
Pre-Feasibility Study

MONTESSORI SCHOOL



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

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
helpdesk@smeda.org.pk

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3 rd 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	5 TH 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

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1 DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. 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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For Information	Provincial Chief – Punjab <u>ianjua@smeda.org.pk</u>

2 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 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 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 Playgroup 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 air-conditioned classrooms, and wide-ranging learning material from books to toys for a meaningful educational experience.

The total project cost for setting up this school is assumed at Rs. 9.52 million. This includes a capital investment of Rs. 8.84 million and Rs.0.68 million as initial working capital. The Net Present Value (NPV) of the project is around Rs. 6.91 with an Internal Rate of Return (IRR) of 29% and a payback period of 3.64 years. The project will generate direct employment opportunity for 25 persons in year 1.

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 'sectorial

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, and 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 it's successful management.

Apart from carefully studying the whole document, one must consider critical aspects provided later on, which form basis of any investment decision

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

Schools with high reputation have a stringent admission selection process, for which Montessori Schools provide the necessary training to the children. This has given rise to a high demand for Montessori School systems that prepare children for admission to reputable schools providing necessary educational training starting at an early age. With the growing population and a limited number of schools, establishment of Montessori schools has become a potent business opportunity. There are 11 class rooms proposed for this school having a maximum capacity of 300 students annually. However, the school will begin functioning with 150 students

in year 1, gradually increasing to 300 students (the maximum capacity) in year 7. The maximum strength of students proposed for Playgroup is 20 in each section and for classes KG-I till Class-II the maximum strength may be up to 30 students in each section. The proposed double-storey building for the school 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 assumed at Rs. 9,523,392. This includes a capital investment of Rs. 8,840,876 and Rs. 682,516 as initial working capital. The project is financed through 50% debt and 50% equity. The Net Present Value (NPV) of the project is around Rs. 6,908,035 with an Internal Rate of Return (IRR) of 29% and a payback period of 3.64 years.

5.1 Installed and Operational Capacities

It is proposed that students will be admitted for Playgroup to Class II. There are 11 proposed classrooms for the school having a total capacity of 300 students. The school will start with 150 students. The maximum number of enrolments per class is limited to 20 students for Playgroup and 30 students for KG-I till Class-II. However, this capacity may not be achieved in the initial years of operation. Year wise capacity utilization details are mentioned in the table below:

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

Class	Sections / Class Rooms	Students Per Year				
		Year 1	Year 2	Year 3	Year 4	Year 5
Play Group	3	45	48	50	53	56
KG-I	2	30	60	60	60	60
KG-II	2	30	60	60	60	60
Class I	2	23	53	60	60	60
Class II	2	22	46	60	60	60
Total	11	150	267	290	293	296

6 CRITICAL FACTORS

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

- ⇒ 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, whether 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.

7 GEOGRAPHIC POTENTIAL FOR INVESTMENT

There are two broad market-positioning options available to a Montessori School System.

- Based on the household income, the target market will be middle income group.
- Based on the target market's preference, the school will provide quality education at an affordable fee.

Irrespective of the education services, income based target market will play a crucial role in the overall positioning of the school.

Any entrepreneur planning to open up a Montessori school should first decide upon the objective of the venture. Various options available in this regard may include:

- To plan a Montessori school with emphasis on Daycare services.
- To establish a school as a Preparatory School for other reputed Primary Level Schools.
- To establish a Montessori School with incremental expansion of services into primary and high school level.

Target customers for the proposed Montessori school will be children of age 3-7, belonging to higher and upper middle income family groups of urban cities as mentioned above.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

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, Sheikhpura, 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.

9 PROJECT COST SUMMARY

A proposed financial model has been developed to analyze the commercial viability of proposed Montessori School. 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.

9.1 Project Economics

Not more than 20 students for a section of Playgroup and for classes KG-I - Class-II strength of students not exceeding 30. However, this capacity may not be achieved in the initial years of operation. All the figures in the financial model have

been calculated for an estimated enrollment of maximum 300 students with 150 students as starting capacity.

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)	29%
Payback Period (Yrs)	3.64
Net Present Value (NPV)	Rs. 6,908,035

Returns on the investment 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.

