ 2,154
Engineering			
Expenditure planning	€ 7,460	10	€ 746
Licenses	€ 940	10	€ 94
Sum of Engineering	€ 8,400		€ 840
Vehicles			
Car	€ 30,000	5	€ 1,680
Sum of vehicles	€ 30,000		€ 1,680
	=====		=====
Subtotals	€ 571,092		€ 8,961
Unexpected	€ 114,218		€ -
Circulating capital	€ 68,531		€ -
Totals	€ 753,841		€ 8,961

Calculation of consumption cost can be seen on Table 5. All the components of the bokashi will be buy to external suppliers, the price was estimated using suppliers websites.

Table 5. Calculation of consumption cost

Quantity per composter	Pieces description	Price	Subtotal
1	Housing (stainless steel)	€ 50.00	€ 50.00
1	Sliding lid	€ 2.50	€ 2.50
2	Inner Plates (big & small holes)	€ 6.00	€ 12.00
2	shafts	€ 3.50	€ 7.00
2	Motors	€ 7.50	€ 15.00
2	Temp Sensors	€ 2.50	€ 5.00
2	PH sensor	€ 27.00	€ 54.00
2	Humidity sensor	€ 6.00	€ 12.00
1	solid compost container	€ 3.50	€ 3.50
1	liquid compost container	€ 2.50	€ 2.50
1	Electronic circuits	€ 40.00	€ 40.00
1	Cables	€ 5.00	€ 5.00
1	LCD Display	€ 4.50	€ 4.50
2	Small tubes (water)	€ 11.00	€ 22.00
2	Electric heater	€ 13.00	€ 26.00
1	fan	€ 4.00	€ 4.00
1	air filter (Activated Carbon)	€ 4.00	€ 4.00
1	water pump	€ 2.50	€ 2.50
4	Robber feet	€ 0.10	€ 0.40
4	Isolating polystyrene	€ 1.50	€ 6.00
25	Screws	€ 0.07	€ 1.75
1	Soldering rod	€ 1.20	€ 1.20
1	Additives	€ 0.15	€ 0.15
2	Additives container	€ 0.26	€ 0.52
1	Energy	€ 0.456	€ 0.46
1	Maintenance cost	€ 1.20	€ 1.20
1	Administrative overhead cost	€ 2.00	€ 2.00
1	Marketing and brand positioning	€ 15.00	€ 15.00
1	Carton box	€ 2.00	€ 2.00
	Total		€ 302.18

Note: To estimate the energy per composter information was taken from Statista website¹. This statistic shows the industry prices of electricity in Germany from 2008 to 2017, in euro cents per kilowatt hour

The scheduled production is planned to be labor intensive. Table 6 shows the calculation of labor cost.

Table 6. Calculation of labor cost

Personal in cost center	Number	Personnel direct costs	Personnel direct cost
Engineer-Maintenance	1	€ 47,700	€ 47,700
Maintenance Technician	3	€ 28,620	€ 85,860
Marketing	1	€ 47,700	€ 47,700
Sales manager	1	€ 47,700	€ 47,700
Sales and dispatch	2	€ 35,775	€ 71,550
Purchasing	1	€ 35,775	€ 35,775
Engineer- production	1	€ 47,700	€ 47,700
Composter production	50	€ 28,620	€ 1,431,000
General manager	1	€ 95,400	€ 95,400
Secretary	1	€ 28,620	€ 28,620
TOTAL	62		€ 1,939,005

The total investment required to implement the business plan is around **€ 753,841**. 20% will be own capital funds (equity) from the shareholders **€ 150,769**, and 80% outside financing **€ 603,074**. For the plan business it was assumed that a loan to a commercial bank will be made. The loan period will be 10 years and the annual interest rate is assumed to be 10%. Table 7 presents the calculation cost of the interest paid on debt because of outside financing.

