

ACRONYMS AND ABBREVIATIONS

BCA	Benefit/Cost Analysis
B/C	Benefit/Cost Ratio
BP	Business Plan
BOT	Bank of Tanzania
CSP	Corporate Strategic Plan
CSR	Corporate Social Responsibility
GDP	Gross Domestic Product
GPS	Global Positioning System
MoFP	Ministry of Finance and Planning
MZP	Management Zone Plan
NBV	Net Book Value
NCA	Ngorongoro Conservation Area
NCAA	Ngorongoro Conservation Area Authority
NPV	Net Present Value
PTC	Permanent Tented Camp
R.E	Revised Edition
TIC	Tanzania Investment Centre
TIN	Taxpayer Identification Number
TNBC	Tanzania National Business Council
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
USD	United States Dollar
UTM	Universal Transverse Mercator Coordinate System
VAT	Value-Added Tax
WTTC	World Travel and Tourism Council

1.0 INTRODUCTION

1.1. Background Information

Tanzania has diverse natural heritages, which attract potential investors that offer a wide range of business enterprises. One of these is abundant and great concentration of wild animals and their constituent habitats, which form the basis for wildlife-based tourism. Tourism is one of the leading recipients of foreign investment flow in Tanzania, which contributes immensely to the country's economic growth. According to the Budget Speech by the Minister of Natural Resources and Tourism in June 2023, the country was ranked the seventh (7th) among 18 countries in Africa's leading destinations in 2022. The tourism sector's contribution to the country's GDP was about 17.5% and approximately 25% to the foreign currency earnings (URT, 2023). In view of that, the government of Tanzania has continued to put considerable effort to promoting tourism business to increase the sector's contribution to the country's economic growth without spoiling the culture and natural environment, which the industry largely depends on.

Over the five year-period, tourist arrivals to Tanzania increased from 1,137,182 in 2015 to 1,527,230 in 2019 before the Covid-19 pandemic (MoFP, 2021). According to the Tanzania's Five-Year Development Plan III (2021/2022-2025/2026) the Government is aspiring to receive at least five (5) million international tourists and generate estimated six (6) billion United States Dollar (USD) in the financial year 2025/2026, which will increase the tourism sector's share to the country's foreign earning from 25% in 2019 to 27% in 2026 (MoFP, 2021).

Further, given the successful fast recovery of the sector after the Covid-19 pandemic shock, the Tanzania National Business Council (TNBC) is optimistic that the share of the tourism sector to the country's GDP will reach 19.5% in 2025/26 (Tanzania Invest, 2023). One of the strategies earmarked by the Government to realize this target is to adopt the transformative participation of the private sector and non-state actors in the competitive economy (MoFP, 2021). With this strategy and considerable marketing by the Government in cooperation with the private sector, the number of tourist arrivals has reached 1.808 million in 2023 (BOT, 2024).

Majority of tourists who visit Tanzania are attracted by abundant and diverse wildlife, which is mostly found in wildlife protected areas. The NCAA, which is a parastatal organization and mandated to manage the NCA therefore supports the Government initiatives by providing conducive environment for investors to invest in accommodation facilities that meet international standards without compromising the outstanding universal values that compelled the NCA to be established. The major functions of the NCAA according to the NCA Act, Cap. 284 (Revised Edition-R. E, 2002) are to: (i) conserve and develop the natural resources of the NCA; (ii) safeguard and promote the interests of Maasai citizens of the United Republic engaged in cattle ranching and dairy industry within the NCA; and (iii) promote tourism within the NCA and provide and encourage the provision of facilities necessary or expedient for the promotion of tourism.

To partly realize the third function that is promotion of tourism NCAA allows investment in the NCA to provide for accommodation to tourists, both local and foreign and in addition to that, generate income to support conservation activities as well as opportunities for human enjoyment (NCAA, 2019).

It was from this background, the NCAA through its letter with Reference Number CCD.270/486/01/62 of 18th January 2004 allowed Embalakai Camps Limited to upgrade its existing seasonal camp located at Elerai site within the NCA to a PTC. Elerai site is located in Malanja area, Oloirobi village in the Ngorongoro ward with a central point situated at Global Positioning System (GPS) coordinates 36M 0767914 UTM 9654297 (Appendix 1) that falls within the "Development Zone" and which, according to the NCA-Management Zone Plan (MZP) (2021-2026), settlements and tourism investments are allowed (Figure 1.1).

