

DAR VILLAGE



DAR VILLAGE LIMITED

Dar-es-Salaam, Tanzania

June 2022

DAR VILLAGE - EXPLORE THE DIFFERENCE

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Project Executive Summary

1.1. CONCEPT

Dar Village is designed to be a first-class mall cum office complex and destined to become Dar’s leading ‘shopping’ and business destination.

Dar Village has been designed with its environment in mind. It follows an architectural layout that defines the horizons of Dar es Salaam; the people for whom the mall is destined for and the aesthetics that pronounce a feel to residents of Dar es Salaam that they can also be able to proudly share an international taste at their doorstep.

A mall that is truly Tanzanian, made to cater for the needs of people from all walks of life, meets and greets the ideals that will become part of the landmark of a country that yearns for a reputable recognition. The concept has thus conceived the following parameters:

- Dar Village will bring together the preferred lifestyle as a prestigious shopping destination for quality-conscious residents and visitors.



1 offer a comprehensive recreational base and entertainment experience within an aesthetically stimulating ambience.

- Dar Village will become a new business hub that will provide the ideal environment and infrastructure for commercial operations.

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- ➡ Dar Village will provide special attraction to on-site facilities that includes raised and tiled flooring, central air conditioning, express conveyance and exclusive parking facilities.
- ➡ Dar Village will beam of quality and innovation that will blend together to create a pleasant shopping, recreational and working environment.
- ➡ Dar Village will provide **27,513 Sq Mt** of rentable space, which includes **14,510 Sq Mt** of retail/shopping and entertainment space, **13,003 Sq Mt** of banking and office space. The initial plan was to secure funding to meet the entire development at a total construction cost of \$46.64ml. The project developer was enthusiastic to secure \$27.99ml to be able to complete the project.

In order to streamline resources and be able to meet issues related to financing of the project phase wise; the developer enthused that the project be developed in three phases so that suitable financial requirements could be secured expediently.

Dar Village is proposed to be developed in three phases. Currently DVL is in the process of completing Phase 1 of the project. The details of various phases of development of Dar Village are given below:

Phase I

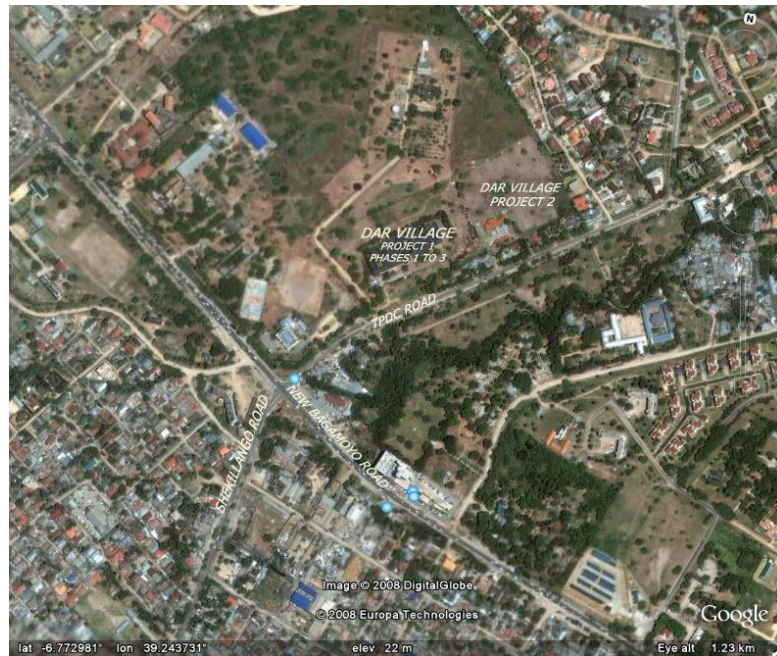
Phase 1 envisages completion of development of gross **16,337 Sq Mt** of which net rentable space of **14,510 Sq Mt** of first class retail/shopping and entertainment space, supported by all amenities. Implementation of Phase 1 of the project is currently under progress and is expected to be completed by mid 2023. The retail areas will be inclusive of international hypermarket, prestigious banks, branded shops, exclusive executive offices, banks and boutiques. This phase includes development of 9,102 Sq Mt of parking and hard-standing area as well as 4,445 Sq Mt of temporary parking area at the road frontage. This Phase requires USD 8.43 million to meet completion.

Phase II

The second phase consists of addition of gross **5,501 Sq Mt** of retail space to Dar Village. This phase will include branded shops like Woolworths etc. This Phase includes development of 6,528 Sq Mt of parking and hard-standing area.

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- ➔ The site is conveniently accessible through both Bagamoyo and TPDC roads and located close to many of the affluent suburbs of the city. Image 2: Location of Dar Village



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1.4. DESIGN

Architectural design has been made by M/s. Julian Michaels Architects (JMA) of South Africa and improvement made by Blueprint limited an architect from Tanzania. The architects have in depth experience in the development of such magnanimous projects.



The design concept of the complex follows contemporary international trends and would be a landmark development once completed. The space planning includes provision for well articulated circulation, ambience, aesthetics, multi-levelled floors and substantiated shop fronts.

1.5. TENANCY MIX

Dar Village will house a diverse mix of tenants catering to the varying shopping, entertainment and office needs of the residents of Dar es Salaam.

- Shopping spaces for large retail departmental stores, food courts, retail shops for premium products, pharmacies, boutiques, and other businesses;
- Office spaces for banking business, bureau de change, and other businesses; and



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- Entertainment areas such as cinema, nightclubs, bowling alleys, play area, club, etc.

1.6. PROGRESS ACHIEVED

Considerable progress has been achieved to-date. The developers have so far invested about USD 10.55 million. Phase 1 of the project is planned to be completed by the mid of 2023 and the implementation of Phase 2 and Phase 3 of the project would be undertaken on a fast-track basis and would be taken up for implementation by the middle of 2023 and end of 2023 respectively.

1.7. CONFIRMED TENANCY

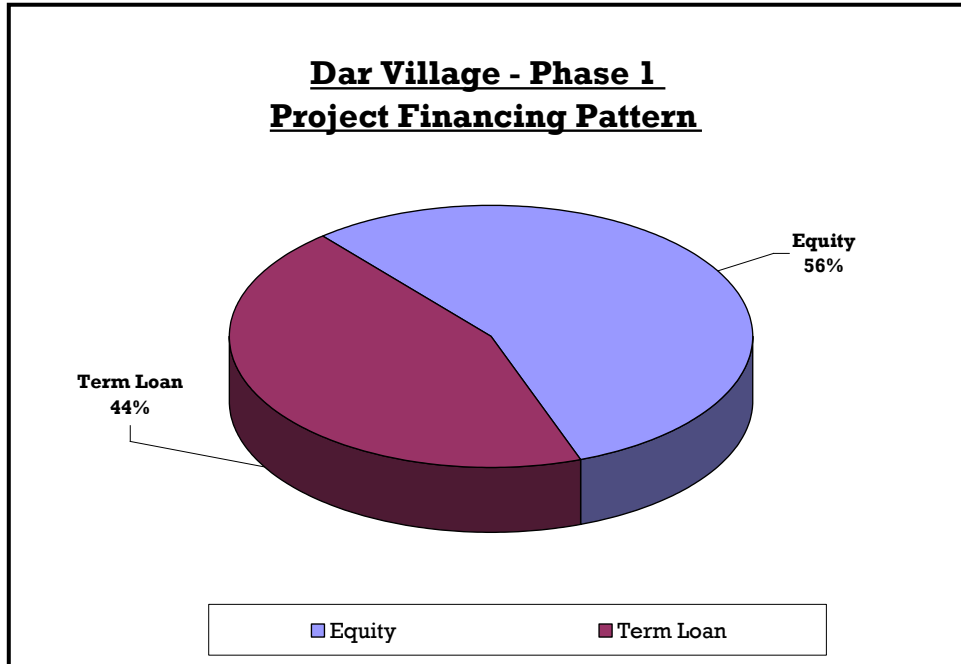
90% of total rentable area has already been leased out; one of the international hypermarkets from Middle east will be the anchor tenant followed by Cinemas at Dar Village.

