



ERASMUS
TRUSTFONDS

Eendrachtsweg 41
3012 LD Rotterdam

010 411 05 96
secretariaat@trustfonds.nl

TEACHING CASE NEXUS CENTERS NEPAL

**Erasmus
University
Rotterdam**



Nexus Centers Nepal

This case was prepared by Mathilde Tans, Amr Aladdin, Joppe de Bruin and Rick Kessels, in close cooperation with Katina Gikas, Co-founder at Water Tech Trading, and under the supervision of Brigitte Hoogendoorn as a collaborative project between the Erasmus School of Economics Bachelor Honours Class and the Erasmus University College Leadership Programme.

This case study is based on field research data. It has been developed solely as the basis for class discussion and it is not intended to serve as an endorsement, source of primary data, or as an illustration of effective or ineffective management.

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Authors: Mathilde Tans, Amr Aladdin,
Joppe de Bruin, Rick Kessels

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NEXUS CENTERS NEPAL

How will NEXUS Centers Nepal be funded in the future?



This is a teaching case written by students from the Honours Class of the Erasmus School of Economics as part of the co-creation part of the curriculum. In the progress of writing this case, Katina Gikas, co-founder of Water Tech Trading, provided the authors with information needed to write a case that hopefully gives food for thought.

This case will serve the purpose of finding a suitable and viable financing source for NEXUS Centers Nepal, a social enterprise which provides social infrastructure in rural areas of Nepal. Furthermore, the case will show the complexity of the funding process for social enterprises in general. To gain insight into these problems, this case will provide some background information about NEXUS Centers Nepal and the current economic market of social enterprises and their main sources of funding.

Introduction

From Energy and Health Issues to Climate Change and Sustainable Development, all are growing global challenges for humanity. Indeed, the world is changing, but so are mindsets. Eight years ago, Water Tech npany started noticing that young individuals nowadays are a lot more socially responsible than others; they aren't just socially aware but they are actually making a real difference in their communities. In addition, there is a huge discrepancy in priorities between younger generations and the functioning corporate systems they are surrounded by when it comes to societal impact and social consciousness. This is also something that Katina Gikas has experienced in the corporate world, where a sense of social responsibility hardly seems to be found. Consequently, Water Tech pany founders decided to get out of the corporate world. They wanted to give back to the community, they wanted to be part of change.

Katina was thinking of combining her knowledge of the corporate world with her husband's knowledge on green and self-sufficient offshore water purifying technology to do good. With this in mind, Water Tech Trading came across Lars Willi from Weconnex who had combined the idea of mobile water purification driven by solar and wind, in the form of Trunz systems.

In 2013, Water Tech Trading partnered with Weconnex AG, and together they embarked on the path of creating and funding NEXUS Centers Nepal. With the aim of helping the underprivileged and with a high sense of social responsibility, NEXUS Centers Nepal started as the initiator of water shops to produce clean drinking water in Nepal. To provide the Nepalese people with one of their basic human rights, NEXUS Centers Nepal uses the same technology offshore ships use to produce clean drinking water driven by solar energy. Whilst setting up a business model it was very important that the locals around the NEXUS Centers Nepal Centers could learn how to make their own clean drinking water, instead of just giving it to them. The first NEXUS Center opened in August 2016 in Nepal. The conditions in Nepal were tough, as water is full of arsenic and many remote off-grid areas have no access to clean water. Exposure to the toxic water is threatening people's health and associated with many diseases and health issues in the long run. Yet, one cannot see or taste whether the water contains arsenic or not. According to the WHO, the health effects of drinking water that contains arsenic include skin lesions and cancer. 2.3 million people in Nepal are exposed to water with an unhealthy amount of arsenic. Fortunately, NEXUS Centers Nepal were able to treat the water as they have the right technology to take the arsenic out. Right now, they have 15 centers up and running in Nepal and other locations.

NEXUS Centers Nepal provides the locals with clean drinking water for an affordable price. The founders later incorporated other basic services like energy, communication, internet access, medical treatment and rents out rooms to local entrepreneurs who want to sell their own products into NEXUS Centers Nepal.

