

PROCELL SYSTEMS LIMITED
DAR ES SALAAM

BUSINESS PLAN

FOR THE DEVELOPMENT AND CONSTRUCTION
OF REAL ESTATE PROPERTY COMPRISED AT PLOT 475
B, MLALI STREET, KINONDONI AREA, DAR ES SALAAM

THIS BUSINESS PLAN IS PREPARED IN SUPPORT OF
THE COMPANY'S APPLICATION FOR A LOAN WITH
CRDB BANK PLC

DECEMBER, 2025

PROCELL SYSTEMS LIMITED

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PROCELL SYSTEMS LIMITED

1.0 EXECUTIVE SUMMARY

The main objective of this Business plan is to establish the financial viability of the development and contraction of the proposed building at plot No 475 B, Mlali Street, Kinondoni Municipality, Dar es salaam, and use the Plan in support of the company's application for loan with CRDB BANK PLC.

The plan is divided into twelve (12) Sections namely: -

- 1) **Executive Summary:** This section is prepared to provide the summary of the whole business plan for a busy reader to assist him or her to determine if the entire business plan is worth reading.
- 2) **Brief Profile of Sponsors:** The Building project is sponsored by PROCELL SYSTEMS LIMITED is the limited liability company. PROCELL SYSTEMS LIMITED which was established in 26th February, 1991 is the company that has carry out many activities since its establishment. The following are activities carried out since 1991:-
 - i) Operated Safari Hotel at Ngorongoro National Parks and Mikumi National Parks for last three years successful.
 - ii) Operating cafeteria services at the University of Dodoma (UDOM) for two years now.
 - iii) Chief supplier of Air ticketing and safaris for the different Ministries since last twelve years.
 - iv) Chief Agent for Tours and safaris logistics for Resources Networking Foundation (RNF), Tanzania Environmental Conservation and Tourism Development Society and Debby Investment Limited.
- 3) **The real Estate Sector in Tanzania:** This section discusses the real estate sector in Tanzania, showing its potential and how the sector has been experiencing rapid growth since the legislations- the Unit Titles Act No. 16 of 2008 and the Mortgage Financing (Special Provisions) Act No 17 of 2008 which have made it possible for real estate companies to get loans for construction and acquisition of property from banks.

4 The Marketing and Sales Plan: This section discusses the Dar es salaam real estate market and the raising demand of housing and increased disposable income levels of its people. The section underscores the fact that serious demand exists for well-planned as well as well-located residential properties.

5 The Project's Financing Plan: This section outlines the financing arrangement of the construction of the property. PROCELL SYSTEMS LIMITED is the key financial player and Sponsor who intends to apply her own fortunes and those that will be obtained from Bank to raise US Dollars 3.5 million for this project. Financing will come from equity and from bank loan.

6 Projected Income and Expenditure:

The thirty-two apartments will be available for outright sale at an expected sales revenue of USD 1.9 Million in year one, USD 2.3 million in year two and USD 1.9 million in year three, making a total revenue of USD 6.2 million in three years planning period.

7 The project's financial performance and Analysis:

Proforma Financial statements were only made to ascertain the financial viability of the project with encouraging results that the project is viable. The analysis indicated that the project is sensitive to changes in sales, prices and revenue compared to other project's variables and that the scheduled sales arrangement should take place as planned i.e. that 10 apartments will be sold in year one, 12 in year two and the rest in year three.

8 Social-Economical Benefits: This section discusses the social-economic benefits if this project is implemented. The project is expected to have a positive social and economic impact to the country by way of alleviating shortages of residential apartments, contribution of revenue to owner's and government coffers and creation of direct and indirect employment to people who will be involved in its construction and maintenance.

9 Organization and Management:

The project will not require a post- construction management because the property will be sold once it is completed.

2.0 **BRIEF PROFILE OF SPONSORS**

2.1 **Particulars of Developer**

PROCELL SYSTEMS LIMITED is a registered company on 26th February, 1991 whose main objective is of undertaking real estate development projects.