1.8. THE PROPOSAL

DVL now plans to raise USD 8.43 million as loan for completion of the Phase 1 of the project. The total investment for completion up to Phase 1 of the project would be 18.98 million.

Implementation of phase 2 and Phase 3 of the project would be taken up after commissioning of phase 1 of the project and the financing would be tied up separately once phase 1 of the project is completed.

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1.9. FINANCIAL HIGHLIGHTS

- a) Total Project Cost (Phase 1) – USD 18.98 million
- b) Financing Pattern- Equity - USD 10.55 million, Debt - USD 8.43 million
- c) Projected IRR – 21.86%
- d) NPV- USD 11.00 million
- e) Overall DSCR – 1.78

1.10. COMPETITIVE ADVANTAGES

- (i) Strategic Location – to cater to growing middle and upper middle class population.
- (ii) Excellent site infrastructure – well planned zoning, pavement, electrical, water and sewer systems, lighting and signage.
- (iii) Unique Design – Minimal intra mall competition, flexible portioning and customized lay-out.
- (iv) Discounted rental rates – Average @USD 16-20/ Sq Mt compared to USD 20-45 at similar facilities at Mlimani and elsewhere.
- (v) Specialized tenant mix – diverse mix of tenants such as supermarket, cinema, restaurants, clubs, apparel stores, boutiques, banks, offices, and so on.

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- (vi) Pre-leasing – 90% of the shopping mall has already been leased-out; premier tenants include international hypermarket (anchor tenant with 9,352 Sq Mt), banks, shops, and others.
- (vii) Crisp property management – professional mall management services.
- (viii) Large parking area - 800 bays.
- (ix) 24X7 mall management services – fool proof security, spic and span clean services and other common area maintenance.
- (x) 24X7 amenities and utilities – water, electricity, and garbage handling, power-back up, and so on.

2.0 Forward

Africa is fast shedding its image as the 'dark continent' and is increasingly becoming integrated with the global economy. Most countries in Africa now have stable political and social conditions and consequently are achieving fast-paced development. Tanzania is one such country, which is increasingly garnering attention of the global business community. As a result of the prevailing social harmony, political stability, and prudent growth supporting government policies, Tanzania is growing at an accelerated rate. This is resulting in a positive spiral of growth where the fact paced growth attracts further investments in the country, which again fuels further growth, attracting more capital.

In order to maintain the momentum of growth, the country has to pace up development of its infrastructural facilities. The huge demand for infrastructure, especially in the business and residential real estate sector has spurred growth in the sector and construction industry has become one of the prominent contributors to the expansion of the Gross Domestic Product.

Dar es Salaam is Tanzania's largest city and also a major business hub in the entire East African Region. It is also the 3rd fastest growing city in Africa and included as one of the fastest in the world. The metropolitan area population is expected to reach around 12 million people by 2030, which calls for large increases in infrastructure in the immediate future for facilitating orderly development.

Dar Village Limited (DVL) is a subsidiary company of the ZEK Group International Limited and has been promoted specifically to cater to this growing demand. DVL has conceived establishment of a modern multipurpose real estate complex branded as '**Dar Village**' in Kijitonyama/Mikocheni Area of Dar es Salaam, which is ideal for such investments. The Dar Village would consist of a retail business space, an entertainment area and office space with a total rentable area of 27,513 Sq Mt. The complex is being developed in three phases, where the Phase 1, which includes supermarket, retail, and offices facilities, is currently being developed. The second and third phases would comprise of retail spaces, food courts, cinemas clubs etc and proposed to be carried out at pertinent time.

DVL has positioned the upcoming mall and office complex as premium facility and is successfully marketing the offerings to potential tenants. So far about 90% of the rentable area in the complex is booked for occupation and discussions are in advanced stage for leasing of the remaining area. DVL therefore believes that the full occupancy levels could be achieved with ease well in advance of commissioning the property for occupation.

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The Development of the Dar Village is progressing as per the implementation plan and the promoters have so far invested about USD 10.55 million in acquisition of the plot and part development of the property. Having achieved considerable progress in implementation and attracted high profile tenants, ensuring success of the project, DVL now intends to raise USD 8.43 million for completion of Phase 1 of the project.

The Proposal

Having invested USD 10.55 million, as equity component of the project from in-house resources, DVL now solicits to raise USD 8.43 million for completion of Phase 1 of Dar Village.



Security for the Loan

DVL proposes to offer mortgage of the entire property, where Dar Village is being developed as the collateral security for the loan.

3.0 The Project Concept

3.1. Background

Tanzania is currently viewed as a country with high potential for growth and is attracting increased investments across various sectors of the economy. Market sources have confirmed that this increased level of economic activities by international investors/multinational companies have directly resulted in a surge in demand for commercial real estate properties in Dar es Salaam, further widening the demand supply gap. In this context, ZEK Group considers it appropriate to invest in developing the much-needed real estate offerings of international standards and incorporated DVL in this premises. DVL, after conducting a detailed assessment of the market requirements and best possible solutions, conceived developing a commercial real estate complex consisting of retail and office space in the Kijitonyama area of the Dar es Salaam City.

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3.2. Plot acquisition

DVL secured, through outright purchase, ownership of **9-acre** plot of land formerly belonging to the then Printing Unit of Tanzania Telecommunication Company Limited (TTCL) located at Kijitonyama/Mikocheni area at the junction of Bagamoyo and TPDC roads, in Dar es salaam.