Furthermore, the business model of NEXUS Centers Nepal has been found to be viable in the long- term. Research was conducted by the management, and the results showed that NEXUS Centers Nepal needs to scale up to at least twenty-five centers to reach break-even. However, this is not yet feasible as they need more funding to be able to grow towards that target.

As NEXUS Centers Nepal seems to be in a critical situation right now, namely at the bottom of the “Valley of Death” (see Appendix A), finding a viable source of funding is crucial to keep the business up and running. To increase the possible revenue, NEXUS Centers Nepal 3.0 is currently being developed, where they plan to involve agricultural products in the business. With this business plan, they aim to increase revenue as well as social and ecological impact, but hopefully it will simultaneously open up different finance possibilities, including agricultural funds. Scaling up to fifty centers is only possible when additional funding has been established. The centers might be self-sustaining at the moment, but they do not generate sufficient income to pay back the initial investment. Thus, finding a viable stream of funding is of crucial importance.

Background NEXUS Centers Nepal

When NEXUS Centers Nepal center  was created, employees had to be hired to fulfil the purpose of the centers, namely to provide the locals with safe and clean drinking water. With the objective to provide more equal opportunities, NEXUS Centers Nepal decided to hire women to run the centers. The idea was to make women more independent from their husband, who would be working abroad in most cases (e.g. Dubai, Oman, Qatar). Hiring the women to work for the centers was easy, yet keeping them seemed to be more difficult. Some started to lose interest during the training period. Also, there were various other reasons why the employees left the centers, including sickness of a family member or migration to large cities where more opportunities could be found.

The paying scheme consists of a standard low income, and on top of this income a factor to go out and fill the shop with people. In this way, there is an incentive to be pro-active and trying to bring in customers, instead of being passive, waiting for people to arrive at the center.

However, consumers preferred the delivery of clean drinking water over visiting the shop themselves, hence a delivery service was introduced. This proved to work out, creating a win-win for both the employees and the customers. The employees would generate a higher revenue, which in turn had a positive effect on their income, and the consumers of the water did not any longer feel the burden of going to the shop and ask for help. The funding for these delivery vehicles was not always as straightforward, yet, this delivery service is currently available for all products sold in the NEXUS Centers Nepal.

Industry background

NEXUS Centers Nepal is a social entrepreneurship, which means that the organization seeks to increase economic value as well as social value. Water Tech Trading believes in adding triple bottom line value, which consists of impact on people, profit and the planet. Also, every organization should try to create economic value. If an organization can't, it means the business model is a poor one.

Definition of Social Enterprise

There is no consensus on the definition of a social enterprise. The concept of a social enterprise is a contested concept, which means that many people think differently about what the term 'social enterprise' entails (Choi & Majumdar, 2014).

Some researchers view social entrepreneurship as not-for-profit organizations with the main objective of finding new financing strategies through enterprise-related projects. Others think the concept involves business activities to serve the bottom of the pyramid. Another group of academics think the term implicates any form of creation of social infrastructure to resolve the social obstacles, whether that involves participating in an economic climate or not.

In this case, we use the following definition: A social enterprise uses social innovations to solve social problems and to bring about social change, pursuing to make profits by participating in commercial activities. Both the creation of economic value and the creation of social value in a social enterprise are intensively intertwined (Alter, 2006).

For developing countries, the presence of a social enterprise is valuable. Policy makers have discovered that social enterprises address issues that have been poorly addressed or ignored by the government and they help in the process of finding efficient access to socioeconomic development. The fact that there is an interesting opportunity for the state and for individuals is a support for this type of enterprise.

Fee-for-service model

Different types of models exist for social entrepreneurs. In this case, the social enterprise follows the fee-for-service model (Alter, 2006). This means that it commercializes its social services and then sells them directly to the target population. The fee-for-service model is an embedded model; the social program is located in the business itself. This need not be the case for every model. Sometimes, a business has a different overall mission from the missions of its individual social programs. In a fee-for-service model, the mission is centered around social services to its target population, to effect social change.