The following are activities carried out since 1991:-

- (i) Operated Safari Hotel at Ngorongoro National Parks and Mikumi National Parks for last three years successful.
- (ii) Operating cafeteria services at the University of Dodoma (UDOM) for two years now.
- (iii) Chief supplier of Air ticketing and safaris for the different Ministries since last twelve years.
- (iv) Chief Agent for Tours and safaris logistics for Resources Networking Foundation (RNF), Tanzania Environmental Conservation and Tourism Development Society and Debby Investment Limited.

2.2 **Financial Ability:**

PROCELL SYSTEMS LIMITED although is established company which is capable of financial means to service the requested mortgage loan amounting to US Dollars 1,200,000 and applying the loan in constructing the proposed project.

2.3 Address and Contact:

PROCELL SYSTEMS LIMITED can be contacted through Mob: +255 754 379919/0782 518 161.

3.0 **THE REAL ESTATE SECTOR IN TANZANIA**

3.1 **Brief Overview**

Tanzania promising economic growth have triggered the nation's urbanization and the government renewed focus on the development of public infrastructure. The national housing corporations managing director has revealed that the real estate sector has been experiencing rapid growth in recent years and observed that there's a tremendous opportunity in affordable housing projects as approximately three (3) million housing units are required country wide. Out of these approximately one million units are required in Dar es salaam alone.

The enactment of two important laws on real estate development have paved the way to the growth of this sector in the country. These acts are

- (i) The unit titles Act No. 16 of 2008 or the Condominium Act which made it possible for developers to construct multi-unit high-rise apartment complexes and to subsequently sell the individual units to as many buyers as possible.
- (ii) The Mortgage financial (special provisions) Act no. 17 of 2008 which has made it possible for real estate companies to get loans for construction and acquisition of property from banks.

Through the implementation of the above acts many Tanzanians have become home owners and developers. Although there's lack of official statistics on demand and supply of residential houses one can infer from looking at what is going on in the local economy that there's growing demand of residential and commercial buildings in Tanzania.

We have witnessed a boom in the construction of high-rise buildings bungalows, single storey and mixed development properties all over the country. Public organizations like the National Housing Corporation (NHC), the national social security Fund (NSSF), the local Government Provident Fund (LAPF), and the parastatal Pension Fund (DPF), private developers etc. have played very important role in the growth of this sector in the country.

With the viable housing finance system that has recently been introduced through the enactment of the real estate legislation the country is poised to have vibrant housing market.

Bank of Tanzania (BoT) in order to cater for the longing demand for office and residential spaces expressed the possibility of stability of establishing a housing microfinance fund (HMFF) to ease this growing demand for residential houses.

3.2 **The Proposed Project:**

The proposed residential estate will entail the construction of residential apartments under Joint Venture with National Housing Corporation (NHC) at Plot No. 475 B, Mlali Street, Msasani Peninsula, Kinondoni Municipality, Dar es salaam. The project is intended to cater for sales to middle income and high- end income earners.

The apartments will all be ensuite each with a master ensuite, a toilet a bath, kitchen, a spacious lounge with dining space and balcony in all the floors.

3.3 **Projected Investment Cost:**

This property to be developed and constructed at Plots 475 B, Mlali Street, Msasani Peninsula, Kinondoni Municipality, Dar es salaam with a size of 266.19 square meters is estimated to cost USD 3,513,600, BROKEN DOWN IN MAJOR ITEMS AS GIVEN BELOW:

- i) Cost of land with 3-meter-high block wall fence/servant quarter/water supply + electricity.
- ii) Cost of construction estimated to US Dollars 2,913,600.
So far USD 43,000 has already been spent in item (i) above, while the whole of item (i) has already been incurred and paid for. Cost of construction as given in item (ii) can further be broken down into:

