

**Fruit and Berry
Collection Point**

MSHKAVANK LLC

BUSINESS PLAN

**Koghb Community,
Tavush Marz,
Republic of Armenia**

***Draft
July 2011***

***Implementing organization: WWF Armenia
Expert: Yekaterina Koshkaryan***

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Project holder:	Mshkavank LLC
Address:	Koghb village, Tavush Marz, RA
Contact person:	Arsen Aghababyan, Head of community
Project:	Establishment of fruit and berry collection point
Project cost:	1,500,000 AMD
Owners' investment:	1,500,000 AMD

1. EXECUTIVE SUMMARY

MSHKAVANK Limited Liability Company (LLC) established on September 5-th, 2008 based on Koghb community council meeting. The Company was registered in State Registry of RA on October 9, 2008. The main types of the Company's operations include:

- Implementation of afforestation and forest rehabilitation activities,
- Development of useful features of the forests and assuring sustainable forest usage,
- Forest protection activities,
- Forest management,
- Development and assuring usage of non timber forest products,
- Rehabilitation and development of degraded forest ecosystems.

In the framework of the current business plan the Company plans to establish and exploit centralised collection point of fruits and berries. It will cooperate with Hayantar SNCO, which will guarantee the legal bases of the collected crop. The collection center will also serve as an information center for the community members, where they can get information on spread density of the different non timber forest products and expected harvesting volumes. The center will serve to community members as a reliable source for their crop supply, which will contribute to additional income generation as well.

Taking into consideration that collection point operation business is a new initiative for **MSHKAVANK LLC**, its primary objectives are establishing cooperational relations with the local processing companies and trying to hold its stable market niche in the local market. These objectives could become implementable if the products supplied by the Company will be of high quality and with reasonable prices.

It should be mentioned that the Company possesses refrigerator of a capacity of ten tons, which is lended on free of charge basis. It will enable to store the purchased/ collected crop under the appropriate conditions avoiding risk of crop damage.

In the framework of the current business plan MSHKAVANK LLC is planning to collect/purchase the following fruits and berries (Latin names provided as well):

- ✓ Cornelian cherry (*Cornus mas L.*)
- ✓ Dog rose (*Rosa L.*)
- ✓ Blackberry (*Rubus L.*)
- ✓ Green walnut (*Juglans regia L.*)
- ✓ Pear (*Pyrus L.*)

The projected sales volumes in kg by main product categories for the period of Year 1-5 are presented in the following table:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Cornelian cherry	20,000	20,000	21,000	22,050	24,255	107,305
Dog rose	12,000	12,000	12,600	13,230	14,553	64,383
Blackberry	12,000	12,000	12,600	13,230	14,553	64,383
Green walnut: small	18,000	18,000	18,900	19,845	21,830	96,575
Green walnut big	9,000	9,000	9,450	9,922	10,915	48,287
Pear	24,000	24,000	25,200	26,460	29,106	128,766

Based on financial projections, it is estimated that a total amount of AMD 1,500,000 is required for the successful implementation of the proposed project. The Company is planning to take the needed amount from the community sources and to pay that back starting from the second year of the current project. The 85% of the needed amount equaling to AMD 1,260,000 will be spend on making prepayments to community members while purchasing fruits and berries, and the rest AMD 240,000 will be directed for covering the current expenses.

Several highlights of MSHKAVANK LLC's financial projections are summarized in the following table (in AMD):

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales, from which	26,440,000	26,440,000	27,762,000	29,150,100	32,065,110
Cornelian cherry	4,000,000	4,000,000	4,200,000	4,410,000	4,851,000
Dog rose	2,400,000	2,400,000	2,520,000	2,646,000	2,910,600
Blackberry	3,840,000	3,840,000	4,032,000	4,233,600	4,656,960
Green walnut: small	5,400,000	5,400,000	5,670,000	5,953,500	6,548,850
Green walnut: big	3,600,000	3,600,000	3,780,000	3,969,000	4,365,900
Pear	7,200,000	7,200,000	7,560,000	7,938,000	8,731,800
Net Income	300,704	324,704	247,984	334,192	745,701
Profitability rate	1.14%	1.23%	0.89%	1.15%	2.33%
Total Cash Inflow	27,940,000	26,440,000	27,762,000	29,150,100	32,065,110
Total Cash Outflow	26,139,296	26,615,296	28,014,016	29,315,908	31,319,409
Net Cash Balance (ending)	1,800,704	1,625,408	1,373,392	1,207,584	1,953,285

*Most of the financial figures
presented in the business plan are expressed in AMD.*

2. COMPANY DESCRIPTION AND PRODUCTS

MSHKAVANK Limited Liability Company (hereby referred to as the “Company”) is a commercial organization established with an aim of income generation. The Company was established based on #5/2 decision of Koghb community council meeting of 05.09.2008.

The main goal of the Company’s establishment is income generation through implementation of economic activities. The main directions of the Company’s activities are:

- Aforestation, forest rehabilitation, development of useful features of the forest, ensuring sustainable forest usage,
- Forest protection,
- Sustainable forest management based on scientifically proved forest management plans,
- Development of non timber forest products (NTFP) utilization,
- Rehabilitation and development of degraded forest ecosystems.

MSHKAVANK LLC was registered in RA State Register on October 9, 2008, with the registry number 81.110.00353 and certificate number 03 U 080888. The Company’s State Register Certificate is presented in Annex 1.

The Company’s paid-in capital is AMD 50,000 divided into 10 shares each for AMD 5.000 of nominal price.

The Company’s paid-in capital is fully paid, its shares belong to the Company’s founder – Kighb village major office /state register number 81.0044, registration day 05.02.1997, registration certificate number F 002815, address: Koghb village, Tavush Marz, RA, tel.: 2-10-14/, which is the only owner of the Company.

Within the scope of the current project, it is planned to enlarge the framework of the Company’s activities, in particular implementation of NTFP collection works. The Company is not experienced in such a field; however it fully understands and recognizes the volume and importance of the expected works. It envisages the direct connection between the mentioned activity and works of forest protection, rehabilitation and forest sustainable usage.

MSHKAVAN LLC’s objectives:

- Establishment of fruits and berry collection center in the community,
- Establishing cooperation between Hayantar forest enterprises and community members, which will ensure legal base of NTFP collection,
- Provision of information to community members on distribution density and quantity of different types of fruits and berries,
- Provision of information on demand, price and other questions of a certain fruit or berry for a particular time period,

- Creating possibilities to community members for alternative sources of income generation,
- Establishing and maintaining cooperation relations with canneries available in the local market,
- Having its own stable place at the local consumer market,
- Creating and maintaining good image and reputation,
- Supply of high quality and low price products to consumer markets.

The Company possesses refrigerator of 10 tons volume, which is lent to it on free charge basis. This will enable to store the collected fruits and berries under the special conditions and atmosphere degree, and avoid damage risk.

The production area of the collection center will be lent on free charge basis from an individual, however with the condition to use it for the sake of community members' needs. All the equipment and other type of means purchased during the operation of the collection center will be passed on in form of gift and belong to community.

MSHKAVANK LLC in the framework of the current project will collect from community members the following fruits and berries:

- Cornelian cherry
- Dog-rose
- Blackberry
- Green walnut
- Pear

The current business plan covers **MSHKAVAN LLC's** strategy for coming five years aimed (but not limited to) at:

- *obtaining financial sources for acquisition of needed current and fixed assets,*
- *determining the possibility of market expansion and the Company's further development opportunities*
- *assisting in finding new partners (investors, suppliers, wholesale clients).*

The address and telephone numbers of **MSHKAVAN LLC** are as follows:

Address: Koghb village, Tavush Marz, RA
Contact person: Arsen Aghababyan, Head of community

3. COMMUNITY DESCRIPTION

3.1 DESCRIPTION OF COMMUNITY AND COMMUNITY ADJACENT FOREST AREAS

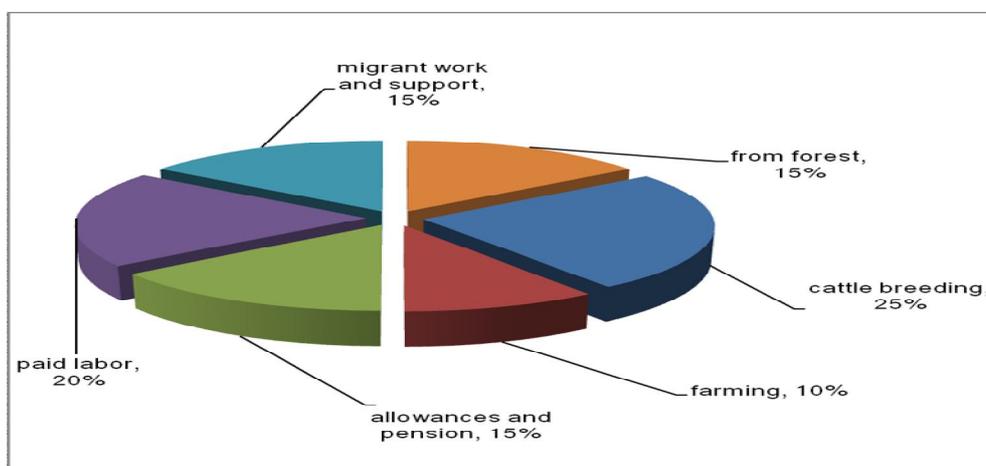
3.1.1. Description of Koghb Community

Koghb is the biggest village of Tavush Marz. The total area of the community is 4,663 ha. There are 1,547 households in the community with 5,090 registered residents, from which 4,382 residents currently live in the community. 250 families of Koghb village are included in the Poverty Family Allowances Program run by the RA Ministry of Labour and Social Issues.

There are three wood processing factories in the community, which operate on small-scale basis. Two of them are private, and the third is operating under the supervision and in the structure of local forest enterprise. The forest fruit and berry processing and jam-making small-scale factory used to operate in Kogh until recent times. Zikatar Sanctuary and Forestry Training Centre in the structure of Forest Research Experimental Centre SNCO are also located within the administrative boundaries of the community.