Social enterprises also thrive on financial self-sufficiency. They try to achieve this through the income that is generated by fees charged for its services. The earned income is used to pay service delivery and business expenses. A dilemma with this model, a dilemma also present in this case, is that the earned income depends on the fees paid by the customers. However, these customers are often very poor and it can be very difficult to find the right balance between the fees and the needed income. NEXUS Centers Nepal is not willing to raise the prices because that would undermine the whole concept of running a social enterprise: making the products that NEXUS Centers Nepal sells available for the community. Moreover, the prices are benchmark prices, and the industry even tends to drive down the prices.

Competition

At the basis of the underdevelopment of rural areas, and specifically this lack of provision of safe drinking water lies the Nepalese Civil War, which lasted until 2006. After this war, many NGOs 's have been founded to provide the Nepalese in rural areas with clean drinking water. They use various techniques: water tabs, carbon block filters, small water pumps that purify the water and many other solutions. The main competitors of NEXUS Centers Nepal are organizations that sell the dangerous water but tell their customers that it has been purified and that it is totally safe. These organizations can, thus, sell their water at a very low price, because they do not have the costs that come with filtering the water. This might be a serious threat to the existence of the Nexu  centers.

Financing

The number of social enterprises is increasing and the support for traditional, philanthropic, and government sources is declining. Therefore, the competition for funding sources is increasing. To illustrate, for a specific Dutch Water Fund, there are 3,000 organizations who apply. Entrepreneurs realize they need to become more competitive. They feel pressured to be more professional, to increase social impact, and to be accountable for results. Also, they are forced to look beyond the funds and explore alternative financing sources. They need to offer high-quality products and realize social, and perhaps even more important, economic impact.

It has proven to be difficult for social enterprises to attract funding. First, it is evident that the potential value of the market created is low: To serve their purpose, social enterprises are often located in poor areas where, although the social value of the enterprise is high, the economic value tends to be low. Raising prices is not a viable option because the society is financially not able to keep up with the inflation. Secondly, there does not exist any widely accepted measurement program to measure the socioeconomic impact of social enterprises. Social impact is difficult to quantify, which means that investors are less willing to provide funds for such an ambiguous project.

Even if some funds have been raised in the initial stage, it is difficult to maintain this stream of investments until profits are generated. Traditional non-profit funding (such as grants and fundraising) is available for the seed stage, in which the enterprises need to establish their first services and products, but not for organizational expansion (see Appendix B and C). The traditional funding (market-rate private equity and debt) in this expansive stage is very difficult to obtain for social enterprises. This is the case because the enterprises are unable to offer the conventional market-rate ROI, which causes the lack of new growth and expansion capital needed for these enterprises. This capital needs to be long-term and risk tolerant (Emerson, Freundlich, Fruchterman, Berlin, & Stevenson, 2007).

Overholster (2006) claims that the capital needed is such that, when scaled, the enterprise can be sustained. He argues that “growth capital is used to build the means of production, [...] [and therefore] cover the deficits a firm incurs en route to sustainability.” To get this funding for expansion, one must target the right investors. (Neighbor, Ulrich, Milikan, & Meer, 2010) have shown that there are six kinds of investors having different motivations and priorities (see Appendix D). The study has shown that the first three segments, socially focused, safety first and quality, will contribute to more than 75 percent of the global impact investment market, currently and in the future. For these segments, the main hurdles for investors can be summarized by the same five barriers (Kickul & Lyons, 2016): (1) Lack of track record, (2) don't know where to find, (3) don't see advisors recommending, (4) limited advice available and (5) insufficient ratings/benchmarks.

The common denominator in these barriers is the fact that the industry faces a lack of efficient intermediation, causing a mismatch in supply and demand of financing, partly due to high transaction costs.

Financing NEXUS Centers Nepal

NEXUS Centers Nepal initially was funded by Aqua For All, which is a non-profit organization funded by the water taxes of the Netherlands. Aqua For All invests money in projects that provide safe water and sanitation services for the Bottom of the Pyramid. Aqua For All gave NEXUS Centers Nepal the option to obtain a grant and a recoverable grant. The grant was taken but the recoverable grant was not: repaying within two years was too soon to be a feasible goal. Moreover, a long-term loan, free of interest, was provided by Drop For Life, and another grant was obtained from Repic, which is an organization that provides financing for projects related to (renewable) energy. All these funds enabled NEXUS Centers Nepal to set up seven centers. Unfortunately, financing through crowdfunding did not work.