(a)	Soft cost; architects/permits etc	USD	70,000
(b)	Air Cons 2 x 32 x 100	USD	80,000
(c)	Elevator 2 x 60,000	USD	120,000
(d)	Generator	USD	40,000
(e)	Light fittings	USD	20,000
(f)	White goods and fittings	USD	64,000
(g)	Buildings cost (\$600 x 4116m ²)	USD	2469600
(h)	Miscellaneous	USD	50,000
	Total	USD	2,913,600/=

3.4 **The Proposed Out-right Sale of the Property:**

The thirty-two (32) apartments on completion will be sold to potential buyers. Sale to be done off plan within two (2) months after breaking ground. The sale price per unit will be in the range of Tshs 300 million for two (2) bedrooms apartment and Tsh 350 million for three (3) bedrooms apartment. The sale price in US Dollars is in the range of USD 179640 for two (2) bed rooms house to USD 209580 for a three (3) bedrooms apartment assuming an exchange of USD 1= Tshs 1670/=. The sale will be in three phases. In the first year we expect to sale ten (10) apartments, the second twelve (12) apartments and the third year ten (10) apartments. Refer to Appendix 8 for details.

3.5 **Post Construction Project Management:**

Once the project's construction is completed say within twelve to fifteen months it will not required a full time management to supervise it because the apartments will be sold outright. The proprietor will assume the management role for the short holding period.

4.0 **THE MARKET ASPECT OF THE PLAN**

4.1 **Targeted Market:**

The project is targeting Dar es salaam's residential and commercial property needs. Dar es salaam's residential needs have been growing so rapidly due to the influx of people moving from rural areas to urban centre's. Likewise, due to stable political climate and good governance there has been a growing number of foreign direct investments in the

country and a number of foreign employees and or expatriates has grown overtime. The city in therefore, growing day by day both in terms of population and commercial activities. The purported growth triggers demand for residential apartments, shopping centres, office premises and space for institutions like banks, hospitals, restaurants and the like. The promoters of this project therefore, targets the needs of housing tailor made to suit middle income to high end population.

4.2 **Demand and opportunities in Real estate development of Residential apartments:**

Referring to statistical abstract for recent years and data from the Bank of Tanzania, the country's economy has for the last five years been growing at an average rate of between 6 and 7% annually. The discovery of gas and oil in Tanzania and its neighboring partners of East African Community promises and upgrading of infrastructure and quality residential properties will be in great demand to accommodate people from all over the world coming into Tanzania.

In Dar es salaam the available capacity of both offices and housing is less than the actual demand and with the continuing population growth reported above, this demand of decent houses will keep on growing.

A number of muti-storey, buildings are coming up in the city's sub-urban areas and Central Business District (CBD). With a population of over 5,000,000 and an average of 4 people per household and each possessing a living apartment or quarter, Dar es salaam would require an estimated 1.2 million houses or living apartments.

Reputable Researchers from the University college of Lands and Architectural studies (UCLAS) and the Managing Director of white Knights Real Estate Investment Analysis Co. Ltd have estimated that Dar es salaam has a total of not more than 300,000 new properties. This provide a room for the construction of 900,000 properties to suffice the demand.

4.3 **Potential Supply to meet demand for Residential accommodation**

To curb the shortage of residential premises requirement, the National Housing Corporation (NHC), the National Social Security Fund (NSSF), the local Government Provident Fund (LAPF) and other public and private companies and individuals have made exerted efforts to develop and construct houses and apartments to reduce the shortage. PROCESS SYSTEMS LIMITED has also taken the challenge to share efforts into construction of residential apartments to complement those of reputable housing estate developers.

4.4 **Competition:**

Competition in this area of business is quite negligible as the task of providing and construction residential complexes are enormous and there is lack of adequate capital on the part of many developers. A current scenario analysis of real estate development in the country provides a fair indication that there are adequate rooms for individuals and institutions to venture into this business for many years to come.

5.0 **PROJECT FINANCING**

5.1 **Financing**

The project will be financed by both equity and debt finance as given below.

