

# GREAT LAKES FREIGHT LIMITED

## FEASIBILITY STUDY FOR CONSTRUCTION OF TOURISTS HOTEL

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# *Feasibility study Report for Establishment of luxurious Hotel*

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# PART I

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## **0.0 EXECUTIVE SUMMARY**

### ***0.1 Introduction:***

The Company plans to embark on the construction of a new luxury stars tourist hotel. The project will be located at Plot No. 8 Ngobanya Kigamboni alongside Indian Ocean. About two (2) acres have been obtained for this purpose. Thus this area is ideal for construction high classic luxurious Hotel. Accessibility to the proposed hotel is by an all-weather tarmac road which is about 38 km from City Centre.

The vision of Great Lakes Freight Limited is to create a Large, exclusive, luxury five stars Hotel with outstanding design offering the highest standard of service and hospitality to tourist/quests. The plan of Real Estate Development Company Limited is to stay Large and exclusive, enabling the Company to employ the latest of environmentally friendly technology. The Company will provide to her staff and management with a happy, health environment to work in which will enable the Company to deliver service beyond the guest/tourists expectations.

### ***0.2 The Plan for the Future:***

Having acquired the 2 acres land at Ngobanya area , The Directors of the Company have embarked on a massive construction of a new luxury stars accommodation facility which will cater mainly for customers in the tourist market segment. The project will entail construction of a brand new Luxury Hotel with a total of 60 high-end luxury rooms (each of which will be not less than 30 sq/mtrs with world class lodge amenities), installation of new equipment for various uses in the Hotel, furniture and furnishing materials including other services, like a Curio/ Souvenir shops, and a health club. Other facilities will include an infinity swimming pool, restaurant, bar with Oceanic view of the Indian Ocean as well as business centre facility.

On the management and marketing scenarios, negotiations will be made between the Company and reputable Brand Names Hotel Corporation from UAE ok who will agree to

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use their brand name as well take charge of the operations and indulging in international marketing and promotion of the proposed Hotel to the potential clients all over the world.

### **0.3 The Hospitality Industry in Tanzania**

Tanzania is one of the significantly large countries in Africa and the Largest member state of the East Africa Community (EAC), lying on the East coast between Latitude 1<sup>0</sup> and 11<sup>0</sup> South and Longitude 30<sup>0</sup> and 40<sup>0</sup> East and covering an area of about 945,000 sq km. Tanzania has wide range of tourists attraction including Ngorogoro crater, Mount Kilimnjaro, National Parks, great lakes, beaches, historical sites etc. The presence of natural tourism attraction has created number of investment opportunities in Tourism Sector and made the hospitality industry to grow compared 20 years ago. Thus the Hospitality industry in Tanzania is service oriented whose structure comprise the Tourism sector, Hotels and Lodges, and the Tour Operators

### **0.4 Project Sponsors and their Legal Status.**

The project is being promoted by two Shareholders of the Company namely are local entrepreneurs with diverse business in Tanzania such oil and gas, logistics and transportation and import and export. The shareholdings of the Company are as follows.

<b>Name of Directors</b>	<b>Nationality</b>	<b>Number of shares</b>
Abdallah A. Mbarak	Tanzanian	3,600
Salmin A. Mbarak	Tanzanian	3600
Sabri A. Mbarak	Tanzanian	3600

### **0.5 The Project**

Project will involve construction of a brand new Luxury stars Hotel building, with high class finishing. On completion, the Hotel will have an international standards “ between 3 to 4 Stars ” grade. The implementation of the project will therefore involve the following activities.

- I. Construction of a brand new Hotel building compromising of the main Lobby, Reception, Restaurant, Kitchen, Library, Viewing Deck, Offices...etc. as well as a total of 60 spacious rooms and other related amenities.
- II. Civil works will also entail landscaping and development, construction of an infinity swimming pool, excavation and other earth works.
- III. Roofing, floor lining, tile slab finishing, external wall finishing, and external painting.

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- IV. Electrical installation including installation of standby generators.
- V. Installation of other equipment like Firefighting equipment, water supply and plumbing, air-conditioning and ventilation system, CCTV and security system, IT and communication equipment, inverters and Solar powered equipment for lighting, Heating and other purposes.
- VI. Procurement of motor vehicles, which will be used for shuttle services for picking up guests from the Air Port as well as delivery vans and Trucks for hotel operational use.
- VII. Procurement of furniture, fittings and finishing materials.
- VIII. Installation in-house cooling system in the entire building
- IX. Construction of conference hall with international standards and equipping the conference hall with modern facilities.
- X. Procurement of Operating Items and equipment such as Heavy duty commercial Kitchen Installations, Laundry, Water filtration and treatment plant etc.

