



MAMELODI MINI PRECINCT

MODU MAYO

PILOT PLAN

Building inclusive local markets that power national growth

# Mamelodi Mini Precinct Pilot

Designing trusted food markets that deliver fair prices, jobs, and stability.

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## Pilot Plan and Funding Pack

### Modu Mayo

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*Prepared for internal and funding application use.*



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## Executive Summary

- **Project name:** Mamelodi Mini Precinct Pilot
- **Purpose:** A scaled pilot of the Master Plan operating system, delivered through a centralised 460 sqm facility in Mamelodi West, to validate steady state execution prior to larger precinct investment.
- **Funding requirements:** R10,000,000 to finance pilot capex, commissioning, opening working capital, and operating buffer through ramp to steady state.
- **What the pilot delivers:** A disciplined fresh produce mini precinct with back of house receiving, staging, break bulk, packing and cold chain control, supported by a front of house sales desk and retail space, and a light community activation programme via 20 contracted agents.
- **Conservative unit economics used for planning:**
  - Trading days per month: 30
  - Rent, R40k full rate: 50% discount for 6 months (escalation 6%)
  - Utilities: base R30k plus R20k contingency
  - Loan: R10m, 5% per year, 60 months, 3-month moratorium
  - Advisory fee: 2.5% upfront
  - Basket sizes:
    - Bulk R1,000
    - Break bulk R50
    - Blended basket size: R192.50 (Year 1)
  - Gross margin policy
    - Bulk GM is driven by farmer GM 10% and TFPM GM 7.5%
    - Break bulk GM is driven by farmer GM 75% and TFPM GM 57%
    - Blended GM is 57.41%
  - Targeted Supply mix: farmer 70%, TFPM 30%, with a ramp path

## Repayment Structure Summary

The plan assumes a loan of R10,000,000 over 5 years at 5% per annum interest, with a 3-month payment moratorium at inception. Interest accrues during the moratorium and is capitalised. From Month 4, the loan is amortised over the remaining 57 months at indicative average monthly instalments of R175,438.60.

Total interest over the full term (including moratorium): R1,396,459.40.

Total scheduled payments: R11,396,459.40.



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## Key Pilot Success Gates

- **Month 4:** commissioning complete, price board and shrink routines stable, baseline telemetry and reporting active, early repeat rate visible.
- **Month 6:** operating stability demonstrated, claims closed within 72 hours, shrink at or below 5% (target 2.4%), buyer ramp approaching cash breakeven on operating costs.
- **Month 9:** farmer sourcing reaches target mix and reliability, service reliability proven, and the pilot is investment ready for precinct scale decisions.
- **Month 12:** evidence pack complete, repeat purchase and unit economics proven across lanes, and replication playbook updated.

## Pilot Rationale and Context

The broader Master Plan is designed for replication and scale. This pilot scales the approach down into a mini precinct to validate operational execution, capital deployment discipline, staffing and training, supply reliability, and customer demand patterns in a controlled environment. The pilot preserves the core controls from the Master Plan, including price board governance, quality and claims discipline, shrink routines, and weekly performance scorecards, while running on a smaller footprint and a lean team.

## Pilot Principles

- Centralised infrastructure first: with a simple physical flow that reduces shrink and strengthens control.
- Cash first operations in the first 6 months: to protect working capital and discipline.
- Non-negotiable controls: price board cadence and audit trail, shrink and claims routines, and weekly scorecards.
- Progressive supply ramp: combining farmer sourcing with market gap fill until reliability is proven.
- Evidence driven decisions: every scale decision must be backed by pilot data and documented improvements.

## Pilot Scope, Objectives, and Success Gates

### Pilot Scope

- Fresh produce retail and trade supply, fruit and vegetables and meat, with disciplined break bulk packaging.
- Back of house handling, receiving, staging, cold chain, quality control, break bulk, packing and inventory control.
- Front of house retail and sales desks, with controlled pricing and cash management.

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- Limited scheduled B2B drops using own fleet, with OTIF tracked.
- Telemetry and data, cold room monitoring, door sensors, incident logs, and weekly scorecards.
- Community activation via 20 contracted agents for awareness, education, B2B sales and demand sensing.