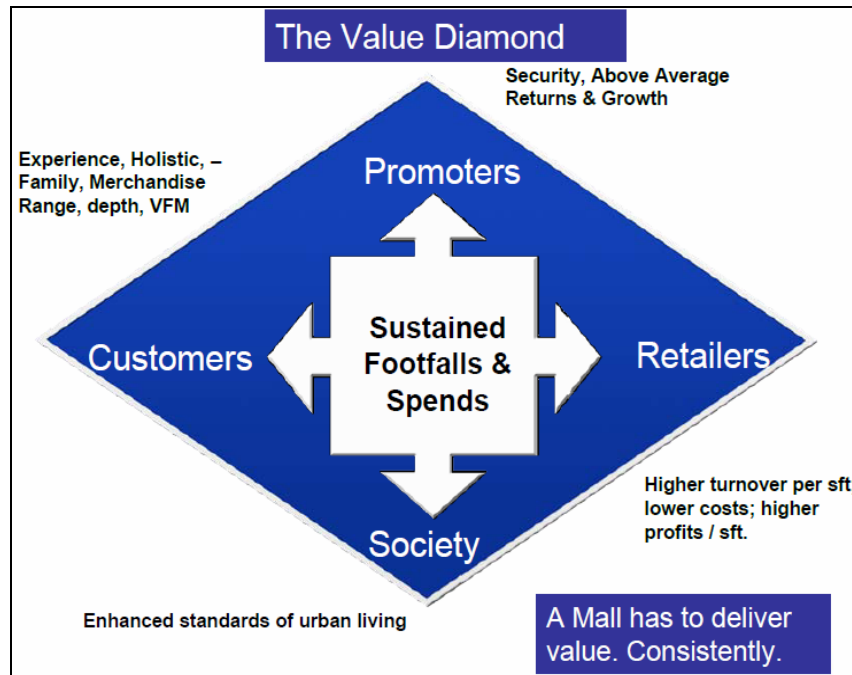
The plot is registered under Land Title no. 55516 L.O. 191144, Plot No. 717/5, Mikocheni in the name of ZEK Group Limited. The land has a Right of Occupancy covering Ninety Nine (99) years starting from January 2001.

3.3. Project Design

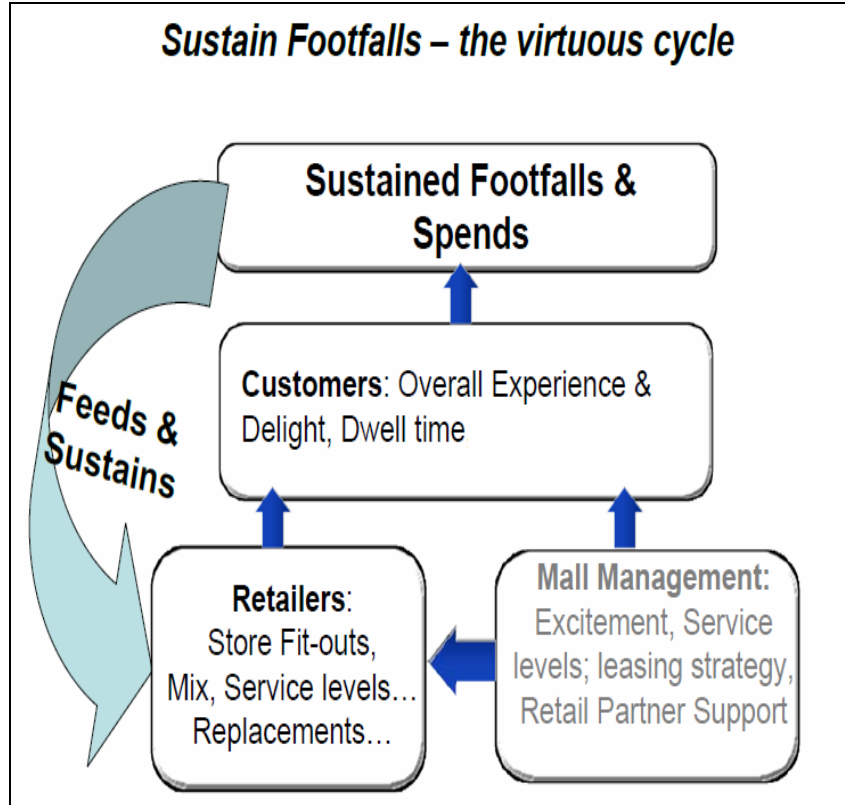
DVL engaged Blueprint limited to design the Dar Village project, matching to contemporary international standards and trends. The profiles of Blueprint limited together with other consultants and contractors are attached as **Annexure 1**.

The Value Diamond and footfall cycle

The layout and design of Dar Village has been developed to attract sustained footfalls and spends by the customers thereby generating value for all stake holders. The value diamond concept envisaged as the guideline for design of each aspect of the facility is as given below:



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3.4. Perspectives

Few perspectives of Dar Village are given below:

Image 3: Dar Village – Artistic Impression 1



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Image 4: Dar Village – Artistic Impression 2



Image 5: Dar Village – Artistic Impression 3



Image 6: Dar Village – Artistic Impression 4



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Image 7: Dar Village – Artistic Impression 5



3.5. Site Layout and Floor Plans

The layout of Dar Village has been developed with due consideration the aesthetic and functional values of the building. The design optimises the usage of the entire plot area and ensures smooth functioning of the shopping mall and offices. The detailed site layout and floor plans are attached as **Annexure 2**.

3.6. Product Offerings

Shopping spaces

The project will provide modern shopping spaces to accommodate supermarkets, stalls, pharmacies, premium merchandise shops, hardware stores, food stores, food courts and other general supplies businesses.



Office spaces

The project will provide modern office spaces for banking businesses, bureau de change firms,



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insurance companies, legal firms, health centres, air travel and tour operators, cars service centre, and other businesses.

Entertainment Facilities

The project will provide ample spaces for cinema theatre and discotheques together with top-class winery, ice-cream parlour, executive pub, and a carnival village with open bar.



Parking Spaces

The project will provide parking arcade which will have capacity to provide space for 800 cars. This will provide car park services to would be customers visiting the complex.

4.0 The Sponsors

DVL the sponsors of the Dar Village project is a private limited company promoted by the ZEK Group of Tanzania. The company has been specifically incorporated to undertake investments in developing international class real estate developments in Tanzania.

Vision: To provide modern real estate experience to Tanzanians.

Mission: Development of viable international class multi-use shopping, recreational and office facilities of remarkable qualities that is second to none.

4.1. Profile of Shareholders

The current shareholders of DVL are:

Shareholders' name	Number of shares	% shareholding
Zadock Enock Koola	5,000	50%
ZEK Group International Limited	5,000	50%
Total	10,000	100.00%

4.1.1. Zadock Enock Koola

Mr. Zadock E Koola (61) is a dynamic, and successful businessman, with over 30 years of experience in establishing and managing enterprising ventures. Mr. Zadock is the Founder and the Executive Chairman of the ZEK Group.

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Mr. Zadock E Koola completed his tertiary education in Materials Management, and has attended various courses in entrepreneurship and strategic management in the United States of America (USA), and business-to-business marketing program at the University of Witwatersrand in the Republic of South Africa.

4.1.2. ZEK Group International Limited

ZEK Group is a diversified Tanzanian company with business interests in various sectors across multiple countries in Africa. ZEK Group's business portfolios are in the areas of development and management of premium residential and commercial properties, advertisement, public relations and events management, production house and information technology (IT).

ZEK Group, established in mid 1990s, has a combined turnover in excess of over USD 31.0 million. The Group through its subsidiary companies consistently provide quality products and services to many high profile clients including:

- Beverages companies such Tanzania Breweries Limited (part of SAB Miller), Coca Cola and Pepsi.
- International Financial Institutions including Barclays Bank, Standard Chartered Bank, Stanbic Bank.
- Local Tanzania financial institutions including CRDB Bank, Citi Group, Kenya Commercial Bank (KCB).
- Other corporate clients include Tanzania Cigarette Company – part of Japan Tobacco International (JTI), Airtel, TIGO, Vodacom, and Zantel

The Group has a growing presence in various African countries. Presently, the Group operates in 13 African countries including Tanzania. The other countries are:

Uganda	Nigeria	Malawi	Madagascar
Kenya	Niger	Rwanda	S. Africa
Gabon	Sierra Leone	Zambia	DRC

ZEK Group operates through its subsidiaries in different sectors, a brief of which is given below:

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1. **AI Outdoor Africa Limited**
2. **Dar Village Limited**
3. **ZK Advertising International**
4. **AI Outdoor Activation**

The following documents are attached for reference.

