



DOTCOM TRADING 278 CC Reg number 2008/008384/23 t/a **Petrorex**.  
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The improvements on a Service Station Site are specifically designed and build to sell fuel and allied products.  
There is actually no alternative use for a Service Station Development.  
Therefore an investor's primary interest in a Service Station is its income stream and desirable return on his equity.

The following work method in the preparation of the Assessment was followed;

- Information relating to the Trading area physical / spatial development and existing land uses was obtained by means of interviews and studying of existing reports to obtain a general impression of the Trading Area.
- Information relating the operational and property income of the service station was determined by means conducting a feasibility study.
- All the above information was analysed and incorporated in the assessment report.

The following assessment approaches were followed:

- Modern Capital Budget approach - Discounted Cash Flow (DCF) analysis based on the income stream derived from rent and/or rebates received as well as the operational income stream. The major methods used to make capital budget decisions are presented as, net present values (NPV), internal rate of return (IRR), and the profitability index (PI).
- The Cap rate method was based on a one-year income stream.
- The Goodwill Business Assessment was based on the net operational income stream.

The purpose of the Assessment is to act as a guideline to enable the role players such as the Investor / Financial Institution, Department of Mineral and Energy or the Oil Company to make critical decisions

Compiled by Hannes Pieterse (Dip CIS) \_\_\_\_\_  
( Commercial and Industrial Specialist. )

DATE \_\_\_\_\_

PETROLEUM PRODUCTS ACT, 1977 (Act No. 120 of 1977)  
REGULATIONS REGARDING PETROLEUM PRODUCTS SITE AND RETAIL LICENCES  
The Minister of Minerals and Energy has under sections 28, 2D, 2E and  
12C(1)(a) of the Petroleum Products Act, 1977 (Act No. 120 of 1977) made the regulations in the Schedule.

- 28) A retail licence for a retailing activity that does not qualify in terms of section 2D of the Act, may only be issued after the Controller ;  
has been satisfied that the retailing activity for which the licence is applied for is economically viable
- (1 ) In determining the economic viability the Controller must ensure that -
- (a) the period to be used in the calculation is 20 years;
  - (b) a discount rate that is to be published by the controller at the end of
  - (c) the retail margin as reflected in Table 1;
  - (d) a repayment period of the longest loan, debt or other type of financing excluding equity is not more than 20 years;
  - (e) the rent specified by the landlord;
  - (f) the franchise fee payments payable to the franchisor;
  - (g) any payments due to the landowner in lieu of rehabilitation;
  - (h) all other payments and guarantees payable to the franchisor;
  - (i) estimated volumes of petrol and diesel to be sold; February every year.
  - (j) have once-off payments payable to any person such as those colloquially referred to as "key money" and "goodwill payments";
  - (k) a fair share of total costs of the operations conducted on that site, being allocated to retailing prescribed petroleum products;
  - (l) labour costs adjusted annually for inflation;
  - (m) all factors necessary to properly calculate the net present value
  - (n) all capital expenditures and incomes have been included in the net present value
  - (o) all other business assumptions used in the net present value
  - (p) the net present value calculation has been correctly calculated;
  - (q) that the real net present value contemplated above is positive;
- have been included; present value calculation; calculation are fair and reasonable;

SCENARIO BASED ON MONTHLY BUSINESS INCOME

1 THE INCOME APPROACH

1.1 The Operating Statement

STEP 1

The following assumptions were made

The investor develop the Service Station as a property investment and its monthly business income is based on the income received from the Oil Company.

STEP 2

In this step the expected cash flows forecast must be determine for whole period during which the investment is expected to be held and in this scenario its is for 20 years.

The only source of cashflow is from the leasing side and no sale of the site is foreseen in ten years time.

The operating statement provide the structure of cash flows for income analysis.

