
Pre-Feasibility Study

Health and Fitness Club



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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1. DISCLAIMER

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2. EXECUTIVE SUMMARY

Commercial Health club industry is emerging as one of the good business ventures in Pakistan. There has been an increasing trend of establishing Health & Fitness Clubs in the country during the last decade, especially in urban cities as they offer versatility and sophistication. However, this trend is not confined to metropolis alone but has also spread to small cities and towns. The rise is attributed to growing working middle class with high exposure and awareness to health and fitness requirements through media, Internet, and accessibility of health physicians. Aspiring entrepreneurs may find this growing sector a good prospect to capitalize on their potential, talent, and market opportunity.

The proposed capacity of Health & Fitness club is 185 members. Initial capacity utilization is estimated at 75% with a growth rate of 10% per annum. This production capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. However, entrepreneur's knowledge of fitness club industry, experienced management, qualified trainers and location of club are key factors for the success of this project. The proposed club is assumed to be set-up in a rented place within a developed / developing residential society in any of the big city in Pakistan.

The total cost of proposed project is Rs. 5.043 million, which includes a capital investment of Rs. 4.476 million and a sum of Rs. 0.567 million as working capital. The project assumed to be financed through 100% equity. The Net Present Value (NPV) of the project is Rs. 3.297 million with an Internal Rate of Return (IRR) of 29% and a Payback Period of 4.11 years. The project will provide employment opportunities to 9 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 to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Health & Fitness Club** 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 its successful management.

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

5. BRIEF DESCRIPTION OF PROJECT & PRODUCT

The market for health clubs in Pakistan has been developing steadily over the last decade and a mushroom growth of gyms and clubs is being observed in all the cities. But still a good potential exists for quality health clubs because Pakistan is emerging as a newly health-conscious society. A health and fitness club generally provides services to its members to improve their physical appearance through exercise.

Good quality equipment will be installed to accommodate the customer needs. The club will be established in a rented premise having a covered area of 3,200 square feet and should be centrally located within a residential society to provide easy access to its members. In keeping in view, the economic and social factors, the market potential for the proposed project is mainly attributed to the population of big cities. Hence, it is recommended that the proposed project may be established in any of the major cities like Islamabad, Lahore, Quetta, Karachi, Rawalpindi, Peshawar, Multan, Faisalabad, Hyderabad, Sialkot etc. However, the project may also be opened in other cities and towns after careful market analysis. The proposed project will provide direct

employment to 9 people. Financial analysis shows the unit shall be profitable from the very first year of operation.

5.1 Installed & Operational Capacities

The installed and operational capacity of Health & Fitness business venture mainly depends on the market size and potential clients. This pre-feasibility study is based on engaging 03 instructors and 02 gym helpers along with other 04 permanent staff including owner manager. Total capacity of the club will be to accommodate 185 members both males and females per day; in first year, the club will operate at 75% capacity by handling 139 members.

Table 1: Installed and Operational Capacity

Description	Details
Total Capacity of the Club (members per day)	185
Capacity Utilization in 1st Year	@75% (i.e. 139 members)
Maximum Capacity Utilization	100% (i.e. 185 members)
Years to Attain Maximum Capacity Utilization	4 Years
Sessions of Operations	2 Session (6 Hours each) Morning Sessions (8 AM - 2 PM) Evening Sessions (4 PM – 10 PM)
Ratio of Male and Female Members	68% Male : 32% Female
Time Slots for Male and Female Members	Males: 7 Hours Females: 5 Hours

6. CRITICAL FACTORS

Following are the factors critical for the success of this business venture:

- ⇒ Selection of an appropriate location within the vicinity of a residential society.
- ⇒ Selection of affordable and quality machinery & equipment i.e. exercise machines etc.
- ⇒ The proprietor should himself have technical knowhow of all the services being offered.
- ⇒ The services of qualified instructors and physician should be hired as supervised workouts improve results.

- ⇒ Utmost priority should be to provide members a lifestyle that encourages fitness through the safest and latest means. Products like heart-rate monitors, calorie expenditure, display units, etc., should be used to enhance client motivation.
- ⇒ Maintaining a clean, hygienic, and healthy environment.
- ⇒ Marketing and promotion through various channels i.e. Catalogues / pamphlets, outdoor advertisement, hoardings / flex signs, TV & cable ads, and promotion through social media (Facebook etc.).