Annexure 3: Copies of Certificate of Incorporation

Annexure 5: Copies of TIN and VAT certificates of DVL

5.0 Project Implementation

5.1. Project Status

Considerable progress has been achieved in implementation by using the equity contribution of the developers. The shareholders of DVL have invested USD 10.55 million, which is the envisaged shareholder funding of the project.

DVL has completed the mobilisation and site clearance works, 100% of the sub-structure, 90% of the part plinth, 12% of the lower slab and 15% of the procurement. Other preparatory works for fast-track completion is progressing. DVL has also lined up all major material procurement and has also finalised the contactors to undertake various works as per the implementation plan.

After completing all the preliminary works and other pre-requisites DVL has scheduled the completion of the project in **three phases**, where the first phase would be to complete the retail, supermarket, shopping and office facilities and complete the development of additional retail space and boutiques in the second phase and recreational facilities and food courts in the third phase.

5.2. Project Implementation Schedule

The project implementation plan for completion of phase 1 of Dar Village is as follows:

Activity	2022							2023					
	jun	jul	aug	sep	oct	nov	dec	jan	feb	mar	apr	may	jun
Acquisition of plot							completed						
Finalization of Design							completed						

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Clearance								completed						
Preliminary Site Works								completed						
Foundation								completed						
Structure erection and Roofing														
Plumbing and Electric Works														
Exterior finishing														
Insulation														
Interior and floor finishing														
Painting														
Exterior landscaping														
Final finishing and texting														
Commissioning for occupation														

5.3. Technical Aspects

5.3.1. Design and Construction

Dar Village is designed as a landmark development in the commercial real estate sector in Dar es Salaam. The project will provide a customised mix of shopping and entertainment facilities all built to reputable international standards. The design follows modern trends and adheres to all statues that are currently in force in Tanzania. The layout is planned considering the aesthetics, functionality issues, human traffic, values and other relevant factors.

Dar Village is being built using only high quality materials under the strict supervision of qualified and experienced architects, engineers, and trade consultants.

5.3.2. Air-Conditioning System

The Dar Village will be provided with central air-conditioning facilities, with appropriate controls, giving flexibility for the tenant’s individual requirements.

5.3.3. Other Equipment

All other equipment, which includes elevators, escalators, security system, water supply system, electrical equipment, fire-fighting equipment, digital and sound equipment required for the project will be sourced from vendors of global repute.

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5.3.4. Amenities, Services and Facilities

Proper care has been taken care in the design stages itself for provision of critical factors such as reliability of utilities such as water, electricity, elevator services, sanitation, car parking space, security system and telecommunication. The building will be connected to water supply from the National mains system and to the sewerage system for waste disposal. Drainage from the site will also be connected to the existing external provisions.

5.3.5. Power Supply

The main power supply 33kVA will be from the National grid system supplied by TANESCO. Additionally, standby/backup generators will be installed to ensure constant power supply due to expected and intermittent power shortages from the main power supply.

5.3.6. Fire and Security System

Fire detection and alarm system will have interfaces with the main alarm panel. The Mall will include fire sprinklers to alleviate any fire encounters. Fire extinguishers and dry risers will feature as a prominent feature of the development. Security system would comprise of CCTV surveillance, Intruder Alarm System, Security Access Control, and integrated watchman control system.

5.3.7. Car Park

Project will have ample parking bays for parking services which in turn will have capacity to accommodate **800** cars.

5.4. Development Team

To ensure quality construction and fast track implementation DVL have engaged only renowned contractors/service providers for development of the Dar Village. A brief of the main/sub contractors and other vendors, who are associating with DVL in this venture, is given below:

- ∞ Main Contractor : Group Six International Limited

- ∞ Sub-Contractors
 - Electrical Contractor : Derm Electrics Limited
 - Air-Conditioning : Ashrea Air-Conditioning Co. Limited
 - Elevators and Lifts : Derm Electrics Limited

5.5. Organisation and Management

5.5.1. Organisation

DVL has constituted a special team comprising of the selected personnel from the ZEK Group for implementation and subsequent operations of the project. The project is being implemented based on a comprehensive implementation plan clearly defining the responsibility of various parties involved in the development.

5.5.2. Management of Dar Village post completion

On completion of the project, the management of Dar Village would be entrusted to a reputed property management services firm. DVL is in discussions with various such services providers such as BBA Property Management Company and BROLL both from RSA etc.

5.5.3. Staffing

DVL will employ a total of 12-staff in various positions as follows:

- Project Director
- Manager – Marketing & Sales
- Manager – Real Estate
- Manager – Finance & Administration
- 2- Accountants
- 3- Maintenance staff
- Administrative Assistant
- 2 - Others

The project will further provide employment for more than 200 personnel on a continuous basis for management of its operations. Direct and indirect opportunities for the tenants and suppliers alike will remain a major benefit.

6.0 Market Analysis

6.1. Tanzania – An overview

Tanzania is situated in East Africa - bordered by Uganda and Kenya in the north; Burundi, Rwanda, and Congo in the west; and Mozambique, Zambia, and Malawi in the south. During the initial period after independence and union with Zanzibar in 1964, Tanzania followed a

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closed economy model, with state as the major economic agent. However, the Government realising the need for a private sector led development embarked on a fundamental political and economic transformation in the early 1990s. Significant measures have then been taken to liberalize the country along market economy lines and encourage both foreign and domestic private investment.

The coherent macro economic framework instituted an increased involvement of private sector in the economy. This has accelerated the average economic growth to more than 7% per annum. The country sustains annual economic growth rates that are among the best in sub-Saharan Africa. Tanzania is also a country of peace and harmony with a stable socio-political environment. In a volatile region, this stability and coherent economic framework is valued at premium and as a result the country is progressing on a fast-track basis.

On account of sustained economic growth and liberalized investor friendly policies of the Government, Dar es Salaam, the commercial capital of Tanzania, has emerged as one of the prominent commercial centers in East Africa. Dar es Salaam is the largest and most prominent city in the country. The city generates about half of the total manufacturing employment and also serves as trading and transportation hub for the country as well as the neighbouring landlocked countries.

Tanzania is now increasingly securing attention of global business houses and entities and is fast making the transition from an underdeveloped economy to an emerging economy. Due to the high prominence of the city, its strategic location, and by virtue of being the largest market in Tanzania, Dar es Salaam retains much of the growth in economic activity, which in turn is resulting in robust growth in demand for high quality office and shopping spaces in Dar es Salaam.

6.2. Trends in Dar es Salaam's Commercial Property market

6.2.1. Office Space

Property investment in the city of Dar es salaam has been on the increase over the last 15 years. For instance, after stagnating at about most 30,000 Sq Mt, mainly in purpose-built office complexes during the period 1985-1995, the available space increased to about 110,500 Sq Mt by year 2000. Even though there has been further increases in developed properties, where the available space increased to about 230,000 Sq Mt, the supply side responses to growing demand is far from adequate resulting in a large and growing demand-supply gap. This is evident from the high prevailing rentals in the city.

