

BUSINESS PLAN  
OCEAN BOUTIQUE HOTEL

OCEAN BOUTIQUE HOTEL LIMITED  
P. O. P.O BOX 105979  
DAR ES SALAAM



**JANUARY 2024**

## 1.0 EXECUTIVE SUMMARY

Ocean Boutique Hotel Limited is a Company registered under the laws of the United Republic of Tanzania. It is a local company owned by Tanzanians by 100%. The company plans to establish a hotel project in Dar es Salaam. The company owns the project land.

The envisaged project will be financed by local equity that amounts to USD 595,200 and a local loan amounting to USD 1,388,800 thus making the investment capital of USD 1,984,000. With a capacity of 27 rooms, the hotel is going to employ a total of 16 people, all of them locals.

As part of the company's local content policy, the hotel will source its supplies from within the United Republic of Tanzania. It will be sourced from outside the country where local supplies are short of the required inputs. Also, it will employ all local staff and only, when necessary, it will employ a few foreign staff.

From the SWOC Analysis conducted this project will be a success. Its location in Dar es Salaam, its operating philosophy, and the developed strategy will give it an edge over competitors as it targets mid to high-level income earners, and institutions.

Based on the projections made this hotel project is fiscally, monetarily, and socially rational as it will pay the statutory taxes and it will also pay local suppliers. Socially, it will contribute via corporate social responsibility scheme to social development and employ people. The employment will be direct and indirect. Indirect jobs and businesses will be created for many Tanzanians along the hotel supply chain.

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3.0 INTRODUCTION

3.1 Company Overview

Ocean Boutique Hotel Limited is a Company registered under the laws of the United Republic of Tanzania on 21<sup>st</sup> September, 2023 and was granted Certificate of Incorporation No168-734-379. Generally, its principal business is hospitality and tourism but this specific project is a hotel business.

Ocean Boutique Hotel Limited is a local company with majority shareholding being Tanzanian amounting to 100%. Its share capital is 100 shares divided into 1,000,000 TShs Shares each

The TShs. 100,000,000 (an equivalent of USD 39682.54 divided into 100 shares of TShs. 1,000,000 (an equivalent of USD 396.83) each. Table 1 below gives the details of shareholders of the company.

Table 1: Shareholding Details of the Company

Shareholder	Nationality	Shares Taken	Shareholding
Dan Kay Ngowi	Tanzanian	85	85.00%
Brenda Cleopa Ngowi	Tanzanian	15	15.00%
Totals		100	100%

3.2 The Dar es Salaam Project

Tanzania is one of the best countries for tourism and the related hospitality services. With bounty in natural endowment, both physical and human, the country is a haven to hospitality-related investments.

3.2.1 Nature/ Business of the Project

The company’s Project will be a hotel located in Kawe Beach, Dar es Salaam. The company looks forward to construct the hotel building. It already owns the piece of land worth TShs. 2,500,000,000.

3.2.2 Project Capacity

The property has the capacity of 27 rooms which will be built in 5 blocks.

### 3.2.3 The Local Content Perspective

The company is committed to local content in terms of both supplies and human resources. For the Ocean Boutique Hotel Limited project, it plans to employ a total of 16 staff all of whom (100%) being locals. As for hotel supplies the project will use local supplies except for extreme cases where needed supplies of some nature cannot be sourced from within the United Republic of Tanzania. Owing to the endowment of Tanzania the company expects to use more than 90% of its supplies from local SMEs.

## 4.0 PROJECT FINANCIALS

This project will be financed by equity (30%) and a loan (70%). The total value of investment is planned to be TShs. 5,000,000,000, an equivalent of about USD 1,984,000. In this regard equity will amount to USD 595,200 and the loan will amount to USD 1,388,800. This item (Project Financials) focuses on *financial analysis* including financial projections for the project for the period of the first five years.

### 4.1 Financial Projections

Based on the financial analyses conducted the company; in the respective first five years of operation will have sales amounting to USD 324,000; 676,447; 746,142; 842,501; and 924,843. With the respective production costs as shown under Sales Projections the gross profits for years 1 to 5 respectively will be USD 270,800; 615,047; 679,242; 769,551 and 845,238. Gross profit projects are positive and promising for this project. Upon netting operating expenses, the projected income statement shows positive retained earnings as depicted under the respective sub-headings.

