

FUNDING & EQUITY ASSESSMENT OVERVIEW

28 May 2013

Project Name:	ZWARTENBOSCH GOLF ESTATE RESORT / CONFERENCE CENTRE & RESIDENTIAL DEVELOPMENT
Project Location:	Humansdorp, Eastern Cape, South Africa
Company Name:	Desert Charm Trading 205 (Pty) Ltd
Loan Amount Total:	\$301,706,030 USD
Equity for Sale:	Up to 40%
Period of Loan:	10 Years
Valuation as is now:	\$75,555,555
Debt to be Settled:	\$16,555,555
Return On Investment:	45% after 5 Years, 169% after 10 years



OVERVIEW

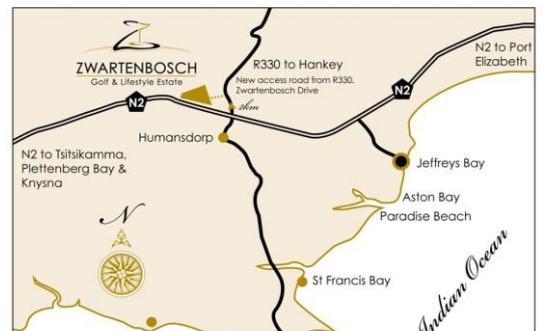
Zwartembosch Golf and Lifestyle Estate is a Real Estate Development consisting of 604 "Residential 1" stands ranging in size from 450 m² to 2000 m² with views to a green, fairway, mountain or towards the sea. All stands are freehold stands where purchasers can design their own residences according to the "Architectural Guidelines" of the Home Owners Association or alternatively according to the available 17 "Plot and Plan" building packages where residences range in size from 150m² to 463m².

Zwartembosch Resort and Conference Centre to be discussed further on.

LOCATION

The Estate is located between Port Elizabeth, which is the main industrial hub of the Eastern Cape Province in South Africa with an international harbour and airport, and the entry point to the world renowned *Garden Route*.

The Estate is situated 7 kilometres from Humansdorp, 15 kilometres from Jeffrey's Bay and 80 kilometres from Port Elizabeth with the Baviaanskloof, Tsitsi-Kamma en Addo Elephant Nature reserves only an hour's drive away.
Co-ordinates: 33° 59' 23,9" S / 24° 45' 06,3" E



Location of Zwartembosch in relation to Jeffreys Bay, Humansdorp and Thyspunt where the newly proposed Nuclear Power Station will be erected.

APPROVALS

This is some of the last zoned land in the Kouga Municipal Councils' boundaries which is within the Urban Edge and is spade ready (Ready for immediate development) as all necessary statutory approvals have been obtained..



CURRENT DEVELOPMENT STATUS OF ESTATE

- All regulatory and statutory requirements have been completed / obtained as per Number 2 to commence immediately with the construction of the Estate.
- A new access road has been obtained and is partially constructed as a gravel road.
- The first 9 holes are existing and will be upgraded together with the construction of the next 9 holes.
- The Sports Clubhouse has been completed which houses the 2 squash courts (1 single and 1 double) adjoining the 2 tennis courts and is temporarily used as the Golf Clubhouse. When it's later used as a Sports Clubhouse a swimming pool will be constructed with a kiosk.
- Security Gatehouse is completed which will be the centre for "Gated Services" to the Estate which will include access control, internet, email, telephones and CCTV.
- Sales and Development offices are completed.



View of completed Sports Clubhouse, Security Gatehouse and Sales & Development Offices which clearly illustrate the Balinese Architectural building style according to which the Estate will be developed.

View of some of the greens on the existing 9-holes of the estate which has an abundance of water of 23 mega litres per day



CONFERENCE FACILITIES

To compete in the international events and conference market in order to promote **Business Tourism** a state-of-the-art Conference Centre will be built incorporating high-tech applications to cater for the latest trend in conferencing in South Africa and especially the Eastern Cape Province .

Artist impression of Conference Centre



HEALTH & WELLNESS SPA

The Spa Industry has grown from the status of “luxury” to a necessity especially in a Resort development where a gymnasium and in-door heated swimming pool will also be incorporated.

Due to the scientific approach to the layout of spas the proposed layout underneath will be assessed by architects of the Spa franchise which will be contracted to manage the Spa.

Great care are taken by these specialised architects to accommodate the Balinese architectural style of the Estate, advise on design, layout, interior design details, materials and components, lighting schedules and furniture.

Artist impression of Spa



ACCOMODATION

The clusters will comply with the 5 star grading system of the *Tourism Grading Council of South Africa*, by offering:

- Exceptional quality and luxurious accommodation matching
- Best international standards.
- Highest standard of furnishing,s flawless service and meticulous
- Guest care.