POTENTIAL GROSS INCOME (PGI)

PGI is the maximum operational income that the property will achieve

Fuel Volume sales

TOTAL FUEL SALES P/A

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2,872,206	3,044,538	3,227,211	3,420,843	3,626,094	3,843,660	4,074,279	4,318,736	4,577,860	4,852,532

Total operational income ( All departments)

Developers income from:

Developers profit and land cost

Oilcompany rental Option B

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
4,487,253	1,590,000	1,685,400	1,786,524	1,893,715	2,007,338	2,127,779	2,255,445	2,390,772	2,534,218

2,987,253	0	0	0	0	0	0	0	0	0
1,500,000	1,590,000	1,685,400	1,786,524	1,893,715	2,007,338	2,127,779	2,255,445	2,390,772	2,534,218

4,487,253	1,590,000	1,685,400	1,786,524	1,893,715	2,007,338	2,127,779	2,255,445	2,390,772	2,534,218
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LESS VACANCY / BAD DEBTS

Vacancies apply where the property is not fully let or if there is a change of tenant

% of PGI

0.00%	-	-	-	-	-	-	-	-	-	0
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EFFECTIVE GROSS INCOME ( EGI )

EGI represents the actual gross income that the property would generate

4,487,253	1,590,000	1,685,400	1,786,524	1,893,715	2,007,338	2,127,779	2,255,445	2,390,772	2,534,218
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LESS OPERATING EXPENSES ( OE )

OE are all the expenses that need to be incurred for the functioning and maintenance of the property

Total expenses of the property owner ( excluding debt services )

2.00%

30,000	31,800	33,708	35,730	37,874	40,147	42,556	45,109	47,815	50,684
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NET OPERATING INCOME

4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
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Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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SCENARIO BASED ON MONTHLY BUSINESS INCOME

1 THE INCOME APPROACH

1.1 The Operating Statement

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The following assumptions were made

The investor develop the Service Station as a property investment and its monthly business income is based on the income received from the Oil Company.

STEP 2

In this step the expected cash flows forecast must be determine for whole period during which the investment is expected to be held and in this scenario its is for 20 years.

The only source of cashflow is from the leasing side and no sale of the site is foreseen in ten years time.

The operating statement provide the structure of cash flows for income analysis.

POTENTIAL GROSS INCOME (PGI)

PGI is the maximum operational income that the property will achieve

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Fuel Volume sales										
TOTAL FUEL SALES P/A	5,143,684	5,452,305	5,779,443	6,126,209	6,493,782	6,883,409	7,296,413	7,734,198	8,198,250	8,690,145
Total operational income ( All departments)	2,686,272	2,847,448	3,018,295	3,199,392	3,391,356	900,000	954,000	1,011,240	1,071,914	1,136,229
Developers income from:										
Operator	0	0	0	0	0	0	0	0	0	0
Oilcompany rebate	2,686,272	2,847,448	3,018,295	3,199,392	3,391,356	900,000	954,000	1,011,240	1,071,914	1,136,229
	2,686,272	2,847,448	3,018,295	3,199,392	3,391,356	900,000	954,000	1,011,240	1,071,914	1,136,229

LESS VACANCY / BAD DEBTS

Vacancies apply where the property is not fully let or if there is a change of tenant

% of PGI	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
0.00%	0	0	0	0	0	0	0	0	0	0

EFFECTIVE GROSS INCOME ( EGI )

EGI represents the actual gross income that the property would generate

	2,686,272	2,847,448	3,018,295	3,199,392	3,391,356	900,000	954,000	1,011,240	1,071,914	1,136,229
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LESS OPERATING EXPENSES ( OE )

OE are all the expenses that need to be incurred for the functioning and maintenance of the property

Total expenses of the property owner ( excluding debt services )

2.00%	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
	53,725	56,949	60,366	63,988	67,827	71,897	76,211	80,783	85,630	90,768

NET OPERATING INCOME

	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
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Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
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LESS DEBT SERVICE (DS)  
 PROPERTY OWNER FINANCE  
 Development Estimate  
 Property value estimate

	6,500,000
	1,000,000
	7,500,000
% borrowed capital	100.00%
% own contribution	0.00%
Interest rate	11.75%
Term	15
Total payment	112,492
Interest payment	93,021
Capital payment	19,472

Interest payment	1,103,247	1,072,651	1,041,110	1,002,648	959,143	910,240	855,269	793,476	724,014	645,929
Capital payment	246,663	277,259	312,200	351,011	394,564	443,524	498,564	560,439	630,002	708,213
	1,349,910	1,349,910	1,353,311	1,353,658	1,353,707	1,353,764	1,353,833	1,353,915	1,354,016	1,354,141

**BEFORE TAX CASH FLOW (BTCH)**

This is the revenue generated by the property after debt service

	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
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**TAX ( T )**

Tax various per property depending on the type of ownership and expenses occur

Rate	30.00%	1,006,202	145,665	183,175	224,444	269,009	317,085	368,986	425,058	485,683	551,282
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**AFTER TAX CASH FLOW (ATCF)**