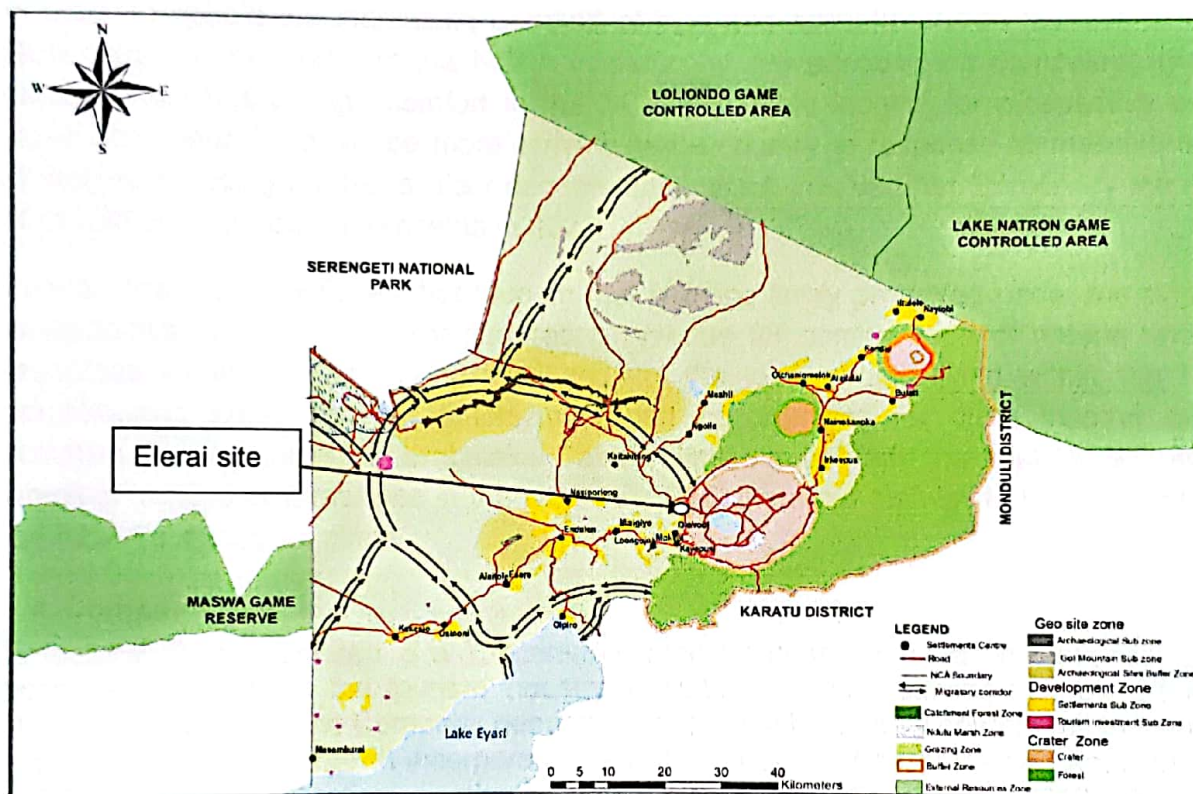


Figure 1. 1: Location of Elerai site in relation to NCA management zones (Source: NCA-ZMP (2021-2026))

The Company is therefore set to establish the proposed accommodation facility that will consist of 30 guest tent units of different categories. The proposed PTC will have a central building that will consist of a reception and visitors' lounge; management offices; public toilets; gift shop and business centre; luggage room; and a restaurant and bar. Attached to the central building but on its backyard will be a kitchen, chef's office, cold room and stores for keeping

various items. Recreation facilities will include a public swimming pool with associated changing rooms, showers and toilets for both males and females and message and gymnasium rooms.

1.2. Purpose of the Business Plan

This project business plan (BP) analyses the market viability of the proposed investment; forecasts occupancy for the next five years and assesses the cost-benefit of the proposed project. It also determines revenue and profits for the developer, NCAA, the Treasury and other respective government institutions and relevant stakeholders and predicts the time frame for the project to recover investment cost.

1.3. Justification of the Proposed Project

In order to uphold the increasing demand of high-end accommodation facilities in NCA, the Government in general and the NCAA in particular are encouraging competent investors to establish facilities of high comfort in the NCA to provide lodging for prospective visitors as signs show that there will be more arrivals in the country in response to massive marketing strategies including the Royal Tour documentary, which involved her Excellency the President of the United Republic of Tanzania in 2022.

Further, the NCAA believes that tourism that is being firmly promoted under the principles of sustainability is a vital tool for generating revenue for conservation of natural and cultural resources as well as improving livelihoods of the local people living within the NCA and neighbouring areas through employment and opportunities for other income generating activities. The endeavour of Embalakai Camps Limited to upgrade the existing seasonal camp, which is located at Elerai site in the NCA to a PTC therefore fits well in the Government and the NCAA's economic plans.

1.4. Company Profile

Embalakai Camps Limited is a Tanzanian-owned Company that was established to provide hospitality services in the tourism industry in Tanzania. While striving to protect the natural integrity of the land, The Company generates revenue, which partly contributes to the country's economic growth at large. It incorporated in Tanzania under the Companies Act Cap. 212 with certificate of incorporation number 138213692 of 21st November, 2018 (Appendix 2), registered as a taxpayer by the Tanzania Revenue Authority (TRA) with the Taxpayers Identification Number (TIN) 138-213-692 of 29th November, 2018 (Appendix3), has a valid Tax Clearance Certificate Number 151-0196-625 dated 12th March, 2024 (Appendix 4 and possesses a license No. 018722 due for expiry on 31st December, 2024 to operate a seasonal camp located at Elerai site within the NCA (Appendix 5) .