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Lease rents of up to US\$ 30 per sq m per month were achieved on substandard, poorly managed space in 1994, reflecting the scarcity of good quality accommodation in the market. Subsequently, rents began to soften as new high standards buildings were developed such as 50 Mirambo Street and International House in 1998 and were fully occupied within six months of practical completion. 50 Mirambo Street was let at US\$ 20 per sq m in 1997 while International House achieved rental rates of US\$ 23-27 per sq m in 1998. In addition to the rental, service charges ranged from US\$ 2 to 4 depending on the grade of the commercial property.

However, considering the growing demand, it is expected that there is greater scope for further such developments especially in decentralized areas such as Mikocheni, Msasani Peninsula, Regent Estate, Nyerere Road and Bagamoyo road at rents of around US\$ 20.0-22.0 per Sq Mt/ month.

6.2.2. Shopping Spaces

The market condition of shopping spaces also follows a similar trend. The concept of organized retailing was introduced Dar es Salaam in the early 2000's. Retailing was mainly undertaken in the unorganized sector and as a result purpose-built shopping spaces were not developed. However, the opening of the economy, resulted in the increased inflow of private investment to the country leading to fast urbanization of Dar es Salaam and exposing the population towards global trends in lifestyle and amenities. This generated demand for customized shopping spaces.

Rapid urbanisation led to rehabilitation of shop fronts along the high streets of Samora Zanaki and India. Gradually, purpose-built shopping complexes was developed along with the introduction of international retail companies. Since 2000's Tanzania has witnessed increased investments in the sectors of banking, insurance, mining, transportation and communication, manufacturing, tourism, and international trade. All these developments coupled with inflow of UN Organizations and diplomatic missions have increased the demand for modern shopping facilities.

Presently, Dar es Salaam city has several high-end Shopping Complexes namely:

- ✓ **Mlimani City**
- ✓ **Shopper's Plaza.**
- ✓ **Mayfair Shopping Complex**

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- ✓ **Slipway**
- ✓ **Sea Cliff Village**
- ✓ **City Mall**
- ✓ **Aura Mall**
- ✓ **Palm Village**
- ✓ **Classic Mall**

All the above have occupancy levels of over 90% reflecting the growing demand for modern purpose-built and state-of-the-art shopping centres in Dar es Salaam. A few other malls are also being built by various developers to raise the status of the Dar es Salaam city.

6.3. Demand and Supply Analysis

Office Space

The increase in demand for high quality office space is expected to continue in view of the growth of the economy and the liberal policies of the government such as privatization program and dismantling economic control system. While the future demand is difficult to be gauged accurately, based on the market analysis conducted and with the historical data available, the growth for office market has been estimated as follows:

The major market segments for office space are local establishments (private corporations, banks, firms and others), trans-national corporations (private foreign firms), Government organizations (Parastatal organizations) and others (foreign missions, NGOs and donors). The share of local establishments and trans-national corporations could range from 88-90 % and the balance by Government and others. .

The real estate market has a characteristic of short supply scenario and vice versa. The markets go through a period of adjustments and enter into an equilibrium stage gradually. Especially for a growing city like Dar es Salaam, the demand for high quality buildings will grow faster than the demand for the outdated and grade B buildings. Shift phenomenon i.e. moving from outdated and substandard buildings in the old CBDs to high quality office space would also aid the growth of the demand for new buildings.

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Shopping Space

The retail sector in Dar es Salaam is still in nascent stages and the demand can be rightly considered as a supply driven induced demand, where creation of the infrastructure increases the consumption of the same. As such it would highly difficult to gauge the future demand for retail space in Dar es Salaam. However, the market sources have confirmed that many of the leading retail players in the region (East Africa and South Africa) have large expansion plans include setting up of fresh stores in Dar es Salaam which would increase the demand for retail space in the near future substantially. For instance:

- ✓ DVL has successfully marketed the space to One of the International Hypermarket, and they are about to signed lease agreement for leasing 9,375 Sq Mt at Dar Village.
- ✓ The existing players such as KFC, Mr. Price, Woolworths, Shoppers Supermarket, etc also have expansion plans, subject to availability of quality retail spaces.
- ✓ Similarly, all mobile phone companies operating in Dar es Salaam are actively searching for space to house customer service and sales points dotted across the city.

The shopping malls currently in Dar es Salaam have a total net rentable commercial (shopping and office) space of about 225,000 Sq Mt. Due to the emerging nature of the market and the minuscule supply of retail space, it is estimated that there is a very high unfulfilled demand for quality retail space in Dar es Salaam. Owing to the fact that the concept of custom-made shopping complexes have been introduced very recently in the city and also the fact that demand for such spaces have characteristics of induced demand estimating the growth in demand for retail space is difficult. However, based on available market information and estimates based on informal inquires with market participants it is estimated that the current demand for retail quality space in Dar es Salaam is more than 280,000 square meters.

Compared to the estimated demand, the current supply of retail space in the city is only about 225,000 Sq Mt, with a possible addition of about 60,000 Sq Mt in the near future. Thus, there would be a large gap between the demand and supply of high-quality retail spaces in Dar es Salaam.

Parking Arcade

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It is estimated that vehicle population in Dar es Salaam is in excess of 100,000 cars and growing at a rate of 5% per annum. Vehicle parking facilities is an important factor in the decision to go do shopping and selecting premise for occupation.

In the past, car park facilities were not considered by town planners and real estate developers. The car park facilities will attract more customers to visit the complex. The facility will have capacity to accommodate 800 cars.

6.4. Prevailing Rents

- The current average market rents for most prime and recently completed commercial premises in Dar e salaam is about USD 18 per Sq. Mt per month.
- The average lower limit is USD 15 per Sq. Mt per month exclusive of service charges. The indicative rental charges in major commercial complexes is given below:

Particulars	Rent per Sq. M per Month
Shopper's Plaza	USD 18-20
Mayfair Plaza	USD 15 -18
Slipway	USD 18 – 20
Sea Cliff Village	USD 18 – 20
shoppers Plaza	USD 20-25
Mlimani City	USD 20-45
Palm Village	USD 20-30