### **0.6 Investment Cost**

Total investment Cost upon completion of this project is estimated to be 2,000,000 USD. The investment capital covers value of Land and Building. The investment will cover the following items as shown below:-

<b>INVESTMENT ITEM</b>	<b>PHASE I AMOUNT USD \$</b>	<b>PHASE II AMOUNT USD \$</b>	<b>PHASE III AMOUNT USD \$</b>	<b>TOTAL AMOUNT USD \$</b>
<b>Land &amp; Buildings</b>	800,000	500,000	550,000	1,850,000
<b>Plant Machinery &amp; Equipment</b>	0	150,000	100,000	250,000
<b>Motor Vehicles</b>	0	0	100,000	100,000
<b>Furniture &amp; Fittings</b>	0	0	300,000	300,000
<b>Other facilities</b>	0	0	50,000	50,000
<b>Total Capital Cost</b>	<b>800,000</b>	<b>650,000</b>	<b>1,100,000</b>	<b>2,550,000</b>
<b>Working Capital</b>	0	50,000	150,000	200,000
<b>TOTAL PROJECT COST</b>	<b>800,000</b>	<b>700,000</b>	<b>1,250,000</b>	<b>2,750,000</b>

## **PART II**

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### **2.0 PROJECT CONCEPT AND INDUSTRY INFORMATION**

#### **2.1 Introduction**

Great Lakes Freight Limited is limited liability Company registered in Tanzania under company Act of 2002. The company is holding Certificate of Incorporation no. 55007 which was issued on 27<sup>th</sup> December, 2005. The Company plans to embark on the construction of a new luxury stars tourist hotel. The project will be located at Ngobanya alongside Indian Ocean. About three (3) acres have been obtained for this purpose. This area is situated at the beach at the Indian Ocean. Thus this area is ideal for construction high classic luxurious Hotel. Accessibility to the proposed hotel is by an all-weather tarmac road which is about 38 km from City Centre.

The vision of Great Lakes Freight Limited is to create a Large, exclusive, luxury 3 to 4 stars Hotel with outstanding design offering the highest standard of service and hospitality to tourist/quests. The plan of Great Lakes Limited is to stay Large and exclusive, enabling the Company to employ the latest of environmentally friendly technology. The Company will provide to her staff and management with a happy, health environment to work in which will enable the Company to deliver service beyond the guest/tourists expectations.

#### **2.2 The Plan for the Future:**

The company has acquired land with average size of 2 acres ( 7,967 sqm).The land is located at plot no. 8 Ngobanya Area Kigamboni within the city of Dar es salaam. Having this land the Directors of the Company have embarked on a massive construction of a new luxury accommodation facility which will cater mainly for customers in the tourist market segment. The project will entail construction of a brand new Luxury 3 to 4 Stars Hotel with a total of 100 high-end luxury rooms (each of which will be not less than 30 sq/mtrs with world class lodge amenities), installation of new equipment for various uses in the Hotel, furniture and furnishing materials including other services, like a Curio/ Souvenir shops, and a health club. Other facilities will include an infinity swimming pool, restaurant, bar with Oceanic view of the Indian Ocean as well as business centre facility.

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On the management and marketing scenarios, negotiations will be made between the Company and reputable Brand Names Hotel Corporation of the UAE or UK will agree to use their brand name as well take charge of the operations and indulging in international marketing and promotion of the proposed Hotel to the potential clients all over the world.

### **2.3 The Hospitality Industry in Tanzania**

Tanzania is one of the significantly large countries in Africa and the Largest member state of the East Africa Community (EAC), lying on the East coast between Latitude 1<sup>o</sup> and 11<sup>o</sup> South and Longitude 30<sup>o</sup> and 40<sup>o</sup> East and covering an area of about 945,000 sq km. Tanzania has wide range of tourists attraction including Ngorogoro crater, Mount Kilimnjaro, National Parks, great lakes, beaches, historical sites etc. The presence of natural tourism attraction has created number of investment opportunities in Tourism Sector and made the hospitality industry to grow compared 20 years ago. Thus the Hospitality industry in Tanzania is service oriented whose structure comprise the Tourism sector, Hotels and Lodges, and the Tour Operators

### **2.4 Hotels and Lodges**

Hotels and accommodation and catering services are a major subsector supporting the hospitality industry. Although the number of tourist has been increasing steadily in recent years, the hotel accommodation and catering services has continued to lag behind in adequacy and quality and therefore there is constant demand for quality accommodations. The following table provides an overview of the situation of accommodation facilities in the country.

#### **Hotel Accommodation Facilities in Tanzania Mainland**

<b>Item</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Number of Hotels	469	474	496	503	515	520	529
Number of Bedrooms	30,600	30,840	31,365	31,689	31,870	32,045	32,315
Number of Hotel Beds	55,500	55,932	56,562	65,886	56,995	57,205	58,167

**Source:** Statistical Abstract 2009 and Ministry of Natural Resources and Tourism

As depicted in the table above, by the year 2009 there were 529 hotel and lodges in the country with a total of 32,315 bedrooms, providing about 58,167 beds. This is an increase

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of about **12.7% only**; covering a period about 7 years, starting 2003. The number of tourist arrived over the same period of time, increased by about **24%**.

### **2.5 Accommodation Establishments Graded in Dar es Salaam and Coast regions**

Accommodation establishments in Tanzania have been classified in recently years in stars classification. The inauguration of stars hotels classification exercise was conducted in Dar es Salaam and Coast Regions. During the first half of 2010 a total of sixty six (66) accommodation establishments were graded and awarded STARS accordingly.