2.0. MARKET VIABILITY AND INVESTMENT COST

2.1. Market Viability

Experience of approximately three years of operating a 10-tent seasonal camp at Elerai site in the NCA, which has proved to be environmentally friendly, economically viable and socially acceptable has obliged Embalakai Camps Limited to request and was allowed by NCAA to upgrade the facility to a permanent tented camp. The proposed permanent tented camp aims at offering high-end services to visitors who are compelled to spend their nights inside the NCA where wildlife, which motivate them to visit the area are found. The premier services that will be provided at the proposed facility assures a viable market share to the Company. 2.1 Forecasted Occupancy for the Next Five Years

Generally, in 2023 the existing 10-tent seasonal camp recorded an average of 60% occupancy, which was 4,380 beds (20 beds x 365 days x 60/100). Basing on the visitors' interest with the services, which are provided by Embalakai Camps Limited, it is anticipated that this number will double to 8,760 bed occupancy during the first year of operation of the proposed permanent tented camp, which will account for 40% of the Camp capacity (60 beds x 365 x 40/100). This projection is anticipated to increase up to 17,520 during the fifth year of operation and account for 80% of the full bed capacity. This growth translates into a growth rate of 10% every year.

Table 2. 1: Forecasted bed occupancy for five years of operation

Year	Bed Occupancy	% of the total capacity	Growth rate (%)
Year 1	8,760	40	--
Year 2	10,950	50	10
Year 3	13,140	60	10
Year 4	15,330	70	10
Year 5	17,520	80	10

Source: Embalakai Camps Limited, February 2024

2.2. Investment Cost

Total investment cost of the project is estimated to be TZS 2,813,780,000 (Table 2.2). For financial and economic purposes, the year of pre-operational and construction works is referred to as zero year in this BP and operation will commence immediately after 12 months of construction, which is referred to as year one.

Buildings include all structures that will be comprised of more or permanent construction materials mainly the staffs and tourist drivers' sleeping rooms and associated kitchen and canteen facilities; swimming pool and related structures; workshop building and the laundry. The tents are those, which major building materials will be canvas including guest tents and the bigger part of the central building. Cost for the buildings include purchasing of construction

materials, transportation, supervision and labour. Machines and equipment include but not limited to electrical, water and laundry appliances, fittings and their installation. The pre-operational expenses include missions and professional works including but not limited to the preparation of architectural drawings, quantity surveying, hydrological studies and environment impact assessment and the borehole drilling. Working capital involves issues related to land lease fee, marketing and contingencies.

Table 2. 2: Total Investment of the Project (Figures are in TZS "000")

ITEM	TOTAL INVESTMENT
Buildings	382,200
Tents	1,421,400
Machinery and equipment	370,180
Cutlery for guests and staff	120,000
Furniture, fittings and soft furnishing	250,000
Pre-Operational Expenses:	120,000
Sub – Total	2,663,780
Working Capital: lease fee, marketing and contingencies	150,000
TOTAL	2,813,780

Source: Embalakai Camps Limited (February 2024)

3.0. FINANCIAL ANALYSIS AND THE PROJECT VIABILITY

3.1. Projected Annual Sales

Main sources of revenue shall be room charges, drinks and other income including laundry services and tourist driver's accommodation. Projections are based on different annual capacities starting with 40% in year one, rising to 50, 60%, 70% and 80% in years two, three, four and five respectively. For the purpose of this financial analysis, accommodation charges are based on TZS 500,000 per bed, which is equivalent to USD 200 including the Value Added Tax (VAT) and Concession fees at the current exchange rate of one USD to TZS 2,500. This price will cover full board including breakfast, lunch and dinner. The estimated total revenue will therefore range from TZS 4,743,540,000 in year one of operation to TZS 9,487,080,000 in year five (Tables 3.1 and 3.2).

The proposed charges for accommodation have been fixed at relatively reasonable rate because the number of high-end accommodation facilities in the NCA is increasing significantly, which subjects the business to rigorous competition. The policy of Embalakai Camps Limited also aims at promoting good quality services at affordable tariffs. Separate charges for other services such as drinks and laundry aim at gaining an extra income for the proposed facility.

Table 3. 1: Projected annual sales

	ITEM	TOTAL IN TZS ("000")
1.	Full Board Accommodation: Bed, breakfast, lunch and dinner	
	Year I: 40% occupancy (8,760 beds x TZS 500,000)	4,380,000
	Year II: 50% occupancy (10,950 beds x TZS 500,000)	5,475,000
	Year III: 60% occupancy (13,140 beds x TZS 500,000)	6,570,000
	Year IV: 70% occupancy (15,330 beds x TZS 500,000)	7,665,000
	Year V: 80% occupancy (17,520 beds x TZS 500,000)	8,760,000
	Total: Accommodation Sales	32,850,000
2.	Bar: Drinks	
	Year 1: 70% of 8,760 will drink beer (6,132 bottles x 5,000/=)	30,660
	Year I: 25% of 8,760 will drink soft beverages (2,190 bottles x 2,000/=)	4,380
	Year I: 2% of 8,760 will drink spirits (175 bottles x 50,000/=)	8,750
	Year I: 3% of 8,760 will drink wine (263 bottles x 50,000/=)	13,150
	Sub-total	56,940
	Year II: 70% of 10,950 will drink beer (7,665 bottles x 5,000/=)	38,325
	Year II: 25% of 10,950 will drink soft beverages (2,738 bottles x 2,000/=)	5,476
	Year II: 2% of 10,950 will drink spirits (219 bottles x 50,000/=)	10,950
	Year II: 3% of 10,950 will drink wines (329 bottles x 50,000/=)	16,450
	Sub-Total	71,201