#### 4.1.1 Sales Projections

The Hotel Project focused on middle to high-end clientele. Its targeted customers are the general public but with a special focus on government officials and diplomats (including emissaries) paying visit to the Government Capital of Tanzania where Ministries, Departments and the State House are located. In this regard sales per person will be relatively higher compared to those common hotels and lodges. The project's sales for the first five years of operation are projected under Table 4 below.

Table 4: Sales Projections (in USD)

Details	Years				
	Y1	Y2	Y3	Y4	Y5
No. of Rooms	27	27	27	27	27
Projected Occupancy Rate	30%	33%	35%	38%	40%
No. of Days in the Year	200	365	365	365	366
Rate per Room (4% Inflation)	200	208	216	225	234
Projected Annual Sales	324,000	676,447	746,142	842,501	924,843

#### 4.1.2 Income Projections

The projected cost of sales for the respective first five years (Table 5) are USD 53,200; 61,400; 66,900; 72,950 and 79,605. Upon netting these from off the gross profit the projected gross profits for the respective years for the period Y1 to Y5 (Table 6) are USD 270,800; 615,047; 679,242; 769,551 and 845,238.

Table 5: Projected Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	6,000	1,000	1,000	1,000	1,000
Bank Charges	6,000	6,000	6,000	6,000	6,000
Insurance	47,200	47,200	47,200	47,200	47,200
Office Expenses	15,600	15,600	15,600	15,600	15,600
Permits and Licenses	54,200	300	300	1,300	300
Vehicle Expenses	11,600	11,600	11,600	11,600	11,600
Professionals Fees	2,000	-	1,500	-	1,500
Provision for Bad Debts	6,480	13,529	14,923	16,850	18,497
Miscellaneous Expenses	1,000	1,000	1,000	1,000	1,000
TOTAL OPERATING EXPENSES	150,080	96,229	99,123	100,550	102,697

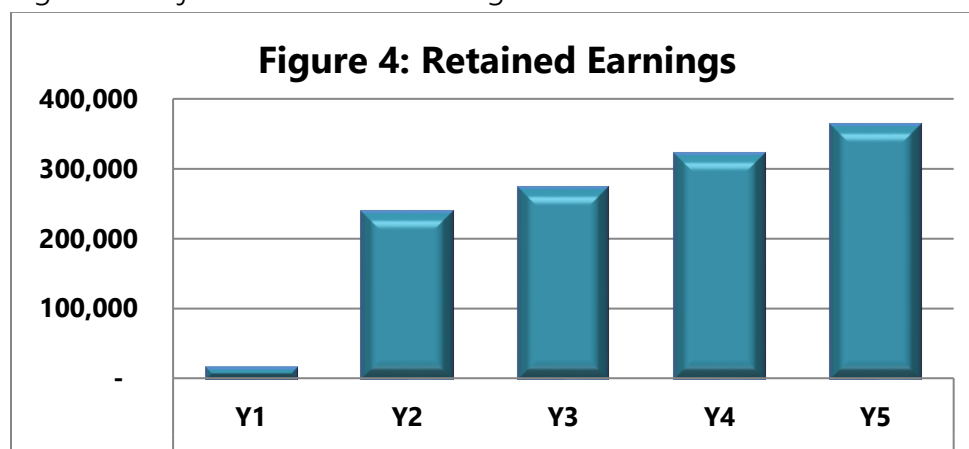
Table 6: Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	324,000	676,447	746,142	842,501	924,843
Less: Cost of Sales	53,200	61,400	66,900	72,950	79,605
Gross Profit	270,800	615,047	679,242	769,551	845,238
Less: Operating Expenses	150,080	96,229	99,123	100,550	102,697
EBIT	120,720	518,818	580,119	669,001	742,542
Less: Loan Interest	95,232	95,232	95,232	95,232	95,232
EBT	25,488	423,586	484,887	573,769	647,310
Less: Taxes (30%)	7,646	127,076	145,466	172,131	194,193
Net Profit/(Loss)	17,842	296,510	339,421	401,638	453,117
Dividend (20%)	3,568	59,302	67,884	80,328	90,623
Retained Earnings	14,273	237,208	271,537	321,310	362,493

#### 4.1.3 Projected Retained Earnings

The projected retained earnings show a steadily growing positive trend for the first five years of operation. This is a promising business. It pinpoints to the capability to handle its dues, including salaries for employees, and taxes and levies to the government of the United Republic of Tanzania.