9.2 Project Financing

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

Table 3: Project Financing

Description	Details
Total Equity (50%)	Rs. 4,761,696
Bank Loan (50%)	Rs. 4,761,696
Markup to the Borrower (%age/annum)	14%
Tenure of the Loan (Years)	5

9.3 Project Cost

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

Table 4: Project Cost

Description	Amount (Rs.)
Capital Investment	
Furniture & Fixtures	5,494,600
Office Equipment	1,507,500

Pre-operating Cost ¹	1,046,276
Security Deposit	500,000
School Registration Cost	292,500
Total Capital Cost	8,840,876
Working Capital	
Upfront Building Rent	175,000
Cash	500,000
Equipment inventory	7,516
Total Working Capital	682,516
Total Investment	9,523,392

9.4 Space Requirement

For a batch of 300 students, 1.5 kanals of land comprising double-storey building would be sufficient. A purpose built building may also be acquired on rent. The covered area should have 11 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, other playing equipment and tools.

Table 5: Space Requirement

Space Requirement	Required Area (Sq. Ft.)
Class Rooms (11 rooms)	6,000
Principal Office	300
Teacher's Staff Room	300
Library	400
Entertainment Room/Activity Hall	400
Administrative Staff	500
Computer Lab	400
Washroom	120
Kitchen	120
Grounds and Canteen	1,000
Total Covered Area Requirement	9,540

¹ Pre-operating Cost includes faculty salary, electricity up-gradation cost and rent for 3 months, during renovation of the building.

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.

Monthly rent for the proposed 1.5 Kanal building in the middle or upper middle income group area is estimated at Rs. 175,000 and total building rent during year 1 would be approximately Rs. 2,100,000.

9.5 Furniture & Fixtures Requirement

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

Table 6: Furniture & Fixture Requirement

Description	Quantity	Unit Price	Amount (Rs.)
See Saw	2	10,000	20,000
4 Feet Slide	1	12,000	12,000
6 Feet Slide	1	15,000	15,000
Monkey Bars 6x6	1	10,000	10,000
White Boards	13	2,200	28,600
Soft Boards	25	1,800	45,000
Water Cooler	2	22,000	44,000
Merry-Go-Round	1	12,000	12,000
Inflatable Pool	2	3,000	6,000
Microwave Oven	1	7,500	7,500
Fridge	1	28,000	28,000
Multimedia (Speakers, Mic And Other Electronic Instruments)	1	250,000	250,000
Sports Material	1	100,000	100,000
Round Tables For Play Group	8	3,000	24,000
Chairs For Play Group	60	1,000	60,000
Teacher Chairs For Play Group	3	1,500	4,500
Round Tables For KG-I	8	3,000	24,000
Chairs For KG-I	60	1,000	60,000
Teacher Chairs For KG-I	4	1,500	6,000
Round Table For KG-II	8	3,000	24,000
Chairs For KG-II	60	1,000	60,000
Teacher Chairs For KG -II	2	1,500	3,000
Teacher Table & Chair For Class-I	2	4,000	8,000
Student Table & Chair For Class- I	60	2,000	120,000
Teacher Table & Chair For Class -II	2	4,000	8,000

Student Table & Chair For Class -II	60	2,000	120,000
Children Books /Toys/Entertainment Equipment	1	150,000	150,000
Computer Chairs	30	1,500	45,000
Computer Tables	30	2,500	75,000
Book Shelves	8	5,000	40,000
Renovation (Includes Wiring, Lighting, Partition, Paint, Etc.)	1	1,500,000	1,500,000
Kitchen Accessories	1	50,000	50,000
Furniture For Principal And Admin Staff	1	200,000	200,000
Artificial Plants	1	50,000	50,000
Air Conditioners (1.5 Ton Split)	17	55,000	935,000
Generator (75KVA)	1	1,250,000	1,250,000
Billboards, Sign Boards, Etc.	1	100,000	100,000
Total Furniture & Fixtures			5,494,600

9.6 Office Equipment Requirement

Office and equipment required for the proposed project are stated below:

Table 7: Office Equipment Requirement

Description	Quantity	Unit Price	Amount (Rs.)
Computer Server (S)	1	100,000	100,000
Computers For Staff	3	50,000	150,000
Computer Printer (S)	1	20,000	20,000
Telephones	4	1,500	6,000
Fax Machines	1	20,000	20,000
Security Cameras System	1	177,500	177,500
Other Security Gadgets (Metal Detector, Scanner, Etc.)	1	200,000	200,000
Computers For Lab	30	20,000	600,000
Printer	2	20,000	40,000
LEDs For Presentation	2	32,000	64,000
UPS For Lab And Office	1	130,000	130,000
Total Office Equipment			1,507,500