	Year III: 70% of 13,140 will drink beer (9,198 bottles x 5,000/=)	45,990
	Year III: 25% of 13,140 will drink soft beverages (3,285 bottles x 2,000/=)	6,570
	Year III: 2% of 13,140 will drink spirits (263 bottles x 50,000/=)	11,150
	Year III: 3% of 13,140 will drink wine (394 bottles x 50,000/=)	19,700
	Sub-Total	83,410
	Year IV: 70% 15,330 will drink beer (10,731 bottles x 5,000/=)	53,660
	Year IV: 25% of 15,330 will drink soft beverages (3,833 bottles x 2,000/=)	6,666
	Year IV: 2% of 15,330 will drink spirits (307 bottles x 50,000/=)	15,350
	Year IV: 3% of 15,330 will drink wine (460 bottles x 50,000/=)	23,000
	Sub-Total	98,676
	Year V: 70% of 17,520 will drink beer (12,264 bottles x 5,000/=)	61,320
	Year V: 25% of 17,520 will drink soft beverages (4,380 bottles x 2,000/=)	8,760
	Year V: 2% of 17,520 will drink spirits (350 bottles x 50,000/=)	17,500
	Year V: 3% of 17,520 will drink wine (526 bottles x 50,000/=)	26,300
	Sub-total	113,880
	Total: Bar Sales	424,107
3.	Other income	
A.	Laundry sales: 5% of the visitors' accommodation sales	
	Year 1	219,000
	Year 2	223,750
	Year 3	328,500
	Year 4	383,250
	Year 5	438,000
	Sub-total	1,592,500
B.	Drivers' accommodation: 2% of the visitors' accommodation sales	
	Year 1:	87,600
	Year 2:	89,500
	Year 3:	131,400
	Year 4:	153,300
	Year 5:	175,200
	Sub-total	637,000
	Total: Other Income	2,229,500

Source: Analysis Based on Embalakai Camps Limited Financial Projections (February, 2024)

Table 3. 2: Total projected revenue per year of operation in TZS ("000")

YEAR	ACCOMMODATION	BAR	OTHERS	TOTAL
1	4,380,000	56,940	306,600	4,743,540
2	5,475,000	71,201	313,250	5,859,451
3	6,570,000	83,410	459,650	7,113,060
4	7,665,000	98,676	536,300	8,299,976
5	8,760,000	113,880	613,200	9,487,080
TOTAL	32,850,000	424,107	2,229,000	35,503,107

Source: Analysis Based on Embalakai Camps Limited Financial Projections, (February, 2024)

3.2. Projected Operating Cost (Expenditure)

The estimated gross operating cost including variable, semi-fixed and fixed costs of the proposed project, which is estimated to be TZS 3,602,770,000 in year one and rising gradually to TZS 6,858,531,000 in year five is shown in Table 3.3. The cost includes the annual land fee, which is currently 50,000,000, TZS 150,000 concession fee per occupied bed and other unforeseen charges with are estimated to account for about 5% of the two items to be remitted to NCAA by the developer. This amount is estimated to range from TZS 1,432,200,000 in year one and TZS 2,811,900,000 in year five.

Other obligatory annual fees to be paid to other Government institutions including but not limited to the Ngorongoro District Council, Occupational Safety and Health Agency, Fire and Rescue Force and the Ministry of Natural Resources and Tourism as well as implementation of the Corporate Social Responsibility (CSR), which is assumed to account for 10% of all the fees to be paid to NCAA will be TZS143,220,000 in year and rise to TZS 281,190,000 in year five (Table 3.3). Salaries, associated contributions to the social security fund and skills and development levy and allowances will account for slightly above 50% of all the fixed and semi-fixed cost that will range from TZS 311,050,000 in year one and increase at an average of 5% per year to TZS 402,391,000 in year five (Table 3.3). The monthly and annual payroll bill is shown in Appendix 6.

Whereas the relatively better salary payment to the Camp employees aims at retaining the well-motivated and highly committed staff who will provide very competitive services, the Company will recruit and provide training on the job for many local individuals as possible, working in consultation with NCAA to ensure local community inclusion and development.