#### **Accommodation Establishments Graded in Dar es Salaam and Coast regions**

<b>GRADE</b>	<b>NUMBER OF ACCOMMODATION ESTABLISHMENTS</b>	<b>PERCENTAGE</b>
Five Star	3	4.5
Four Star	12	18.18
Three Star	25	37.88
Two Star	16	24.24
One Star	10	15.2
<b>Total</b>	<b>66</b>	<b>100</b>

**Source:** MNT and TTB 2010

The table above depict out that, five stars hotels which currently present in Tanzania are 3 in number which is equivalent to 4.5% of the 66 hotels which have been classified. This implies that, Dar es Salaam city still require investor to invest five stars hotel. The five star (5) accommodation establishments in Dar es Salaam are as follows;

1. Kilimanjaro Hotel Kempinski;
2. Serena Hotel
3. Sea Cliff Hotel.
4. Ramada Hotel
5. City Lodge

## **2.6 Project Sponsors and their Legal Status**

The project is being promoted by local Tanzanian Entrepreneurs with diverse business in Tanzania ,The project promoters owned a limited liability company which was incorporated in the country on June 2005, with a certificate of Registration No: 55097. The Shareholding of the Company are as follows.

<b>Name of Directors</b>	<b>Nationality</b>	<b>Number of shares</b>
Abdallah A. Mbarak	Tanzanian	3,600
Salmin A. Mbarak	Tanzanian	3600
Sabri A. Mbarak	Tanzanian	3600

## **2.7 Project**

### **2.7.1 Brief Background Information:**

Project Sponsors have acquired a 2 acre land which is located a Ngobanya Kigamboni alongside Indian Ocean within the city of Dar es Salaam have. Project Promoters have embarked on the construction of a 60 bedroom high-class luxury Hotel.

### **2.7.2 Project Description**

Project will involve construction of a brand new Luxury Hotel building, with high class finishing. On completion, the Hotel will have an international standards “5 Star” grade. The implementation of the project will therefore involve the following activities.

- I. Construction of a brand new Hotel building comprising of the main Lobby, Reception, Restaurant, Kitchen, Library, Viewing Deck, Offices...etc. as well as a total of 100 spacious rooms and other related amenities.
- II. Civil works will also entail landscaping and development, construction of an infinity swimming pool, excavation and other earth works.
- III. Roofing, floor lining, tile slab finishing, external wall finishing, and external painting.
- IV. Electrical installation including installation of standby generators.
- V. Installation of other equipment like Firefighting equipment, water supply and plumbing, air-conditioning and ventilation system, CCTV and security system, IT and communication equipment, inverters and Solar powered equipment for lighting, Heating and other purposes.

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- VI. Procurement of motor vehicles, which will be used for shuttle services for picking up guests from the Air Port as well as delivery vans and Trucks for hotel operational use.
- VII. Procurement of furniture, fittings and finishing materials.
- VIII. Installation in-house cooling system in the entire building
- IX. Construction of conference hall with international standards and equipping the conference hall with modern facilities.
- X. Procurement of Operating Items and equipment such as Heavy duty commercial Kitchen Installations, Laundry, Water filtration and treatment plant etc

### **2.8 Commercial Aspects:**

#### **2.8.1 The products:**

When implementation is complete the Hotel will provide superior quality of facilities which will include the following:

- I. A total of 60 guest rooms each of which will not be less than 30 sq/mtrs, all fitted with modern furniture, amenities & facilities to 3 to 4 Star standards.
- II. There will be a Restaurant.
- III. Curio and souvenir shop.
- IV. A bar with stunning views of the Ocean
- V. An Infinity swimming pool.
- VI. Conference services to maximum of 400 participants
- VII. The hotel will provide shuttle services to and fro the Airports.

#### **2.8.3. Services to be offered by the Project**

The project will indulge into the following income generating services;

#### **2.8.4. Hotel Accommodation Service**

The service will involve reserving accommodation for clients likely to spend their nights and days on their convenient times regardless whether they are Tanzania Residents on Non Tanzanian Residents.

### **2.8.5. Tour operation**

Under this service provision activity, the company will be fully involved in all aspects of tour operations such as arranging all travel arrangements for clients and reservation, ground handling and transport for clients, lodge-based game safaris, and balloon safaris, luxury tented-camp safaris, adventure safaris, mountain trekking, walking and hiking safaris, beach and leisure holidays, cultural tours

### **2.8.6. Tour Agency**

The company will be a tour agency for other world travelers agency /World tour agency requesting the company to organize a tour for their clients and such services will be provided on a commission basis after taking consideration the actual cost of organizing the tour. The standard commission rate ranges from 10 %- 20%

### **2.8.7. Conference events**

The company will be organizing, marketing and hosting international and local tourism conference events to be held at the Hotel. The company intends to employ event plan and Conference Manager.