These centers, plus three water shops that were established at the beginning of the project, and five schools which were added in 2017, are running at the moment, but do not generate enough revenue to break-even. If they eventually will make profits, they are obligated to pay a flat fee. In that case, NEXUS Centers Nepal would be able to repay loans and eventually reinvest in the centers. For an overview of the current financial status of NEXUS Centers Nepal, see Appendix E.

Appendix A

The “Valley of Death” (see figure 1) refers to the fact that many enterprises will fail to generate a sufficient stream of revenues in order to survive and continue in the business. Most start-ups, both commercial and social, initially manage to find a source of funding, yet are unsuccessful in keep finding sources to finance scaling up as a business and actually make profits.

Breaking down the model

After finding the first round of financing, the firm can start on the research and development. Clearly, the development does not come for free: Hiring staff is expensive. Also, operating costs are incurred, while there is not yet a stream of revenues. Eventually, the product has to be brought to the market, which is costly as well. Scaling up is only possible when the consumer demand is high enough to meet the revenues needed to both keep the current office running and to execute the upscaling project.

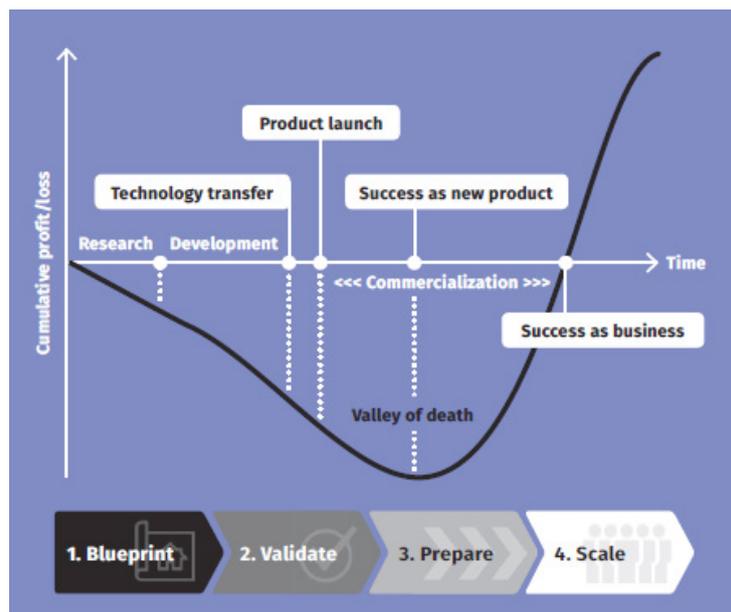


Figure 1 Valley of death and pioneering stages

Appendix B

Besides the three main sources of funding for social enterprises, namely grants, loans and equity, there are some forms that are in-between these three:

Blended Funding

Combining public funding such as grants or subsidies with private debt or equity funding. It can also come in the form of a grant and commercial money, both coming from private funding or vice versa. Private funding is constrained by the risk induced by the social enterprise, and therefore it is often difficult to obtain funding. While social enterprises are of great value concerning the provision of a public good in a developing area, it will not always obtain the funds needed to keep operating. In that case, public funding is the solution: It reduces the risk for private investors, and therefore, more private funds can be obtained. However, most of the public funding is strongly linked to corruption.

Results-Based Financing (RBF)

Group of performance-based funding options. RBF introduces a way of financing by ticking boxes at the end of each period. This type of funding is beneficial in terms of administration, accountability, and transparency by connecting the funds to the performance rate of the enterprise. NEXUS Centers Nepal already has a similar agreement with one of its investors. Payback is agreed on 70% of free cash flow up to a multiple of 1.5x the investment. However, monitoring the progress is time costly.

Development Impact Bonds

Public and private sector actors agree on a feasible social goal they want to achieve in the future. They should also pick a measurement tool to evaluate the progress made. The private investors are initially funding the project so that the service providers (in this case, the entrepreneurs) can actually realize the project. After a period of time, an independent group of researchers measures the effect. If the goal is achieved, the public sector pays back the investments done by the private sector, plus a return. If the goal is not achieved, the private investors lose their money.