Table 3. 3: Variable, fixed and semi-fixed cost schedule (Figures in TZS "000")

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Capacity	40%	50%	60%	70%	80%
Variable Cost:					
Restaurant: Foodstuffs	738,000	905,000	1,095,000	1,271,000	1,550,000
Bar: Drinks	288,000	358,000	438,000	515,000	627,000
Land and concession fees	1,432,200	1,777,125	2,122,050	2,466,975	2,811,900
Cleaning & Sanitation	390,000	530,000	540,000	760,000	820,000
Obligatory fees and charges to other government institutions	143,220	177,713	212,205	246,698	281,190
Total: Variable Cost	2,991,420	3,747,838	4,407,255	5,259,678	6,090,090
Fixed/Semi- Fixed Cost:					
Salaries	267,000	280,350	294,368	309,086	324,540
Social Employers Contribution	26,700	28,035	29,437	30,909	32,454
Skills & Development Levy	13,350	14,018	14,719	15,455	16,227
Remunerations for contract employees and students	24,000	25,200	26,460	27,780	29,170
Insurance & Licenses	36,000	37,800	40,000	41,680	43,760
Working Permit	16,000	16,000	16,000	16,000	16,000
Directors Remunerations	22,000	23,100	24,255	25,468	26,740
Camp Upkeep	8,760	23,364	25,620	35,364	37,140
MV Running Expenses	23,720	30,720	30,720	42,960	42,960
Postage, Telephone & Internet	8,760	8,760	10,560	14,760	15,500
Stationary & Printing	7,200	8,160	10,560	14,760	15,000
Bank Charges	730	850	970	1,360	1,450
Transport & traveling	14,900	16,900	18,700	25,500	37,500
Accountancy & Audit fees	3,700	5,000	5,000	5,000	5,000
Board Expenses	3,200	3,200	3,200	5,900	6,200
Entertainment	3,200	3,400	3,500	3,700	3,900
Medical & Staff welfare	8,800	11,900	14,700	13,100	13,800
Liquefied Petroleum Gas & Liquefied Natural Gas	38,800	44,800	45,600	48,000	50,400
Website fees	3,900	3,900	3,900	3,900	3,900
Repair & Replacements	1,600	2,000	2,400	2,900	3,000
Uniforms	73,920	31,200	34,100	37,300	39,000
Legal fees	710	910	1,000	1,000	1,200
Unforeseen Expenses	4,400	2,900	3,400	3,400	3,600
Total Fixed & Semi/Fixed Cost	611,350	622,467	659,169	725,282	768,441
Total Operating Cost	3,602,770	4,370,305	5,066,424	5,984,960	6,858,531

Source: Analysis based on Embalakai Camps Limited Financial Projections (February, 2024)

3.3. Economic and Tax Depreciation/Appreciation

Economic and tax depreciation/appreciation schedule is shown in Table 3.4. Economic depreciation is a reduction in the value of an asset over time largely due to wear and tear while appreciation is an increase in monetary value. Whereas economic depreciation rates for buildings, tents, machinery and equipment, and furniture and fittings range from 2.0% for buildings to 20% for the tents, the appreciate rate for cutlery, crockery, furniture and fittings is

12.5%. Total economic depreciation is projected to range from TZS 315,947,000 in year one to TZS 86,361,000 in year five (Table 3.4).

Tax depreciation, which is a reduction in expense claimed by a taxpayer on tax return to compensate for loss in the value of the asset, is estimated to range between TZS 401,917,000,000 in year one to and TZS 186,792,000 in year five. This estimate is based on the tax depreciation rate that ranges from 5% for buildings; furniture and fittings (10%); cutlery, machinery (15%) and 20% for the tents (Table 3.4). Tax depreciation was calculated using the straight-line method by subtracting the salvage value from the asset's purchase price and dividing the sum with the respective year of operation.

Table 3. 4: Economic and tax depreciation/appreciation schedule (Figures in TZS “000”)

A: Economic Depreciation/Appreciation:

ITEM/YEAR	Rate	Year 1	Year 2	Year 3	Year 4	Year 5
Buildings		382,200	374,556	367,065	359,724	352,530
Depreciation	2.0%	(7,644)	(7,491)	(7,341)	(7,194)	(7,051)
NBV 31/12		374,556	367,065	359,724	352,530	345,479
Tents		1,421,400	1,137,120	909,696	727,757	582,206
Depreciation	20.0%	(284,280)	(227,424)	(181,939)	(145,551)	(116,441)
NBV 31/12		1,137,120	909,696	727,757	582,206	465,765
Machinery and equipment		370,180	323,907	283,419	247,992	216,992
Depreciation	12.5%	(46,273)	(40,488)	(35,427)	(31,000)	(27,124)
NBV 31/12		323,907	283,419	247,992	216,992	189,868
Cutlery and Crockery		120,000	135,000	151,875	170,859	192,216
Appreciation	12.5%	15,000	16,875	18,984	21,357	24,027
NBV 31/12		135,000	151,875	170,859	192,216	216,243
Furniture and Fittings		250,000	281,250	316,406	355,957	400,452
Appreciation	12.5%	31,250	35,156	39,551	44,495	50,057
NBV 31/12		281,250	316,406	355,957	400,452	450,509
Pre- Operational Expenses		120,000	96,000	76,800	61,440	49,140
Depreciation	20.0%	(24,000)	(19,200)	(15,360)	(12,300)	(9,830)
NBV 31/12		96,000	76,800	61,440	49,140	39,310
Economic Depreciation		315,947	242,172	181,532	130,193	86,361
Accumulated Depreciation		315,947	558,119	739,651	869,844	956,205