This represent the revenue received from the property after all expenses have been paid

	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
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**OPERATING STATEMENT (SUMMARY)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>PGI</b>	<b>4,487,253</b>	<b>1,590,000</b>	<b>1,685,400</b>	<b>1,786,524</b>	<b>1,893,715</b>	<b>2,007,338</b>	<b>2,127,779</b>	<b>2,255,445</b>	<b>2,390,772</b>	<b>2,534,218</b>
less VAC	-	-	-	-	-	-	-	-	-	0
EGI	4,487,253	1,590,000	1,685,400	1,786,524	1,893,715	2,007,338	2,127,779	2,255,445	2,390,772	2,534,218
less OE	30,000	31,800	33,708	35,730	37,874	40,147	42,556	45,109	47,815	50,684
NOI	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
less DS	1,349,910	1,349,910	1,353,311	1,353,658	1,353,707	1,353,764	1,353,833	1,353,915	1,354,016	1,354,141
BTCH	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
less T	1,006,202	145,665	183,175	224,444	269,009	317,085	368,986	425,058	485,683	551,282
ATCF	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111

**1.2 PROPERTY REVERSION**

The second source of cash flow is from the disposition of the investment - THIS OPTION WAS NOT TAKEN INTO CONSIDERATION

**ANALYSIS**

Expected selling price	
Discount rate	
Term	
Minus Selling Expenses	-
Net Sales Price (NSP)	-
Minus Unpaid mortgage	-
Before tax equity reversion (BTCH)	-
Minus Taxes due from the sale	-
After tax equity reversion (ATER)	-

LESS DEBT SERVICE (DS)  
PROPERTY OWNER FINANCE

Development Estimate	6,500,000
Property value estimate	1,000,000
	6,500,000
% borrowed capital	100.00%
% own contribution	0.00%
Interest rate	11.75%
Term	15
Total payment	76,969
Interest payment	63,646
Capital payment	13,323

Interest payment	558,149	459,467	348,524	223,784	83,494					
Capital payment	796,153	895,050	1,006,298	1,131,529	1,272,894					
	1,354,302	1,354,517	1,354,822	1,355,313	1,356,388	0	0	0	0	0

BEFORE TAX CASH FLOW (BTCH)  
This is the revenue generated by the property after debt service

	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
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TAX ( T )  
Tax various per property depending on the type of ownership and expenses occur

Rate	30.00%	622,319	699,310	782,821	873,486	972,010	248,431	263,337	279,137	295,885	313,638
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AFTER TAX CASH FLOW (ATCF)  
This represent the revenue received from the property after all expenses have been paid

	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
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Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
2,686,272	2,847,448	3,018,295	3,199,392	3,391,356	900,000	954,000	1,011,240	1,071,914	1,136,229
0	0	0	0	0	0	0	0	0	0
2,686,272	2,847,448	3,018,295	3,199,392	3,391,356	900,000	954,000	1,011,240	1,071,914	1,136,229
53,725	56,949	60,366	63,988	67,827	71,897	76,211	80,783	85,630	90,768
2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
1,354,302	1,354,517	1,354,822	1,355,313	1,356,388	0	0	0	0	0
1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
622,319	699,310	782,821	873,486	972,010	248,431	263,337	279,137	295,885	313,638
655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823

1.2 PROPERTY REVERSION  
The second source of cash flow is from the disposition of the investment - THIS OPTION WAS NOT TAKEN INTO CONSIDERATION

ANALYSIS

Expected selling price	0
Discount rate	0
Term	0
Minus Selling Expenses	0
Net Sales Price (NSP)	0
Minus Unpaid mortgage	0
Before tax equity reversion (BTER)	0
Minus Taxes due from the sale	0
After tax equity reversion (ATER)	0

1.3 DISCOUNTED CASH FLOW ANALYSIS

The DCF is a vital concept, and can be regarded as the most important of all the techniques used in finance. The DCF encompasses the determining of present values, future values and analyzing of unequal cash streams as well as determining net present values (NPV), the profitability index (PI) and the internal rate of return (IRR).

1.3.1 NET PRESENT VALUE (NPV)

The NPV work as follows, it determine the sum of all cashflows (both in and outflows and initial outlay) and discount to a present value at a projected discounted rate of return (cost of capital).