Table 7. Calculation of financing costs: Interest paid on debt

Year	Balance of debt [€]	Interest rate	Interest cost per year [€]	Refunding bank loan [€]
1	€ 603,073	10%	€ 60,307	€ 60,307
2	€ 542,766	10%	€ 54,277	€ 60,307
3	€ 482,459	10%	€ 48,246	€ 60,307
4	€ 422,151	10%	€ 42,215	€ 60,307
5	€ 361,844	10%	€ 36,184	€ 60,307
6	€ 301,537	10%	€ 30,154	€ 60,307
7	€ 241,229	10%	€ 24,123	€ 60,307
8	€ 180,922	10%	€ 18,092	€ 60,307
9	€ 120,615	10%	€ 12,061	€ 60,307

¹ <https://www.statista.com/statistics/595803/electricity-industry-price-germany/>

10	€ 60,307	10%	€ 6,031	€ 60,307
			€ 331,690	€ 603,073
			Total interest	Total payment

Table 8. Self-costs per automatic composter, capacity installed: 28800 Bokashi, capacity of utilization: 60%, 80%, 1st, 2nd, 3rd, respectively

Capacity [bokashi per year]	28800									
Year	1	2	3	4	5	6	7	8	9	10
Utilization of capacity [%]	60%	80%	100%	100%	100%	100%	100%	100%	100%	100%
Bokashi Automatic composter quantity	17280	23040	28800	28800	28800	28800	28800	28800	28800	28800
Costs	Cost/yr	Cost/yr	Cost/yr	Cost/yr	Cost/yr	Cost/yr	Cost/yr	Cost/yr	Cost/yr	Cost/yr
Depreciation	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)
Financing	€ (60,307)	€ (54,277)	€ (48,246)	€ (42,215)	€ (36,184)	€ (30,154)	€ (24,123)	€ (18,092)	€ (12,061)	€ (6,031)
Labour	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)
Consumption	€ (5,221,596)	€ (6,962,128)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)
Total cost	€ (7,229,870)	€ (8,964,371)	€ (10,698,872)	€ (10,692,841)	€ (10,686,811)	€ (10,680,780)	€ (10,674,749)	€ (10,668,719)	€ (10,662,688)	€ (10,656,657)
Cost per bokashi	€ 418.40	€ 389.08	€ 371.49	€ 371.28	€ 371.07	€ 370.86	€ 370.65	€ 370.44	€ 370.23	€ 370.02

Table 9. Bokashi business plan's Cash flow

Year	1	2	3	4	5	6	7	8	9	10
Production	17280	23040	28800	28800	28800	28800	28800	28800	28800	28800
Bokashi Automatic composter Price [€]	400	400	400	400	400	400	400	400	400	400
Revenue [€]	€ 6,912,000	€ 9,216,000	€ 11,520,000	€ 11,520,000	€ 11,520,000	€ 11,520,000	€ 11,520,000	€ 11,520,000	€ 11,520,000	€ 11,520,000
Depreciation cost	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)	€ (8,961)
Labour cost	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)	€ (1,939,005)
Consumption cost	€ (5,221,596)	€ (6,962,128)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)	€ (8,702,660)
Financing cost	€ (60,307)	€ (54,277)	€ (48,246)	€ (42,215)	€ (36,184)	€ (30,154)	€ (24,123)	€ (18,092)	€ (12,061)	€ (6,031)
Loss carried forward		€ (317,870)	€ (66,241)							
Profit before tax	€ (317,870)	€ (66,241)	€ 821,128	€ 827,159	€ 833,189	€ 839,220	€ 845,251	€ 851,281	€ 857,312	€ 863,343
Taxes (40%)	€ -	€ -	€ 328,451	€ 330,863	€ 333,276	€ 335,688	€ 338,100	€ 340,513	€ 342,925	€ 345,337
Profit after taxes	€ (317,870)	€ (66,241)	€ 492,677	€ 496,295	€ 499,914	€ 503,532	€ 507,150	€ 510,769	€ 514,387	€ 518,006
Cash-flow (net profit + depreciation)	€ (308,908.41)	€ (57,279)	€ 501,638	€ 505,256	€ 508,875	€ 512,493	€ 516,112	€ 519,730	€ 523,349	€ 526,967
Repayment credit	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32	€ 60,307.32
Re-investing										
Dividend	€ (248,601)	€ 3,028	€ 441,331	€ 444,949	€ 448,567	€ 452,186	€ 455,804	€ 459,423	€ 463,041	€ 466,660
Cumulated dividend	€ (248,601)	€ (245,573)	€ 195,757	€ 640,706	€ 1,089,274	€ 1,541,460	€ 1,997,264	€ 2,456,687	€ 2,919,728	€ 3,386,388

Note: the values inside parenthesis mean negative values.