During the Soviet times the community was specialized in horticulture; peach, apricot, pear, apple and almond were growing. The average annual production for fruits was 2,000 tons, grape- 500 tons. According to the results of interviews with villagers from the recent years it appeared that their income comes mainly from the following sources:

cattle breeding	25%
farming	10-15%
allowances and pension	15%
paid labor	20%
migrant work and support from those who reside abroad, mainly in CIS countries	15%
from forest	10-15%



The monthly average income of a family (financial and other forms) is estimated around AMD 70,000.

Forests adjacent areas of the community are rich in forest fruits and berries. The total accessible forest area for community members is around 3,414 ha, with the expected total amount of crop equal to 140 tons, from which:

- green walnut - 30 tons,
- cornelian cherry – 30 tons,
- forest pear – 36 tons, and
- blackberry – 15 tons.

The table below presents approximate quantities of fruits and berries available in the forest areas and used by Koghb community inhabitants¹:

Fruits and Berries	In areas adjacent to Koghb administrative area and community forest lands (tons)
Dog-rose	17.0
Green walnut	30.0
Dry walnut	3.0
Cornelian cherry	30.0
Wild apple	6.0
Wild pear	36.0
Hazelnut	0.7
Medlar	1.0
Blackberry	15.0
Raspberry	0.3
Chestnut	1.0
Total	140.0

Mentioned amount of crop is well enough for establishing processing production unit. More synchronised collection process could result to additional income for community inhabitants.

The Koghb community is also rich with historical-cultural monuments, such as:

- Aygeghtsi- a church from the 6-th century,
- Amuriner (Azaplarer) - a cemetery with cross-stones,
- Zikatar mountain - altitude above sea level is 1,646 meters,
- Zikatar ancient settlement - a mausoleum and trails of fortress of 2-1 ages BC were found in this area. “Zikatar Forestry Training Centre” is located in the area as well.

¹ Information source: FLEG Project Draft Report, October 2010.

- St. Astvatsatsin Chapel Church (13th century) - Located within the cemetery of the community.
- Mshkavanq Monasterial Complex (12th century),
- Vardigeghi St. Gevorg Chapel- church (13th century),
- Tvaraeghtsi Church (6th century).

Community adjacent forests are characterized by high biodiversity potential, with a number of endemic and relict species. The 800 year old plane tree growing close to the area called “Chinari Dzor” is included in the list of natural monuments of the Republic of Armenia.

The NTFP are widely used in Koghb community, and among the most often used ones are:

- Collection of fruits and berries,
- Pasturing, and
- Grass cutting.

Those are used both for personal needs and for selling purposes in local markets. In case of selling, the majority of the community members do not pay to any of forest enterprises any nature use fee for the collected NTFPs. The community members are even not familiar with the laws and regulations applicable to NTFP use.

According to the current legislation, it is necessary to cooperate with forest management body for the use of non-wood forest products to receive relevant permission for the collection of certain amount of non-wood forest products and pay for it the amount set.

This creates serious problems for sustainable use of forests, as from one hand the community inhabitants could seriously damage forests by collecting non permissible quantities of fruits and berries in a non permissible area and out of season. From the other hand such uncontrol usage of forests makes forest enterprises out from the controlling chaine, which is dangerous from the point of beign impossible to rehabilitate the damaged ecosystems in the future.

A number of villagers continue using wood for heating purposes. Usually it is also being taken from the forest without any official documentation or fee.

3. 1.2. Community adjacent forest areas and their usage

Koghb community adjacent forests are rich in forest fruit and berry species typical for Ijevan Floristic Region. Social-economic needs of community inhabitants have been met mostly through natural resources for ages. Currently non-timber forest products are largely consumed by the community inhabitants mostly for domestic purposes and only a small proportion of yield is marketed to community inhabitants and resellers. The yield frequently gets spoiled due to lack of buyers. One of the solutions, according to the community members, is the establishment of forest fruit and berry collection unit, where the community inhabitants can:

1. deliver collected crop and
2. free themselves from the trouble of finding buyers.

The forests adjacent to Koghb community are located at the altitudes of 550-1,700 m above sea level.

The main forest forming species are:

- ✓ beech,
- ✓ oak,
- ✓ hornbeam.

The accompanying species are:

- ✓ oriental hornbeam,
- ✓ lime,
- ✓ ash,
- ✓ maple,
- ✓ forest cherry,
- ✓ pear,
- ✓ apple,
- ✓ Caucasian hackberry and others.

There are many manmade plantations of Greek walnut and pine in the area.

The sub-forest species are:

- ✓ Cornelian cherry,
- ✓ dog-rose,
- ✓ hawthorn,
- ✓ dewberry,
- ✓ common medlar.

Firewood is widely used by community members mainly from beech, Caucasian hornbeam and oriental hornbeam. Among non wood forest products collection of medicinal plants is very limited (a main source of income for few households), large number of community inhabitants are involved in bee-keeping (555 bee-families are registered in the community).

4. MARKETING PLAN

4.1 COMPETITION AND COMPETITIVE ANALYSIS

4.1.1 Competition

As it was already mentioned **MSHKAVANK LLC** within the working scope of the current business plan – fruit and berry collection point – will be the only company operating in the mentioned field in Koghb community. This will give the Company an advantage of being the only operational unit within the mentioned territory and to work almost without any competition. However, the local inhabitants could serve as a potential competitors, as they are also engaged in collecting fruits and berries, although for their own needs.

Within this regard, it is worth to mention that the Company will cooperate with the local inhabitants offering them to sell their collected crops and stay away from the problems connected to the crop's further damages and possibilities of being not sold. As a result of this cooperation the inhabitants can enjoy having fruits and berries collection point, which is:

- ready to take their collected crop,
- store that in refrigerator, and
- sell the products to final consumer.

The Company can also consult the community inhabitants on the most suitable places for crop collection and the best ways of organising that. This could serve to bettering and bringing into controllable field the fruits and berries collection process, whereas the further cooperation with the Hayantar SNCO will serve as a guarantee for making timely and appropriate payments of the nature use fees.

The Company is planning to cooperate with Hayantar SNCO according to the following mechanism:

1. Making contracts with the community inhabitants on supply of a particular type and quantity of fruits and berries.
2. Making contract with the Hayantar SNCO on permission for collecting certain quantity of fruits and berries from a certain territory.
3. Organising local inhabitants awareness raising on local legislation regarding necessity of having a special permission for organising collection of NTFP from forest and making nature use fees.

The Company is planning to cooperate also with the fruit and berries processing companies, which will serve as a final consumers for its production. The following could serve as a key success factors for the Company's operation:

- Real demand for fruits and berries from the processing companies,
- Real demand for the fruits and berries collection center from the community inhabitants,
- Presence of quality control specialist within the Company's staff, who will take responsibility of ensuring the high quality and product appearance of the purchased crop,
- The dense of the community forests, ensuring variety of fruits and berries,
- The high quality specialists and staff working and available at the Company.

Having community sponsorship in form of provision of working space to the Company on free of charge basis, and a number of equipment and furniture items sponsored by WWF Armenian Branch, **MSHKAVANK LLC** will be able to launch the planned activities, which is creating cooperational relationship with the community inhabitants, Hayantar SNCO and potential competitors through maintaining healthy competition.

4. 1.2. Potential Markets For Products Consumption

Below is presented the brief information on those companies that could serve as a potential markets/ clients for the Company's production.

Shush LLC: The company is established in 2006 in the Koghb community of Tavush Marz. It is specialized in production of jams of ecologically pure products including walnut, cornelian cherry, blackberry and other species. The number of employees reaches 20 during the season, and around 100 families are providing necessary quantity of berries to the company. There is no cooperation with the Forest Enterprise. The company is provided with all necessary conditions for the production (heating and water supply systems, refrigerator with the holding capacity of 15 tons). However the company does not operate during the last two years, due to marketing difficulties. The company can recommence its activities if a preferential loan is provided. The conversations with the leadership and specialists of the company revealed, that though the quality of the product is high thanks to the hard work of professionals and high quality of fruits and berries, there are still serious gaps in designing and marketing. Besides, the limited financial capacities do not enable "Shush" to withstand the competition with other medium and large scale entities located at far distances from the forest.

Artur ev Edita LLC: ___The company is located in Jujevan community of Tavush Marz and is producing bottled food (walnut, blackberry, cornelian cherry jams). The company has a licence. It has 15 employees during the season, and around 40 suppliers among community inhabitants. There is no cooperation with Forest Enterprises. The factory is supplied with necessary equipment (from Soviet period), but does not operate currently. It faces the same problems as Shush LLC.

Sis Natural LLC: The company is established in 2000. It started its activities with juice production without preservatives, colouring agents and other additives. Most of the juices do not contain sugar, which makes them more attractive in the market of health-food. Except from natural juices, the company also produces jams, comfitures, marinades and canned vegetables. The products of the company are consumed in both domestic market and are exported to Russian Federation, Ukraine, Georgia, Australia, Hungary, England, Italy, USA and other countries. The raw material is provided by private entrepreneurs from the forests of Armenia and Nagorno-Karabakh. There is no cooperation with Forest Enterprises. The interviews revealed the non awareness among LLC's staff about the necessity of cooperation, as they buy the necessary quantity from community inhabitants.

