Pre-feasibility Study

HIGH SCHOOL (FRANCHISE)

September 2023

"The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA's website and consult financial experts to stay current with market conditions"

Small and Medium Enterprises Development Authority
Ministry of Industries and Production
Government of Pakistan

Table of Contents

1 DISCLAIMER 2

2 EXECUTIVE SUMMARY 3

3 INTRODUCTION TO SMEDA 3

4 PURPOSE OF THE DOCUMENT 4

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT 4

5.1 INSTALLED AND OPERATIONAL CAPACITIES 5

6 CRITICAL SUCCESS FACTORS 5

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT 6

8 POTENTIAL TARGET CUSTOMERS / MARKETS 6

9 PROJECT COST SUMMARY 7

9.1 PROJECT ECONOMICS 7
9.2 PROJECT COST 8
9.3 SPACE REQUIREMENT 9
9.4 MACHINERY & EQUIPMENT REQUIREMENT 9
9.5 FURNITURE & FIXTURES REQUIREMENT 10
9.6 OFFICE EQUIPMENT REQUIREMENT 11
9.7 I.T EQUIPMENT REQUIREMENT 11
9.8 HUMAN RESOURCE REQUIREMENT 11
9.9 UTILITIES AND OTHER COSTS 12
9.10 REVENUE GENERATION 12

10 USEFUL WEB LINKS 13

11 ANNEXURES 15

11.1 INCOME STATEMENT 15
11.2 BALANCE SHEET 16
11.3 CASH FLOW STATEMENT 17

12 KEY ASSUMPTIONS 18

12.1 OPERATING COST ASSUMPTIONS 18
12.2 CAPACITY UTILIZATION ASSUMPTIONS 18
12.3 REVENUE ASSUMPTIONS 18

1 DISCLAIMER

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2 EXECUTIVE SUMMARY

Education plays a vital role in the progress of any nation and is the key contributor towards achieving success. This Pre-Feasibility Study is about setting up the venture of a High School (Franchise) in any city of Pakistan. The objective of the document is to provide guidance to the reader who wants to setup a similar venture. The proposed school will offer its services from the classes of primary to matriculation. The school will be catering to children of middle to low-income economic stratum as a high caliber yet affordable educational institute.

The proposed capacity of High School (Franchise) is 480 Students. Initial capacity utilization is estimated at 55% with a growth rate of 15% per annum. This capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. However, entrepreneur's knowledge of education sector, experienced management, qualified faculty and location of school are key factors for the success of this project.

Total project cost is estimated at Rs. 16.101 million with capital investment of Rs. 15.101 million and working capital Rs. 1.000 million. Considering all the assumptions on which the pre-feasibility has been built, the projected IRR, Payback and Net Present Value are 31%, 3.66 years and Rs. 0.676 million respectively. The project will provide employment opportunities to 27 people including the Owner. The legal business status of this project is assumed to be 'Sole Proprietorship'.

3 INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

4 PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **High School (Franchise)** business, by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and it's successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form basis of an informed Investment Decision.

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

School industry is experiencing a rapid change in Pakistan. A lot of school chains are offering franchise opportunities in market with standardized curriculum, rules & regulations and extra curriculum activities. All school chains have an effective monitoring and evaluation systems, which conduct evaluation of franchises on regular basis. This ensures good quality education and standardized facilities for students in the whole network. Therefore, parents are showing more trust on these school chains instead of small schools operating in isolation.

The franchise networks advertise their business on national print and electronic media for brand recognition. These advertisements provide a competitive edge to the franchisee over the single branch schools. Keeping in the view the industry situation, it is suggested to buy the rights of a franchise instead of opening a school with new brand name.

This particular pre-feasibility study provides the basic information for setting up a franchise based High School in any small or major city of Pakistan. The proposed school will cater to the educational needs of the children belonging to middle and lower middle-income family group. Therefore, location of the school should be selected near the residents of middle-income group. The school covers a wide spectrum of starting classes from Nursery to Matriculation (as Secondary school).

Providing education from primary level onwards ensures consistent quality of education from an early stage.

By offering quality education and modern facilities, the school is expected to earn early recognition and parent's trust and preference. The proposed project will provide employment generation to 27 peoples including owner himself as administrator of the business. The legal status of the business in this document has been kept as 'Sole Proprietorship'.