9.7 Human Resource Requirement

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

Table 8: Human Resource Requirement – Year 1

Position	Number	Salary / Month (Rs.)	Annual Salary (Rs.)
Principal	1	45,000	540,000
Teachers' Coordinator	1	25,000	300,000
Activity Teacher	2	20,000	480,000
Computer Teacher	1	22,000	264,000
Teachers	11	17,000	2,244,000
Games Teacher	1	17,000	204,000
Accountant	1	20,000	240,000
Student Attendant	2	15,000	360,000
Peon	1	15,000	180,000
Cleaner	2	15,000	360,000
Guard	2	16,000	384,000
TOTAL	25		5,556,000

Salaries of all employees are estimated to increase at 10% annually. The key responsibilities for the staff is given below;

i. Principal

The Principal will 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. 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.

iv. Student Attendant

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

9.8 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 9: Expected Revenue Generation during Year-I

Class Name	Maximum Students in Year 1	Admission Fee	Monthly Tuition Fee Per Student	Revenue from Tuition Fee	Revenue from Admission Fee (Rs.)	Total Revenue (Rs.)
Play Group	45	11,500	3,650	1,971,000	517,500	2,488,500
KG 1	30	11,500	4,000	1,440,000	345,000	1,785,000
KG 2	30	11,500	4,150	1,494,000	345,000	1,839,000
Class 1	23	11,500	4,250	1,147,500	258,750	1,406,250
Class 2	23	11,500	4,600	1,242,000	258,750	1,500,750
Total	150			7,294,500	1,725,000	9,019,500

Further it is also assumed that each year 5% of the students will leave the school. Revenue for the next 9 years is given in annexure.

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project are given as under:

10.1 School Furniture Suppliers and Markets

Decora Furniture, Lahore	47-Ferozpur Road, Lahore, Pakistan	+92-42-37554862
Interwood Mobel	117-E-1, Gulberg-III, Lahore	+92-42-35870222-6549123-5711117
Javaid and Co. Lahore	29130-Nishter Road, Lahore	+92-42-37653007
Master Fiber Glass, Lahore	47-C,3 Miraj Building, Ferozepur Road, Lahore	+92-42-35010010
Koncept Furniture, Gujrat	Dheerkay By Pass, G.T. Road, Gujrat, Pakistan	+92-300-6233455

10.2 Electrical Equipment and Appliances Suppliers and Markets

Asian Electronics	7-C, Ground Floor, Abid Market, Shadab Colony, Temple Road, Lahore	+92-42-35030276
Volta Electrical Equipment	Address: 81-3, Shakra-e-Quaid-e-Azam, Lahore	+92-42-36304616
VIP Electronics	50-F, Main Gulberg-III, Lahore	+92-42-35752839
Swans International	50-F, Main Gulberg-III, Lahore	+92-42-35752839
Madina Electronics	126-A, Temple Road, Lahore	+92-42-37356612

10.3 Educational Experts / Consultants

Ms. Rozina Jumani	Director Planning and Capacity Building/Educational Consultant	
FINCON Services Inc. Pakistan	House #798 Street 16, Sector I-8/2 Islamabad 46000, Pakistan	+92-51-34100933
Academy for Educational Development	House 299, Street 19, E-7, Aurangzeb Road, Islamabad	+ 92-51-32654091-3
Aga Khan University Institute for Educational Development	F.B. Area, Karimabad P.O box 13688 Karachi 75950, Pakistan	+92-21-36347611
Punjab Educational Foundation		

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 Jammu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security 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 Small Industries Corporation	www.psic.gop.pk
Punjab Education Foundation	pef.edu.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Montessori Education Pakistan	www.montisoori.edu.pk
Pakistan Montessori Association	www.pakistanmontessoriassociation.org

