



**BUSINESS PLAN FOR
THE PROPOSED
TOURISM BUSINESS
FACILITIES FOR
RELOADTZ COMPANY
LIMITED**

FEBRUARY 2024

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1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

RELOADTZ Company Limited is a company incorporated in Tanzania. The company is involved in provision of services in the tourism sector. The company wants to execute a project in Manyara that will consist of the following:

- Boutique Hotel Facilities with Executive Suites
- Corporate retreat facilities and Yoga facilities

This plan presents an analysis of the proposed investments. This analysis starts with the general outlook of Tanzania's economy and the current environment supporting investments in the travel and tourism sector. Thereafter, a detailed analysis of the management aspects of the proposed investments is presented. Finally, a detailed analysis of the financial viability of the proposed investments is presented.

1.2 LOCATION DETAILS AND MANAGEMENT

The promoter of the current project is RELOADTZ Tanzania Limited. The current address of the promoter's first project is Mkunguni B, Plot number 84, Kinondoni Road. The company has two shareholders, one a Belgium national and one Tanzanian. It will employ management and staff who are Tanzanians, and they will oversee operations of the company and report to the owners.

1.3 INVESTMENTS REQUIRED AND FINANCING ASPECTS

The project's planned investment is USD 1,198,948 out of which USD 857,619 is investment in long term assets and USD 341,329 is investment in working capital. The summary of investment needs is as shown in the table below

SN	ITEM DESCRIPTION	AMOUNT (USD)
1	Land (Already secured)	139,130
2	Building	551,250
3	Motor vehicles	66,000
4	Furniture and Fittings for Accommodation Facilities	63,348
5	Furniture and Fittings for bar, restaurant and kitchen	3,370

6	Furniture and fittings for conference facilities	11,957
7	Office Equipment & Furniture	7,565
8	Miscellaneous capitalized expenses - Including Initial Costs for Architectural and structural works, and EIA	5,000
	Total Fixed Assets	847,620
9	Average Net Working Capital Needs	409,661
	Total Capital	1,257,281

1.4 SOURCES OF REVENUES

The project is expected to get its revenues from the products identified in section 1.1. The summary of expected revenues for the first year of business is presented in the table below

Item Description	USD
Revenue from accommodation facility	310,200
Revenue from bar and restaurant	59,455
Revenue from the conference facility	13,500
TOTAL	383,155

The projected income statement for the first five years is presented below

(USD)	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
NET REVENUES	383,155	421,471	463,618	509,979	560,977
COST OF REVENUE	45,175	49,693	54,662	60,128	66,141
% of Revenues	11.79%	11.79%	11.79%	11.79%	11.79%
GROSS PROFIT	337,980	371,778	408,955	449,851	494,836
% of Revenues	12.90%	13.00%	13.80%	15.90%	20.10%
OPERATING EXPENSES					
Salaries and Payroll Statutory Costs	132,104	145,315	159,846	175,831	193,414
Maintenance and Utilities	25,878	27,172	28,531	29,957	31,455
General and Administration (Excl. depreciation)	30,147	31,655	33,237	34,899	36,644
Total Operating Expenses	188,130	204,142	221,615	240,688	261,514
% of Revenues	49%	48%	48%	47%	47%
EARNINGS FROM OPERATIONS	149,850	167,636	187,341	209,163	233,323
DEPRECIATION AND AMORTISATION	49,351	49,351	49,351	49,351	49,351
EARNINGS BEFORE INTEREST & TAXES	100,499	118,285	137,990	159,812	183,971

INTEREST INCOME / (EXPENSE)						
Interest on loan		0	0	0	0	0
NET EARNINGS BEFORE TAXES		100,499	118,285	137,990	159,812	183,971
TAXES						
Service Levy Tax and others - on sales	3%	11,495	12,644	13,909	15,299	16,829
Corporate tax on Operating profit	30 %	30,150	35,485	41,397	47,944	55,191
NET EARNINGS		58,854	70,155	82,684	96,569	111,951
% of Revenues		15.36%	16.65%	17.83%	18.94%	19.96%

1.5 SOURCE OF FINANCING

The promoters expect to finance this project from equity raised from their sources.

1.6 SUMMARY OF THE EXPECTED CONTRIBUTION OF THE PROJECT

The project is expected to achieve the following:

- At the macro (national) level, the project will contribute to the travel and tourism sector's attractiveness by providing quality accommodation facilities that will cater to high-end clients.
- The backward and forward linkages that will arise from the project's implementation will contribute to the tourism sector's productivity. The project will utilise materials and other inputs sourced locally, thus creating a multiplier effect on the economy.
- The project will inject foreign currency into the economy. The expected investment amounts to USD 1,257,80. Furthermore, the targeted clients for the project are foreigners, and hence, more foreign currency will be channeled to the economy through the activities of the proposed project.

- The project will also pay fees, taxes, and other statutory contributions to the local and the central government, thereby contributing to the government revenues. The estimated payments to the government are presented in the table below

		<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
Service Levy Tax and others - on sales	3%	11,495	12,644	13,909	15,299	16,829
Corporate tax on Operating profit	30%	30,150	35,485	41,397	47,944	55,191
TOTAL		41,644	48,130	55,305	63,243	72,021

- Employment is a major social and economic issue for Tanzania, especially for youths. The project will employ people during the construction phase and the implementation phase. It is estimated that the project will employ 20 people during the construction phase that is expected to be completed within a year, and it will employ 25 people once it starts operations.
- The project will provide jobs. The employees will come from the community. They will benefit directly in terms of income and other benefits such as health coverage for their families. This contributes to the social welfare of the community.
- The proposed project will provide an avenue for skills transfer to the youth in terms of internships, hence helping to improve service provision in the travel and tourism sector.

2.0 PROMOTER'S INFORMATION

2.1 STATEMENT OF PURPOSE

This document's preparation follows RELOADTZ Company Limited intention to establish a business in the travel and tourism sector. It intends to build a boutique hotel that will offer accommodation, conference facilities, and yoga retreats. This document illustrates the requirements for establishing such a business. It also builds a business case for the proposed project. It includes projections for capital investment, production and operations, staffing requirements, and financing requirements. It is expected that this document will guide all concerned on the issues of operations and financing of the business. This document also presents revenues and expenditure projections for the first five years of the company's operations. The projection of revenues and expenditure illustrates the viability of the business venture.

2.2 DETAILS OF THE PROMOTER

The promoter of the current project is RELOADTZ Company Limited. The current address of the promoter is:

Mkunguni B, Plot number 84, Kinondoni Road,
Kinondoni ward, Hananasif, Postal code 14109,
Kinondoni Road, Dar es Salaam,
P.O. Box 38568.

The company's incorporation number is 144886232. The company is owned by six shareholders as indicated in Table 1 below

Table 1: Ownership structure of the promoter

Name	Nationality	Shareholding
1. MATHIAS CECILE VERCRUYSSSE	Belgian	3920
2. AGNESS - SENGA GEOFFREY TUPPER	Tanzanian	4080
Total		8000

The details of the proposed business location, i.e. the place where the hotel and other facilities will be built, are indicated in Table 2 below.

Table 2: Location of the proposed business

Location	Manyara Region
Plot Number and size	25 acres
CRO number	53BBT/17252
Number of years	Unlimited
Date Issued	27 th June 2023
Purpose of issue	Commercial
Land Sale Agreement Date	21 st March 2023

2.3 RELOADTZ COMPANY LIMITED BUSINESS ACTIVITIES

RELOADTZ Company Limited is a company incorporated in Tanzania. It has a Tax Identification Number (TIN) 144-886-232 .The Company is registered to carry out the following activities:

- Short term accommodation activities
- Hunting, trapping and related service activities
- Tour operator activities,
- Travel agency activities
- Renting and leasing of motor vehicles
- Renting and leasing of other personal and household goods

2.4 PROPOSED PROJECT

2.4.1 Description of the project

RELOADTZ Company Limited intends to establish a hub for its travel and tourism line of business in Tanzania. The project will be implemented in phases. The current project will involve the following:

- (i) Boutique Hotel Facilities
- (ii) Corporate retreat facilities and Yoga facilities.

The accommodation facilities and common areas, including bar, dining area, conference hall, and yoga studio, are expected to occupy approximately 735 square meters of floor space¹. Following is a short description of each of the components of the project.

