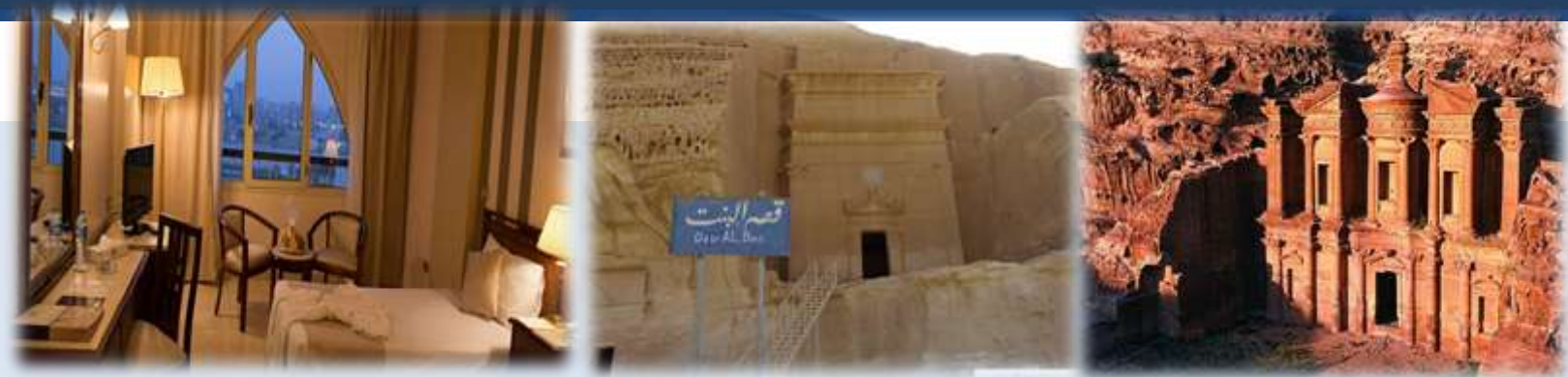




A pre-feasibility study for the establishment of a 3-star tourist hotel



2017



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1. Executive summary

Ma'an governorate is the largest governorate in Jordan, located about 216 kilometers south Amman. Maan is characterized by having many archaeological, historical and natural sites, such as; Maan castle, Al-benet palace, Al-saraya and a lot of natural springs and more importantly the existence of Petra the pink city within the governorate borders. Where it is considered one of the most important areas of Jordan that attracts tourists and visitors from all over the world and even from Jordan's population in general and Maan in particular, however; the governorate lacks a noticeable presence of adequate hotels.

Hence, the idea of this project is to establish a 3-star hotel in Maan which offers many services and benefits to area residents, tourists and visitors.

The project is the establishment of a 3-star hotel that provides residential accommodation services by using the best technology means and the best quality standards , where as all supplies and equipment from furniture, appliances and furnishings, services and decors and recruitment of specialized labor in tourist accommodation will be provided. The hotel's area is 3000 square meters and this project is one of the most important and successful projects throughout the year to attract tourists. Based on the proposed market share and prices that have been adopted by the proposed project, the expected revenue is 1,459,210 JD during the first year of the project lifetime and will rise gradually to amount to 2,565,780 JD at the tenth year where the refund period of the capital is 3 years and the capital IRR equal to 26.65%.

Table1 : Study results

Indicator	
Total Investment Requirement (JD)	2,250,460
Internal Rate of Return (IRR)	%25.31
Pay-Back Period (year)	5
Net present value (JD)	4,710,951
Job Opportunities provided by the	52
Annual Revenue Projections (10 years)	21,046,430
Total Operating Expenses (10 years)	13,254,910
Net Profit (10 years)	3,657,302

2. Key Highlight of Jordan

Jordan Hashemite Kingdom area is 89342 Kilometers with a population exceed 9.8 Millions distributed among 12 Governorates.

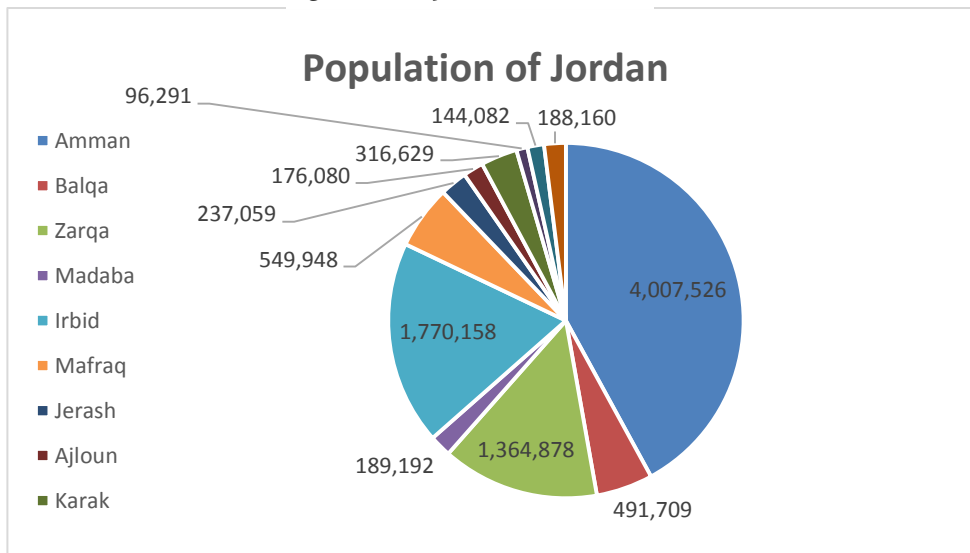
Jordan is bounded by Saudi Arabia, Iraq, Syria and Palestine from the South, East, North and west respectively. Jordan climate is mostly arid desert with rainy season between November to April Months.

Jordan is a free market economy, ranked as the fifth freest economy in the MENA region in the Index of Economic Freedom. Its free market economy enjoys strong partnerships amongst its neighboring country as well as Europe and the USA. Jordan is a signatory of several bilateral and multilateral trade agreements such as (Free Trade Agreement with the US and the EU, a Free Trade Agreement with the EFTA states, an FTA with Singapore, A member of the Greater Arab Free Trade Agreement (GAFTA) and a signatory of the Aghadir Agreement. Looking at the range of countries these agreements cover and facilitate trade between, one is confident to say that Jordan has business gateways and partnerships across the globe.

Population Overview

Based on the latest surveys done by Department of Statistics (DOS) in 2017, total number of population has reached around 9.814.995 with an increase rate of 2.88% from 2016 year, figure below summarizes the population distribution among the kingdom governorates.

Figure 1 :Population of Jordan



Department of Statistics (DOS), 2015

Moreover, and based on the latest survey conducted by (DOS) which related to population nationality distribution over the governorates, it was found that total Non-Jordanian residents constitutes around 30% of the total population. Half of these are Syrians (1.3 Million) concentrated mainly in Amman Capital (436 Thousand) then Irbid (343 Thousand), Mafraq at 208 Thousand and Zarqa at 175 Thousand.