12 ANNEXURES

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	9,019,500	16,490,010	18,360,491	20,086,796	22,294,515	24,740,479	27,264,235	29,944,425	32,890,323	36,128,383
<i>Cost of sales</i>										
Faculty Salary	3,852,000	4,237,200	4,660,920	5,127,012	5,639,713	6,203,685	6,824,053	7,506,458	8,257,104	9,082,815
School Maintenance	180,390	346,290	404,849	465,060	541,982	631,516	730,734	842,696	971,880	1,120,940
Total cost of sales	4,032,390	4,583,490	5,065,769	5,592,072	6,181,696	6,835,201	7,554,787	8,349,155	9,228,984	10,203,754
Gross Profit	4,987,110	11,906,520	13,294,722	14,494,724	16,112,819	17,905,279	19,709,448	21,595,271	23,661,339	25,924,629
<i>General administration & selling expenses</i>										
Administration expense	1,704,000	1,874,400	2,061,840	2,268,024	2,494,826	2,744,309	3,018,740	3,320,614	3,652,675	4,017,943
Administration benefits expense	85,200	93,720	103,092	113,401	124,741	137,215	150,937	166,031	182,634	200,897
Building rental expense	2,100,000	2,310,000	2,541,000	2,795,100	3,074,610	3,382,071	3,720,278	4,092,306	4,501,537	4,951,690
Electricity expense	1,407,508	1,548,259	1,703,085	1,873,393	2,060,732	2,266,806	2,493,486	2,742,835	3,017,118	3,318,830
Water expense	84,000	88,200	92,610	97,241	102,103	107,208	112,568	118,196	124,106	130,312
Gas expense	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426	88,647	93,080
Teacher Training Expense	192,600	211,860	233,046	256,351	281,986	310,184	341,203	375,323	412,855	454,141
School Events & Programmes	180,390	329,800	367,210	401,736	445,890	494,810	545,285	598,889	657,806	722,568
Newspaper, books & periodicals	90,195	164,900	183,605	200,868	222,945	247,405	272,642	299,444	328,903	361,284
Medical & First Aid	45,098	82,450	91,802	100,434	111,473	123,702	136,321	149,722	164,452	180,642
Travelling expense	170,400	187,440	206,184	226,802	249,483	274,431	301,874	332,061	365,268	401,794
Annual Taxes / Subscription Fee	282,994	297,144	312,001	327,601	343,981	361,180	379,239	398,201	418,111	439,017
Communications expense (phone, fax, mail, internet, etc.)	340,800	374,880	412,368	453,605	498,965	548,862	603,748	664,123	730,535	803,589
Office expenses (stationary, entertainment, janitorial services, etc)	85,200	93,720	103,092	113,401	124,741	137,215	150,937	166,031	182,634	200,897
Promotional expense	90,195	164,900	183,605	200,868	222,945	247,405	272,642	299,444	328,903	361,284
Professional fees (legal, audit, consultants, etc.)	45,098	82,450	91,802	100,434	111,473	123,702	136,321	149,722	164,452	180,642
Depreciation expense	850,960	850,960	850,960	850,960	850,960	1,035,029	1,035,029	1,035,029	1,035,029	1,035,029
Amortization of pre-operating costs	209,255	209,255	209,255	209,255	209,255	-	-	-	-	-
Amortization of legal, licensing, and training costs	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250
Subtotal	8,053,142	9,056,588	9,841,957	10,688,181	11,633,290	12,647,361	13,780,906	15,021,647	16,384,915	17,882,887
Operating Income	(3,066,032)	2,849,932	3,452,765	3,806,543	4,479,529	5,257,918	5,928,542	6,573,624	7,276,424	8,041,742
Canteen Rent	84,000	92,400	101,640	111,804	122,984	135,283	148,811	163,692	180,061	198,068
Gain / (loss) on sale of office equipment	-	-	-	-	603,000	-	-	-	-	-
Earnings Before Interest & Taxes	(2,982,032)	2,942,332	3,554,405	3,918,347	5,205,513	5,393,200	6,077,353	6,737,316	7,456,485	8,239,809
Interest on short term debt	141,082	141,082	-	-	-	-	-	-	-	-
Interest expense on long term debt (Project Loan)	585,263	488,069	376,536	248,549	101,681	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	30,374	-	-	-	-	-	-	-	-	-
Subtotal	756,718	629,150	376,536	248,549	101,681	-	-	-	-	-
Earnings Before Tax	(3,738,750)	2,313,181	3,177,870	3,669,798	5,103,832	5,393,200	6,077,353	6,737,316	7,456,485	8,239,809
Tax	-	310,136	516,967	639,949	1,053,649	1,140,460	1,349,573	1,580,560	1,832,269	2,106,433
NET PROFIT/(LOSS) AFTER TAX	(3,738,750)	2,003,045	2,660,902	3,029,849	4,050,183	4,252,741	4,727,780	5,156,756	5,624,216	6,133,377