## **2.9. Pricing Strategy**

The will determine its pricing structure for all its products and services on basing on the criteria such as fuel costs, parking \entry fees, Marketing cost, salaries and etc. However the Company intend to offer best quality services that comply to the price charged as indicated earlier, there is a market segment that has spending power and can afford this pricing. Therefore, this pricing will reflect the targeted market segment in focuses.

## **2.10. Sales and Marketing Communication**

Under the implementation plan the following sales and marketing communication approaches will be carried out:- Advertising through internet, print media, audio visual media and Joining membership to various trade associations.

## **2.10 The Market:**

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### **2.10.1. General Overview:**

The newly constructed Luxury Hotel will provide services to mainly tourists, leisure travelers and Conference segments/clients. Also, the Lodge will be linked to a chain of other hotels in the world such as USA, UK , UAE. Etc to enhance its marketability

The Company is planning to contract reputable well known Hotel or chain Hotels with good brand name to manage and market this hotel. Having a complete circuit of Hotels there will be a unique competitive advantage as this chain of units can be marketed as a whole and will also be pre-sold as complete Package

Following profound reform measures in the tourism industry in Tanzania, tremendous development can be noticed in the sector at the moment. The Government has instituted major structural changes in the sector by establishment of Tanzania Tourism Board in 1994, in addition to formulating the Tourism Policy in 1999. Currently the tourism sector is a major earner of foreign exchange, and contributor to the country's Gross Domestic Product.

The number of visitors into Tanzania for tourism and business purposes has been increasing over the years. About 70% of visitors to Tanzania are for tourism purposes while 30% are for business purposes.

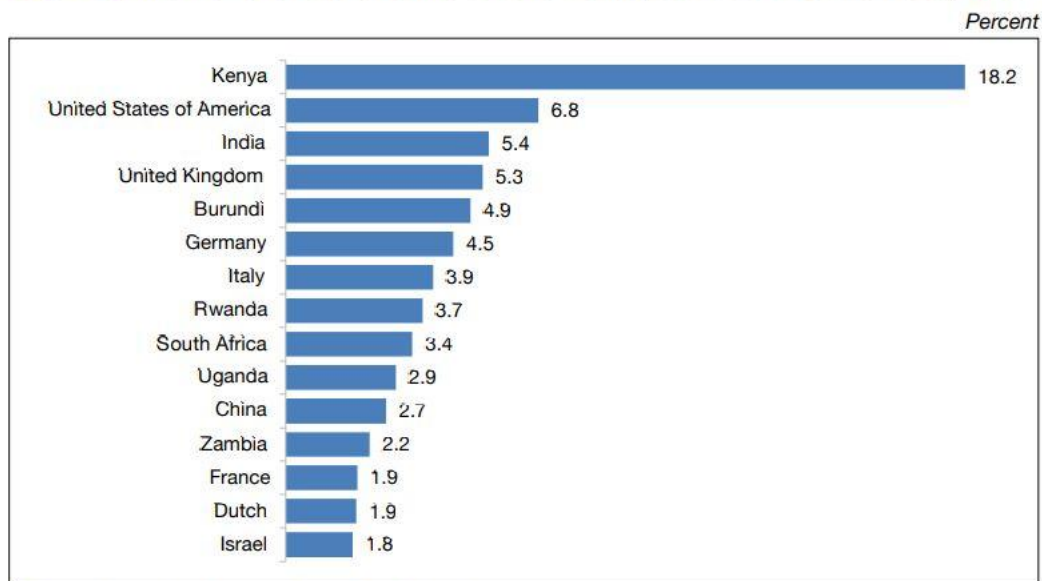
During 2009 the total number of visitors in the country was about 1,020,524, of whom 714,367 were tourists who visited different tourist attractions around the country, and about 306,157 were business visitors.

By the end of 2009 there were about 529 hotels and lodges in the country providing about 32,315 bedrooms and about 58,167 beds. Only about 50% of the above facilities are considered of acceptable international Standard. Major competition is expected from the following hotels which are rated 5 Star which include: Kilimanjaro Hotel Kempinski, Serena Hotel; Sea Cliff Hotel which are all located in Dar es salaam areas. However the high quality of rooms and other facilities to be provided by the hotel will make tariff very competitive. Moreover, this Hotel will benefit from getting a huge worldwide exposure immediately since the Marketing will be done other chain Hotels which are world renowned Luxury brand in Hospitality. Project promoters will be consulting worldly known brand Hotels for negotiations to take over the entire spectrum of management and marketing of the facility.

### **2.10.2. The Demand Level**

Tanzania's tourism industry is thriving and continues to be among the key activities in generating foreign exchange. The tourism industry continued to grow in 2016, with the number of tourist arrivals increasing by 12.9 percent to 1,284,279 from 1,137,182 recorded in 2015. Consequently, the country's tourism earnings rose by 12.1 percent to USD 2,131.6 million in 2016 from USD 1,902.0 million recorded in 2015. In the case of Zanzibar, arrivals increased by 40.7 percent to 284,519 resulting to a surge in tourist earnings to USD 383.0 million in 2016 compared with USD 293.5 million in 2015.

