



BUSINESS PLAN

**Construction Project of the
Residential and Shopping Complex
"Zhytych" in Zhytomyr**

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	3
2. PROJECT DESCRIPTION.....	4
3. PRODUCTION PLAN	6
3.1. LOCATION OF THE FACILITY	6
3.2. DESCRIPTION AND CHARACTERISTICS OF THE CONSTRUCTION FACILITY	7
3.4. LEGAL FRAMEWORK	9
4. ORGANIZATIONAL PLAN.....	13
4.1. PROJECT IMPLEMENTATION AND FINANCING NETWORK.....	13
4.2. REQUIRED PERSONNEL AND HR POLICY OF THE PROJECT	18
4.3. MARKETING STRATEGY	19
5. INVESTMENT PLAN	20
6. PROJECT FINANCIAL PLAN	22
6.1. BUSINESS PARAMETERS	22
6.2. PREREQUISITES FOR CALCULATIONS AND THEIR JUSTIFICATION	24
6.3. PROJECT SALES FORECAST.....	25
6.4. PROFIT GENERATION UNDER THE PROJECT	28
7. PROJECT PERFORMANCE ANALYSIS.....	31
7.1 ANALYSIS OF PROJECT PROFITABILITY	31
7.2 ASSESSMENT OF THE INVESTMENT ATTRACTIVENESS OF THE PROJECT (CALCULATION OF NPV, IRR, DPP, PI RATIOS, ETC.).....	34
8. RISK ANALYSIS	37
8.1. FACTOR ANALYSIS OF PROJECT RISKS	37
8.2. RISK MITIGATION STRATEGY	39
8.3. SWOT ANALYSIS	40
9. CONCLUSIONS	41

1. EXECUTIVE SUMMARY

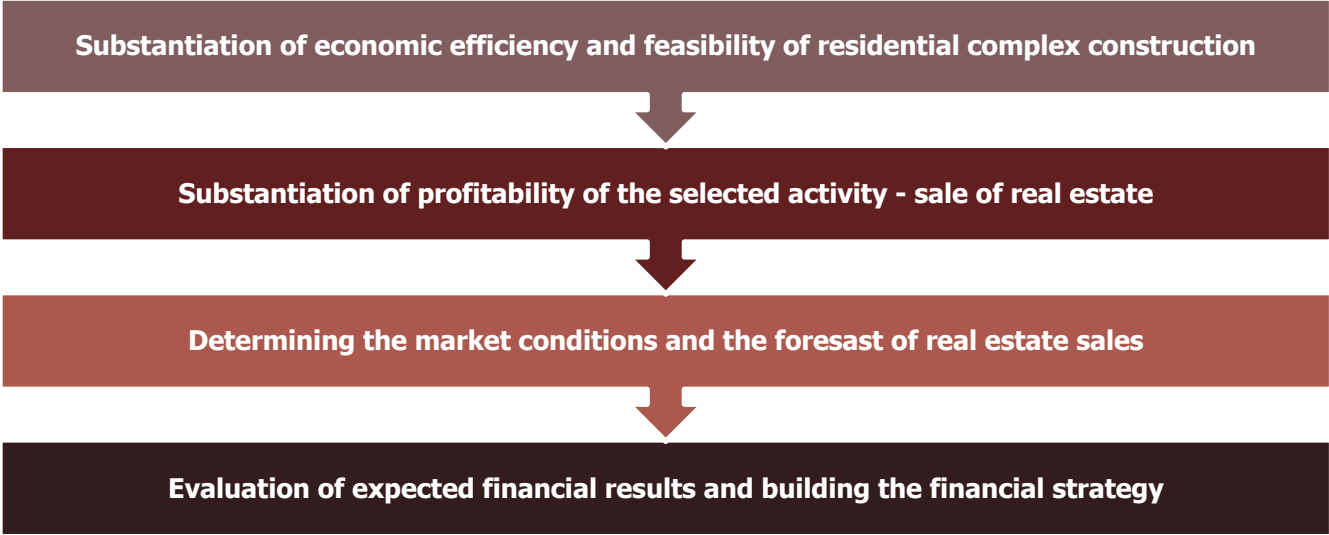
<i>Project Concept</i>	The project concept provides for the construction of a residential complex in Zhytomyr	
<i>Location</i>	Zhytomyr, western districts of the city	
<i>Implementation Schedule</i>	Estimated project period	4 years
<i>Project Budget</i>	Project cost	\$63,945,786
	Including:	
	<i>Profit reinvestment</i>	<i>\$34,652,185</i>
	<i>Invested funds</i>	<i>\$29,293,602</i>
	<i>Equity to asset ratio</i>	54%
<i>Project Profitability</i>	Gross income	\$116,332,087
	Capitalized net profit	\$58,822,389
	Total cash flow	\$81,694,673
<i>Investment Attractiveness</i>	Discount rate	9.8%
	PP (Payback period), years	2 years 3 months
	DPP (Discounted payback period), years	2 years 4 months
	NPV (Net present value), \$	\$37,049,510
	IRR (Project Internal rate of return), %	123.6%
	PI (Profitability index), units	1.71

2. PROJECT DESCRIPTION

This business plan presents an economic justification for the effectiveness of the construction project of the residential complex "Zhytych" in Zhytomyr.

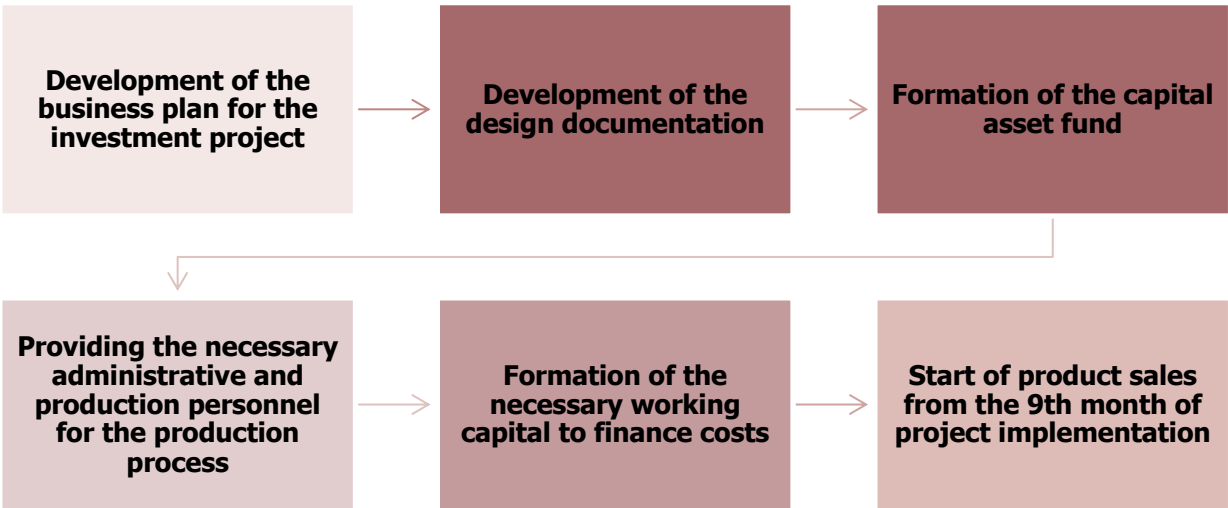
Fig. 1. Project goals

— Sale —

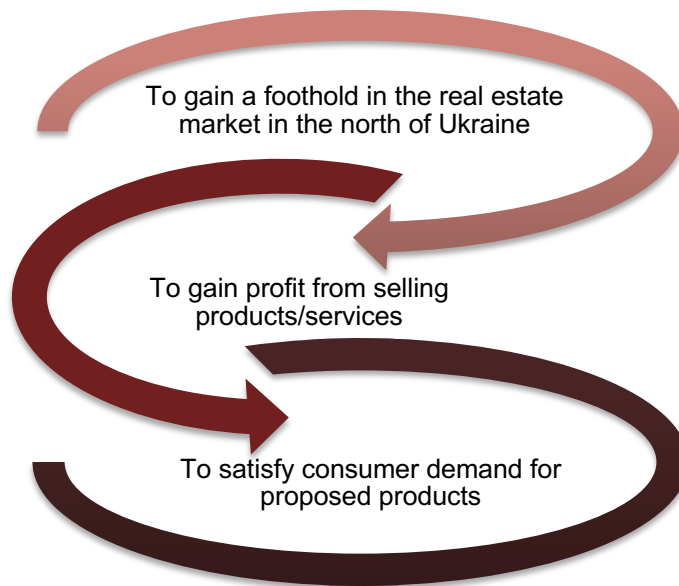


The construction of a residential complex is planned in Zhytomyr, near the green area and the city part, with the transport infrastructure available. The complex has a number of advantages that will make it a unique project in the residential real estate market of Zhytomyr.

The main objectives of this project are:



The project implementation will allow:



The project success is determined by the following factors:

- the demand for high-quality residential real estate;
- the city has more than 250,000 people of permanent population;
- the integrity of services – one can make the necessary purchases and spend leisure time in one place;
- a favorable location of the construction site.

The basic parameters taken for calculation in the project:

Estimated project period

4 years

Area of the complex

149,000 m²

Currency of settlements

U.S. Dollar

3. PRODUCTION PLAN

3.1. Location of the facility

The residential complex "Zhytych" planned under the project will be located in Zhytomyr.

Everything one may need for a comfortable life is located within walking distance from the residential complex. There is a park area and convenient transport interchange near the complex.

Fig. 2. Location of the residential complex "Zhytych"

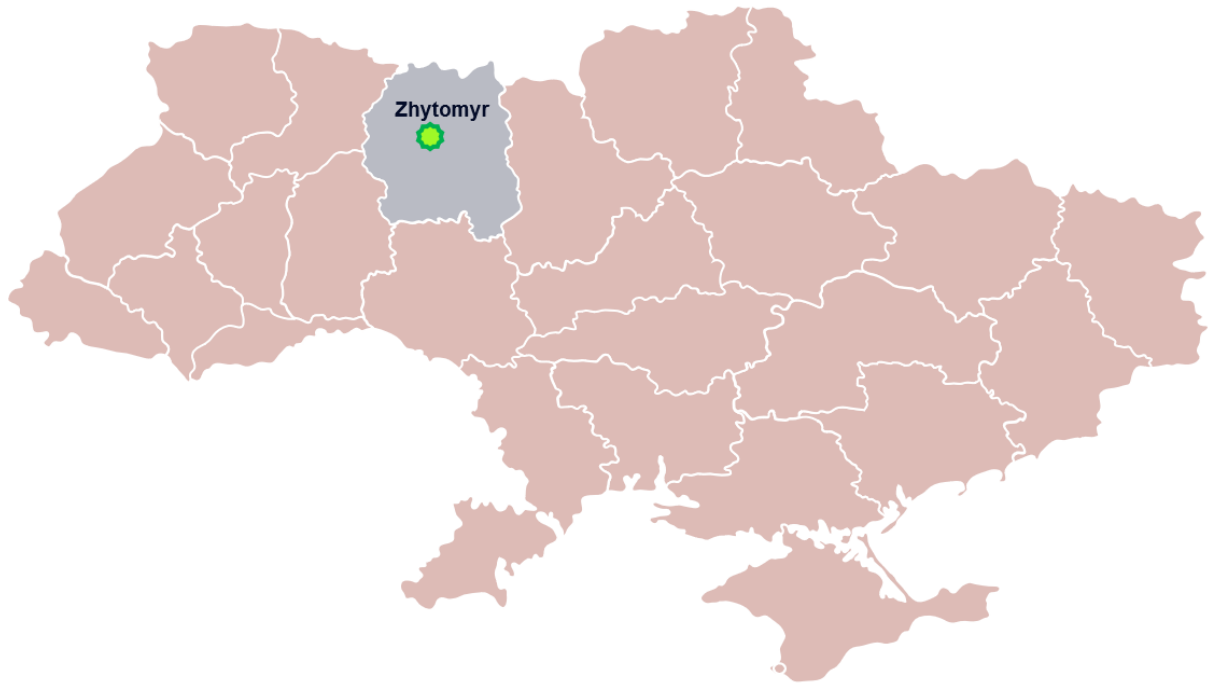
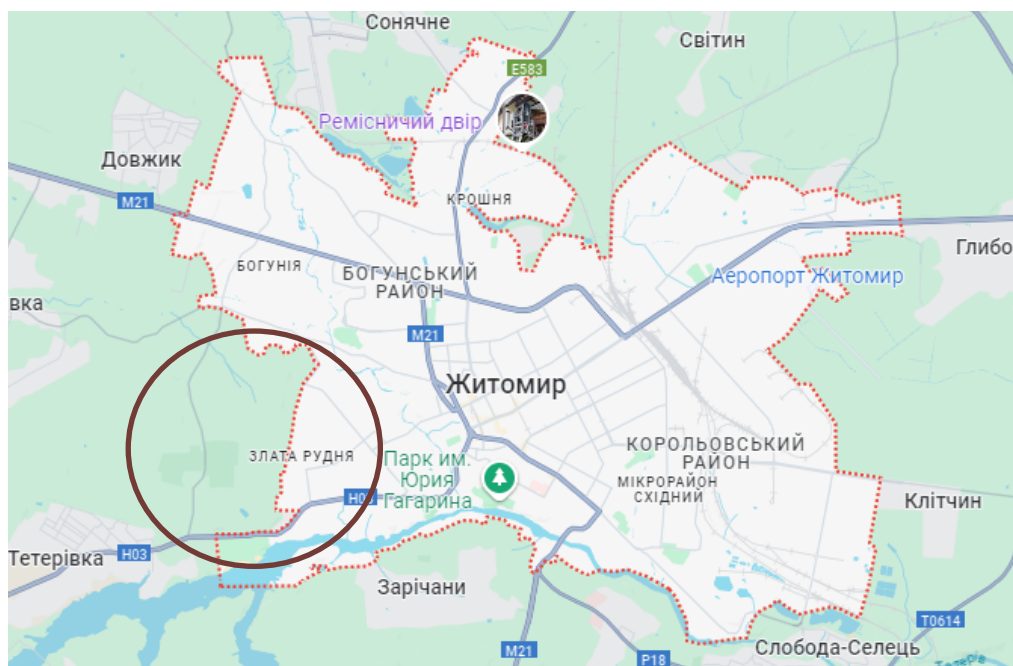