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	500,000	-	1,812,440	4,306,082	5,433,050	6,777,492	6,870,192	7,590,587	8,592,672	9,749,988	12,343,555
Equipment spare part inventory	7,516	15,872	20,411	25,791	33,063	42,378	53,939	68,424	86,805	110,130	-
Pre-paid building rent	175,000	192,500	211,750	232,925	256,218	281,839	310,023	341,025	375,128	412,641	-
Total Current Assets	682,516	208,372	2,044,601	4,564,798	5,722,331	7,101,709	7,234,155	8,000,037	9,054,605	10,272,758	12,343,555
<i>Fixed assets</i>											
Security Deposit	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Furniture & fixtures	5,494,600	4,945,140	4,395,680	3,846,220	3,296,760	2,747,300	2,197,840	1,648,380	1,098,920	549,460	-
Office equipment	1,507,500	1,206,000	904,500	603,000	301,500	2,427,844	1,942,275	1,456,706	971,138	485,569	-
Total Fixed Assets	7,502,100	6,651,140	5,800,180	4,949,220	4,098,260	5,675,144	4,640,115	3,605,086	2,570,058	1,535,029	500,000
<i>Intangible assets</i>											
Pre-operation costs	1,046,276	837,020	627,765	418,510	209,255	-	-	-	-	-	-
Legal, licensing, & training costs	292,500	263,250	234,000	204,750	175,500	146,250	117,000	87,750	58,500	29,250	-
Total Intangible Assets	1,338,776	1,100,270	861,765	623,260	384,755	146,250	117,000	87,750	58,500	29,250	-
TOTAL ASSETS	9,523,392	7,959,782	8,706,546	10,137,279	10,205,346	12,923,103	11,991,270	11,692,873	11,683,162	11,837,037	12,843,555
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Short term debt	-	1,755,243	-	-	-	-	-	-	-	-	-
Student Security Payable	-	1,420,000	2,675,000	2,775,000	2,555,000	2,365,000	2,205,000	2,055,000	1,905,000	1,755,000	2,355,000
Total Current Liabilities	-	3,175,243	2,675,000	2,775,000	2,555,000	2,365,000	2,205,000	2,055,000	1,905,000	1,755,000	2,355,000
<i>Other liabilities</i>											
Long term debt (Project Loan)	4,420,438	3,761,594	3,005,556	2,137,984	1,142,426	-	-	-	-	-	-
Long term debt (Working Capital Loan)	341,258	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	4,761,696	3,761,594	3,005,556	2,137,984	1,142,426	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696	4,761,696
Retained earnings	-	(3,738,750)	(1,735,705)	462,599	1,746,224	5,796,407	5,024,574	4,876,177	5,016,467	5,320,341	5,726,859
Total Equity	4,761,696	1,022,945	3,025,991	5,224,295	6,507,920	10,558,103	9,786,270	9,637,873	9,778,162	10,082,037	10,488,555
TOTAL CAPITAL AND LIABILITIES	9,523,392	7,959,782	8,706,546	10,137,279	10,205,346	12,923,103	11,991,270	11,692,873	11,683,162	11,837,037	12,843,555

12.3 Cash Flow Statement

SMEDA											
Calculations											
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		(3,738,750)	2,003,045	2,660,902	3,029,849	4,050,183	4,252,741	4,727,780	5,156,756	5,624,216	6,133,377
Add: depreciation expense		850,960	850,960	850,960	850,960	850,960	1,035,029	1,035,029	1,035,029	1,035,029	1,035,029
amortization of pre-operating costs		209,255	209,255	209,255	209,255	209,255	-	-	-	-	-
amortization of training costs		29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250
Equipment inventory	(7,516)	(8,355)	(4,539)	(5,380)	(7,272)	(9,314)	(11,561)	(14,485)	(18,381)	(23,325)	110,130
Pre-paid building rent	(175,000)	(17,500)	(19,250)	(21,175)	(23,293)	(25,622)	(28,184)	(31,002)	(34,103)	(37,513)	412,641
Student Security Payable		1,420,000	1,255,000	100,000	(220,000)	(190,000)	(160,000)	(150,000)	(150,000)	(150,000)	600,000
Cash provided by operations	(182,516)	(1,255,141)	4,323,721	3,823,812	3,868,750	4,914,712	5,117,274	5,596,572	6,018,552	6,477,657	8,320,426
<i>Financing activities</i>											
Project Loan - principal repayment		(658,844)	(756,038)	(867,571)	(995,558)	(1,142,426)	-	-	-	-	-
Working Capital Loan - principal repayment		(341,258)	-	-	-	-	-	-	-	-	-
Short term debt principal repayment		-	(1,755,243)	-	-	-	-	-	-	-	-
Additions to Project Loan	4,420,438	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	341,258	-	-	-	-	-	-	-	-	-	-
Issuance of shares	4,761,696	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	9,523,392	(1,000,102)	(2,511,281)	(867,571)	(995,558)	(1,142,426)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(8,840,876)	-	-	-	-	(2,427,844)	-	-	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(8,840,876)	-	-	-	-	(2,427,844)	-	-	-	-	-
NET CASH	500,000	(2,255,243)	1,812,440	2,956,241	2,873,192	1,344,442	5,117,274	5,596,572	6,018,552	6,477,657	8,320,426