Jordan prides itself in its youthful population with 35% of ages below 15 years old and only 4% with ages above 65 years old. Table below summarizes population distribution of Jordanians according to Age Group:

Table2 Population Distribution according to Age Group:

Age Group	Population %	Males	Females
0-14 Years	%35.04	%19.2	%18.2
15-64 Years	%61.02	%30.7	%28.6
More than 65 Years	%3.94	%1.6	%1.6

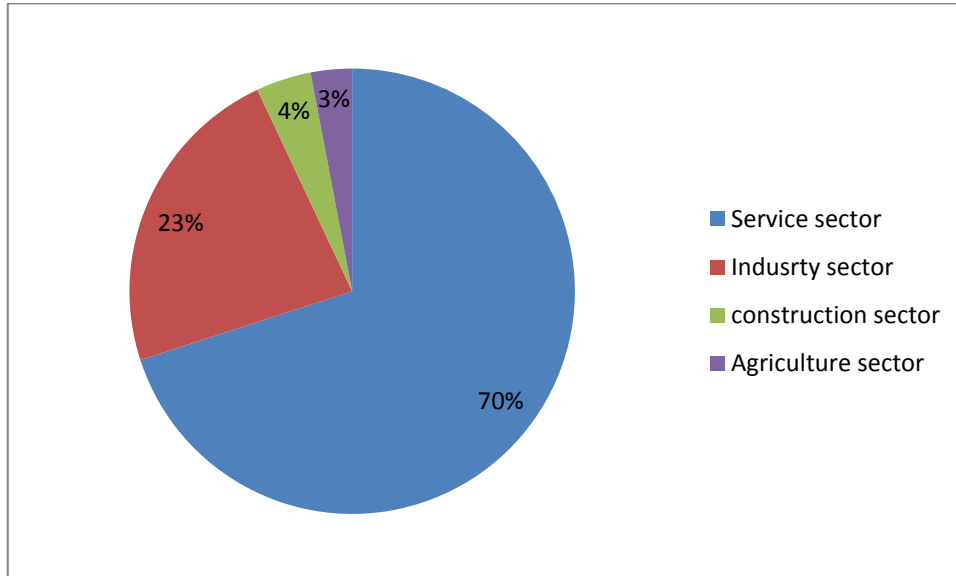
Department of Statistics (DOS), 2015.

Overview of Jordan Economy

Classified as an upper middle economy by the World Bank and as a country of High Human Development by the UNDP, Jordan is an important financial power in the Middle East. Its small market witnessed growth in the last two decades since King Abdullah II accessed the throne. Jordan’s GNI per capita has increased in the last four years due to the basket of economic reforms that were enacted in the recent decade such as (the new Income Tax Law, Public Private Partnership Law and Investment Law). These laws aim to encourage the participation of the private sector in the Kingdom’s economic development and provide an enabling legislative environment for current and new investment opportunities.

The Jordanian economy is overwhelmingly services oriented and its contribution in the GDP is 68.1%. The contribution of the industrial sector is 22.4%, the construction sector is 4.2% and the agricultural sector is 2.9%. These contributions are aimed to increase to (27.4%), (5.8%) and (3.4%) respectively and that of the service sector is due to decrease according to Jordan 2025 vision.

Figure 2: Sectors Contribution to Jordan’s Economy



Jordan’s exports include variety of textiles, potassium, phosphates, fertilizers, vegetables and pharmaceutical products. While it’s main imports are crude and refined petroleum. Distinguished by its strategic location, on the crossroads between Asia, Africa and Europe with strong connections to the Levant and the GCC, Jordan has a regional market of interest that represents US\$3.8 trillion market and comprising 380 million consumers.

Jordan infrastructure ranks comparatively well (38th out of 148 comparable economies), with an extensive 8000 KM road network connecting Jordan domestically and externally The new Queen Alia International Airport and the Port of Aqaba are the major gateways to the international market. In addition to some mega projects such as the Red- Dead Sea Canal and the national railway network that will be developed to position Jordan as a hub for regional commerce.

Jordan banking system is quite sophisticated, resilient and in compliance with international standards, making it very attractive and trustworthy to investors. This is reflected in the fact that 50% of equity in licensed banks in Jordan is held by non-Jordanians, and non residents’ deposits in Jordanian banks witnessed a steady growth of 19.2%.

Moreover, realizing the value of MSMEs to drive economic growth, the government has developed the national Strategy for the encouragement of entrepreneurship and the development of micro small and

medium sized enterprises for 2015-2019. This shows the commitment of the Jordan government to enhance the private sector development and leveraging the country's strong human capital.

Jordan prides itself in its youthful population. It's the country most valuable capital. A tech savvy well educated and trained workforce attracts a lot of investors to Jordan. More than 20.4% of Jordan's GDP is dedicated to the education and capacity building for the labor force, this has resulted in securing a 91% literacy rate and enabled Jordanians to be among most hired and qualified middle-eastern workforce.

Such solid, diverse and resilient characteristics of the Jordanian economy and investment scene position Jordan as a competitive investment destination.

Major Economic Indicators

- **GDP Growth**

The Jordanian economy slowed and reached 2.4 percent in 2015 compared to growth rate of 3.1 in 2014 and similar to MENA growth rates.

The growth also slowed for trade, restaurants and hotels; manufacturing; transport; and electricity and water. Meanwhile, finance, insurance, and business services advanced at a faster pace.

- **Inflation rate**

Inflation rate decreased to 0.9 in 2015 after 2% decline in the previous year. Inflation Rate in Jordan averaged 3.1 percent from 2011 until 2015.

- **Unemployment**

The unemployment rate in Jordan was recorded at 13 percent in 2015, comparing to 11.9 percent a year earlier. This increase due to the current instability in the labor market structure as well as high competition from low cost foreign labors especially from Syria.

- **External Sector**

A number of risks manifested in 2015, the closure of land trade routes with Syria and Iraq and the deepening instability in the region adversely impacted many external sector indicators such as trade, tourism and direct Investment.

Moreover, loans disbursements increased by JD 545.3 million, due to the use of the International and Arab Monetary Funds (IMF and AMF) credit facilities. As an outcome of these developments, the overall balance of the balance of payments registered a surplus of JD 328.7 million in 2015, compared with a surplus of JD 1,550.7 million in 2014.

Further, net international investment position (IIP) witnessed an increase in the Kingdom's net obligations to abroad; to reach JD 24,357.5 million, compared to a net obligation of JD 22,578.8 million at the end of 2014 as a result of the increase in the stock of external financial assets and liabilities of all resident economic sectors to reach JD 18,657.9 million and JD 43,015.5 million; respectively.

External Debt in Jordan increased to 9390.50 JOD Million in 2015 from 8030.10 JOD Million in 2014. External Debt in Jordan averaged 5433.67 JOD Million from 1988 until 2015, reaching an all time high of 9390.50 JOD Million in 2015 and a record low of 3640.20 JOD Million in 2008.

Investment Climate in Jordan

Investment in Jordan is considered as one of the vital sources to boost the economy considering that Jordan's economy is among the smallest in the Middle East, with insufficient supplies of water, oil, and other natural resources, underlying the government's heavy reliance on foreign assistance.