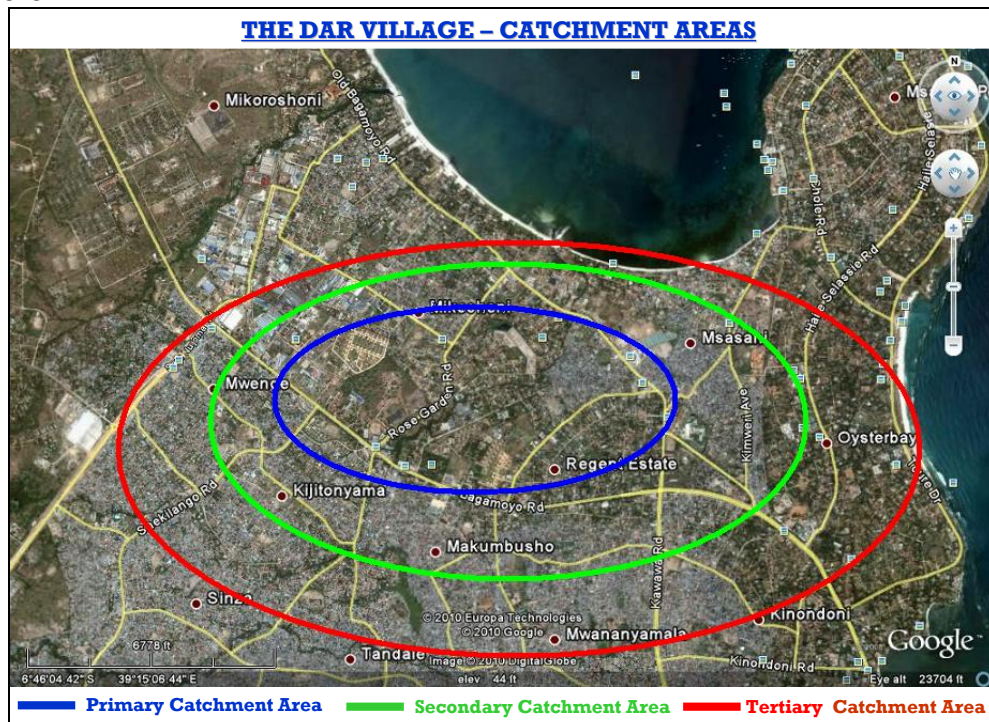
6.5. Service Charges

In Tanzania and other countries as well, service charge is charged separately from rent in order to protect the landlord's income in the cost of providing essential services to tenants, such as water, electricity, security, cleanliness of common areas, etc. Currently the service charges in Dar es Salaam are in the range of USD 1.5-4 per Sq Mt per month.

7.0 Marketing Strategy

DVL through its targeted marketing efforts has created a brand image of high quality international class shopping and office space for Dar Village, leveraging on the inherent strengths of the project. A few of the strategic advantages of Dar Village are as follows:

- **Housed at a prime location**, with easy accessibility to the up-market suburbs, CBD and the industrial area of the city. The primary and secondary catchment areas the Dar Village has more than 200,000 to 300,000 mid to up-market Dar es Salaam residents, which would ensure adequate footfall. The catchment areas of the Dar Village is as given below:



- The area is easily accessible from the famous Bagamoyo Road and TPDC Road.
- Modern, attractive and international class design and layout.
- High quality construction.
- Anticipated large footfall owing to be located near the market and cluster effect of other similar malls.

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DVL has engaged appropriate market intermediaries and is successfully undertaking focussed efforts to attract targeted high profile tenants. DVL has decided to retain only highly reputed tenants matching the positioning of the Dar Village.

Based on the marketing efforts of DVL, Dar Village already has confirmed tenancy of about 90% of the total rentable area.

7.1. Targeted Rental Rates

DVL has appropriately priced the offerings so as to attract high profile long term tenancy, giving due consideration to the market conditions and outlook. The details of rental rates that would be charged at Dar Village for space developed in the first phase are as follows:

Shopping Space:

The rental rates in the shopping area are fixed in a range between USD 13.0 to USD 21.0 per Sq Mt per month excluding VAT depending on the location and profile of the tenants. The service charges for common facilities and amenities would be USD 4.0 per Sq. Mt per month.

Car Park

The car park will be free of charge for the first 2-Hours of parking. The subsequent hours will be charged a token amount of surcharge of USD 0.27 per extra hour.

7.2. Potential/Confirmed Clients

The marketing efforts of DVL have been largely successful and as indicated earlier, about 90% of the space has been confirmed for occupation by various tenants.

A lead anchor retail tenant of Dar Village would be International Hypermarket, the largest retail hypermarket operator in Middle East with a total of stores in worldwide. The brandy has selected Dar Village to open its store in Tanzania and has committed leasing 9,375 square metres;

The details of the tenants who have agreed to lease space in Dar Village are as follows:

		confirmed Tenancies		
s/n	particulars	Units	amount	

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1	international hypermarket	sqm	9375	anchor tenant
2	zanzibar secrets	sqm	216	
3	coconut tree cosmetics	sqm	108	
4	Sapna Electronics	sqm	108	
5	bata	sqm	108	
6	tigo	sqm	108	
7	vodacom	sqm	216	
8	A1 outdoor	sqm	252	
9	Ohrid Limited	sqm	229	
10	holliewood fashion	sqm	432	
12	tausi fashion	sqm	108	
13	casandra lingerie	sqm	108	
14	footstep	sqm	135	
15	kristal home textile	sqm	243	
16	tanzania fashion Store	sqm	216	
17	emmanuel elegancy weare	sqm	216	
18	others	sqm	86.4	line shops, boutique, saloons, branded jewelers, bureau de change etc.
19	total	sqm	13,186	

DVL continues to market the remaining leasable space (about 10%) and is confident in achieving full occupancy rates on inauguration. Discussions are in advanced stages with the following for taking up the remaining space in Dar Village.

Potential Tenants

SI No	Particulars	Units	Amount	Remarks
1	Standard Chartered	Sq Mt	594	} Revised lease sent to prospective tenants for final review
2	CRDB Bank, Incl. ATM	Sq Mt	682	
5	Others	Sq Mt	48	
12	Total	Sq Mt	1,324	

Apart from the above DVL is in active discussions with leading operators from various segments to achieve full occupancy levels such as Supermarkets, Commercial banks and bureau de change, Gift shops and boutiques; Consultancy centres for human doctors; and other service firms like insurance, audit, law firms etc. DVL believes that these initiatives would ensure the target of achieving full occupancy on inauguration.

8.0 Socio -Economic Benefits of the Project

Employment Creation – The project is estimated to continuously provide employment for more than 200 persons directly for the management of the premises and another 800 indirectly in varied professions ranging from skilled labourers to unskilled workers.



Tax Income – The project, together with the prospective tenants will pay income taxes, property taxes, corporate taxes and other taxes to the Government.



Provision of decent shopping place – The project complements the government's efforts to provide courteous shopping environment for the people of Tanzania.



Value creation – The Dar Village Limited will mobilise resources to create a modern commercial and residential property which will substantially add to the country's capital formation and Gross Domestic Product (GDP).



Ultimate Location – The project will be a place to meet and greet. A location where the residents will be able to socialise and economically integrate to the benefit of one and many.

9.0 Project Financial Evaluation

The financial plan for proposed Dar Village project is detailed below:

9.1. Capital Cost and Financing Plan

DVL estimates that the development of Phase 1 of Dar Village would cost about USD 18.98 million, which is proposed to be financed through a combination of debt and equity.

The details of cost of development and financing plan are as given below:

Capital Cost - Dar Village Limited

In '000 USD

<u>Sl No</u>	<u>Particulars</u>	<u>Amount</u>
1	Land	3,917
2	Buildings & Civil Works	14,156
3	Furniture, Fixtures & Fittings	35
4	Motor Vehicles	75
5	Pre-Operating Expenses (Incl. interest during development period)	800
6	Total	18,983

The detailed Bill of Quantities for completion of Phase 1 of the project is

Financing Plan - Dar Village Limited

In '000 USD

<u>Sl No</u>	<u>Particulars</u>	<u>%</u>	<u>Cost</u>
1	Equity	56%	10,553
2	Term Loan	44%	8,430
3	Total	100%	18,983

DVL now intends to raise USD 8.43 million as a term loan for completion of Phase 1 of the project. The loan would be repaid in seven and half years (including 18 months principal moratorium) and would carry an interest rate of 8% per annum.