5.2 **Equity:**

The project's investment cost is USD 3,513,600. Out of this cost 66% will be financed by equity i.e USD 2,313,600. In fact, USD 600,000 has already been paid for land acquisition and land acquisition costs. Construction costs have been estimated to reach USD 2,913,600. USD 42,826 had already been spent by the sponsors from the equity source to finance soft costs for architect, building permit, assessment, etc.

5.3 **Long Term-Loan:**

The Sponsors are soliciting for a loan of USD 1,200,000 from CRDB Bank PLC to complete the construction of the residential apartments at Mvasani Peninsula area. The sponsors are further expecting this loan to be procured at more acceptable and favourable terms including a reasonable lower lending rate of not more than 10% per annum on

outstanding amount. A loan repayment of 30 months to 36 months will be requested, say 2 ½ to 3 year.

5.4 **Security for the Loan**

The sponsors are ready to pledge their land on Plots No. 475 B, Mlali Street, Msasani Peninsula, Kinondoni Municipality Dar es salaam under Joint Venture with National Housing Corporation (NHC). They are ready to provide this as a first priority legal mortgage on the property being financed.

5.5 **Key Financial**

PROCELL SYSTEMS LIMITED is the key financier of the project. The equity funds will be mobilized from the proprietor's business portfolios including the other real estate properties that the proprietor owns.

6.0 **PROJECTED INCOME AND EXPENDITURE**

6.1 **Projected Income:**

The property to be constructed will have thirty-two (32) apartments. There will be sixteen (16) two (2) bedrooms apartments and sixteen (16) there (3) bedrooms apartments.

Sale of these apartments will be done off plan but within two months after breaking ground. The sale per two bed rooms apartment will be Tshs 300,000,000/= (say USD 179,640). The three (3) bedrooms apartment will sale for Tsh 350,000,000/= (or say USD 209580) EACH. All the 32 apartments are expected to sale for a total of Tshs. 10.4 Billion on completion equivalent to USD 6.2 million. However, the enterprise expects to sale 10 apartments in year one 12 apartments in year two and the balance is expected to be sold in year three. on

Tshs 3.9 Billion in year two and Tshs 3.25 in year three, equivalent to USD 1.95 million in year one, USD 2.3 million in year two and USD 1.95 in year three. (Assuming an exchange rate of USD 1 = Tshs 1670/=).

6.2 **Projected Expenditure:**

6.2.1 **Utilities (Electricity and Water):**

Electricity and water consumption expenses before the sales takes place is estimated at one (1) percent of the expected sales turnover. Thus USD 19461 has been apportioned to meet this expenditure during the holding period and before the sales take place.

6.2.2 **Insurance:**

During the period that the property has not changed hands it will be insured for hazards and mortgage insurance. A rate of one (1) percent of the expected sales turnover of the first year has been estimated to later for this item or USD 19461 during the holding period.

6.2.3 **Real Estate Taxes:**

There are several kind of taxes that will have to be paid before or after the property has been disposed off by Sale. Some of these taxes include the property tax, capital given tax, land renters, etc. In this plan the item is allocated a rate of 3% or USD 58383 for the first year's holding period.

6.2.4 **Security Expenses:**

USD 19461 or 1% of the expected sales turnover per year has been set aside to meet security expenses before the property's disposal.

6.3 Projected Capital charges:

6.3.1 Depreciation charges:

In this Business plan no depreciation charges has been provided because real estate property held for sale by a developer are not depreciable for tax purpose.

6.3.2 Interest on Loan:

The company will apply for a loan of USD 1,200,000 from Bank. It will negotiate for the loan to be repaid within three (3) years loan period. The company further expects to negotiate for an affordable rate of interest not more than 10% per annum, even though the repayment may be calculated on monthly basis on outstanding balance. Refer to Appendix 5 for computation of this item and Appendix 9 for a Summarized Note on the expected loan.

