



KENDWA CONDOS
— ZANZIBAR —



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Introduction

The purpose of the Kendwa Condos Buyer's Guide is to guide buyers through the process of acquiring a Unit at Kendwa Condos. The Buyer's Guide consists of two main parts:

- the Buyer's Guide, which provides information regarding the acquisition process;
- the Agreements, which includes copies of the various contractual documents. The only binding version of each agreement is its English version;

Please contact your Sales Consultants at any time if you have any questions regarding your acquisition.

Important note on using the Legal Book:

The contents of the various sections within this Buyer's Guide are intended to facilitate buyer's understanding of the Kendwa Condos purchasing process and related contractual steps. Buyers should always refer to the contractual documents (Agreements) for all terms and conditions related to the purchasing of a property at Kendwa Condos. Throughout this Buyer's Guide, reference to such documents are preceded by "Please refer to ...". Only completed versions of agreements and contracts, signed by all concerned parties, are legally binding.

Kindly note:

The factual information contained in these documents is to the best of our knowledge correct at the time of going to press. We accept no liability for any loss or damage that may be suffered by any person as a result of any change in the facts or their inaccuracy.

Section 1 – Buying a Unit at Kendwa Condo

Overview

This section provides an overview of the acquisition process and includes:

- an overview of the laws and form of ownership applicable to acquiring a Unit at Kendwa Condos;
- a summary of the key steps involved in selecting and purchasing a Unit at Kendwa Condos;
- an outline of the different contracts and their schedules;
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- an instruction sheet to guide buyers through the executable documents that must be completed and signed throughout the process.

Subsequent sections in this Buyer's Guide provide detailed information on key steps and associated contracts.

Applicable Laws & Form of Ownership

Applicable Laws

The acquisition of a Unit at Kendwa Condos is governed by the laws of Zanzibar, and in particular, by the Zanzibar Condominium Act of 2010. All buyers and/or investors of a Unit will receive full title to their registered unit. This unit may be willed or ceded (It is noteworthy that there are no inheritance taxes in Zanzibar).

Form of Ownership

Overview

Buyers of a Unit at Kendwa Condos will receive full ownership under the Zanzibar Condominium Act of 2010.

For the purpose of this Buyer's Guide, the terms Buyer and Seller are defined as follows:

- "Owner" (or "Buyer") refers to the buyer of the residence (to include Condos, Bungalows or Apartments).
- "Seller" (or Developer) means Zanzibar Land Development Corp. Ltd (Zalandco), the seller of the Units. Zalandco holds a 99 year sub-lease over the parcel of land on which the Kendwa Condos will be built. The sale of a Unit at Kendwa Condos is done under a government approved Integrated *Condominium Scheme and Structure*.

"Please refer to detailed terms and definitions in the "Land Agreement".

Vehicles of Acquisition & Co-Ownership

- A single individual or up to 4 (four) co-owners can purchase a Unit at Kendwa Condos. Alternatively purchasers can purchase a Unit at Kendwa Condos through a locally incorporated company with individuals or other locally incorporated companies being the shareholders.
- Co-owners are treated as tenants in common meaning if a co-owner dies, his share does not devolve onto the other co-owners but it remains part of his estate and passes as per intestate laws or in accordance with the provisions of a Will.

Key Steps when buying a Unit

The process for buying a Unit at Kendwa Condo entails the following key steps:

1) Reservation of a Unit at Kendwa Condo

The buyer must select a Unit to purchase. Upon selecting a Unit, the Buyer and Seller shall sign the Offer to Purchase as contained in the Land Agreement and Building Agreement. The Owner shall furthermore also sign the Estate Management Agreement and mandatory Rental Program Agreement.

2) Proof of Financing

The Buyer will be required to provide evidence of how he intends to finance the total consideration of the building contract price of the selected Unit within 7 (seven) days (normal) of the signing of the Land Agreement and Building Agreement.

3) Sale Agreement

Once the Buyer's offer has been accepted by the seller, provided proof of financing and paid the deposit, the Land Agreement and Building Agreement will be executed and handed over to the Transfer Attorneys for processing.