Address : Haghtanak village 0081, 1-st street, 1/7 building

Tel.: /374 10/ 744-266, 744-288

President: Armen Hakobyan

<http://www.sisnatural.am>

Tamar Tatik LLC: The LLC is established in 2002 in Oshakan community of Aragatsotn Marz. It produces dried fruits and jams using traditional methods. The raw material is obtained from private farmers and community inhabitants. The villagers collect the raw material from community adjacent forests mainly in Tavush and Suynik Marzes and Nagorno-Karabakh. There is no cooperation with forest Enterprises and no information on the possible form of cooperation. Address: Oshakan village 0030, Aragatzotn Marz, RA

Tel.: /374 10/ 223-175, /374 93/ 836-533

Director: Vera Zakaryan

tamartatik@netsys.am

Tamara Fruit LLC: The company was established in 2002. It is the first enterprise in Armenia producing Deep Frozen fruit and vegetables and Organic Fruit juices. Besides "Tamara Fruit" produces wide range of conventional juices, compotes, preserves, jams and canned vegetables (more than 300 type of products) as well as fruit and herb flavoured Ice Teas and Ice Coffee. With it's production the company tries to lighten the work of Armenian women, which evidence is the production popularity among people. The company doesn't limit to represent it's production only in local market, but actively export its products to foreign markets. Many respectable Russian Food Importers became their loyal Patrons.

Address: Karbi village 02140, Aragatsotn Marz, RA

Tel.: /374 232/ 6-30-70, 6-42-20

marketing.fruit@tamara.am, fruit@tamara.am

4.1.3. SWOT Analysis

Below is presented a SWOT analysis in terms of MSHKAVANK LLC's internal strengths and weaknesses, as well as external opportunities and threats.

<i>Internal Environment</i>	
<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<ul style="list-style-type: none"> <input type="checkbox"/> Presence of refrigerator, <input type="checkbox"/> High demand from inhabitants, <input type="checkbox"/> Economically efficient production, <input type="checkbox"/> High density of forests and big variety of fruits and berries, <input type="checkbox"/> Availability of consumer market, <input type="checkbox"/> Competitive prices, <input type="checkbox"/> Cooperation with Hayantar SNCO, <input type="checkbox"/> High quality of NTFP, <input type="checkbox"/> Flexibility to market changes. 	<ul style="list-style-type: none"> <input type="checkbox"/> Lack of financial sources, <input type="checkbox"/> Newly established cooperation relations with consumer clients.
<i>External Environment</i>	
<i>OPPORTUNITIES</i>	<i>THREATS</i>
<ul style="list-style-type: none"> <input type="checkbox"/> Enlarge of operational activities, <input type="checkbox"/> Establishment of processing unit /for janes, dry fruits and other production/ <input type="checkbox"/> Enlarge of purchasing volumes and varieties of fruits and berries, <input type="checkbox"/> Stabilization of economy of the republic, <input type="checkbox"/> Availability of agricultural and community development programmes, subsidiaries, loans through governmental and other type of funding 	<ul style="list-style-type: none"> <input type="checkbox"/> Penetration of new competitors to market, <input type="checkbox"/> New taxes appearing and applicable to Small and Medium Size enterprises, <input type="checkbox"/> Nature disasters.

institutions, <input type="checkbox"/> Increase of consumer purchasing power, <input type="checkbox"/> Expansion of consumer markets, <input type="checkbox"/> Establishment of new business cooperation relations.	
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Hence, the successful utilization of the above mentioned advantages and opportunities can contribute to the successful implementation of the current project by the Company, including gaining new markets and result in substantial enlargement of the customers' base followed by the future increase of its profitability.

It is worth to mention that due to being established by community, one of the Company's primary objectives is forest protection and provision of its sustainable usage. Through the current project implementation, the Company also aims at awareness raising of the local population about the right ways of organizing collection of fruits and berries, and legalise it.

Taking into account all these facts and estimations, the objectives stated by **MSHKAVANK LLC** appear to be quite reasonable and successfully achievable.

4.2 MARKETING STRATEGY

MSHKAVANK LLC's marketing strategy will manipulate various marketing tools to achieve the desired sales performance for the period covered by this business plan. The marketing strategy will be based on the following:

- Product differentiation*: offering to the target market products with competitive parameters of description (e.g., prices, quality, etc.).
- Cost reduction*: gaining advantage over the competitors by offering the products at competitive prices, hence, increasing profits in the long-run, which could serve for implementation of community development different projects.
- Concentration on the target market* by assessing the characteristics of the fruit and berries processing companies and offering products that will satisfy customers and meet of certain needs.

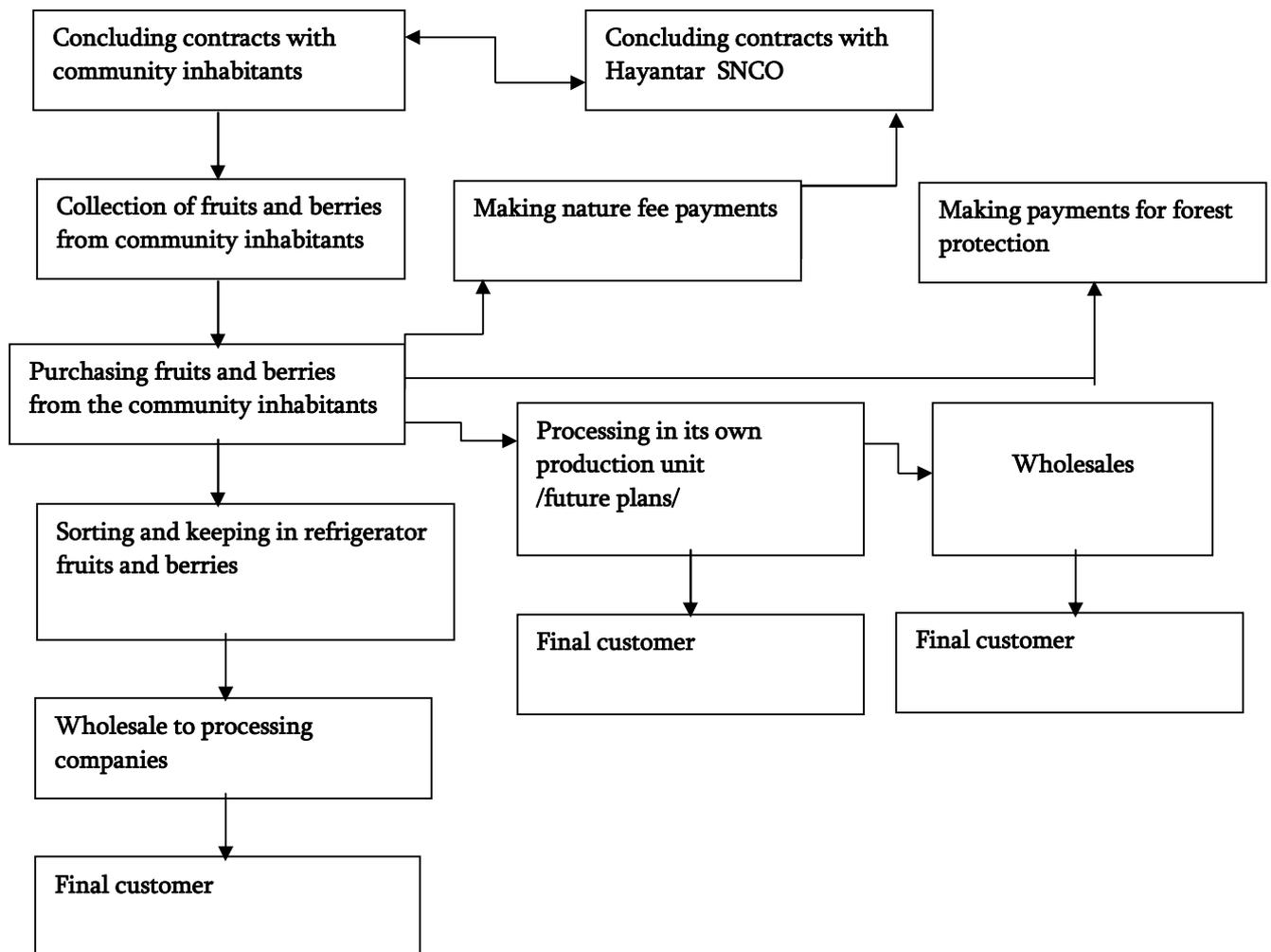
4.2.1 Sales and Distribution Tactics

The further sales of the production by **MSHKAVANK LLC** is envisaged to be done through the application of two level distribution channel aimed at maximizing the sales volume and generating high profits without incurring additional expenses, and directed to implementation of community development projects.

Two-level channel

MSHKAVANK LLC (purchaser) Wholesale Final Customer

Being mainly engaged in wholesale, the Company's sales will be organized through the following scheme:



If possible the Company will open its own processing production unit, which will enable to appear in the market as a producer and ensure closed-end production cycle /see section 4.2.2. Pricing Policy/.

4.2.2 Pricing Policy

MSHKAVANK LLC plans to make purchasing of fruits and berries according to currently available market prices.

By implementing such type of pricing strategy the Company aims to engage as many community members as possible. They will be acting as crop suppliers and will be offered to sell their products directly at the Company's premises, which in its turn will free the suppliers from the problems connected with crop damage and finding selling markets.

Market penetration different technique will be implemented. In the first phase of the project, when the Company is more volume-oriented, prices of the Company's products will be set relatively lower than those of the competing products. The Company's pricing policy will integrate the demand-oriented, competition-oriented and cost-oriented approaches and can be describes as "**High quality, low prices**".

Based on data provided by Noyemberyan forest enterprise, which was generated according to information taken from forest guards and community members, currently the selling prices for fruits and berries collected by the community members from both the forest areas and their own gardens and sold to processing companies are presented in the table below:

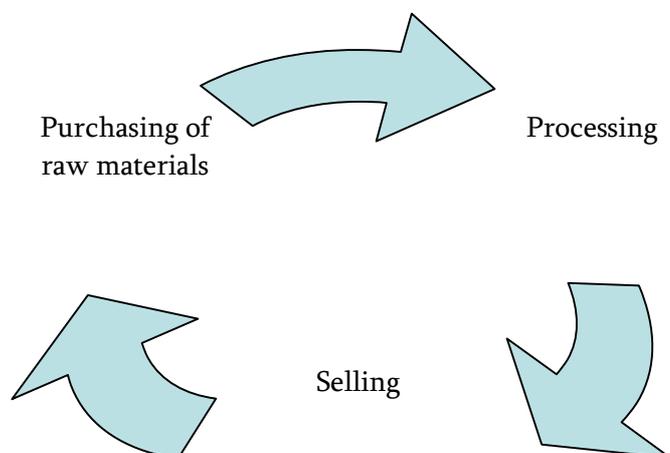
Name	Unit Measure	Price in AMD
Cornelian cherry (grown in individual gardens)	1 kg	300-400
Cornelian cherry (grown in forests)	1 kg	100-200
Blackberry	1 kg	200-250
Raspberry (grown in individual gardens)	1 kg	300
Raspberry (grown in forests)	1 kg	300-400
Rose hip (wet, just harvested)	1 kg	100
Rose hip (lightly dried)	1 kg	150
Green walnut (1 kg = 120 piece, if middle or big size),	1 piece	2-3
Green walnut (1 kg = 150 piece, if small)	1 kg small walnut 1 kg middle or big walnut	200-240 350-450

As a matter of fact the processing companies usually avoid providing such information on selling prices, and they used to ask for prices from the individual sellers, the ones who collect fruits and berries for future sale.