7.0 THE PROJECT'S FINANCIAL PERFORMANCE AND ANALYSIS

7.1 Proforma Income Statements:

The company's income will entirely depend on sales of constructed apartments, estimated to be USD 1,946,000 in the first year; USD 2,335,000 in the second year and USD 1,946,000 in the third year.

Operating costs which are comprised of utilities, Insurance, real estate taxes and security expenses are estimated at USD 116766 in the first year, and subsequent years.

The project's Net Operating Income is estimated at USD 1,709,334 in year three. Deducting capital charges consisting of interest amount of USD 120,000 year one and USD 80,000 in year two and USD 40000 in year one, USD 2128554 in year two and USD 1,709,334 in three will result into earnings, before tax of USD 1,709,334 in the first year, USD 2,138,554 in the second and USD 1,789,334 in the third year. Appendix 1 is relevant for this section.

7.2 Proforma Cash Flows:

The project's Cash inflows consisted of earning before tax of USD 1709334 in the first year, USD 2138554 in the second and USD 1789334 in the third year.

Deduction of cash outflow projections consisting of debt service amount of USD 400,000 in the first and in the subsequent years will result into net before tax cash flows of USD 1309334 in the first year, USD 1738554 in the second and USD 1389,334 in the third year.

Appendix 2 is ideal for reference here.

7.3 Discounted Cash Flows, Net Present Value and Internal Rate of Return

This subsection discusses the Discounted Cash Flows (DCF) methods to appraise the company's cash flows and make allowance for time value of money. In this Business Plan we will use the two DCF methods namely the Net Present Value (NPV) and the Internal Rate of Return (IRR) as analysed below:

(a) Net Present Value (NPV) computation based on discount rate of 10% on earnings before tax cash flows:

On the basis of computation made in Appendix 4 of this Plan the project shows a positive NPV of USD 186061. Since NPV is positive the project is acceptable.

(b) The Project's Before Tax Internal Rate of Return (BTIRR)

The project's operations indicates that it expects to attain a BTIRR of 13%. This rate is acceptable because it is above the current rate of cost of borrowed funds. Appendix 5 is relevant here.

(c) Payback Period

Appendix 6 provides the computation of the project's payback period. The projected results show that the project is expected to payback the invested funds in two (2) years and three (3) months

(d) **Sensitivity analysis**

Findings deduced from Appendix 7 of the plan show that changes in the sales price of the apartments, and likewise the sales revenues will have greater impact on the project's profitability and viability compared to other variables. Therefore, this project is very sensitive to changes in the sales price of the apartments.

8.0 SOCIAL-ECONOMIC BENEFITS OF THE PROJECT

8.1 Social -Economic Benefits:

The implementation of this project will have the following social-economic benefits:

- (a) The project will reduce one of the major problems of accommodation for the ever growing population of Dar es Salaam.
- (b) The project will contribute to the national goals of improving the welfare and healthy society by providing a small population with befitting accommodation.
- (c) The project will provide employment directly and indirectly to construction personnel, security and maintenance staff.
- (d) The project will also enable the government to collect revenue in the form of income tax, property tax, land rates and local government levies.

8.2 Environmental Impact Assessment:

A separate document on E.I.A is provided together with this Business Plan.

9.0 ORGANIZATION AND MANAGEMENT

The project will not require a full time post construction management because the apartments are constructed for outright sale to potential buyers once they are completed.

10.0 RISK ANALYSIS

Residential apartments have very diversified potential buyers and is therefore likely to be less affected by business risk, however, since the development of

the property has to use debt financing (financial leverage) it is more likely to involve financial risk although this will depend on the cost and structure of the debt.

Liquidity risk is less likely to affect the project as all 32 apartments are expected to be sold within a span of three years as projected in the section on projected income and expenditure

Inflation and Management risks are also not expected to affect much since apartments will be sold as soon as they are completed.

