



I&M REALTY (TANZANIA) LIMITED

Business Plan/Feasibility study

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1. Introduction

This business plan and feasibility study (the **Business Plan**) is submitted by I&M Realty (Tanzania) Limited (**I&M**) in support of its application for a certificate of incentives under the Tanzania Investment Act, 2022. It has been prepared exclusively for the benefit and internal use of the Tanzania Investment Centre (**TIC**) to whom it is directly addressed and delivered in order to assist the TIC in evaluating I&M's application. This Business Plan contains information that is confidential and proprietary to I&M and its shareholders. Accordingly, neither this document nor any of its contents may be disclosed or used for any other purpose without the prior written consent of I&M.

I&M Realty (Tanzania) Ltd is a subsidiary of I&M Group Plc. The Group has investments in Tanzania through I&M Bank (Tanzania) Ltd. The Bank has various branches in the country. The Group has presence in 5 countries ie Tanzania, Kenya, Uganda, Rwanda and Mauritius.

1. Ownership of I&M:

The Company is owned majority by I&M Group Plc (99%) and I&M Realty Ltd(0.1%). The ownership structure has been provided in the annexes to this paper.

2. Services Provided:

The Company will provide quality office premises to I&M Bank Tanzania Ltd and other tenants. With the primary focus being the provision of dedicated premises that is customized for the Bank's needs.

3. Customers:

The Company's primary focus with the initial project is to target corporates such as I&M Bank Tanzania.

4. Employees

The company is expected to hire directly and/or indirectly approximately 100 Tanzanian Nationals to aid in the management of the premises.

5. Commencement of operations:

The Company is set to begin operations upon obtaining regulatory approval for the investment.

2. Project Objectives

2.1 Introduction and project concepts

The I&M Group has a presence in 5 African countries. The Group has been a market leader in commercial real estate development in Kenya and Rwanda with its combined real estate portfolio valued at approximately USD 39 Million. The Group intends to replicate this success in the Tanzanian real estate sector through I&M Realty(Tanzania)Ltd.

2.2 Services to be provided

The Company will invest in the real estate market in Tanzania and will provide high quality office facilities to its customers.

3. Investor Profile

The Company is a subsidiary of the I&M Group. The I&M Group Plc is a company listed in the Nairobi Securities Exchange and regulated by the Central Bank of Kenya.

4. Details of investment costs (foreign and local expected capital expenditures)

The details of the investment costs are captured under items 6 and 7 below.

5. Project financial and economic analysis Tanzania Economic Review and Outlook

Tanzania's economic recovery has gained momentum thanks to local structural reforms, a recovery in tourism, and sustained growth in the services sector. This is despite a rapidly changing and highly unpredictable global economic landscape which should remain a key risk to the country's economic outlook. In 2023, GDP growth is projected to have averaged 5.2%, compared to 4.6% in 2022. Over the medium term, the economy is expected to expand by about 6.0%.

Headline inflation has maintained a stable and low level, remaining below the 5.0% medium-term target over the last five years. In contrast to its counterparts in the EAC region, the Bank of Tanzania (BoT) opted for a circumspect approach in tightening shilling liquidity, to manage inflation pressures while ensuring that the extension of credit to the private sector was minimally impacted. BoT expects the country's gross domestic product to grow by 5.5% in 2024, after an expansion of about 5% in 2023.