Figure 1: Projected Retained Earnings



#### 4.2 Project Financing

The project will be financed by both equity and loan, both totaling to USD 1,984,000. 70% will be loan while 30% will be equity.

#### 4.3.1 Sources of Funding

Funding for this project will come from a local loan (70%) and from equity (30%). As shown in Table 8 the planned investment capital for this hotel is USD 1,984,000.

Table 8: Sources of Funding

Details	Amount	Percentage
Local		
Loan	1,388,800	70.00%
Equity	595,200	30.00%
<i>Sub-total</i>	1,984,000	100.00%
Foreign		
Loan	-	0.00%
Equity	-	0.00%
<i>Sub-total</i>	-	0.00%
<b>GRAND TOTAL</b>	<b>1,984,000</b>	<b>100.00%</b>
Total Loan	1,388,800	70.00%
Total Equity	595,200	30.00%

#### 4.3.2 Financing of Items

The investment capital will be used in funding of items for the hotel project owned by the company and will cost a total of USD 1,984,000 as shown under Table 9 below.

Table 9: Funding of Items

INVESTMENT BREAKDOWN	
ITEMS	FINANCING IN USD
Land & Buildings	1,235,000
Plant	155,000
Vehicles	173,000
Furniture & Fittings	200,000
Pre-Expenses	28,000
Others	8,000
Working Capital	185,000
TOTAL	1,984,000
FIXED CAPITAL	1,799,000
WORKING CAPITAL	185,000

#### 5.0 MARKET ANALYSIS

Hotels do feature in the tourism and hospitality industry. They are an edition in the industry and are gaining popularity in the developing countries as well. The market analysis for the Ocean Boutique Hotel project is done on the global, national (Tanzanian) and regional (Dar es Salaam) perspectives as detailed under subsections to this section.

##### 5.1 Global Perspective of the Sector

Globally, the hospitality industry suffered a downturn following the outbreak of COVID-19. This was due to lockdown attempts in containing the pandemic. The recession intensified in

late 2019 to 2021. Starting late 2021 the world has opened up and the industry has been in a recovery trend with promising business globally. Now there is a total uplift of lockdowns.

## 5.2 Tanzanian Perspective of the Industry

Within the United Republic of Tanzania, the hospitality industry suffered for a very short period of time courtesy of the government's stance not to uphold much the lockdowns. As such the industry has stayed more stable and the conditions are stable and encouraging.

For other African countries the business has been suffering from demographic as well as utilities factors. Demographically there is very low purchasing power where on average the annual income per capita within the sub-Saharan Africa, for example, was USD 1,645 (2021). Utility wise, there is much uncertainty in power supply. In some of West African countries power cuts are very high reaching up to half a day being characterized with frequent and unpredicted cuts. Coping with the cuts by running generators is more costly compared to the power from the mains, the national grids.

## 5.3 Dar es Salaam Perspective of the Sector

Dar es Salaam is the Commercial Capital City of the United Republic of Tanzania. In addition of the fact that it is near to the ancient city of Bagamoyo the region is among the leading destinations for tourism as it is the entry point for many tourists. It is also the most populous city in the country. The country is leading in both tourists' arrivals and international flights. With the highest GDP per capita Dar es Salaam is a promising region in the hotel and tourism industry. In spite of having the Dar es Salaam International Airport the region has also a big seaport.

### 5.3.1 SWOC Analysis for the Project

Strengths:

1. At the business the company has competent and experienced personnel who can manage the business to excellence. This staffs are capable of organizing factors to, among other things, think and rethink on the strategy in order to make the investment a success under the volatile nature of the hospitality industry.
2. The promoters of the company (shareholders) have the equity and access to a local loan for funding of the project. This is a USD 1.98 million project to be funded by *equity to the tune of USD 595,200* and *local equity to the tune of USD 1,388,800*.
3. The owned premises are up to date and preferable to clients of the days.

#### Weaknesses:

1. It is the company's first time to venture into the market where it will need to invest in market research. However, this is not much of a weakness because even if the company has had its operation in the region it would need to keep up with market research as the market is never static.