Having considered the effects of several types of risks we have finally decided that the investment into this property is justified

11.0 CONCLUSION AND RECOMMENDATION

From the appraisals and analysis that were made, it has been proved that the venture is expected to be financially sound and economically Viable. The sponsors should persue the loan arrangement.

12.0 IMPLEMENTATION PROGRAMME

The project is expected to take twelve (12) months to become fully operational after the loan's approval. Gitical activities will consist of mobilization of funds, order construction materials, etc.

13.0 APPENDICES AND ANEXTURES

PROJECTED OPERATING STATEMENTS

(Figures in USD)

Appendix 1

Item	Year		
	1	2	3
Sales Income	1946,100	2335320	1946100
Operating Expenditure:			
• Utilities	19461	19461	19461
• Real Estate Taxes	58383	58383	58383
• Insurance	19461	19461	19461
• Security	19461	19461	19461
Total operating Expenditure	116766	116766	116766
Operating Surplus	1829334	2,218,554	1,829,334
Capital Charges:			
• Depreciation	-	-	-
• Interest	120,000	80,000	40,000
Total Capital charges	120,000	80,000	40,000
Net Operating Income	1,709,334	2,138,554	1,789,334

PROJECTED CASH FLOWS (Figures in USD)

Appendix 2

Item	Year		
	1	2	3
Cash In Flows:			
• Earnings Before Tax	1,709,334	2,138,554	1,789,334
Add:			
• Depreciation	-	-	-
Total Cash in-flows	1,709,334	2,138,554	1,789,334
Cash Out-Flows			
• Debt Servicing	400,000	400,000	400,000
Total Cash out flows	400,000	400,000	400,000
Before Tax Cash Flows	1,309,334	1,738,554	1,389,334

PROPOSED LOAN REPAYMENT SCHEDULE

(Figures in USD)

Appendix 3

Year	Outstanding (USD)	Principal	Interest at 10%
1	1,200,000	400,000	120,000
2	800,000	400,000	80,000
3	400,000	400,000	40,000
4	-	-	-

PROPOSED DISCOUNTED CASH FLOWS

(Figures in USD)

Appendix 4

Item	Year		
	1	2	3
Before Tax Cash Flows	1,309,334	1,738,554	1,429,334
PVIF at 10%	0.909	0.826	0.751
PV	1,190,185	1,436,046	1,073,430
PV (Cumulative)	-	-	3,699,661
PV of Investment	-	-	(3513600)
NPV			+186061

Computation of BT IRR

(Figures in USD)

Appendix 5

Stage I: (a) PVIF at 10%

Year	Cash Flows	PV Factor at 10%	PV of Cash
0	(3513600)	1.00	(3513600)
1	1309334	0.909	1190185
2	1738554	0.826	1436046
3	1429334	0.751	1073430
		NPV	+ 186061

(b) PVIF of 20%

Year	Cash Flows	PV Factor at 10%	PV of Cash
0	(3513600)	1.00	(3513600)
1	1309334	0.833	1090625
2	1738554	0.694	1206556
3	1429334	0.578	826155
		NPV	- 390214

Stage II: Using $BTIRR = \frac{A + P \times (B-A)}{P + N}$

A = Lower rate with + Ve NPV = 18%

B = Higher rate with -Ve NPV = 20%

P = Amount of -Ve NPD = 186,061

N = Amount of -Ve NPD = 390214

$$BTIRR = 0.10 + \frac{186061 \times (0.20 - 0.10)}{576255}$$

$$= 0.10 + 0.323 \times 0.10$$

$$= 0.10 + 0.0323$$

$$= \underline{0.13} = 13\%$$

**The Project's Payback Period
(Figures in USD)**

Appendix 6

Year	Investment outlay			USD
	Profit after Tax	Deprec.	Total	Cumulative
1	1,196,534	-	1,196,534	1,196,534
2	1,496,988	-	1,496,988	2,693,522
3	1,252,534	-	1,252,534	3,946,056
	• Investment			(3513600)
	• Cumulative benefits end of year	2		22693522
	• Difference to be recouped in year	3		382,0078
	• Time period to recoup the difference			3 , months
	• Payback period of the project is			2 years and 3 months

Sensitivity Analysis (Workings)

Appendix 7

- | <u>Factors</u> | <u>% charge</u> |
|--|-----------------|
| (i) Test for sale price (decrease) (by 10%) | |
| (ii) Operation expenditure (increase) by 10% | |
| (iii) Interest rate increase (increase) by 10% | |

“Can developer obtain a competitive return on equity or profitable venture?”