4) Progress Payments

The Buyer will be required to effect progress payments as per the schedule set out in the Building Agreement.

5) Occupation of the Unit

Upon practical completion of the residence, the Owner will be able to take occupancy of the Unit.

6) **Completion of the Unit**

Following practical completion, the Owner will have a period of 3 (Three) months to report any defects to the Developer, who will in turn have 12 months from that time to rectify any defects. At the end of this period, full completion will be achieved and the Owner will make the final payment on the residence.

Section 2 – Land Agreement and Building Agreement

Overview

The Land Agreement and Building Agreement sets out the detailed terms and conditions pertaining to the sale and building of the Units at Kendwa Condos. These agreements also include the following annexures:

- Site Plan;
- Approved Diagram of the Land;
- Land Lease Agreement;
- Building Plans;
- Finishing Schedule;

Conditions

The Land Agreement and Building Agreement will become legally binding agreements upon signature of the English version thereof by the Buyer and the Seller.

The deposit is due upon signature of the Land Agreement and Building Agreement, whilst the Buyer shall have 14 (fourteen) days (normal) to secure the building contract price.

Please see section 8 – Financing & Payment of the Unit for details on Deposit and payments.

In addition to the abovementioned conditions, this agreement is conditional on the Owner, where he/she is a NON-Zanzibari, obtaining approval from the Government of Zanzibar to purchase the residence.

Details of Owners

Owners are required to provide their contact details and any other information as requested by the Transfer Attorneys.

Section 3 – Sale Agreement & Registration of the Title Deed

Please refer to "offer to purchase" contained within the "Land Agreement and Building Agreement".

Execution of Sale Agreement

The execution of the Sale Agreement is subject to the following conditions:

- Approval by the Government of Zanzibar for non-Zanzibari buyers;
- Payment of the Deposit into the designated escrow account;
- Proof of financing for the total building contract price of the Unit.

Purchase Agreement Completion & Signature

The Sale Agreement must be signed by all parties before the Notary Public and/or Transfer Attorney

Upon signature:

- the Owner will be required to pay a deposit of 10 (ten) percent of the total building contract price;

Once the purchaser has complied with all his obligations in terms of the Land and Building Agreements:

- the necessary documentation will be submitted for registration with the Land Registry;
- The title deed will be registered in the name(s) of the Buyer(s).
- On registration of the title deed in the Land Registry, Owners will be eligible to apply for residency in Zanzibar, if they wish to do so.

Section 4 – Re-sale and Residency

Re-sale of the Unit

Buyers are permitted to re-sell their Unit under the following conditions:

- The Buyer must obtain permission from the Developer before selling their Unit to a third party;
- Should the Buyer wish to sell his Unit before Completion, then such Buyer must first offer the Unit to the Seller prior to submitting the offer to any third party. This offer will be open for acceptance by the Seller for 21 (twenty one) business days, after which, should the Seller not accept the offer, the Owner is free to offer the Unit to a third party.
- In the case of an on-sale the Buyer will be required to pay an administration fee of 2 (two) percent of the purchase price to the Seller.

Please see Section 9 – Taxes and Duties for taxes applicable to the re-sale of a residence.

Section 5 – Kendwa Condo’s Estate Management

Overview

Zalandco will act as or appoint a Managing agent that will manage the Kendwa Condos Residences Estate. The Managing Agent will be responsible to manage and maintain the estate in a manner consistent with the standard of an international 4 (four) star Condo Hotel.

It is a condition of sale that Buyers sign the Kendwa Condos Estate Management Agreement and pay an annual Estate Management Fee to cover the costs related to the professional management and operation of the Kendwa Condos Residences Estate.

Estate Management Services

The estate management services include all services related to the professional management and operation of Kendwa Condos Residences and common areas.