The country's location, supported by myriad free trade agreements (FTAs) offering access to 1.5bn consumers, enables the kingdom to be a strategic trade route to many of its neighboring countries and regions.

Jordan aspires to create a competitive investment destination capitalizing on its many advantages mentioned above. The government focused its efforts to implement significant advances in structural and legal reform. These efforts are represented in the new Investment Law of 2014, the tax law, in addition to other endeavors related to providing greater access to credit for MSMEs, and by providing greater investment incentives to specific priority sectors identified by the new Investment law and the Jordan 2025 vision.

Furthermore, in its endeavor to enhance the business environment, several geographically industrial states were created across the kingdom. These range in type to include (industrial estates, free zones and special economic zones). Under the new Investment Law, these zones are given a number of incentives that include a tax rate of 0% on exports, sales tax, import duties, social service tax, dividends tax and a 5% income tax from all economic and manufacturing activities undertaken in the development zones. As for the investments in Free Zones, they enjoy Exemptions from customs duties, income tax exemptions and exemptions from land and building taxes among others. Both development and free zones also enjoy facilitations regarding visa and residency permits for investors and workers in addition to Repatriation of capital and profits in a convertible currency. Such estates have succeeded in attracting relatively large amounts of FDI to Jordan.

Key National Investment Priorities:

3-star tourist hotel- Maa'n governorate

Jordan Investment Commission worked on taking a leading role in the application of government policies to promote and attract domestic and foreign investments and create an investment environment that stimulates economic performance through investment promotion strategy launched in 2016

Jordan investment commission aims to:

- Regulating the special provisions governing Development Zones and Free Zones in the Kingdom and developing them placing them in service of the national economy as well as monitoring their functioning.
- Developing plan and programs to stimulate domestic and foreign investments.
- Establishing trade centers and organizing exhibitions as well as opening markets and organizing trade missions in order to promote national products, in addition to marketing and development of national exports and encouraging investment.
- Taking appropriate decisions related to private or public institutions to improve Investors' confidence in Jordan's investment environment.

3. Market analysis

Project description

The idea of the project is to establish a 3-star tourist hotel, to target visitors and tourists who pass through Maan from and to Aqaba, Petra and Wadi Rum, and Saudi Arabia, where Maan is located on an international roadway. It was suggested that the hotel classification will be suitable for tourists, where accommodation and other services' prices will be competitive. The implementation of this project will help revitalize the tourist sector in the region, in addition to its being a Centre for tourists and foreign delegations.

Project objectives

This study aims to determine the feasibility of creating a 3 star hotel in Maan governorate, the project objectives as follows: Achieve profitable return to project owners

- Raise the tourist sector and investment level in the governorate

- Providing service to all tourists who pass through Ma'an or the residents of Ma'an Providing services to pilgrims performing Hajj and Umrah by road.
- Contribution in providing jobs for the governorate residents and the reduction of unemployment and improve the social and living standard.
- Encourages investment in the tourism sector.

Proposed service

The proposed project will provide hotel services in accommodation, food and beverage services. It is a 3-star tourist hotel, meets the requirements and specifications of hotels designated by the Ministry of tourism, the hotel facilities include the following:

- Restaurant and buffet lounge
- Parking
- Swimming pool
- Wedding halls

Meeting room Target segments

The project will target the tourists and traveling pilgrims who perform Hajj and Umrah by road , , in addition to the residents of the region.

There are three main elements in the project that meet the requirements of the targeted customers:

- The existence of a large hall: which will meet the needs of the residents in events
- Guest and room service and: especially for pilgrims performing pilgramige by land as well as to serve tourists within the region.
- Swimming pool: especially for young people where it will be a relaxation place for them.

Market size analysis

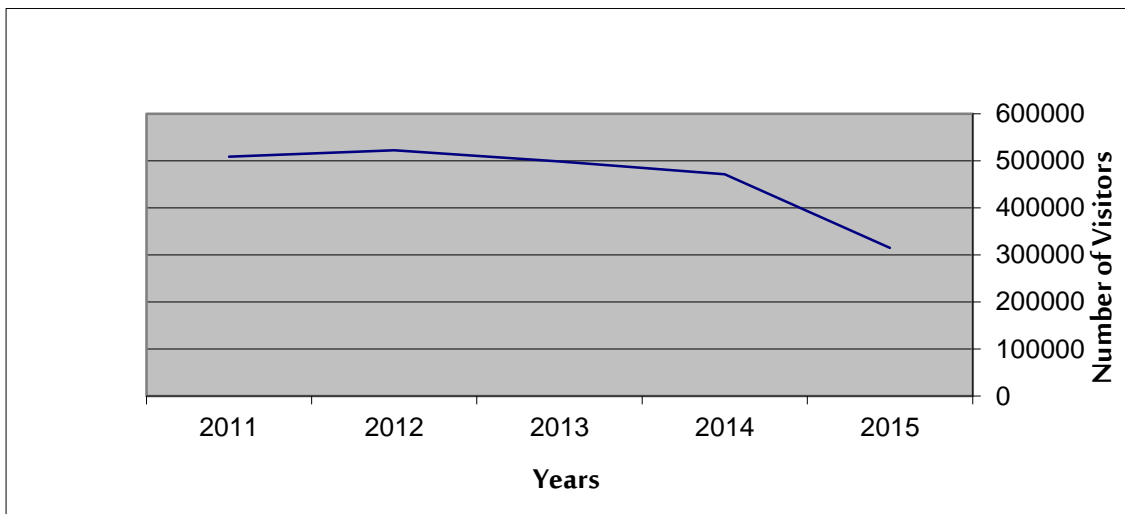
There is a great demand for the region by tourists for both citizens foreigners. The average rate of visitors to Petra by citizens during the years of 2011 to 2015 is 117199.6 tourists, while the average visits during the same years for foreign tourists is 463152.8. (Source: Ministry of Tourism and Antiquities).

While the average number of tourists to Shoubak castle during the years (2011 - 2015) is 18,792 tourists, including 11,916 foreign tourists.

Number of tourists (internally and externally):

The following figure shows the number of monthly visitors to Ma'an, especially to Petra during the years of (2011-2015) for foreign tourists