### Out of Scope Until Stability

- Material credit extension to customers, credit is out of scope for the first 6 months.
- Large scale regional hub build, and larger precinct capex beyond this mini precinct footprint.
- Formal retail supply is included only from Month 3 and tracked separately, not relied on for early ramp.

### Success Gates and Measurable Targets

- Basket stability: R192.50 (Year 1) blended basket maintained as a planning anchor, measured weekly by segment and lane.
- Margin discipline: blended gross margin 57.41% in the ideal scenario, with price board guardrails.
- Shrink control: shrink at or below 5% by value (target 2.4%), measured weekly and reconciled to stock movement.
- Quality control: intake acceptance at or above 98% by value, claims at or below 1% (of COGS) by value, claims closed within 72 hours.
- Service reliability: OTIF tracked on scheduled drops, and exceptions closed within agreed windows.
- Demand and repeat: daily buyers ramp and 30 days repeat rate improving monthly, segmented by lane.
- Supply reliability: farmer sourcing progression from 70% in months 1 to 3 to 100% by Month 9, subject to supplier performance.

## Site and Infrastructure

### Site overview

Location: Mamelodi West. The site has limited truck turning, requiring one way entry and one way exit. Side offloading using tautliners is preferred. Customer parking is limited but adequate for loading and short stops.

### Footprint and space allocation

Area	Size (sqm)	Primary functions
Back of house	400	Receiving, staging, cold chain handling, break bulk, packing, inventory control, office, safe, basic kitchen

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Front of house	60	Sales desks, retail display, tills, customer service, queueing
Total	460	End to end mini precinct operations

### Cold rooms (pilot sizing assumption)

Cold room	Approx size (sqm)	Notes
Fruit and Veg	20	Short dwell, high door frequency, door discipline critical
Fruit, veg and Meat cold room 1	15	Low temperature storage and controlled dispatch
Meat cold room 2	15	Low temperature storage and controlled dispatch

### Utilities and Power Resilience

Electricity is prepaid. Cold rooms are commissioned but baseline consumption will be confirmed during due diligence. Budgeting includes a utilities contingency. Power resilience is provided via a silent diesel generator sized for cold rooms and essential store load, with automatic changeover.

### Generator Sizing and Design Assumption

Assumption for pilot planning: 60 kVA 3 phase generator with ATS, sized to carry the combined cold room load plus essential store loads including security systems, POS, networking, lighting in critical zones, scales and packing stations. Kitchen heavy load is not assumed to run during outages unless specifically prioritised.

### Lease and Asset Purchase Terms

Lease term: 6 months at a 50% discounted rate, then full rate of R40,000 per month from Month 7. Escalation is inflation linked. No tenant installation allowance is assumed. Existing hardware and fit out on site will be purchased from the landlord at an assumed capex value of R150,000, subject to due diligence. Cold room maintenance and compressor replacement is tenant responsibility, recoverable via rent arrangements as agreed with the landlord.

### Operating Model and Day to Day Cadence

#### Operating Hours and Receiving Windows

Operating hours: 05:30 to 19:00 daily. Receiving: any time before 12:00.

#### Core Physical Flow

- Inbound receiving and intake check: weigh, grade verification, temperature checks where applicable, photo evidence.
- Staging and allocation: split between full carton staging and break-bulk workbench staging.

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- Cold chain placement: FIFO and batch labelling.
- Break bulk packaging: standard packs, labelling, price board alignment.
- Front of house replenishment: controlled picks from back of house into retail zone.
- Customer sales and cash control: tills reconciliation and daily cash up routines.
- End of day stock movement reconciliation and shrink controls.

### **Daily Routines and Discipline**

- Morning huddle at 05:15: safety, staffing, inbound plan, promotions and price board checks.
- Price board review at 07:30: changes logged with approver and reason, board parity confirmed.
- Receiving cut off at 12:00: intake acceptance logged, claims initiated same day.
- Second price review at 15:30: changes logged, communication to B2B list if relevant.
- End of day reconciliation: cash up, stock movement reconciliation, shrink review, exceptions logged.
- Weekly performance pack: KPI review and corrective actions logged.