Fig. 3. Location of the residential complex "Zhytych" in Zhytomyr .



3.2. Description and characteristics of the construction facility

The designed residential complex "Zhytych" has five floors. The total area of the complex is 148,938 m².

Table 1. Technical and economic parameters of the building

No.	Description	Unit of measure	Quantity
1	Land area	hectares	> 5 hectares
2	Total area of the complex, including:	m²	148,938
	Residential area (apartments)	m ²	105,645
	Commercial areas	m ²	16,780
	Shelter and common spaces	m ²	26,513
3	Parking (ground)	spaces	1,380

The residential part of the residential and shopping complex consists of 1,584 apartments:

Table 2. Technical and economic parameters of the residential part of the residential and shopping complex

TYPE	Area of the 1st facility, sq. m	Total area of the building, sq. m	Phase 1	Phase 2	Quantity, pcs.
Apartments	66.7	105,645	45,589	60,056	1,584
Commercial areas	335.6	16,780	7,260	9,520	50
Parking spaces	12.5	17,250	7,250	10,000	1,380

The complex has a number of advantages that make it a unique project in the residential real estate market in Zhytomyr today and in the near future. It will solve an urgent problem in Ukraine: the lack of high-quality residential space that meets all international standards and requirements at an affordable price:

- Park area
- Ground parking spaces for apartment owners and guests.
- Use of ready-made reinforced concrete structures that are planned to be purchased at the newly created factory.
- Ventilated facade with 100 mm basalt wool insulation.
- Passenger and freight lifts.
- Autonomous utility equipment: power plant, water supply, internal system of hot water supply, heating/cooling (air conditioning) based on heat pumps, emergency power supply of lifts and lighting.
- Heating/cooling of auxiliary premises of the residential building (stairwells, lobbies, halls outside apartments, wheelchair rooms, storerooms, etc.).
- Access control, indoor and outdoor video surveillance systems, own maintenance service, concierge.

- All apartments are open-plan, inter-apartment sound insulation, floor/ceiling heating/cooling (air conditioning); individual meters, three-zone electricity meters (installed electric power no less than 0.1 kW / sq. m).

Heating and ventilation

Design solutions of the Heating & Ventilation section for the buildings meet the requirements of construction norms and regulations. The project is designed for construction in Zhytomyr with due regard for the requirements for increasing the level of thermal protection.

To ensure normal sanitary and hygienic conditions, ventilation of premises is carried out naturally through windows and mechanical ventilation channels. Bathrooms will be equipped with exhaust fans.

In the kitchen, the ventilation duct is designed as a local one connected to an exhaust hood with a built-in fan. Supply air in the volume of one air exchange per hour is supplied through the windows. When installing windows without vents and with a geometric lap, modifications of windows with built-in ventilators should be used.

Water supply and disposal

The project of water supply and sewerage of the building was developed in accordance with the regulatory documents. The following systems are designed in the building:

- cold water supply;
- hot water supply;
- household sewerage.

OHS measures

OHS measures were taken in accordance with the norms and rules approved by the State Technical Supervision Inspectorate and other safety regulations in force in Ukraine.

The project was developed with due regard for the requirements of sanitary and technical norms and rules of the Ministry of Health, as well as work activity management and OHS regulations.

All construction work will be carried out in strict compliance with safety regulations, sanitary and hygienic standards, and builders will be informed of that.

Construction work shall be carried out in accordance with the rules of work.

Construction debris shall be removed centrally, without storing it in the territory of the building. Piling of construction materials and dismantled structures in the premises with a load of more than 600 kg/m² is not allowed.

3.4. Legal framework

One of the most important stages of project implementation is the development, negotiation, and approval of design documentation.

The legal support for the construction process of the residential complex shall be in line with the construction legislation. Thus, according to Article 22 of the Law of Ukraine "On the Basic Principles of Urban Planning," the development of land plots provided for urban development needs shall be carried out after the emergence of the ownership right or the right to use the land plot in accordance with the procedure provided for by law, and upon obtaining a permit for construction work. The right to development (construction) is created for land plots designated for urban planning needs by urban planning documentation and local development rules. The right to development (construction) allows the owner or user of a land plot to carry out the construction of urban planning facilities, reconstruction or demolition of buildings and structures on it in accordance with the procedure provided for by law.

According to Part 4 of Article 24 of the Law of Ukraine "On Planning and Development of Territories," if the village or city council makes a decision to allocate a state-owned or municipal land plot to place an urban development facility in accordance with the procedure established by land laws, this decision at the same time constitutes a permit for the construction of this facility.

According to Part 4 of Article 24 of the Law of Ukraine "On Planning and Development of Territories," a construction permit gives customers the right to obtain initial data for design, carry out design and survey works, and obtain a construction permit in accordance with the procedure established by law.

According to Part 14 of Article 24 of the Law of Ukraine "On Planning and Development of Territories," if an individual or a legal entity has not started construction work within two years from the date of obtaining a permit for the construction of an urban development facility, this permit becomes invalid. The permit may be resumed according to the same procedure as for its issuance.

At the moment, the Developer is preparing all necessary authorization documents for the construction of the residential complex.

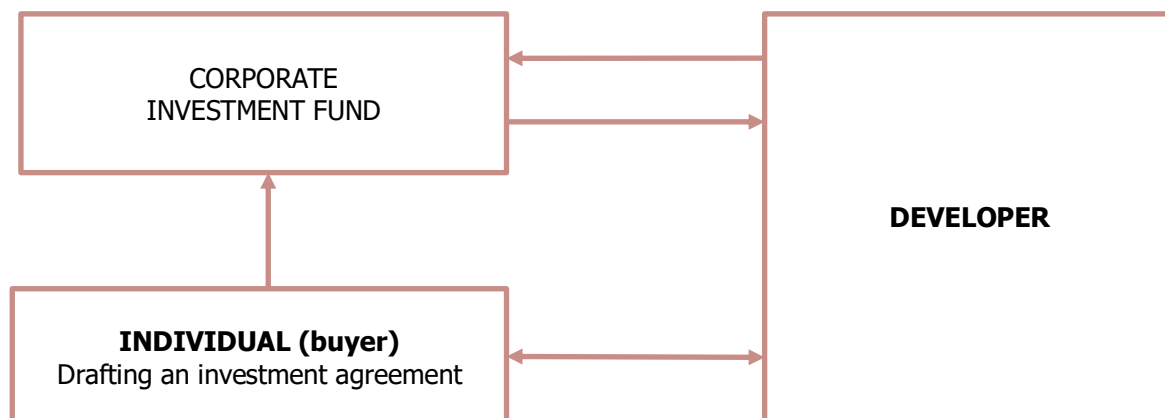
The legal support for the sale of real estate is provided by entering into contracts for the purchase and sale of real estate or by entering into an investment agreement with the CIF to raise funds for construction.

Purchase and sale contracts are concluded directly through the Developer's sales department:

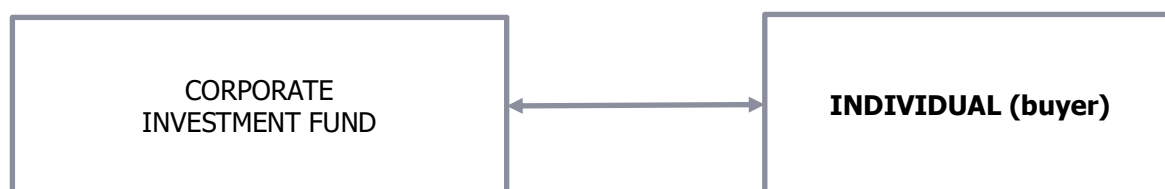
- real estate purchase and sale contracts are concluded for apartments and non-residential premises that have been commissioned;
- property rights purchase and sale contracts are concluded for apartments under construction.

The real estate sales by attracting investment funds from a financial company take place in two stages:

1. Concluding an investment agreement:



2. Exercising the right to receive real estate under the investment agreement after commissioning the facility:



Upon completion of construction and commissioning of the facility, clients receive ownership of the property in accordance with the terms of the contracts.

Description of measures ensuring optimal interaction between external investors, owners and managers of the company during the period of investment termination

Forward contracts are the most progressive of the existing models of construction financing using a collective investment scheme (CIS) (investment fund). The developer, CIS, and an ultimate owner of the property receive a number of additional guarantees for the bona fide performance of contractual obligations by other parties.

For the ultimate owner of the property, the risk of entering into multiple contracts for the same property is reduced, since all detailed information about the apartment is recorded in the exchange contract.

For CIS, this model is convenient because the investment fund participates in the contract only until the forward is sold to an individual, i.e. the ultimate owner. This means that the developer assumes full responsibility for the timely commissioning of the building and the transfer of apartments to their ultimate owners.

The developer gets a stable scheme for raising funds and unique opportunities for tax planning. The model is absolutely legal and is not disputed by lawyers.

At the preparatory stage of implementing the model, a CIS (a venture CIF or a mutual fund) is created. The CIS that is in a "working" condition must form the initial authorized capital and place shares for collective investment.

The developer (legal entity) may be the actual founder (member) of an investment fund, or may control its activities through related parties. However, the fund may be created and its authorized capital may be formed by investors who are in no way affiliated with the developer. CIS founders may be individuals affiliated and not affiliated with the developer. Investments raised by CIS will allow construction to start.

The first main step in implementing this financing model is to register a forward contract on a commodity exchange. The parties to the contract are the CIS and the developer. The developer undertakes to transfer the property rights to the real estate property within the established time limit (X time), and the CIS undertakes to pay a certain price (M1) for the property. As a rule, the price fixed in the contract is the nominal value of the real estate property. Each individual apartment has its own forward contract.

A forward contract is a contract under which the developer undertakes to transfer the real estate property to the investor – the buyer of the apartment within the established time limit (in the future). In return, the buyer undertakes to pay the amount specified in the contract in order to obtain the ownership of the apartment.

It is important to understand that at the time of registering the forward contract on the commodity exchange, the property rights to the real estate do not belong to the CIS. The forward contract only gives the right to purchase property rights to the real estate in the future at the price fixed in the contract. However, the forward contract itself can be the object of the transaction. The person who owns this derivative can sell it.