A Based on the property as an investment (excl VAT)

Cashflow (CF)	CF Y0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Invest	9,500,000										
NOI	(9,500,000)	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
NPV		(4,863,574)	(3,890,680)	(3,009,255)	(2,210,698)	(1,487,220)	(831,761)	(237,926)	300,078	787,501	1,229,097
BTCF	(9,500,000)	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
NPV		(5,849,702)	(5,719,651)	(5,560,420)	(5,379,282)	(5,183,531)	(4,979,140)	(4,770,853)	(4,562,397)	(4,356,660)	(4,155,843)
ATCF	(9,500,000)	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
NPV		(6,584,746)	(6,545,644)	(6,484,164)	(6,405,398)	(6,314,517)	(6,215,777)	(6,112,571)	(6,007,575)	(5,902,879)	(5,800,085)

Discounted rate @

17.00%

The discounted rate are based on the discounted rate for Service Stations as a property development (marginal cost of capital, inflation based rate, investment rate)

B Based on the Investors parameters

Cashflow (CF)	CF Y0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Invest	1,000,000										
NOI	(1,000,000)	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
NPV		2,401,383	3,374,277	4,255,703	5,054,259	5,777,738	6,433,197	7,027,031	7,565,036	8,052,458	8,494,055
BTCF	(1,000,000)	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
NPV		1,415,255	1,545,306	1,704,537	1,885,675	2,081,426	2,285,817	2,494,104	2,702,560	2,908,297	3,109,114
ATCF	(1,000,000)	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
NPV		680,211	719,313	780,793	859,559	950,441	1,049,180	1,152,387	1,257,382	1,362,078	1,464,872

Discounted rate @

17.00%

The discounted rate are based on the discounted rate for Service Stations as a income producing development (risk premium, and cost of capital)

1.3 DISCOUNTED CASH FLOW ANALYSIS

The DCF is a vital concept, and can be regarded as the most important of all the techniques used in finance. The DCF encompasses the determining of present values, future values and analyzing of unequal cash streams as well as determining net present values (NPV), the profitability index (PI) and the internal rate of return (IRR).

1.3.1 NET PRESENT VALUE (NPV)

The NPV work as follows, it determine the sum of all cashflows (both in and outflows and initial outlay) and discount to a present value at a projected discounted rate of return (cost of capital).

A Based on the property as an investment (excl VAT)

Cashflow (CF)	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Invest										
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
NPV	1,629,176	1,991,641	2,320,028	2,617,541	2,887,082	2,944,484	2,996,489	3,043,604	3,086,290	3,124,963
BTFC	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
NPV	(3,961,583)	(3,775,060)	(3,597,084)	(3,428,175)	(3,268,638)	(3,211,236)	(3,159,231)	(3,112,115)	(3,069,429)	(3,030,757)
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
NPV	(5,700,401)	(5,604,713)	(5,513,646)	(5,427,620)	(5,346,914)	(5,306,733)	(5,270,329)	(5,237,348)	(5,207,468)	(5,180,397)

Discounted rate @

17.00%

The discounted rate are based on the discounted rate for Service Stations as a property development

B Based on the Investors parameters

Cashflow (CF)	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Invest										
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
NPV	8,894,134	9,256,598	9,584,985	9,882,498	10,152,039	10,209,441	10,261,446	10,308,562	10,351,248	10,389,920
BTFC	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
NPV	3,303,374	3,489,897	3,667,873	3,836,783	3,996,320	4,053,721	4,105,726	4,152,842	4,195,528	4,234,201
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
NPV	1,564,556	1,660,244	1,751,311	1,837,337	1,918,044	1,958,225	1,994,628	2,027,609	2,057,489	2,084,560

Discounted rate @

The discounted rate are based on the discounted rate for Service Stations as a income producing development ( risk premium, and cost of capital)



1.3.2 PROFITABILITY INDEX (PI)

The profitability index (PI) is merely a value of cash inflows divided by the investment cost its is also referred to as the benefit / cost ratio.