2.4.2 Boutique Hotel Facilities

Boutique hotels offer personalized accommodation and services. The proposed facility will provide a unique combination of African charm and European quality service and privacy. The facility will be furnished in a theme, stylish, and aspirational manner to cater to the targeted clientele' needs. The facility will have ten spacious two-bedroom suites. These suites will be fitted with air conditioning, cable TV, Wi-Fi Internet, honesty bar, a kitchenette, and laundry facilities. The facility will also have common areas such as a bar, dining area for guests, a medium-sized conference room (seating 35 people in conference style, or 85 people in banquet style), and a yoga studio. The hotel guests will be attended by 24-hour hotel staff. In addition to being service-oriented, the hotel facility will focus on sophistication, style, and luxury, to provide more value to the customers.

2.4.3 Corporate Retreats and Yoga Retreats

¹ Detailed architectural and structural designs will be prepared later.

Apart from offering accommodation facilities to clients who value adventure, comfort, luxury, and personalized services, the hotel facilities will be ideal for corporate events such as corporate retreats, conferences, and team-building activities.

3.0 REVIEW OF THE TOURISM SUB SECTOR IN TANZANIA

3.1 TRENDS IN TRAVEL AND TOURISM INDUSTRY IN THE WORLD

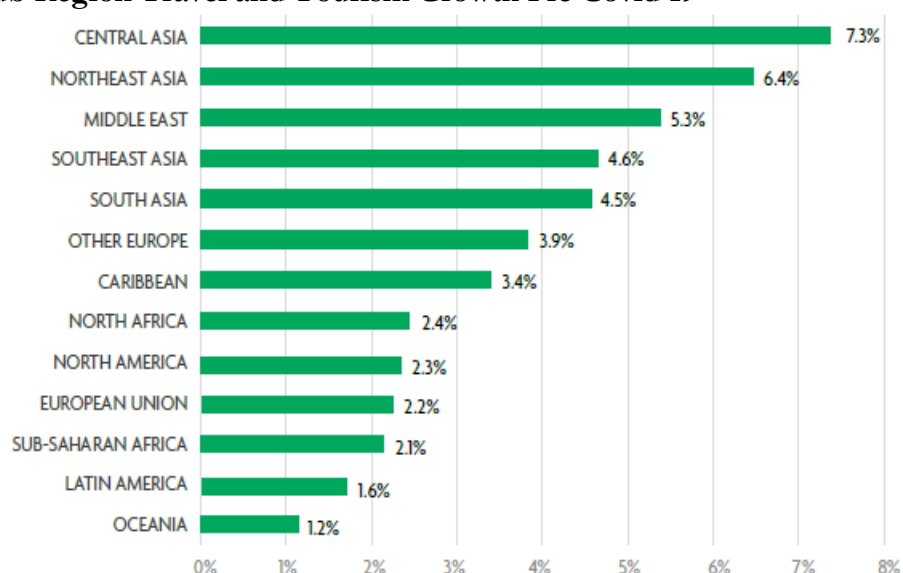
In the past decades, travel & tourism (T&T) and its enabling ecosystem have proven to be significant drivers of economic growth, contributing over 10% to global GDP and accounting for 1 in 10 jobs on the planet. The industry continues to be a force for good, providing unique opportunities for developing and emerging nations to move up the value chain.

The travel & tourism (T&T) industry plays a vital role in the global economy and community. In 2019, the industry helped generate 10.4% of world GDP and a similar share of employment and has shown enormous resilience over the last decade. When comparing the global GDP contribution of the T&T with other exports, the T&T sector has consistently outperformed other exports, as indicated in Figure 1.



The slowdown of the travel and tourism sector that was observed during COVID-19 is gradually easing. Recent data indicate that, in 2023, the sector has recovered to its pre-pandemic levels in 2019. The observed expansion of the travel and tourism sector and its subsequent resilience is fuelled by the ongoing growth of the middle-class in Asia and other parts of the world, as shown in figure 2

Figure 2 Sub Region Travel and Tourism Growth Pre Covid 19



The highest growth rates were recorded in Central Asia, Northeast Asia, and the Middle East. Sub-Saharan Africa (SSA) recorded a 2.1% growth rate. This rate is nearly a quarter of the highest growth rate recorded in Central Asia. This implies that there is an opportunity for growth for the SSA region.

The Travel and Tourism competitiveness report, which ranks countries worldwide on different aspects, indicates that the SSA region is improving its T&T sector. The rankings of SSA countries is shown in Table 3 below

Table 3: T&T competitive rankings for SSA countries

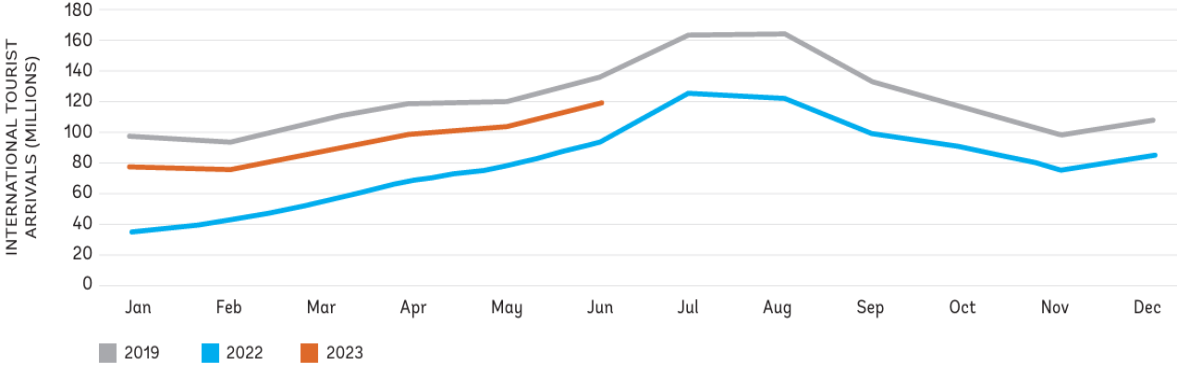
Country	World Rank	Africa Rank
Mauritius	54	1
South Africa	61	2
Egypt	65	3
Morocco	66	4
Namibia	81	5
Kenya	82	6
Botswana	92	7
Tanzania	95	8

The SSA rankings show that Mauritius is the highest-ranked country in T&T competitiveness. Tanzania is ranked 8th in Africa (out of 52 countries) and 95th globally (out of 140 countries).

The T&T sector has been hit the hardest by the outbreak of COVID 19 and the subsequent travel restrictions across all countries worldwide. However, despite the many challenges in the horizon, the travel and tourism sector recorded a strong performance in 2023. Data indicate that the travel and tourism grew by 23%, reaching 9.2% of the global economy. The travel and tourism sector’s value is estimated to grow be USD 9.5 trillion, only 5% behind the 2019 peak. This growth is contributed by the reopening of China, and fully recovery of Latin and North America.

Between April and June 2023, more than 316 million international tourists traveled globally, a 33 percent increase from the same period in 2022, reaching 85 percent of Q2 2019 levels (Figure 3). The sector continues to move closer to pre-pandemic numbers, which in Q2 were boosted by an improved industry staffing and operating environment as well as continuing resilience in the global economy. Buoyant global hotel occupancy rates reflect this progress, reaching an average of 71 percent occupancy on July 1, 2023, in comparison to 68 percent in 2022 and 74 percent in 2019 (STR). However, a challenging global macroeconomic and geopolitical context, coupled with frequent extreme climate events, contributes to future uncertainty.

Figure 3: International tourist arrivals 2023



Box 1: KEY ISSUES ARISING FROM ANALYSIS OF INTERNATIONAL TRENDS IN T&T SECTOR

1. T&T sector has withstood several shocks in the past, including the global pandemic. The sector has recovered, to reach the levels of 2019 (pre-pandemic period). China has re-opened and Latin and North America has fully recovered from the pandemic slow down.
2. The 2024 and beyond outlook for the travel and tourism sector is positive.
3. Tanzania is doing well in the travel and tourism sector, occupying 8th position in the T&T international competitiveness rankings.

3.2 TANZANIA TOURISM SECTOR AT GLANCE

3.2.1 Tourism demand

The presence of world-class tourism assets drives tourism demand in Tanzania. These include

- Natural - climate, national parks, game reserves, coastal areas, islands, mountains, lakes, waterfalls, etc.
- Cultural - archaeological sites at Olduvai, Kalambo Falls, etc.; historical sites at Bagamoyo, Kisiwani (Mafia) Kilwa, etc.; Rock Painting sites at Kondoa and around lake Victoria;
- Man-made - architecture, museums, arts and handicrafts, etc.