**Chart 10 International tourist arrivals to Tanzania, top 15 source markets, 2016**



Source: Immigration Services Department, 2016

### **2.10.3. The supply Level**

By the end of 2009 there were about 529 hotels and lodges in the country providing about 32,315 bedrooms and about 58,167 beds. In Dar es Salaam and Pwani Regions up to 2010 there 66 classified in Hotel stars classification only 3 hotels (which was equivalent to 4.5%) were considered of acceptable international Standard, the situations reflect of inadequate number of the facilities compared to the number of visitors. The demand for accommodation facilities has always remained high in this Tourist hotspot such that Tour Operators (both foreign and local) block-book rooms in advance.

## PART III

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### **3.0 ORGANIZATION AND MANAGEMENT**

#### ***3.1 Project Implementation Management:***

Project implementation will be carried out by a competent contractor whose identification and appointment is already underway. Project promoters have started the process of tendering in order to identify the appropriate Contractor who will carry out the construction works.

In addition to the above process, project promoters, have already started engaging project consultants who will be operating on behalf of the promoters. The entire construction and civil works, together with other implementation activities will be coordinated by Technical Director.

#### ***3.2 Operational Management:***

The Hotel Operational management will be under the coordination of the internationally recognized and reputable brand Hotels which will be contracted to market and manage the hotel.

The day to day operations of the Hotel will be vested upon the Hotel General Manager, who will be assisted by Heads of Departments. The heads of Department will include the Deputy General Manager, Food and Beverage Manager, Front Office Manager, Chief Security Officer, Executive Housekeeper, Financial Controller, and the Banquet/Conference Manager. Others will include Sales and Marketing Manager, Chief Engineer, IT Manager and the Executive Chef. When commercial operations begin, the Hotel is expected to employ a total of 80 staff as shown in the Table on the next page.

#### ***3.3 Staff Training:***

Staff training and orientation will commence three months prior to the launch of the commercial operations. This in accordance with the rules and standards set by Hotel. Thereafter, staff training will be conducted on a continuous basis in order to equip staff with new techniques which are applicable in the industry.

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<b>Department</b>	<b>Number of Staff</b>
General Manager' Office	1
Food & Beverage Department	11
Front Office Department	5
Security Department	9
House Keeping Department	13
Account Department	4
Banquet & Conference Department	2
Sales and Marketing Department	1
Human Resources Department	2
Engineering Department	9
IT Department	1
Kitchen department	10
Garden	6
Stores Department	4
Health Club	2
<b>TOTAL</b>	<b>80</b>

## PART IV

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### **4.0. FINANCIAL AND INVESTMENT ASPECTS**

#### **4.1. Project Assumptions:**

##### **4.1.1 Operating Assumptions:**

- I. The currency of computation is the United States Dollars. This has been necessitated by the fact that project promoters have been talking to a number of other Financial Institutions around the world regarding this and many other investment opportunities.
- II. Implementation of the project is expected to take 3 to 4 years months starting 2022
- III. The hotel will have a total of 60 rooms.
- IV. Other facilities which will contribute to the income flow will be as follows:
  - One health club
  - Curio/Souvenir shop
  - A Business centre which will be rented out at an assumed price of US\$ 1,500 per month.
- V. Room tariff will be as follows:
  - Double rooms will attract a tariff of US\$ 450 per night inclusive of VAT.
  - Single rooms will attract a tariff rate of US\$ 350 per night inclusive VAT.
  - A triple room will attract a tariff of US\$ 575 per night.
- vi. Occupancy is assumed to star at 45% in the first year 55% in the second year, 60% in the third year, 65% in the fourth year and then stabilize at 70% in the subsequent years.

#### **4.2 Investment and Financing assumptions:**

- I. Total project cost is estimated at **US\$ 2,750,000**. Including an amount for initial working capital of **US\$ 200,000**.

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II. Depreciation and amortization rates of fixed assets as follows:

Building and civil works	4% reducing balance
Equipment	12.5 on reducing balance
Motor vehicles	25% straight Line.
Furniture and fittings	12.5 on reducing balance
Pre-operational expenses	Amortized over 4 years.

### **4.3 Investment cost and Financing Plan**

#### **4.3.1 Investment cost summary**

Total project cost is estimated at **US\$ 2,750,000,000** as follows:

Land development, Building and Civil works	1,850,000
Plant , machinery and Equipments	250,000
Motor Vehicles	100,000
Furniture and fittings	300,000
others	50,000
Working capital	200,000
<b>TOTA PROJECT COST</b>	<b>2,750,000</b>

### **4.3.2 Investment implementation Schedule**

Project implementation schedule is expected to take 48 months. In this regard project completion will be on **2026**.

<b>RANK</b>	<b>ACTIVITY</b>	<b>PERIOD</b>
1.	Project submission for Approval by TIC	August – September 2021
2.	Finalizing Land ownership transfer to Great Lakes	September – December 2021
3	Site planning and architect drawings and application for building permits	January – March 2022
4.	Procurement of building materials (local procurement and importation)	March - May 2022
5.	Starting of site construction activities	May 2022 – May 2024
6.	Importation of finishing building materials and furniture and equipments	June – September 2024
7.	Finishing and furnishing work starts	September – December 2024
8.	Finalizing hotel branding, business permits, recruitments and staffs training	January - May 2025
9.	Full scale operation of the Hotel	May 2025 – January 2026

### **4.4 Investment structure**

For the project to be a reality a total investment amounting to **2,750,000 \$** including working capital.