## **Supply, Product, and Pricing Strategy**

### **Product Scope**

Fresh produce, fruit, vegetables and meat. The pilot starts with a disciplined core range and expands as supply reliability and demand signals are proven.

### **Supply Model**

Months 1 to 3, target sourcing split is 70% farmer sourced and 30% gap fill via the Tshwane Fresh Produce Market (TFPM). By Month 9, target is to reach 100% farmer sourced, subject to supplier reliability, grade consistency, and MOQ fulfilment.

### **Settlement Terms**

TFPM purchases are cash on delivery through loaded procurement float. For farmers, the pilot uses T plus 3 as a default settlement target once a supplier has delivered two clean deliveries against spec. First time suppliers may start on cash or partial cash until quality consistency is proven. From Month 3 onward, settlement terms may shift toward T plus 7 for established suppliers where reliability is proven and working capital permits.

### **Pricing and Price Board Policy**

The pilot uses two price reviews per day at 07:30 and 15:30. All changes are captured in a price change log with the reason and approver. The COO acting as CFO is the pricing owner. The physical price board is the single source of truth on site, supported by B2B broadcast messages when relevant.



## Break Bulk Rules and Value Packs

Standard break bulk packs are 1 kg value packs priced at R10-R15 where feasible. Value packs are applied to selected lines based on supply economics and price board rules, to protect margin discipline and avoid exposure during supply shocks.

## Quality Specs and Claims Workflow

Intake acceptance target is at least 98% by value. Claims target is at most 1% (of COGS) by value. Claims are opened within 24 hours with photo evidence and closed within 72 hours through credit notes, replacements, or agreed settlement adjustments. Persistent breaches trigger supplier corrective actions and temporary restrictions on affected product families.

## Customer Segments, Channels, and Demand Ramp

### Customer Wedges in Scope

- Households shopping in store.
- Informal traders and trolley traders purchasing cartons and break bulk.
- Spaza and township retail buyers with predictable top up patterns.
- Restaurants and food services with schedule-based demand.
- Events buyers with carton multiples and pre-order arrangements.
- Formal retail supply from Month 3, tracked as a separate lane.

### Demand Ramp (planning ramp)

Month	Avg. daily buyers	Bulk Monthly transactions (30 days)	Break-bulk Monthly transactions (30 days)	Monthly sales at R192.50 blended basket	Net contribution at 49.30%
1	160	720	4080	R924,000	R455,573
2	168	756	4284	R970,200	R478,351
3	176	794	4498	R1,018,710	R502,269
4	185	833	4723	R1,069,646	R527,382
5	194	875	4959	R1,123,128	R553,752
6	204	919	5207	R1,179,284	R581,439
7	214	965	5468	R1,238,248	R610,511
8	225	1013	5741	R1,300,161	R641,037
9	236	1064	6028	R1,365,169	R673,089
10	248	1117	6329	R1,433,427	R706,743
11	261	1173	6646	R1,505,099	R742,080



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12	274	1231	6978	R1,580,354	R779,184
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## Workforce Plan, Training, and Agent Programme

### Core Operating Team (Year 1 - 13 People)

Precinct Manager: owns daily execution and routines.	1 person
Procurement and Intake Lead: receiving, specs, supplier coordination, claims initiation.	1 person
Break bulk and packing staff	2 person
Cashiers	2 person
Driver	2 person
Cleaner	2 person
Administrator (bookkeeping, filing, etc.)	1 person
COO (doubling as CFO)	1 person
CEO	1 person

### Back Office Roles (lean shared services)

- CEO: stakeholder leadership and growth lanes.
- COO doubling as CFO: pricing owner, cash and finance controls.
- Administrator: HR admin, cash up filing, procurement documentation.