#### Opportunities:

1. Dar es Salaam is the capital commercial city of the country with a market of higher income.
2. The region is the gateway for those entering and leaving the country. It provides a larger size of customers.
3. With "all roads leading to Dar" the region receives many transit people who broaden the market in favour of the business.
4. Tanzania, being a member of the East African Community, provides access to markets within the other states namely the Democratic Republic of the Congo (DRC), Burundi, Kenya, Rwanda, South Sudan and Uganda.
5. Demographically Tanzania has a growing mid-income group in its population. This is a promising market base for the business. Following the shift of the capital city from Dar es Salaam to Dodoma and the subsequent frequency of government officials travelling to the commercial capital of Dar es Salaam the sector has more and more customers at its disposal.
6. Utilities-wise Tanzania has got relatively lower tariffs and has less power cuts. Basing on the existing hotels the country is perfect for such projects as the existing ones face no material issues with utilities. In the near future Tanzania is expected to be exporting electricity which will be generated from the Julius Nyerere Hydro Electric Power plant.
7. In governance Tanzania is characterized by peace and tranquility for there has been no material havoc in the country for years. This is an opportunity as it provides our business with assurance that foreigners can feel safe in, and flock into the country giving us business.
8. Administratively Tanzania has developed an excellent strategy to combat the COVID – 19 pandemics by not closing down the economy. This provided and will still provide a haven for foreigners who would like to maintain their free lifestyle.

Challenges:

1. The open doors for Tanzania into the rest of EAC member countries imply the same for the other EAC members into Tanzania. This implies stiffer intra-regional competition coming to the issues of foreign tourists visiting the region.
2. The pandemic COVID-19: this has caused lock-downs and strict movement restrictions globally. Should there be another wave of the pandemic the business may experience some shocks in sales and in profits.
3. Demographically majority of Tanzania's population has seasonal spending habit. They largely visit hotels and other hospitality services sites during the festivities namely Christmas, Eid, Easter or Saba-Saba. As such there are limited sales over other periods of the year in as far as the generally low-income population is concerned.
4. Erratic supply of electricity may increase cost of operations for the business

## 6.0 BUSINESS STRATEGY

With increased urbanization in the city of Dar es Salaam the size of the mid to higher level income earners has risen in the city. This is the niche that can afford the hotel's services. Our business strategy is thus based on targeting this niche as well as the others from outside the region, and events organizers.

Basing on the SWOC analysis conducted and on the company's focus on mid to high-end clientele the company opts the targeted ten-pronged Luxury Marketing Strategy in order to trap more of the mid to high-end clients. This strategy is organized as follows: -

### Prong 1: Defining the Target Audience

The targeted mid to high-end customers are people of all ages but those belonging to the mid to high income levels. These are both local and foreign. Locally, the low-income earners do not frequent the hotels throughout the year but only during festivities, especially religious ones. In this regard the project targets the mid to high income earners who are capable of visiting the park.

The project also targets the government and NGOs as its clients as they do organize events such as workshops, conferences, luncheons, coffee meetings, business lunches and dinners, and other activities. These can afford our services and prefer the quality of three stars and above.

## Prong 2: Creating Client Persona

Through the company's marketing unit, the company looks forward to identify, establish a database of, and contact mid to high-end clients. These are Tanzanian, East African, African and global clients. At individual level the focus is diplomats frequenting Dar es Salaam, senior personnel, directors and CEOs who might have the money and the quest to procure hotel services but are not informed of any specific ones. At the corporate level the focus is the government and its ministries and departments; embassies and missions; and NGOs and their likes. The company will guide them to the hotel.

## Prong 3: Designing of a Compelling High-End Website

The company is designing a compelling website that will create the best first impression to prospective customers, especially the mid to high-end clients. The website will use appealing designs and details that are designed to, as much as possible, leave no question.

## Prong 4: Development of Targeted Ad Campaigns

The company won't use the traditional but digital campaigns in advertising the services provided at the hotel. These will be customized to the targeted mid to high-end clientele. The marketing team will select as to who can see the advert.

## Prong 5: Designing and Launching of a Social Media Campaign

According to Backlinko, as of 2022, 4.48 billion people are on social media. Obviously, owing to their exposure and modes of business, the mid to high-end clients are all in a position to access the social media. The company will engage social media like LinkedIn golden, Facebook, Twitter and Instagram. In addition, the company will use local mainstream media to create awareness about the business.