12.4 Projected Revenue

Total Students		Proportion of New Adm	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Play Group		30%	45	48	50	53	56	59	60	60	60	60
KG1		20%	30	60	60	60	60	60	60	60	60	60
KG2		20%	30	60	60	60	60	60	60	60	60	60
Class 1		15%	23	53	60	60	60	60	60	60	60	60
Class 2		15%	23	46	60	60	60	60	60	60	60	60
Total Students			150	267	290	293	296	299	300	300	300	300
Annual New Admissions			150	140	69	63	63	63	61	60	60	60
Drop-Outs			8	14	15	15	15	15	15	15	15	15
Pass-Outs				23	46	60	60	60	60	60	60	60
Total Students Drop-Out/Pass-Out			8	37	61	75	75	75	75	75	75	75

New Admissions	Admission Fee	Sections	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Play Group	11,500	3	517,500	579,600	633,938	705,572	782,786	865,957	924,666	970,899	1,019,444	1,070,416
KG1	11,500	2	345,000	362,250	-	-	-	-	-	-	-	-
KG2	11,500	2	345,000	362,250	-	-	-	-	-	-	-	-
Class 1	11,500	2	258,750	368,288	88,751	-	-	-	-	-	-	-
Class 2	11,500	2	258,750	283,763	177,503	-	-	-	-	-	-	-
Total New Admissions		11	1,725,000	1,956,150	900,191	705,572	782,786	865,957	924,666	970,899	1,019,444	1,070,416

Total Admission Fee			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Tuition Fee	Monthly Fee/Student											
Play Group	3,650		1,971,000	2,312,640	2,649,900	3,089,783	3,591,144	4,161,880	4,655,662	5,121,229	5,633,351	6,196,687
KG1	4,000		1,440,000	3,168,000	3,484,800	3,833,280	4,216,608	4,638,269	5,102,096	5,612,305	6,173,536	6,790,889
KG2	4,150		1,494,000	3,286,800	3,615,480	3,977,028	4,374,731	4,812,204	5,293,424	5,822,767	6,405,043	7,045,548
Class 1	4,250		1,147,500	2,973,300	3,702,600	4,072,860	4,480,146	4,928,161	5,420,977	5,963,074	6,559,382	7,215,320
Class 2	4,600		1,242,000	2,793,120	4,007,520	4,408,272	4,849,099	5,334,009	5,867,410	6,454,151	7,099,566	7,809,523
Total Yearly Tuition Revenue			7,294,500	14,533,860	17,460,300	19,381,223	21,511,728	23,874,522	26,339,569	28,973,526	31,870,878	35,057,966

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue										
Admission Fee	1,725,000	1,956,150	900,191	705,572	782,786	865,957	924,666	970,899	1,019,444	1,070,416
Yearly Tuition Revenue	7,294,500	14,533,860	17,460,300	19,381,223	21,511,728	23,874,522	26,339,569	28,973,526	31,870,878	35,057,966
Total Revenue	9,019,500	16,490,010	18,360,491	20,086,796	22,294,515	24,740,479	27,264,235	29,944,425	32,890,323	36,128,383

13 KEY ASSUMPTIONS

13.1 Operating Assumptions

Electricity Cost Growth Rate	10%
Salary Growth Rate	10%
Rent Growth Rate	10%
Student Fee Growth Rate	5%
Admission Fee Growth Rate	5%
Office Expense (Stationary, Printing etc.)	5% of Admiration Cost
Promotional Expense	1% of Revenue
Teacher's Training Expense	5% of Faculty Salary
School Events and Programs	2% of Revenue
Travelling Expense	10% of Admiration Cost
Capacity Utilization (First Year)	50%
First Year Student Enrollment	150
Student Drop-out Ratio	5%