The next step (#2) for the CIS is to sell the forward contract to an individual – the future owner of the apartment. This also takes place on the commodity exchange and is formalized as a forward contract purchase and sale agreement. But the forward contract is already sold at the price that includes the market value of the real estate property. By purchasing a forward contract, the future owner of the real estate property acquires the right to conclude an investment agreement with the developer for the purchase of an apartment at the price M1 (the nominal value of the real estate property). The individual shall pay CIS the amount M2 for the actual purchase of the forward contract. Thus, the future apartment owner's costs include two amounts: M1 and M2. The owner will pay the amount M1 to the developer at the stage of forward contract performance (time X).

Funds received from the sale of forward contracts to an individual are not subject to income tax in accordance with the Tax Code. Moreover, this transaction is not subject to VAT. Such legislative preferences form the basis for tax planning.

After the construction is finished and the facility is commissioned, the time (time X) for forward contract performance (step #3) comes. The developer and the individual enter into a master contract under which the developer transfers the apartment to its owner on the basis of the property rights stipulated in the forward contract. The apartment owner pays the developer the amount M1. The forward contract

initially sets out such important parameters as the payment term, construction completion and commissioning terms, apartment number, square footage etc. Therefore, the ultimate owner understands quite accurately what he is paying money for.

The amount M2 accumulated in the CIS is actually the developer's profit. Further, these funds can be reinvested in new projects or paid to CIS participants as dividends.

4. ORGANIZATIONAL PLAN

4.1. Project implementation and financing network

The estimated period is **4 years**.

The period of construction work is 2.5 years. For the purpose of the optimal distribution of funds, the construction is to be divided into two start-up phases.

Table 3. Basic construction parameters of the residential complex "Zhytych"

INDICATOR	Measurement unit	Phase 1	Phase 2	Complex
Duration of the phase	months	25	25	31
start of phase construction		1st month	7th month	1st month
completion of construction of phases		25th month	31st month	31st month
Area of premises, sq. m	sq. m	64,343	84,595	148,938
Apartments	sq. m	45,589	60,056	105,645
Commercial areas	sq. m	7,260	9,520	16,780
shelter and common spaces	sq. m	11,471	15,042	26,513

During the first months, it is planned to purchase a land plot with an area of ____ hectares and to develop the necessary design documentation. In the period from the 9th to the 20th month of each phase, it is planned to carry out the main construction works for the complex. The sales of real estate property is to be started at the foundation stage and until the entire complex is fully commissioned.

A detailed schedule of construction financing broken down by months and years is shown on the diagram and in the tables below.

Fig. 4. Project financing schedule

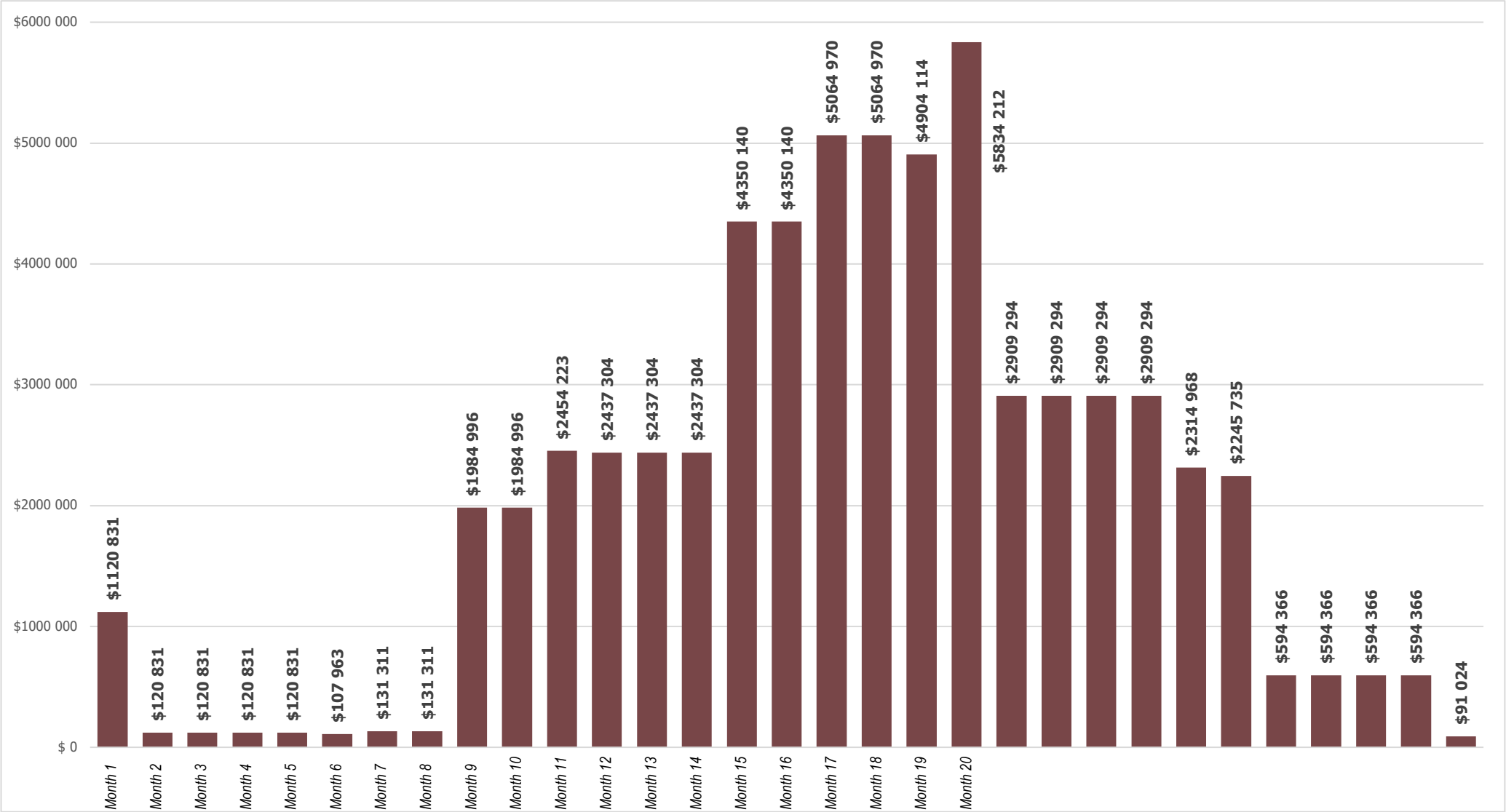


Table 4. Construction schedule (year 1)

Items and costs	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Design	\$74,469	\$74,469	\$74,469	\$74,469	\$74,469	\$74,469	\$74,469	\$74,469	\$74,469	\$74,469			\$744,689
Phase 1													
Maintenance of the construction site	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$58,680
Zero-cycle constructions									\$561,925	\$561,925	\$561,925	\$561,925	\$2,247,701
Ground constructions (reinforced concrete structures)									\$1,320,364	\$1,320,364	\$1,320,364	\$1,320,364	\$5,281,455
Other											\$290,921	\$290,921	\$581,842
Internal utility networks											\$91,918	\$91,918	\$183,836
Territory improvement													\$0
External utility networks											\$160,857	\$160,857	\$321,713
Authorization documents	\$12,869	\$12,869	\$12,869	\$12,869	\$12,869								\$64,343
Phase 2													
Maintenance of the construction site							\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$38,575
Zero-cycle constructions													\$0
Ground constructions (reinforced concrete structures)													\$0
Other													\$0
Internal utility networks													\$0
Territory improvement													\$0
External utility networks													\$0
Authorization documents							\$16,919	\$16,919	\$16,919	\$16,919	\$16,919		\$84,595
Land plot	\$1,000,000												\$1,000,000
Replenishment of working capital	\$28,604	\$28,604	\$28,604	\$28,604	\$28,604	\$28,604	\$28,604	\$28,604					\$228,832
Total capital investment	\$1,120,831	\$120,831	\$120,831	\$120,831	\$120,831	\$107,963	\$131,311	\$131,311	\$1,984,996	\$1,984,996	\$2,454,223	\$2,437,304	\$10,836,262

Table 5. Construction schedule (year 2)

Items and costs	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Year 2
Design													\$0
Phase 1													
Maintenance of the construction site	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$4,890	\$58,680
Zero-cycle constructions	\$561,925	\$561,925											\$1,123,851
Ground constructions (reinforced concrete structures)	\$1,320,364	\$1,320,364	\$1,320,364	\$1,320,364	\$1,320,364	\$1,320,364	\$1,320,364	\$1,320,364					\$10,562,910
Other	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$290,921	\$3,491,049
Internal utility networks	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$91,918	\$1,103,016
Territory improvement									\$64,343	\$64,343	\$64,343	\$64,343	\$257,370
External utility networks	\$160,857	\$160,857	\$160,857	\$160,857	\$160,857	\$160,857							\$965,139
Authorization documents													\$0
Phase 2													
Maintenance of the construction site	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$77,151
Zero-cycle constructions			\$738,798	\$738,798	\$738,798	\$738,798	\$738,798	\$738,798					\$4,432,788
Ground constructions (reinforced concrete structures)			\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$1,735,964	\$17,359,640
Other					\$382,492	\$382,492	\$382,492	\$382,492	\$382,492	\$382,492	\$382,492	\$382,492	\$3,059,932
Internal utility networks					\$120,850	\$120,850	\$120,850	\$120,850	\$120,850	\$120,850	\$120,850	\$120,850	\$966,802
Territory improvement													\$0
External utility networks					\$211,488	\$211,488	\$211,488	\$211,488	\$211,488	\$211,488	\$211,488	\$211,488	\$1,691,904
Authorization documents													\$0
Land plot													\$0
Replenishment of working capital								\$930,098					\$930,098

Total capital investment	\$2,437,304	\$2,437,304	\$4,350,140	\$4,350,140	\$5,064,970	\$5,064,970	\$4,904,114	\$5,834,212	\$2,909,294	\$2,909,294	\$2,909,294	\$2,909,294	\$46,080,332
--------------------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	--------------

Table 6. Construction schedule (year 3)

Items and costs	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Year 3	TOTAL FOR THE PROJECT
Design								\$0	\$744,689
Phase 1									
Maintenance of the construction site	\$4,890							\$4,890	\$122,251
Zero-cycle constructions								\$0	\$3,371,552
Ground constructions (reinforced concrete structures)								\$0	\$15,844,365
Other								\$0	\$4,072,891
Internal utility networks								\$0	\$1,286,852
Territory improvement	\$64,343							\$64,343	\$321,713
External utility networks								\$0	\$1,286,852
Authorization documents								\$0	\$64,343
Phase 2									
Maintenance of the construction site	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$6,429	\$45,005	\$160,731
Zero-cycle constructions								\$0	\$4,432,788
Ground constructions (reinforced concrete structures)	\$1,735,964	\$1,735,964						\$3,471,928	\$20,831,568
Other	\$382,492	\$382,492	\$382,492	\$382,492	\$382,492	\$382,492		\$2,294,949	\$5,354,882
Internal utility networks	\$120,850	\$120,850	\$120,850	\$120,850	\$120,850	\$120,850		\$725,102	\$1,691,904
Territory improvement			\$84,595	\$84,595	\$84,595	\$84,595	\$84,595	\$422,976	\$422,976
External utility networks								\$0	\$1,691,904
Authorization documents								\$0	\$84,595
Land plot								\$0	\$1,000,000
Replenishment of working capital								\$0	\$1,158,930
Total capital investment	\$2,314,968	\$2,245,735	\$594,366	\$594,366	\$594,366	\$594,366	\$91,024	\$7,029,192	\$63,945,786

4.2. Required personnel and HR policy of the project

The HR policy of the project is focused on the utilization of such methods of work organization that would ensure the creation of a highly efficient consolidated team at the enterprise, who would fulfill their duties productively and promptly and would be able to timely respond to the changing market requirements.

The strategic goal of working with personnel is to form an active, highly professional team of specialists capable of effectively solving the problems of strategic development of the enterprise.

The total number of management personnel and personnel engaged in the sale of real estate property is **10 people**. The total projected monthly payroll fund under the project will be **\$16,104**, including accruals to the sole proprietor – **\$2,904**.