The following table presents MSHKAVANK LLC's purchasing and selling prices of the fruits and berries collected from the forests, according to their types and volumes:

Name	Unit measure kg	Unit price in AMD	
		Purchase	Sell
- <i>Cornelian cherry</i>	20,000	150	200
- <i>Rose hip</i>	12,000	150	200
- <i>Blackberry</i>	12,000	250	320
- <i>Green walnut.</i>			
✓ <i>small</i>	18,000	200	300
✓ <i>big</i>	9,000	300	400
- <i>Pear</i>	24,000	200	300

As it was mentioned, in the future the Company plans to establish its own processing production unit, which will enable to ensure close end production cycle.



The above mentioned prices are not projected to change throughout the whole duration of the project, all other things kept constant.

5. PRODUCTION PLAN

The production plan of the current business plan describes the Company's premises, materials and working force needed for the successful implementation of the planned activities.

5.1. THE COMPANY'S PREMISES

The Company is located in the Koghb village, where its administrative area and the owned refrigerator are located. The area for collection center of the fruits and berries is equal to 36 sq.m., and the total volume of the refrigerator is 10 tons.

As it was mentioned, the Armenian Branch of the WWF in the framework of the ENPI-FLEG program has contributed to repair works of the collection center with the total cost of AMD 1,376,850. The table below presents those materials which were used during the repair works, their quantities and costs:

	Item	Unit measure	Number of units	Unit price in AMD	Total in AMD
1.	Suspended ceiling	piece	33	2,050	67,650
2.	Cornice	piece	9	600	5,400

	Item	Unit measure	Number of units	Unit price in AMD	Total in AMD
3.	Gypsum plasterboard	piece	26	5,500	143,000
4.	Metallic tilling	piece	50	2,700	135,000
5.	Crack filler	piece	4	4,500	18,000
6.	Paint	piece	2	11,900	23,800
7.	Paint color	piece	5	1,000	5,000
8.	Cement	ton	1	56,000	56,000
9.	Crushed stone	track	2	35,000	70,000
10.	Wire	metr	75	350	26,250
11.	Socket	piece	3	550	1,650
12.	Switch	piece	2	550	1,100
13.	Small ironware	piece	78	1,500	117,000
14.	Angle bar	piece	30	1,000	30,000
15.	Small screw for attaching gypsum plaster boards	box	1	4,000	4,000
16.	Small screw for attaching roof	box	1	9,000	9,000
17.	Wood beam for roof	piece	10	17,500	175,000
18.	Lamp	piece	4	5,500	22,000
19.	Doors and windows	Sq.m.	2.85x3.33	322,000	322,000
20.	Sink	piece	1	25,000	25,000
21.	Pipes, mm	m	35	800	28,000
22.	Pipes, mm	m	23	4,000	92,000
	Total				1,376,850

The Company was provided also by the technical equipment with the total amount equal to AMD 532,000. It should be used during registration of the collected and purchased crop. The list of provided equipment is presented in the table below:

	Item	Technical specifications	Unit measure	Number of units	Unit price in AMD	Total in AMD
1.	Processor	Intel Dual Core E 5400/RAM DDR3 2048/500Gb of RAM/DVD-RW	piece	1	190,000	190,000

	Item	Technical specifications	Unit measure	Number of units	Unit price in AMD	Total in AMD
2.	Monitor	19"	piece	1	72,000	72,000
3.	UPS	Power Com 600 VA	piece	1	35,000	35,000
4.	Keyboard	Genius multimedia	piece	1	5,000	5,000
5.	Mouse	Genius Laser	piece	1	2,000	2,000
6.	Speakers	Genius Active	piece	1	8,000	8,000
7.	Coppier/ printer/scanner	Multifunctional Canon	piece	1	150,000	150,000
8.	Telephone/ fax	Panasonic	piece	1	70,000	70,000
	Total					532,000

The Company was also provided by some furniture items with the total cost equal to AMD 509,000. The list of provided furniture items is presented in the table below:

	Item	Technical specifications	Quantaty, piece	Total in AMD
1.	Office desk	1.4m x .06m x 0.75m, Material – laminate, color - grey	1	100,000
2.	Desk for computer	1.2m x 0.6m x 0.75m, Material – laminate, color - grey	1	65,000
3.	Desk for printer	0.45m x 0.5m x 0.6m, Material – laminate, color - grey	1	55,000
4.	Filing cabinet	1.8m x 0.8m x 0.4m, Material – laminate, color - grey	1	100,000
5.	Round table	1m x 0.75m, Material – laminate, color - grey	1	60,000
6.	Chair	Office chairs for conference table, metallic frame, soft seat and back	10	100,000
7.	Chair	Swivel office chair for computer desk, soft seat and back	1	29,000
	Total			509,000

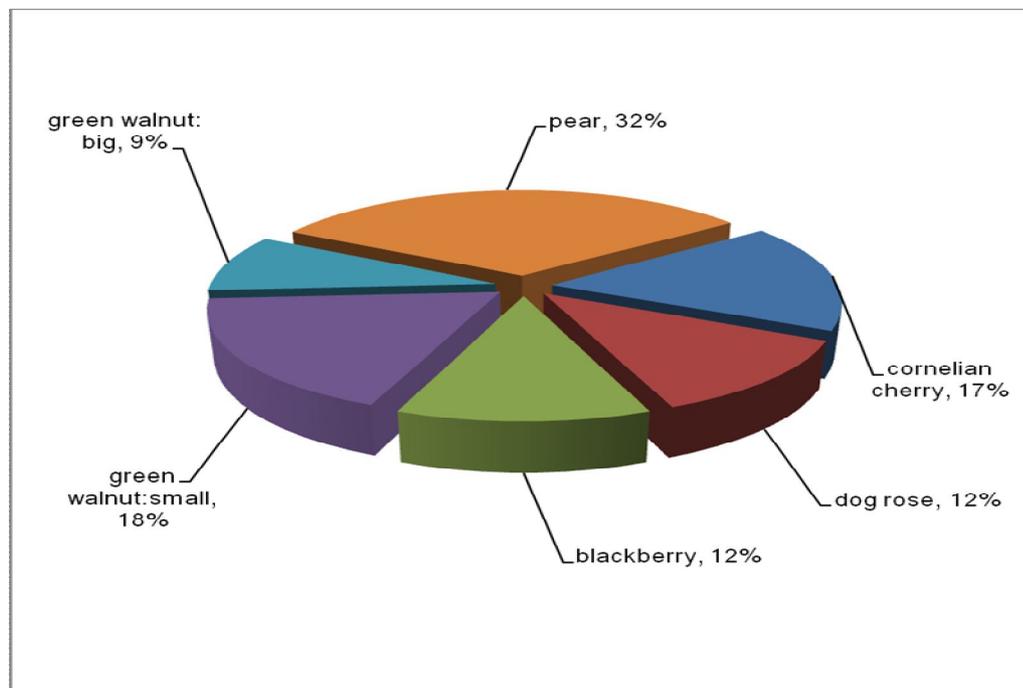
5.2 LABOR REQUIRMENTS AND WORK SEASONALITY

The Company is planning to make the volume of annual purchases of fruits and berries equal to 100 tons, the suppliers of which will be Koghb community's inhabitants. The fruits and berries to be purchased will include:

- Cornelian cherry
- Dog rose
- Blackberry
- Green walnut: small
- Green walnut: big
- Pear

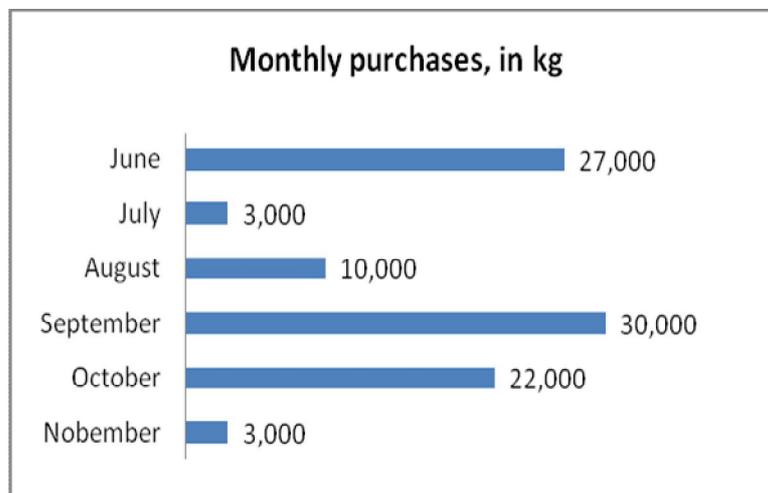
The percentage breakdown of the mentioned fruits and berries is presented below:

Cornelian cherry	17%
Dog rose	12%
Blackberry	12%
Green walnut :small	18%
Green walnut : big	9%
Pear	32%