	CF Y0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NOI	(1,000,000)	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
PI		3.46	5.02	6.67	8.42	10.27	12.24	14.33	16.54	18.88	21.36
BTCF	(1,000,000)	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
PI		2.11	2.32	2.61	3.01	3.51	4.13	4.86	5.71	6.70	7.83
ATCF	(1,000,000)	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
PI		1.10	1.16	1.28	1.45	1.68	1.98	2.34	2.77	3.28	3.86
Discounted rate @		17.00%									

1.3.3 INTERNAL RATE OF RETURN (IRR)

The internal -rate of return is defined as the return which will make the present value of the future cash inflows equal to the present value of the initial investment cost and to the cash outflows

The NPV would be exactly zero if the IRR is used as a discounted rate

If IRR => as the discount rate accept , if =< reject

	CF Y0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NOI	(1,000,000)	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
IRR		346%	378%	385%	386%	387%	387%	387%	387%	387%	387%
BTCF	(1,000,000)	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
IRR		211%	217%	220%	221%	222%	222%	222%	222%	222%	222%
ATCF	(1,000,000)	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
IRR		110%	113%	116%	117%	118%	119%	119%	119%	119%	119%
Discounted rate @		17.00%									

1.3.2 PROFITABILITY INDEX (PI)

The profitability index (PI) is merely a value of cash inflows divided by the investment cost it is also referred to as the benefit / cost ratio.

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
PI	24.00	26.79	29.74	32.88	36.20	37.03	37.91	38.84	39.83	40.87
BTCF	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
PI	9.11	10.55	12.15	13.93	15.90	16.73	17.60	18.53	19.52	20.57
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
PI	4.51	5.25	6.07	6.98	7.97	8.55	9.17	9.82	10.51	11.24

Discounted rate @

1.3.3 INTERNAL RATE OF RETURN (IRR)

The internal -rate of return is defined as the return which will make the present value of the future cash inflows equal to the present value of the initial investment cost and to the cash outflows

The NPV would be exactly zero if the IRR is used as a discounted rate

If IRR => as the discount rate accept , if =< reject

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
IRR	387%	387%	387%	387%	387%	387%	387%	387%	387%	387%
BTCF	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
IRR	222%	222%	222%	222%	222%	222%	222%	222%	222%	222%
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
IRR	119%	119%	119%	119%	119%	119%	119%	119%	119%	119%
Discounted rate @	17.00%									

**2. THE CAPITALIZATION APPROACH**

The value of the development using the capitalization rates is based on the market comparison method to determine these rates.

The cap rate analysis are based on a one year income stream and do not take the sale or any renovations into account, which is a limitation.

**2.1 The Cap Rate = NOI or BTCF or ATCF/(NPV)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NOI	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
NPV	(4,863,574)	(3,890,680)	(3,009,255)	(2,210,698)	(1,487,220)	(831,761)	(237,926)	300,078	787,501	1,229,097
Rate	-91.65%	-40.05%	-54.89%	-79.20%	-124.79%	-236.51%	-876.42%	736.59%	297.52%	202.06%
BTCF	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
NPV	(4,863,574)	(3,890,680)	(3,009,255)	(2,210,698)	(1,487,220)	(831,761)	(237,926)	300,078	787,501	1,229,097
Rate	-63.89%	-5.35%	-9.92%	-17.96%	-33.76%	-73.75%	-307.40%	285.40%	125.58%	91.89%
ATCF	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
NPV	(4,863,574)	(3,890,680)	(3,009,255)	(2,210,698)	(1,487,220)	(831,761)	(237,926)	300,078	787,501	1,229,097
Rate	-43.20%	-1.61%	-3.83%	-7.81%	-15.68%	-35.63%	-152.32%	143.75%	63.91%	47.04%

**2.2 The Total Investment = NOI or BTCF or ATCF/ Cap Rat**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NOI	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
Rate	46.92%	16.40%	17.39%	18.43%	19.54%	20.71%	21.95%	23.27%	24.66%	26.14%
Investment	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
BTCF	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
Rate	32.71%	2.19%	3.14%	4.18%	5.29%	6.46%	7.70%	9.01%	10.41%	11.89%
Investment	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
ATCF	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
Rate	22.12%	0.66%	1.21%	1.82%	2.45%	3.12%	3.81%	4.54%	5.30%	6.09%
Investment	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000

2.THE CAPITALIZATION APPROACH

The value of the development using the capitalization rates is based on the market comparison method to determine these rates.

The cap rate analysis are based on a one year income stream and do not take the sale or any renovations into account, which is a limitation.