The estate management services will also be responsible for:

The management, accounting and auditing of:

- Annual operating budget;
- Owner’s financial statements and invoices

Kendwa Condos Residences’ accounts and records	Management of all common property services such as:
<ul style="list-style-type: none"> • Reserve fund for minor replacement and maintenance of facilities: • management and delivery of resident services such as • Estate Management Services • Estate Management Services • On-Site Management Services • External maintenance of residence • Cleaning of Residences as determined by management • Cleaning of pools • Intensive internal cleanings of each residence 	<ul style="list-style-type: none"> - Security - Landscaping - Waste removal - Water/electricity readings - Minor improvements/renovations/repairs as required - Maintenance of supply of essential services - Electricity - Gas - Water - Security intercoms - Cable (DSTV)

<ul style="list-style-type: none"> • Maintenance of all common property • Roads and gardens • Lighting • Operating equipment 	<ul style="list-style-type: none"> - Wireless - Management of independent contractors required to work on the property - Undertaking physical reviews of the property
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In addition, the estate management service fee includes a reserve fund for the replacement and refurbishment of the facilities on an ongoing basis. This will ensure that Kendwa Condos and its facilities are maintained to world class standards.

Estate Management Fee

All Kendwa Condos Owners will be required to pay an annual Estate Management Fee, which fee is due and payable regardless of the fact whether or not the Owner is in occupation of residence or not. The annual Estate Management Fee will be approximately \$13.00 per square meter of the Unit.

The annual fee covers the professional management and operation of Kendwa Condos Residences and commons areas as detailed above. Additional works not covered in the services stated above may be undertaken by the Owner subject to the Seller’s approval prior to any work being undertaken. The Managing Agent will however be entitled to carry out authorised repairs and maintenance deemed to be necessary, without prior written approval from the Owner, for a sum up to US\$500 (five hundred dollars) per Unit.

Owners will be invoiced on a quarterly basis (the first invoice will be issued the quarter prior to handover).

Estate Management Budget

Costs related to the estate management will be budgeted in advance on an annual basis and will be independently audited before being fairly and equitably distributed amongst the Owners according to the size of their Units. Zalandco or the Managing Agent will provide to all Owners, at least 45 (forty five) business days prior to completion, and before 31st December of each subsequent year, an estimation of the expenses anticipated for the following year, in the form of the estate management budget. Estate Management budgets will be compiled based on previous year’s actuals, and will be audited prior to submission to Owners.

Right of Access for Residence Homeowners

Residences homeowners shall upon payment, where applicable, have access to all resort services and facilities, as if they were resort guests.

Condo services and amenities will include the following:

Kendwa Condos Residence Services:

- 24 hour resort assistance
- Vehicle transfers
- Concierge service
- Poolside service
- Multilingual staff
- Access to medical facilities
- In-residence dining
- Telephone service
- Wi-Fi
- Laundry, valet service
- Kendwa Condos Restaurants and Bars
- Water Sports Centre
- Swimming Pool

Rights of Access for the Manager

- The Zalandco or the Managing Agent will require access to the Units in order to perform estate management related services and will notify the Owner(s) in advance of such access requirement.
- The Manager will require access for 21 (twenty one) days (not necessarily consecutive days) for any major repairs and maintenance: these days will be scheduled around the Owner(s) use request.
- Lessees will be notified in advance of any maintenance work scheduled. Times and the dates will be set by mutual consent.

Section 6 – The Rental Program

Overview

Kendwa Condos Owners will have the opportunity to participate in a choice of 2 (two) bespoke rental programmes both managed by a Condo Hotel Managing Agent (hereinafter the Manager).

This rental program will be a pooled system whereby each owner will receive income generated from the entire pool according to the conditions of the related Rental Program Agreement. This agreement will be between the Buyer (Owners) and the Manager.

This agreement permits the Manager to rent the Units as part of the Kendwa Condo Hotel inventory. Should an Owner elect not to participate in the Kendwa Condos rental program, the Owner will not be permitted to otherwise rent out their Unit on a private basis.

Rental Program Options

In order to meet Owners' requirements regarding options to rent their Units, 2 (two) rental programmes have been designed and will be available to Owners. The programs are the government-approved rental program and the flexible rental program. Entering a rental programme is not mandatory. Owners wishing to benefit from the Duty concession are required to state whether they are taking the Government-approved program at the time of signature of the Land Agreement and Building Agreement.