The assessment of the identified tourism assets concludes that, by any standards, Tanzania is an exceptionally beautiful and exciting country. With its 16 national parks, 31 game reserves, 38 game controlled areas, a conservation area, and marine park, Tanzania's wildlife resources are considered among the world's finest and have been widely known for many years. They include the great Serengeti plains, the spectacular Ngorongoro Crater, Lake Manyara, and Africa's highest mountain, Kilimanjaro², in the North; and the relatively underdeveloped Mikumi National Park and Selous Game Reserve in the South. Additional natural attractions include the sandy beaches north and south of Dar-es-Salaam, the exotic 'spice island' of Zanzibar, and excellent deep-sea fishing at Mafia and Pemba Islands.

Though fundamentally important, a viable tourism industry requires more than a range of natural and cultural attractions and a welcoming people. A sound infrastructure along with a developed superstructure of facilities and amenities are also needed. Tourism is a highly diverse industry that requires many different components to be in place before there is a complete product to offer in the marketplace. The implication of this is that a deficiency in any one component will undermine the destination's capacity to meet tourists' expectations.

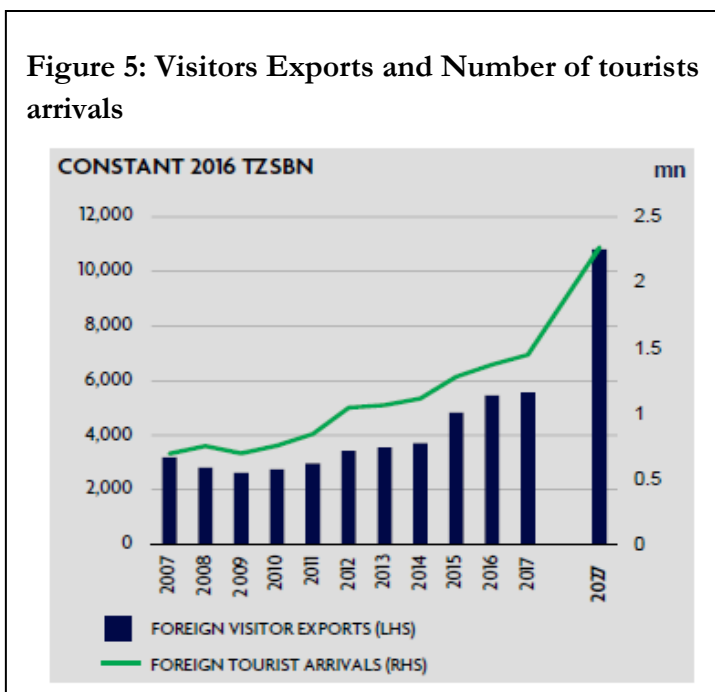
² Mount Kilimanjaro has been named Africa's leading tourism attraction in 2017 by the World Travel Awards. This is the fourth time in recent years that Mount Kilimanjaro wins this award.

In recognition of tourism's importance to the national economy, the Tanzanian government has taken several steps to address the tourism sector's challenges. Some of these steps are:

- (i) Improvement of the aviation infrastructure. Specifically, construction of the new terminal at the Julius Nyerere International Airport (JNIA), expansion of runway and improvement of passengers lounge at Kilimanjaro International Airport (KIA), construction of the Mbeya airport, Bukoba airport, Mtwara airport, and Chato airport. Additionally, the revival of the Air Tanzania Corporation (ATC) is expected to improve in-country travel and international travel between Tanzania and designated destinations.
- (ii) Improvement in the road network. There is a good road network connecting all the regions in the country. Specifically, improving the Himo-Voi-Taveta road, Arusha-Namanga road, Arusha-Loliondo-Musoma road is expected to ease tourist travel in the northern circuit. Additionally, road construction in other tourist circuits is expected to open up tourism in these areas.
- (iii) Creating a conducive environment will encourage the private sector to invest in tourism, related projects such as constructing world-class accommodation facilities in the tourism areas. Together with the current initiative for publicizing tourism assets and "Destination Tanzania," the steps mentioned above are crucial in making the Tanzanian tourism sector more competitive.

3.2.2 Visitors statistics

A key indicator of tourism demand in the country is the visitor export measured by earnings resulting from international tourists' consumption in a particular country. Recent data from the pre-



COVID 19 period shows that Tanzania generated TZS 5,980 billion in visitors' exports, equivalent to USD 2.6 billion (Figure 5), from 1.8 million international visitors. A comparison of Tanzania tourists' earnings with other countries is shown in Table 4.

If Tanzania visitors' export data is compared with data from other Sub Saharan African countries, Tanzania earnings are above the Sub Saharan Africa average, as indicated in Table 4. However, Africa's highest earnings are from South Africa, which earns 3.63 times more than Tanzania. Given the endowment of unique tourism assets

for Tanzania, the country can increase these earnings considerably.

Table 4: Visitors exports data in Sub Saharan Africa

RANK	VISITOR EXPORTS	2016 (US\$bn)
37	South Africa	8.7
	World Average	7.6
73	Tanzania	2.6
88	Kenya	1.7
113	Uganda	0.8
	Sub-Saharan African Average	0.7
125	Botswana	0.6
131	Senegal	0.4
142	Namibia	0.4
165	Gambia	0.09
172	Republic of Congo	0.05
180	Swaziland	0.01

3.2.3 Hotels and Leisure in Dar es Salaam

3.2.3.1 Hotel Facilities in Dar es Salaam

Dar es Salaam is the commercial capital of Tanzania. It has a wide range of hotels and accommodation facilities that caters to the diverse needs of clientele. They range from those that offer the basic minimum accommodation facilities to target the high-end clientele. Table 5 below shows some hotels which cater to high-end clients.

Table 5. High-End hotels in Dar es Salaam

	Name of the Hotel	Number of Rooms	Price Range in USD
1	Hyatt Regency Dar es salaam, the Kilimanjaro	182	205 – 2,000
2	Dar es Salaam Serena Hotel	230	206-1,800
3	Double Tree By Hilton	153	185-2000
4	Southern Sun Hotels (T) LTD	152	143 - 920
5	Hotel Sea Cliff Ltd	103	110 - 220
6	New Africa Hotel (Four Points Dar es Salaam by Sheraton)	138	
7	Holiday Inn	124	99 - 129
8	City Lodge Hotel Dar Es Salaam	41	132-187
10	Ramada Encore		126 - 263
11	Golden Tulip Dar Es Salaam City Center	56	96 -163