- Guests should expect 24-hour room service
- Guest should expect a fully cooked breakfast usually available all day and can also be served to the guest in their room.
- Eating area must provide a service to the guests at the table
- Bedrooms must have working area or desk
- Bathrooms should have full range of amenities such as shampoo, towels etc
- Health & beauty facilities on site
- Business facilities i.e. fax and internet facilities

ARTIST IMPRESSIONS OF INTERIOR TO COMPLY TO 5 STAR HOTEL GRADING SPECIFICATIONS



RETAIL AND SHOPS

The size of Zwartbosch (604 Residential stands, cluster sites accommodating 1,580 persons) necessitate:

- The construction of shops i.e. convenience store, chemist, satellite Postnet outlet. These facilities will all be franchised.
- Office suites / business centre for the convenience of conference delegates, hotel guests and the residents on the golf estate.

WEDDING CHAPEL

The reason for including a wedding venue is mainly to ensure full occupation of the cluster sites over weekends when the wedding facility will be mostly in use.

This will also ensure that the restaurants will have the necessary occupation over the weekends when the conference facility might not be in use.

SUSTAINABLE DEVELOPMENT OF THE PROJECT

The development will be sustainable as it will have a very small carbon footprint as use will be made of the latest Green Technology as well as harvesting of rain water, solar power to name but a few. There are several rating systems worldwide i.e. LEED in the USA, BREEAM in UK and Green Star from Australia. The South African rating system is based on the Australian Green Star system but customised for South African conditions.

The different categories in the Star Rating system include:

- Management
- Indoor Environmental Quality
- Energy
- Transport
- Water
- Materials
- Land Use and Ecology
- Emissions

Plus Innovation in the project

SUSTAINABLE JOB CREATION

UNEMPLOYMENT IN THE EASTERN CAPE

The Eastern Cape is the second largest of South Africa's nine provinces, covering around 14% of the country's land mass with a population of 6.9 million people.

The Eastern Cape, despite its' plentiful human and natural resources is affected by the twin economic ills of poverty and unemployment.

According to *Statistics South Africa* for the first quarter of 2010 the unemployment rate was 25,2% with the biggest change in unemployment in the Eastern Cape with 12% or up to 60,000. If the number of discouraged work-seekers are included, the unemployment rate for the first quarter of 2010 stands at 32,5 %. Unemployment reached it's highest levels between the ages of 15 – 24 with the lowest levels between 55 -64 of age.

CREATING OF JOB OPPORTUNITIES THROUGH BUSINESS AND LEISURE TOURISM

The Eastern Cape has different spatial development zones with the bulk of it concentrated in the urban areas (East London and Port Elizabeth) which are mainly geared towards industrialisation.

Tourism is therefore an important industry to develop because it can provide sustainable income for the population not residing in urban areas.

To promote the business and leisure tourism opportunities at Zwartbosch Golf Estate & Resort will definitely have a *“trickle down” effect on the region*. Job opportunities created by the development will improve the living conditions of the immediate population of the region.

It will be one of the largest creators of direct and indirect jobs that the Eastern Cape has seen in the last 15 years.

SOCIO ECONOMICS

The Eastern Cape is the poorest of all of South Africa's 9 provinces. It also has the highest number of unemployed people in the country. Currently South Africa has an unemployment rate of 32% of which 12% of the 32% reside in the Eastern Cape. In other words, more than 33% of all unemployed people in South Africa stay in the Eastern Cape.

JOBS

This will be a large creator of jobs in this area. It is estimated that 2604 On-Site Jobs and 3700 Indirect Jobs will be created during the lifespan of this development. This is extremely important as the Humansdorp area has suffered more than for example Jeffrey's Bay with the economic downturn of the last 5 years, because of it not being an upmarket area nor at the sea.

GREEN AND ENVIRONMENTALLY FRIENDLY PROJECT

This development embraces the Green development principals and makes special provision in the Home Owners Association's Articles of Association that only indigenous flora can be planted and that it will become an eco-friendly Estate where small Fauna which is currently present can be seen. It will be built especially to be *energy effective* making use of solar geysers for hot water and under floor heating, natural light as far as possible with *proper insulation* protecting it from heat loss or excessive cold. Small *solar panels* will be encouraged to form part of the design in order to reduce the electricity needed per house hold and using gas stoves for cooking. Water will be purified on site and all grey water will be treated to such a degree that it will be safe for human consumption, although this will be used to irrigate the Golf Course and gardens in the Estate.

LIVING IN ZWARTENBOSCH GOLF AND LIFESTYLE ESTATE

Living in Zwartbosch Golf and Lifestyle Estate will be a life changing experience whereby residents can not only live in a safe and secure environment, but also in a most spectacular setting with the Zwarte Mountains as back drop with an uninterrupted view towards the sea.