8.2 Definition of the price

As can be seen in Table 8 the self-cost for the production of one Bokashi composter varies, as follow:

- € 418.40 in the first year of production
- € 370.02 in the last four years of production

Considering both the results in table 8 and the results from the competitor's analysis, in this business plan was decided to sell its automatic composter at € 400 each (net of VAT)

8.3 Calculation of turnover/revenue

The calculation of the revenues was made considering the selected composter price and the results can be seen on Table 10.

Table 10. Calculation of revenue

Year	Production	Bokashi Price [€]	Turnover/revenue
1	17280	€ 400	€ 6,912,000
2	23040	€ 400	€ 9,216,000
3	28800	€ 400	€ 11,520,000
4	28800	€ 400	€ 11,520,000
5	28800	€ 400	€ 11,520,000
6	28800	€ 400	€ 11,520,000
7	28800	€ 400	€ 11,520,000
8	28800	€ 400	€ 11,520,000
9	28800	€ 400	€ 11,520,000
10	28800	€ 400	€ 11,520,000

8.4 Business plan's cash flow calculation

The cash flow of Bokashi business plan can be seen in Table 9. The total dividend cumulated over 10 year is € 3,443,235 The equity profitability of the business plan can be seen in table 11.

Table 11. Equity profitability

Equity Profitability				
Year	Equity	Profit after tax	Dividend	Interest made on equity [%]
1	€ 150,768	€ (317,870)	€ (248,601)	-1.65
2	€ 150,768	€ (66,241)	€ 3,028	0.02
3	€ 150,768	€ 492,677	€ 441,331	2.93
4	€ 150,768	€ 496,295	€ 444,949	2.95
5	€ 150,768	€ 499,914	€ 448,567	2.98
6	€ 150,768	€ 503,532	€ 452,186	3.00
7	€ 150,768	€ 507,150	€ 455,804	3.02

Equity Profitability				
Year	Equity	Profit after tax	Dividend	Interest made on equity [%]
8	€ 150,768	€ 510,769	€ 459,423	3.05
9	€ 150,768	€ 514,387	€ 463,041	3.07
10	€ 150,768	€ 518,006	€ 466,660	3.10

8.5 Return on investment

The Return on investment is around 2.9 years and the break-even point is reached around 2.5 years as can be seen in figure 3.