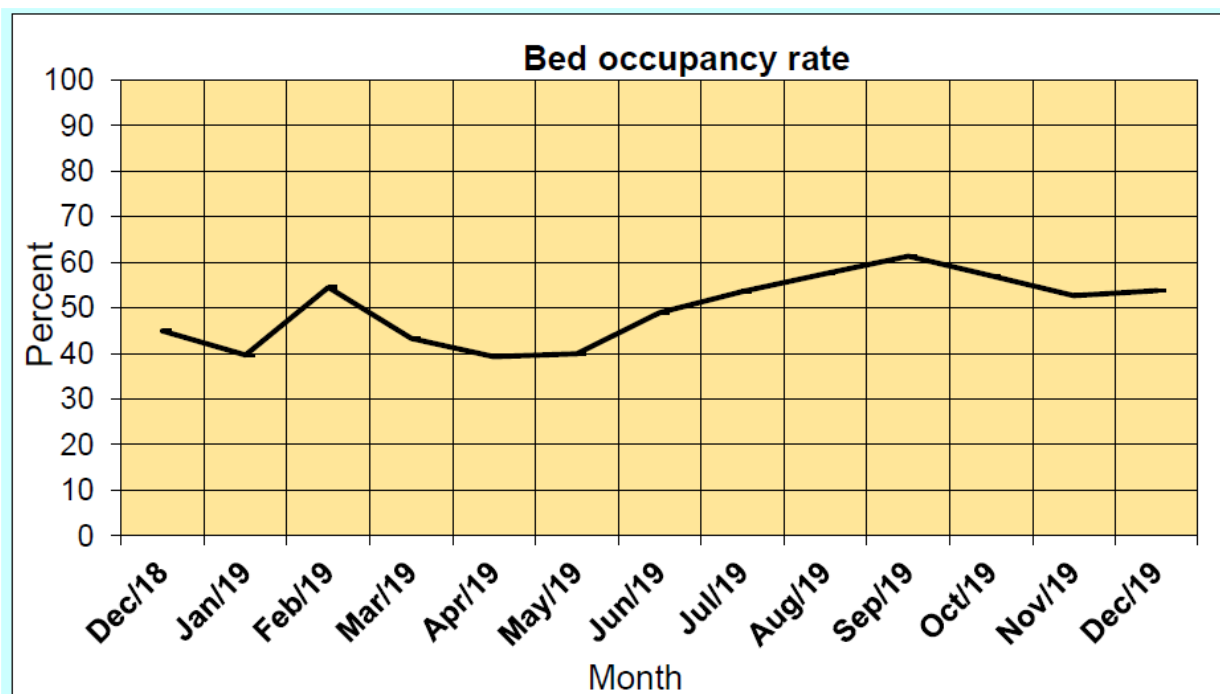
	Name of the Hotel	Number of Rooms	Price Range in USD
12	Tanzanite Executive Suites Hotel	26	80 - 160
13	Tiffany Diamond Hotel	134	65- 200
14	Rotana Johari Hotel Dar Es Salaam	256	
15	Harbor View Suites Ltd		90-146
16	Best Western CBD Hotel	90	91-103
17	Hotel Sapphire	93	90-150
18	Protea Hotel By Marriott Courtyard	51	130-160
19	Best Western Peninsula Plus	45	120-165
20	Sea Cliff Court Hotel And Luxury Apartments	60	110-180
21	Protea Hotel Oyster Bay By Marriott	48	145-155
22	Colosseum Hotel & Fitness Club-Masaki	54	100-150
23	Hotel Slipway	71	120
24	Seashells Millennium Towers Hotels	60	70-90
25	Regency Park Hotel	72	80-160
26	Kunduchi Beach Hotel & Resort	80	110-260
27	Ledger Plaza (Bahari Beach Hotel)	94	100-250
28	White Sands Hotel		
29	Ramada Beach Resort	139	120-900
30	The Amariah Hotel	27	65-100
33	Bellrose Hotel		50-100

Hotels facilities indicated in Table 3 are located in different areas in Dar es Salaam. They represent facilities that target foreign tourists and foreign residents. The list contains facilities that belong to international hotel chains as well as boutique hotel accommodations. The boutique accommodations in the market have the following features:

- The size of the accommodation range from 26 rooms to 93 rooms
- The rate per person ranges from a minimum of USD 80 to USD 187.

Recent data on the trends of bed occupancy rates are shown in Figure 6. The data was drawn from hotels all over the country. The average occupancy rate is 50%. One thing to note here is that hotels that cater for high-end clientele usually have much higher occupancy rates than the average. Most high-end hotels are fully booked at the peak of the high tourist season (July to October). The high season extends from July to February. The low season from March to May.

Figure 6: Hotel room occupancy rates



Box 2: KEY ISSUES ARISING FROM ANALYSIS OF LOCAL TRENDS IN T&T SECTOR

1. The Government of Tanzania recognises the importance of the tourism sector in the national economy and therefore invests in public infrastructure that supports tourism. It also encourages investments in the sector.
2. Tanzania ranks high among SSA countries as an attractive tourist destination.
3. Although there are many hotels and accommodation facilities in Dar es Salaam, there is still an opportunity to realise a reasonable return for investment in the accommodation sub sector.
4. The price for boutique hotels range from USD 80-187 with room capacity ranging from 25-93 rooms.
5. During the high season (July to February) the occupancy rate is at the highest and during the low season (March to May) the occupancy rate falls to the average levels.
6. Most boutique hotels offer bar and restaurant services for its guests. Some hotels restricts bar and restaurant services to guests of the hotel, while some welcome non-residents to use the bar and hotel facilities.

4.0 MARKETING STRATEGIES AND SALES PLAN

4.1 PRODUCTS

The proposed boutique hotel facilities will offer the following products:

- 1) Bed and breakfast facilities
- 2) Dining and restaurant facilities for in-house guests
- 3) Conference and Corporate retreats
- 4) Yoga Studio Facilities

4.2 PROFILE OF THE TARGETED CUSTOMERS

The proposed project offers six products which target customers from different segment of the market. The description of the targeted customers is given in Table 7

Table 7: Profile of target Clientele

	Segment	Description
a	Geographical Segmentation	<ul style="list-style-type: none"> • It is expected the clientele for the hotel will be international tourists coming from European and North America source markets. These are United Kingdom, United States of America, Germany, Italy, France, Netherlands, Canada, Australia & Spain. • The hotel will also target corporate clients from the East Africa region.
b	Demographic Segmentation	<ul style="list-style-type: none"> • Families on vocation. The suites in the hotel are designed in a way that they can accommodate families. • Young people from source markets on vacation • Corporate Executive looking for an ideal location for retreats and team building activities.
c	Psychological Segmentation	<ul style="list-style-type: none"> • The hotel will offer the following to its clients <ul style="list-style-type: none"> ○ Adventure ○ African ambiance ○ Quite and Privacy ○ European standards of quality service delivery

4.3 COSTING AND PRICING

Costing and Pricing is used as a customers' segmentation strategy. The hotel and accommodation sub sector review has revealed the range of prices charged by other facilities for similar services. The company intends to price its products competitively, considering the type of targeted clients.

4.5 MARKETING PLAN

The company will employ different marketing strategies to reach potential clients from the identified source markets. The company will employ the following marketing strategies

Website: The company will develop an interactive website. The website will be used to create awareness to the potential clients about the company's facilities and products offered. The website will use SEO techniques to increase its visibility.

User-generated Content: User-generated content consists of customer reviews, videos, and pictures taken from the premises. These are usually posted on social media or personal blogs.

Online Ads: The company will place ads on search engines such as Google Ads, Bing, and Trip Advisor.

Social Media Promotion: The company will use social media to promote the company's products and services.

Personal Networks: The company will use private networks for marketing its services

5.0 OPERATIONS PROCESS AND TECHNOLOGY

5.1 OPERATION PROCESS

The hotel business's operations processes comprise two main components- the main operations and support operations. The main operations have the following sub-components:

- **House-keeping:** This is an essential and necessary part of the hotel guests' experience and satisfaction. Although the staff giving this service do not necessarily interact with the clients, their work's quality is essential in molding hotel guests' pleasant memories of their stay. House-keeping carries the quality element of accommodation facilities. General cleanliness, hygiene, and technical maintenance are vital to guests, staff, and visitors' health and safety. House-keeping includes activities like cleaning of rooms, floors, walls, bathrooms; bed making; maintenance of grounds and gardens; and laundry and dry cleaning.
- **Procurement:** Various inputs are required to run a hotel. Some of the inputs are perishable, some are consumables used regularly, and some are non-perishable. Procurement involves the following:
 - Purchase and storage of food and beverages

- Purchase and storage of consumables (e.g. toiletries, cleaning soaps and disinfectants, polishing)
- Purchase of non-consumables (e.g. cleaning buckets, mops, squeezers, cutlery, cooking utensils, porcelain, and glass)
- **Front Office:** Front office staff deals with guests immediately when they arrive. Some of the guests are picked up from the airport. This is the first time they come in contact with the guests. Upon arrival, guests undergo the registration process whereby guests' particulars are recorded into the hotel system, and they are allocated a room according to their preference and availability. The front office staff are also responsible for coordinating guests' requests and responding to queries. They are also responsible for posting charges on guest account. The front office staff are also responsible for coordinating guests' departure, including airport transfers.
- **Food and beverages:** This component has two main sub-components. These are:
 - Food and Beverages preparation: This involves activities that are carried out in the kitchen.
 - Food and Beverages serving: This involves activities that are carried out in the restaurant and room service. It includes setting up the dining area, taking orders from clients, serving the orders in the dining room or in the restaurant, and billing the clients.

