



Pre-Feasibility Study

(Montessori School)



Small and Medium Enterprises Development Authority
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Government of Pakistan

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Note: All SMEDA Services / information related to PM's Youth Business Loan are Free of Cost

December, 2013

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S M E D A

1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said subject. Although, the material included in this document is based on data / information gathered from various reliable sources; however, it is based upon certain assumptions which may differ from case to case. The information has been provided on 'as is where is' basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant / technical expert before taking any decision to act upon the information.

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2. 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 **Montessori School** by providing them 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 on, which form basis of any investment decision.

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 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. INTRODUCTION TO SCHEME

Prime Minister's Youth Business Loan, for young entrepreneurs, with an allocated budget of Rs. 5.0 Billion for the year 2013-14, is designed to provide subsidised financing at 8% mark-up per annum for one hundred thousand (100,000) beneficiaries, through designated financial institutions, initially by The National Bank of Pakistan (NBP) and The First Women Bank Ltd. (FWBL).

Small business loans with tenure up to 8 years, inclusive of grace period of 1 year, and a debt : equity of 90 : 10 will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan, Azad Jammu & Kashmir and Federally Administered Tribal Areas (FATA).

5. EXECUTIVE SUMMARY

The fast paced life of metropolitan cities is significantly influencing the life style of its inhabitants. Economic pressures are compelling both parents to work towards achieving and sustaining quality life standards. This has further added to complexity and competition of a metropolitan resident. As a result of these social changes, the trend of early child education is increasing, resulting in high demand for Montessori schools in metropolitan cities. Moreover, the competition for admission in renowned primary to higher education schools has tremendously increased, forcing parents to invest in early learning and development of kids to match the admission test requirements. On other end, growing population in urban cities due to migration from semi-urban areas has exhausted the limited capacity of existing private as well as public primary school systems. Thus, the Private investor with his/her investment capacity is well positioned to capitalize on this opportunity for establishing adequately equipped and qualified staffed, viable school systems in the country.

Montessori school education is the first formal learning stage for a child. This pre-feasibility provides information on establishing a Montessori school in any metropolis of Pakistan, starting classes from Play-group to Class II (aged 3 – 7) focusing on middle income tier of society. The school will provide quality education starting at the Elementary level, charging an affordable fee structure. Advanced educational procedures will be practiced; teaching an extensive curriculum, using modern teaching methodology at par with international standards.

The Montessori school will have good infrastructural facilities, spacious classrooms, and wide-ranging learning material from books to toys for a meaningful educational experience.

The Montessori school business venture entails a total investment of about Rs. 2.20 million. This includes a capital investment of Rs. 1.80 million and a sum of Rs.0.40 million as initial working capital. The project is financed through 90% debt and 10% equity. The Net Present Value (NPV) of the project is around Rs. 11.20 million with an Internal Rate of Return (IRR) of 51% and a payback period of 3.16 years.

The project will generate direct employment opportunity for 16 persons at year 1 and 20 persons from year 2. Higher return on investment and a steady growth of business is expected with the entrepreneur having some prior experience in the related field of business. This pre-feasibility encompasses essential information regarding various aspects of starting a Montessori school business in Pakistan.

6. BRIEF DESCRIPTION OF PROJECT & PRODUCT

Schools with high reputation have a stringent admission selection process, for which Montessori schools provide the necessary training. This has given rise to a high demand for Montessori school systems that prepare children for admission to reputable primary schools providing necessary educational training starting at an early age. With the growing population and a limited number of schools, establishment of montessory schools has become a potent business opportunity. The overall proposed capacity of the Montessori school is for 170 students / year. However, the school will start with 89 students initially in year 1, gradually increasing to 170 students in year 8. Each class level from Playgroup, KG-I, KG-II has two sections while class I and II will have one section each. The maximum number of enrolments per class is limited to 20 students for Playgroup till KG-II and 25 students for class I and II.

The proposed building for the project will be acquired on rent, covering an approximate area of 1.5 Kanals to accommodate the proposed student strength.

The total project cost for setting up this school is estimated at Rs. 2.20 million, out of which, the capital cost is estimated at Rs. 1.80 million and working capital of Rs. 0.40 million. The project is financed through 90% debt and 10% equity. The project NPV is around Rs. 11.20 million with an IRR of 51% and payback period of 3.16 years.