Philanthropy

A new form of philanthropy is recoverable grants, which are loans that need to be repaid unless the enterprise is not able to. Another form is the one of enterprise philanthropy, which are grants with hands-on support.

Crowdfunding

Entrepreneurs will make an appeal to the relatively rich parts of society to make a small contribution in order to eventually fund the project when enough contributions are made.

Appendix C

In addition to Appendix B, the following table describes some more sources of funding for enterprises in general:

| New player | Debt or equity | Investment goal | Investment approach | | Investment target |
|--|---|--|---------------------------|--|--|
| | | | Active or passive | Non-financial support | |
| Accelerators (and incubators) | Depends on type of accelerator/ incubator | Financial, strategic, political (depends on type of accelerator/incubator) | Active | Management support, training, network access | Early stage start-up |
| Angel networks | Equity | Financial | Active | Management support, network access | Early stage start-up |
| Crowd | | | | | |
| - Debt-based | Debt | Financial | Passive | None | Early stage start-up or project |
| - Donation-based | – | Social | Passive | None | Social venture or project |
| - Reward-based | – | Product-related | Passive, Sometimes active | Sometimes product testing | Early stage start-up or project |
| - Equity-based | Equity | Financial | Passive | None | Early stage start-up or project |
| Corporate venture capital (CVC) | Equity | Financial, technological, and strategic | Active | Management support, technology support | Early and later stage start-up |
| Family offices | Equity | Financial | Mostly passive | Little | Later stage start-up |
| Governmental venture capital (GVC) | Debt or equity | Financial and governmental | Mostly passive | Little | Early and later stage start-up |
| IP-based investment funds | – | Financial | Passive | None | Patents |
| IP-backed debt funding | Debt | Financial | Passive | | IP-based start-ups and established mid-sized firms |
| Mini-bonds | Debt | Financial | Passive | | Established mid-sized firms |
| Social venture funds or social venture capital | Debt and equity | Financial and social | Active | Management support, network access | Social ventures |
| University-managed or university-based funds | Mostly equity | Financial and university-related | Active | Management support, network access | Academic and student start-ups |
| Venture debt lenders or funds | Debt | Financial | Passive | None | Later stage start-up |

Appendix D

An overview of the six types of social investors:

Safety First

“I want to know I’ll get my money back and maybe some upside. The social benefits are secondary.”

Socially Focused

“This is a great way to support the causes that are important to me.”

Quality Organization

“Show me a strong business model and a good track record, and I’ll invest.”

Hassle Free

“If I don’t have to look too hard and it’s a pretty liquid investment, I’m willing to try.”

Personally Recommended

“A business school classmate is a social entrepreneur. I’m happy to invest in his venture.”

Sceptic

“I keep my charitable giving and financial investments separate. I’m not at all interested.”

Adapted from: <https://thegiin.org/>

Appendix E



Balance Sheet (Project)