The supporting operations include the following sub-components:

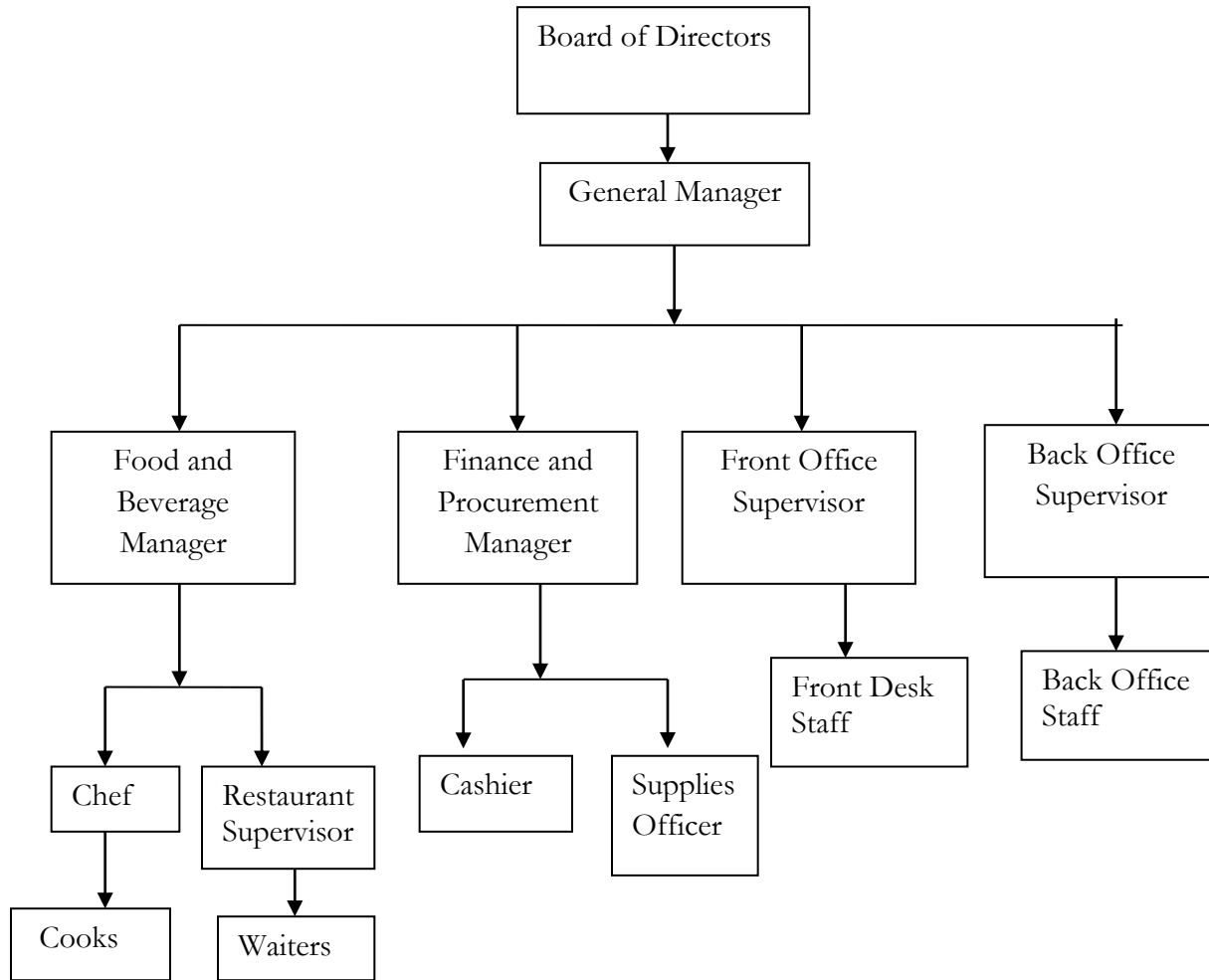
- Human Resources (HR)
- Information Technology (IT)
- Estate Management
- Security
- Finance

5.2 MANAGEMENT AND ADMINISTRATION

5.2.1 Management structure

The management structure is dictated by the products and services that will be offered. The hotel business's main functions are housekeeping, procurement, front office, and food and beverages. The support operation functions are HR, IT, estate management, security, and finance. Some of the support function can be outsourced. For example, security, IT, and estate management will be outsourced. Figure 7 present the organization structure of the company.

Figure 7: Management Structure



The above structure shows different departments of the company and lines of responsibility and reporting. The company's day-to-day management will be under the General Manager, who reports directly to the Directors. Other department heads will report directly to the General Manager, as indicated in Figure 7.

5.2.2 Staffing

The company is expected to recruit qualified and skilled personnel to fill in technical positions that have been identified. It is envisaged that the proposed business undertaking will employ two foreign staff and the 23 local staff. Staff requirements and remuneration is shown in table 8 below:

Table 8: Staff requirement and remuneration

SN	Title	Number of Staff	Proposed Per Month Salary	TOTAL PER MONTH	MONT HS	Annual Salary (TZS)	Annual Salary (USD)
1	General Manager	1	6,000,000	6,000,000	12	72,000,000	31,304.35
	Food and Beverages						
2	Food & Beverage Manager	1	4,000,000	4,000,000	12	48,000,000	20,869.57
3	Chef	1	800,000	800,000	12	9,600,000	4,173.91
4	Cooks	1	500,000	500,000	12	6,000,000	2,608.70
5	Dishwasher	2	300,000	600,000	12	7,200,000	3,130.43
6	Restaurant Supervisor	1	600,000	600,000	12	7,200,000	3,130.43
7	Waiters	3	400,000	1,200,000	12	14,400,000	6,260.87
	Finance and Procurement						
8	Finance and Procurement Manager	1	1,500,000	1,500,000	12	18,000,000	7,826.09
9	Cashier	1	400,000	400,000	12	4,800,000	2,086.96
10	Procurement & Stores	1	500,000	500,000	12	6,000,000	2,608.70
	Front Office						
11	Front Office Supervisor	1	800,000	800,000	12	9,600,000	4,173.91
12	Front Desk Staff	2	400,000	800,000	12	9,600,000	4,173.91
13	Drivers	2	350,000	700,000	12	8,400,000	3,652.17
	Back Office						
14	Back Office Supervisor	1	600,000	600,000	12	7,200,000	3,130.43
15	House-Keeping	4	350,000	1,400,000	12	16,800,000	7,304.35
16	Gardening	2	350,000	700,000	12	8,400,000	3,652.17
	Total	25				253,200,000	110,087

6.0 FINANCIAL PROJECTIONS

This section presents financial projections for the project. The projections include capital expenditure and working capital needs. It also includes revenues forecast and break-even analysis for the proposed project. The exchange rate of 1 USD =TZS 2300 has been used through the projections.

6.1 BUILDING, FURNITURE AND FIXTURES

The project will involve constructing a building that will contain ten executive suites, a bar and restaurant, a conference room, a yoga studio, and office space for the management. The building requirement in terms of floor space is as indicated in Table 9 below. The initial estimation shows that the civil works and finishing features of the building will cost USD 551,250. This cost has been estimated from the construction cost of USD 750³ per square meter.

Table 9: Civil Works for the Accommodation and Conference Facilities

BUILDING REQUIREMENT- FLOOR SPACE	
DESCRIPTION	Floor Space (Sqm)
10 Executive Suites@50sqm	500
Lobby	30
Bar and Dining room	40
Kitchen	20
Laundry	20
Conference Room	40
Yoga Studio	40
Offices for Management staff	45
TOTAL FLOOR SPACE	735
CONSTRUCTION COST PER SQM (including fittings and décor)	750
ESTIMATED CONSTRUCTION COST	551,250

³ This cost is comparable with building estimates for accommodation facilities in Dar es Salaam obtained from expert interview and secondary sources of information. See <https://estatecloud.co.ke/tanzania-construction-costs/> [Tanzania Construction Costs - Estate Cloud](https://estatecloud.co.ke/tanzania-construction-costs/) visited on 02/20/2021

The requirements for fixtures and fittings are indicated in Table 10-Table 13 below. The prices quoted are from local suppliers. The cost has been converted to USD for uniformity since the investment is quoted in USD.