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The increasing population and high concentration of educated / working class in major cosmopolitan cities like Karachi, Lahore, Islamabad, Peshawar, Quetta, Rawalpindi, Multan, Gujranwala, Sialkot etc., offers a very lucrative business opportunity for opening well planned Health & Fitness Club. However, it is recommended that the club should be centrally located within an easily approachable developed / developing residential society, in line with the selected target market.

8. POTENTIAL TARGET CUSTOMERS / MARKETS

The target customers for health clubs are the population of big cities having age group of 18 to 50 years. Population of urban areas of Pakistan is 35% of total population out of which approximately 50% falls in the targeted customers' age group.

Keeping in view the economic and social factors, the market potential for the proposed project is mainly attributed to the population of big cities. Hence, it is recommended that the proposed project may be established in any of the major cities like Islamabad, Lahore, Quetta, Karachi, Rawalpindi, Peshawar, Multan, Faisalabad, Hyderabad, Sialkot etc. However, the project may also be opened in other cities and towns after careful market analysis.

9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Health & Fitness Club. Various costs 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 also attached as annexures.

9.1 Project Economics

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

Description	Details
Internal Rate of Return (IRR)	29%
Payback Period (yrs.)	4.11
Net Present Value (Rs.)	3,296,889

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	7,581,266	8,023,303	8,307,938	8,903,661	9,728,965	10,604,396	11,596,838	12,671,502	13,853,633	15,171,890
Break-Even Unit	1,895	1,823	1,717	1,672	1,661	1,646	1,637	1,626	1,616	1,609
Margin of Safety	-5%	5%	20%	25%	25%	26%	27%	27%	28%	28%

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)	26%
Payback Period (Yrs.)	4.45
Net Present Value (Rs.)	3,749,644

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	12%
Debt Tenure	5
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	
Furniture & fixtures	2,395,500
Machinery & equipment	1,304,550
Building security	576,000
Office equipment	160,000
Pre-operating costs	40,000
Total Capital Cost	4,476,050
Working Capital	
Cash	374,707
Up-front Building Rent	192,000
Total Working Capital	566,707
Total Project Cost	5,042,757

9.3 Space Requirement

The proposed Health & Fitness club will be established in a rental premise. In this regard space may be acquired in a commercial plaza. The rent of the building will depend on not only the vicinity of the club as well as the floor on which it would be

located. The club can also be established in an independent house unit that can be used for commercial purposes. If the required building is acquired on rent on 2nd or 3rd floor of any plaza the cost will be slightly lower. An estimated covered area of 3,200 sq. ft. will be required for the proposed venture; this space requirement has been calculated based on installed machinery and maximum capacity of the club to facilitate the members., etc. Details of space requirement and cost related to land & building is given below.

Table 7: Space Requirement

Description	Estimated Area (Sq ft)	Unit Cost (Rs.)	Total Cost (Rs.)
Exercise Hall	2,630	60	157,800
Changing and Locker Room Area	300	60	18,000
Office	150	60	9,000
Washrooms	120	60	7,200
Total	3,200		192,000

9.4 Machinery & Equipment Requirement

Plant, machinery, and equipment for the proposed project are stated below.

Table 8: Machinery & Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Slimline Treadmill SL-AC150 (AC Motor)	4	135,000	540,000
Multi four Station	1	110,000	110,000
Leg Curl Machine (with 50 Kg weight)	1	95,000	95,000
Leg press	1	65,000	65,000
Butter fly Machine (with 100 lbs weight)	1	52,000	52,000
Slimline Air Bike 8.2i	2	25,000	50,000
Preacher Curl Bench (Manual)	1	42,300	42,300
Advanced Stepper Machine	1	26,000	26,000
Belt Massager	1	22,000	22,000
Bent Over Lever row: T-Bar	1	22,000	22,000
Yoga Mats	6	3,500	21,000
Olympic Rod (6 Ft)	2	10,000	20,000
Hyper Extension (Adjustable)	1	18,000	18,000