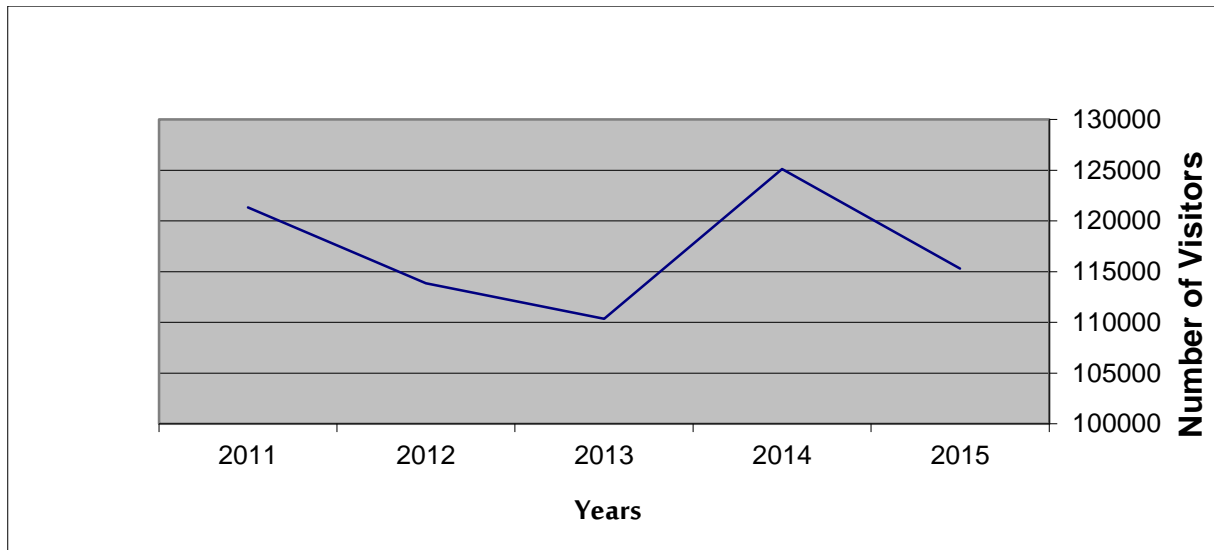
Figure 3: Number of monthly foreign visitors to Ma'an



Source: Ministry of Tourism and Antiquities

The following figure shows the number of monthly visitors to Ma'an, especially to Petra during the years of (2011-2015) for citizens:

Figure 4: Number of monthly citizens visitors to Ma'an



Source: Ministry of Tourism and Antiquities

As for the number of tourism activities in the governorate they amounted to (125) activity, consisted of tourist offices and restaurants and tourist car rental offices. The number of the workforce in these activities is (1487)

The following table shows the details of the activities and the number of employees:

Table 3: Tourist Activities and Number of Employees

Services	Hotel	Tourism Offices	Tourist restaurants	Car Rental Offices	Eastern Antiques Stores	Total
Number of events	42	35	6	5	37	125
Labor	1180	171	48	15	73	1487

Source: Ministry of Tourism and Antiquities

Competitors analysis

Ma'an is considered one of the least active areas in the tourism sector, despite the availability of many tourist attractions. As for Ma'an, it lacks this kind of projects, where there are only furnished apartments and the occupancy rate does not exceed 15%.

According to the data of the Ministry of Tourism for hotels, there are no tourist hotels within the city of Ma'an and there are hotel apartments as shown in the following table below:

Table 4: the number of hotels, suites, rooms, and beds in Ma'an

Ma'an	No. of hotels	Suites	Rooms	Beds
non-rated hotels	4	0	37	98

Project capacity

The following table shows the capacity of the project detailed as follows:

Table 5: capacity

Rooms	75
Resturant	150
Wedding Hall	300
Total	525

As for the occupancy rate during the next ten years of the project, the table below shows:

Table 6: Occupancy Rates

Occupancy rates	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Occupancy rate	35%	35%	45%	45%	45%	45%	45%	45%	45%	45%
Rate of restaurant visitors	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Conference Room Reservations / Year	70	70	75	75	75	75	75	75	75	75
Rate of renting a wedding hall	100	100	100	120	120	120	120	120	120	120
Average attendance rate of the wedding hall	75%	75%	75%	75%	80%	80%	80%	80%	80%	80%

Price analysis and pricing policy

3-star tourist hotel- Maa'n governorate

There are only furnished hotel apartments in Ma'an, where rooms prices range from 20-35 dinars per night.

The following table shows the pricing policy in the project for 10 years:

Table 7: Expected pricing policy during the years (2027-2018)

نسب الإشغال	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Room price per night	40	40	45	45	50	50	50	60	60	60
Restaurant / Brunch	15	15	15	18	18	18	20	20	20	20
Conference room / daily reservation	500	500	500	700	700	700	700	700	700	700
The price of renting a wedding hall / person	13	13	13	15	15	15	15	18	18	18

Expected revenues

The following table shows the projected annual revenues for 10 years (2018-2027)

Table 8: projected revenues

Price assumptions	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Rooms revenue	815360	815360	1179360	1179360	1310400	1310400	1310400	1572480	1572480	1572480
Restaurant Revenue	327600	327600	327600	382200	382200	382200	436800	436800	436800	436800
Wedding Hall Revenue	281250	281250	281250	405000	432000	432000	432000	504000	504000	504000
Conference Room Revenue	35000	35000	37500	52500	52500	52500	52500	52500	52500	52500

4. Technical Analysis

The required human resources

Table 9: Required Human Resources

Job title	No.
General Manager	1
Accountant	3
Marketing Officer	2
Guard	3
Total Indirect staff	9
Receptionist	3
Chef	1
Chef Assistant	4
Waiter	15
Cleaners	20
Total Direct staff	43
Total	52

- **General Manager:** Works within his authorities , proposing policies and plans, representing the hotel and planning and managing work process, follow-up implementation of plans and programs in accordance with the policies and the objectives of the project in the best way to achieve the best interests of employers, and oversee the department of administrative and financial in accordance with the instructions In this regard, managing subordinates and the develop their skills, and of procedures and ensure the requirements of occupational and public safety and health.

- **Accountant:** Responsible for calculating the costs of the project implementation and inputs of all project operations, as well as including all accounting entries on the books of accounts.

- **Receptionist:** Receive and welcome guests in a professional manner and fulfill their demand in addition to receive and transfer daily phone calls to and from the hotel and record the names of guests at the time of entry and exit.

- **Marketing Manager:** Plan, direct, coordinate and control the marketing activities of the hotel by performing the required duties and responsibilities either individually or through subordinates.
- **Guard:** Implementation of the security instructions.
- **Chef:** cooks and prepare food.
- **Chef Assistant:** Perform a variety of tasks such as preparing the basic ingredients of soups, salads, meat, vegetables, sweets, beverages, etc. and maintain a high level of hygiene in the work environment.
- **Waiter:** Greeting guests in a professional way in addition to serving meals and drinks, , advising guests, preparing tables, welcoming guests and accompanying them to the table, receiving guests' orders, receiving food and drinks from the kitchen staff and bar for guests.
- **Cleaners:** cleaning, polishing and decontamination works for the officec and the hotel, facilities, bathrooms, entrances, walls and stairs.

Location analysis

The project is proposed to be located close to the city center where all services from markets, clinics ,hospitals and others exist. It is proposed that the land is Qasabet Ma'an because it is a vital area and there are developmental projects In suggested region.