| BALANCE SHEET | 2017 July - Sept 30 | 2017 Jan - June 30 | USD 2017 Jan - Sep |
|--|------------------------|------------------------|-----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventory | - | 419'242.40 | - |
| Cash & Cash Equivalents | 3'413'348.35 | 5'160.32 | 33'075.35 |
| Receivables | - | - | - |
| Advance Rent | 133'130.00 | 239'900.00 | 1'290.03 |
| Advance Payment | 487'527.08 | (768'424.42) | 4'724.14 |
| Trade Receivables | 16'477'637.06 | 1'192'704.34 | 159'668.30 |
| Accrued VAT (paid)- Customs TAX | 2'430'583.02 | 2'523'764.03 | 23'552.35 |
| TOTAL CURRENT ASSETS | 22'942'225.51 | 3'612'346.67 | 222'310.17 |
| Fixed Assets | | | |
| Direct Local Costs (Building, Well, etc.) | 17'144'098.35 | 16'906'447.36 | 166'126.31 |
| Direct Technology Costs (Water, Energy, Sanitation etc.) | 9'372'678.36 | 9'115'808.75 | 90'821.25 |
| Overhead Implementation Costs (Transportation, Duties etc.) | - | - | - |
| Overhead Infrastructure Costs (Cars, Motorcycles) | 1'215'461.55 | 335'085.55 | 11'777.82 |
| Project Development Costs | - | - | - |
| Intangible Assets (Patents, Licenses, Goodwill) | 30'000.00 | - | 290.70 |
| TOTAL LONG-TERM ASSETS | 27'762'238.26 | 26'357'341.66 | 269'016.09 |
| TOTAL ASSETS | 50'704'463.77 | 29'969'688.33 | 491'326.25 |
| | | | 0.00 |
| Liabilities and Shareholder's Equity | | | 0.00 |
| Short-term Liabilities | 314'002.61 | - | 3'042.69 |
| Short-term Liabilities from Rent | 54'000.00 | 12'000.00 | 523.26 |
| Short-term Liabilities from Goods & Services (trade and other pa | 94'779.00 | 178'006.00 | 918.41 |
| Short-term Liabilities from Tax | 236'518.54 | 171'636.65 | 2'291.86 |
| Short-term Financial Liabilities | - | - | - |
| Other Short-term Liabilities (VAT) | 215'139.31 | 137'068.94 | 2'084.70 |
| Employment Tax Payable (incl Social Security) | 383'139.60 | 217'701.30 | 3'712.62 |
| TOTAL SHORT-TERM LIABILITIES | 1'297'579.06 | 716'412.89 | 12'573.54 |
| Long-term Liabilities | | | 0.00 |
| Long-term Financial Liabilities | 63'362'293.14 | 41'865'637.13 | 613'980.62 |
| Long-term Provisions | 2'246'670.64 | - | 21'770.24 |
| TOTAL LONG-TERM LIABILITIES | 65'608'963.78 | 41'865'637.13 | 635'750.86 |
| Shareholder's Equity | | | 0.00 |
| Equity/company capital/share capital | 500'000.00 | 500'000.00 | 4'845.00 |
| Profit / Losses | (3'589'716.98) | (3'317'674.96) | (34'784.36) |
| Reserves, balance sheet, accumulated profits | (13'112'362.09) | (9'794'686.73) | (127'058.79) |
| Total Shareholder's Equity | (16'202'079.07) | (12'612'361.69) | (156'998.15) |
| Total Liabilities and Shareholder's Equity | 50'704'463.77 | 29'969'688.33 | 491'326.25 |

Note: Trade Receivables are very high in Q3 to make up for a long period of bad accounting.

Financial Reporting

Yellow

Profit and Loss Statements (Project)