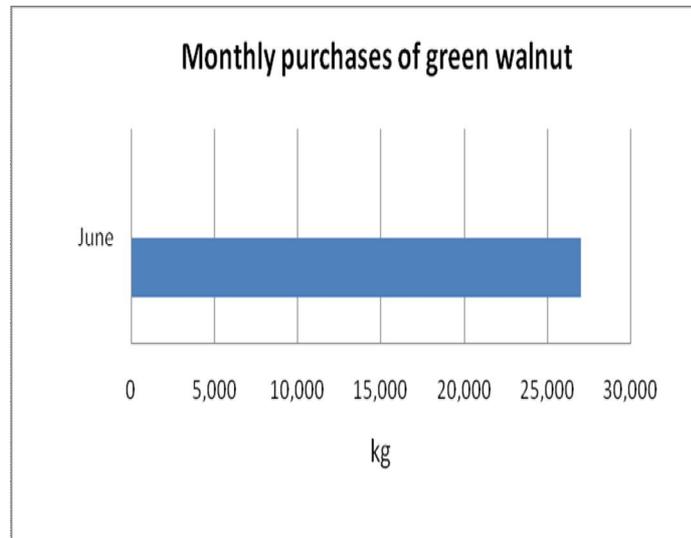
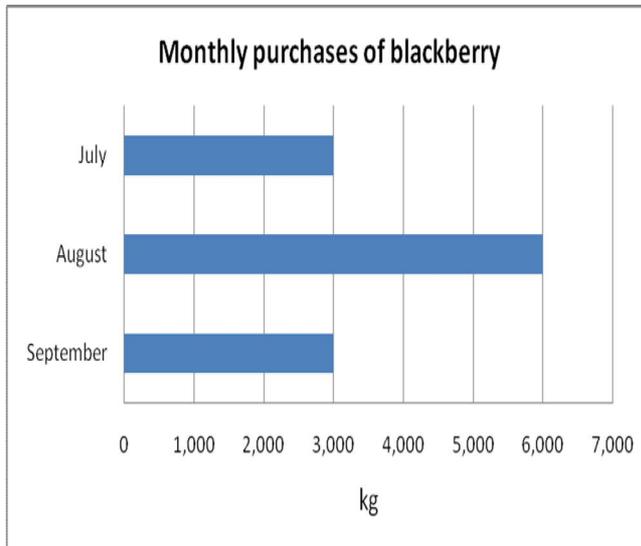
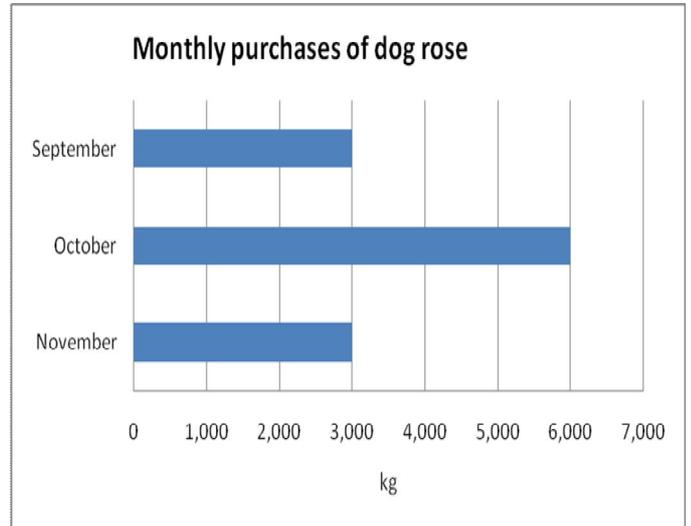
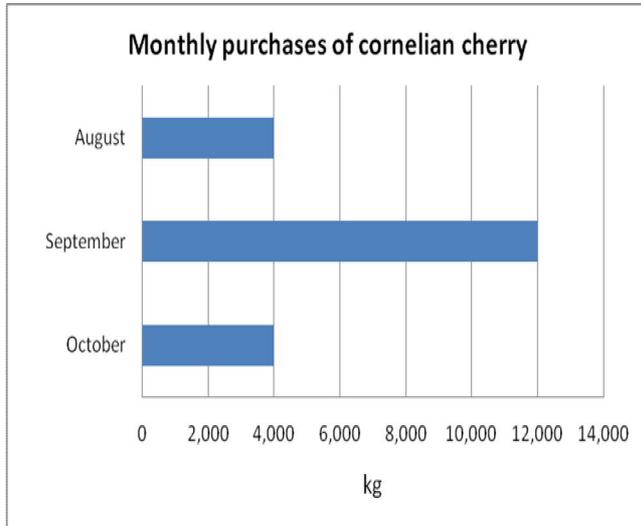


The purchasing process will be organized considering seasonality factor. It will be implemented according to the presented time table:

Name	June kg	July kg	August kg	September kg	October kg	November kg	Total kg
Cornelian cherry	-	-	4,000	12,000	4,000	-	20,000
Dog rose	-	-	-	3,000	6,000	3,000	12,000
Blackberry	-	3,000	6,000	3,000	-	-	12,000
Green walnut	27,000	-	-	-	-	-	27,000
Pear	-	-	-	12,000	12,000	-	24,000
Total	27,000	3,000	10,000	30,000	22,000	3,000	95,000



Purchasing breakdown according types of fruits and berries:



The number of seasonal workers (direct labor) contracted by the Company for the implementation of the planned activities will vary between 1-2, who will be mainly responsible for fruits and berries quantity registration, sorting and storing. The purchasing and further selling processes will be coordinated by the purchasing specialist.

The monthly demand for seasonal workers is presented in the table below:

Worker/Month	June	July	August	September	October	November
Seasonal workers	2	1	1	2	2	1
Purchasing, kg	27,000	3,000	10,000	30,000	22,000	3,000

Due to increase in purchasing volumes of fruits and berries, throughout the business projection period the Company plans to increase the salary of both direct and indirect labor by 10% starting from the third year. Annual percentage increase will be applied over the previous.

The number of direct labor will also increase connected with the increases in volumes of purchased fruits and berries. The successful implementation of the current project is connected with the improved living conditions of the Koghb and nearby communities' inhabitants. They will be given an opportunity to work in the Company and increase their social economic conditions, as well as to sell the collected fruits and berries to the Company. This is also very important factor, as currently there is a high percentage of registered unemployment in the village, and this opportunity offered by the Company is very important and vital for the community inhabitants.

5.3 QUALITY ASSURANCE

The quality assurance of the purchasing works of the Company will be done by the purchasing specialist.

The Company plans in the future to establish in its territory the special laboratory, where the works on quality estimation and controlling of supplied fresh fruits and berries could be performed. In particular, the laboratory's operation and its launch will be connected with the opening of the Company's planed processing production unit.

The quality of final products is highly influenced by the quality of storing conditions. It was already mentioned that the Company lends free of charge the ten tons refrigerator, where the purchased fruits and berries could be stored under the appropriate degree and keep their production appearance and features. However, special attention will be given to such a characteristics as:

- Existence of desises,
- Existence of insects,
- Other characteristics.

5.4 ENVIRONMENTAL IMPACT

According to the management of MSHKAVANK LLC, during the whole collection process of the fruits and berries, the Company will comply with all ecological requirements.

Moreover, in its effort of bringing the suppliers to the Hayantar SNCO's controllable field and making those to pay nature use and forest protection fees, as well as increasing awareness level of the local population on how correctly collect fruits and berries from the forests, the Company will make a big contribution in nature protection works as well. The generated profit will be directed towards implementation of community development and empowerment activities, including forest protection and rehabilitation works. The cooperation with Hayantar SNCO is one of the priorities for the Company, due to which the quantities of collected fruits and berries could be managed according to levels permitted by the Hayantar, based on forest management plans.

6. MANAGEMENT AND ORGANIZATION

This section of the business plan outlines MSHKAVANK LLC's key management personnel, employees and the organization of the Company.

6.1 OWNERSHIP STRUCTURE AND KEY MANAGEMENT PERSONNEL

The Company's staff represents specialists of high working qualifications with strong technical and agricultural background. MSHKAVANK LLC's working team includes the following members:

1. Director
2. Accountant/ bookkeeper
3. Purchasing specialist
4. Guard
5. Support staff /seasonal workers/

Being the top governing body of the Company, the **Council of Members** is engaged in strategic planning and implementing the decisions through the executive bodies. The **Council of Members** has the following main rights and responsibilities:

- ratify and make changes in the charter of the Company
- restructure the Company
- liquidate the Company, appoint the liquidation committee
- select the Auditing Committee and external auditor
- determine the main directions of the Company's activity and confirm strategic plans
- decide on the profit and loss allocation strategy
- formulate and terminate the Company's Executive Body (Director, Board).

The **Director** is elected by the Council and has the following rights and responsibilities:

- manage the property and the financial resources of the Company, act on behalf of the company
- represent the company in the Republic of Armenia and abroad
- provide letters of authority to others
- sign employment and other contracts
- open bank accounts
- implement the decisions made by the Board of Directors
- hire and fire employees, etc.

The **Chief Accountant** is appointed by the Director and is responsible for:

- preparing financial reports for external and internal purposes
- maintaining all financial records
- organizing inventory control, etc.

6.2 EMPLOYEES

Throughout the period covered by the current business plan the Company does not plan to modify its human resource structure.

The following table presents the Company's human resource structure needed for the implementation of the current project and their salary levels:

POSITION	Number of employees	Net Salary in AMD
Accountant/ bookkeeper	1	80,000
Purchasing specialist	1	70,000
Guard	1	50,000
Support staff /seasonal workers/	1-2	60,000

The Company's support staff is comprised of seasonal workers who are contracted for up to 6 months period – from June till November. They are mainly responsible for registering crop from the suppliers, sorting and storing in refrigerator under the appropriate temperature in special boxes.