Technical Requirements Analysis

1.1.1 Land and construction

The project will be constructed on an area of 3000 m². The following table shows the required land

Table10 : required land for the project

Land	Area sq.m
The required land	3,000

The required construction works for the project are represented as follows:

Table 11: required construction work

Construction Work	Area sq.m
Buildings Works	3,000
Building design and blueprints	3,000
digging works	3,000
Paving the ground	1,000
Soil examination	1
Other works	3,000

Machinery and equipments

The following table provides the machinery and equipment needed for the project:

Table 12: Machinery and equipments

الآلات والمعدات	No.
Fire-fighting equipment	3
Elevator	3
Central Air Conditioners	1
42-inch screen	3
Washers	3
Steam Iron	10

Furniture

The project needs the following furniture:

Table 13: required furniture for the project

Furniture	No.
Beds	160
In-room Televisions	75
In-room refrigerators	75
Rooms Furniture	75
Conference room supplies	1
Wedding Hall Supplies	1
Tables and chairs	175
Restaurant chairs, wedding hall and meeting room	600
Cooking Equipment	1

Vehicles and modes of transportation

The following table shows a list of vehicles and modes of transportation required for the project:

Table 14: required vehicles and modes of transportation for the project

Vehicles and modes of transportation	Quantity
A vehicle for transportation	1

Legal procedures

The following outlines the legal procedures and requirements for establishing a hotel facility in Ma'an Governorate

The first step:

1. Fill out the application form
2. Filling out the self-assessment form

3-star tourist hotel- Maa'n governorate

3 .Attach the following documents:

- Ownership certificate or a certified lease contract with a new ownership scheme.
- New regulatory site scheme
- New Land scheme issued by the Department of Land and Survey
- Provide preliminary architectural schemes for the project.
- A recent commercial register showing ID number of the company and of its objectives the establishment of a hotel
- If the project is within the Dead Sea area, the approval of the Jordan Valley Authority is required to establish the project

Note: For the purposes of obtaining customs and tax exemptions for the project, applications are submitted through the Investment Promotion Corporation / Investment Window

The second step:

Presentation of the request to the competent directorate for the purpose of obtaining the preliminary approval.

The third step:

Issuing the conditional preliminary approval for the establishment of the project according to the temporary classification category declared in accordance with the self-assessment form prepared by the applicant for a maximum period of two years, subject to extension for a similar period.

The fourth step:

Informing the owners of the establishment of the initial conditional approval granted to them.

The fifth step:

After implementing the project and providing the conditions and requirements below and furnishing it with fixed assets, the relevant parties shall call the Ministry to complete the licensing and classification procedures

- 1 A copy of the architectural drawings according to the port duly certified.
- 2 Permission issued by the regulatory body in accordance with the license granted by the initial approval.
- 3 The Civil Defense agrees to operate the facility and receive the guests.

- 4 A commercial register showing the national number of the establishment and its objectives to establish a hotel / modern hotel..
- 5 A trade name or trademark in accordance with the granted / recent license

The sixth step:

The staff of the competent Directorate will visit the project to ensure the completion of the furnishing and processing for the purposes of reception of guests and prepare the necessary technical report.

The seventh step:

The competent directorate shall issue an approval for practicing the profession for the purpose of receiving the guests valid for a maximum period of six months from the date of issue.

5. Financial Analysis

The Financial Part illustrates all the assumptions which were used when we have developed the study including project expenses related to capital expenditures, operating expenses (Fixed and Variable costs) followed by illustrating project revenues.

Assumptions

Calculation Assumptions:

- The weighted average cost of capital used in the study is 12.05% as it was calculated considering risk free and debt Interest rates as well as Market risk premiums to consider alternative opportunity costs for investor.
- Income tax on the net project income is 5 % during the life time of the project.
- Project working capital has been estimated and added to project cash outflows at the beginning of the project and annual increase in working capital has been also estimated and added to the operating expenses then net working capital has been added to total cash inflows at the end of project lifetime.

The time span for the financial study is 10 years starting from 2018, where annual increase rates have been estimated as per the tables below:

Assumptions

Table 15: General Assumptions

General Information	
All Financial Numbers (Currency)	Jordan Dinars
Financial Study Time Span (Years)	10
Expected Project First Operating Year	2018
Last Year in the Financial Study	2027

Table 16: Currency Exchange Rates

Exchange Rates	Jordan Dinars
American Dollar	0.708
Euro	0.760

Table 1 Annual Growth Rates Assumptions

Annual Growth Rates	Average
Annual Population Growth Rate	2.20%
Annual Sales Price Increase Rate	3.00%
Annual Expenses Increase Rate	3.00%
Annual Increase Rate in Employees Salaries	4.1%

(1) and (2) Source: Inflation Rates, Central Bank of Jordan

(3) Source: Social Security

Table 17: Expenses Assumptions

Expenses Assumptions	
Raw Materials and Packaging from Total Revenues	30%
Utilities Expenses from Total Revenues	12.5%
Maintenance Expenses from Total Revenues	2%
Depreciation Expenses from Total Revenues	1.0%
Insurance Expenses from Total Assets Value	0.75%
Marketing Expenses from Total Revenues	4.0%

Table 18: Income Tax Assumptions

Income Tax Assumptions	القيمة
Average Income Tax in Jordan (1)	20%
Income Tax Deduction (2)	80%
Income Tax after Deduction	5%
Compulsary Reserve Percentage (3)	10%
Other Assumptions	القيمة
Annual Monthly Salaries have been calculated after multiplying monthly salaries by: (1)	16

Risk Premium	
(1) Risk Free Rate of Return	6.50%
(2) Return to Debt Maturity	9.48%
(3) Market Risk Premium	10.12%
Income Tax Rate	%20
(4) Beta	0.89
Growth Rate	4.00%

(1) Source :Damodaran's Country Default Spreads and Risk Premiums Report

(2) Source :Central Bank of Jordan

(3) Source :Damodaran's Country Default Spreads and Risk Premiums Report

(4) Source :Damodaran Beta By Sector, , pages.stern.nyu.edu

Table 19: Weighted Average Cost of Capital

Weighted Average Cost of Capital	
Average Return on Risk Free Investment	%6.50
Return to Debt Maturity	%9.48
Market Risk Premium	%10.12
Income Tax Rate	%5
Bets	1.00
Equity	882,544

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Loans Value	1,323,816
Loans	
Cost of Borrowing before Tax	%9.48
Cost of Borrowing After Tax	%9.01
Loans Value	1,323,816
Loans Percentage	%60
Equity	
Cost of Equity	%16.6
Equity Value	882,544
Equity Percentage	%40
Gross	
Project Value	2,206,361
Weighted Average Cost of Capital	%12.05

Capital Expenditures

The estimated cost of the project is 2,206,361 JD and it covers land costs, construction works, machinery and equipment, furniture, pre-operating expenses and working capital. The following tables summarize the details of these expenses:

Table 20: Land Capital Expenditure

Land	(Jordan Dinar/Meters Square) Cost	Area (M2)	الإجمالية / دينار Cost
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Required Land	65	3,000	195,00
Cost			195,000

Table 21: Construction Work Capital Expenditure

Description	Cost (JOD per Squared Meters)	Area (Squared Meters)	Jordan / Gross Cost Dinar
Construction Works	350	3,000	1,050,000
Design and blueprints	7	3,000	21,000
Excavation	5	3,000	15,000
Paving	12	1,000	12,000
Soil Test	200	1	200
Other Works	10	3,000	30,000
Total			1,128,200

Table 22: Machinery and equipments capital expenses

Machinery and equipment	No.	Price/unit (JD)	Total price (JD)
-------------------------	-----	-----------------	------------------

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Fire-fighting equipment	3	500	1,500
Elevator	3	15,000	45,000
Central Air Conditioners	1	30,000	30,000
42-inch screen	3	250	750
Washers	3	3,000	9,000
Steam Iron	10	75	750
Total			87,000