2.1The Cap Rate = NOI or BTCF or ATCF/(NPV)

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
NPV	1,629,176	1,991,641	2,320,028	2,617,541	2,887,082	2,944,484	2,996,489	3,043,604	3,086,290	3,124,963
Rate	161.59%	140.11%	127.50%	119.78%	115.12%	28.12%	29.29%	30.57%	31.96%	33.46%
BTCF	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
NPV	1,629,176	1,991,641	2,320,028	2,617,541	2,887,082	2,944,484	2,996,489	3,043,604	3,086,290	3,124,963
Rate	78.46%	72.10%	69.10%	68.01%	68.14%	28.12%	29.29%	30.57%	31.96%	33.46%
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
NPV	1,629,176	1,991,641	2,320,028	2,617,541	2,887,082	2,944,484	2,996,489	3,043,604	3,086,290	3,124,963
Rate	40.26%	36.99%	35.36%	34.64%	34.47%	19.69%	20.51%	21.40%	22.37%	23.42%

2.2The Total Investment = NOI or BTCF or ATCF/ Cap Rat

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
Rate	27.71%	29.37%	31.14%	33.00%	34.98%	8.72%	9.24%	9.79%	10.38%	11.00%
Investment	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
BTCF	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
Rate	13.46%	15.12%	16.87%	18.74%	20.71%	8.72%	9.24%	9.79%	10.38%	11.00%
Investment	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
Rate	6.90%	7.75%	8.63%	9.54%	10.48%	6.10%	6.47%	6.86%	7.27%	7.70%
Investment	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000

2.3 The overall capitalization rate must satisfy the returns of the Lenders and the Investors

% Finance x return on finance	100.00%	11.75%	11.75%
% Equity x return on equity	0.00%	17.00%	0.00%
Overall capitalization rate			11.75%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NOI	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
Rate	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
Price	37,934,068	13,261,277	14,056,953	14,900,370	15,794,393	16,742,056	17,746,580	18,811,374	19,940,057	21,136,460
BTCF	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
Rate	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
Price	26,445,474	1,772,683	2,539,416	3,379,874	4,273,482	5,220,657	6,224,599	7,288,693	8,416,518	9,611,853
ATCF	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
Rate	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
Price	17,882,054	532,983	980,484	1,469,714	1,984,040	2,522,058	3,084,291	3,671,177	4,283,046	4,920,094

2.4 Return on Investment ROI

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Investment	0	0	0	0	0	0	0	0	0	0
Deposits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Own equity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
NOI	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957	2,483,534
ROI	445.73%	155.82%	165.17%	175.08%	185.58%	196.72%	208.52%	221.03%	234.30%	248.35%
BTCF	3,107,343	208,290	298,381	397,135	502,134	613,427	731,390	856,421	988,941	1,129,393
ROI	310.73%	20.83%	29.84%	39.71%	50.21%	61.34%	73.14%	85.64%	98.89%	112.94%
ATCF	2,101,141	62,625	115,207	172,691	233,125	296,342	362,404	431,363	503,258	578,111
ROI	210.11%	6.26%	11.52%	17.27%	23.31%	29.63%	36.24%	43.14%	50.33%	57.81%

**PROPERTY VALUE / RESIDUAL VALUE**

	CF Y0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cashflow (NOI)											
INVESTMENT	9,500,000	-9,500,000	4,457,253	1,558,200	1,651,692	1,750,794	1,855,841	1,967,192	2,085,223	2,210,336	2,342,957
Land	1,000,000										
Discounted rate @		17.00%									
NPV		3,124,963									
IRR		25.19%									

2.3 The overall capitalization rate must satisfy the returns of the Lenders and the Investors

% Finance x return	100.00%	11.75%	11.75%
% Equity x return or	0.00%	17.00%	0.00%
Overall capitalization rate			

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
Rate	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
Price	<b>22,404,648</b>	<b>23,748,927</b>	<b>25,173,862</b>	<b>26,684,294</b>	<b>28,285,352</b>	<b>7,047,687</b>	<b>7,470,549</b>	<b>7,918,781</b>	<b>8,393,908</b>	<b>8,897,543</b>
BTCF	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
Rate	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
Price	<b>10,878,672</b>	<b>12,221,124</b>	<b>13,643,459</b>	<b>15,149,713</b>	<b>16,741,623</b>	<b>7,047,687</b>	<b>7,470,549</b>	<b>7,918,781</b>	<b>8,393,908</b>	<b>8,897,543</b>
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
Rate	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
Price	<b>5,582,338</b>	<b>6,269,554</b>	<b>6,981,150</b>	<b>7,715,789</b>	<b>8,469,194</b>	<b>4,933,381</b>	<b>5,229,384</b>	<b>5,543,147</b>	<b>5,875,736</b>	<b>6,228,280</b>