Table 7. Staff list

Job title	Shifts	Jobs	Staff size	Salary, USD	Payroll fund, USD	Payroll charges, USD	Total payroll costs, USD
Sales center staff							
Director	1	1	1	\$2,500	\$2,500	\$550	\$3,050
Chief accountant	1	1	1	\$1,500	\$1,500	\$330	\$1,830
Financial officer	1	1	1	\$1,000	\$1,000	\$220	\$1,220
Chief architect	1	1	1	\$1,500	\$1,500	\$330	\$1,830
Chief engineer	1	1	1	\$1,500	\$1,500	\$330	\$1,830
Project manager	1	1	1	\$1,200	\$1,200	\$264	\$1,464
Sales manager	1	4	4	\$1,000	\$4,000	\$880	\$4,880
Total for the project			10		\$13,200	\$2,904	\$16,104

4.3. Marketing strategy

Apartments will be sold via:

1. Own sales department
2. Real estate agencies.

Fig. 5. Marketing



Information will be communicated to the ultimate consumer user in the following way:

1. Website development and printed booklets.
2. Publication in printed media.
3. Posting advertisements on popular real estate sales websites dom.ria.com, lun.ua, flatfy.ua, rieltor.ua and other similar ones.
4. Placing a billboard near the construction site with the advertisement of the facility and contact phone numbers.

5. INVESTMENT PLAN

The total project value is **\$63,945,786**. The project will be financed at the cost of investor's funds and profit refinancing. The cost of construction of the residential complex is **\$61,786,856**, the cost of purchasing a land plot is about **\$1 million**, and the financing of working capital amounts to **\$1,158,930**.

The funds required for project implementation will be used to finance the following investment costs:

Table 8. Project investment costs

Items and costs	Profit reinvestment	Invested funds	TOTAL
Design	\$43,019	\$701,670	\$744,689
Maintenance of the construction site	\$126,905	\$156,077	\$282,982
Zero-cycle constructions	\$4,183,731	\$3,620,609	\$7,804,341
Ground constructions (reinforced concrete structures)	\$20,423,878	\$16,252,055	\$36,675,933
Other	\$5,446,148	\$3,981,624	\$9,427,772
Facades	\$2,752,187	\$2,326,592	\$5,078,779
Roof	\$719,927	\$608,598	\$1,328,525
Lifts / Escalators	\$807,093	\$682,285	\$1,489,378
Construction machines and mechanisms	\$829,697	\$701,393	\$1,531,090
Internal utility networks	\$1,720,740	\$1,258,016	\$2,978,756
Territory improvement	\$430,185	\$314,504	\$744,689
External utility networks	\$1,720,740	\$1,258,016	\$2,978,756
Authorization documents	\$19,547	\$129,391	\$148,938
Land plot	\$0	\$1,000,000	\$1,000,000
Replenishment of working capital	\$537,291	\$621,640	\$1,158,930
PROJECT COST	\$34,652,185	\$29,293,602	\$63,945,786
SPECIFIC WEIGHT	54,2%	45,8%	

Thus, the largest amount of investment (57.4% of all investment funds) will be directed to the aboveground structures, which are to be purchased at the precast factory (including the developer's markup); zero-cycle constructions will account for 12.2% of all investments, arrangement of internal and external utility networks – 9.4% of all investments, and replenishment of working capital and purchase of the land plot will account for 1.8% and 1.6%, respectively.

Fig. 6. Structure of project capital investments by the main areas of financing

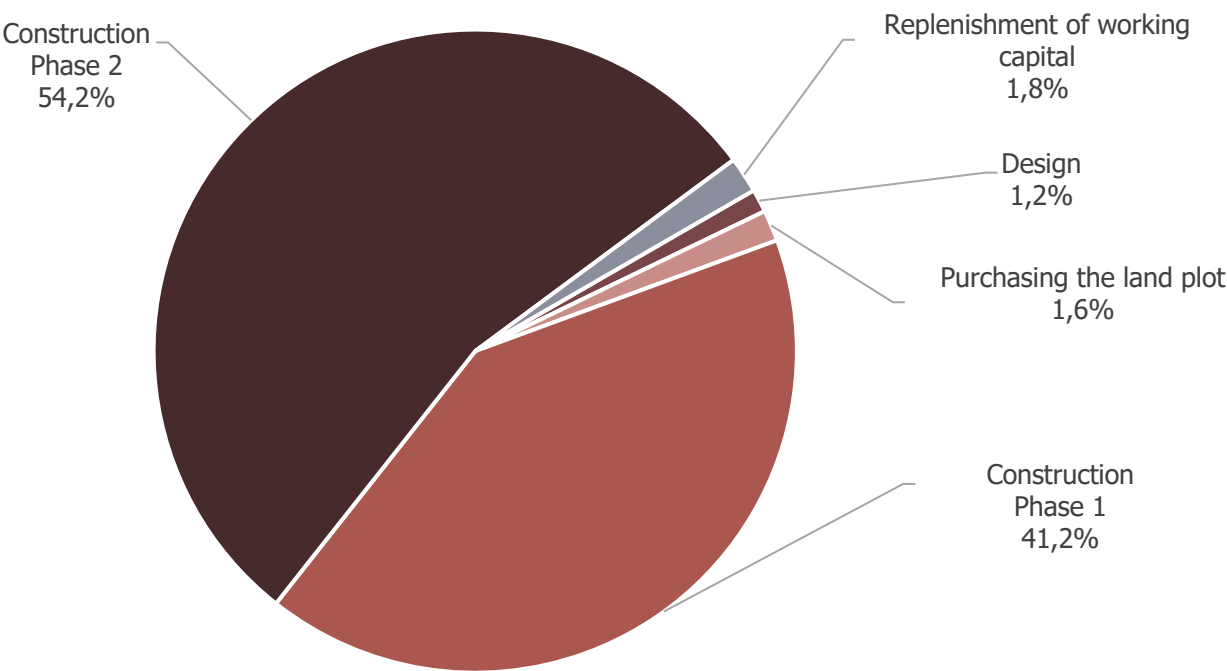
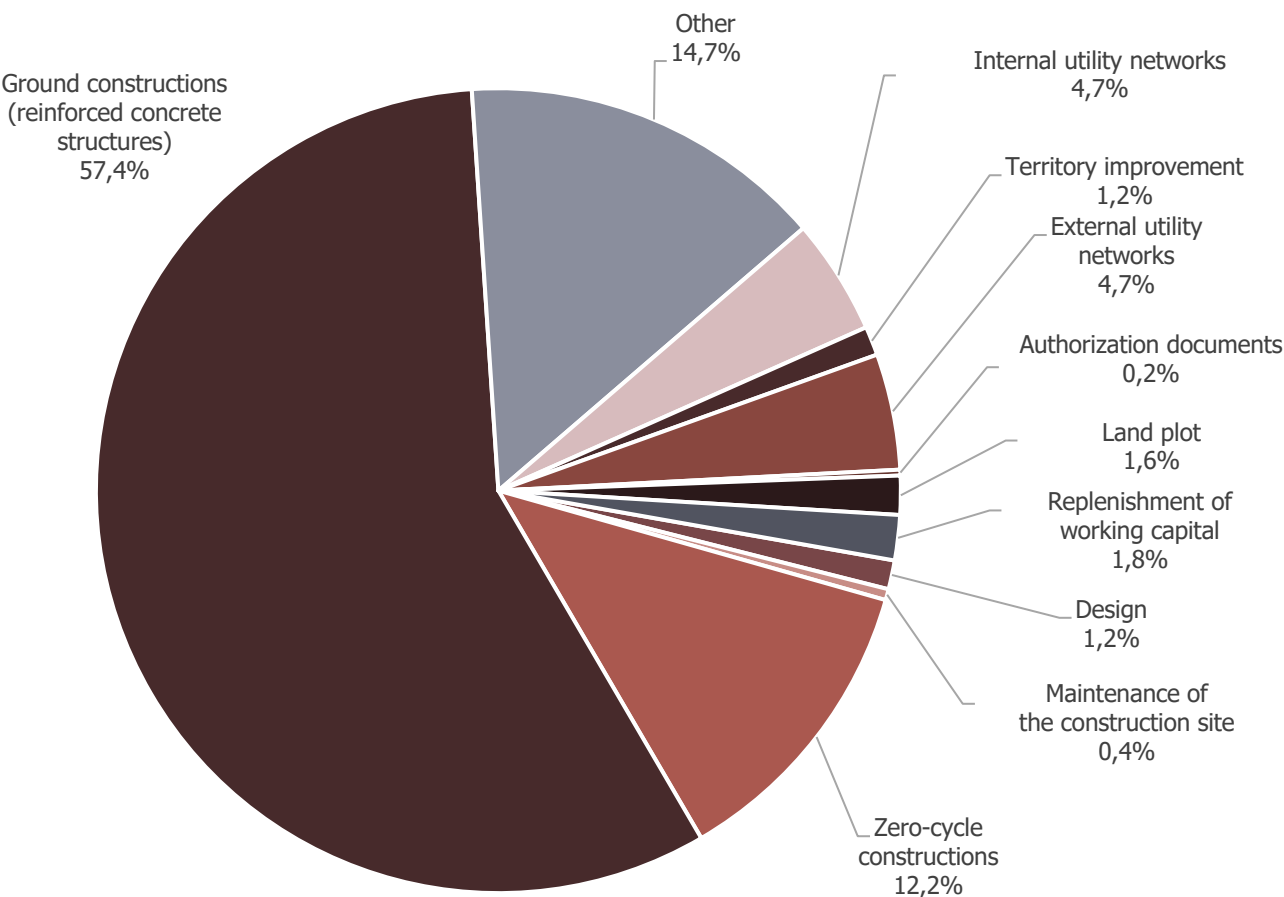


Fig. 7. Structure of project capital investment by type of work



6. PROJECT FINANCIAL PLAN

6.1. Business parameters

For the purpose of project calculations, the following business parameters were adopted and grouped as follows:

- General parameters
- Production and sale parameters
- Tax parameters

General parameters are used to describe the main calculation assumptions that affect the financial part of the project.

Table 9. General parameters

No.	Parameter	Assumption
1.	General parameters	
	Estimated project period, years	4
	Exchange rate (USD / EUR)	1.10
	Estimated deposit interest rate, % per annum	3,0%
	Estimated loan interest rate, % per annum	12,0%
	Discount rate, % p.a.	9,84%

Table 10. Construction parameters

No.	Parameter	Assumption
2.	Factory operation parameters	
	Area of the residential complex "Zhytych" (sq. m), incl.:	148,938
	Apartment	105,645
	Commercial areas	16,780
	Parkings, shelter and common spaces	26,513
	Area for sale, sq. m	139,675
	share	93.8%
	Apartment	
	quantity	1,584
	average area	67
	Commercial areas	
	quantity	50
	average area	336
	Паркінг	
	quantity	1,380
	Starting sale price, USD / sq. m	
	Apartment	\$700
	Commercial areas	\$1,300
	parking	\$3,000
	Costs:	
	Cost of reinforced concrete structures (with the Developer's markup) per 1 m2, USD/m2	\$236
	Cost of purchasing materials (at the reinforced concrete structures warehouse), USD/m2	\$189
	Developer's markup on the materials	25.0%
	Delivery of reinforced concrete structures per 1 m2, USD/m2 (estimated value)	\$10
	Marketing costs, USD/month	\$12,500

The tax parameters under the project were adopted in accordance with the tax legislation of

Ukraine.

Table 11. Project taxation

No.	Parameter	Assumption
3.	Taxes	
	Income tax (when documenting a sale using the services of an asset management company and a corporate investment fund)	0.0%
	Value added tax (for transactions not related to the sale of residential real estate – apartments)	20.0%
	Value added tax (when documenting a sale using the services of an asset management company and a corporate investment fund)	0.0%
	Unified social contribution	22.0%

6.2. Prerequisites for calculations and their justification

Input data for calculations are conventionally grouped as follows:

1) Prerequisites for calculating the required investment

The main items of initial investment costs under the project are presented in the Table "Areas of investment."