5.1 Installed and Operational Capacities

The total installed capacity of the project is assumed at 480 students in a year. However; initial operational capacity of the project will be 55% with an annual growth of 15%. Maximum capacity utilization of the project is assumed at 90%.

Table 1: Installed and Operational Capacity

Description	Total Capacity	Operational Capacity 55 % (Year 1)	Maximum Operational Capacity 90% (Year 10)
No. of Students	480	242	432

*** IT IS ASSUMED THAT IN THE FIRST YEAR OF SCHOOL OPERATIONS, ENROLLMENT FOR CLASS 10 WILL NOT TAKE PLACE. INSTEAD, CLASS 9 STUDENTS WILL BE PROMOTED TO CLASS 10 IN THE FOLLOWING YEAR.**

6 CRITICAL SUCCESS FACTORS

Following are critical success factors associated with this business:

⇒ Campus location is the key to success for the school in reaching out to its target audience and meeting its revenue targets.

⇒ Establish and communicate a clear and positive decorum for the school campus to make a favourable first impression on parents and students. Emphasize the importance of maintaining a well-presented campus and ensuring friendly behaviour from the admission office staff.

⇒ Regular parent-teacher meetings to discuss students' performance will provide confidence to parents. Building strong partnerships with parents, involving them in their child's education, and maintaining open lines of communication are essential factors for success.

⇒ Extra-curricular activities significantly impact student growth and development, fostering optimism and positive parent-school relationships by prioritizing individual needs and offering diverse activities.

- ⇒ Effective and visionary leadership that guides the school's direction, fosters a positive learning environment, and encourages collaboration among staff, students, and parents.
- ⇒ Providing a conducive learning environment with well-equipped classrooms, libraries, science laboratories, sports facilities, and other necessary amenities.
- ⇒ Implementing targeted marketing campaigns that highlight the school's unique strengths and competitive advantages can effectively attract prospective students and their families, ensuring a continuous enrolment growth and a strong market position.
- ⇒ Establishing connections with the local community, collaborating with other educational institutions and organizations, and actively participating in community events.
- ⇒ Emphasizing professional development for staff, regularly reviewing and updating the curriculum, adopting innovative teaching methodologies, and staying abreast of emerging trends in education.
- ⇒ Good working relationship with franchisor for timely dealing of official matters.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

All the urban areas of Pakistan are the potential areas for investment in high school business as education is a basic necessity for every kid. It is suggested to open the school in the surrounding of populated residential areas so that target market could easily access the school. Additionally, it is important to identify a location aligned to the targeted income group.

Entrepreneur also needs to investigate the market dynamics like market competition, current market growth rate and purchasing power of target market. Reasons to propose a small city is that all school chains have already entered in metropolitan cities and the school market of metropolitan cities have already become saturated. Beside this as per the policy of franchisers they don’t offer franchise with in the radius of 4 Kilometres in order to provide a fair chance of profit making for their franchisee.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

The target market for this particular business is the middle and lower middle economic class of the cities of Pakistan. The age group of target customer is young generation (i.e. 03 to 17 years) as this segment requires the school education from nursery to matriculation.

The private sector enrolment in schools is estimated to be close to 40% of the total enrolment under schools in Pakistan. Due to shortage of public sector schools, and because many existing public sector schools are non-functional, on account of shortage of school teachers and/or lack of funds to pay for running the school expenses, some parents like to send their children to private schools. Schools in private sector are somewhat costlier than the public sector schools, but offer better knowledge to children.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of High School (Franchise Model). Various cost and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are attached as annexures.

9.1 Project Economics

In order to financially appraise the project, a 100% Equity Based Business Model has been assumed. The following tables show Internal Rate of Return, Payback Period Net Present Value and Breakeven of the proposed venture:

Table 2: Project Economics (Equity Financed)

Description	Details
Internal Rate of Return (IRR)	31%
Payback Period (Yrs.)	3.66
Net Present Value (Rs.)	676,146

Calculation of break-even analysis is as follows:

Table 3: Breakeven (100% Equity Based)

BREAKEVEN ANALYSIS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	24,559,832	7,074,887	28,288,899	30,630,533	32,864,711	35,131,083	38,078,794	40,922,778	44,053,165	47,770,174
Break-Even Students	300	80	299	301	300	299	301	301	302	304
Margin of Safety	-24%	73%	17%	19%	19%	19%	19%	19%	18%	18%

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed. On the basis of Debt:Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below:

Table 4: Project Economics Based on Debt (50%) : Equity (50%)

Description	Details
Internal Rate of Return (IRR)	27%
Payback Period (Yrs.)	4.09
Net Present Value (Rs.)	(1,562,652)

The financial assumptions for Debt:Equity are as follows:

Table 5: Financial Assumptions for Debt:Equity Model

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	28.16%
Debt Tenure	5 Years
Debt Payment / Year	Annual

The projected Income Statement, Cash Flow Statement and Balance Sheet enclosed as annexures are based on 100% Equity Based Business Model.