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Collateral Security

DVL would offer the land and the developments being made as collateral for the proposed loan.

9.2. General Financial Assumptions

- The first phase of Dar Village is scheduled to be completed by mid 2023.
- Rentable area : 14,510 Sq Mt
- Commencement of Commercial operations: July 2023
- Even though full occupancy levels could be achieved on inauguration, on a conservative basis, only the confirmed tenancies till date has been considered for the revenue projections. Accordingly, occupancy has been assumed at 90% of the rentable area for the first year. Occupancy rate of 95% is assumed from the second year of operations.
- The average monthly rentals for the Shopping complex are USD 16.0 per Sq Mt per month, with 5% annual escalation from the fourth year of operations onwards.
- All expenses relating to management of Dar Village is assumed to be covered by the service charges being collected from the tenants. The anticipated expenses on account of commercial operations of Dar Village is assumed as follows:
 - ∞ Repairs and Maintenance - 0.75% of building and civil works cost
 - ∞ Insurance - 0.125% of investment cost
 - ∞ Security and Fire Brigade - USD 5,550 per month
 - ∞ Water - USD 900 per month
 - ∞ Land Rent - USD 1,800 per annum
 - ∞ Property Management Fees - 3.5% of income
 - ∞ Salary and Wages - USD 129,000 per annum
 - ∞ Depreciation - As per applicable rates, on written down value method
 - ∞ Other Expenses - Around 7.5% per annum
- Interest on term loan – 8% per annum.
- Principal moratorium – 18 months.

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9.3. Revenue estimates

The project is expected to generate substantial revenue from its operations, to sustain itself from the first year of commercial operations. The estimated revenue for the year 2024 is USD 3.60 million, which would grow to USD 4.38 million at the end of the projected period.

9.4. Profitability Analysis

The analysis of the profitability of the project, indicates that the project is a viable undertaking. The project would generate sufficient returns in excess of all costs, including interest expenses for the term loan.

9.5. Projected cash flow statement

The overall projected cash flow statement of the project is given as evident the Dar Village would have comfortable levels of cash position to pay of the debts as scheduled.

9.6. Projected Balance Sheet

The project balance sheet of DVL during the projected period is provided.

9.7. Loan Repayment Schedule

The project interest and principal repayment schedule of the proposed loan is provided

9.8. Key Financial Indicators

The key financial indicators of the project are given is provided.

The project would generate an Internal Rate of Return of 19.64% and the Net Present Value of the Project is estimated at USD 57.00 million.

The average DSCR of the project would be 1.84, indicating sufficient cushion for interest and debt repayments.

DAR VILLAGE – EXPLORE THE DIFFERENCE

9.9. Sensitivity Analysis

A detailed sensitivity analysis has been worked out for the project, the summary of which is as given below:

Sensitivity Analysis

<u>Particulars</u>	<u>IRR</u> (%)	<u>NPV</u> (USD in million)	<u>DSCR</u>
Base Scenario	19.64%	57	1.84
20% fall in average rental	17.71%	44	1.47
20% fall in occupancy rate	17.82%	44	1.49
20% increase in operating cost	19.13%	54	1.74

As shown above the project is resilient to substantial key external shocks of fall in occupancy and rental rates. The details the sensitivity analysis is provided.

10.0 Conclusion

- Dar Village Limited, a subsidiary of ZEK Group, has commenced development of first-class mall and shopping complex named The Dar Village, in Kijitonyama/Mikocheni Area of Dar es Salaam.
- Dar Village is envisaged to become the leading shopping and office complex in Tanzania.
- DVL has made substantial progress in implementation of the project by expending about USD 10.55 million, as equity investment in the project.
- The total cost of project (Phase 1) is estimated at about USD 18.98 million and at a debt-to-equity ratio of 0.80:1. DVL intends to raise USD 8.43 million as a term loan for completing phase 1 of the project.
- The project would generate sufficient returns to pay off the loan along with interest and is resilient to external shocks in terms of fall in rental and occupancy rates.
- The assessment of the viability of the proposed project demonstrates the project is a long-term investment and a profitable venture. Based on the above analysis, it can be safely assumed that the investment will generate adequate returns to repay the proposed loan with interest comfortably and thus is recommended for investment.

Operating Assumptions

Revenue

S1 No	Particulars	Units	Year 1 *	Year 2**	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Retail	USD per Annum	0.18	0.36	0.36	0.38	0.39	0.41	0.43	0.46	0.48	0.50
2	Offices	USD per Annum	1.44	2.87	2.87	3.01	3.17	3.32	3.49	3.66	3.85	4.04
3	Boutique Hotel, 225 rooms	USD per Annum	-	9.24	9.86	10.99	11.54	12.12	12.73	13.36	14.03	14.73
4	Apartments Type 1 1BR Studio, 70m2	USD per Annum	-	0.46	0.97	1.02	1.07	1.13	1.18	1.24	1.30	1.37
5	Apartments Type 1 2BR, 145m2	USD per Annum	-	0.20	0.43	0.45	0.48	0.50	0.53	0.55	0.58	0.61
6	Apartments Type 1 3BR, 200m2	USD per Annum	-	0.77	1.62	1.70	1.79	1.88	1.97	2.07	2.17	2.28
7	Conference Facilities	USD per Annum	-	0.08	0.09	0.10	0.11	0.11	0.12	0.12	0.13	0.14
8	Restaurant	USD per Annum	0.29	0.59	0.59	0.62	0.65	0.68	0.72	0.75	0.79	0.83
V	OVRRALL REVENUE		1.91	14.57	16.79	18.28	19.19	20.15	21.16	22.22	23.33	24.50

DAR VILLAGE – EXPLORE THE DIFFERENCE

Projected Profit And Loss Statement

*USD in
million*

Sl No	Particulars		Year 1*	Year 2**	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I	INCOME											
1	Income from Shopping Space		1.91	14.57	16.79	18.28	19.19	20.15	21.16	22.22	23.33	24.50
2	Service Charges		0.27	0.69	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
3	Total Revenue		2.18	15.26	17.49	18.98	19.90	20.86	21.86	22.92	24.03	25.20
II	EXPENSES											
1	Operating expenses - Office, Retail, and Apartments		0.27	0.69	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
2	Management Fees - Boutique Hotel		-	2.77	2.96	3.30	3.46	3.64	3.82	4.01	4.21	4.42
3	Profit/(Loss) bfr. Depr. Inter. & Tax		1.91	11.79	13.83	14.98	15.73	16.52	17.34	18.21	19.12	20.08
4	Depreciation		0.63	1.47	1.67	1.61	1.55	1.48	1.42	1.36	1.30	1.25
5	Profit/(loss) bfr. Inter. & Tax		1.28	10.32	12.16	13.37	14.18	15.03	15.92	16.85	17.82	18.83
6	Interest charges		2.24	2.17	1.96	1.68	1.40	1.12	0.84	0.56	0.28	0.07
7	Preoperative expenses W/off		0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
8	Profit/(Loss) bfr. Tax		- 1.38	7.73	9.78	11.27	12.36	13.50	14.66	15.87	17.12	18.34
9	Provision for Taxation	30%	-	1.91	2.93	3.38	3.71	4.05	4.40	4.76	5.13	5.50