B: Tax Depreciation:

ITEM/YEAR	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Buildings (5%)	382,200	19,110	18,155	17,247	16,384	15,565
Tents (20%)	1,421,400	284,280	227,424	181,939	145,551	116,441
Machinery (15%)	370,180	55,527	47,198	40,118	34,100	28,986
Cutlery (15%)	120,000	18,000	15,300	13,000	11,055	9,397

Furniture (10%)	250,000	25,000	22,500	20,250	18,225	16,403
TOTAL	--	401,917	330,577	272,554	225,315	186,792

Source: Analysis Based on Embalakai Camps Limited Financial Projections (February, 2024)

3.4. Operational Cost, Tax and Profit

Assuming the operational capacity will be between 40% in year one and rise by 10% every to 80% in year five as pointed out elsewhere, total revenue over the same period of time is estimated to increase from TZS 4,743,540,000 to TZS 9,487,080,000 over the same period of time. Considering that the initial capital cost will depreciate at a rate of 20% per year, operational projections show that the tax payable to the Treasury will range from TZS 185,656,000 in year one to TZS 717,785,000 in year five and the Company's net profit will be TZS 33,197,000 and TZS 1,674,832,000 respectively (Table 3.5).

Table 3. 5: Projected tax payments and profit (Figures in TZS "000")

ITEM/YEAR	Year 1	Year 2	Year 3	Year 4	Year 5
Operational Capacity	40%	50%	60%	70%	80%
Revenue					
Accommodation	4,380,000	5,475,000	6,570,000	7,665,000	8,760,000
Drinks	56,940	71,201	83,410	98,676	113,880
Other Income	306,600	313,250	459,650	536,300	613,200
Total Revenue	4,743,540	5,859,451	7,113,060	8,299,976	9,487,080
Less: Variable Cost	2,991,420	3,747,838	4,407,255	5,259,678	6,090,090
Contribution Margin	1,752,120	2,111,613	2,705,805	3,040,298	3,396,990
Less: Fixed/Semi – Fixed Cost	611,350	622,467	659,169	725,282	768,441
Gross Operating Surplus	1,140,770	1,489,146	2,046,636	2,315,016	2,628,549
Less: Capital Charges					
- Economic Depreciation	315,947	242,172	181,532	130,193	86,361
- Initial Capital Cost	120,000	96,000	76,800	61,440	49,140
Total	435,947	338,172	258,332	191,633	135,501
Profit Before Tax	704,823	1,150,974	1,788,304	2,123,383	2,493,048
Less: Tax Depreciation	401,917	330,577	272,554	225,315	186,792
Add: Economic Depreciation	315,947	242,172	181,532	130,193	86,361
Taxable Income	618,853	1,062,569	1,697,282	2,028,261	2,392,617
Tax Payable (30% of the taxable income)	185,656	318,771	509,185	608,478	717,785
Net Profit After Tax	433,197	743,798	1,188,097	1,419,783	1,674,832
Profit Brought Forward	0	433,197	1,176,995	2,365,092	3,784,875
Retained Earnings	433,197	1,176,995	2,365,092	3,784,875	5,459,707

Source: Analysis Based on Embalakai Camps Limited Financial Projections (February 2024)

Note: Initial capital means the money that is initially subscribed to invest into the plan while the capital investment refers to expenditure to acquire, lease or improve property that is used in operating a business, including land, buildings, machinery and fixtures.

3.5. Projected Cashflow

Projected cash-flow statement is shown in Table 5.6 whereby the total inflow ranges from TZS 1,140,770,000 in year one to TZS 2,628,549,000 in year five and total outflow vary between TZS 455,656,000 and TZS 828,365,000 over the same period of time.

Table 3. 6: Projected cash-flow statement (Figures are in TZS “000”)

ITEM/YEAR	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Operational Capacity	0%	40%	50%	60%	70%	80%
CASH INFLOW:						
Initial Capital Input	--	120,000	96,000	76,800	61,440	49,140
Profit Before Tax	--	704,823	1,150,974	1,788,304	2,123,383	2,493,048
Economic Depreciation	--	315,947	242,172	181,532	130,193	86,361
TOTAL INFLOW		1,140,770	1,489,146	2,046,636	2,315,016	2,628,549
CASH OUTFLOW						
Investment	2,813,780	--	--	--	--	--
Capital Input Recovery	-	120,000	96,000	76,800	61,440	49,140
Income Tax	-	185,656	318,771	640,692	608,478	717,785
Change in Working Capital	-	150,000	120,000	96,000	76,800	61,440
TOTAL OUTFLOW	2,813,780	455,656	534,771	813,492	746,718	828,365
NET IN/(OUT) FLOW	-	685,114	954,375	1,233,144	1,568,298	1,800,184
Opening Balance	-	0	685,114	1,639,489	2,872,633	4,440,931
Cash in Hand/ Bank	-	685,114	1,639,489	2,872,633	4,440,931	6,241,115

Source: Analysis from Embalakai Camps Limited Financial Projections (February 2024)

4.0. PROJECT VIABILITY

4.1. Net Present Value

The NPV is a method used to calculate the current value of the future stream of payments of the project, including the initial capital investment and determine whether the project will be profitable.