7. CRITICAL FACTORS

- School's environment should ensure security and should be free from any apparent hazard.
- The school should be preferably located in an area approachable for parents.

- At a Montessori school, teachers/attendants play a critical role in the success of the learning process. Therefore, it is suggested that staff employed by the school should be highly educated and properly trained for Montessori education. Before starting education services, it is recommended that teacher training program should be imparted.
- The education curriculum should be well researched and comprehensive. In addition to paper course work, it is suggested that visual and other teaching tools should also be optimally used.
- The area of the classrooms should be in line with the number of students in each classroom. Moreover, the classrooms should either be air-conditioned or at least well ventilated. Classrooms should also be well equipped with teaching as well as extra-curricular activity aids.
- Adequate provisions for physical, either indoor or outdoor or both facilities should be made available.
- Continuous teacher parent interaction should also be a regular feature of the school education system.
- The Design layout of school and its furnishing should be attractive for kids. Attention should be given to both the exterior and interior of the school to create an impact.
- Emphasis on child development with proper guidance.
- Marketing and promotion through various channels i.e. catalogues/pamphlets, outdoor advertisement, hoardings/flex signs, cable ads, digital and sms marketing, coverage in magazines and channels, promotion through social media (facebook etc).
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur. Prior experience / education in the related field of business can be a big advantage.

8. INSTALLED & OPERATIONAL CAPACITIES

It is proposed that students be admitted for Playgroup to Class II. There are 8 proposed classrooms for the school having a total capacity of 170 students. The school will start with 89 students in year 1, gradually increasing to 170 students in year 8. The maximum number of enrolments per class is limited to 20 students for Playgroup till KG-II and 25 students for Class 1 till Class 2. However, this capacity may not be achieved in the initial years of operation. The building will be acquired on rent, covering an approximate area of 1.5 Kanals to accommodate the

proposed student strength. Year wise capacity utilization details are mentioned in the table below:

Table 1 - Year Wise Number of Students (First 5 years)

Class	Students Per Year				
	Year 1	Year 2	Year 3	Year 4	Year 5
Play Group	21	27	29	32	34
KG-I	21	27	29	32	34
KG-II	21	27	29	32	34
Class I	13	17	18	20	21
Class II	13	17	18	20	21
Total	89	115	123	136	144

9. POTENTIAL TARGET MARKETS/CITIES

All major cities in the country are suited for starting a Montessori school. However, with the increasing population pressure and concentration of well reputed Montessori schools in metropolitan cities, smaller cities also present a very lucrative business opportunity for opening up a well planned Montessori school. Other than Lahore, Karachi, Islamabad, Peshawar & Quetta, cities like Sargodha, Multan, Faisalabad, Sheikhupura, Rahimyar Khan, Gujranwala, Sialkot, Gujrat, Hyderabad, Sakhur, Muzaffarabad, Gilgit, FATA and Abbottabad are also proposed.

It is recommended that the Montessori school should be located in an easily approachable location, in line with the selected target market.

10. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Montessori School under the 'Prime Minister's Youth Business Loan'. 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 appendix.

10.1 Project Economics

It is proposed that students be admitted for Playgroup to Class II. There are 8 proposed classrooms for the school, having a total capacity of 170 students. The maximum number of enrollments per class is limited to 20 students for Playgroup

till KG-II and 25 students for Class 1 till Class 2. However, this capacity may not be achieved in the initial years of operations.

The following table shows internal rate of return, payback period and net present value:

Table 2 - Project Economics

Description	Details
Internal Rate of Return (IRR)	51%
Payback Period (Yrs)	3.16
Net Present Value (NPV)	11,198,079

Returns on the scheme and its profitability are highly dependent on the entrepreneur having some practical knowledge about advanced educational procedures, teaching an extensive curriculum and using modern teaching methodology in sync with international standards along with qualified and experienced faculty to be hired.

10.2 Project Financing

Following table provides details of the equity required and variables related to bank loan;

Table 3 - Project Financing

Description	Details
Total Equity (10%)	Rs. 219,966
Bank Loan (90%)	Rs. 1,979,695
Markup to the Borrower (%age/annum)	8%
Tenure of the Loan (Years)	8
Grace Period (Year)	1

10.3 Project Cost

Following requirements have been identified for operations of the proposed business.