### Agent Programme

Twenty contracted community agents are deployed at a stipend of R4,200 per month per agent, then reviewed. Agents provide awareness and education, sales and marketing, community liaison, basic demand sensing and data collection, and support for customer onboarding and daily price education. Agents submit daily activity logs which are consolidated into weekly performance packs.

### Logistics and Fleet Plan

The pilot is primarily cash and carry, with limited scheduled drops for B2B customers. Deliveries are executed using own last-mile EV fleet, with OTIF tracked and exceptions logged.

### Fleet (capex assumptions)

Vehicle	Quantity	Assumed purchase cost	Primary use



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8 ton truck	1	R600,000.00	Inbound collections, market gap fill runs, and scheduled B2B drops where cold chain is not required
8 ton refrigerated truck	1	R800,000.00	Cold chain deliveries, meat and temperature sensitive lines, and reliability for peak days
Last-mile EV bikes	2	R240 000.00	Gap fill deliveries for household (disability / old age) and B2B replenish drops

### OTIF discipline

OTIF is tracked for every scheduled B2B drop. Failed deliveries are logged with root cause and corrective actions. Slotting and delivery windows are used for B2B customers where feasible.

### Technology and Telemetry

The pilot tests the telemetry and execution layer using a lean deployment. The focus is cold chain visibility, pricing governance, inventory movement tracking, and weekly performance reporting.

### Pilot Telemetry Components

- Cold room monitoring, temperature and humidity probes, 15-minute logs, alerts on threshold breaches.
- Door sensors with alarms on cold room doors to enforce door discipline and reduce shrink.
- POS and cash control integration, daily cash up, reconciliation, and exception logs.
- Receiving and intake logs, supplier, line, grade, accept or reject, and photo evidence.
- Inventory movement logs, back of house to front of house replenishment tracking.
- Weekly KPI scorecards, automated where feasible.

### Devices

Device allocation is limited to the core operating team and back-office team. Agents use basic smartphones for logs and customer engagement, and data is consolidated by the COO.

### Governance, Controls, and Compliance

#### Core Controls

- Price board governance with two daily reviews and an auditable change log.
- Segregation of duties between pricing approval, cash handling, and reconciliations.
- Daily cash up, till reconciliation, and safe procedures.
- Intake acceptance and claims discipline with time bound closure.
- Shrink routines with weekly reconciliation to inventory movements.



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- Weekly performance pack and management response log.

### Compliance and Safety

The pilot maintains safe handling procedures for fresh produce, cold chain compliance for temperature sensitive goods, and a disciplined cleaning and waste removal schedule. Security is treated as critical due to cash handling and stock concentration.

### Financial Plan

#### Key planning assumptions

- Funding amount: R10,000,000.
- Trading days: 30 days per month for accounting trade.
- Average blended basket (Year 1): R192.50
- Blended gross margin: 57.41% ideal scenario
- Shrink target (Year 1): 5% (of COGS) by value
- Net contribution margin for planning: 49.30%
- Rent: R20,000 per month for Months 1 to 6, then R40,000 from Month 7.
- Utilities: R20,000 base plus R20,000 contingency, total R40,000 per month until actuals are measured.
- Agents: 20 agents at R4,200 per month

#### Sources and Uses of Funds (R10,000,000)

Use of funds	Amount
Fleet capex (financed 20% deposit)	R500,000.00
Generator, ATS, wiring, commissioning, load test and protection upgrades	R550,000.00
Asset purchase from landlord, existing hardware and fit out	R150,000.00
Warehouse and packing equipment, racking, pallet jacks, walkie stacker, pallets, crates, scales, packing tables	R650,000.00
Telemetry and sensors, cold room probes, door sensors, alerts, CCTV integration	R250,000.00
POS and back-office IT, printers, networking, connectivity setup	R300,000.00
Security hardening and access improvements	R150,000.00
Brand strategy, fitout and signage and basic branding	R500,000.00
Opening inventory buffer and packaging consumables buffer	R480,000.00
TFPM COD float and procurement cash discipline buffer	R144,000.00
Farmer settlement buffer and supply ramp contingency	R336,000.00
Operating buffer through ramp to steady state	R2,800,000.00
Due diligence, legal, insurance setup, licensing and contingency reserve	R500,000.00