Sit up Bench	1	18,000	18,000
Abdominal Board with Stand (Multi and Adjustable)	1	17,500	17,500
Cable Cross over Machine with Chin up Bar (with 100 kg)	1	17,000	17,000
Multi Dumbbells Rack	1	15,000	15,000
Bench Press (with Plate & Rod Holder)	1	14,000	14,000
Cardio Workout Cycling Machine	1	12,000	12,000
Ab Twister Total Core	2	6,000	12,000
Dumbbells Chrome Coated 40 Kgs	1	250	10,000
Weights Chrome Coated 20 Kgs	2	250	10,000
Dumbbells Chrome Coated 16 Kgs	2	250	8,000
Dumbbells Chrome Coated 32 Kgs	1	250	8,000
Curling Rod (4 Ft)	1	7,500	7,500
Weights Chrome Coated 15 Kgs	2	250	7,500
Dumbbells Chrome Coated 28 Kgs	1	250	7,000
Dumbbells Chrome Coated 12 Kgs	2	250	6,000
Dumbbells Chrome Coated 24 Kgs	1	250	6,000
Crunch	1	5,000	5,000
Standing Curl Stand	1	5,000	5,000
Triceps Dip	1	5,000	5,000
Dumbbells Chrome Coated 20 Kgs	1	250	5,000
Weights Chrome Coated 10 Kgs	2	250	5,000
Gym Balls	2	2,500	5,000
Twister- Single	1	4,500	4,500
Dumbbells Chrome Coated 8 Kgs	2	250	4,000
Weights Chrome Coated 5 Kgs	2	250	2,500
Vertical Knee Raise	1	2,000	2,000
Dumbbells Chrome Coated 6 Kgs	1	250	1,500
Weights Chrome Coated 2.5 Kgs	2	250	1,250
Total			1,304,550

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.)
Renovation Costing	3,200	300	960,000
Generator	1	715,000	715,000
Air conditioners (1.5 ton split)	4	90,000	360,000
Furniture set	1	65,000	65,000
LED TV	1	56,000	56,000
Refrigerator	1	51,500	51,500
Lockers	8	5,000	40,000
Sound System	1	38,000	38,000
Water Dispenser	2	19,000	38,000
Bracket Fans	7	3,800	26,600
Electric wiring & lighting	1	25,000	25,000
LED Lights	46	300	13,800
Exhaust fans	3	2,200	6,600
Total			2,395,500

9.6 Office Equipment Requirement

Following office equipment will be required for Health and Fitness Club.

Table 10 :Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	2	70,000	140,000
Printer	1	20,000	20,000
Total	3		160,000

9.7 Human Resource Requirement

In order to run operations of Fitness and Health Club smoothly, details of human resources required along with number of employees and monthly salary are recommended as under.

Table 11: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Manager	1	40,000
Instructor (2 males/1 female)	3	25,000
Admin and Accounts officer	1	25,000
Gym helpers	2	17,500
Security Guard	1	17,500
Cleaners	1	17,500
Total	9	

9.8 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and gas. The electricity expenses are estimated to be around Rs. 41,595 per month, whereas water expenses are estimated to be Rs. 72,280 in year 1. Furthermore, promotional expense being essential for marketing of Fitness and Health Club is estimated as 1% of revenue.

9.9 Revenue Generation

Based on the capacity utilization of 75%, revenue during the first year of operations is estimated in below table. Dropping out rate is estimated at 5%.

Table 12: Revenue Generation (Year 1)

Description	No. of Members	Fee	Total Revenue (Rs.)
Revenue from Monthly Fee	139	(4000*12)	6,672,000
Revenue from Membership Fee	139	4,000	556,000
Total Revenue			7,228,000

10. CONTACT DETAILS

In order to facilitate potential investors, contact details of Fitness Machinery and Equipment suppliers are given as follows.