6. Financial Projections for the next five years

Summary Profit & Loss statement:

I&M REALTY TZ Forecast 2024-2030	FYR0-Q1 BGT	FYR0-Q2 BGT	FYR0-Q3 BGT	FYR0-Q4 BGT	FYR_2 BGT	FYR_3 BGT	FYR_4 BGT	FYR_5 BGT	FYR_6 BGT
PROFIT AND LOSS	USD	USD	USD	USD	USD	USD	USD	USD	USD
Interest Income / OD Cost									
On Deposits	125,016	127,511	122,885	3,992	1,150	2,845	5,220	6,839	7,777
Total Interest Income	125,016	127,511	122,885	3,992	1,150	2,845	5,220	6,839	7,777
Interest Expense									
On Loans and OD	142,441	142,440	144,006	140,406	521,196	464,068	406,935	350,816	292,668
Total Interest Expense	142,441	142,440	144,006	140,406	521,196	464,068	406,935	350,816	292,668
Net Interest Income	(17,425)	(14,929)	(21,121)	(136,414)	(520,046)	(461,223)	(401,715)	(343,977)	(284,891)
Rental Incomes									
I&M Bank	116,856	116,856	116,856	116,856	500,144	535,154	588,669	650,479	718,780
Vivo	52,350	52,350	52,350	52,350	224,058	239,742	263,716	291,406	322,004
SGS	25,236	25,236	25,236	25,236	108,010	115,571	127,128	140,476	155,226
Howden Puri	15,048	15,048	15,048	15,048	64,405	68,914	75,805	83,765	92,560
Clyde & Co.	43,269	43,269	43,269	43,269	185,191	198,155	217,970	240,857	266,147
Total NFI	252,759	252,759	252,759	252,759	1,081,809	1,157,535	1,273,289	1,406,984	1,554,717
Total Operating Income	235,334	237,830	231,638	116,345	561,763	696,312	871,574	1,063,007	1,269,826
Operating Expenses									
Audit & Tax fees	1,250	1,250	1,250	1,250	5,350	5,725	6,125	6,554	7,013
Electricity	1,400	1,400	1,400	1,400	5,992	6,411	6,860	7,340	7,854
Land rent and rates	52	52	52	52	223	238	255	273	292
Licence fees	156	156	156	156	669	716	766	819	877
Legal & professional fees	2,040	2,040	2,040	2,040	8,729	9,340	9,994	10,693	11,442
Printing & stationery	32	32	32	32	137	147	157	168	180
Dir and Management fees	1,800	1,800	1,800	1,800	7,704	8,243	8,820	9,438	10,098
Repairs & maintenance	1,875	1,875	1,875	1,875	8,025	8,587	9,188	9,831	10,519
Landlord service charge cost	33,750	33,750	33,750	33,750	144,450	154,562	165,381	176,957	189,344
Total Opex	42,355	42,355	42,355	42,355	181,278	193,968	207,546	222,074	237,619
Operating Profit	192,979	195,475	189,284	73,990	380,484	502,344	664,028	840,933	1,032,207
Tax	57,894	58,643	56,785	22,197	114,145	150,703	199,209	252,280	309,662
Profit after tax	135,086	136,833	132,499	51,793	266,339	351,641	464,820	588,653	722,545

PRO FORMA Balance Sheet:

I&M REALTY TZ BALANCE SHEET	FYR0-Q1 USD	FYR0-Q2 USD	FYR0-Q3 USD	FYR0-Q4 USD	FYR 2 USD	FYR 3 USD	FYR 4 USD	FYR 5 USD	FYR 6 USD
OD/Fixed Bal [Balance]	10,001,297	10,200,883	9,830,831	319,345	23,000	56,901	104,407	136,785	155,537
OD/Fixed Bal [Balance] - Interest	125,016	127,511	122,885	3,992					
Investment Property	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Total Assets	21,626,313	21,828,394	21,453,717	11,823,337	11,523,000	11,556,901	11,604,407	11,636,785	11,655,537
Loan	8,192,441	8,334,881	7,848,750	7,647,500	7,342,594	7,241,936	7,114,170	6,955,104	6,767,026
Tenant deposits	168,506	168,506	168,506	168,506	168,506	168,506	168,506	168,506	168,506
Other Liabilities	42,387	42,387	42,387	42,387	181,415	194,114	207,702	222,242	237,798
Tax Payable	57,894	115,788	231,575	463,151	114,145	150,703	199,209	252,280	309,662
Other Liabilities	9,580,000	9,580,000	9,580,000	-	-	-	-	-	-
Total Liabilities	18,041,228	18,241,561	17,871,218	8,321,543	7,806,661	7,755,260	7,689,587	7,598,131	7,482,992
SHARE CAPITAL & RESERVES									
Share Capital - Issue Class B shares	3,450,000	3,450,000	3,450,000	3,450,000	3,450,000	3,450,000	3,450,000	3,450,000	3,450,000
Retained income	135,086	136,833	132,499	51,793	266,339	351,641	464,820	588,653	722,545
Proposed Dividend	-	-	-	-	-	-	-	-	-
	3,585,086	3,586,833	3,582,499	3,501,793	3,716,339	3,801,641	3,914,820	4,038,653	4,172,545
Total Liabilities and SH Funds	21,626,313	21,828,394	21,453,717	11,823,337	11,523,000	11,556,901	11,604,407	11,636,785	11,655,537