2.4 Return on Investment ROI

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Investmer Deposits	0	0	0	0	0	0	0	0	0	0
Own equity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
NOI	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
ROI	<b>263.25%</b>	<b>279.05%</b>	<b>295.79%</b>	<b>313.54%</b>	<b>332.35%</b>	<b>82.81%</b>	<b>87.78%</b>	<b>93.05%</b>	<b>98.63%</b>	<b>104.55%</b>
BTCF	1,278,244	1,435,982	1,603,106	1,780,091	1,967,141	828,103	877,789	930,457	986,284	1,045,461
ROI	<b>127.82%</b>	<b>143.60%</b>	<b>160.31%</b>	<b>178.01%</b>	<b>196.71%</b>	<b>82.81%</b>	<b>87.78%</b>	<b>93.05%</b>	<b>98.63%</b>	<b>104.55%</b>
ATCF	655,925	736,673	820,285	906,605	995,130	579,672	614,453	651,320	690,399	731,823
ROI	<b>65.59%</b>	<b>73.67%</b>	<b>82.03%</b>	<b>90.66%</b>	<b>99.51%</b>	<b>57.97%</b>	<b>61.45%</b>	<b>65.13%</b>	<b>69.04%</b>	<b>73.18%</b>

PROPERTY VALUE / RESIDUAL VALUE

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Cashflow (NOI)	2,632,546	2,790,499	2,957,929	3,135,405	3,323,529	828,103	877,789	930,457	986,284	1,045,461
INVESTMENT										
Land										
Discounted rate @										
NPV										
IRR										

**4.OPPERATIONAL GOODWILL / BUSINESS ASSESSMENT.**

The market value of s Service Station is customarily determined on:

- A pay back period was based on the operational Income derived from Fuel and Other sales / income.
- Rebates receive do not form part of the operational income.
- Owners remuneration, cost of finance and taxes payable were excluded.
- Monthly Operational rental to the Landlord was adjusted to the market related rentals.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Income</b>										
Fuel	1,927,205	2,144,979	2,387,362	2,657,133	2,957,390	3,291,575	3,663,522	4,077,501	4,538,258	5,051,081
Shop	871,236	932,035	987,957	1,047,234	1,110,068	1,176,672	1,247,273	1,322,109	1,401,436	1,485,522
Other	471,479	499,768	529,754	561,539	595,232	630,946	668,802	708,930	751,466	796,554
	<b>3,269,920</b>	<b>3,576,782</b>	<b>3,905,072</b>	<b>4,265,907</b>	<b>4,662,689</b>	<b>5,099,192</b>	<b>5,579,597</b>	<b>6,108,540</b>	<b>6,691,160</b>	<b>7,333,157</b>
<b>Expenses</b>										
Salaries and wages	1,265,607	1,354,200	1,448,994	1,550,424	1,658,953	1,775,080	1,899,336	2,032,289	2,174,549	2,326,768
Other	1,685,597	1,804,796	1,927,792	2,059,981	2,202,172	2,355,260	2,520,241	2,698,223	2,890,444	3,098,285
Less Operational Owner salary	180,000	192,600	206,082	220,508	235,943	252,459	270,131	289,041	309,274	330,923
Less Rental	955,008	1,016,876	1,077,888	1,142,562	1,211,115	1,283,782	1,360,809	1,442,458	1,529,005	1,620,746
Less Cost of finance	0	0	0	0	0	0	0	0	0	0
Rental adjustment / market related	30.00%	980,976	1,073,034	1,171,522	1,279,772	1,398,807	1,529,758	1,673,879	1,832,562	2,007,348
	<b>2,797,172</b>	<b>3,022,555</b>	<b>3,264,337</b>	<b>3,527,107</b>	<b>3,812,873</b>	<b>4,123,856</b>	<b>4,462,515</b>	<b>4,831,576</b>	<b>5,234,062</b>	<b>5,673,332</b>
Available nett income	<b>472,748</b>	<b>554,227</b>	<b>640,735</b>	<b>738,799</b>	<b>849,816</b>	<b>975,336</b>	<b>1,117,082</b>	<b>1,276,964</b>	<b>1,457,098</b>	<b>1,659,825</b>
<b>GOODWILL PRICE / PAY-BACK PERIOD</b>										
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
MONTHS										
Minimum	24.00	945,496	1,108,454	1,281,470	1,477,599	1,699,632	1,950,673	2,234,165	2,553,928	2,914,195
Maximum	36.00	1,418,244	1,662,681	1,922,205	2,216,398	2,549,448	2,926,009	3,351,247	3,830,892	4,371,293
Average	30.00	<b>1,181,870</b>	<b>1,385,568</b>	<b>1,601,838</b>	<b>1,846,999</b>	<b>2,124,540</b>	<b>2,438,341</b>	<b>2,792,706</b>	<b>3,192,410</b>	<b>3,642,744</b>
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
Goodwill Price	1,181,870	1,385,568	1,601,838	1,846,999	2,124,540	2,438,341	2,792,706	3,192,410	3,642,744	4,149,564
ROI	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%

4.OPERATIONAL GOODWILL / BUSINESS ASSESSMENT.