2) Prerequisites for generating sales under the project

Table 12. Assumptions for generating sales under the project

TYPE	Total area of the residential complex, sq. m	Quantity, pcs.	Sale price, USD		Quarterly increase in the value of 1 sq. m, USD		100% payment	Payment in installments	Down payment for payment in installments
			per 1 sq. m	of the 1st facility	per 1 sq. m	of the 1st facility			
Apartments	105,645	1,584	\$700		30		50%	50%	30%
Commercial areas	16,780	50	\$1,300		30		80%	20%	30%
Parking spaces	17,250	1,380	\$240	\$3,000	40	500	70%	30%	30%

Table 13. Assumptions for generating sales under the project

Construction phase	Share in sales, %	Savings, %	period
Pit	3%	3%	9-14 months
Erection of the frame	25%	28%	15-20 months
Finishing works	50%	78%	21-25 months
Commissioning	22%	100%	26-36 months

3) Prerequisites for drafting a project cost estimate

Administrative and household costs, customer service maintenance costs, overhead production costs and other construction costs are included in the construction cost estimate.

Marketing costs and costs for selling real estate property amount to \$12,500 per month. The amount of marketing costs is approximate, and is based on similar projects that have been implemented in Ukraine.

Labor costs

The salary costs for administrative and commercial personnel were calculated on the basis of the required number of personnel, as well as the amount of their salary. The project staff list is shown in Clause 5.2. Payroll accruals (unified social contribution) make 22%.

Labor costs for builders, electricians, plumbers and other production personnel are included in construction costs, according to the prepared cost estimate.

6.3. Project sales forecast

The total sales volume is planned at the level of **\$122,889,430**.

Table 14. Sales plan (Phase 1)

INDICATOR	Year 1	Year 2	Year 3	Year 4	TOTAL
Phase 1					
Apartment SALES (share of sales)	2.0%	66.0%	32.0%	0.0%	100.0%
Number of sq. m	912	30,089	14,589	0	45,589
Price per 1 sq. m, USD	\$723	\$805	\$925	\$1,045	\$850
Value of apartments sold, USD	\$658,764	\$24,770,892	\$13,330,282	\$0	\$38,759,938
100% payment	\$329,382	\$12,385,446	\$7,107,356	\$0	\$19,822,184
<i>purchase under an installment plan (reference)</i>	<i>\$329,382</i>	<i>\$12,385,446</i>	<i>\$6,222,926</i>	<i>\$0</i>	<i>\$18,937,754</i>
Down payment (under an installment plan)	\$98,815	\$3,715,634	\$1,866,878	\$0	\$5,681,326
<i>deferred payment amount under an installment plan (for reference)</i>	<i>\$217,553</i>	<i>\$7,070,408</i>	<i>\$0</i>	<i>\$0</i>	<i>\$7,287,961</i>
Deferred payment receipt under an installment plan	\$13,015	\$1,816,956	\$11,426,456	\$0	\$13,256,428
REVENUE apartments	\$441,211	\$17,918,036	\$20,400,690	\$0	\$38,759,938
Commercial SALES (share of sales)	2.0%	66.0%	32.0%	0.0%	100.0%
Number of sq. m	145	4,792	2,323	0	7,260
Price per 1 sq. m, USD	\$1,323	\$1,383	\$1,443	\$1,548	\$1,406
Value of commercial spaces sold, USD	\$192,027	\$6,699,165	\$3,316,368	\$0	\$10,207,560
100% payment	\$153,622	\$5,359,332	\$2,695,856	\$0	\$8,208,809
<i>purchase under an installment plan (reference)</i>	<i>\$38,405</i>	<i>\$1,339,833</i>	<i>\$620,512</i>	<i>\$0</i>	<i>\$0</i>
Down payment (under an installment plan)	\$11,522	\$401,950	\$186,154	\$0	\$599,625
<i>deferred payment amount under an installment plan (for reference)</i>	<i>\$25,359</i>	<i>\$763,237</i>	<i>\$0</i>	<i>\$0</i>	<i>\$788,596</i>
Deferred payment receipt under an installment plan	\$1,524	\$200,006	\$1,197,595	\$0	\$1,399,125
REVENUE Commercial areas	\$166,668	\$5,961,288	\$4,079,605	\$0	\$10,207,560
Parking SALES (share of sales)	2.0%	66.0%	32.0%	0.0%	100.0%
Number of sq. m	145	4,785	2,320	0	7,250
Price per 1 sq. m, USD	\$270	\$350	\$430	\$570	\$381
Value of apartment parking sold, USD	\$39,150	\$1,774,317	\$951,200	\$0	\$2,764,667
100% payment	\$27,405	\$1,242,022	\$686,285	\$0	\$1,955,712
<i>purchase under an installment plan (reference)</i>	<i>\$11,745</i>	<i>\$532,295</i>	<i>\$264,915</i>	<i>\$0</i>	<i>\$808,955</i>
Down payment (under an installment plan)	\$3,524	\$159,689	\$79,475	\$0	\$242,687
<i>deferred payment amount under an installment plan (for reference)</i>	<i>\$7,769</i>	<i>\$304,919</i>	<i>\$0</i>	<i>\$0</i>	<i>\$312,688</i>
Deferred payment receipt under an installment plan	\$452	\$75,457	\$490,359	\$0	\$566,269
REVENUE parking	\$31,381	\$1,477,167	\$1,256,119	\$0	\$2,764,667

Sales plan	Year 1	Year 2	Year 3	Year 4	TOTAL
Phase 2					
Apartment SALES (share of sales)	0.0%	28.0%	64.0%	8.0%	100.0%

BUSINESS PLAN

Sales plan	Year 1	Year 2	Year 3	Year 4	TOTAL
Number of sq. m	0	16,816	38,436	4,804	60,056
Price per 1 sq. m, USD	\$723	\$805	\$925	\$1,045	\$891
Value of apartments sold, USD	\$0	\$13,932,946	\$34,760,297	\$4,840,497	\$53,533,740
100% payment	\$0	\$6,966,473	\$17,380,149	\$3,038,823	\$27,385,445
<i>purchase under an installment plan (reference)</i>	<i>\$0</i>	<i>\$6,966,473</i>	<i>\$17,380,149</i>	<i>\$1,801,674</i>	<i>\$26,148,295</i>
Down payment (under an installment plan)	\$0	\$2,089,942	\$5,214,045	\$540,502	\$7,844,489
<i>deferred payment amount under an installment plan (for reference)</i>	<i>\$0</i>	<i>\$4,154,399</i>	<i>\$5,720,541</i>	<i>\$0</i>	<i>\$9,874,939</i>
Deferred payment receipt under an installment plan	\$0	\$722,132	\$10,599,962	\$6,981,713	\$18,303,807
REVENUE apartments	\$0	\$9,778,547	\$33,194,155	\$10,561,038	\$53,533,740
Commercial SALES (share of sales)	0.0%	28.0%	64.0%	8.0%	100.0%
Number of sq. m	0	2,666	6,093	762	9,520
Price per 1 sq. m, USD	\$1,323	\$1,383	\$1,443	\$1,548	\$1,425
Value of commercial spaces sold, USD	\$0	\$3,737,552	\$8,674,624	\$1,150,016	\$13,562,192
100% payment	\$0	\$2,990,042	\$6,939,699	\$978,370	\$10,908,111
<i>purchase under an installment plan (reference)</i>	<i>\$0</i>	<i>\$747,510</i>	<i>\$1,734,925</i>	<i>\$171,646</i>	<i>\$2,654,081</i>
Down payment (under an installment plan)	\$0	\$224,253	\$520,477	\$51,494	\$796,224
<i>deferred payment amount under an installment plan (for reference)</i>	<i>\$0</i>	<i>\$444,951</i>	<i>\$576,095</i>	<i>\$0</i>	<i>\$1,021,046</i>
Deferred payment receipt under an installment plan	\$0	\$78,306	\$1,083,304	\$696,247	\$1,857,857
REVENUE Commercial areas	\$0	\$3,292,601	\$8,543,480	\$1,726,111	\$13,562,192
Parking SALES (share of sales)	0.0%	28.0%	64.0%	8.0%	100.0%
Number of sq. m	0	2,800	6,400	800	10,000
Price per 1 sq. m, USD	\$270	\$350	\$430	\$570	\$406
Value of apartment parking sold, USD	\$0	\$1,053,333	\$2,592,000	\$416,000	\$4,061,333
100% payment	\$0	\$737,333	\$1,814,400	\$324,200	\$2,875,933
<i>purchase under an installment plan (reference)</i>	<i>\$0</i>	<i>\$316,000</i>	<i>\$777,600</i>	<i>\$91,800</i>	<i>\$1,185,400</i>
Down payment (under an installment plan)	\$0	\$94,800	\$233,280	\$27,540	\$355,620
<i>deferred payment amount under an installment plan (for reference)</i>	<i>\$0</i>	<i>\$189,112</i>	<i>\$260,707</i>	<i>\$0</i>	<i>\$449,819</i>
Deferred payment receipt under an installment plan	\$0	\$32,088	\$472,725	\$324,967	\$829,780
REVENUE parking	\$0	\$864,222	\$2,520,405	\$676,707	\$4,061,333

Table 15. Forecast revenue from the sale of real estate property.

Sale	Year 1	Year 2	Year 3	Year 4	TOTAL
Phase 1					
Sale of apartments	\$441,211	\$17,918,036	\$20,400,690	\$0	\$38,759,938
Sales of commercial areas	\$166,668	\$5,961,288	\$4,079,605	\$0	\$10,207,560
Sale of parking spaces	\$31,381	\$1,477,167	\$1,256,119	\$0	\$2,764,667
Phase 2					
Sale of apartments	\$0	\$9,778,547	\$33,194,155	\$10,561,038	\$53,533,740
Sales of commercial areas	\$0	\$3,292,601	\$8,543,480	\$1,726,111	\$13,562,192
Sale of parking spaces	\$0	\$864,222	\$2,520,405	\$676,707	\$4,061,333
Total REVENUE, \$	\$639,260	\$39,291,860	\$69,994,454	\$12,963,856	\$122,889,430

6.4. Profit generation under the project

For the entire forecast period, the amount of accumulated net profit is projected at **\$93,341,568**.

Table 16. Profit and Loss Statement under the project

Project period	Year 1	Year 2	Year 3	Year 4	TOTAL
Sales (Gross income), including:	\$639,260	\$39,291,860	\$69,994,454	\$12,963,856	\$122,889,430
<i>Sale of apartments</i>	<i>\$441,211</i>	<i>\$27,696,583</i>	<i>\$53,594,845</i>	<i>\$10,561,038</i>	<i>\$92,293,678</i>
<i>Sales of commercial areas</i>	<i>\$166,668</i>	<i>\$9,253,888</i>	<i>\$12,623,085</i>	<i>\$1,726,111</i>	<i>\$23,769,752</i>
<i>Sale of parking spaces</i>	<i>\$31,381</i>	<i>\$2,341,389</i>	<i>\$3,776,524</i>	<i>\$676,707</i>	<i>\$6,826,000</i>
VAT (commercial areas+parking)	\$33,008	\$1,932,546	\$2,733,268	\$400,470	\$5,099,292
Net gross income	\$606,252	\$37,359,314	\$67,261,186	\$12,563,387	\$117,790,138
Cost of products sold	\$443,093	\$22,835,699	\$25,863,502	\$2,346,752	\$51,489,047
Cost of construction and assembly works	\$443,093	\$22,835,699	\$25,863,502	\$2,346,752	\$51,489,047
Gross profit (loss)	\$163,159	\$14,523,615	\$41,397,683	\$10,216,635	\$66,301,091
Salary to Developer's staff	\$158,400	\$158,400	\$158,400	\$52,800	\$528,000
USC	\$34,848	\$34,848	\$34,848	\$11,616	\$116,160
Marketing costs	\$125,000	\$125,000	\$125,000	\$41,667	\$416,667
EBITDA	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265
Depreciation	\$0	\$0	\$0	\$0	\$0
EBIT	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265
Equity participation income	\$0	\$0	\$0	\$0	\$0
Financial income	\$0	\$0	\$0	\$0	\$0
Financial expenses (loan interest)	\$0	\$0	\$0	\$0	\$0
Costs of equity participation	\$0	\$0	\$0	\$0	\$0
Other costs (land fee)	\$0	\$0	\$0	\$0	\$0
Profit before tax	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265
Income tax (estimated)	\$0	\$0	\$0	\$0	\$0
on a cumulative total basis	\$0	\$0	\$0	\$0	\$0
Income tax (payable)	\$0	\$0	\$0	\$0	\$0
Net profit/loss	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265

6.5. Project cash flow forecast

In the course of this project, cash flows is expected to increase.