9.2 Project Cost

Following fixed and working capital requirements have been identified for operations of the proposed business.

Table 6: Project Cost

Description	Amount Rs.
Capital Cost	
Machinery & Equipment	415,000
Furniture & Fixture	5,951,000
Office equipment	1,314,500
I.T equipment	3,695,000
Building Security Deposit	750,000
Pre-operating costs	925,000
Licensing & Legal Fee	2,050,000
Total Capital Cost	**15,100,500**

Working Capital	
Cash	250,000
Up-front Building Rent	750,000
Total Working Capital	**1,000,000**
Total Project Cost	**16,100,500**

9.3 Space Requirement

The space requirement for the proposed high school (franchise) is estimated considering various facilities including management office, staff room, class rooms, store room and open space, etc. It is compulsory to have a campus of minimum 2 Kanals for a high school from most of the franchisers. Franchisers normally check the map of building before granting the permission to start business in order to make sure that the building is suitable for a school campus. The Details of space requirement related to land & building is given below:

Table 7: Space Requirment

Description	Estimated Area (Sqft)
Principal Office	250
Admin Office	250
Staff Room	400
Computer Lab	500
Science Lab	400
Class Rooms	3,600
Canteen + Kitchen	200
Wash Rooms	216
Store Room	500
Open / Playing Area	2,684
Total	**9,000**

In order to avoid the initial high cost for Building and Infrastructure development, a purpose-built building will be acquired on rent. The estimated rent is assumed at Rs. 250,000 per month for this Pre-feasibility study.

9.4 Machinery & Equipment Requirement

Machinery and equipment for the proposed project are stated below:

Table 8: Machinery & Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Electric Water Cooler	2	57,500	115,000
Security Equipment	1	300,000	300,000
Total			**415,000**

9.5 Furniture & Fixtures Requirement

Details of the furniture and fixture required for the project are given below:

Table 9: Furniture & Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Principal Office			
Table & Chairs	1	45,000	45,000
Visitor Chairs	4	12,000	48,000
Sofa Set	1	70,000	70,000
Cupboard	1	20,000	20,000
Admin Office			
Table & Chairs	3	20,000	60,000
Visitor Chairs	6	7,000	42,000
Cupboard	2	25,000	50,000
Staff Room			
Long Table	1	70,000	70,000
Chairs	12	8,500	102,000
Cupboard	2	25,000	50,000
Class Room			
Table & Chairs	12	18,000	216,000
Nursery to Prep	80	3,500	280,000
Class 1 to 5	100	6,000	600,000
Class 6 to 10	100	6,500	650,000
White Board	14	6,000	84,000
Soft board	2	4,000	8,000
Fans	37	8,500	314,500
Exhaust Fans	27	5,500	148,500
LED Bulbs (18 Watts)	86	500	43,000
Air conditioners (1.5 ton Split)	6	175,000	1,050,000

Renovation	1	2,000,000	2,000,000
Total Furniture & Fixtures			**5,951,000**

9.6 Office Equipment Requirement

Following office equipment will be required for High School (Franchise);

Table 10: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Generator	1	980,000	980,000
Telephones	3	3,500	10,500
Fridge	1	138,000	138,000
Water Dispenser	2	38,000	76,000
Microwave Oven	1	25,000	25,000
LED for Lab	1	85,000	85,000
Total Office Equipment			**1,314,500**

9.7 I.T Equipment Requirement

Following I.T equipment will be required for High School (Franchise);

Table 11: I.T Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	1	135,000	135,000
Main Computer	1	100,000	100,000
Computer for staff and lab	44	70,000	3,080,000
UPS for computers	1	200,000	200,000
Computer printer (s)	4	45,000	180,000
Total Office Equipment			**3,695,000**

9.8 Human Resource Requirement

In order to run the operations of High School (Franchise) smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

Table 12: Human Resource Requirment

Description	No. of Employees	Monthly Salary per person (Rs.)
Principal	1	120,000
Operations/Admin Manager	1	50,000
Accounts Officer	1	50,000
Admission Officer	1	60,000
Teachers	15	45,000
Office Boys	2	35,000
Security Guards	2	35,000
Maid	1	35,000
IT Lab In charge	1	40,000
Science Lab In charge	1	40,000
Electrician + Care Taker	1	35,000
Total	**27**	**1,245,000**

9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs. 184,637 per month including the generator expenses. Furthermore, promotional expense being essential for marketing of High School (Franchise) is estimated as 3% of revenue.