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### **4:4:1 Land and Building 1,850,000 \$**

The total cost of Investment on this item is estimated to be 1,850,00 USD. Out this amount 800,000 USD is the sum of money used to buy 2 acres of land at Mbezi Kawe, the land procured is for investment purposes of this project. The rest amount of 1,050,000USD is estimated to be spent for buying all building materials and civil works for erecting up the structures and infrastructures of this project such as cements, reinforcement steel, ceramic floor tiles, roofing tiles, sinks etc. But also this amount will cater for Land scalping, Swimming pools construction and interior design.

### **4:4:2 Furniture and fittings 300,000 \$**

This investment Cost item has been estimate to be 300,000\$. It will consist office/dining, conference facilities, tables, chairs, telephone, fax machines, computer and printers, File cabinets, sofa chairs etc

### **4:4:2 Machinery and Equipment 250,000 \$**

The cost covers things like Generators, Modern cooling system, solar panels and accessories, water pump, laundry machines, waters heaters, refrigerators, Kitchen and Laundry equipments etc.

### **4:2:2 Motor Vehicles: 100,000 \$**

The project will need vehicles at estimated cost of 100,000 USD. The Company intends to 4 buy new brand taxies radio call, New brand 2 Minibuses. Safari Vehicles which will be used for wild safaris and in any highly tourism attractive area

### **4:4:3 Other Facilities 50,000 \$**

The cost provision of 50,000 \$ has been set aside to cater for the cost of procurement computers and its accessories and installation of internet services as well as modification of Hotel facilities to suite the world five stars hotel standards

### **4:4:4 Working Capitals 200,000 \$**

Provision of working capital of 200,000 USD has been set aside for project operation. This will take care of Employee, training, salaries, fuel etc.

## PART V

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### **5:0 CONCLUSION AND RECOMMENDATION**

#### **5:1 conclusion**

The successful implementation of the establishment of this 3 Stars Hotel, will add yet another high quality Hotel accommodation facility with the hospitality Industry in Tanzania.

This Hotel will contribute to the alleviation of the shortage of hotel facilities in the tourist sector in the country.

The project will have other benefits, including, creation of nearly 80 direct jobs in the area, contribution to the Government revenue through taxes and other fees. The project also indicates that it will be financially and economically sound and viable.

#### **5.2 Recommendation:**

After the foregoing economic and financial evaluation of the project, there is a strong justification for implementing this project and for the relevant Government organs to give it the encouragement and support it deserves. Management strongly recommends that this project be implemented and be given all the support required by all the concerned Government Ministries and agencies, including the Tanzania Revenue Authority, TRA, and the Tanzania Investment Centre, TIC. The project deserves this support because of its viability, since it is technically and financially feasible, economically viable and socially acceptable.

## PROJECTED FINANCIAL STATEMENTS

<b>GREAT LAKES FREIGHT LIMITED</b>					
<b>PROJECTED INCOME STATEMENT</b>					
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 4</b>	<b>YEAR 5</b>	<b>YEAR 6</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>SALES</b>	1,956,000	2,850,000	2,416,000	2,444,992	2,474,332
<b>COST OF SALES</b>	1,348,220	2,155,500	1,616,420	1,635,817	1,655,447
<b>GROSS MARGIN</b>	607,780	694,500	799,580	809,175	818,885
<b>OPERATING COSTS</b>					
Advertising	7,000	7,700	8,470	8,572	8,674
Automotive	2,130	2,343	2,577	2,608	2,640
Bank charges	1,400	1,540	1,694	1,714	1,735
Business taxes	2,000	2,200	2,420	2,449	2,478
Casual wages	4,000	4,400	4,840	4,898	4,957
Depreciation	202,500	202,500	202,500	204,930	207,389
Dues, licenses and fees	1,200	1,320	1,452	1,469	1,487
Insurance	1,000	1,100	1,210	1,225	1,239
Interest on long-term debt	0	0	0	0	0
Management salaries	20,544	21,186	21,443	21,700	21,961
Misellaneous expenses	3,000	3,300	3,630	3,674	3,718
Office costs	3,000	3,300	3,630	3,674	3,718
Postage	2,000	2,200	2,420	2,449	2,478
Professional fees	2,000	2,200	2,420	2,449	2,478
Property taxes	1,100	1,210	1,331	1,347	1,363
Repairs and maintenance	2,100	2,310	2,541	2,571	2,602
Rent	2,000	2,200	2,420	2,449	2,478
Salaries and benefits	322,080	328,522	335,092	339,113	343,182
Telephone	1,200	1,320	1,452	1,469	1,487
Utilities	1,500	1,650	1,815	1,837	1,859
<b>Total Operating Costs</b>	<b>581,754</b>	<b>592,501</b>	<b>603,357</b>	<b>610,597</b>	<b>617,925</b>
<b>INCOME BEFORE TAXES</b>	<b>26,026</b>	<b>101,999</b>	<b>196,223</b>	<b>198,578</b>	<b>200,960</b>
<b>INCOME TAXES</b>	<b>(7,808)</b>	<b>(30,600)</b>	<b>(58,867)</b>	<b>(59,573)</b>	<b>(60,288)</b>
<b>NET INCOME</b>	<b>18,218</b>	<b>71,400</b>	<b>137,356</b>	<b>139,004</b>	<b>140,672</b>