Table 10: Furniture and fittings for the accommodation facilities

	Item description	Quantity	Price per Item	Total Cost (TZ)	Total Cost (USD)
1	Bed Base (5 x 6 x 8)	2	550,000	1,100,000	478.26
2	Mattress (5 x 6 x 8)	2	350,000	700,000	304.35
3	Bed side table	4	150,000	600,000	260.87
4	Bed side table lamps	4	250,000	1,000,000	434.78
5	Wall cloth wardrobe	2	1,150,000	2,300,000	1,000.00
6	Dressing table	2	400,000	800,000	347.83
7	Dressing table chair	2	50,000	100,000	43.48
8	Two seater sofa set	2	700,000	1,400,000	608.70
9	Coffee table	1	350,000	350,000	152.17
10	LED TV with a decoder	1	1,500,000	1,500,000	652.17
11	Dining table with four chairs	1	1,500,000	1,500,000	652.17
	Kitchenette Facilities				-
12	Cooker	1	450,000	450,000	195.65
13	Microwave	1	300,000	300,000	130.43
14	Hot water cattle	1	120,000	120,000	52.17

15	Fridge	1	700,000	700,000	304.35
16	Kitchenette cabinets	1	1,500,000	1,500,000	652.17
	Communication				-
17	In house telephone	1	150,000	150,000	65.22
	TOTAL			14,570,000	6,334.78
	TOTAL FOR TEN SUITE	10			63,347.83

Table 11: Furniture, fittings and equipment for bar restaurant and kitchen

	Item description	Quantity	Price per Item	Total Cost	Total Cost (USD)
1	Counter setting	1	2,000,000	2,000,000	869.57
2	Counter Stools	5	150,000	750,000	326.09
3	Dining Chair and Table	5	800,000	4,000,000	1,739.13
4	Easy seating chairs	5	200,000	1,000,000	434.78
5	Kitchen Equipment	Assorted items		7,000,000	3,043.48
6	Dishes & Cutlery	Assorted items		4,000,000	1,739.13
7	Total			7,750,000	3,369.57

Table 12 Furniture and fittings for conference room

	Item description	Quantity	Price per Item	Total Cost	Total Cost (USD)
1	Conference Tables	10	1,000,000	10,000,000	4,347.83
2	Conference Chairs	50	350,000	17,500,000	7,608.70
	Total			27,500,000	11,956.52

Table 13 Office equipment

	Item description	Quantity	Price per Item	Total Cost	Total Cost (USD)
1	Executive Desk	5	1,000,000	5,000,000	2,173.91
2	Executive Chair	5	400,000	2,000,000	869.57
3	File Cabinet	2	400,000	800,000	347.83
4	Printer	2	400,000	800,000	347.83
5	Scanner	2	500,000	1,000,000	434.78
6	Laptop	3	2,000,000	6,000,000	2,608.70
7	Visitor Chairs	6	300,000	1,800,000	782.61
	TOTAL			17,400,000	7,565.22

Table 14: Vehicles and fishing boats

Vehicles		COST (USD)	
	Landover Defender	2	60,000
	Honda Motorcycle	2	6,000
	TOTAL		66,000

6.2 OPERATING EXPENSES NEEDS

Operating expenses are divided into direct operating costs and indirect operating costs, as shown in Table 15 below. The total direct and indirect cost for the project is USD 111,284.26. The direct cost are those which varies directly with sales. These are bar, restaurant, guest supplies, laundry, and complimentary breakfast. The following assumptions have been used for revenues and cost forecast for the bar and restaurant:

1. The use of bar and restaurant facilities is pegged on the number of hotel guests derived from occupancy rates each month.
2. The estimated average spending for a guest at the restaurant is USD 15 per day, while the estimated average spending for a guest at the bar is USD 8 per day.
3. The estimated costs for running the restaurant is pegged at 40% of average guest spending in the bar, while that of the restaurant is pegged at 40% of the guest average spending in the restaurant.
4. Working capital needs is estimated by the summation of total operating expenses and total human resources expenses.

Table 15: Operating expenses needs

SN	ACTIVITY	Description	QTY	rf	COST PER ITEM	TOTAL COST PER MONTH(TZS)	MON THS	TOTAL (TZS)	TOTAL (USD)	
	Direct Operating Cost	Restaurant							10,340.00	
		Bar							6,204.00	
		Guest Supplies							9,553.26	
		Laundry							1,500.00	
		Complimentary Breakfast							10,340.00	
		Total Direct Cost							37,937.26	
	Indirect Operating Cost									
		Security Expense	2people	2	200,000	400,000	12	4,800,000	2,086.96	
		Fuel Expense	2cars	2	600,000	1,200,000	12	14,400,000	6,260.87	
		Office Telephone Expense	1pcs	1	200,000	200,000	12	2,400,000	1,043.48	
Telephone Expense		5 Managers	5	20,000	100,000	12	1,200,000	521.74		
	Water Expense	Monthly	1	1,000,000	1,000,000	12	12,000,000	5,217.39		

	Electricity Expense	Monthly	1	3,000,000	3,000,000	12	36,000,000	15,652.17
	Cooking Gas	Monthly	1	400,000	400,000	12	4,800,000	2,086.96
	Bank Charges	Monthly	1	500,000	500,000	12	6,000,000	2,608.70
	Internet Expense	bundle	1	500,000	500,000	12	6,000,000	2,608.70
	Mandatory Employer Costs	Annual						16,278.26
	Marketing and Promotion	Monthly	1	400	400	12		4,800.00
	Office supplies	Monthly	1	100	100	12		1,200.00
	Repairs and Maintenance	Monthly	1	200	200	12		2,400.00
	Cleaning Supplies	Monthly	1	200	200	12		2,400.00
	TV Subscription	Monthly	1	240	240	12		2,880.00
	Waste Removal	Monthly	1	50	50	12		600.00
	Licenses/Permits	Yearly						2,302.17
	Linens	Yearly					-	2,400.00
	TOTAL INDIRECT COST							73,347

6.3 SUMMARY OF INVESTMENT NEEDS

The investment needs for the project is as indicated in Table16. The project's total investment needs are USD 1,198,948, where USD 857,619 is investment in long term assets and USD 341,329 is investment in working capital.

Table 16: Summary of investment needs

SN	ITEM DESCRIPTION	AMOUNT (USD)
1	Land (Already secured)	139,130
2	Building	551,250
3	Motor vehicles	66,000
4	Furniture and Fittings for Accommodation Facilities	63,348
5	Furniture and Fittings for bar, restaurant and kitchen	3,370
6	Furniture and fittings for conference facilities	11,957
7	Office Equipment & Furniture	7,565
8	Miscellaneous capitalized expenses - Including Initial Costs for Architectural and structural works, and EIA	5,000
	Total Fixed Assets	847,619
9	Average Net Working Capital Needs	409,661
	Total Capital	1,257,280

6.4 REVENUES PROJECTIONS

Revenues projections are derived from the products identified in section 4.1. The estimates for the revenues are on the "most likely" scenario. The travel and tourism business experience seasonal variations whereby there is a high season and a low season. The high season runs from July to February, and the low season runs from March to June. The high season's estimated occupancy rate is 80%, while that for low season is 50%. These figures are comparable to the occupancy rates of high-end accommodation facilities pre-COVID-19. As stated earlier, global forecasts indicate that the sector will bounce back starting with the 2021 season, and the full recovery is expected in 2023. These observations have been taken into account in the revenue projections for the project. The revenues projections are indicated in Table 17 below

Table 17: Revenue projections

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
Charge per Suite	120 ⁴	31	28	31	30	31	30	31	31	30	31	30	31	
Suites Available	10 ⁵	310	280	310	300	310	300	310	310	300	310	300	310	
Occupancy rate		70%	70%	50%	50%	50%	80%	80%	80%	80%	80%	80%	80%	
Total Occupied⁶ rooms		217	196	155	150	155	240	248	248	240	248	240	248	
Revenues from Suite Sales		26,040	23,520	18,600	18,000	18,600	28,800	29,760	29,760	28,800	29,760	28,800	29,760	310,200
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
Conference package rate per person	50 ⁷													
Number of people for retreat⁸		5	5	10	10	10	5	5	5	10	10	10	5	

⁴ Rate per day for the executive suite

⁵ The accommodation facility will have ten executive suites

⁶ The number of suites available per month= number of suites x the number of days in a month x occupancy rate

⁷ Rate per person per day for conference package

⁸ It is estimated that the hotel will receive one group of five people for conference retreats for month during the high season and two groups of five people per month during the low season. The estimated average length of stay for corporate retreats is three days

Length of Stay	3													
People-per-length of stay		15	15	30	30	30	15	15	15	30	30	30	15	
Revenues from conference package		750	750	1,500	1,500	1,500	750	750	750	1,500	1,500	1,500	750	13,500
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
Bar Average Spending per day per guest	8	1,736	1,568	1,240	1,200	1,240	1,920	1,984	1,984	1,920	1,984	1,920	1,984	
Restaurant Average Spending per day per guest	15	3255	2940	2325	2250	2325	3600	3720	3720	3600	3720	3600	3720	
Total Revenues Bar and Restaurant		4,991	4,508	3,565	3,450	3,565	5,520	5,704	5,704	5,520	5,704	5,520	5,704	59,455
Total Revenues from all products		31,781	28,778	23,665	22,950	23,665	35,070	36,214	36,214	35,820	36,964	35,820	36,214	383,155

6.5 PROJECTIONS OF COSTS

Table 18 below shows the human resources cost projections. The projects are derived from the human resources needs explained in Table 8. The salaries are derived from the Tanzania hospitality industry salaries survey for year 2020. The statutory cost includes 10% social security, 5% WCF and 5% SDL.

