

Creating value for consumer and industrial products clients

Tanzania consumer and
industrial products group

*Drawing on our diverse
skills and experience, we
deliver practical and
focused solutions.*







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The ability of consumer and industrial products companies to identify, react to and take advantage of competition, cost inflation and globalisation will determine the future likely winners and losers in the market place.

Overview: CIPS market



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Consumer and industrial products companies need to identify and react promptly to shifts and changes in the consumer market. Tanzania is now heavily influenced by the international markets partly due to presence of multinational subsidiaries and low levels of which our current Government is involved in the market.

The current buoyancy in local demand and confidence is based on the continued international pricing support for resources as well as favourable government policies. This has created a significant increase in disposable income which can be seen from the massive growth in profits in retail sector companies. This demand led increase in spending has had, and will have a positive effect for the retail and consumer markets for the medium term.

The current local trading environment is one of strong inflationary pressures, based on rising input costs mainly due to fluctuating oil price and rising input costs based on the fluctuation of the shilling exchange rate. A round of interest rate hikes has occurred to counter these rising inflationary pressures. Due to capital expenditure most companies have been expanding their capacity, resulting in large imports of capital items. This has negatively

affected our Balance of Payments account further weakening the shilling, with the implication of rising inflation and medium to longer term continued interest rate hikes.

The local market is also influenced by the continued demand for cheaper imported goods, mainly from South East Asia especially but not limited to the clothing sector. Inventory shortages have been a characteristic in other sectors of the industry namely the building sector where rising prices are evident due to low capacity of local suppliers.

Looking forward, there is strong indication that there will be continued growth in the sector for the medium to long term. This view is supported by private equity, and greater cash flows can be extracted if companies are enlisted.

In short, retail and consumer companies are faced with a rapidly changing environment and are exposed to a range of uncertainties. Companies that adapt to these changes are likely to continue benefiting from the dynamic and growing consumer and industrial products sector in Tanzania.

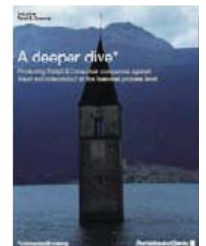
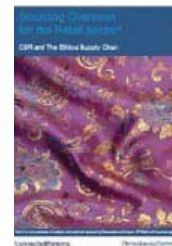
Michael Sallu
Partner

Understanding your industry issues

Within PwC CIPS group, our understanding of key industry issues is at the heart of our delivery of services to clients. Many of these issues drive our programme of publications and thought leadership materials.

The supply chain & stock control

The success of any retail format largely depends on the efficiency of its supply chain. Supply chain is becoming ever more complex. Shrinkage and fraud remain key stock control issues for retailers. Fraud can significantly damage Retail & Consumer companies' most valuable asset – their reputation and their brand value.



Customer relationship management and brand management

This whitepaper explores the definitional challenge of 'Reputation' as it relates to multiple stakeholders, measuring the value of reputation in financial terms, and identifying key reputation risks faced by R&C companies.



Governing risk & compliance

Retail & Consumer goods companies are ever looking more closely at their Corporate Social Responsibility practices, including brand and reputation risk.

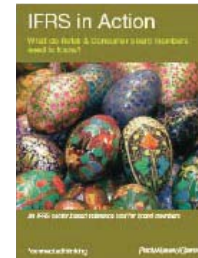
Gaining market share and revenue growth

The attractions of retail companies to investors include predictable, sustainable cash flows, the ability to roll out formats and the leverage from improve performance. Retailers under stress have attracted investment by private equity houses in particular, with new management teams put into place to focus on business improvement.



Financial reporting & services

Listed retailers and consumer companies have had to adopt the changes brought about by the introduction of International Financial Reporting Standards (IFRS). The white paper IFRS in Action is designed to give board members a clear overview of the potential impact of the decisions they will make following the transition to IFRS. The white paper identifies the 10 key areas which retail and consumer board members need to address in order to detect significant risks for their company and implement relevant strategies to control them.



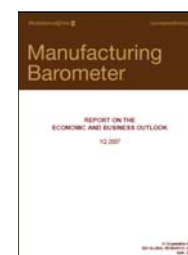
Sourcing from and investing in emerging markets

As retail and consumer goods companies search for the next cost advantage, we are increasingly looking at overseas markets. India is one of the key markets retailers are looking to invest in and we examine the risks and implications of investing in India in our white paper – The Rising Elephant and explore the abolition of trade barriers in our paper – Sourcing overseas for the retail sector – The abolition of quotas.



Manufacturing Barometer

Every quarter the Manufacturing Barometer explores the current and future state of industrial manufacturing economy based on interviews with 60-70 senior executives from large, multinational manufacturing companies.