Workings:

- (i) Decline in Sales price resulting to decrease of sales income by 10%

Item/Year	1	2	3
Sales Income	1946100	2335320	1946100
10% change	194610	233532	194610
Profit Before Tax	1709334	2128554	1789334
Change in Profit	11.4%	11.0%	10.9%
Decline to affect profit by: 11.1% average			

- (ii) Increase in operating expenditure by 10%

Item/Year	1	2	3
Operating costs	116,766	116766	116766
10% change	11677	11677	11677
Profit Before Tax	1709334	2128554	1789334
Change in Profit %	0.006%	0.005%	0.006%
Increase in O/expenditure to affect profit by 0.006% by 0.01%			

- (iii) Increase in Interest Rate by 10%

Item/Year	1	2	3
Interest Charges	120,000	80,000	40,000
10% charge	12,000	8,000	4,000
Profit B/Tax	1709334	2128554	1789334
Changed in Profit by %	0.007%	0.004%	0.002%
Increase Interest change to affect profit by 0.004%			

Conclusion

Decline in Sales price and therefore Sales revenue will have greater impact on the profitability of the project than other listed variables Sales price of the apartments is the most sensitive variable of the project.

PROPOSED SALES PLAN
(Figures in USD)

Appendix 8

- (1) Sales of apartments to be effected two (2) months after construction work has been completed for the first ten (10) apartment.
- (2) Twelve (12) other apartments will be sold in year two (2) of the project
- (3) The balance will be sold in year three (3)
- (4) The two (2) bedrooms apartments are expected to be sold at US Dollars 179,640 (Assuming a Dollar/Tshillings exchange rate of One USD =1670/=) or Tshs 300 million/= per unit.
- (5) The three (3) bedrooms apartment are to be sold for USD 209,580 or Tshs 350 million/= per unit.

• Sales Income (USD)

Types Apartments	Nos	Year 1	Nos	Year 2	Nos	Year 3
(i) 2 BRA	5	898,200	6	1,077,840	5	898,200
(ii) 3 BRA	5	1,047,900	6	1,257,480	5	1,047,900
Total	10	1,946,100	12	2,335,320	10	1,946,100

- Total sales income: Year 1. 1946100
 " 2. 2335320
 " 3. 1946100
 USD: 6227520
- Investment amount (Total) USD 3513600
- Capitalization Rate:

$$\frac{\text{1st year NOI}}{\text{Total Sales Income}} = \frac{1709334}{6,227,520} = 27.4\%$$
- Equity Dividends Rate: = $\frac{\text{BTCF}}{\text{Initial Equity}}$ = (Equity Dividends)
- Initial Equity = Investment less amount borrowed
 = 3513600 - 1200,000 = 2313600
- Therefore, EDR = $\frac{1,309,334}{2,313,600}$ (for first year)
 = 0.565/or 56%

(This being a rough measure of current return on equity not an investment yield)

- Debt Coverage ratio (DRC) = The rate of NOI/Principal payments
$$= \frac{1,709,334}{400,000} = 4.27$$
- Choice of holding period is two (2) months after completion of construction works.

Summarized notes of the expected loan

Appendix 9

1) Total loan USD:	1,200,000
2) Debt amortization (years):	3
3) Term of loan:	3
4) Debt service (monthly) USD:	33,334
5) Debt service/year USD:	400,000
6) Grace period (asked):	1year