Table 18: Human Resources Cost

(USD)		<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
Net Revenues		383,155	421,471	463,618	509,979	560,977
General Manager	1.1	31,304	34,435	37,878	41,666	45,833
Statutory Cost						
Percent (%) -SS, WCF & SDL	20%					
Total Statutory cost		6,261	6,887	7,576	8,333	9,167
<i>Total GM Compensation</i>		37,565	41,322	45,454	49,999	54,999
Food and Beverage						
Food & Beverage Manager	1.1	20,870	22,957	25,252	27,777	30,555
Chef		4,174	4,591	5,050	5,555	6,111
Cooks		2,609	2,870	3,157	3,472	3,819
Dishwasher		3,130	3,443	3,788	4,167	4,583
Restaurant Supervisor		3,130	3,443	3,788	4,167	4,583
Waiters		6,261	6,887	7,576	8,333	9,167
Total Salary		40,174	44,191	48,610	53,471	58,819
Statutory Cost						
Percent (%) -SS, WCF & SDL	20%					
Total Statutory cost		8,035	8,838	9,722	10,694	11,764
<i>Total F&B Compensation</i>		48,209	53,030	58,333	64,166	70,582
% of Revenue						
Finance and Procurement						
Finance and Procurement Manager	1.1	7,826.09	8,608.70	9,469.57	10,416.52	11,458.17
Cashier		2,086.96	2,295.65	2,525.22	2,777.74	3,055.51

Procurement & Stores		2,608.70	2,869.57	3,156.52	3,472.17	3,819.39
Total Salary		12,522	13,774	15,151	16,666	18,333
Statutory Cost						
Percent (%) -SS, WCF & SDL	20%					
Total Statutory cost		2,504	2,755	3,030	3,333	3,667
<i>Total Finance and Procurement</i>		15,026	16,529	18,182	20,000	22,000
% of Revenue		3.92%	3.92%	3.92%	3.92%	3.92%
Front Office						
Front Office Supervisor	1.1	4,174	4,591	5,050	5,555	6,111
Front Desk Staff		4,174	4,591	5,050	5,555	6,111
Drivers		3,652	4,017	4,419	4,861	5,347
Total Salary		12,000	13,200	14,520	15,972	17,569
Statutory Cost						
Percent (%) -SS, WCF & SDL	20%					
Total Statutory cost		2,400	2,640	2,904	3,194	3,514
<i>Total Front Office</i>		14,400	15,840	17,424	19,166	21,083
% of Revenue		3.76%	3.76%	3.76%	3.76%	3.76%
Back Office						
Back Office Supervisor	1.1	3,130.43	3,443	3,788	4,167	4,583
House-Keeping		7,304.35	8,035	8,838	9,722	10,694
Gardening		3,652.17	4,017	4,419	4,861	5,347
Total Salary		14,086.96	15,495.65	17,045.22	18,749.74	20,624.71
Statutory Cost						
Percent (%) -SS, WCF & SDL	20%					
Total Statutory cost		2,817.39	3,099.13	3,409.04	3,749.95	4,124.94
<i>Total Back Office</i>		16,904.35	18,594.78	20,454.26	22,499.69	24,749.66
Total Salary & Wages		110,087	121,096	133,205	146,526	161,178
Total Statutory cost		22,017	24,219	26,641	29,305	32,236
Total Compensation		132,104	145,315	159,846	175,831	193,414
% of Revenue		34.48%	34.48%	34.48%	34.48%	34.48%

Table 19 below shows the projected operating expenses. It combines the direct operating expenses and indirect operating expenses. The operating expenses are summarized into working capital needs for the proposed project (Table 20).

Table 19: Operating Expenses

		<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
Net Revenues		383,155	421,471	463,618	509,979	560,977
Direct Expenses						
<i>Drivers</i>						
Restaurant		15,510.00	17,061.00	18,767.10	20,643.81	22,708.19
Bar		8,272.00	9,099.20	10,009.12	11,010.03	12,111.04
Guest Supplies		9,553.26	10,508.59	11,559.45	12,715.39	13,986.93
Laundry		1,500.00	1,650.00	1,815.00	1,996.50	2,196.15
Complimentary Breakfast		10,340.00	11,374.00	12,511.40	13,762.54	15,138.79
Total Direct Expenses	0.3	45,175.26	49,692.79	54,662.07	60,128.27	66,141.10
Direct expenses % of Revenue		11.79%	11.79%	11.79%	11.79%	11.79%
Maintenance & Utilities						
<i>Drivers</i>						
Telephone Expense		522	548	575	604	634
Water Expense		5,217	5,478	5,752	6,040	6,342
Electricity Expense		15,652	16,435	17,257	18,119	19,025
Cooking Gas		2,087	2,191	2,301	2,416	2,537
Repairs and Maintenance		2,400	2,520	2,646	2,778	2,917
Total Maintenance and Utilities	0.8	25,878	27,172	28,531	29,957	31,455
Maintenance & Utilities % of Revenues		6.75%	6.45%	6.15%	5.87%	5.61%
General & Administration						
<i>Drivers</i>						
Depreciation		49,351	49,351	49,351	49,351	49,351
Security Expense		2,086.96	2,191.30	2,300.87	2,415.91	2,536.71
Fuel Expense		6,260.87	6,573.91	6,902.61	7,247.74	7,610.13
Bank Charges		2,608.70	2,739.13	2,876.09	3,019.89	3,170.89
Internet Expense		2,608.70	2,739.13	2,876.09	3,019.89	3,170.89
Marketing and Promotion		4,800.00	5,040.00	5,292.00	5,556.60	5,834.43
Office supplies		1,200.00	1,260.00	1,323.00	1,389.15	1,458.61

Cleaning Supplies		2,400.00	2,520.00	2,646.00	2,778.30	2,917.22
TV Subscription		2,880.00	3,024.00	3,175.20	3,333.96	3,500.66
Waste Removal		600.00	630.00	661.50	694.58	729.30
Licenses/Permits		2,302.17	2,417.28	2,538.15	2,665.05	2,798.31
Linens		2,400.00	2,520.00	2,646.00	2,778.30	2,917.22
Total General & Administration	0.8	79,499	81,006	82,589	84,251	85,996
General & Administration % of Revenues		20.75%	19.22%	17.81%	16.52%	15.33%
Total Operating Expenses		150,552	157,871	165,782	174,336	183,592
% of Revenue		39.29%	37.46%	35.76%	34.18%	32.73%
Allocation of Operating Expenses between						
Fixed		97,854	101,450	105,294	109,405	113,803
Variable		52,698	56,421	60,487	64,931	69,789

Table 20: Working capital needs

WORKING CAPITAL NEEDS	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
Total Operating Expenses	150,552	157,871	165,782	174,336	183,592
Human Resources Expenses	132,104	145,315	159,846	175,831	193,414
Total Working Capital Needs	282,656	303,186	325,628	350,167	377,006
Average Working Capital	409,661				

6.6 PROJECTED INCOME STATEMENT

The projected income statement for the project is as shown in Table 20. The following assumptions are used in projecting the income statement.

1. The base year projected revenues are as shown in Table 17 .The charge per day for a suite is USD 120. This rate is comparable to rates charged by similar establishments. The seasonality of room occupancy is also indicated in Table 17, whereby the occupancy rate for the high season is 80% and for the low season is 50%.
2. The conference rate is USD 50 per day.
3. The average spending per guest per day at the restaurant is estimated to be USD 15, and USD 8 at the bar. The cost to run the bar is estimated to be 40% of the bar's revenues, and the cost to run the restaurant is estimated to be 40% of its revenues. The cost elements considered are for the supplies only, excluding salaries and utilities.