## Operating Budget (Year 1 totals)

- Rent: R360,000
- Utilities: R600,000
- Employee payroll: R3,561,600
- Agent stipends: R1,008,000
- Security: R540,000
- Transport: R540,000
- Packaging: R147,074
- Other overhead: R1,020,000
- Total operating expenses: **R7,776,674**, average **R648,056 per month**

## Break-even Analysis (operating costs only)

Contribution per daily buyer per month equals basket multiplied by net contribution margin and trading days. With a R192.50 basket, 49.30% net contribution margin, and 30 trading days, contribution per daily buyer per month is approx. R15 723.75 (bulk) and R786.19 (break bulk).

### Break-even Anchors

Monthly operating cost	Break even buyers per day
R520,000.00	183
R540,000.00	190
R600,000.00	211

## Break-even After Debt Service

From Month 4, the plan assumes a monthly debt instalment of about average R199,937.88. Cash break-even including debt service increases by that instalment amount.

## Repayment Structure

Loan amount: R10,000,000. Term: 5 years. Interest rate: 5% per annum nominal, charged monthly. Moratorium: 3 months with no payments. Interest accrues during the moratorium and is capitalised. Repayment: equal monthly instalments from Month 4 to Month 60.

## Annual Repayment Summary

Year	Opening Balance	Interest	Payment	Principal	Closing Balance
1	R10,000,000.00	R481,334.89	R1,799,440.92	R1,443,627.63	R8,681,893.93
2	R8,681,893.93	R388,428.40	R2,399,254.56	R2,010,826.21	R6,671,067.72
3	R6,671,067.72	R285,550.72	R2,399,254.56	R2,113,703.91	R4,557,363.82

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4	R4,557,363.82	R177,409.61	R2,399,254.56	R2,221,845.00	R2,335,518.81
5	R2,335,518.81	R63,735.80	R2,399,254.57	R2,335,518.81	R0.00

### Key Repayment Metrics

Monthly instalment from Month 4: R199,937.88

Total interest over 5 years: R1,396,459.40

Total scheduled payments: R11,396,459.40

### Risks, Mitigations, and Due Diligence Checklist

#### Key Risks and Mitigations

Risk	Mitigation
Cold room energy consumption higher than planned	Complete load test and baseline metering in due diligence, enforce door discipline via sensors and alarms, maintain utilities contingency fund.
Shrink exceeds $\leq 5\%$ target	Enforce FIFO, daily reconciliation, controlled replenishment to front of house, weekly shrink reviews with corrective actions.
Supplier reliability delays farmer ramp	Maintain TFPM gap fill capability, onboard multiple suppliers per core line, use supplier scorecards and corrective actions.
Cash handling and security incidents	Segregation of duties, daily cash up, safe controls, contracted security day and night, CCTV and access control checks.
Demand ramp slower than plan	Use agents for targeted activation, adjust value packs, focus on high repeat lanes, maintain operating buffer.
Fleet downtime impacts scheduled drops	Preventative maintenance plan, service contracts, and ability to temporarily outsource scheduled drops in emergencies.

#### Due diligence checklist (to be completed before go-live)

- Confirm cold room capacities, temperature ranges, compressor age, service history, and baseline electricity draw.
- Confirm prepaid electricity setup, metering, and load shedding exposure patterns in the area.
- Complete generator load assessment and confirm installation requirements and municipal rules.
- Asset purchase inventory, ownership proof, condition report, and replacement value confirmation.
- Confirm lease contract terms, escalation, deposit, repair recovery mechanism, and insurance responsibilities.
- Confirm safety and compliance requirements for food handling, cold chain, and waste removal.
- Confirm security plan, guard coverage, CCTV coverage, and cash movement procedures.
- Confirm fleet purchase specifications, insurance, licensing, and operating costs baseline.



## Appendix A. KPI Scorecard

Weekly scorecard for Months 1 to 6, then monthly. All KPI owners submit a brief commentary and actions for any KPI rated Amber or Red.