9.10 Revenue Generation

Based on the capacity utilization of 55%, sales revenue during the first year of operations is provided in the table below. Student drop out ratio is estimated at 5%.

Table 13: Revenue Generation (Year 1)

Revenue Generation from Admission Fee			
Description	**No. of Students Admitted**	**Admission Fee**	**Total Revenue (Rs.)**
No of Students get Admission	253	15,000	**3,795,000**
Revenue Generation from Tuition Fee			
Description	**No. of**	**Tuition Fee**	**Total Revenue (Rs.)**

	Students		
Nursery to Prep	44	5,500	2,904,000
Class 1 to Class 3	66	6,500	5,148,000
Class 4 to Class 5	44	6,700	3,537,600
Class 6 to Class 8	66	7,200	5,702,400
Class 9 to Cass 10	22	8,200	2,164,800
Total Revenue			**23,251,800**
Share of Franchiser (@ 15%)			**3,487,770**
Net Revenue			**19,764,030**

contact details

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project is given below.

Name of Supplier	Address	Phone
Interwood Mobel	117-E-1, Gulberg-III,Lahore	+92-42-35870222-6549123
Woodpecker		0331-8999222, 0331-7151566
Koncept Furniture	Dheerkay By Pass, G.T. Road, Gujrat	+92-300-6233455

10 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	**www.smeda.org.pk**
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Professional and Technical Training	http://mofept.gov.pk
School Education Department, Government of the Punjab	https://schools.punjab.gov.pk
Elementary & Secondary Education Department Khyber Pakhtunkhwa	https://kpese.gov.pk
The Education Department of Balochistan	http://www.emis.gob.pk
Sindh Education and Literacy Department	http://www.sindheducation.go

	v.pk/
The Punjab Educational Endowment Fund (PEEF)	https://www.peef.org.pk/
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.go v.pk
Government of Balochistan	www.balochistan.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security and Exchange Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org