- The market value of s Service Station is customarily determined on:  
 - A pay back period was based on the operational Income derived from Fuel and Other sales / income.  
 - Rebates receive do not form part of the operational income.  
 -Owners remuneration, cost of finance and taxes payable were excluded.  
 - Monthly Operational rental to the Landlord was adjusted to the market related rentals.

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	
<b>Income</b>											
Fuel	5,889,561	6,555,081	7,295,805	8,120,231	9,037,817	10,059,091	11,195,768	12,460,890	13,868,970	15,436,164	
Shop	1,574,653	1,669,132	1,769,280	1,875,437	1,987,963	2,107,241	2,233,675	2,367,696	2,509,758	2,660,343	
Other	185,173	196,283	208,060	220,544	233,776	247,803	262,671	278,431	295,137	312,845	
	<b>7,649,386</b>	<b>8,420,496</b>	<b>9,273,145</b>	<b>10,216,212</b>	<b>11,259,557</b>	<b>12,414,134</b>	<b>13,692,114</b>	<b>15,107,017</b>	<b>16,673,865</b>	<b>18,409,352</b>	
<b>Expenses</b>											
Salaries and wages	2,489,641	2,663,916	2,850,391	3,049,918	3,263,412	3,491,851	3,736,281	3,997,820	4,277,668	4,577,104	
Other	3,309,410	3,551,024	3,813,120	4,097,836	4,407,589	4,745,106	5,113,476	5,516,204	5,957,271	6,441,206	
Less Operational Owner salary	354,087	378,873	405,394	433,772	464,136	496,626	531,389	568,587	608,388	650,975	
Less Rental	1,717,990	1,821,070	1,930,334	2,046,154	2,168,923	2,299,059	2,437,002	2,583,222	2,738,216	2,902,508	
Less Cost of finance	0	0	0	0	0	0	0	0	0	0	
Rental adjustment / market related	30.00% 2,294,816	2,526,149	2,781,944	3,064,864	3,377,867	3,724,240	4,107,634	4,532,105	5,002,160	5,522,806	
	<b>6,021,790</b>	<b>6,541,147</b>	<b>7,109,725</b>	<b>7,732,692</b>	<b>8,415,809</b>	<b>9,165,513</b>	<b>9,989,000</b>	<b>10,894,321</b>	<b>11,890,494</b>	<b>12,987,632</b>	
Available nett income	<b>1,627,596</b>	<b>1,879,350</b>	<b>2,163,420</b>	<b>2,483,520</b>	<b>2,843,748</b>	<b>3,248,622</b>	<b>3,703,115</b>	<b>4,212,696</b>	<b>4,783,371</b>	<b>5,421,720</b>	
<b>GOODWILL PRICE / PAY-BACK PERIMONTHS</b>											
Minimum	24.00	3,255,192	3,758,699	4,326,840	4,967,040	5,687,496	6,497,243	7,406,229	8,425,392	9,566,741	10,843,440
Maximum	36.00	4,882,788	5,638,049	6,490,260	7,450,560	8,531,244	9,745,865	11,109,344	12,638,089	14,350,112	16,265,160
Average	30.00	<b>4,068,990</b>	<b>4,698,374</b>	<b>5,408,550</b>	<b>6,208,800</b>	<b>7,109,370</b>	<b>8,121,554</b>	<b>9,257,787</b>	<b>10,531,741</b>	<b>11,958,427</b>	<b>13,554,300</b>
Goodwill Price		<b>4,068,990</b>	<b>4,698,374</b>	<b>5,408,550</b>	<b>6,208,800</b>	<b>7,109,370</b>	<b>8,121,554</b>	<b>9,257,787</b>	<b>10,531,741</b>	<b>11,958,427</b>	<b>13,554,300</b>
ROI		<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>