Project receipts

Project receipts include the following:

- Receipts from the sale of apartments and non-residential premises;
- Receipt of investor funds;

Receipts from the sale of apartments are to begin in the 9th month of the project implementation. Thus, during the project implementation, revenues from sale will amount to **\$122,889,430**.

The investor funds will amount to **\$29,293,602** and will be fully raised during the first two years of project implementation.

Reinvestment of profit from sale of real estate, which will be used for the construction of the facility, will amount to \$34,652,185, and will be used from the 10th month of project implementation until it is finished in the 37th month.

Project payments

Project payments are represented by operating expenses, tax payments and deductions, financial expenses, and initial investment costs.

The total amount of operating expenses for four years excluding construction costs is projected to be at the level of **\$1,144,160**.

The total amount of investment costs associated with the construction works will be **\$62,786,856**.

CAPEX	\$62,786,856
Design	\$744,689
Maintenance of the construction site	\$282,982
Zero-cycle constructions	\$7,804,341
Ground constructions (reinforced concrete structures)	\$36,675,933
Other	\$9,427,772
Internal utility networks	\$2,978,756
Territory improvement	\$744,689
External utility networks	\$2,978,756
Authorization documents	\$148,938
Land plot	\$1,000,000

Payments to the budget include:

- The unified social contribution on the payroll fund for four years of project implementation (excluding the developer's USC) will be **\$116,160**.
- VAT is **\$0**.
- The income tax will be **\$0** for the same period.

Table 17. Forecast Statement of Cash Flow

Project period	Year 1	Year 2	Year 3	Year 4	TOTAL
Cash flow from operating activities	\$296,012	\$38,948,612	\$69,651,206	\$12,849,440	\$121,745,270
RECEIPTS	\$639,260	\$39,291,860	\$69,994,454	\$12,963,856	\$122,889,430
Revenues from product sales	\$639,260	\$39,291,860	\$69,994,454	\$12,963,856	\$122,889,430
EXPENDITURES	\$343,248	\$343,248	\$343,248	\$114,416	\$1,144,160
Operating expenses	\$308,400	\$308,400	\$308,400	\$102,800	\$1,028,000
Salary to Developer's staff	\$158,400	\$158,400	\$158,400	\$52,800	\$528,000
Marketing costs	\$150,000	\$150,000	\$150,000	\$50,000	\$500,000
Tax payments	\$34,848	\$34,848	\$34,848	\$11,616	\$116,160
Unified social contribution	\$34,848	\$34,848	\$34,848	\$11,616	\$116,160
VAT due	\$0	\$0	\$0	\$0	\$0
VAT for calculation (on a cumulative total basis)	-\$1,593,230	-\$7,210,723	-\$5,673,987	-\$5,281,851	-\$5,281,851
<i>VAT (liabilities)</i>	\$33,008	\$1,932,546	\$2,733,268	\$400,470	\$5,099,292
<i>VAT (loan)</i>	\$1,626,238	\$7,550,039	\$1,196,532	\$8,333	\$10,381,143
Land tax	\$0	\$0	\$0	\$0	\$0
Income tax	\$0	\$0	\$0	\$0	\$0
Cash flow from investing activities	-\$10,607,430	-\$45,150,234	-\$7,029,192	\$0	-\$62,786,856
RECEIPTS	\$0	\$0	\$0	\$0	\$0
Revenues from sales of assets	\$0	\$0	\$0	\$0	\$0
EXPENDITURES	\$10,607,430	\$45,150,234	\$7,029,192	\$0	\$62,786,856
Investments	\$10,607,430	\$45,150,234	\$7,029,192	\$0	\$62,786,856
Design	\$744,689	\$0	\$0	\$0	\$744,689
Phase 1					
Maintenance of the construction site	\$58,680	\$58,680	\$4,890	\$0	\$122,251
Zero-cycle constructions	\$2,247,701	\$1,123,851	\$0	\$0	\$3,371,552
Ground constructions (reinforced concrete structures)	\$5,281,455	\$10,562,910	\$0	\$0	\$15,844,365
Other	\$581,842	\$3,491,049	\$0	\$0	\$4,072,891
Internal utility networks	\$183,836	\$1,103,016	\$0	\$0	\$1,286,852
Territory improvement	\$0	\$257,370	\$64,343	\$0	\$321,713
External utility networks	\$321,713	\$965,139	\$0	\$0	\$1,286,852
Authorization documents	\$64,343	\$0	\$0	\$0	\$64,343
Phase 2					
Maintenance of the construction site	\$38,575	\$77,151	\$45,005	\$0	\$160,731
Zero-cycle constructions	\$0	\$4,432,788	\$0	\$0	\$4,432,788
Ground constructions (reinforced concrete structures)	\$0	\$17,359,640	\$3,471,928	\$0	\$20,831,568
Other	\$0	\$3,059,932	\$2,294,949	\$0	\$5,354,882
Internal utility networks	\$0	\$966,802	\$725,102	\$0	\$1,691,904
Territory improvement	\$0	\$0	\$422,976	\$0	\$422,976
External utility networks	\$0	\$1,691,904	\$0	\$0	\$1,691,904
Authorization documents	\$84,595	\$0	\$0	\$0	\$84,595
Land plot	\$1,000,000	\$0	\$0	\$0	\$1,000,000
Cash flow from financing activities	\$10,448,161	\$18,845,441	\$0	\$0	\$29,293,602
RECEIPTS	\$10,448,161	\$18,845,441	\$0	\$0	\$29,293,602
Invested funds	\$10,448,161	\$18,845,441	\$0	\$0	\$29,293,602
EXPENDITURES	\$0	\$0	\$0	\$0	\$0
Principal loan repayment	\$0	\$0	\$0	\$0	\$0
repayment of loan interest	\$0	\$0	\$0	\$0	\$0
CASH					
At the beginning of the period	\$0	\$136,743	\$12,780,562	\$75,402,575	
Total cash flow for the period	\$136,743	\$12,643,819	\$62,622,014	\$12,849,440	\$88,252,016
At the end of the period	\$136,743	\$12,780,562	\$75,402,575	\$88,252,016	

7. PROJECT PERFORMANCE ANALYSIS

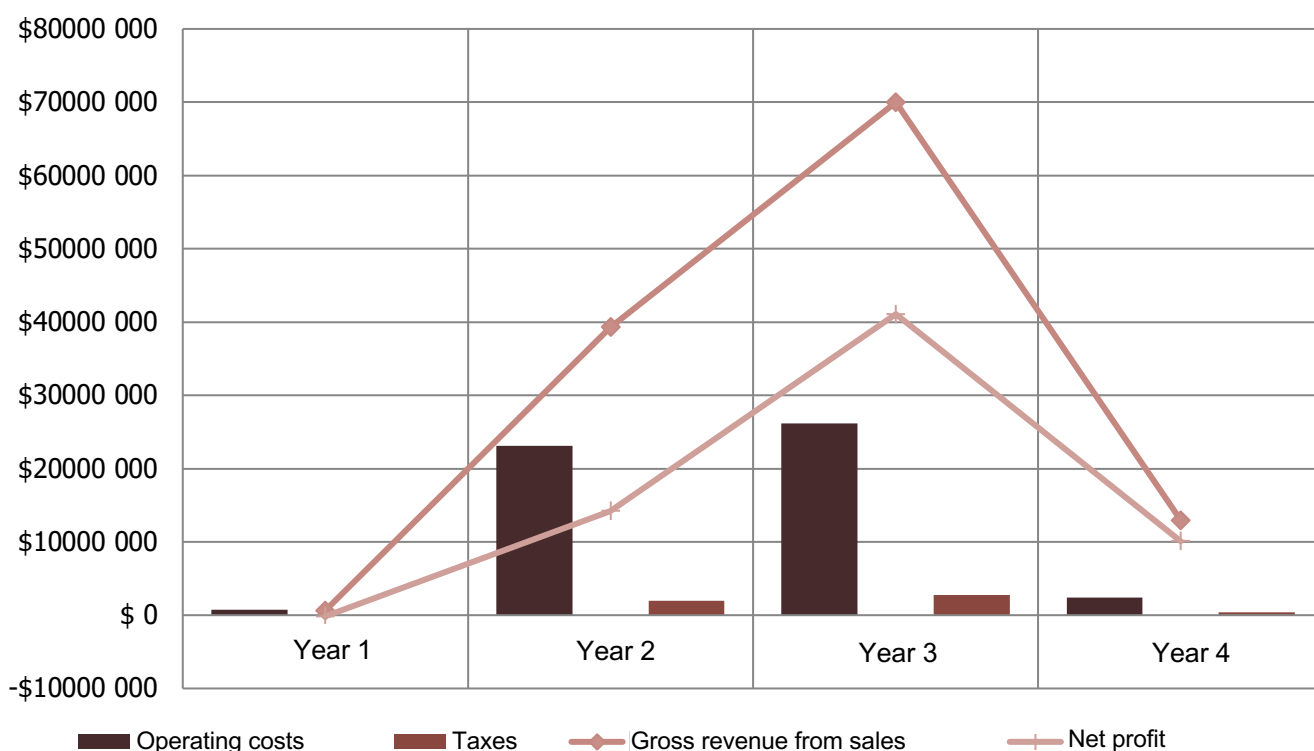
7.1 Analysis of project profitability

According to forecast calculations, the profit generation under the project is generally presented in the table and on the diagram.

Table 18. Profit generation under the project

Indicator	Year 1	Year 2	Year 3	Year 4	Total
Gross sales revenue	\$639,260	\$39,291,860	\$69,994,454	\$12,963,856	\$122,889,430
Operating costs	\$726,493	\$23,119,099	\$26,146,902	\$2,441,219	\$52,433,713
Depreciation	\$0	\$0	\$0	\$0	\$0
Financial costs	\$0	\$0	\$0	\$0	\$0
Taxes	\$67,856	\$1,967,394	\$2,768,116	\$412,086	\$5,215,452
Net profit	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265

Fig. 8. Profit generation under the project



The table below shows the step-by-step formation of profitability of the complex taking into account various factors:

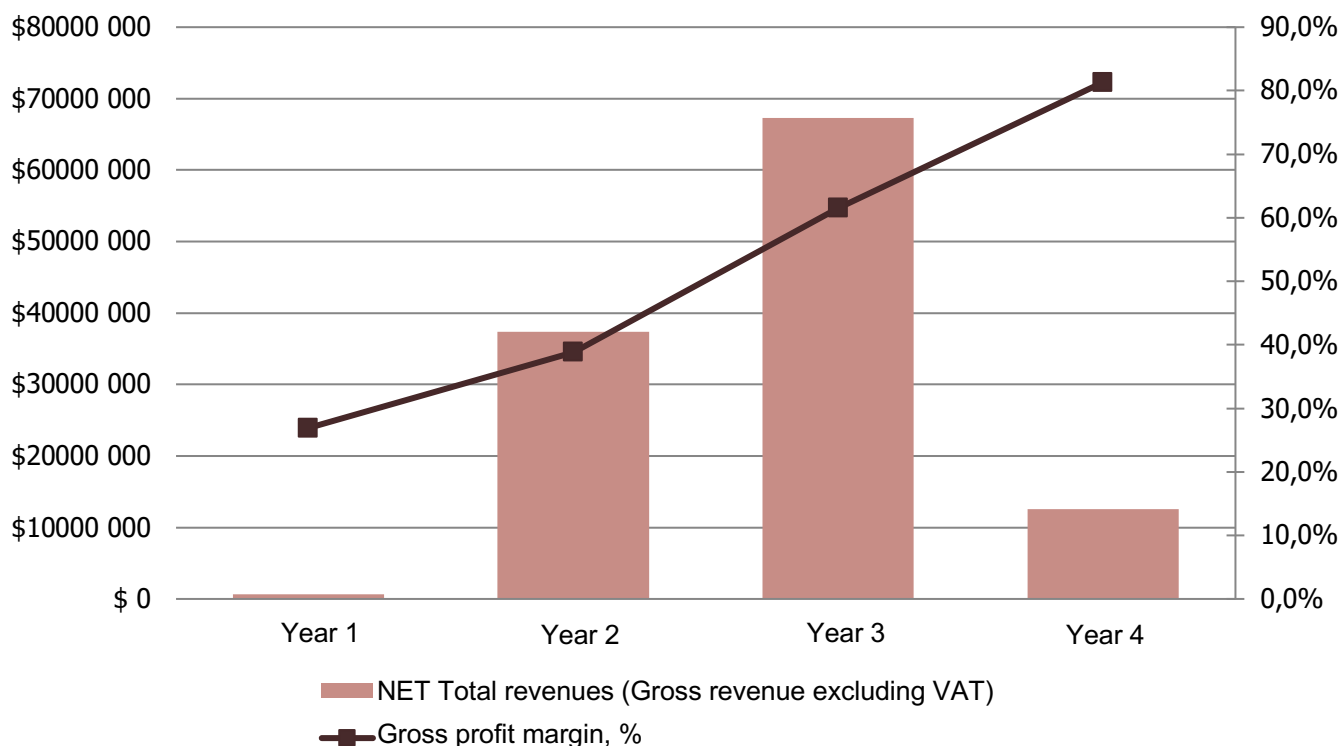
- **Gross profit Margin (%)**: shows the profitability of company activities, taking into account the cost of products sold.
- **EBITDA Margin (%)**: shows the profitability of company activities, taking into account all operating costs before depreciation and taxes.
- **Ordinary Income Margin (%)**: shows the profitability of company activities, taking into account operating costs and depreciation charges before taxes.