The Government of Zanzibar offers duty free importation of goods as a hotelier as a tax incentive, however each unit which is part of the rental program will be levied a US\$7 (seven) per day per room tax. This amount will be deducted from the gross revenue figures.

Services to Rental Guests

As part of the daily operating costs, the operator will provide a world-class housekeeping service. The operator will provide all guest supplies including soaps, shampoos, luxury linen, towels, bathrobes, paper products, laundry and kitchen supplies. Guests will have access to supplies such as glassware, cutlery and crockery. Guests will have access to all the resort facilities and services in the same manner as any other resort guest.

Rental Income

The Manager will issue within 15 (fifteen) business days of the end of each quarter a rental income statement to the Owner, stating the number of occupied days, corresponding gross revenues, residences expenses and rental fees, and Owner(s) rental return.

Revenue collected from the rental of the Units will, after deduction of expenses, be divided between Unit owners and the Resort Operator through a 50/40 split, favouring the Owner and the remaining 10 (ten) percent is to be kept as a reserve for maintenance.

Rental Income Calculation

Rental income will be calculated as follows, depending on whether rental revenue is positive or null (income and balances will be paid or due on a quarterly basis):

Owners who join the rental programme will need to register with the Tax office as they will be deemed to be trading.

Rental Revenue Opportunities in Zanzibar: Facts & Figures

Approximately 23 (twenty three) years ago, the government of Zanzibar positioned the island as a tourist destination, working with select hotel operators to develop five-star plus establishments.

Percentage of International Tourist from 1996-2010. ±190,000 (one hundred and ninety thousand) visitors each year. 40 (forty) percent Italian, 40(forty) percent other European nationalities, remaining 20 (twenty) percent; East Africa, South Africa, Middle East, USA and Canada. The Government of Zanzibar predicts an 8-10 (eight to ten) percent growth in tourism of the next 3-5 (three – five) years.

Section 7 – Furniture Packages & Inclusions

Overview

Furniture Packages will be available for purchase to all Buyers of Units in Kendwa Condos:

- Furniture packages can be included in the total sales price of the Units;
- If the owner is entering a sub-lease agreement within the rental program, it is mandatory to purchase a minimum set furniture package.

Three different furniture packages will be proposed for each Unit, according to the colour schemes created by our interior designers.

Owners will be able to purchase one full scheme, or choose across the three schemes. They will have the choice and flexibility to pick individual items throughout the three schemes, and purchase additional items as well as choosing different colours and fabrics (where available on specific items). An online catalogue will be made available for Buyers to view all items and prices, and make their selection accordingly.

Base Furniture Packages

Please note that detailed lists and prices will be provided on request. Prices indicated are for guidance purposes only and will be confirmed prior to orders being placed. Indicated prices are all-inclusive and offer a full-service solution to Buyers as they include transportation and installation into the residences, as well as all applicable import taxes and duties payable.

Inclusions

Overview

The cost of the Inclusions is included in the total sales price. Inclusions cover the fixtures, fittings and equipment (FF&E) of the Units. Amendments to the base inclusions will be deemed to be a variation of the works (all variation of the works must be agreed by all parties). Payment for inclusions is requested upon completion of lintel (as certified by the Architect) and is due by Owner within 15 (fifteen) business days after issue of the corresponding invoice.

Section 8 – Financing & Payment of the Unit

Securing the Purchase Price

It is a condition of sale that Buyers will secure payment of the building contract price by payment of the cash amount into the designated escrow account, or by way of the issue of a bank guarantee acceptable to the seller, within 14 (fourteen) days of signature of the Land Agreement and Building Agreement.