Table 23: Furniture capital expenses

Furniture	No.	Price/unit (JD)	Total price (JD)
Beds	160	500	80,000
In-room Televisions	75	200	15,000
In-room refrigerators	75	100	7,500
Rooms Furniture	75	700	52,500
Conference room supplies	1	10,000	10,000
Wedding Hall Supplies	1	5,000	5,000
Tables and chairs	175	150	26,250
Restaurant chairs, wedding hall and meeting room	600	50	30,000
Cooking Equipment	1	40,000	40,000
Total			266,250

Table 24: Transportation and Vehicles Capex

Transportation and Vehicles	No	Unit Cost/JOD	Total Cost/JOD
Pick up	1	23,400	23,400
Total			23,400

Table 25: Pre Operating Expenses

Pre-operating expenses	Estimated cost (JD)
Governmental fees	1,500
Transportation	1,500
Marketing	15,000
Training	2,500
Total	20,500

The initial working capital reflects the project's amounts needed to cover all the expenses during operation until the project starts generating income, the following table shows the components of the initial working capital:

Table 26: Working Capital

Working Capital	No. of Months	%	Estimated Cost (JD)
Operating expenses	3	%25	238,984
General and administrative expenses	3	%25	5,177
Marketing expenses	3	%25	14,592
Indirect Salaries	3	%25	26,680
Total			285,432

Table 27: Expenses Summary

Capital expenditure summary	Cost (JD)	Contingency	Cost (JD)	%
Land	195,000	10%	214,500	%9.7
Construction works	1,128,200	10%	1,241,020	%56.2
Machinery & Equipment	87,000	10%	95,700	%4.3
Furniture	266,250	10%	292,875	%13.3
Vehicles	23,400	10%	25,740	%1.2

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Capital expenditure summary	Cost (JD)	Contingency	Cost (JD)	%
Pre-Operating Expenses	20,500	10%	22,550	%1.0
Working capital	285,432	10%	313,976	%14.2
Total (JD)	2,005,782		2,206,361	100%

Sources of Funding

The financing structure of the project consists of loans and Equity. The investment cost of this project is estimated at (2,206,361) JD, where 60% of the project will be financed through loans (1,323,816) JD, and the remaining (40%) through (Equity) with (882,544) JD. The following table summarizes the general structure of the required financing:

Table 28: Sources of Funding

Funding Sources	Amount	Percentage
Equity (Self Financing)	882,544	%40
Loans	1,323,816	%60
Total	2,206,361	%100
Use of Fund:	Value	Ratio
Capital Expenditures	1,869,835	%84.75

Pre-Operating Expenses	22,550	%1.02
Working Capital	313,976	%14.23
Total	2,206,361	%100.00

Operating Expenses

The following table summarizes the expected operating expenses for the proposed project (2018-2027):

Table 29: Operating Expenses

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Raw Materials and Packaging from Revenues	437,76	437,76	547,713	605,718	653,130	653,130	669,510	769,734	769,734	769,734
Utilities from Revenues	182,40	182,40	228,214	252,383	272,138	272,138	278,963	320,723	320,723	320,723
Maintenance from Revenues	29,184	29,184	36,514	40,381	43,542	43,542	44,634	51,316	51,316	51,316
Disposables from Revenues	14,592	14,592	18,257	20,191	21,771	21,771	22,317	25,658	25,658	25,658
Direct Salaries	225,60	234,85	244,478	254,502	264,937	275,799	287,107	298,878	311,132	323,889
Others	66,394	66,394	83,070	91,867	99,058	99,058	101,542	116,743	116,743	116,743
Total	955,93	965,18	1,158,24	1,265,04	1,354,57	1,365,43	1,404,07	1,583,05	1,595,30	1,608,06

General and Administrative Expenses

The following table summarizes the expected general and administrative expenses for the proposed project (2018-2027):

Table 30: General and Administrative Expenses

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Telecom	1,200	1,236	1,273	1,311	1,351	1,391	1,433	1,476	1,520	1,566
Hospitality	600	618	637	656	675	696	716	738	760	783
Stationary and Printing	250	258	265	273	281	290	299	307	317	326
Transportation	750	773	796	820	844	869	896	922	950	979
Training	0	0	0	0	0	0	0	0	0	0
Insurance	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610
Miscellaneous	14,024	14,444	14,878	15,324	15,784	16,257	16,745	17,247	17,765	18,298
Total	1,882	1,939	1,997	2,057	2,119	2,182	2,248	2,315	2,385	2,456

Marketing Expenses

Table 31: Marketing Expenses

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Marketing Expenses	58,368	58,368	73,028	80,762	87,084	87,084	89,268	102,631	102,631	102,631

Human Resources

The total annual salaries and monthly wages has been estimated on 16 months for the purpose of considering annual increments on salaries as well as payments related to social security and health insurance,... etc.

The following table summerizes the expected annual salaries and wages, considering annual increment on salaries as per the income statement:

Table 32: Expected Number of Employees

Job Title	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Indirect Staff										
General Manager	1	1	1	1	1	1	1	1	1	1
Accountant	3	3	3	3	3	3	3	3	3	3
Marketing Officer	2	2	2	2	2	2	2	2	2	2
Guard	3	3	3	3	3	3	3	3	3	3
Total Indirect staff	9	9	9	9	9	9	9	9	9	9
Direct staff										
Receptionist	3	3	3	3	3	3	3	3	3	3
Chef	1	1	1	1	1	1	1	1	1	1
Chef Assistant	4	4	4	4	4	4	4	4	4	4
Waiter	15	15	15	15	15	15	15	15	15	15
Cleaners	20	20	20	20	20	20	20	20	20	20
Total Direct staff	43	43	43	43	43	43	43	43	43	43
Total	52	52	52	52	52	52	52	52	52	52

Table 33: Expected Monthly Salaries

Job Title	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Indirect Staff										
General Manager	2,500	2,603	2,709	2,820	2,936	3,056	3,182	3,312	3,448	3,589
Accountant	600	625	650	677	705	734	764	795	827	861
Marketing Officer	900	937	975	1,015	1,057	1,100	1,145	1,192	1,241	1,292
Guard	190	198	206	214	223	232	242	252	262	273
Direct staff										
Receptionist	300	312	325	338	352	367	382	397	414	431
Chef	1,500	1,562	1,626	1,692	1,762	1,834	1,909	1,987	2,069	2,154
Chef Assistant	800	833	867	902	939	978	1,018	1,060	1,103	1,149
Waiter	300	312	325	338	352	367	382	397	414	431
Cleaners	200	208	217	226	235	245	255	265	276	287

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Table 34: Expected Annual Salaries