4. The revenues are projected to increase at a rate of 10% per annum. Direct costs are projected to grow at the same rate as revenues, while indirect costs are projected to increase at 5% per annum.
5. Annual salaries are projected to increase proportionately with sales. The human resources cost includes 10% contribution to social security, 5% contribution to workers compensation fund (WCF), and 5% contribution to Skills Development Levy (SDL).
6. The income tax rate of 30% is applicable for taxable income.
7. Depreciation expenses are calculated from the depreciated schedule.
8. Cumulative cash flows include after-tax net income and noncash transactions.

Table 21: Projected statement of comprehensive income

(USD)		<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
NET REVENUES		383,155	421,471	463,618	509,979	560,977
COST OF REVENUE		45,175	49,693	54,662	60,128	66,141
% of Revenues		11.79%	11.79%	11.79%	11.79%	11.79%
GROSS PROFIT		337,980	371,778	408,955	449,851	494,836
% of Revenues		12.90%	13.00%	13.80%	15.90%	20.10%
OPERATING EXPENSES						
Salaries and Payroll Statutory Costs		132,104	145,315	159,846	175,831	193,414
Maintenance and Utilities		25,878	27,172	28,531	29,957	31,455
General and Administration (Excl. depreciation)		30,147	31,655	33,237	34,899	36,644
Total Operating Expenses		188,130	204,142	221,615	240,688	261,514
% of Revenues		49%	48%	48%	47%	47%
EARNINGS FROM OPERATIONS		149,850	167,636	187,341	209,163	233,323
DEPRECIATION AND AMORTISATION		49,351	49,351	49,351	49,351	49,351
EARNINGS BEFORE INTEREST & TAXES		100,499	118,285	137,990	159,812	183,971
INTEREST INCOME / (EXPENSE)						
Interest on loan		0	0	0	0	0
NET EARNINGS BEFORE TAXES		100,499	118,285	137,990	159,812	183,971
TAXES						
Service Levy Tax and others - on sales	3%	11,495	12,644	13,909	15,299	16,829
Corporate tax on Operating profit	30%	30,150	35,485	41,397	47,944	55,191

NET EARNINGS		58,854	70,155	82,684	96,569	111,951
% of Revenues		15.36%	16.65%	17.83%	18.94%	19.96%

6.7 BREAK-EVEN ANALYSIS

Table 22 below presents the break-even analysis of the proposed project. The break-even point in revenues for all the five years is about 55%. This means that the maximum tolerable decline in revenues is 45%. In case the projected revenues fall by more than 45%, then the project will be in a loss position.

Table 22: Break-Even analysis

(USD)		<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
Revenue		383,155	421,471	463,618	509,979	560,977
Cost of Revenue		45,175	49,693	54,662	60,128	66,141
Variable	0.7	31,623	34,785	38,263	42,090	46,299
Fixed	0.3	13,553	14,908	16,399	18,038	19,842
Operating Expenses		56,026	58,827	61,768	64,857	68,100
Variable	0.3	16,808	17,648	18,530	19,457	20,430
Fixed	0.7	39,218	41,179	43,238	45,400	47,670
Human Resource Cost		132,104	145,315	159,846	175,831	193,414
Variable		0	0	0	0	0
Fixed		132,104	145,315	159,846	175,831	193,414
Total Costs & Expenses						
Variable		48,430	52,433	56,794	61,547	66,729
Fixed		184,875	201,401	219,483	239,269	260,926
Variable Costs/Revenue Ratio		0.126	0.124	0.123	0.121	0.119
Break-Even Point Revenues		211,624	230,017	250,123	272,108	296,154
Break-Even Point /projected revenues		55.23%	54.57%	53.95%	53.36%	52.79%

8.8 SUMMARY OF FINANCIAL PROJECTIONS

Summary of financial projection is shown in Table 23 below. The projections show that the business will have net earnings of 15.36% in the first year of business. These net earnings are expected to grow steadily to 19.96% by the end of year five of operations.

Table 23: Summary of financial projections

	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
Summary Financials (TZS)					
Revenue	383,155	421,471	463,618	509,979	560,977
Gross Profit	337,980	371,778	408,955	449,851	494,836
EBIT	149,850	167,636	187,341	209,163	233,323
Net Earnings	58,854	70,155	82,684	96,569	111,951
Depreciation	49,351	49,351	49,351	49,351	49,351
Net Cash from Operating Activities	108,206	119,506	132,035	145,920	161,302
Interest Income/(Expense)	0	0	0	0	0
Dividends	0	0	0	0	0
Total Equity	1,257,280	1,257,280	1,257,280	1,257,280	1,257,280
Total Debt		0	0	0	0
Growth					
Revenue Growth Rate - CAGR:		10%	10%	10%	10%
Net Earnings Growth Rate - CAGR:		16.11%	15.15%	14.38%	13.74%
Ratios					
Debt to Capital (LT Debt + Equity)	0%	0%	0%	0%	0%
Profitability					
Gross Profit %	88.21%	88.21%	88.21%	88.21%	88.21%
Operating Expenses %	39.11%	39.77%	40.41%	41.01%	41.59%
Net Earnings %	15.36%	16.65%	17.83%	18.94%	19.96%
Returns					
Return on Assets					
Return on Equity	8.61%	9.51%	10.50%	11.61%	12.83%
Return on Capital (LT Debt + Equity)	8.61%	9.51%	10.50%	11.61%	12.83%

8.9 PROJECT VALUATION

The project valuation is shown in table 24. The Internal Rate of Return (IRR) for the project is 9.6%, for a time horizon of 10 years. For projects that require big initial investment such as this one, the 8% opportunity cost is feasible. However, if the time horizon is taken to be five years, this project will have a negative NPV. The negative NPV for five years planning period is contributed by the large initial capital outlay. Since projects of this kind are long term in nature, and the forested income statement shows positive cash flows from year one, sponsors should go ahead, and implement the project

Table 24: Project Valuation

Initial Capital Outlay		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Capital Investment	- 847,619	-	-	-	-	-					
Working Capital	- 282,656	-	-	-	-						282,656
Operating Cash flows		108,206	119,506	132,035	145,920	161,302	177,432	195,175	214,692	236,162	259,778
Net Cash Flows	- 1,130,276	108,206	119,506	132,035	145,920	161,302	177,432	195,175	214,693	236,162	542,435
IRR	0.0960										
NPV	USD 97,500.54										

6.10 ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT ANALYSIS

It is envisaged that this project will have an economic, social, and environmental impact. The expected impacts are on employment and income, access to services, and contribution to the country's economy.

Economic Impact

The analysis of economic impact focused on the levels of income type and level of employment, business value, and mental and physical well-being at both community and national levels. The economic impact analysis is summarized below as follows:

1. At the macro (national) level, the project will contribute to the travel and tourism sector's attractiveness by the provision of quality accommodation facilities that will cater to high-end clients. The backward and forward linkages that will arise from the project's implementation will contribute to the tourism sector's productivity. The project will utilise materials and other inputs sourced locally, thus creating a multiplier effect on the economy. The project

will also pay fees, taxes, and other statutory contributions to the local and the central government, thereby contributing to the government revenues.

2. Employment is a major social and economic issue for Tanzania, especially for youths. The project will employ people during the construction phase and the implementation phase. It is estimated that the project will employ 20 people during the construction phase that is expected to be completed within a year. The project will employ 25 people once it starts operations. Out of the 25 people who will be directly employed by the project, 2 will be foreigners and 23 will be Tanzania nationals.

Social Impact

Social impact analysis is concerned with the mapping out of the community well-being and service provision. Social impact is closely related to economic impact, and the two cannot be discussed in isolation. The social impact of the envisaged two projects is summarised below:

1. The project will provide jobs. The employees will come from the community. They will benefit directly in terms of income and other benefits such as health coverage for their families. This contributes to the social welfare of the community.
2. The proposed project will provide an avenue for skills transfer to the youth in terms of internships, hence improving service provision in the travel and tourism sector.

Environmental Impact and Considerations for Environmental Impact Analysis

The environmental impact assessment focuses on adverse effects to the environment resulting from project implementation. It also focuses on effects on the ecosystems and ecology in general. Accordingly, a more detailed report on the environmental impact analysis will be prepared in line with the National Environmental Management Council (NEMC). The initial assessment of the impact on the environment indicates that the project will not negatively affect the environment.