$NPV = \sum_{t=1}^n \frac{P_t}{(1+i)^t} - C$; where P= Net Period Cash Flow, i =Discount Rate or rate of return), t=Number of time periods and C-Initial Investment.

Using 5.0% discount rate based on the Bank of Tanzania predictions for years 2022 and 2023 and assuming it will remain stable over a period of the coming five years, the establishment of the proposed seasonal camp yielded a positive value (+2,469,489,000) as shown in Table 4.1 meaning that the project is viable and profitable thus, worth to implement.

Table 4. 1: Discounted cash-flow (Figures in TZS “000”)

ITEM/YEAR	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
INFLOW:						
Discounted Cash Inflow	--	1,086,448	1,350,699	1,767,961	1,904,569	2,059,537
OUTFLOW:						
Investments	2,813,780	-	-	-	-	-
Discounted Cash Outflow	-	433,958	485,053	703,561	614,327	649,046
NET DISCOUNTED CASHFLOW	(2,813,780)	652,490	865,646	1,064,400	1,290,242	5,283,269

Source: Analysis Based on Embalakai Camps Limited Financial Projections (February 2024)

4.1.1. Benefit/Cost Analysis

After determined that the NPV of the proposed project is positive, the benefit/cost (B/C) ratio analysis (BCA) was conducted to establish by how much the project's benefits outweigh its costs. With this method of analysis, all the benefits and costs are expressed in monetary terms and are adjusted for the time value of money. Also, all flows of benefits and costs over time are expressed on a common basis in terms of their NPV, regardless of being incurred at different times. The formula for calculating the B/C ratio is:

$B/C \text{ Ratio} = \frac{[\sum_{n=0}^n B_n / (1+i)^n]}{[\sum_{n=0}^n C_n / (1+i)^n]}$ summed over 1=0 to n years.

Whereas: B_n =Project's benefits in year n, where n=0 to n years;

C_n = Project's costs in year n, where n=0 to n years;

n= Total number of years for the project duration;

i= Discount rate

The ratio of the discounted benefits and costs of the proposed project is 2.8. This means that the proposed project is sound as the discounted benefits outweigh the costs.

4.2. Cost recovery analysis

4.2.1. Pay Back Period

The payback period estimates how long it will take for a project to generate sufficient cash flows to pay back its start-up cost, but it does not consider the value of money and overall project profitability like NPV and the B/C ratio do. If all other things will remain invariable (Ceteris Paribus), the projected payback period of the proposed project will occur towards the end of the third year of operation (Table 4.2).

Table 4. 2: Payback period analysis (Figures in TZS "000")

Year	Net Profit After Tax	Economic Depreciation	Total	Cumulative	Balance
0	0	0	0	0	(2,813,780)
1	433,197	315,947	749,144	749,144	(2,064,636)
2	743,798	242,172	985,970	1,735,114	(1,078,666)
3	1,188,097	181,532	1,369,629	3,104,743	290,965
4	1,419,783	130,193	1,549,976	4,654,719	1,840,941
5	1,674,832	86,361	1,761,193	6,415,912	3,602,134

Source: Analysis Based on Embalakai Camps Limited Financial Projections (February 2024)

4.3. Break-even Point

Break-even point analysis basing on the third year's performance of the proposed permanent camp yields a contribution margin of TZS 3,144,163,000, contribution margin ratio of 0.38 and capacity of 24% (Table 4.3). This is the operational level at which total revenue for a product equal total expense and it is a point where the business commences to make profit. The fact that the capacity percentage at the break-even point is relatively lower (24%) it means that the business will start making the profit earlier.

Table 4. 3: Break-even point based on year two of operation (Figures are in TZS "000")

	Variable Cost	4,407,255
	Fixed Cost	659,169
	Total Cost	5,066,424
A	Total Sales	7,113,060
B	Variable Cost	4,407,255
C	Contribution Margin (A-B)	2,705,805
D	Fixed Cost	659,169
E	Contribution Margin Ratio (C/A)	0.38
	Break-even in Sales = (D/E)	1,734,655
	Capacity % at Break-even (D/C* 100)	24 %

Source: Analysis Based on Embalakai Camps Limited Financial Projections (February 2024).