| INCOME STATEMENT | 2017 July - Sept 30 | 2017 Jan - June 30 | 2017 Jan - Sept | USD 2017 Jan - Sep |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues (Excl. VAT) | | | | |
| Drinking Water | 553'097.31 | 730'570.89 | 1'283'668.20 | 12'438.74 |
| Room Rental | 155'340.00 | 286'710.00 | 442'050.00 | 4'283.46 |
| Additional Income (Jerrycans & RFID) | 47'467.45 | 19'823.31 | 67'290.76 | 652.05 |
| Grant Income | 2'751'871.30 | | 2'751'871.30 | 26'665.63 |
| GROSS INCOME (GROSS PROFIT) | 3'507'776.06 | 1'037'104.20 | 4'544'880.26 | 44'039.89 |
| Staff Costs | 707'198.00 | 1'539'379.94 | 2'246'577.94 | 21'769.34 |
| Managing/Country Director | 300'000.00 | 950'000.00 | 1'250'000.00 | 12'112.50 |
| Social Mobilizer | - | 5'882.36 | 5'882.36 | 57.00 |
| Accountant / Administration Technician | 55'956.00 | 98'540.35 | 154'496.35 | 1'497.07 |
| Commercial Manager | 45'000.00 | 38'823.53 | 83'823.53 | 812.25 |
| Labour | 72'580.00 | 121'546.70 | 194'126.70 | 1'881.09 |
| Driver | 49'311.00 | 36'762.28 | 86'073.28 | 834.05 |
| Operators NC | 21'000.00 | 7'000.00 | 28'000.00 | 271.32 |
| Allowances | 122'551.00 | 265'002.22 | 387'553.22 | 3'755.39 |
| | 40'800.00 | 15'822.50 | 56'622.50 | 548.67 |
| | | | | - |
| Services | 2'284'897.00 | 416'072.54 | 2'700'969.54 | 26'172.39 |
| Accounting Services | 50'000.00 | 90'000.00 | 140'000.00 | 1'356.60 |
| Consulting Services | 1'555'000.00 | 17'059.00 | 1'572'059.00 | 15'233.25 |
| Administration & IT | 72'397.00 | 173'490.04 | 245'887.04 | 2'382.65 |
| Marketing & Advertising | 457'500.00 | 128'943.50 | 586'443.50 | 5'682.64 |
| Social Mobilization & Awareness Raising | 150'000.00 | - | 150'000.00 | 1'453.50 |
| Water Analysis | - | 6'580.00 | 6'580.00 | 63.76 |
| | | | | - |
| Consumables, Maintenance, Repair & Replacement | 1'488'083.60 | 1'847'760.26 | 3'335'843.86 | 32'324.33 |
| Maintenance | 60'420.00 | 79'753.40 | 140'173.40 | 1'358.28 |
| Branded Jerrycans | 67'845.00 | 89'272.40 | 157'117.40 | 1'522.47 |
| Water Bottles | 536'968.20 | 1'089'381.14 | 1'626'349.34 | 15'759.33 |
| Land Lease | 377'553.00 | 512'108.32 | 889'661.32 | 8'620.82 |
| Stationaries | 26'055.00 | 77'245.00 | 103'300.00 | 1'000.98 |
| Inventory Consumption | 419'242.40 | | 419'242.40 | 4'062.46 |
| | | | | - |
| Other | 272'285.70 | 517'056.42 | 789'342.12 | 7'648.73 |
| Excise Duty | - | 16'042.08 | 16'042.08 | 155.45 |
| Fuel and Insurance for Motorcycles | - | 354.00 | 354.00 | 3.43 |
| Travel Expenses local Staff | 190'240.00 | 75'655.00 | 265'895.00 | 2'576.52 |
| Unforeseen Costs | 51'815.70 | 40'480.76 | 92'296.46 | 894.35 |
| Fee & Permits (Licenses, Certificates etc.) | 30'130.00 | 26'755.00 | 56'885.00 | 551.22 |
| Baseline study for NEXUS | - | 207'626.00 | 207'626.00 | 2'011.90 |
| Bank Charges and Currency Differences | 100.00 | 1'100.00 | 1'200.00 | 11.63 |
| Painting and Plumbing Expense | | 149'043.58 | 149'043.58 | 1'444.23 |
| | | | | - |
| Total Sales Commission for Entrepreneurs | 30'872.00 | 34'510.00 | 65'382.00 | 633.55 |
| TOTAL OPERATING EXPENSES | 4'783'336.30 | 4'354'779.16 | 9'138'115.46 | 88'548.34 |
| | | | 0.00 | 0.00 |
| EBITDA | (1'275'560.24) | (3'317'674.96) | (4'593'235.20) | (44'508.45) |
| Depreciation of Equipment | 2'246'670.64 | | 2'246'670.64 | 21'770.24 |
| EBIT | (3'522'230.88) | (3'317'674.96) | (6'839'905.84) | (66'278.69) |
| Interest Expense | 67'486.10 | | 67'486.10 | 653.94 |
| EBT 1 | (3'589'716.98) | (3'317'674.96) | (6'907'391.94) | (66'932.63) |
| Profit based Licence Fee WECONNEX | | | 0.00 | 0.00 |
| EBT | (3'589'716.98) | (3'317'674.96) | (6'907'391.94) | (66'932.63) |
| Taxes Incurred | | | 0.00 | 0.00 |
| PROFIT/LOSS | (3'589'716.98) | (3'317'674.96) | (6'907'391.94) | (66'932.63) |

Note: Depreciation of Equipment mainly consists of depreciation on the technology. Hence, the depreciation on the building itself is relatively low.