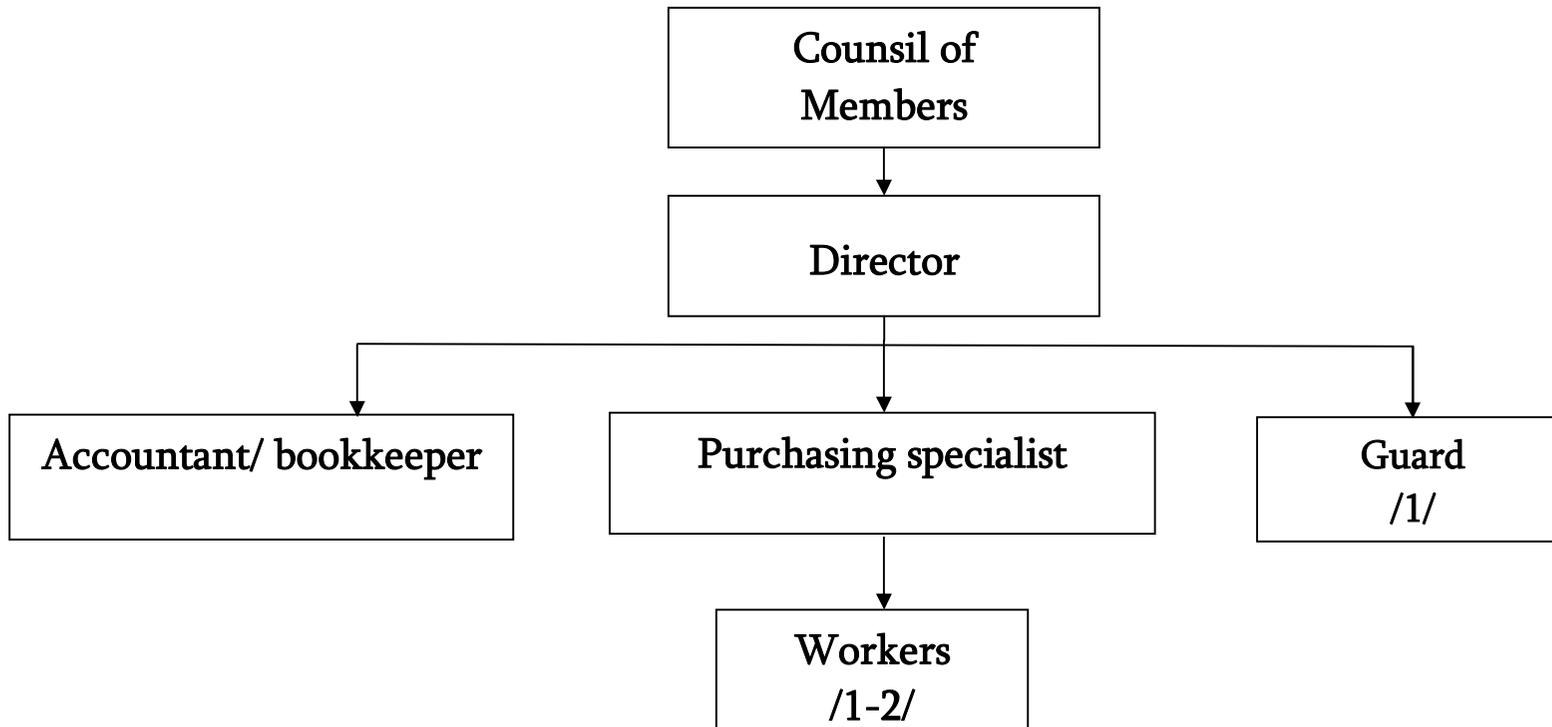
Throughout the business projection period the Company plans to increase the salary budgets. The annual percentage increases over the previous is projected to be 10% applied starting from the third year of the presented project projections.

6.3 ORGANIZATIONAL STRUCTURE

MSHKAVANK LLC's organizational chart is presented on the next page, indicating the relationships and divisions of responsibilities within the Company:

ORGANIZATIONAL STRUCTURE

/for implementation of activities indicated in the current business plan/



7. INVESTMENT PLAN

7.1 INVESTMENT REQUIREMENTS

The total investment required for the successful implementation of the current project proposed by MSHKAVANK LLC is equal to AMD 1,500,000. This amount is to be spent on acquisition of current assets /working capital/ as well as for covering current operational expenses.

INVESTMENT DIRECTION	Amount in AMD	%
Loan		%
Subordinated loan	1,500,000	100.00 %
TOTAL	1,500,000	100.00%

Principle repayments of the subordinated loan are projected to be done starting from the second year of the current project in equal lump-sums of AMD 500,000 according to the following schedule:

Year	Invested Amount	Repayment of Subordinated Loan	Remaining Balance
1	1,500,000	0	1,500,000
2	0	500,000	1,000,000
3	0	500,000	500,000
4	0	500,000	0

7.2 SOURCES OF FINANCING

The Company is planning to receive the required investment from the community sources and to repay back during the project implementation. The breakdown of the investment according to financial directions is presented below /presented also in Annex 3/:

Current Assets Acquisition	Unit	Unit Price /in AMD/	Investment made from the community sources /in AMD/	Total /in AMD/
Prepayments for purchasing fruits and berries	1	1,260,000	1,260,000	1,260,000
Salary /direct/	2	60,000	120,000	120,000
Equipment /scale/acquisition	1	30,000	30,000	30,000
Income Tax and Social Security Payments		70,000	70,000	70,000
Other expenses	1	20,000	20,000	20,000
Total				1,500,000

8. FINANCIAL PLAN

8.1 ASSESSMENT OF FINANCIAL PERFORMANCE

MSHKAVANK LLC is planning to start the project from spring 2012.

In case of delays in the start or duration of the project, the figures are to be shifted back and forth respectively, taking into consideration the seasonal character of the Company's operations.

All figures are presented in AMD. The Company's financial plan includes the following statements:

1. *Yearly Forecasted Income Statement (for the periods ended Year 1, Year 2, Year 3, Year 4 and Year 5)*
2. *Yearly Forecasted Cash Flow Statement (for the periods ended Year 1, Year 2, Year 3, Year 4 and Year 5)*
3. *Investment Plan*

SALES

The Company's sales are calculated based on the projected purchasing volumes of fruits and berries and projected average prices (see *section 4.2.2: Pricing Policy*). Annual sales revenue calculations for the period of Year 1-5 by each product category are summarized in the following table:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
SALES						
Cornelian cherry	4,000,000	4,000,000	4,200,000	4,410,000	4,851,000	21,461,000
Dog rose	2,400,000	2,400,000	2,520,000	2,646,000	2,910,600	12,876,600
Blackberry	3,840,000	3,840,000	4,032,000	4,233,600	4,656,960	20,602,560
Green walnut: small	5,400,000	5,400,000	5,670,000	5,953,500	6,548,850	28,972,350
Green walnut: big	3,600,000	3,600,000	3,780,000	3,969,000	4,365,900	19,314,900
Pear	7,200,000	7,200,000	7,560,000	7,938,000	8,731,800	38,629,800
TOTAL	26,440,000	26,440,000	27,762,000	29,150,100	32,065,110	141,857,210

The proportion of each product category in the total sales volume is the following:

1. Cornelian cherry	15.13%
2. Dog rose	9.08%
3. Blackberry	14.52%
4. Green walnut: small	20.42%
5. Green walnut: big	13.62%
6. Pear	27.23%
TOTAL	100.00%

Annual increases in the Company's sales volumes are estimated. However, it should be noted, that the prices of the Company's products are not estimated to rise throughout the whole duration of the proposed project (with the assumption that all other things are kept constant).

The percentage increases of sales projected for the period of Year 3-5 (over the previous period) by each product category are as follows:

(in percentage)

	Year 3	Year 4	Year 5
Cornelian cherry	5.00%	5.00%	10.00%
Dog rose	5.00%	5.00%	10.00%
Blackberry	5.00%	5.00%	10.00%
Green walnut: small	5.00%	5.00%	10.00%
Green walnut: big	5.00%	5.00%	10.00%
Pear	5.00%	5.00%	10.00%

COST OF GOODS SOLD /PURCHASING COST/

The cost of goods sold account includes the purchases cost of fruits and berries accrued by the Company. The Company's total cost of goods sold for the period of Year 1-5 for each product category is summarized in the table below:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<i>COST OF GOODS SOLD</i>						
Cornelian cherry	3,000,000	3,000,000	3,150,000	3,307,500	3,638,250	16,095,750
Dog rose	1,800,000	1,800,000	1,890,000	1,984,500	2,182,950	9,657,450
Blackberry	3,000,000	3,000,000	3,150,000	3,307,500	3,638,250	16,095,750
Green walnut: small	3,600,000	3,600,000	3,780,000	3,969,000	4,365,900	19,314,900
Green walnut: big	2,700,000	2,700,000	2,835,000	2,976,750	3,274,425	14,486,175
Pear	4,800,000	4,800,000	5,040,000	5,292,000	5,821,200	25,753,200
TOTAL	18,900,000	18,900,000	19,845,000	20,837,250	22,920,975	101,403,225

The proportion of each expense category in the total cost of goods sold is the following:

1. Cornelian cherry	15.87%
2. Dog rose	9,52%
3. Blackberry	15,87%
4. Green walnut: small	19,05%
5. Green walnut: big	14,29%
6. Pear	25,40%
TOTAL	100.00%

The cost of goods sold is estimated to increase proportionally with the increase in the capacity utilization of sold fruits and berries, however the prices are projected to remain the same throughout the whole duration of the project with the assumption that all other things which influence to prices are kept constant. The percentage increases in the cost of goods sold for the period of Year 3-5 (over the previous period) by each expense category /product category/ are as follows:

(in percentage)

	Year 3	Year 4	Year 5
Cornelian cherry	5.00%	5.00%	10.00%
Dog rose	5.00%	5.00%	10.00%
Blackberry	5.00%	5.00%	10.00%
Green walnut: small	5.00%	5.00%	10.00%
Green walnut: big	5.00%	5.00%	10.00%
Pear	5.00%	5.00%	10.00%