KPI	Owner	Reporting cadence	Target
Average daily buyers	Precinct Manager	Weekly	Ramp plan
Average basket (R)	COO/BI	Weekly	R192.50
Repeat rate (30 day)	COO/BI	Weekly	Improving
Gross margin (%)	COO/CFO	Weekly	52.41%
Shrink (%)	Stock Controller	Weekly	≤ 5%
Claims (% by value)	Procurement and Intake Lead	Weekly	≤ 1.0%
Intake acceptance (% by value)	Procurement and Intake Lead	Weekly	≥ 98%
OTIF (scheduled drops)	Precinct Manager	Weekly	≥ 92%
Cash variance	COO/CFO	Weekly	0
Utilities cost variance	COO/CFO	Weekly	Within plan
Telemetry uptime	COO/BI	Weekly	≥ 99%
Agent activity outputs	COO/BI	Weekly	Per plan

## Appendix B. Detailed Debt Amortisation Schedule

### Facility Terms Used in The Model

1. Principal: R10,000,000
2. Interest rate: 5.00% per annum, fixed
3. Period: 60 months
4. Moratorium: 3 months, no payments, interest capitalised into principal
5. Repayment starts: Month 4 of the model, level monthly instalments through Month 60
6. Advisory fee: 2.5% of principal, paid upfront from proceeds, shown in Sources and Uses, not in amortisation



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## Key Repayment Outputs

1. Monthly interest rate: 0.4166667%
2. Interest capitalised during moratorium: R125,522
3. Capitalised opening balance at start of repayment period: R10,125,522
4. Level monthly repayment, Months 4 to 60, 57 payments: R199,938 per month
5. Total cash repayments over the term: R11,396,459
6. Total interest over the full term, including moratorium interest: R1,396,459
7. Final balance at Month 60: R0

## Year-by-year Totals and Closing Balances

Year 1 includes the 3-month moratorium, Years 2 to 5 are full repayment years.

	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
Opening balance	R10,000,000	R8,681,894	R6,671,068	R4,557,364	R2,335,519	
Total payments	R1,799,441	R2,399,255	R2,399,255	R2,399,255	R2,399,255	<b>R11,396,459</b>
Interest paid	R355,813	R388,428	R285,551	R177,410	R63,736	<b>R1,396,459</b>
Interest capitalised	R125,522					
Principal repaid	R1,443,628	R2,010,826	R2,113,704	R2,221,845	R2,335,519	<b>R10,000,000</b>
Closing balance	R8,681,894	R6,671,068	R4,557,364	R2,335,519	R0	

### Notes:

1. During the moratorium period, no payments are made, interest accrues monthly and is capitalised into the outstanding balance, repayment begins in Month 4.
2. The facility amortises on a level instalment basis from Month 4 to Month 60, resulting in a declining interest component and an increasing principal component over time.
3. The advisory fee is treated as an upfront cost deducted from proceeds and reflected in Sources and Uses, it does not change the loan principal or repayment schedule.

## Appendix C. Key Assumptions Register

Assumption	Value
Facility size and allocation	460 sqm total, 400 sqm back of house, 60 sqm front of house
Cold rooms sizing	1 x 20 sqm room, 2 x 15 sqm rooms
Rent and discount period	R20,000 per month for months 1 to 6, then R40,000 from month 7, inflation linked escalation

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Utilities base and contingency	R20,000 base plus R20,000 contingency, prepaid electricity
Basket size	R192.50 blended
Blended gross margin (conservative)	12.5%
Shrink target	≤ 5% by value
Trading days per month	30 days
Agents	20 agents at R4,200 per month
Fleet capex	1x8-ton truck at R600,000 and 1x8-ton refrigerated truck at R800,000, 2 x EV bikes at R240 000
Asset purchase capex	R150,000 assumed, subject to due diligence
Generator sizing and capex	60 kVA class generator with ATS, budgeted at R550,000 all in
Credit policy	Cash only for first 6 months
Supply mix ramp	70% farmer and 30% market for months 1 to 3, target 100% farmer by month 9

**END OF DOCUMENT**

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