Table 4 - Capital Investment for the Project

Capital Investment	Amount (Rs.)
Furniture & fixtures	980,000
School's Office Equipment	278,700
Computer & Equipment	490,500
Pre-operating Cost	50,462
Total Capital Cost	1,799,662
Initial Working Capital	400,000
Total Project Cost	2,199,662

10.4 Land Requirement

For a batch of 170 students, 1.5 kanals of land comprising double story building would be sufficient. A purpose built building may also be acquired on rent. The covered area should have 8 classrooms, 1 room for Principal, 1 room for teachers' coordinator and 1 room for the administration staff. Appropriate numbers of washrooms are suggested for both staff and students. A big hall should be allocated with proper divisions for entertainment and computer section. An adequate area should also be allocated for the playground. The playground should have seesaws, slides, monkey bars and other playing equipment and tools.

Table 5 - Space Requirements

Space Requirements	Required Area (Sq. ft)
Class Rooms (8 rooms)	1,920
Entertainment Room (library, etc.)	376
Admission Office	100
Principal Office	150
Accounts Office	100
Computer Class	300
Washrooms, Store & Kitchen	554
Grounds approx.	3,250
Total Space Requirement	6,750

It is recommended that the proposed project should be established in a rented building to reduce initial infrastructure cost. In case a purpose built building is purchased, infrastructure cost will increase.

Building Rent

Monthly rent for the proposed 1.5 Kanal building in the middle or upper middle income group area is estimated at Rs. 100,000 and total building rent during year 1 would be approximately Rs. 1,200,000.

Suitable Location

Suitable location will depend upon the target market. All major cities in the country are best suited for starting a Montessori school. However, with increasing population pressure and concentration of well reputed Montessori schools in metropolitan cities, smaller cities also present a lucrative business opportunity for opening up a well-planned Montessori school. Other than Lahore, Karachi & Islamabad, cities like Sargodha, Multan, Faisalabad, Sheikhpura, Rahimyar Khan, Gujranwala, Sialkot, Gujrat, Hyderabad, gilgit, FATA, and Abbottabad are also proposed. Moreover, the presence of large middle class families in major cantonment cities of the country is another opportunity to be tapped.

10.5 Office Equipment Details

The details of equipment required for the project is given in the following tables:

Table 6- Office Equipment Costs

Equipment	Quantity	Cost per Unit (Rs.)	Total Cost (Rs.)
Computers	3	25,000	75,000
Computers for Lab	10	25,000	250,000
Networking Cost	1	20,000	20,000
Printer	1	7,500	7,500
Scanner	1	5,000	5,000
Server	1	35,000	35,000
Fax Machine	1	12,000	12,000
Telephone Sets	4	1,500	6,000
UPS – 3.0 KVA	2	40,000	80,000
Total Equipment			490,500

Table 7 - Electrical & Other Items Cost

Description	Quantity	Cost per Unit (Rs)	Total Cost (Rs)
Air conditioners (in principal room)	1	45,000	45,000
Ceiling fans	26	2,500	65,000
Exhaust fans	4	2,000	8,000
Energy Savers	74	200	14,800
Water cooler	1	20,000	20,000
Refrigerator	1	25,000	25,000
Microwave	1	7,400	7,400
Electric Kettle	1	2,500	2,500
Fire extinguisher	2	15,000	30,000
Vacuum cleaner	1	15,000	15,000
Telephone/facsimile	1	12,000	12,000
Wall clock	12	750	9,000
Library Books	1	25,000	25,000
Total			278,700

Table 8 – Playing Equipment Costs

Description	Quantity	Cost per Unit (Rs)	Total Cost (Rs)
Play Equipment			
See Saw	1	12,000	12,000
4 Feet Slide	1	15,000	15,000
6 Feet Slide	1	17,000	17,000

8 Feet Slide	1	20,000	20,000
Monkey Bars 6x6	1	12,000	12,000
Zig Zag Bridge	1	10,000	10,000
Monkey Jumping	1	15,000	15,000
Total			101,000

10.6 Furniture

Details of furniture required are as under:

Table 9 - Furniture Costs

Description	Quantity	Unit Cost (Rs)	Total Cost (Rs)
Principal Office			
Table & Chair	1	20,000	20,000
Visitors Chairs	3	3,000	9,000
Cupboard	1	7,500	7,500
Admin Office			0
Table	1	5,000	5,000
Chairs	2	2,500	5,000
Cupboard	1	7,500	7,500
Class Rooms			0
Round tables for Play Group to KG II	20	3,000	60,000
Chairs for Play Group to KG II	120	1,500	180,000
Student Table & Chair for Class 1 & 2	50	4,500	225,000
Teacher Table & Chair	8	5,000	40,000
Cupboards & Book shelves	8	5,000	40,000
White Boards	8	2,500	20,000
Children Books / Toys / Entertainment equipment			100,000
Computer Lab			0
Computer Chairs	20	2,000	40,000
Computer Tables	10	3,500	35,000
Cupboard	1	7,500	7,500
Soft board	1	2,500	2,500
White board	1	2,500	2,500
Reception Area Furniture	1	15,000	15,000
Library			0
Large Tables	2	7,500	15,000
Chairs	10	2,000	20,000
Book Shelf	2	7,500	15,000
Librarian Table & Chair	1	7,500	7,500
Total Furniture & Fixture Cost			879,000

10.7 Human Resource Requirement

Following human resource is proposed for the Montessori School which will be required during the first year:

Table 10 - Human Resource required for the first year

Position	Number	Salary/month (Rs.)	Annual Salary (Rs.)
Principal	1	25,000	300,000
Teachers' Coordinator	1	15,000	180,000
Computer Teacher	1	15,000	180,000
Games Teacher	1	15,000	180,000
Teacher Play Group	2	12,000	288,000
Teacher KG-I	2	12,000	288,000
Teacher KG-II	2	12,000	288,000
Class I	1	12,000	144,000
Class II	1	12,000	144,000
Accountant	1	15,000	180,000
Guard	1	10,000	120,000
Student Attendant	1	10,000	120,000
Cleaner	1	10,000	120,000
TOTAL	16		2,532,000

Table 11 – Additional Human Resource required for the second year

Position	Number	Salary/month (Rs.)	Annual Salary (Rs.)
Lab In charge	1	13,200	158,400
Helper / Peon	1	11,000	132,000
Electrician	1	13,200	158,400
Guard	1	11,000	132,000
TOTAL	4		580,800

Salaries of all employees are estimated to increase at 10% annually.

10.8 Key Personnel

i. Principal

The Principal should be responsible for coordinating all the activities of the school including staff hiring, developing liaison with parents, maintaining and developing the brand name of the school for appropriate positioning, course design, admission tests and extra-curricular activities.

ii. Teachers' Coordinator

The Coordinator would be assisting the principal in all school matters and will be responsible for the teachers' attendance and their performance evaluation. The Coordinator has to collaborate with students, parents, staff and volunteers to ensure that group activities run effectively. The Coordinator will also supervise and monitor the tutoring of students.

iii. Accountant

The accountant will be responsible for book-keeping and maintaining accounts, salaries, and other administrative expenditures.

iv. Teachers

A balanced mix of experienced and fresh teachers is recommended for efficient running of the school. Each teacher shall be given a class and will be responsible for proper training, imparting knowledge, arranging co-curricular activities for children and their performances in the examinations.

v. Student Attendant

The students in the elementary institutes are very young and may also need attendants or baby-sitters.

vi. Computer Teacher

The teacher would be responsible for imparting basic computing skills in students.

10.9 Revenue Generation

Expected revenue generation by the number of students admitted in the school during the first year is given in the table below:

Table 12 - Expected Revenue Generation during Year-I

Number of Classes	Total Number of Students in each Class	Class Name	Year - I		
			Fee Per Student	Qty.	Rupees
		Registration Fee	2,500	89	222,500
		Admission Fee	7,500	89	667,500
2	40	Playgroup	3,500	21	882,000
2	40	KG I	4,000	21	1,008,000
2	40	KG II	4,300	21	1,083,600
1	25	Class I	4,800	13	748,800
1	25	Class II	5,300	13	826,800
	170	Net Fee of School		89	5,439,200

Table 13 - Revenue Assumptions

Students fee growth rate	7.5%
Number of Students during Year 1	89

10.10 Other Expense

Following operating expenses are assumed to be incurred during Year 1:

Table 14 – Other Operating Expense during Year 1

Other Operating Expenses:	Rs.
Teacher training expense	36,000
Utilities - elec, gas, telephone	342,142
Internet & communication expense	60,000
Stationary & printing	90,000
Newspaper, books & periodicals	30,000
School events & programmes	60,000
Consultancy charges & audit fee	60,000
Computer lab expenses	30,000
Postage	36,000
Advertisement	120,000
Plantation expense	36,000
Transportation & travelling	24,000
Medical & first aid	30,000
Repair & maintenance	90,000
Misc. Office expense	30,000
Office supplies	30,000
Janitorial expense	60,000
Rental expense	1,200,000
Total	2,364,142

11. CONTACTS DETAILS OF GOVT. EXPERTS & CONSULTANTS

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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	5,439,200	6,634,095	7,439,663	8,827,958	10,031,508	11,539,745	13,249,081	14,623,581	15,631,140	16,800,336
Faculty Salary	1,992,000	2,191,200	2,410,320	2,651,352	2,916,487	3,208,136	3,528,950	3,881,844	4,270,029	4,697,032
Total cost of sales	1,992,000	2,191,200	2,410,320	2,651,352	2,916,487	3,208,136	3,528,950	3,881,844	4,270,029	4,697,032
Gross Profit	3,447,200	4,442,895	5,029,343	6,176,606	7,115,021	8,331,609	9,720,131	10,741,737	11,361,111	12,103,304
<i>General administration & selling expenses</i>										
Administration expense	540,000	1,174,800	1,292,280	1,421,508	1,563,659	1,720,025	1,892,027	2,081,230	2,289,353	2,518,288
Building rental expense	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537
Utilities - elec, gas, telephone	342,142	376,357	413,992	455,392	500,931	551,024	606,126	666,739	733,413	806,754
Internet & communication expense	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426	88,647	93,080
Teacher training expense	36,000	37,800	39,690	41,675	43,758	45,946	48,243	50,656	53,188	55,848
School events & programmes	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426	88,647	93,080
Computer lab expenses	30,000	31,500	33,075	34,729	36,465	38,288	40,203	42,213	44,324	46,540
Consultancy charges & audit fee	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426	88,647	93,080
Newspaper, books & periodicals	30,000	31,500	33,075	34,729	36,465	38,288	40,203	42,213	44,324	46,540
Stationary & printing	90,000	94,500	99,225	104,186	109,396	114,865	120,609	126,639	132,971	139,620
Postage	36,000	37,800	39,690	41,675	43,758	45,946	48,243	50,656	53,188	55,848
Transportation & travelling	24,000	25,200	26,460	27,783	29,172	30,631	32,162	33,770	35,459	37,232
Advertisement	120,000	108,000	97,200	87,480	78,732	70,859	63,773	57,396	51,656	46,490
Office supplies	30,000	31,500	33,075	34,729	36,465	38,288	40,203	42,213	44,324	46,540
Medical & first aid	30,000	31,500	33,075	34,729	36,465	38,288	40,203	42,213	44,324	46,540
Misc. Office expense	30,000	31,500	33,075	34,729	36,465	38,288	40,203	42,213	44,324	46,540
Plantation expense	36,000	37,800	39,690	41,675	43,758	45,946	48,243	50,656	53,188	55,848
Repair & maintenance	90,000	94,500	99,225	104,186	109,396	114,865	120,609	126,639	132,971	139,620
Janitorial expense	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426	88,647	93,080
Depreciation expense	223,970	223,970	223,970	223,970	223,970	251,073	251,073	251,073	251,073	251,073
Amortization of pre-operating costs	10,092	10,092	10,092	10,092	10,092	-	-	-	-	-
Subtotal	3,138,205	3,950,319	4,263,490	4,608,295	4,987,589	5,421,542	5,879,620	6,382,683	6,934,975	7,541,175
Operating Income	308,995	492,576	765,853	1,568,312	2,127,432	2,910,067	3,840,511	4,359,054	4,426,136	4,562,129
Gain / (loss) on sale of office equipment	-	-	-	-	196,200	-	-	-	-	-
Earnings Before Interest & Taxes	308,995	492,576	765,853	1,568,312	2,323,632	2,910,067	3,840,511	4,359,054	4,426,136	4,562,129
Interest expense on long term debt (Debt facility : Bank 1)	164,314	150,431	132,184	112,423	91,022	67,844	42,743	15,558	-	-
Subtotal	164,314	150,431	132,184	112,423	91,022	67,844	42,743	15,558	-	-
Earnings Before Tax	144,682	342,145	633,669	1,455,889	2,232,610	2,842,223	3,797,769	4,343,496	4,426,136	4,562,129
Tax	-	-	21,243	122,507	245,018	346,620	537,554	646,699	663,227	690,426
NET PROFIT/(LOSS) AFTER TAX	144,682	342,145	612,426	1,333,382	1,987,592	2,495,602	3,260,215	3,696,797	3,762,909	3,871,703