The Estate will also cater for people who live on the Estate to be able to work from there as a large Office Park will be built.

The amenities of the Resort will also be made available to residents such as Restaurants, Hotel, Inter Denominational Church, health Hydro, Squash and tennis Club as well as Golf. Catch and release fly fishing with no barbs can be done in the various dams on a catch and release basis.

PHASED DEVELOPMENT

The development will be done in phases in order to keep strict control on the project. Although the various phases will all run together and even start together, each phase has its own time line as well as its own budget. This ensures that all work is completed on schedule and within budget and that any budget overruns does not get lost in the larger project. No blame shifting can occur.

Each Phase will have an Accountable person who will report to the Head of Project Management to ensure that the project time lines are adhered to and that quality per phase does not get overlooked by spreading knowledgeable staff too thin and that it is done within budget.

PROFESSIONAL TEAM

A professional team will assist throughout the development of the project to ensure that the right work is done for the right reason, at the right and fair price, on time, every time. No expense has been spared to make this an example of a success story of what can be achieved whilst embracing nature and being eco-friendly without distracting any from the pleasures of a modern village lifestyle.

MARKETING STRATEGY FOR ESTATE AND MOTIVATION FOR INVESTMENT

- Zwartbosch will be marketed as a one stop destination for residential, business and leisure activities where Humansdorp has become the new economic growth hub to be developed in the Eastern Cape with many government institutions moving their head offices to the Cacadu region (largest regional area in Eastern Cape) to Humansdorp.
- Various golf tourism operators will be targeted nationally and internationally.
- The Conference Centre with a capacity of 1,000 delegates with the option of accommodation on site is nowhere available in the Eastern Cape Province and only 4 other exist in South Africa.
- The development of the Commercial units will ensure that the individual facilities complement and cross market each other i.e. conference delegates and wedding guests utilising the Health & Wellness Spa, shops and restaurants and the sports facilities on the Estate.
- The Estate with the Cluster accommodation will also be marketed as a wedding venue utilising the restaurants over the weekends.
- With crime escalating together with the high unemployment rate in the Eastern Cape Province more people opt for the security of an Estate where stringent security measures are in place.
- The proposed Nuclear Power Station will be erected at Thyspunt, approximately 30 km by road from Zwartbosch Golf Estate which will enhance the accommodation need in this area. Speculation on commencement date is as early as 2014 with 6,000 affordable houses needed by Eskom and 400 upmarket management houses.
- This Estate is one of the few zoned land with all permissions in place within the Urban Edge. The Urban Edge can only be moved in 2016 and then zoning and approvals will take another 2 – 3 years.
- Kouga Municipality also has no Bulk Services available and the Estate will provide their own water and sanitation on site as per our Service Agreement.

APPOINTED PROFESSIONAL TEAM FOR CONSTRUCTION OF GOLF ESTATE

- Architect: Hennie Bezuidenhout Architectural Services and appointed architects on the Zwartbosch Architectural & Aesthetic Committee (ZAAC) as appointed by the Zwartbosch Homeowners Association
- Building contractors: To be appointed on tender
- Civil engineer: Motla Engineers & Dombo du Plessis
- Ecologist: J Buckle
- Electrical engineer: Eksteen le Roux Electrical Consultants & Motla Engineering
- Environmental Consultants: Tiva Enviro Consultants
- Geohydrologists: SRK Consulting, Engineers & Scientists, Evan Chipps of Water Resource Development and Engineering Services
- Geologist: Evan Chipps
- Golf Course design and construction incorporating landscape architecture: Phil Jacobs Design Co
- Health & Safety: Saddle Stone Consulting Services
- Project managers: To be appointed
- Structuring engineer: Andre le Roux
- Surveyor: Global Geomatics
- Transfer Attorneys: Hein Spangenberg Attorneys
- Wetland Specialist: Dr P M Illgner
- Accountants: Blignaut Chartered Accountants
- Auditors: Mould & Associates

FINANCIAL VIABILITY

The project is financially viable as it is the only land within the Urban Edge in Humansdorp for development in middle to upmarket residential purposes. With the new Nu Clear Reactors being built at Thyspunt, this is closest development where people can buy houses. People can also commute from here to Port Elizabeth on a daily basis as it is only an 82 kilometers one way journey lasting 45 - 50 minutes. The tranquility and natural unspoilt habitat makes for exceptional living experience with good living standards and lifestyle.

Humansdorp has also been earmarked as the new Industrial development hub of the Eastern Cape. Many of the Government Departments has already moved to the area such as Social Services, Justice, Police, Correctional Services, Internal Affairs to name but a few of the already 14 Departments now having offices here.