Job Title	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Indirect Staff										
General Manager	40,000	41,640	43,347	45,124	46,975	48,901	50,905	52,993	55,165	57,427
Accountant	28,800	29,981	31,210	32,490	33,822	35,208	36,652	38,155	39,719	41,347
Marketing Officer	28,800	29,981	31,210	32,490	33,822	35,208	36,652	38,155	39,719	41,347
Guard	9,120	9,494	9,883	10,288	10,710	11,149	11,606	12,082	12,578	13,093
Total Indirect staff	106,720	111,096	115,650	120,392	125,328	130,467	135,816	141,384	147,181	153,215
Direct staff										
Receptionist	14,400	14,990	15,605	16,245	16,911	17,604	18,326	19,077	19,860	20,674
Chef	24,000	24,984	26,008	27,075	28,185	29,340	30,543	31,796	33,099	34,456
Chef Assistant	51,200	53,299	55,484	57,759	60,127	62,593	65,159	67,831	70,612	73,507
Waiter	72,000	74,952	78,025	81,224	84,554	88,021	91,630	95,387	99,298	103,369
Cleaners	64,000	66,624	69,356	72,199	75,159	78,241	81,449	84,788	88,264	91,883
Total Direct staff	225,600	234,850	244,478	254,502	264,937	275,799	287,107	298,878	311,132	323,889
Total	332,320	345,945	360,129	374,894	390,265	406,266	422,923	440,262	458,313	477,104

Depreciations

The following tables illustrate cost of Capex and Depreciation rates:

Table 35: Capex and Depreciation Expenses

Capex Cost and Annual Depreciation Rates	Cost (JOD)	Depreciation Rate	Annual Additions Percentage
Land	214,500	%0.0	%0.0
Construction Works	1,241,020	%5.0	%0.0
Machinaries	95,700	%10.0	%2.0
Furniture	292,875	%10.0	%5.0
Vehicles	25,740	%10.0	%0.0

Table 36: Depreciations and Additions on Construction Works

Capex, Annual Additions and Depreciations	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Fixed Assets	1,869,835	1,886,393	1,903,721	1,921,857	1,940,840	1,960,711	1,981,514	2,003,294	2,026,098	2,049,976
Total Depreciation Expenses	103,483	105,138	106,871	108,685	110,583	112,570	114,650	116,828	119,109	121,497
Total Accumulated Depreciation	103,483	208,621	315,492	424,177	534,760	647,330	761,980	878,809	997,917	1,119,414
Total Additions	0	16,558	17,328	18,136	18,983	19,871	20,803	21,780	22,804	23,878
Total Net Book Values	1,766,353	1,677,772	1,588,229	1,497,680	1,406,081	1,313,382	1,219,534	1,124,485	1,028,180	930,562

Loan

The table below summarizes all details related to the loan such as annual installments and payment methods for the remaining amount of the loan for each year of the project.

Table 37: Loan Details

Loan Value	1,323,816
Annual Interest Rate	9.48%
Loans Period	5
Grace Period	0
Loan Starts at year:	2018
Annual Payment	344,592
Number of Payments	5

Year	Annual Payment	Interest	Capital	Loan Remaining Value
2018				1,323,816
2019	344,592	125,498	219,095	1,104,722
2020	344,592	104,728	239,865	864,857
2021	344,592	81,988	262,604	602,253
2022	344,592	57,094	287,499	314,754
2023	344,592	29,839	314,754	0

Income Statement

Table 38: Income Statement

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenues										
Sales Revenues	1,459,210	1,459,210	1,825,710	2,019,060	2,177,100	2,177,100	2,231,700	2,565,780	2,565,780	2,565,780
Gross Operating Revenues	1,459,210	1,459,210	1,825,710	2,019,060	2,177,100	2,177,100	2,231,700	2,565,780	2,565,780	2,565,780
Operating Expenses	955,935	965,184	1,158,246	1,265,042	1,354,575	1,365,438	1,404,073	1,583,051	1,595,305	1,608,061
Gross Operating Profit	503,275	494,026	667,464	754,018	822,525	811,662	827,627	982,729	970,475	957,719
<i>Gross Profit Percentage</i>	<i>%34</i>	<i>%34</i>	<i>%37</i>	<i>%37</i>	<i>%38</i>	<i>%37</i>	<i>%37</i>	<i>%38</i>	<i>%38</i>	<i>%37</i>
Salaries and Benefits (Indirect Staff)	106,720	111,096	(115,650)	(120,392)	(125,328)	(130,467)	(135,816)	(141,384)	(147,181)	(153,215)
General and Administrative Expenses	(20,706)	(21,327)	(21,967)	(22,626)	(23,305)	(24,004)	(24,724)	(25,466)	(26,230)	(27,017)
Marketing Expenses	(58,368)	(58,368)	(73,028)	(80,762)	(87,084)	(87,084)	(89,268)	(102,631)	(102,631)	(102,631)
Pre Operating Expenses	(22,550)									
Gross Indirect Expenses	208,345	190,791	(210,646)	(223,781)	(235,717)	(241,555)	(249,808)	(269,481)	(276,042)	(282,863)

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Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Income before Interest, Depreciation and Tax	294,931	303,235	456,818	530,238	586,808	570,108	577,819	713,248	694,433	674,855
Fixed Assets Depreciations	103,483	105,138	(106,871)	(108,685)	(110,583)	(112,570)	(114,650)	(116,828)	(119,109)	(121,497)
	((
Income before Tax and Interests	191,448	198,096	349,947	421,553	476,225	457,538	463,169	596,419	575,324	553,359
Bank Interests	125,498	104,728	(81,988)	(57,094)	(29,839)	(0)	(0)	(0)	(0)	(0)
	((
Income Before Tax	65,951	93,369	267,958	364,459	446,386	457,538	463,169	596,419	575,324	553,359
Income Tax	(3,298)	(4,668)	(13,398)	(18,223)	(22,319)	(22,877)	(23,158)	(29,821)	(28,766)	(27,668)
Net Profit	62,653	88,700	254,560	346,237	424,067	434,661	440,011	566,598	546,558	525,691
<i>Net Profit Percentage</i>	%4	%6	%14	%17	%19	%20	%20	%22	%21	%20
Compulsory Reserves	(6,265)	(8,870)	(25,456)	(34,624)	(42,407)	(43,466)	(44,001)	(56,660)	(54,656)	(52,569)
Retained Earnings	56,388	136,218	365,322	676,935	1,058,595	1,449,790	1,845,799	2,355,738	2,847,640	3,320,761

Expected Cashflows Statement

The table below summarizes project cashflows statement, where net cash flows are positive during all years as below:

Table 39: Expected Cash flows

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Cash Inflows from Operating Activities										
Net Profit	62,653	88,700	254,560	346,237	424,067	434,661	440,011	566,598	546,558	525,691
Bank Interests	125,498	104,728	81,988	57,094	29,839	0	0	0	0	0
Depreciation	103,483	105,138	106,871	108,685	110,583	112,570	114,650	116,828	119,109	121,497
Total Operating Cashflows before Additions to Working Capital	291,633	298,566	443,420	512,015	564,488	547,231	554,661	683,427	665,667	647,187
Additions to Working Capital										
Inventory (Increase/Decrease)	(36,480)	0	(9,163)	(4,834)	(3,951)	0	(1,365)	(8,352)	0	0
Accounts Receivables (Increase/Decrease)	0	0	0	0	0	0	0	0	0	0
Accounts Payables (Increase/Decrease)	86,362	1,542	13,852	8,132	7,020	1,810	3,709	13,126	2,042	2,126
Working Capital (Increase/Decrease)	49,882	1,542	4,690	3,298	3,069	1,810	2,344	4,774	2,042	2,126
Net Cashflows from Operating Activities	341,515	300,108	448,109	515,313	567,558	549,041	557,005	688,200	667,709	649,313
Cashflows from Investments Activities										
Fixed Assets (Procurement)	1,869,835	(16,558)	(17,328)	(18,136)	(18,983)	(19,871)	(20,803)	(21,780)	(22,804)	(23,878)
	(
Net Cashflows from Investments Activities	1,869,835	(16,558)	(17,328)	(18,136)	(18,983)	(19,871)	(20,803)	(21,780)	(22,804)	(23,878)
	(