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<b>GREAT LAKES FREIGHT LIMITED</b>							
<b>PROJECTED BALANCE SHEET</b>							
<b>Five Years Ending</b>							
	Opening	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash	150,000	377,442	670,968	1,035,165	1,159,385	1,298,511	
Accounts receivable	-	81,500	118,750	100,667	112,747	126,276	
Inventory	-	-	-	-	-	-	
Other assets	50,000	50,000	50,000	50,000	56,000	62,720	
<b>Total</b>	<b>200,000</b>	<b>508,942</b>	<b>839,718</b>	<b>1,185,832</b>	<b>1,328,131</b>	<b>1,487,507</b>	
<b>CAPITAL ASSETS</b>							
Land	800,000	800,000	800,000	800,000	896,000	1,003,520	
Building	1,050,000	1,050,000	1,050,000	1,050,000	1,176,000	1,317,120	
Equipment	50,000	50,000	50,000	50,000	56,000	62,720	
Furniture and fixtures	300,000	300,000	300,000	300,000	336,000	376,320	
Leasehold improve	-	-	-	-	-	-	
Plant Equipments	200,000	200,000	200,000	200,000	224,000	250,880	
Automotive equipmen	100,000	100,000	100,000	100,000	112,000	125,440	
Other	50,000	50,000	50,000	50,000	56,000	62,720	
	2,550,000	2,550,000	2,550,000	2,550,000	2,856,000	3,198,720	
Accumulated deprecia	-	(202,500)	(405,000)	(607,500)	(680,400)	(762,048)	
	2,550,000	2,347,500	2,145,000	1,942,500	2,175,600	2,436,672	
<b>Total</b>	<b>2,750,000</b>	<b>2,856,442</b>	<b>2,984,718</b>	<b>3,128,332</b>	<b>3,503,731</b>	<b>3,924,179</b>	
<b>LIABILITIES</b>							
<b>CURRENT</b>							
Accounts payable	-	80,416	114,500	92,491	103,590	116,020	
Income taxes payable	-	7,808	30,600	58,867	65,931	73,843	
Current portion of long-term debt	(1)	0	0	0	0	0	
<b>Total</b>	<b>(1)</b>	<b>88,224</b>	<b>145,100</b>	<b>151,358</b>	<b>169,521</b>	<b>189,863</b>	
<b>LONG-TERM DEBT</b>							
Long-term loan	-	1	1	0	0	0	
Less current portion	1	(0)	(0)	(0)	(0)	(0)	
	1	1	0	-	-	-	
<b>Total</b>	<b>-</b>	<b>88,224</b>	<b>145,100</b>	<b>151,358</b>	<b>169,521</b>	<b>189,863</b>	
<b>OWNER'S EQUITY</b>							
Cash	1,950,000	1,950,000	1,950,000	1,950,000	2,184,000	2,446,080	
Contributed asset valu	800,000	800,000	800,000	800,000	896,000	1,003,520	
Accumulated earnings	-	18,218	89,618	226,974	254,211	284,716	
	2,750,000	2,768,218	2,839,618	2,976,974	3,334,211	3,734,316	
<b>Total</b>	<b>2,750,000</b>	<b>2,856,442</b>	<b>2,984,718</b>	<b>3,128,332</b>	<b>3,503,731</b>	<b>3,924,179</b>	

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<b>GREAT LAKES FREIGHT LIMITED</b>						
<b>PROJECTED STATEMENT OF CASH FLOWS</b>						
<b>For Five Years Ending</b>						
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED BY THE FOLLOWING ACTIVITIES</b>						
<b>OPERATING</b>						
Net earnings	18,218	71,400	137,356	153,838.73	172,299.37	
Depreciation	202,500	202,500	202,500	226,800.00	254,016.00	
	220,718	273,900	339,856	380,638.73	426,315.37	
Changes in working capital accounts				-	-	
Accounts receivable	(81,500)	(37,250)	18,083	20,253.33	22,683.73	
Inventory	-	-	-	-	-	
Other assets	-	-	-	-	-	
Accounts payable	80,416	34,084	(22,009)	(24,650.43)	(27,608.48)	
Income taxes payable	7,808	22,792	28,267	31,659.09	35,458.18	
<b>Total</b>	<b>227,442</b>	<b>293,526</b>	<b>364,197</b>	<b>407,900.72</b>	<b>456,848.80</b>	
				-	-	
<b>FINANCING</b>				-	-	
Repayment of long-term loa	1	(0)	(0)	(0.28)	(0.32)	
				-	-	
<b>CHANGE IN CASH</b>	<b>227,442</b>	<b>293,526</b>	<b>364,197</b>	<b>407,900.43</b>	<b>456,848.49</b>	
				-	-	
<b>CASH, BEGINNING OF</b>	<b>150,000</b>	<b>377,442</b>	<b>670,968</b>	<b>751,484.29</b>	<b>841,662.41</b>	
				-	-	
<b>CASH, END OF YEAR</b>	<b>377,442</b>	<b>670,968</b>	<b>1,035,165</b>	<b>1,159,384.73</b>	<b>1,298,510.89</b>	