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	-	260,398	471,790	1,017,076	2,356,536	4,437,993	7,115,464	10,706,707	14,813,839	19,368,010	25,093,446
Accounts receivable		123,618	274,393	319,858	369,719	428,624	490,256	563,382	633,470	687,607	737,079
Pre-paid building rent	400,000	440,000	484,000	532,400	585,640	644,204	708,624	779,487	857,436	943,179	-
Total Current Assets	400,000	824,017	1,230,183	1,869,334	3,311,895	5,510,821	8,314,344	12,049,577	16,304,744	20,998,796	25,830,525
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	278,700	250,830	222,960	195,090	167,220	139,350	111,480	83,610	55,740	27,870	-
Furniture & fixtures	980,000	882,000	784,000	686,000	588,000	490,000	392,000	294,000	196,000	98,000	-
Office vehicles	-	-	-	-	-	-	-	-	-	-	-
Office equipment	490,500	392,400	294,300	196,200	98,100	626,016	500,813	375,610	250,406	125,203	-
Total Fixed Assets	1,749,200	1,525,230	1,301,260	1,077,290	853,320	1,255,366	1,004,293	753,220	502,146	251,073	-
<i>Intangible assets</i>											
Pre-operation costs	50,462	40,369	30,277	20,185	10,092	-	-	-	-	-	-
Total Intangible Assets	50,462	40,369	30,277	20,185	10,092	-	-	-	-	-	-
TOTAL ASSETS	2,199,662	2,389,616	2,561,720	2,966,809	4,175,307	6,766,187	9,318,637	12,802,796	16,806,891	21,249,870	25,830,525
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		45,273	95,073	104,580	115,038	126,542	139,196	153,116	168,427	185,270	203,797
Total Current Liabilities	-	45,273	95,073	104,580	115,038	126,542	139,196	153,116	168,427	185,270	203,797
<i>Other liabilities</i>											
Deferred tax		-	-	21,243	143,750	388,768	735,388	1,272,942	1,919,641	2,582,868	3,273,293
Long term debt (Debt facility : Bank 1)	1,979,695	1,979,695	1,759,855	1,521,767	1,263,919	984,669	682,242	354,713	-	-	-
Total Long Term Liabilities	1,979,695	1,979,695	1,759,855	1,543,010	1,407,669	1,373,437	1,417,630	1,627,655	1,919,641	2,582,868	3,273,293
<i>Shareholders' equity</i>											
Paid-up capital	219,966	219,966	219,966	219,966	219,966	845,982	845,982	845,982	845,982	845,982	845,982
Retained earnings		144,682	486,827	1,099,253	2,432,634	4,420,226	6,915,829	10,176,044	13,872,841	17,635,750	21,507,453
Total Equity	219,966	364,648	706,793	1,319,219	2,652,601	5,266,209	7,761,811	11,022,026	14,718,823	18,481,732	22,353,435
TOTAL CAPITAL AND LIABILITIES	2,199,662	2,389,616	2,561,720	2,966,809	4,175,307	6,766,187	9,318,637	12,802,796	16,806,891	21,249,870	25,830,525