5.0. ASSUMPTIONS, UNCERTAINTIES AND REMEDY

5.1. Assumptions

The analysis extends over a period of five (5) years, which guarantees short-term returns in a situation where the business, which is being proposed is delicate and risky that largely depend on international visitors and close competitors within the country and other African countries. In conducting the financial analysis of the proposed upgrading of the existing seasonal camp to a PTC a number of assumptions were made, which include:

- ✓ The operation of the facility will commence immediately after an estimated 12 months of construction works, which is referred as year one;
- ✓ The first three months of operation will be used for the 'soft' business to test and fine tune the operations;
- ✓ The consequences of inflation have not been included in the analysis because the rising cost will be fully compensated by increasing bed night prices and other services;
- ✓ The financial benefits of the fiscal incentives through the Tanzania Investment Centre (TIC) have not been considered as they need to better be understood and confirmed if they are applicable to the proposed project;
- ✓ After upgrading the facility from the current seasonal camp to a permanent tented camp and services improved, the number of bed occupancy will double during the first year of operation and increase at an average rate of 10% per year;
- ✓ The months of June, July, August, September and October will be peak tourist season, November, December, January, February and March will be low season with an average of only 50% bed occupancy and April and May will totally be off season without guests, which will be used for renovation and intensive cleaning including fumigation; and
- ✓ The five (5%) discount rate based on the Bank of Tanzania predictions for years 2022 and 2023 will remain stable over a five-year period the project operation analysis,

5.2. Uncertainties and Remedy

While the cost of investing and operating the proposed project can be predicted with considerable accuracy, the financial performance particularly based on the bed occupancy, and sales may face substantial insecurities. There are also a number of external circumstances that may cause significant impact on the proposed business. Table 6.4 presents the predicted uncertainties and their possible remedy.

Table 5. 1: Predicted uncertainties and their possible remedy.

S/N	Predicted Uncertainty	Proposed Remedy
1.	Lower bed occupancy than predicted	Retain the proposed selling prices but extend the current expected payback period
2.	Lower selling prices than anticipated	Settle at lower gross operating surplus and the subsequent lower net profit before tax than expected
3.	Higher variable costs and the subsequent increase in the	No remedy because approximately 50% of all the variable costs is accounted for by NCAA land, concession and other fees. The concession fee is

	break-even point	charged per bed occupancy
4.	High interest/discount rates for the example, the 14% of the Cooperative and Rural Development Bank (CRDB) repayable in seven years' time than the 5.0% provided by the Bank of Tanzania for years 2022 and 2023	Although the NPV drops by more than half, it remains positive, viable and profitable thus, worth to implement
5.	Natural disasters including but not limited to disease outbreak and floods, which may prolong the expected pay-back period and break-even point	When every possible mitigating measure fails to sustain a profitable level of occupancy, the facility will be closed temporarily with only a skeleton staff remaining for maintenance work.
6.	Depressed economies in major eco-tourism outbound markets, which may cause direct effect on the tourism sector	Marketing of the facility to potential international tourists shall be conducted simultaneously with promoting sustainable domestic tourism to pivot visitation to the latter during global economic recession. Employment of majority from the local community and the purchase of local products and services will also dampen the risk
7.	Political instability	Tanzania has no ethnic or racial problems at the national level that can potentially destabilize the country. Indeed, the stability of Tanzania is one of the main selling points, next to its unrivalled wilderness and wildlife
8.	Civil conflict and face war in neighboring countries	Marketing efforts by the Government of Tanzania and other stakeholders in the tourism sector have made potential travelers better informed about where Tanzania is located in relation to countries, which face the problems of civil wars

6.0. CONCLUSION

The financial analysis of the PTC to be upgraded from an existing seasonal camp at Elerai site in the NCA with an estimated total investment of TZS 2,813,780,000 has shown that it will be profitable and worth to implement. The NPV at a discounting rate of five (5%) percent provided by the Bank of Tanzania for years 2022 and 2023 is positive. This means that the discounted present value of the future cash flows related to the proposed project is profitable and attractive. The 2.8 Benefit/Cost ratio of the proposed project has also proved that the investment is sound because the discounted benefits outweigh the costs.

The projected payback period of the proposed project will be towards the end of the third year of operation and the break-even point analysis basing on the third year's performance yields a contribution margin of TZS 2,705,805,000 and 24% capacity at the break-even point, which means that the business will start making a profit sooner. The developer will remit land, concession and other fees to NCAA estimated to range from TZS 1,432,200,000 in year one and TZS 2,811,900,000 in year five accounting for approximately 50% of the total variable costs.

Obligatory annual fees to other relevant Government institutions and the implementation of the corporate social responsibility are estimated to range from TZS 143,220,000 to TZS 281,190,000 over the same period of time. The tax to be paid to the Treasury will range from TZS 185,656,000 in year one of operation to TZS 717,785,000 year five. In addition to a maximum of 32 permanent employees, out them at least 95% being Tanzanians, the proposed facility will also provide short-employment to about six people especially during tourist peak seasons and offer opportunity for practical training to students in the hospitality industry at one particular time throughout the year. Salaries, associated contributions to the social security fund, skills and development levy and allowances will account for slightly above 50% of all the fixed and semi-fixed cost that will range from TZS 311,050,000 in year one and increase at an average of 5% per year to TZS 402,391,000 in year five.