## Prong 6: Improving Company's SEO

This will improve the company's chance to rocket toward the top of the search engine results page. It will also make the web more navigable and easier to use, something that will give it credit before the mid to high-end clients be them prospective of existing. For the prospective clients it will add to chances of winning them, while for the existing clients it will add to retention rates.

From time to time the SEO will be revised in order to maintain it as up-to-date as possible as the hospitality industry, being a service business, is very volatile.

#### Prong 7: Establishing Company's Brand

Opting for the best ways to present the company and the project so that it will not struggle in attracting new mid to high-end clients. To maintain consistency in creating a sexy, mysterious air like luxury brands preferred by mid to high-end clients.

#### Prong 8: Creating Compelling Content

With excellent content, the company will have an edge to attract more of the targeted mid to high-end clients. The marketing unit will conduct reviews on keyword research to find competitive topics that haven't been deeply explored.

#### Prong 9: Building Company's Email List

The company will focus on keeping clients to the website. Improving company website design and honing in on the SEO ought to reduce the bounce. As for developing an email list, our site needs CTAs that make a site visitor want to become a high-end client.

The company will use timed opt-in pop-ups as well. We'll incentivize our audience to share their contact information by giving them something of value like an exclusive discount code or a copy of company's seasonal catalog.

#### Prong 10: Starting a Referral Program

The customers are the guiding stars as to where to find the mid to high-end clients. With a referral program, the company can harness the knowledge of our luxury customers and use it to the fullest in attracting new customers.

The company will create a referral program worth joining where for each subsequent referral a customer offers, the rewards will get increasingly better. This will motivate the company's customers to go above and beyond to bring in as many potential qualified leads as they can.

Owing to the stiffening competition and challenges in the sector the company has adopted this Luxury Marketing Strategy at it is the key to bringing in and maintaining more mid to high-end clients. As the business is highly volatile, the company will keep revising its strategy lets it be left out in the market.

## 6.1 Operating Philosophy

The company's operating philosophy is based on flexibility, operating in a targeted way and offering of quality service. Flexibility is crucial for survival and excellence in the ever changing highly competitive hotel business. By nature, this is a service business in which clients swiftly respond by "rewarding" or "punishing" the service providers by "returning and commending" or "leaving for good and spreading a bad word" respectively. Offering a quality service will see to it that the company gets rewarded with recurrence of clients and positive recommendations.

Operating in a targeted way helps the project identify the clients of focus, and develop the plan to cater for specific clients' expectations.

## 6.2 Theory of Change

The company believes in transitional impacting of the stakeholders. The promoters' ideas conceived the company and the project, and injected equity into it. Then the promoters impacted financial institutions to supply funding for the project by 30%. With the established project the promoters will engage locals and foreigners to adopt the philosophy and yield world class services by acting flexibly, in a targeted approach while offering quality services. The government will get taxes and levies while the employees will get incomes, and the society will benefit from the Company's CSR plan.

### 6.2.1 Project Manning

The project is expected to employ 16 people all of whom are local. Table 8 provides the details on the number of employees to be engaged in this project.

Table 10: Number of Employees

CATEGORY	MALE	FEMALE	TOTAL
Local	9	7	16
Foreign	0	0	0
TOTAL	9	7	16

Gender wise males to be employed are 9 while females are 7. Basing on nationalities, however, locals amount to 100% while foreigners make 0% of the employees.

Table 11 gives a detailed plan for manpower of the project between locals and foreigners, males and females, across positions.

Table 11: Detailed Employment Plan

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
Senior Management Team:					
Managing Director	1				1
Other Staff:					
Finance Manager		1			1
Marketing Manager		1			1
Accounts	1				1
Marketing Officer		1			1
Chief Cook	1				1
Bar Tenders	2	4			6
Drivers	4				4
Other Staff:					
TOTALS	9	6	1	0	16

## 7.0 RATIONALE OF THE PROJECT

This project is promising to be a success. Its investment will be 100% Local in terms of both equity and loan. It is expected to be financed by equity (USD 595,200) and a local loan (USD 1,388,800). The multiplier effect of this investment can be viewed financially, fiscally and socially as detailed below, with reference to *Annex 1* to this Business Plan.