Why PwC

Closer to the market

We audit and have client relationships with consumer & industrial product companies across Tanzania, East Africa and the globe. Our experience spans all segments of the industries – supermarkets, clothing retailers through to drinks and health and beauty care companies. This means that our professionals are constantly dealing with the wide spectrum of challenging financial and risk management issues that face the industry.

Leveraging knowledge management

As one of the world's largest professional services organisations, we have a wealth of experience and knowledge to draw on. Our investment and ongoing commitment enables us to access the right person at the right time. We are committed to sharing best practices and industry knowledge across our Tanzania and Global CIPS practice, through our industry portal which acts as a gateway to information on current industry issues, trends and latest solutions for consumer and industrial products companies.

We hold monthly internal lunch briefings aimed to inform and discuss the latest news and issues in the industry, establish communities of

practice and forums to cover technical accounting matters and innovations in the sector.

We work with external advisers and research groups to provide our professionals with the current industry information necessary to serve our clients.

Our industry program encompasses a wide range of activities, including:

- Industry knowledge and address the many challenges that retail and consumer companies face.
- We regularly publish a wide range of surveys and reports that examine the current and future challenges confronting the consumer and industrial products industry.
- We also have 'Subject Matter Champions' who are responsible for development of Knowledge on key issues or hot topics, and in turn, provide guidance to our clients.



Our services to consumer and industrial products companies

Assurance

As the leading global audit firm, auditing over 25% of all listed consumer and industrial product companies across Africa, including the largest retailer in Africa, PwC offers industry-specific advice, helps improve corporate reporting and provide assurance that systems are operating effectively.

When we approach our audits, the process is conducted by our industry specialists and is tailored to suit the size and complexity of each of our clients' organisations. It's aligned to our clients' business functions, not just their financial processes.

Our deep understanding of regulation and legislation means we can help with complex or new reporting requirements, such as IFRS. To help consumer industrial product companies tackle the changes, experts at PwC have identified eight key industry-specific areas, requiring particular attention:

- Revenue recognition
- Vendor rebates and allowances
- Customer incentives
- Property, plant & equipment and leases
- Brands, trademarks and intangible assets



- Inventories
- Loss-making stores and closures
- Financial instruments and embedded derivatives

Tax

Tax is high on the agenda for consumer and industrial product companies. For retailers, two key areas include optimising their VAT position and planning property transactions to minimise the tax cost.

Increasingly, CIPS companies are focusing on maximising value from their brands as part of strategic reviews of their businesses. Tax is an important part of this review. As for any company, tax is a key element in structuring an M&A transaction in these sectors. With

large workforces, as well as legislative changes, human resources planning is critical especially in managing employment taxes, flexible benefits, share schemes and pensions.

The increasing onus of compliance, risk and CSR, also presents new tax challenges. Companies can now give a fair indication of the total tax contribution they make to society by assessing and reporting the business taxes borne (e.g. corporation tax, business property rates), as well as those collected on behalf of the Government (e.g. payroll taxes).

Advisory

We provide a wide range of Advisory services to our CIPS clients, in an objective manner, to help them enhance stakeholder value, build trust and communicate with their marketplace.

Performance Improvement

We partner with our clients to provide robust performance improvement solutions to complex business problems. Using our deep understanding of Finance, Risk Management/Compliance, IT systems, Supply Chain Management and Human Resources, we help our clients identify and implement cost saving initiatives, improve management and control, identify and manage risk and improve quality.

Furthermore, our Global Best Practices provide a repository of world class, industry specific benchmarks and defined processes which we share with our clients to rapidly assess potential areas for improvement.

Crises Management

In today's environment, businesses need to effectively manage critical events that have the potential to cause significant business interruption and generate extensive media coverage. We help our clients in crises, respond to and control the situation. We offer a broad spectrum of services, including accounting litigation support, forensic investigations, forensic technology solutions and fraud prevention consulting.

Transactions

We provide comprehensive commercial, financial, economic and strategic advice to companies facing significant business growth opportunities. Our high levels of independence, coupled with a vast range of experience, have made us a key corporate adviser in the Tanzanian market.

Our range of specialist advisory services across critical areas of corporate finance and transaction services includes mergers and acquisitions, strategic and valuation advice, financial and tax due diligence, sell-side due diligence, vendor assistance, no-access due diligence, bid support and post-deal services.

Governance, Risk & Compliance

In recent times, there has been a paradigm shift in many economies in the way that corporate governance, business ethics, risk management and compliance are approached. It is a shift that continues to be driven by demanding performance expectations, increasing stakeholder demands and growing public scrutiny after a number of spectacular corporate failures around the globe.

We help our clients to envision, improve, operate and sustain a fundamental culture of business integrity and control. Our delivery is accomplished through a multi-disciplinary team who understand the frameworks available to manage governance, risk and compliance; supported by industry professionals, who together, advise in the areas of regulatory compliance, systems and process assurance, data management, governance and sustainability, enterprise risk management and internal auditing.

Our key consumer and industrial products contacts



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