- **Return on sales (%)**: shows the profitability of company activities, taking into account all costs incurred.

Table 19. Project efficiency

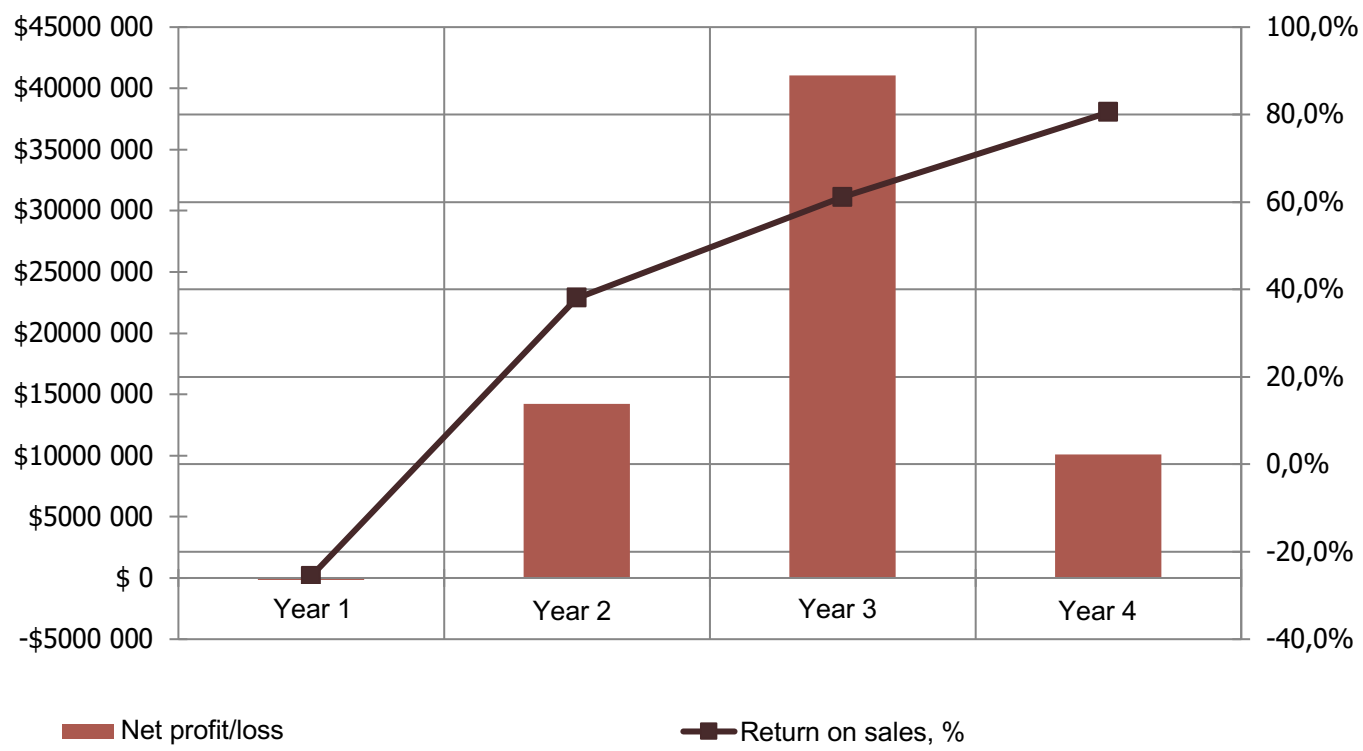
INDICATOR	Year 1	Year 2	Year 3	Year 4	Total
NET Total revenues (Gross revenue excluding VAT)	\$606,252	\$37,359,314	\$67,261,186	\$12,563,387	\$117,790,138
Gross profit	\$163,159	\$14,523,615	\$41,397,683	\$10,216,635	\$66,301,091
Gross profit margin, %	26,9%	38,9%	61,5%	81,3%	56,3%
EBITDA (Earnings before interest, tax, depreciation and amortization)	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265
EBITDA margin, %	-25,6%	38,0%	61,1%	80,5%	55,4%
EBIT (Operating profit – earnings before interest and tax)	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265
Ordinary income margin, %	-25,6%	38,0%	61,1%	80,5%	55,4%
Net profit/loss	-\$155,089	\$14,205,367	\$41,079,435	\$10,110,552	\$65,240,265
Return on sales, %	-25,6%	38,0%	61,1%	80,5%	55,4%

Fig. 9. Gross revenue and gross profit margin under the project



Return on sales is used to control not only the cost of products sold, but also changes in the pricing policy of the enterprise, and characterizes the company's operating performance. The value of this indicator is 55.4%. This means that every dollar of revenue will bring the company \$0.554 of net profit.

Fig. 10. Net profit and return on sales under the project



7.2 Assessment of the investment attractiveness of the project (calculation of NPV, IRR, DPP, PI ratios, etc.)

Discount rate calculation

Discount rate is the rate that an initiator or an investor expects to receive from investing their funds in a project.

The calculations used the model for determining the discount rate at **9.8%**

At this discount level, we obtained the following indicators characterizing the project efficiency:

Table 20. Project investment attractiveness ratios

Indicator	Measurement unit	Value
Payback period (PP)	months	27.2
Discounted payback period (DPP)	months	27.7
Project period (PP)	months	48.0
Project Net present value (NPV)	USD	\$41,554,417
Internal rate of return (IRR)	%	128,9%
Profitability index (PI)	ea.	1.79
Return on sales (ROS) (Net Profit Margin)	%	55,4%
Return on investment (ROI)	%	102%

Performance indicators are characterized as follows:

Project Net present value (NPV)

This indicator, according to the table data, is greater than "0". The net present value of **\$41,554,417** proves the project profitability, and indicates that all cash receipts brought to today's value exceed investments in the project, which proves their high efficiency.

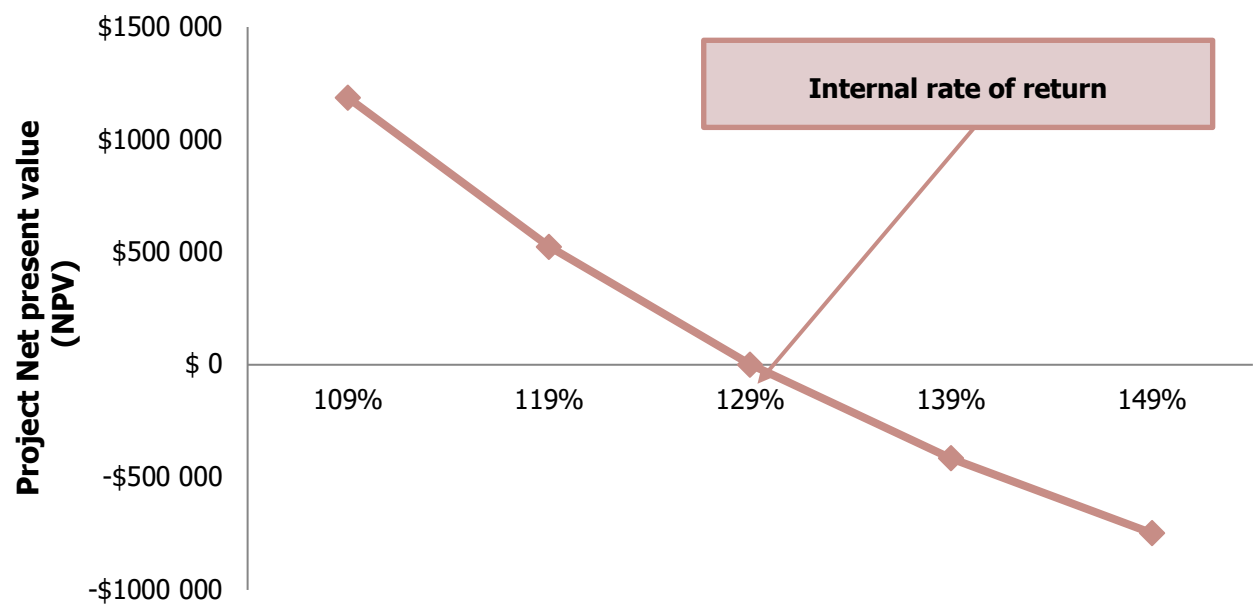
The NPV indicator represents the difference between all cash receipts and payments made to the present time (the moment when the investment project is appraised). It shows the amount of cash that the investor expects to receive from the project after the cash receipts recoup his initial investments and periodic cash payments associated with the project implementation. Since cash payments are estimated based on their cost over time and risks, NPV can be interpreted as the value added by the project. It can also be interpreted as the investor's total profit over the project period from investing in this project.

Project Internal rate of return (IRR)

The internal rate of return (the average return on investments provided by this investment project) is **128.9%**

At this rate, the real value of project cash flows is equal to the real value of project costs. The internal rate of return determines the maximum value of attracted capital at which an investment project remains profitable. In other words, it is the average return on invested capital provided by this investment project, i.e. the efficiency of capital investments in this project is equal to the efficiency of investment at the rate of 7.93% in any financial instrument with a uniform income.

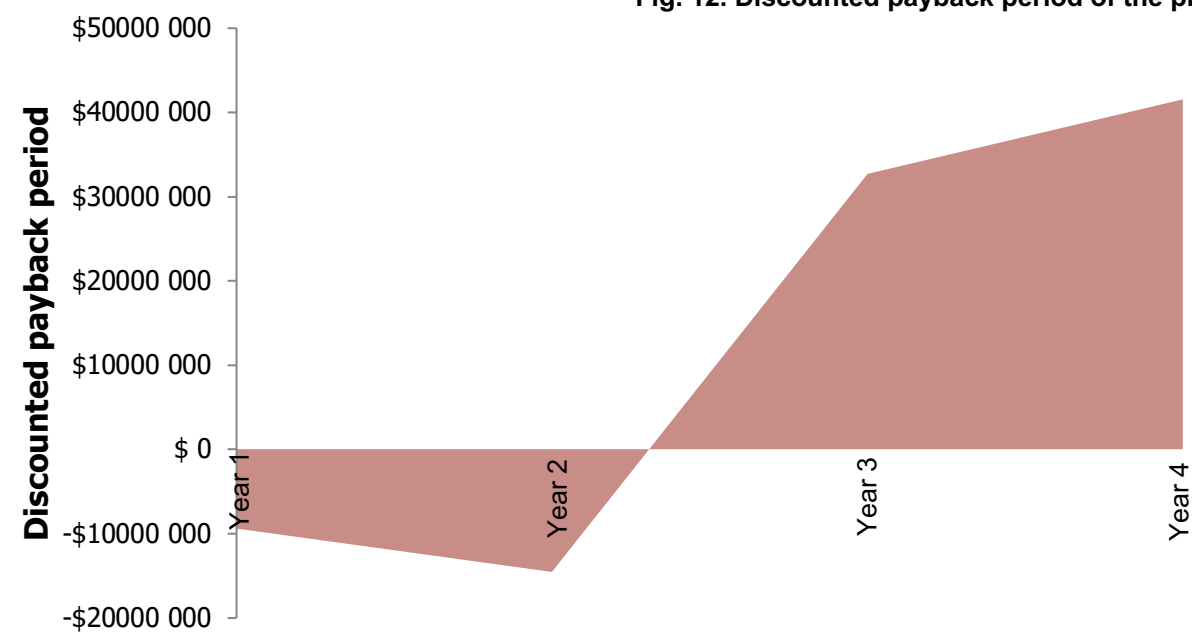
Fig. 11. Internal rate of return



Discounted payback period of the project

The discounted payback period of the project is **28 months**. This means that during the project period, investments in the project should fully pay off, taking into account the discount factor.