OPERATING COST AND TAXES

The Company's projected total annual operating costs and taxes for the period of Year 1-5 are summarized in the table below:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5
OPERATING COSTS AND TAXES					
Salary /indirect/	1,400,000	1,400,000	1,540,000	1,694,000	1,863,400
Salary /direct/	540,000	540,000	594,000	653,400	718,740
Cost of refrigerator exploitation	645,120	645,120	645,120	645,120	645,120
Utilities	140,000	140,000	154,000	154,000	154,000
Acquisition of scale and other tools	30,000	-	-	-	-
Nature use fee	3,660,000	3,660,000	3,843,000	3,843,000	3,843,000
Other expenses	70,000	70,000	84,000	84,000	84,000
Income Tax and Social Security Payments	679,000	679,000	746,900	821,590	903,749
Profit tax	75,176	81,176	61,996	83,548	186,425
TOTAL	7,239,296	7,215,296	7,669,016	7,978,658	8,398,434

- **Salary /indirect/** represents the salary budget for the administrative staff (note: transfers to social security fund, income taxes and pension fund transfers are included in 'Income Taxes' account). Accountant/bookkeeper / AMD 80,000/, Purchasing specialist /AMD 70,000/, Guard /AMD 50,000/. For Year 1, indirect labor costs are estimated to be AMD 1,400,000 (or AMD 200,000 monthly).
- **Salary /direct/** represents the salary budget for the support staff, i.e. seasonal workers /AMD 60,000/. For Year 1 direct labor costs are estimated to be AMD 540,000.
- **Cost of refrigerator exploitation** is estimated to be AMD 645,120 for Year 1, or AMD 92,160 on monthly basis. It is calculated based on 4 KVt power X 24 hours X 30 days usage rate.
- **Utilities** (water, electricity, sewage, garbage, etc.) are projected to be AMD 140,000 for Year 1 (or on average AMD 20,000 monthly).
- **Acquisition of scale and other tools** is projected to be AMD 30,000. This expense category is forecasted only for Year 1.
- **Nature use fee** is calculated based on RA Governmental Decree on Nature Use Fee Rates as of December 30, 1998. Based on the decree's third paragraph third subparagraph - "for each kilogram of fruits and berries used for production purposes the nature use fee is estimated as AMD 30 for fruits and berries and AMD 60 for nuts". For Year 1 the Nature use fee is estimated to be AMD 3,660,000.
- **Other administrative expenses** are estimated to be AMD 70,000 for Year 1 (or on average AMD 10,000 monthly).

The Company's expenses are estimated to increase proportional to the utilization of a higher production capacity throughout the duration of the proposed project; the percentage increases in the general and administrative expenses for the period of Year 3-5 (over the previous period) by each expense category are as follows:

(in percentage)

	Year 3	Year 4	Year 5
Salary /indirect/	10.00%	10.00%	10.00%
Salary /direct/	10.00%	10.00%	10.00%

Taxes applied on the Company's performance include Profit tax, Income tax, Transfers to Social Security and Pension Funds. A detailed breakdown and a brief description of the taxes to be paid by the Company throughout the duration of the proposed project are presented below:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5
TAXES					
Income tax, pension fund and social security payments	679,000	679,000	746,900	821,590	903,749
Profit tax	75,176	81,176	61,996	83,548	186,425
TOTAL	754,176	760,176	808,896	905,138	1,090,174

- **Profit Tax** is applied on the annual ‘Total Sales’ minus all expenses figure at a flat rate of 20.00%.
- **Income Tax** is calculated at a rate of 10.00% on salaries not exceeding 80,000 AMD and 20.00% on the exceeding amount, with an advance deduction of tax-exempt 32,500 AMD and 3.00% of the base salary (representing the transfer to Pension Fund).
- **Transfers to Social Security Fund** are calculated according to the following schedule (in AMD):

<i>Amount to be paid.....</i>	<i>IF...</i>
7,000 AMD	IF salary < 20,000 AMD
7,000 AMD + (Salary – 20,000 AMD) x 15.00%	IF 20,000 AMD < Salary < 100,000 AMD
19,000 AMD + (Salary – 100,000 AMD) x 5.00%	IF salary > 100,000 AMD

- **Transfers to Pension Fund** are calculated at a rate of 3.00% on the base salary.

In order not to make the calculations too complicated Income Tax, Transfers to Pension Fund and Transfers to Social Security Fund are calculated on average 35% and in the current Business Plan are presented in one line.

CASH INFLOW

The Company’s cash inflow includes cash received from operating and financing activities; further details on cash inflow for the period of Year 1-5 are presented below:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5
CASH INFLOW					
Operating activities	26,440,000	26,440,000	27,762,000	29,150,100	32,065,110
Financing activities	1,500,000	0	0	0	0
TOTAL	27,940,000	26,440,000	27,762,000	29,150,100	32,065,110

Cash Inflow From Operating Activities is composed of the Company’s net sales, accounts receivable and prepayments.

- It is assumed, that throughout the entire projected period, the Company will operate on cash-in cash-out basis; that is, the no **prepayments and accounts receivable** will be recorded on sales.

Cash Inflow From Financing Activities is composed of the proceeds from subordinated loan from owners (community) sources of AMD 1,500,000. It will be received in form of one lambsum amount during the first month of the first year of the project. The subordinated loan repayments will be done starting from the second year of the project and will be repaid back in total at the end of the 5-th year of the project.

CASH OUTFLOW

The Company's cash outflow includes the cash paid for operating and financing activities; further details on cash outflow for the period of Year 1-5 are presented below:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5
CASH OUTFLOW					
Operating activities	26,139,296	26,115,296	27,514,016	28,815,908	31,319,409
Financing activities	-	500,000	500,000	500,000	-
TOTAL	26,139,296	26,615,296	28,014,016	29,315,908	31,319,409

Cash Outflow For Operating Activities is composed of the Company's expenditures on purchasing of fruits and berries, general and administrative expenses, taxes, and accounts payable.

- It is assumed, that throughout the entire projected period, the Company will operate on cash-in cash-out basis; that is, the no **accounts payable** will be recorded for purchases and expenditures.

Cash Outflow For Financing Activities is composed of repayment of the received subordinated loan.

- **Subordinated loan** is planned to be paid back every year starting from the second year of the current project.

CASH BALANCES

The Company's projected beginning and ending cash balances for the period Year 1-5 are summarized below:

(in AMD)

	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Net Cash Balance	-	1,800,704	1,625,408	1,373,392	1,207,584
Ending Net Cash Balance	1,800,704	1,625,408	1,373,392	1,207,584	1,953,285

8.2 BREAK EVEN POINT ANALYSIS

The break even point (BEP) analysis imply the Company's position when it doesn't generate any profit and manage to cover only its fixed costs (FC) and variable costs (VC). BEP formula can be presented as:

$$\text{Profit} = \text{Unit Price} * \text{Quantity} - \text{FC} - \text{Quantity} * \text{Unit VC}$$

$$\text{Quantity} = \text{FC} / (\text{Unit Price} - \text{Unit VC})$$

The break down of the total FC is presented in the table below:

Cost category	In AMD
Salary /indirect/	1,400,000
Salary /direct/	540,000
Cost of refrigerator exploitation	645,120
Utilities	140,000
Nature use fee	3,660,000
Other expenses	70,000
Income Tax and Social Security Payments	679,000
Profit tax	75,176
Total	7,209,296

Taking into consideration that the proportion of each expense category in the total cost of goods sold is as following:

1. Cornelian cherry	15.87%
2. Dog rose	9.52%
3. Blackberry	15.87%
4. Green walnut: small	19.05%
5. Green walnut: big	14.29%
6. Pear	25.40%
TOTAL	100.00%

Thus, by applying the above mentioned percentages and breaking the FC among the different product categories, we will come up with FC proportions for each product category, which are summarized in the table below:

Product Category	FC in AMD	Unit Price in AMD	Unit VC in AMD	BEP in kg	BEP in AMD
Cornelian cherry	1,090,665	200	150	21,813	4,362,660
Dog rose	654,399	200	150	13,088	2,617,596
Blackberry	1,047,038	320	250	14,958	4,786,461
Green walnut: small	1,472,398	300	200	14,724	4,417,193
Green walnut: big	981,599	400	300	9,816	3,926,394
Pear	1,963,197	300	200	19,632	5,889,591
Total	7,209,296				

The table below summaries the Company's forecasts on sales quantities (volumes) and sales amounts (cash) needed for assuring BEP:

Product Category	Sales Quantity, in kg	BEP Quantaty, in kg	Difference, in kg
Cornelian cherry	20,000	21,813	-1,813
Dog rose	12,000	13,088	-1,088
Blackberry	12,000	14,958	-2,958
Green walnut: small	18,000	14,724	3,276
Green walnut: big	9,000	9,816	-0,816
Pear	24,000	19,632	4,368

Product Category	Sales Volume, in AMD	BEP Volume, in AMD	Difference, in AMD
Cornelian cherry	4,000,000	4,362,660	-362,660
Dog rose	2,400,000	2,617,596	-217,596
Blackberry	3,840,000	4,786,461	-946,461
Green walnut: small	5,400,000	4,417,193	982,807
Green walnut: big	3,600,000	3,926,394	-326,394
Pear	7,200,000	5,889,591	1,310,409

Based on the above presented numbers it can be concluded, that the sales volumes and prices set for green walnut and pear assure the Company's BEP, and even generate some profit. However, from the BEP reasoning the purchasing volumes or selling prices of cornelian cherry, dog rose and blackberry should be increased.

9. RISK ASSESSMENT

There are several risk factors that may affect the implementation of the proposed project of **MSHKAVANK LLC**. Each of these factors has a different probability of occurrence and extent of impact on the Company's production. The risk factors and their potential impacts posed on the Company's activities connected with collection of fruits and berries are the following:

Political risk: The probability that political changes in Armenia will have a material negative effect on the Company's performance is low. This is because compared to the neighboring CIS countries, the internal political situation in Armenia is more stable; hence, major political changes in Armenia are more unlikely.

Economic risk: Since the economy of Armenia is gradually strengthening and the current economic situation in the country is relatively stable, it is less likely to affect the demand for and the supply of the products proposed for production/purchase by the Company throughout the current project.