Projected revenues:

The target premises now has tenants whose leases would be assigned to the company upon successful purchase of the company. Below are the projected annual revenues for the premises.

S/N	Tenant	Floor	Annual Rent
1	I&M Bank	GF & MZ	USD 467,424
2	Vivo	1 st	USD 209,400
3	SGS	Partial 2 nd	USD 100,944
4	Howden Puri	Partial 2 nd	USD 60,192
5	Clyde & Co.	3 rd	USD 173,076
	Total		USD 1,011,036

7. Capital Investment Ratio

The company will be funded by equity contributions and debt in the form of shareholder loans from its shareholders. I&M Realty Ltd will invest equity capital for an amount of c. USD3.45M in the company by way of subscribing to preference shares. I&M Realty Ltd will further grant a loan of c. USD8.05M to the company for a term of 10 years.

[The company is owned 99.9% by I&M Group PLC and 0.1% by I&M Realty Limited, see enclosed Annexure A - I&M structure.]

8. Market Study

As part of the development of the business plan, I&M conducted an analysis to ascertain the viability of the proposed investment. Details of the key findings are highlighted below:

The real estate sector has seen sustained growth over with an annual growth rate of 4.5% in 2022, and growth expected to accelerate to 4.9% in 2023, driven by investment in commercial property in the hotel industry. The company will capitalise on the commercial real estate sector for investment given the country's track record. The primary focus of the company is to invest in the commercial real estate industry to aid in the expansion of I&M Bank (Tanzania) Ltd which

will host its headquarters in the project. This is in line with the Group's vision of providing iconic places of business as is the case in Kenya and Rwanda.

9. Expected Employment Generation

The Company intends to hire an inhouse property manager and where necessary outsource property management to a local company. This will generate employment and empower approximately 100 Tanzanian nationals who will be recruited by the local company to provide various services in the maintenance of the premises. The company chose this collaborative approach to invest in and impact the lives of Tanzanian nationals who would be involved in the day to day running of the company.

10. Proposed Implementation Schedule

There are three main phases to the project:

1. Startup phase: This is the mobilization of funding and acquiring the regulatory approvals to embark in the project.
2. Steady state phase – As the project is a ready building with tenants in occupation, the phase will include monitoring the rent collection rates of the company and the day to day running of the project and assessing the scalability of the project.
3. Scaled phase – At the moment, I&M Realty (Tanzania)Ltd is focused on managing the property and achieving maximum value for the investment. Based on the performance of the asset, the company may explore the options to scale up its investment in the Tanzanian real estate space.