DAR VILLAGE - EXPLORE THE DIFFERENCE

10	Profit/(Loss) after Tax		- 1.38	5.82	6.84	7.89	8.65	9.45	10.26	11.11	11.98	12.84
11	Dividends	10%	-	-	-	-	-	-	-	-	-	-
12	Retained Income		- 1.38	5.82	6.84	7.89	8.65	9.45	10.26	11.11	11.98	12.84
III	Cumulative retained income		- 1.38	4.45	11.29	19.18	27.84	37.28	47.55	58.65	70.64	83.47
IV	<i>Net margins</i>			38%	39%	42%	43%	45%	47%	48%	50%	51%

*** 6 Months Commercial Operations - Retail, Office, and Resturants**

DAR VILLAGE - EXPLORE THE DIFFERENCE

Projected Cash Flow Statement

*USD in
million*

<u>Sl No</u>	<u>Particulars</u>	<u>Development Period</u>	<u>Year 1 *</u>	<u>Year 2 **</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
I	Sources:											
1	Equity - Shareholders	18.65	-	-	-	-	-	-	-	-	-	-
2	Bank Loan I	27.99										
3	Revenues	-	2.18	15.26	17.49	18.98	19.90	20.86	21.86	22.92	24.03	25.20
4	Total Sources	46.64	2.18	15.26	17.49	18.98	19.90	20.86	21.86	22.92	24.03	25.20
II	Applications:											
1	Capital expenditure	31.30	5.57	5.57								
2	Change in Net Operating Capital		0.06	0.35	0.06	0.04	0.02	0.03	0.03	0.03	0.03	0.03
3	Taxation		-	1.91	2.93	3.38	3.71	4.05	4.40	4.76	5.13	5.50
4	Principal Repayment- Bank loan	-	-	1.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	1.75
5	Interest Payment - Bank loan	1.12	2.24	2.17	1.96	1.68	1.40	1.12	0.84	0.56	0.28	0.07
6	Dividends											
7	Other Preoperative expenses	3.08										
8	Operating expenses		0.27	3.46	3.66	4.00	4.17	4.34	4.52	4.71	4.91	5.12
9	Total Applications	35.50	8.15	15.22	12.11	12.60	12.80	13.03	13.29	13.56	13.86	12.47
III	Surplus (Deficit)	11.15	-5.97	0.04	5.38	6.38	7.10	7.82	8.58	9.36	10.18	12.72
IV	Opening Balance		11.15	5.18	5.23	10.60	16.99	24.08	31.91	40.49	49.85	60.03

DAR VILLAGE - EXPLORE THE DIFFERENCE

V	Closing Balance	11.15	5.18	5.23	10.60	16.99	24.08	31.91	40.49	49.85	60.03	72.75
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*** 6 Months Commercial Operations - Retail, Office, and Resturants**

DAR VILLAGE - EXPLORE THE DIFFERENCE

Projected Balance Sheet

*USD in
million*

<u>Particulars</u>	<u>Development Period</u>	<u>Year 1 *</u>	<u>Year 2 **</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>ASSETS</u>											
Net Fixed Assets	31.30	36.24	40.34	38.67	37.06	35.51	34.03	32.61	31.25	29.94	28.69
Current Assets:	-	-									
Cash	11.15	5.18	5.23	10.60	16.99	24.08	31.91	40.49	49.85	60.03	72.75
Other current assets		0.08	0.48	0.54	0.58	0.61	0.63	0.66	0.69	0.72	0.75
Total Current Assets	11.15	5.27	5.71	11.15	17.57	24.69	32.54	41.15	50.54	60.75	73.50
Current Liabilities:	-	-									
Current liabilities		0.02	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Total Current Liabilities	-	0.02	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Net Current Assets	11.15	5.24	5.64	11.08	17.50	24.62	32.47	41.08	50.47	60.68	73.43
Pre Operative Expenses	4.20	3.78	3.36	2.94	2.52	2.10	1.68	1.26	0.84	0.42	0.00
Total Assets	46.64	45.27	49.34	52.69	57.08	62.23	68.18	74.95	82.56	91.04	102.13
<u>LIABILITIES</u>											
Shareholder's Equity	18.65	18.65	18.65	18.65	18.65	18.65	18.65	18.65	18.65	18.65	18.65

DAR VILLAGE - EXPLORE THE DIFFERENCE

Accumulated Profits	-	-	1.38	4.45	11.29	19.18	27.84	37.28	47.55	58.65	70.64	83.47
Term loan	27.99	27.99	26.24	22.74	19.24	15.74	12.25	8.75	5.25	1.75	-	-
Total Liabilities	46.64	45.27	49.34	52.69	57.08	62.23	68.18	74.95	82.56	91.04	102.13	

DAR VILLAGE – EXPLORE THE DIFFERENCE

Loan Repayment and Interest Payment Schedule

*USD in
million*

Particulars	Development Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Interest Rate	8.0%	p.a.									
Opening Balance		27.99	27.99	26.24	22.74	19.24	15.74	12.25	8.75	5.25	1.75
Drawdowns	27.99			-	-						
Principal Repayment	-		1.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	1.75
Balance	27.99	27.99	26.24	22.74	19.24	15.74	12.25	8.75	5.25	1.75	-
Interest	1.12	2.24	2.17	1.96	1.68	1.40	1.12	0.84	0.56	0.28	0.07
Total Loan Commitments	1.12	2.24	3.92	5.46	5.18	4.90	4.62	4.34	4.06	3.78	1.82

DAR VILLAGE – EXPLORE THE DIFFERENCE

Key Financial Indicators

USD in million

<u>Particulars</u>	<u>Development Period</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Cash InFlows:											
Profit B.D.I.T	-	1.91	11.79	13.83	14.98	15.73	16.52	17.34	18.21	19.12	20.08
Salvage Value											114.77
Total InFlow	-	1.91	11.79	13.83	14.98	15.73	16.52	17.34	18.21	19.12	134.85
Cash OutFlows:											
Capital Investments	35.50	7.81	5.57								
Net change in Operating Expenses	-	0.06	0.35	0.06	0.04	0.02	0.03	0.03	0.03	0.03	0.03
Total OutFlow	35.50	7.87	5.93	0.06	0.04	0.02	0.03	0.03	0.03	0.03	0.03
Net InFlow/(OutFlow)	- 35.50	- 5.97	5.87	13.77	14.94	15.71	16.49	17.32	18.18	19.09	134.82
WACC	11.60%										
Internal Rate of Return (IRR)	29.51%										
Net Present Value	61.56										
Average Debt Service Coverage Ratio (DSCR)	3.88										

Debt Service Coverage Ratio

DAR VILLAGE - EXPLORE THE DIFFERENCE

<u>Particulars</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Total</u>
Profit B.D.I.T		#####	13.83	14.98	15.73	16.52	17.34	18.21	19.12	20.08	147.60
Interest Dues		2.17	1.96	1.68	1.40	1.12	0.84	0.56	0.28	0.07	10.08
Principal Repayment		1.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	1.75	27.99
Total Repayment		3.92	5.46	5.18	4.90	4.62	4.34	4.06	3.78	1.82	38.07
Debt Service Coverage Ratio		3.01	2.53	2.89	3.21	3.58	4.00	4.49	5.06	11.04	3.88
Average DSCR	3.88										

* Interest during construction period has been capitalized

DAR VILLAGE - EXPLORE THE DIFFERENCE