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<b>GREAT LAKES FREIGHT LIMITED</b>					
<b>PROJECTED OPERATING COSTS</b>					
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 3</b>	<b>YEAR 5</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Advertising	7,000	7,700	8,470	9,486	10,625
Automotive	2,130	2,343	2,577	2,887	3,233
Bank charges	1,400	1,540	1,694	1,897	2,125
Business taxes	2,000	2,200	2,420	2,710	3,036
Casual wages	4,000	4,400	4,840	5,421	6,071
Dues, licenses and fe	1,200	1,320	1,452	1,626	1,821
Insurance	1,000	1,100	1,210	1,355	1,518
Misellaneous expens	3,000	3,300	3,630	4,066	4,553
Office costs	3,000	3,300	3,630	4,066	4,553
Postage	2,000	2,200	2,420	2,710	3,036
Professional fees	2,000	2,200	2,420	2,710	3,036
Property taxes	1,100	1,210	1,331	1,491	1,670
Repairs and maintenance	2,100	2,310	2,541	2,846	3,187
Rent	2,000	2,200	2,420	2,710	3,036
Telephone	1,200	1,320	1,452	1,626	1,821
Utilities	1,500	1,650	1,815	2,033	2,277
<b>Total</b>	<b>36,630</b>	<b>40,293</b>	<b>44,322</b>	<b>49,641</b>	<b>55,598</b>

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<b>GREAT LAKES FREIGHT LIMITED</b>							
<b>Projected Salaries &amp; Wages</b>							
			<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
<b>General salaries and benefits:</b>							
<u>Position:</u>	<u>Name:</u>						
<u>Directors</u>	3		72,000	73,440	74,909	76,407	77,935
<u>Mangers</u>	4		9,600	9,792	9,988	10,188	10,391
<u>Officers</u>	60		187,200	190,944	194,763	198,658	202,631
<u>Sales team</u>	4		12,000	12,240	12,485	12,734	12,989
<u>watchmen</u>	4		12,000	12,240	12,485	12,734	12,989
<u>Total</u>	75					-	-
			292,800	298,656	304,629	310,722	316,936
	Estimated benefits (10%)		29,280	29,866	30,463	31,072	31,694
<b>Total salaries and benefits</b>			<b>322,080</b>	<b>328,522</b>	<b>335,092</b>	<b>341,794</b>	<b>348,630</b>
						-	-
<b>Management salaries</b>							
<u>Position:</u>	<u>Name:</u>						
<u>Project Manager</u>	1		4,800	5,400	5,640	6,000	6,120
<u>Marketing</u>	3		14,400	14,400	14,400	14,400	14,688
						-	-
						-	-
			19,200	19,800	20,040	20,441	20,850
	Estimated benefits (7%)		1,344	1,386	1,403	1,431	1,459
<b>Total management salaries</b>			<b>20,544</b>	<b>21,186</b>	<b>21,443</b>	<b>21,872</b>	<b>22,309</b>
						-	-
<b>Total salaries</b>			<b>342,624</b>	<b>349,708</b>	<b>356,535</b>	<b>363,666</b>	<b>370,939</b>

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<b>GREAT LAKES FREIGHT LIMITED</b>	
<b><i>COST INVESTMENT STRUCTURE</i></b>	<b>\$</b>
<b>Current assets</b>	
Working capital	150,000
Opening inventory	-
Other	50,000
<b>Sub Total</b>	<b>200,000</b>
<b>Property and equipment</b>	
Land	800,000
Building	1,050,000
Equipment	50,000
Furniture and fixtures	300,000
Leasehold improvements	-
Plant	200,000
Motor Vehicles	100,000
Pre-operating	50,000
	2,550,000
<b>Total assets</b>	<b>2,750,000</b>
<b><i>Financing</i></b>	<b>\$</b>
<b>Long-term liabilities</b>	
Long-term loan	-
<b>Owner's equity</b>	
Cash	1,950,000
Contributed asset value	800,000
<b>Total</b>	<b>2,750,000</b>

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<b>Depreciation rates:</b>			
Depreciation will be calculated by the straight-line method			
at the following rates:			
			<u>Depreciation</u>
Land		0%	-
Building		5%	52,500
Equipment		20%	10,000
Furniture and fixtures		20%	60,000
Leasehold improvements		20%	-
Plant		20%	40,000
Motor Vehicles		30%	30,000
pre operating		20%	10,000
		<b>Total</b>	<b>202,500</b>



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