Fig. 12. Discounted payback period of the project



Investment profitability indicators

Profitability index under this project is 1.79, which means that each monetary unit spent by the company will bring it 1.79 units of discounted cash receipts in the course of the project.

Return on investment shows the amount of net profit received as a result of investing funds in the project, and is 102%. That is, upon investing one dollar, the company receives \$1.02 of net profit.

8. RISK ANALYSIS

8.1. Factor analysis of project risks

Risk of lost financial benefits and consumer risks

These are the risks of indirect (incidental) financial loss (loss of profit) as a result of failure to implement any measure (e.g., failure to achieve the target on sales of residential premises).

This type of risk for the enterprise is below the average level due to the improved demand at the real estate market of Zhytomyr. Other factors of positive impact that mitigate this risk include the company's good reputation, successful positioning of the construction facility, favorable location of the project, use of the latest technologies and innovations in the field of construction, sale of apartments and offices with the initial finishing work.

Consumer risks

This type of risk is associated with the possibility of the loss of profit, which is directly affected by the level of effective consumer demand and consumer preferences.

The consumer risk may be estimated as average since the construction of the residential and shopping complex implies the presence of effective demand. Moreover, the growth in the supply of real estate in new buildings allows for a wide choice of housing, both of economy and higher classes.

Resource risk and implementation risk

This risk is associated with a possible change in prices for materials and services used by the company in its activities. Resource risk may also be associated with a deterioration in the quality of raw materials and materials used; the quality of materials may deteriorate due to a violation of the construction method. Moreover, there is a risk of disruption or delay in the supply of raw materials, which directly affects the smooth implementation of the production cycle and the timing of work. Since all necessary construction materials will be supplied by well-known companies with good professional experience, this risk may be below average.

The risk of implementation is associated with the failure to achieve the final target results during the implementation of the project or the company's strategy:

1. Failure to establish an efficient construction process (failure to deliver the necessary equipment to the construction site; failure to purchase the necessary materials, etc.; the commissioning deadlines of buildings will differ from the target).
2. The actual level of measures implemented will be less than expected, namely, the declared class of the complex will not be achieved.
3. The Project will not be fully implemented despite the involvement of the necessary resources.

Taking into account the totality of specially developed and implemented measures on this issue, as well as the involvement of contractors who have many years of experience in the construction markets

and are directly responsible for the quality and timely implementation of the production process under the contracts, the risk has a low probability of materialization.

Bureaucratic and administrative risks

These risks imply unforeseen activities of government authorities and/or individual officials regarding their official decision-making, which may directly or indirectly cause a negative impact on the activities of the enterprise.

Since the company plans to obtain all the necessary permits for the project implementation, this type of risk has a low probability of materialization.

Legal risks

The existing shortcomings of the Ukrainian legal system and Ukrainian legislation create an atmosphere of uncertainty in the field of commercial activity, i.e. a legal type of risk arises.

These shortcomings include:

- Development of the Ukrainian legal system and, as a result, the inconsistency between laws, decrees of the head of the state and orders, decisions, resolutions and other acts of the government, ministries and local authorities. In addition, a number of fundamental laws have been put into effect recently, and there are often no by-laws furthering the application of individual laws;
- The inconsistent implementation of the principle of uniformity of judicial and arbitration practice by the judiciary, and the relative lack of experience of judges and courts in interpreting certain legal norms.

These shortcomings may adversely affect the ability of the future enterprise to strive for its rights, as well as to defend itself in the event of claims filed by other persons. Taking into account the current changes in the country and the variability of the regulatory framework, this type of risk has a probability of an average level of materialization.

8.2. Risk mitigation strategy

Given the instability of the economic situation, in order to reduce the overall project risk, the project initiator may create a commercial risk fund and deduct 5-10% of the net profit received from the project to replenish it. An alternative method of risk mitigation is to cooperate with insurance companies.

In addition to the above measures, the following measures may also be taken to prevent the risks:

Risk of lost financial benefits:

- Regular quality control of built areas
- Continuous marketing research to identify new ways to attract customers, choosing forms of the promotional policy,
- Establishing long-term contractual relationships with contractors
- Conducting systematic monitoring of the business activity of the enterprise, as well as a comprehensive assessment of its strengths and weaknesses of the enterprise and its structural divisions.

Resource risk:

- Drawing up long-term contracts for the supply of necessary raw materials, materials and other goods at stable prices
- Organizing raw material supplies from various sources.

Bureaucratic and administrative risks:

- Using the available administrative resource to quickly resolve issues of obtaining the necessary permits and licenses for work.

Legal risks:

- Involving highly qualified lawyers in the economic, corporate and foreign economic branches of law
- Studying legislative opportunities to optimize costs of the enterprise, and their subsequent application
- Close cooperation with tax authorities and inspection authorities.

Process risks

- Reserving funds in case of unexpected equipment breakdowns
- Equipment insurance
- Analysis and diagnostics of innovative technologies.

8.3. SWOT analysis

<i>Strengths</i>	<i>Opportunities</i>
• High quality of buildings • Picturesque and very convenient location of the project • The presence of a park area and a recreation area in the territory of the complex contributing to its improvement • Use of the latest achievements and technologies, as well as high-quality materials and raw materials in construction • Well-thought marketing and pricing policy of the enterprise • Construction of the complex on its own land • Project implementation by experienced and qualified specialists	• Use of favorable conditions in the real estate market of Zhytomyr • Strengthening the competitive position of the enterprise and expanding its customer database • Attracting a large number of potential customers • Increasing the market value of the enterprise
<i>Weaknesses</i>	<i>Threats</i>
• Low consumer activity in the real estate market of Zhytomyr • The need to raise significant funds at the beginning of project implementation • Dependence on currency fluctuations • Long time until the facility is fully commissioned	• Lack of effective consumer demand • Threats of delay or disruption of project implementation deadlines • Increase in the cost of construction work • Threats of delay or disruption of the supply of materials and raw materials and, as a result, untimely completion of construction work • Price reduction by competitors • Natural disasters.

9. CONCLUSIONS

The project concept provides for the construction of a residential complex in Zhytomyr.

The estimated project period is **4 years**.

The total investment required for project implementation is **\$63,945,786**. Financing is provided at the cost of the investor's funds and reinvestment of profits from the sale of real estate property of the residential complex "Zhytych." The investment will fully pay off to the investor in just over 2 years and 4 months.

The project under review is characterized by high positive values of performance and efficiency indicators.

Within four years of production operation, the following results are to be achieved:

- total gross income: **\$122,889,430**;
- capitalized net profit: **\$65,240,265**;
- total cash flow: **\$88,252,016**.

Fig. 13. Project profitability ratios

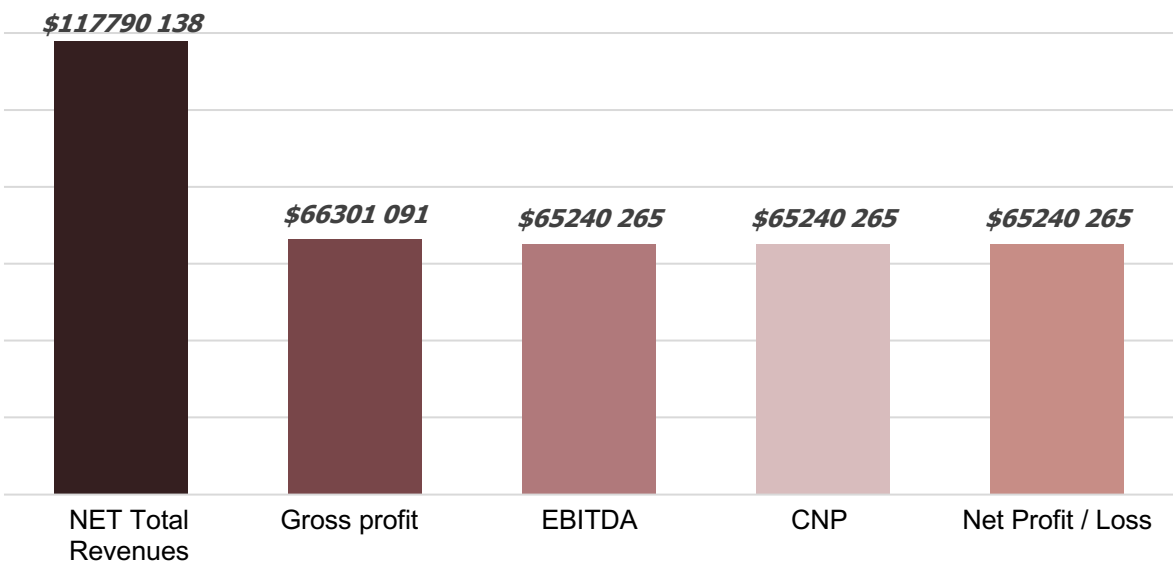
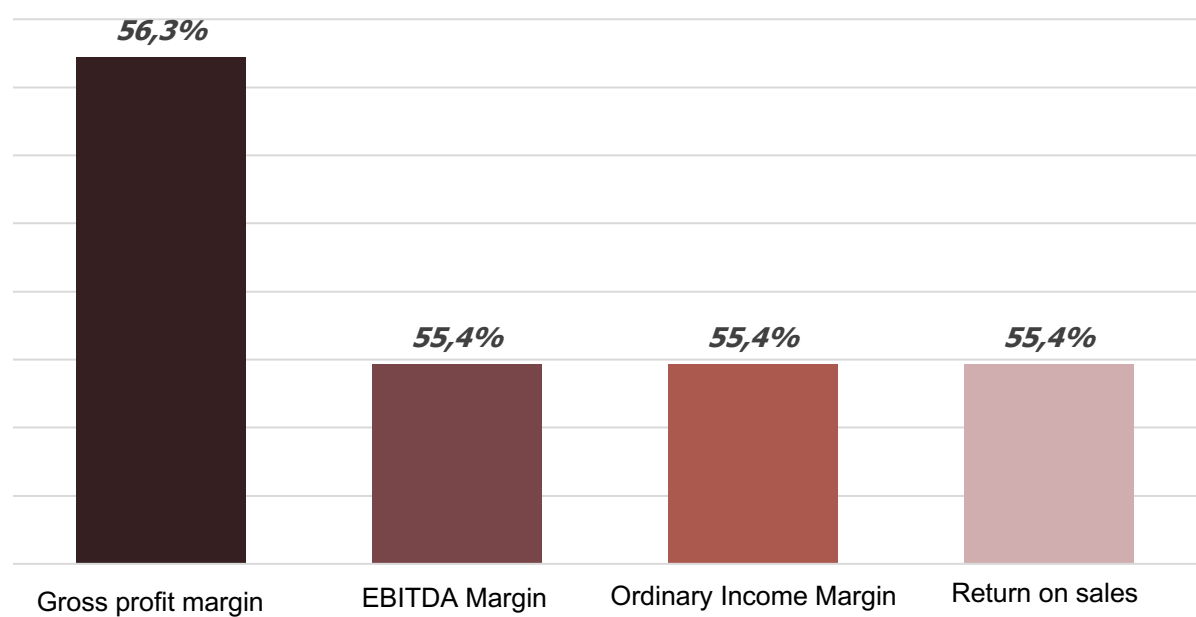


Fig. 14. Project profitability ratios



The project discount rate is **9.8%**. At this rate, the following indicators of investment attractiveness are achieved:

- Net present value of the project: **\$41,554,417**;
- Discounted payback period: **2.31 years**;
- Internal rate of return: **128.9%**, which is higher than the discount rate and justifies the project profitability for the investor.