### 7.1 Fiscal Rationale

The company will comply with all requirements of the Tax Acts of Tanzania. Basing on the financial projections developed and presented, for the first five years of its operations the company expects to pay a total of USD 1,349,298 as corporate tax and VAT. The income tax and the VAT are projected to be USD 646,512 and USD 702,787 respectively. These amounts, projected to be paid over the first 5 years of operation, will go to the Central Government via the TRA and, thus, the Treasury.

To the local government in the City of Dar es Salaam, the company will comply with all levies as stipulated in the Local Government Authorities. Considering materiality, this plan does not include its projections.

## 7.2 Monetary Rationale

The company looks forward to using, as much as possible, the locally available supplies in both goods and services. The aim is to engage local SMEs in its value chain of services. Since in the projections we expect to source more than 90% of our supplies from within the country, it implies that at least 90% of the *total production costs* and the *total operating expenses* will be incurred within the locality of the project and within Tanzania at large. Basing on *Annex 1*, for the first 5 years the project will create a cash flow amounting to USD 882,734 where 90% of it (USD 1794,460) will go to local supplier SMEs. This has a positive multiplier effect in the economy as it is an impetus for growth of the SMEs. It will attract competition which will induce more efficiency and competitiveness among local SMEs.

## 7.3 Social Rationale

This project will create employment, both direct and indirect, where it will directly employ 16 people in the course of its roll-out. All of these are local.

Over the first 5 years the company will participate in community development via its CSR program. Basing on the sales, the company is expecting to contribute a total of USD 2,414 in the first five years (*Annex 1*).

The hotel will add to variety to hotel clients within the city of Dar es Salaam. It will add to competition and, competitive as it is, it's going to prevail while leaving clients more satisfied. This project is thus fiscally, monetarily and socially rational.

## 8.0 THE ROLL-OUT PLAN

This project is expected to commence its operation in June of the year 2024. Prior activities have already commenced during the year 2023. The main activities are as shown in Figure 2 where the launching is scheduled for June 2024.

Figure 2: Project Roll-Out Plan

No.	Activity									
		2023				2024	2025	2026	2027	2028
		Sep	Oct	Nov	Dec					
1	Registrations									
2	Market Analysis									
3	Construction of the Hotel Building									
4	Staff Recruitment									
5	Commencement of Operations									
6	Land Acquisition									
7	Acquisition of Hotel Appliances									
8	Business Expansion Analysis									

## 9.0 ANNEXES

### Annex 1: Fiscal and Monetary Rationale of the Project

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	53,200	61,400	66,900	72,950	79,605	334,055
Total Operating Expenses	150,080	96,229	99,123	100,550	102,697	548,679
Income Tax	7,646	127,076	145,466	172,131	194,193	646,512
VAT on Sales	64,800	135,289	149,228	168,500	184,969	702,787
Provision for CSR	29	474	543	643	725	2,414
TOTALS	275,755	420,469	461,260	514,773	562,188	2,234,446
SUMMARIES						
To the Government	72,446	262,365	294,694	340,631	379,162	1,349,298
To the Private Sector (SMEs)	203,280	157,629	166,023	173,500	182,302	882,734
To the Society (CSR)	29	474	543	643	725	2,414
TOTALS	275,755	420,469	461,260	514,773	562,188	2,234,446

### Annex 2: Loan Details

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL PAYBACK (PRINCIPAL + INTEREST)					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	595,200	0.16	119,040	214,272	214,272	214,272	214,272	214,272	1,071,360
Foreign Loan	-	0.15	-	-	-	-	-	-	-
TOTAL PRINCIPAL LOAN			119,040	214,272	214,272	214,272	214,272	214,272	1,071,360

ANNUAL INTEREST  
DETAILS

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL INTEREST PAYBACK					
				Y1	Y2	Y3	Y4	Y5	
Local Loan	595,200	0.16	119,040	95,232	95,232	95,232	95,232	95,232	476,160
Foreign Loan	-	0.15	-	-	-	-	-	-	-
TOTAL INTEREST ON LOAN			119,040	95,232	95,232	95,232	95,232	95,232	476,160
TOTAL REPAYMENT				309,504	309,504	309,504	309,504	309,504	1,547,520