Deposit & Progress Payments

- The Deposit is due on signature of the Land Agreement and Building Agreement. The Deposit covers all fees and duties (including sales agent fees, and government and stamp fees & duties, **but excludes legal fees such as transfer fees**) applicable to the purchasing of the residence, which amount to a total of 10 (ten) percent of the purchase price.
- Progress Payments: there will be a total of a further 5 (five) progress payments which will be required throughout the construction of the selected Unit at Kendwa Condos

The below mentioned section "Payments Details & Schedule" provides a description of the deposit and each progress payment, together with their indicative schedule. As payments are linked to specific contractual steps and/or construction milestones, a detailed schedule applicable to the selected Unit will be provided following the signature of the Land Agreement and Building Agreement.

Payments Details & Schedule

- 1) \$1,000,00 (one thousand US dollars) Non-refundable deposit to hold and confirm your unit
- 2) 10% installment when Contract is signed
- 3) 20% installment upon completion of foundation
- 4) 30% upon completion of roofing
- 5) 20% for furnishings
- 6) 10% Practical Completion
- 7) 10% Completion

The retention amount will be due at the end of the defects period, which starts on Practical Completion, upon which the Owner will have 3 (three) months to notify the Seller of any defects, which the Seller will have to rectify within 12 (twelve) months of being notified. The Architect will issue the Completion Certificate.

Payments

All deposits and payments will need to be made in a convertible currency via an international bank transfer. Buyers will be notified of the account details.

Payments Notification

Buyers will be notified by the Seller each time a payment is required. Buyers will be required to make payments within 7 (seven) days (normal) after receiving notification of a payment request.

Section 9 - Taxes & Duties

Overview

Zanzibar offers a 5 (five) year tax exemption from tax dividends derived from your condo purchase. In addition, Zanzibar offers a 10 (ten) year tax exception on all goods imported and exported.

The purchase and rental of Units at Kendwa Condos are governed by a by a special agreement between Kendwa Condos Residences Ltd and the Government of Zanzibar. This agreement offers significant tax and other regulatory concessions which are not available to a purchaser of property in other parts of Zanzibar.

Tax on Purchase and Resale of Property

In this section "purchase" refers to the acquisition of a long term lease over a residence and "re-sale" refers to its subsequent sublease or assignment of sublease. Any sale and re-sale of property will attract a government tax of 3 (three) percent of the total purchase price.

Capital Gain Tax

Capital Gain Tax is currently at 20 (twenty) percent.

Proceeds from the sale of a residence (which was not purchased as part of a profit-making scheme) may be subject to a Business Tax, except to the extent that depreciation has been allowed thereon (or rental income earned) if the residence has been placed in a rental program.

Should Buyers choose to purchase a Kendwa Condos Unit through a company formed under the Zanzibar Companies Act, those buyers will be required to submit tax returns.

A resident is defined in the Business Tax Act as:

1. A person who resides in Zanzibar and includes a person who has actually been in Zanzibar continuously or intermittently during more than one half of the tax year, unless the commissioner is satisfied that his usual place of residence is outside Zanzibar;
2. Tax on rental revenue is exempt for 5 (five) years.

Business tax

Business tax is levied on all businesses whether undertaken by an individual, partnership or company. The rental of a residence will be considered a business and as such any profit on rental will be subject to business tax. When ascertaining profit for business tax purposes the following will be deductible from the rental:

Income:

- Depreciation on the cost of the building (excluding the cost of land) will be allowed at 20 (twenty) percent in the first year and 10 (ten) percent in the eight succeeding years (losses from tax depreciation may be carried forward indefinitely);
- Expenses incurred in operating and maintaining the residence for rental purposes (deductible expenses will be restricted on the basis of number of days that the residence is available for rental program);
- Management fees charged by the Resort;
- Financing costs (restricted where the loan has been obtained from a non-financial institution).

At present business tax is levied at 30 (thirty) percent on profits exceeding **\$250 000 (two hundred and fifty US dollars)**. In addition, a withholding tax of 15 (fifteen) percent may apply for non-residents.

Goods and services tax

All income generated by a hotel is subject to goods and services tax. Income generated through the rental of a residence whilst it forms part of either of the Resort's rental program will be considered income of the resort and subjected to goods and services taxes. Goods and services tax will be levied on the resort and it will not be necessary for residences homeowners to register to pay this tax.