It is also centrally located between some of South Africa's most pristine National Parks and the Flora bio diversity as previously mentioned is amongst the highest in the world. The Fauna diversity is also extraordinary as most mammals and reptiles as well as birds species occur in the surrounding areas. The Tsitsikama National Park is one of the worlds' largest Oceanic Reserves with a spectacular diversity. It is also a known Whale breeding ground.

The abundance of fresh water in the area makes it attractive with a lot of waterside living. It has the second largest underground aquifer in South Africa formed 3.5 Billion years ago when the continents separated and the Table Mountain and Cedarberg rock formations fell 3000 feet down to form a natural barrier before the sea.

Another factor as already mentioned briefly, is that the 4 new Nuclear Reactors are being built nearby and this is one of the closest places where houses can be built outside of the International 15 kilometer restricted area radius. The Electricity Supply Commission (ESKOM) has already approached us as they need 6000 affordable houses for their staff and also upmarket houses for management.

The financial model that was used did not take inflation into account as the effect of inflation will rather work in the company's favour as houses get progressively more expensive as people use them as a buffer against inflation. So the increase in costs was offset against the gain in selling prices.

QUICK FACTS

Total project cost	\$301,706,030
Total Income over 10 years	\$510,804,234
Development Life Cycle	3 years
Marketing	From year 1 – 5 years
Repayment of loan	10 years

DISBURSEMENTS DURING CONSTRUCTION PHASE

	Total	Year 1	Year 2	Year 3	Year 4
Land Acquisition	75 555 555	75 555 555			
Site Improvements	7 424 875	3 369 875	3 565 000		
Construction Costs	136 071 632	50 140 228	60 762 904	25 168 500	
Soft Costs	14 649 743	8 059 013	6 416 730	174 000	
Working Capital Non Depreciable Assets	17 470 158	2 943 800	5 930 520	8 595 838	
Working Capital Non Depreciable Assets	50 534 067	6 200 817	44 153 250	180 000	
Total Disbursements	301 706 030	146 269 288	121 318 404	34 118 338	

NETT INCOME AFTER TAX PER ANNUM

Year 1	Year 2	Year 2	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
9 403	9,043	36,559	34,478	34,478	54,484	63,323	73,723	85,999	100,592

RETURN ON INVESTMENT (ROI)

TOTAL DISBURSEMENTS	USD\$ 301,706,030
RETURN IN INVESTMENTS AFTER 3 YEARS	17.99%
RETURN IN INVESTMENTS AFTER 5 YEARS	43.98%
RETURN IN INVESTMENTS AFTER 8 YEARS	107.46%
RETURN IN INVESTMENTS AFTER 10 YEARS	169.31%
RETURN IN INVESTMENTS AFTER 11 YEARS	208.58%
IRR AFTER 3 YEARS	-39%
IRR AFTER 6 YEARS	-2%
IRR AFTER 7 YEARS	5%
IRR AFTER 10 YEARS	16%

JOB CREATION

DIRECT TEMPORARY JOBS DURING CONSTRUCTION

Temporary employment during the construction phase will be on average **820** jobs during first the year of construction with a monthly low of **543** jobs in the second month and a high of **1027** in the ninth month.

During year two the average temporary employment during construction will be on average **1172** with a low of 497 jobs in the twenty fourth month and a high of 1528 in the nineteenth month.

During year three the average temporary employment during construction will be on average **505** with a low of 449 jobs in the twenty fifth month and a high of 764 in the thirtieth month.

INDIRECT TEMPORARY JOBS DURING CONSTRUCTION

If the standard multiplying factor that is normally used in the South African context of 1 direct job creates 7 indirect permanent jobs, then **5740** Indirect jobs will be created during construction phase in year one, **8204** indirect jobs in the second year and **3535** indirect jobs in the third year of construction

TOTAL DIRECT AND INDIRECT JOBS CREATED DURING FIRST YEAR OF CONSTRUCTION	6560 JOBS
TOTAL DIRECT AND INDIRECT JOBS CREATED DURING SECOND YEAR OF CONSTRUCTION	9376 JOBS
TOTAL DIRECT AND INDIRECT JOBS CREATED DURING THIRD YEAR OF CONSTRUCTION	4040 JOBS

PERMANENT JOBS AFTER CONSTRUCTION

DIRECT PERMANENT JOBS CREATED AT THE RESORT AND ESTATE will be **759** from the thirtieth month.

INDIRECT PERMANENT JOBS CREATED AT THE RESORT AND ESTATE will be **4407** from the twenty fifth month.

TOTAL PERMANENT JOBS CREATED AT THE RESORT AND ESTATE will be **5166** from the twenty fifth month.