Market saturation risk: Currently there are a number of individuals/ community members engaged in collection of fruits and berries from the community's adjacent forest areas, however within regard of the Company's plans to cooperate with the same community members, market saturation is not expected throughout the duration of the proposed project. Another contributing factor for avoiding market saturation risk is absence of other collection points in Koghb community and some beneficial conditions offered by the Company to community members.

Competition: The competition faced by the Company can be characterized as strong, but a number of advantages over its present and potential competitors can serve as a guarantee for the Company's successful operation. The Company will meet the existing competitors with practicing a marketing strategy presented in this business plan, which is mainly based on the competitive advantages of the conditions offered by the Company to its suppliers. It is worth to be mentioned that currently there a number of processing companies operating in Armenia, which need supply of high quality products/ raw materials. In this regard, if right strategy and negotiation patherns are chosen by **MSHKAVANK LLC**, it could find its own target and by establishing respectful cooperational relations, to resist its competitors, making the competition issue secondary.

Suppliers' risk: The main risk that the Company may face is the delay in purchasing fruits and berries caused by the suppliers. However, it is fully manageable if the working schedule and the concluded arrangements are followed. Establishment of such a collection point is the first attempt in Armenia, and there are still some unclarities connected on how the Company will cooperate with Hayantar (through contract or applying other ways), fees to be paid for nature use and for forest use. Currently the communitiy members sell the collected fruits and berries to processing companies directly through the latters' representatives. During the first years of the Company's operation this could create some barriers towards inclining the community members to sell their crops to the Company.

Energy crisis: Currently electricity shortage is not a problem in Armenia; therefore, it might not have a material impact on the Company's operations or on the demand of the specific products the Company will be offering.

Nature disaster: The nature disasters, in particular drought and hail, are almost the only serious disasters that could cause damages to agriculture /t non timber fores products/. Thus, only if the mentioned types of disasters are present, the crop can be seriously damaged threatening the successful implementation of the Company's planed activities.

10. ANNEXES

1. Annex 1

Statement of Revenue and Expenses (in AMD), MSHKAVANK LLC

	Months /Year 1/									Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5	TOTAL
	I	V	VI	VII	VIII	IX	X	XI	XII						
Revenue												0.05	0.05	0.1	
Cornelian cherry					800000	2400000	800000	0		4000000	4000000	4200000	4410000	4851000	21461000
Dog-rose						600000	1200000	600000		2400000	2400000	2520000	2646000	2910600	12876600
Blackberry				960000	1920000	960000	0			3840000	3840000	4032000	4233600	4656960	20602560
Green walnut. small			5400000							5400000	5400000	5670000	5953500	6548850	28972350
Green walnut. big			3600000							3600000	3600000	3780000	3969000	4365900	19314900
Pear						3600000	3600000	0		7200000	7200000	7560000	7938000	8731800	38629800
Total Revenue	0	0	9000000	960000	2720000	7560000	5600000	600000	0	26440000	26440000	27762000	29150100	32065110	141857210
Expenses															
Purchasing of fruits and berries										0	0	0	0	0	0
Cornelian cherry					600000	1800000	600000	0		3000000	3000000	3150000	3307500	3638250	16095750
Dog-rose						450000	900000	450000		1800000	1800000	1890000	1984500	2182950	9657450
Blackberry				750000	1500000	750000	0			3000000	3000000	3150000	3307500	3638250	16095750
Green walnut. small			3600000							3600000	3600000	3780000	3969000	4365900	19314900
Green walnut. big			2700000							2700000	2700000	2835000	2976750	3274425	14486175
Pear						2400000	2400000	0		4800000	4800000	5040000	5292000	5821200	25753200
Salary /indirect/			200000	200000	200000	200000	200000	200000	200000	1400000	1400000	1540000	1694000	1863400	7897400
Salary /direct/			120000	60000	60000	120000	120000	60000		540000	540000	594000	653400	718740	3046140
Cost of regrigerator exploitation			92160	92160	92160	92160	92160	92160	92160	645120	645120	645120	645120	645120	3225600
Utilities			20000	20000	20000	20000	20000	20000	20000	140000	140000	154000	154000	154000	742000
Acquisition of scale and other tools			30000							30000					30000
Nature use fee			1620000	90000	300000	900000	660000	90000	0	3660000	3660000	3843000	3843000	3843000	18849000
Other expenses			10000	10000	10000	10000	10000	10000	10000	70000	70000	84000	84000	84000	392000
Income Tax and Social		0	112000	91000	91000	112000	112000	91000	70000	679000	679000	746900	821590	903749	3830239

	Months /Year 1/									Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5	TOTAL
	I	V	VI	VII	VIII	IX	X	XI	XII						
Security Payments															
Profit Tax										75176	81176	61996	83548	186425	488321
<i>Income before taxes</i>	0	0	495840	-353160	-153160	705840	485840	-413160	-392160	375880	405880	309980	417740	932126	2441606
Net Income	-	-	495,840	(353,160)	(153,160)	705,840	485,840	(413,160)	(392,160)	300704	324704	247984	334192	745701	1953285

2. Annex 2

Statement of Cash Flow (in AMD), MSHKAVANK LLC

	Months /Year 1/								Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5	TOTAL
	V	VI	VII	VIII	IX	X	XI	XII						
Cash Inflow														
Sales														
Cornelian cherry	-	-	-	800,000	2,400,000	800,000	-	-	4,000,000	4,000,000	4,200,000	4,410,000	4,851,000	21,461,000
Dog-rose	-	-	-	-	600,000	1,200,000	600,000	-	2,400,000	2,400,000	2,520,000	2,646,000	2,910,600	12,876,600
Blackberry	-	-	960,000	1,920,000	960,000	-	-	-	3,840,000	3,840,000	4,032,000	4,233,600	4,656,960	20,602,560
Green walnut. small	-	5,400,000	-	-	-	-	-	-	5,400,000	5,400,000	5,670,000	5,953,500	6,548,850	28,972,350
Green walnut. big	-	3,600,000	-	-	-	-	-	-	3,600,000	3,600,000	3,780,000	3,969,000	4,365,900	19,314,900
Pear	-	-	-	-	3,600,000	3,600,000	-	-	7,200,000	7,200,000	7,560,000	7,938,000	8,731,800	38,629,800
Subordinated loan from owners		1,500,000							1,500,000					1,500,000
Total Cash Inflow		10,500,000	960,000	2,720,000	7,560,000	5,600,000	600,000	-	27,940,000	26,440,000	27,762,000	29,150,100	32,065,110	143,357,210
Cash Outflow														
Prepayments for purchasing fruits and berries	-	1,260,000	150,000	420,000	1,080,000	780,000	90,000	-	3,780,000	3,780,000	3,969,000	4,167,450	4,584,195	20,280,645
Final payments for purchasing fruits and berries			5,040,000	600,000	1,680,000	4,320,000	3,120,000	360,000	15,120,000	15,120,000	15,876,000	16,669,800	18,336,780	81,122,580
Salary /indirect/	-	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,400,000	1,400,000	1,540,000	1,694,000	1,863,400	7,897,400
Salary /direct/	-	120,000	60,000	60,000	120,000	120,000	60,000	-	540,000	540,000	594,000	653,400	718,740	3,046,140
Cost of regrigerator exploitation	-	92,160	92,160	92,160	92,160	92,160	92,160	92,160	645,120	645,120	645,120	645,120	645,120	3,225,600
Utilities	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	140,000	140,000	154,000	154,000	154,000	742,000
Acquisition of scale and other tools	-	30,000							30000					30,000
Nature use fee	-	1,620,000	90,000	300,000	900,000	660,000	90,000	-	3,660,000	3,660,000	3,843,000	3,843,000	3,843,000	
Other expenses	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000	70,000	70,000	84,000	84,000	84,000	392,000

	Months /Year 1/								Total	Total	Total	Total	Total	TOTAL
Income Tax and Social Security Payments	-	112,000	91,000	91,000	112,000	112,000	91,000	70,000	679,000	679,000	746,900	821,590	903,749	3,830,239
Profit Tax								75,176	75,176	81,176	61,996	83,548	186,425	488,321
Subordinated Loan principle repayment									-	500,000	500,000	500,000		1,500,000
Total Cash Outflow	-	3,464,160	5,753,160	1,793,160	4,214,160	6,314,160	3,773,160	827,336	26,139,296	26,615,296	28,014,016	29,315,908	31,319,409	141,403,925
Beginning Cash Balance	-	-	7,035,840	2,242,680	3,169,520	6,515,360	5,801,200	2,628,040	-	1,800,704	1,625,408	1,373,392	1,207,584	6,007,088
Total Cash Inflow	-	10,500,000	960,000	2,720,000	7,560,000	5,600,000	600,000	-	27,940,000	26,440,000	27,762,000	29,150,100	32,065,110	143,357,210
Total Cash Outflow	-	3,464,160	5,753,160	1,793,160	4,214,160	6,314,160	3,773,160	827,336	26,139,296	26,615,296	28,014,016	29,315,908	31,319,409	141,403,925
Ending Cash Balance	-	7,035,840	2,242,680	3,169,520	6,515,360	5,801,200	2,628,040	1,800,704	1,800,704	1,625,408	1,373,392	1,207,584	1,953,285	7,960,373

3. Annex 3***Investment Plan (in AMD), MSHKAVANK LLC***

	Unit	Price per Unit /in AMD/	Loan /in AMD/	Subordinated Loan from Owners /in AMD/	Total /in AMD/
Current Assets Acquisition					
Prepayments for purchasing fruits and berries	1	1260000		1,260,000	1,260,000
Fixed Assets Acquisition				-	-
Equipment Acquisition	1	30000		30,000	30,000
Salary /direct/	1	120000		120,000	120,000
Other expenses	1	20000		20,000	20,000
Income Tax and Social Security Payments	1	70000		70,000	70,000
					-
Total			-	1,500,000	1,500,000