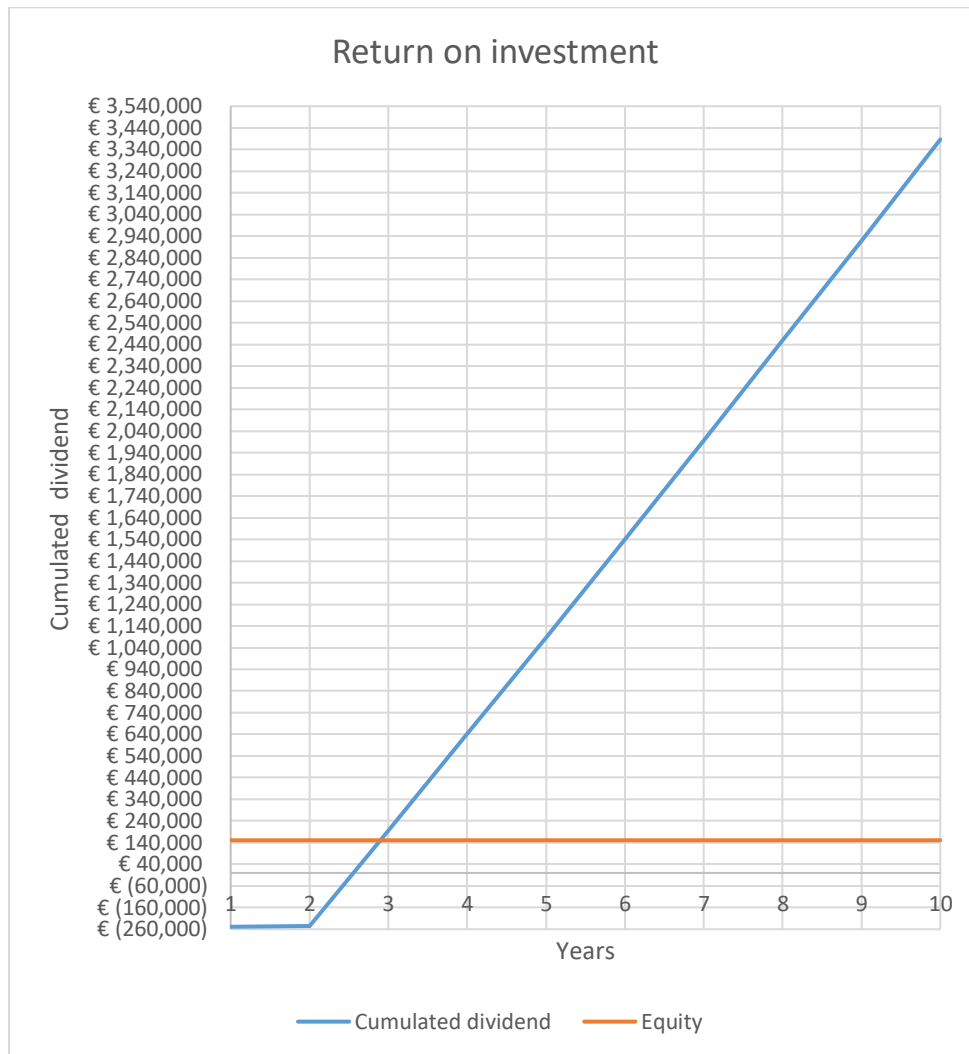


Figure 3. Return on investment

9. CONCLUSIONS

- After completing the business plan, from the costs and profit calculation that the company **Bokashi GmbH** is a profitable business. The evaluated prices for the composter, give enough space to set a price which is competitive in the market and it will allow together with a marketing campaign to position the trend in Germany.
- The high availability of the resource, which in this case is the organic waste, together with the growing trend in urban gardening in big cities, gives a promissory niche of business for Bokashi project.
- The current easiness of shipping and online marketing and selling platforms would allow us to increase significantly our market share.
- Due to the competitors found already in the global market, the marketing strategy will represent a crucial incentive to the customers to prefer our products.
- Considering the initial investment needed, the possibility of being supported by a Crowdfunding approach is one of the most interesting options to find enough resources at the beginning of this project.

10. REFERENCES

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11. ANNEXES

Annex 1

Articles of Association

Bokashi will be registered as “Bokashi Limited” with the acronym GmbH into the Trade Register. In accordance to the fact, to our company apply;

Article I. As the company will be registered as Bokashi Limited.

Article II. The partners are only obliged to pay their contributions, the social parties are not being able to be represented by negotiable instruments, to the order or to the bearer, since they will only be ceded in the cases and with the requirements established by the General Law of Commercial Company on its article 58, chapter IV.

Article III. The Company’s registered office will be in city of Frankfurt, Germany and it may establish agencies, branches and representative offices in any place in the Germany.

Article IV. The corporate purpose is to produce, sell and distribute home composter units.

Article V. The share capital of the company is 260,000 Euro.

Article VI. The Shareholder Meeting will be twice a year on January and June. The Exact dates will be decided one month in advance and sent to all shareholders using the company emails addresses.

Article VII. The Company address will be [determined later]. The company will have one director Mr. Muath Alzubi. Mr. Muath Alzubi, Mr. Alirio Jiménez Franco and Mr. José Domingo Beleño León will be the original partners of the company with equal shares. Mr. Muath Alzubi, Mr. Alirio Jiménez Franco and Mr. José Domingo Beleño León are also the founders.