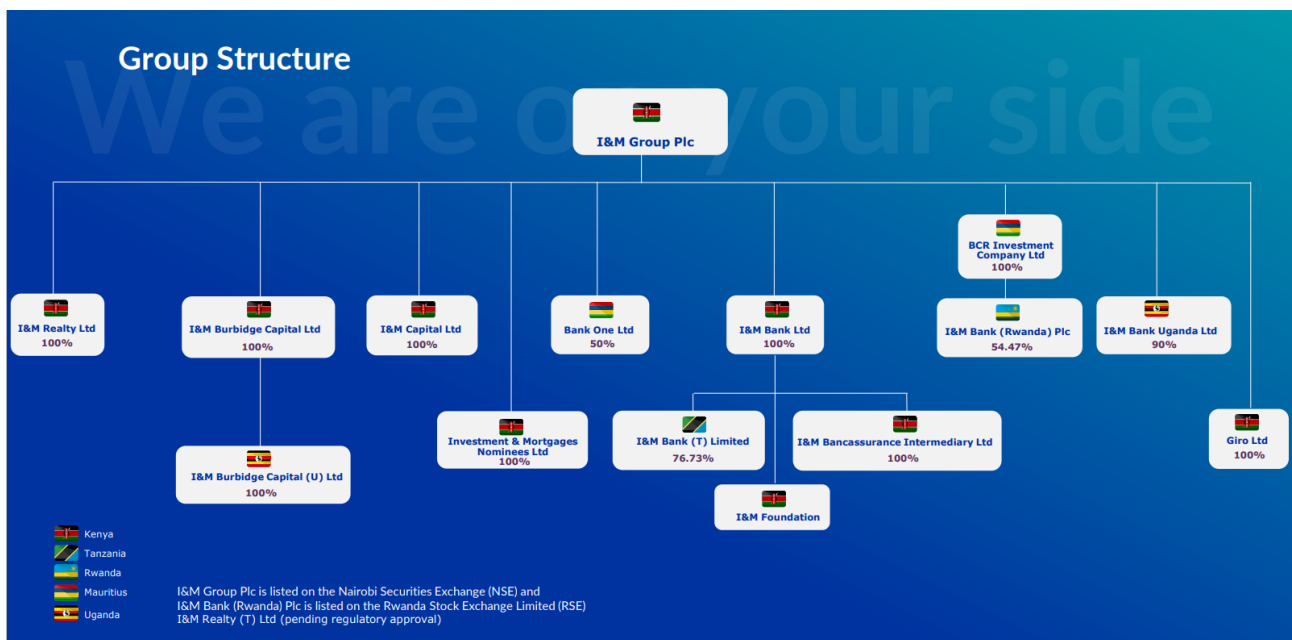
11. Annexes

Annexure A - I&M Structure

The Shareholders of the Company are as follows:

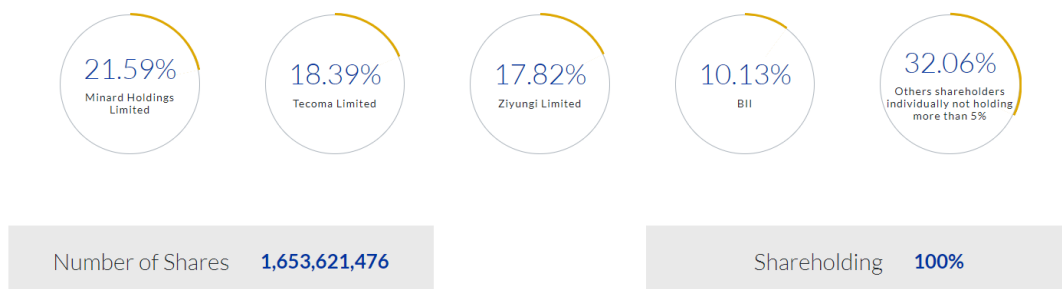
Name of Shareholder	Percentage Shareholding (%)	Country of Registration/Nationality
I&M GROUP PLC	99.9%	KENYA
I&M REALTY LTD	0.1%	KENYA

I&M Group Plc Structure



I&M Group PLC Shareholding

Below are names and level of ownership of significant shareholders who own more than 5% shareholding of the company.



I&M Group PLC Summary of Shareholders as at 5th Oct 2023