11 ANNEXURES

11.1 Income Statement

Calculations										SMEDA
Income Statement										
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenue	19,764,030	26,536,983	34,121,666	38,029,188	40,506,877	43,529,395	46,778,136	50,270,054	54,023,373	58,057,683
Cost of sales										
Operation costs 1 (direct labor)	10,500,000	11,287,500	12,134,063	13,044,117	14,022,426	15,074,108	16,204,666	17,420,016	18,726,517	20,131,006
Operating costs 3 (direct electricity)	1,772,513	1,949,764	2,144,741	2,359,215	2,595,136	2,854,650	3,140,115	3,454,126	3,799,539	4,179,493
Total cost of sales	12,272,513	13,237,264	14,278,803	15,403,332	16,617,562	17,928,758	19,344,781	20,874,142	22,526,056	24,310,499
Gross Profit	7,491,517	13,299,719	19,842,863	22,625,856	23,889,315	25,600,637	27,433,355	29,395,912	31,497,317	33,747,184
General administration & selling expenses										
Administration expense	4,440,000	4,773,000	5,130,975	5,515,798	5,929,483	6,374,194	6,852,259	7,366,178	7,918,642	8,512,540
Administration benefits expense	133,200	143,190	153,929	165,474	177,884	191,226	205,568	220,985	237,559	255,376
Building rental expense	3,000,000	3,300,000	3,630,000	3,993,000	4,392,300	4,831,530	5,314,683	5,846,151	6,430,766	7,073,843
Electricity expense	443,128	487,441	536,185	589,804	648,784	713,662	785,029	863,532	949,885	1,044,873
Water expense	44,400	47,730	51,310	55,158	59,295	63,742	68,523	73,662	79,186	85,125
Education Department Fee	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Travelling expense	44,400	47,730	51,310	55,158	59,295	63,742	68,523	73,662	79,186	85,125
Communications expense (phone, fax, mail, internet, etc.)	44,400	47,730	51,310	55,158	59,295	63,742	68,523	73,662	79,186	85,125
Office expenses (stationary, entertainment, janitorial services, etc	44,400	47,730	51,310	55,158	59,295	63,742	68,523	73,662	79,186	85,125
Promotional expense	592,921	796,109	1,023,650	1,140,876	1,215,206	1,305,882	1,403,344	1,508,102	1,620,701	1,741,730
Professional fees (legal, audit, consultants, etc.)	98,820	132,685	170,608	190,146	202,534	217,647	233,891	251,350	270,117	290,288
Depreciation expense	1,987,400	1,987,400	1,987,400	2,216,550	2,179,600	2,179,600	2,444,870	2,402,096	2,402,096	2,709,179
Amortization of pre-operating costs	185,000	185,000	185,000	185,000	185,000	-	-	-	-	-
Amortization of legal, licensing, and training costs	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000
Repair and maintenance expenses	395,281	530,740	682,433	760,584	810,138	870,588	935,563	1,005,401	1,080,467	1,161,154
Miscellaneous expense 1	355,200	381,840	410,478	441,264	474,359	509,936	548,181	589,294	633,491	681,003
Subtotal	12,023,550	13,123,325	14,330,898	15,634,127	16,667,468	17,664,233	19,212,477	20,562,736	22,075,470	24,025,488
Operating Income	(4,532,033)	176,394	5,511,965	6,991,729	7,221,847	7,936,405	8,220,879	8,833,176	9,421,847	9,721,696
Other income (interest on cash)	24,055	92,056	195,851	313,765	424,243	550,034	741,885	972,477	1,193,532	1,491,334
Gain / (loss) on sale of computer equipment	-	-	2,586,500	-	-	4,472,197	-	-	6,100,877	5,158,942
Earnings Before Interest & Taxes	(4,507,977)	268,450	8,294,316	7,305,494	7,646,090	12,958,635	8,962,764	9,805,653	16,716,256	16,371,972
Earnings Before Tax	(4,507,977)	268,450	8,294,316	7,305,494	7,646,090	12,958,635	8,962,764	9,805,653	16,716,256	16,371,972
Tax	-	-	2,268,010	1,921,922	2,041,131	3,900,522	2,501,967	2,796,978	5,215,689	5,445,190
NET PROFIT/(LOSS) AFTER TAX	**(4,507,977)**	**268,450**	**6,026,306**	**5,383,571**	**5,604,959**	**9,058,113**	**6,460,797**	**7,008,675**	**11,500,567**	**10,926,782**

11.2 Balance Sheet

Calculations **SMEDA**

Balance Sheet

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
Current assets											
Cash & Bank	250,000	1,674,423	5,690,072	9,977,987	15,123,184	18,816,216	25,186,488	34,164,288	43,633,904	51,848,640	67,458,061
Pre-paid building rent	750,000	825,000	907,500	998,250	1,098,075	1,207,883	1,328,671	1,461,538	1,607,692	1,768,461	-
Total Current Assets	1,000,000	2,499,423	6,597,572	10,976,237	16,221,259	20,024,099	26,515,159	35,625,825	45,241,596	53,617,101	67,458,061
Fixed assets											
Building Security	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Machinery & equipment	415,000	373,500	332,000	290,500	249,000	207,500	166,000	124,500	83,000	41,500	-
Furniture & fixtures	5,951,000	5,355,900	4,760,800	4,165,700	3,570,600	2,975,500	2,380,400	1,785,300	1,190,200	595,100	-
Computer equipment	3,695,000	2,475,650	1,256,300	4,314,374	2,865,874	1,454,324	4,994,428	3,317,608	1,683,562	5,781,674	3,840,546
Office equipment	1,314,500	1,183,050	1,051,600	920,150	788,700	657,250	525,800	394,350	262,900	131,450	-
Total Fixed Assets	12,125,500	10,138,100	8,150,700	10,440,724	8,224,174	6,044,574	8,816,628	6,371,758	3,969,662	7,299,724	4,590,546
Intangible assets											
Pre-operation costs	925,000	740,000	555,000	370,000	185,000	-	-	-	-	-	-
Legal, licensing, & training costs	2,050,000	1,845,000	1,640,000	1,435,000	1,230,000	1,025,000	820,000	615,000	410,000	205,000	-
Total Intangible Assets	2,975,000	2,585,000	2,195,000	1,805,000	1,415,000	1,025,000	820,000	615,000	410,000	205,000	-
TOTAL ASSETS	**16,100,500**	**15,222,523**	**16,943,272**	**23,221,961**	**25,860,434**	**27,093,673**	**36,151,787**	**42,612,583**	**49,621,258**	**61,121,825**	**72,048,607**
Liabilities & Shareholders' Equity											
Current liabilities											
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities											
Security (Refundable)		3,630,000	5,082,300	6,228,072	6,621,454	6,621,454	6,621,454	6,621,454	6,621,454	6,621,454	6,621,454
Total Long Term Liabilities	-	3,630,000	5,082,300	6,228,072	6,621,454	6,621,454	6,621,454	6,621,454	6,621,454	6,621,454	6,621,454
Shareholders' equity											
Paid-up capital	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500	16,100,500
Retained earnings		(4,507,977)	(4,239,528)	893,389	3,138,480	4,371,719	13,429,833	19,890,630	26,899,304	38,399,871	49,326,653
Total Equity	16,100,500	11,592,523	11,860,972	16,993,889	19,238,980	20,472,219	29,530,333	35,991,130	42,999,804	54,500,371	65,427,153
TOTAL CAPITAL AND LIABILITIES	**16,100,500**	**15,222,523**	**16,943,272**	**23,221,961**	**25,860,434**	**27,093,673**	**36,151,787**	**42,612,583**	**49,621,258**	**61,121,825**	**72,048,607**