Annex 2 Employment Contract

This made as of the ____ day of _____, 20__ , between [Bokashi Limited] a corporation incorporated under the laws of Germany, and having its principal place of business at _____(the "Employer"); and [name of employee], of the Municipality of ____Frankfurt. WHEREAS the Employer desires to obtain the benefit of the services of the Employee, and the Employee desires to render such services on the terms and conditions set forth. IN CONSIDERATION of the promises and other good and valuable consideration (the sufficiency and receipt of which are hereby acknowledged) the parties agree as follows:

1. EMPLOYMENT

The Employee agrees that he will at all times faithfully, industriously, and to the best of employee skill, ability, experience and talents, perform all of the duties required of employee position. In carrying out these duties and responsibilities, the Employee shall comply with all Employer policies, procedures, rules and regulations, both written and oral, as are announced by the Employer from time to time. It is also understood and agreed to by the employee that employee assignment, duties and responsibilities and reporting arrangements may be changed by the Employer in its sole discretion without causing termination of employee agreement.

(a) The employee is paid an amount of Euro, as salary and can be negotiated with employer before signing the agreement.

(b) The number of working hours per week are 40. The Managing Director might work in weekends and will not paid any overtime pay as it is the sole duty of the Managing Director to manage the Company as he is the ‘trusted employee’ and is responsible for the activities of and taken by the company.

2. POSITION

As a ____Managing Director____, the Employee is required to perform the following duties and undertake the following responsibilities in a professional manner.

(a) Represent the company before all manner of judicial, administrative or labor authorities with the powers mentioned in the article of Article of Association of the company.

(b) Carry out all pertinent actions and operations to fulfill the corporate purpose.

(c) Decide on expenses that must be incurred with a charge to the Company’s budget.

(d) Execute and sign all manner of public or private contracts, agreements or documents and issue credit instruments according to the terms of articles nine and eighty-five of the General Law of Credit Instruments and Operations, whether issuing, accepting, endorsing, or guaranteeing them or to collect their amount or assume obligations on behalf of the company, to take out loans and open bank accounts or accounts of another nature on behalf of or for the account of the company.

(e) Other duties as may arise from time to time and as may be assigned to the employee by the employer or the assembly of partners.

3. VACATION

(a) The Managing Director shall be entitled to vacations in the amount of not less than 24 days per annum as paid vacation.

(b) The Managing Director is free to work from employee place of interest if required as per employee will but is entitled to inform the assembly of partners regarding employee decision.

(c) If the Managing Director is a working mother then she is entitled to be paid maternity leave for as much as six weeks prior to and six weeks following birth.

4. BENEFITS

(a) The Managing Director is entitled to get a bonus of a month pay on top of the existing monthly pay (13th month pay) and also a share of the ten percent of company's profit as part of employee achievements for the financial year but the right to pay or no rests with the assembly of partners after reviewing the annual results of the company and accepted by the board.

(b) The Managing Director receives the bonus mentioned above within 3 months but after the annual review of the company and results are accepted by the assembly of partners.

5. PROBATION PERIOD

(a) It is understood and agreed that the first ninety days of employment shall constitute a probationary period during which period the Employer may, in its absolute discretion, terminate the Employee' in accordance to the procedure in clause eight below.

6. PERFORMANCE REVIEWS

(a) The Employee will be provided with a written performance appraisal once per year and said appraisal will be reviewed at which time all aspects of the assessment can be fully discussed.

7. TERMINATION

(a) The employer may rescind the employment relationship at any time for justified 'cause' without incurring any liability therefor.

(c) The employee will be informed of the termination ten days before the actual termination date.

(d) The employee is entitled to return all the assets employees given for the purpose work to the company after termination.

(e) The employee acknowledges and agree that the company can terminate the employee relation at their will and any time but under the conditions stated in this clause.

(f) The employee could also leave the company at will but then this will not apply.



(g) If terminated without cause then employee is entitled to the following lump sum severance: a. Three months of the employee's daily aggregate salary. b. Twenty days of the employee's daily aggregate salary for each year of service.

(h) Violation of confidentiality and social media policy mentioned in clause nine of this contract will also lead to the termination of employment as per procedures mentioned in this clause.

8. CONFIDENTIALITY AND SOCIAL MEDIA POLICY

(a) The employee consent and agrees that during the term of employment with the company and for 3 (Three) years after the termination thereof, regardless of any reason directly or indirectly divulge or disclose and return (after termination) the confidential information and trade secrets of the Company to anyone outside the company without the written consent of the assembly of partners.