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		144,682	342,145	612,426	1,333,382	1,987,592	2,495,602	3,260,215	3,696,797	3,762,909	3,871,703
Add: depreciation expense		223,970	223,970	223,970	223,970	223,970	251,073	251,073	251,073	251,073	251,073
amortization of pre-operating costs		10,092	10,092	10,092	10,092	10,092	-	-	-	-	-
Deferred income tax		-	-	21,243	122,507	245,018	346,620	537,554	646,699	663,227	690,426
Accounts receivable		(123,618)	(150,775)	(45,465)	(49,861)	(58,906)	(61,632)	(73,127)	(70,087)	(54,138)	(49,472)
Pre-paid building rent	(400,000)	(40,000)	(44,000)	(48,400)	(53,240)	(58,564)	(64,420)	(70,862)	(77,949)	(85,744)	943,179
Accounts payable		45,273	49,800	9,507	10,458	11,504	12,654	13,920	15,312	16,843	18,527
Other liabilities		-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(400,000)	260,398	431,233	783,373	1,597,309	2,360,707	2,979,898	3,918,772	4,461,845	4,554,171	5,725,436
<i>Financing activities</i>											
Debt facility : Bank 1 - principal repayment		-	(219,841)	(238,087)	(257,848)	(279,250)	(302,427)	(327,529)	(354,713)	-	-
Additions to Debt facility : Bank 1	1,979,695	-	-	-	-	-	-	-	-	-	-
Issuance of shares	219,966	-	-	-	-	626,016	-	-	-	-	-
Purchase of (treasury) shares		-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	2,199,662	-	(219,841)	(238,087)	(257,848)	346,766	(302,427)	(327,529)	(354,713)	-	-
<i>Investing activities</i>											
Capital expenditure	(1,799,662)	-	-	-	-	(626,016)	-	-	-	-	-
Acquisitions		-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing activities	(1,799,662)	-	-	-	-	(626,016)	-	-	-	-	-
NET CASH	-	260,398	211,392	545,286	1,339,460	2,081,457	2,677,471	3,591,244	4,107,132	4,554,171	5,725,436



12.4 Useful Management Tips

Human Resources

- **Adequacy & Competencies:** Skilled and experienced staff should be considered an investment even to the extent of offering share in business profit.
- **Performance Based Remuneration:** Attempt to manage human resource cost should be focused through performance measurement and performance based compensation.

Marketing

- **Ads & P.O.S. Promotion:** Business promotion and dissemination through banners and launch events is highly recommended. School brochures from good quality service providers.

12.5 Useful Links

- Prime Minister's Office, www.pmo.gov.pk
- Small and Medium Enterprise Development Authority, www.smeda.org.pk
- The National Bank of Pakistan (NBP), www.nbp.com.pk
- The First Women Bank Limited (FWBL), www.fwbl.com.pk
- Government of Pakistan, www.pakistan.gov.pk
- Ministry of Industries & Production, www.moip.gov.pk
- Ministry of Education, Training & Standards in Higher Education, <http://www.moptt>
- 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 Jammu & Kashmir, www.ajk.gov.pk

- Trade Development Authority of Pakistan (TDAP), www.tdap.gov.pk
- Securities & Exchange Commission of Pakistan (SECP), www.secp.gov.pk
- Federation of Pakistan Chambers and Commerce and Industries (FPCCI), www.fpcci.com.pk
- State Bank of Pakistan (SBP), www.sbp.org.pk
- All Pakistan Private Schools Welfare Association (APPSWA), www.appswa.com.pk
- Montessori Education Pakistan, www.montessori.edu.pk
- Pakistan Montessori Association, www.pakistanmontessoriassociation.org/



13. KEY ASSUMPTIONS

Table 15 - Operating Assumptions

Operational Days Per Month	22
Months Operational	12

Table 16 - Capacity Utilization Assumptions

Capacity Utilization (First Year)	53%
First Year Student Enrollment	89
Student Drop-out Ratio	5%
Students addition in Year – 2	25 Nos.
Students addition in Year – 3 and onwards	10 Nos.

Table 17 - Economic Assumptions

Electricity Growth Rate	10%
Salary Growth Rate	10%
Rent Growth Rate	10%
Student Fee Growth Rate	7.5%
Admission Fee Growth Rate	5%
Misc. Expense Growth Rate	5%

Table 18 - Expense Assumptions

Office Expense (Stationary, Entertainment etc.)	Rs. 90,000 per annum
Communication Expense	Rs. 60,000 per annum
Advertisement Expense	Rs. 120,000 per annum
Teacher's Training Expense	Rs. 36,000 per annum
Repair & Maintenance Expense	Rs. 90,000 per annum