Name of Supplier (Machinery and Equipment)	Address
i Fitness	Phone:92-3214184941,92-3217511299 Web Site: www.ifitnesspk.com
Bilal Brothers	1-3, Mustafa Arcade,119-A, Sindhi Muslim Society, Karachi-74400 (Pakistan)Phone: 92-21-34531961-2 Fax: 92-21-34531963 Web Site: www.bilalbrothers.net
Skytech	Ground Floor, Mona Arcade, Block-A, S.M.C.H Society, Next to Telenor Outlet. Karachi – Pakistan Contact Nos: 92-21-4559063-4 Web Site: www.skytech.com.pk

11. 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
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.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.gov.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Shapes	www.shapes.pk
Aimfit	www.iaimfit.com

12. ANNEXURE

12.1 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	7,228,000	8,456,800	10,347,920	11,915,112	13,053,916	14,359,307	15,795,238	17,374,762	19,112,238	21,023,462
<i>Cost of sales</i>										
Operation costs 1 (direct labor)	2,640,000	2,904,000	3,194,400	3,513,840	3,865,224	4,251,746	4,676,921	5,144,613	5,659,074	6,224,982
Operating costs 2 (machinery maintenance)	72,280	84,568	103,479	119,151	130,539	143,593	157,952	173,748	191,122	210,235
Operating costs 3 (direct electricity)	434,733	541,968	666,301	771,507	848,657	933,523	1,026,875	1,129,563	1,242,519	1,366,771
Total cost of sales	3,147,013	3,530,536	3,964,180	4,404,498	4,844,421	5,328,863	5,861,749	6,447,924	7,092,716	7,801,988
Gross Profit	4,080,987	4,926,264	6,383,740	7,510,614	8,209,495	9,030,445	9,933,489	10,926,838	12,019,522	13,221,474
<i>General administration & selling expenses</i>										
Administration expense	1,164,000	1,280,400	1,408,440	1,549,284	1,704,212	1,874,634	2,062,097	2,268,307	2,495,137	2,744,651
Building rental expense	2,304,000	2,534,400	2,787,840	3,066,624	3,373,286	3,710,615	4,081,677	4,489,844	4,938,829	5,432,711
Electricity expense	64,405	64,405	64,405	64,405	64,405	64,405	64,405	64,405	64,405	64,405
Water expense	72,280	84,568	103,479	119,151	130,539	143,593	157,952	173,748	191,122	210,235
Communications expense (phone, fax, mail, internet, etc.)	34,920	38,412	42,253	46,479	51,126	56,239	61,863	68,049	74,854	82,340
Office expenses (stationary, entertainment, janitorial services, etc.)	36,140	42,284	51,740	59,576	65,270	71,797	78,976	86,874	95,561	105,117
Promotional expense	72,280	84,568	103,479	119,151	130,539	143,593	157,952	173,748	191,122	210,235
Professional fees (legal, audit, consultants, etc.)	36,140	42,284	51,740	59,576	65,270	71,797	78,976	86,874	95,561	105,117
Depreciation expense	452,138	452,138	452,138	460,545	460,545	460,545	470,277	470,277	470,277	481,543
Amortization of pre-operating costs	8,000	8,000	8,000	8,000	8,000	-	-	-	-	-
Miscellaneous expense	36,140	42,284	51,740	59,576	65,270	71,797	78,976	86,874	95,561	105,117
Subtotal	4,280,443	4,673,743	5,125,254	5,612,365	6,118,462	6,669,013	7,293,151	7,968,998	8,712,430	9,541,471
Operating Income	(199,457)	252,521	1,258,486	1,898,249	2,091,033	2,361,431	2,640,338	2,957,839	3,307,092	3,680,003
Earnings Before Interest & Taxes	(186,914)	277,192	1,407,586	1,998,977	2,250,707	2,744,037	2,934,490	3,327,693	3,963,632	4,220,882
Earnings Before Tax	(186,914)	277,192	1,407,586	1,998,977	2,250,707	2,744,037	2,934,490	3,327,693	3,963,632	4,220,882
Tax	-	-	101,138	189,847	227,606	318,807	356,898	718,308	909,089	986,265
NET PROFIT/(LOSS) AFTER TAX	(186,914)	277,192	1,306,448	1,809,131	2,023,101	2,425,230	2,577,592	2,609,385	3,054,542	3,234,618