9. LAWS

(a) The contract shall be governed by the German Law.

IN WITNESS WHEREOF the Employer has caused this to be executed by its duly authorized officers and the Employee has set his hand as of the date first above written. SIGNED, SEALED AND DELIVERED in the presence of:

_____ [Name of employee]
_____ [Signature of Employee]
_____ [Name of Employer Rep]
_____ [Signature of Employer Rep] [Title]

Annex 3 Facilities- Space Distribution

Space Overview:



Figure 4. Production space overview

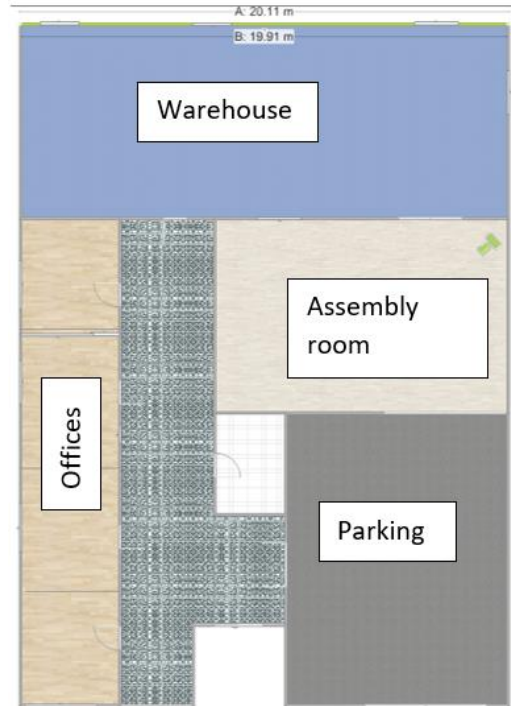


Figure 5. Space distribution



Figure 6. Assembly room



Figure 7. Parking space



Figure 8. Corridor



Figure 9. Office room

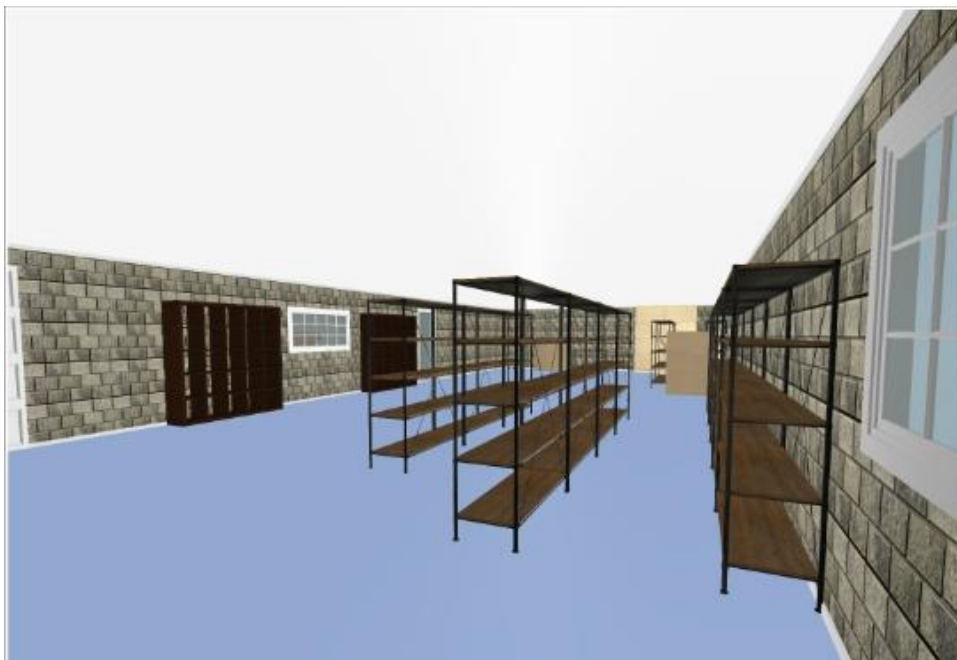


Figure 10. Warehouse