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Cashflows from Financing Activities										
Capital	882,544									
Loan Amortization	(219,095)	239,865	262,604	287,499	314,754	0	0	0	0	0
		((((
Bank Interest Rate	(125,498)	104,728	(81,988)	(57,094)	(29,839)	(0)	(0)	(0)	(0)	(0)
		(
Loans	1,323,816	0	0	0	0	0	0	0	0	0
Net Cashflows from Financing Activities	1,861,768	344,592	344,592	344,592	344,592	0	0	0	0	0
		((((
Net (Increase/Decrease) in Cash	333,448	(61,043)	86,189	152,584	203,982	529,170	536,202	666,421	644,905	625,435
Cashflows at the Beginning of Period	0	333,448	272,406	358,594	511,178	715,160	1,244,33	1,780,53	2,446,95	3,091,85
							0	3	4	9
Cashflows at the End of Period	333,448	272,406	358,594	511,178	715,160	1,244,33	1,780,53	2,446,95	3,091,85	3,717,29
						0	3	4	9	4

Expected Balance Sheet

The balance sheet is one of the main statements which the project depends on, as it reflects the financial position of the entity and is usually estimated on the last day of the financial year.

All financial information and analysis of the project shall be the estimated for the years (2018-2027) as shown in the table below:

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Table 40: Expected Balance Sheet

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Assets										
Current Assets										
Cash	333,448	272,406	358,594	511,178	715,160	1,244,330	1,780,533	2,446,954	3,091,859	3,717,294
Inventory	36,480	36,480	45,643	50,477	54,428	54,428	55,793	64,145	64,145	64,145
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Total current Assets	369,928	308,886	404,237	561,655	769,588	1,298,758	1,836,325	2,511,098	3,156,003	3,781,438
Non Current Assets										
Fixed Assets (net)	1,766,353	1,677,772	1,588,229	1,497,680	1,406,081	1,313,382	1,219,534	1,124,485	1,028,180	930,562
Total Non Current Assets	1,766,353	1,677,772	1,588,229	1,497,680	1,406,081	1,313,382	1,219,534	1,124,485	1,028,180	930,562
Total Assets	2,136,281	1,986,658	1,992,466	2,059,335	2,175,669	2,612,140	3,055,859	3,635,583	4,184,183	4,712,000
Liabilities										
Current Liabilities										
Payables	86,362	87,904	101,756	109,887	116,908	118,718	122,427	135,553	137,595	139,721
Remaining amount of Loan	239,865	262,604	287,499	314,754	(0)	(0)	(0)	(0)	(0)	0
Total current Liabilities	326,227	350,508	389,254	424,641	116,908	118,718	122,427	135,553	137,595	139,721
Non Current Liabilities										
Long Terms Loans	864,857	602,253	314,754	0	0	0	0	0	0	0
Total Long Term Liabilities	864,857	602,253	314,754	0	0	0	0	0	0	0

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Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Liabilities	1,191,084	952,760	704,008	424,641	116,908	118,718	122,427	135,553	137,595	139,721
Owners Equity										
Shareholders Contributions	882,544	882,544	882,544	882,544	882,544	882,544	882,544	882,544	882,544	882,544
Statutory Reseve	6,265	15,135	40,591	75,215	117,622	161,088	205,089	261,749	316,404	368,973
Retained Profits	56,388	136,218	365,322	676,935	1,058,595	1,449,790	1,845,799	2,355,738	2,847,640	3,320,761
Total Equity	945,197	1,033,897	1,288,458	1,634,694	2,058,761	2,493,422	2,933,432	3,500,030	4,046,588	4,572,279
Total Liabilities and Equity	2,136,281	1,986,658	1,992,466	2,059,335	2,175,669	2,612,140	3,055,859	3,635,583	4,184,183	4,712,000

Feasibility Indicators

There are more than one method to calculate the discounted cash flow statement. However, in this study, WACC was used to calculate the discounted cash flows and net investment value. The Company's financing structure is based on equity and loans, therefore the discounted rate should be adjusted according to WACC based on the following assumptions, the following table illustrates the net expected free cash flow of the project:

Table 41: Free Net Cash flows Table

Net Cashflows	Before Operating	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Net Free Cashflows	(2,206,361)	364,06	283,55	430,78	497,17	548,57	529,17	536,20	666,42	644,90	625,43	8,078,55

		5	0	1	7	5	0	2	1	5	5	1
Discount Factor	1.00	0.80	0.71	0.63	0.57	0.51	0.45	0.40	0.36	0.32	0.29	0.29
Net Present Value for Cash Flows	(2,206,361)	289,96	201,54	273,26	281,46	277,15	238,59	215,76	239,32	206,68	178,88	2,310,65
		3	7	5	2	8	9	7	4	8	9	3

Table below illustrates payback period for the project, as it is one of the indicators which investors care about before taking the investment decision as they need to know when the project will return the invested amount of money. Payback period definition is the total required period so that the project generates a total money equal to the total invested capital expenditure, as investor is always looking to return the full invested amount of money at the earliest possible.

Table 42: Payback Period

Payback Period	Before	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Operating										
Net Free Cashflows	(2,206,361)	364,065	283,550	430,781	497,17	548,57	529,170	536,202	666,421	644,905	625,435
					7	5					
Project Value Returned	2,206,361	1,842,29	1,558,74	1,127,96	630,78	82,213	446,957)	983,159)	1,649,580)	2,294,485)	2,919,920)
Payback Period (Year)	5	1	1	1	1	1	0	0	0	0	0

Table 43: Financial Analysis Results

Weighted Average Cost of Capital (WACC)	%12.05
Net Present Value for Cashflows	4,713,315
Payback Period	5
Internal Rate of Return	%22.89

Sensitivity Analysis

Sensitivity analysis is conducted to investigate the effects of changes in significant inputs of the financial analysis. This includes changes in revenues, total investment costs, and operating costs.

Table 44: Sensitivity Analysis

Sensitivity Analysis	Internal Rate of Return	Payback Period	WACC
Original Scenario	%25.31	5	12.05%
Revenues declined by 10%	%21.72	5	12.05%
Operating Expenses Increased by 10%	%20.03	5	12.05%

Conclusions and Recommendations

Based on the profitability analysis and considering that project internal rate of return is higher than WACC, it is concluded that the project is feasible as the net present value for the project is positive 4,713,315 Jordan Dinars considering that the project provides 52 Job Opportunities for the governorate residents.