12.2 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											
<i>Current assets</i>											
Cash & Bank	374,707	628,731	1,344,942	2,903,076	5,155,197	7,618,732	10,259,169	13,273,024	16,315,271	19,550,720	23,719,606
Pre-paid building rent	192,000	211,200	232,320	255,552	281,107	309,218	340,140	374,154	411,569	452,726	-
Total Current Assets	566,707	839,931	1,577,262	3,158,628	5,436,304	7,927,950	10,599,309	13,647,178	16,726,840	20,003,446	23,719,606
<i>Fixed assets</i>											
Building/Infrastructure	576,000	547,200	518,400	489,600	460,800	432,000	403,200	374,400	345,600	316,800	288,000
Machinery & equipment	1,304,550	1,174,095	1,043,640	913,185	782,730	652,275	521,820	391,365	260,910	130,455	-
Furniture & fixtures	2,395,500	2,155,950	1,916,400	1,676,850	1,437,300	1,197,750	958,200	718,650	479,100	239,550	-
Office equipment	160,000	106,667	53,333	185,220	123,480	61,740	214,415	142,944	71,472	248,213	165,475
Total Fixed Assets	4,436,050	3,983,912	3,531,773	3,264,855	2,804,310	2,343,765	2,097,635	1,627,359	1,157,082	935,018	453,475
<i>Intangible assets</i>											
Pre-operation costs	40,000	32,000	24,000	16,000	8,000	-	-	-	-	-	-
Total Intangible Assets	40,000	32,000	24,000	16,000	8,000	-	-	-	-	-	-
TOTAL ASSETS	5,042,757	4,855,843	5,133,035	6,439,483	8,248,614	10,271,715	12,696,944	15,274,536	17,883,921	20,938,464	24,173,081
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Other liabilities</i>											
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757	5,042,757
Retained earnings	(186,914)	90,278	1,396,727	3,205,857	5,228,958	7,654,188	10,231,780	12,841,165	15,895,707	19,130,325	
Total Equity	5,042,757	4,855,843	5,133,035	6,439,483	8,248,614	10,271,715	12,696,944	15,274,536	17,883,921	20,938,464	24,173,081
TOTAL CAPITAL AND LIABILITIES	5,042,757	4,855,843	5,133,035	6,439,483	8,248,614	10,271,715	12,696,944	15,274,536	17,883,921	20,938,464	24,173,081

12.3 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
<i>Operating activities</i>											
Net profit		(186,914)	277,192	1,306,448	1,809,131	2,023,101	2,425,230	2,577,592	2,609,385	3,054,542	3,234,618
Add: depreciation expense		452,138	452,138	452,138	460,545	460,545	460,545	470,277	470,277	470,277	481,543
amortization of pre-operating costs		8,000	8,000	8,000	8,000	8,000	-	-	-	-	-
Pre-paid building rent	(192,000)	(19,200)	(21,120)	(23,232)	(25,555)	(28,111)	(30,922)	(34,014)	(37,415)	(41,157)	452,726
Cash provided by operations	(192,000)	254,025	716,210	1,743,355	2,252,120	2,463,535	2,854,853	3,013,855	3,042,247	3,483,662	4,168,886
<i>Financing activities</i>											
Issuance of shares	5,042,757	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	5,042,757	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,476,050)	-	-	(185,220)	-	-	(214,415)	-	-	(248,213)	-
Acquisitions											
Cash (used for) / provided by investing activities	(4,476,050)	-	-	(185,220)	-	-	(214,415)	-	-	(248,213)	-
NET CASH	374,707	254,025	716,210	1,558,135	2,252,120	2,463,535	2,640,437	3,013,855	3,042,247	3,235,449	4,168,886

13. KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Water Expense	1% of Revenue
Communication Expenses	3% of Administration expenses
Promotional Expenses	1% of Revenue
Depreciation Method	Accelerated depreciation
Depreciation Rate	10% on Machinery 33% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%
Water Price Growth Rate	10%

13.2 Revenue Assumptions

Description	Details
Growth in Sales Price	10%
Days Operational / Year	300
Maximum Operational Capacity	185 Members

13.3 Production Assumptions

Description	Details
Production Capacity in First Year	75%
Percentage Increase in Production Capacity every Year	10%
Maximum Production Capacity	100%
Members Drop Out ratio	5%