11.3 Cash Flow Statement

Calculations											SMEDA
Cash Flow Statement											
	Year 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Operating activities											
Net profit		(4,507,977)	268,450	6,026,306	5,383,571	5,604,959	9,058,113	6,460,797	7,008,675	11,500,567	10,926,782
Add: depreciation expense		1,987,400	1,987,400	1,987,400	2,216,550	2,179,600	2,179,600	2,444,870	2,402,096	2,402,096	2,709,179
amortization of pre-operating costs		185,000	185,000	185,000	185,000	185,000	-	-	-	-	-
amortization of training costs		205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000
Pre-paid building rent	(750,000)	(75,000)	(82,500)	(90,750)	(99,825)	(109,808)	(120,788)	(132,867)	(146,154)	(160,769)	1,768,461
Cash provided by operations	(750,000)	(2,205,577)	2,563,350	8,312,956	7,890,296	8,064,751	11,321,925	8,977,799	9,469,617	13,946,893	15,609,421
Financing activities											
Security Refundable		3,630,000	1,452,300	1,145,772	393,382	-	-	-	-	-	-
Issuance of shares	16,100,500	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	16,100,500	3,630,000	1,452,300	1,145,772	393,382	-	-	-	-	-	-
Investing activities											
Capital expenditure	(15,100,500)	-	-	(4,277,424)	-	-	(4,951,653)	-	-	(5,732,158)	-
Acquisitions											
Cash (used for) / provided by investing activities	(15,100,500)	-	-	(4,277,424)	-	-	(4,951,653)	-	-	(5,732,158)	-
NET CASH	250,000	1,424,423	4,015,650	5,181,303	8,283,678	8,064,751	6,370,272	8,977,799	9,469,617	8,214,735	15,609,421

12 KEY ASSUMPTIONS

12.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	3% of Administration Cost
Office Expenses (Stationery, Entertainment etc.)	1% of Administration expenses
Communication Expenses	1% of Administration Cost
Promotional Expenses	3% of Revenue
Professional Fee	0.5% of Revenues
Depreciation Method	Accelerated depreciation
Depreciation Rate	10% on Machinery 10% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Wage Growth Rate	8%

12.2 Capacity Utilization Assumptions

Description	Details
Maximum Operational Capacity	480 Students
Production Capacity in First Year	55%
Percentage Increase in Production Capacity every Year	15%
Maximum Production Capacity	90%
Student Drop Out Ratio	05%

12.3 Revenue Assumptions

Description	Details
Growth in Tuition Fee	7.5%
Days Operational / Year	234

Small and Medium Enterprises Development Authority

HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore
Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

www.smeda.org.pk, helpdesk@smeda.org.pk

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3rd Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 helpdesk.punjab@smeda.org.pk	5TH Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 helpdesk-khi@smeda.org.pk	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 helpdesk-pew@smeda.org.pk	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 helpdesk-qta@smeda.org.pk