

Financial Feasibility and Project Analysis

Synnyside Park

On

Plot 92

For

Power Properties

Rev 11/09/08

Kerneels Otto

1 September 2008

SUMMARY OF RESULTS	
Synnsyde Park Plot 92	SCENARIO Current
Critical Programme Dates	
Base Date of Estimate (Start of Pre Contract Period)	01-Sep-2008
Construction Commencement Date (12 months)	01-Mar-2009
Construction Completion Date	28-Feb-2010
Date of Last Sale	31-Mar-2010
Project Areas	
Construction Area (CA)(m ²)	30 719
Maximum Permitted Bulk (m ²)	
Area Efficiency (Rentable Area/Construction Area)	89.1%
Rentable Area (RA)(m ²)	1
Basement Parking (0.00 bays per 100m ²)	
Shade Parking (0.00 bays per 100m ²)	
Open Parking (136600.00 bays per 100m ²)	1 366
Revenue and Expenditure	
Gross Sales including VAT	R72 877 690.00
Less: Value Added Tax (14.00%)	(R8 949 891.75)
Net Sale Income	R63 927 798
Total Capital Outlay	
Land and allied costs R0 per bulk m ²)	R5 350 947
Estimated Escalated Construction Cost on Completion as at 30/4/2010	R36 266 400
Professional fees and disbursements	R2 409 199
Management Costs	
Municipal & Statutory Charges	R1 242 533
Finance Related Charges	R2 257 951
Tenant, Legal Costs, Marketing & Commissions	R4 156 559
Contingencies	R522 050
Phased Rental Income	
Total Outlay Excl VAT (R0 /bulk m²)(R1699 /m² CA)(R253425 / Unit)	R52 205 639
Value Added Tax @ 14.0%	R1 898 681
Note: Value Added Tax is refundable during the Project as an Input Credit	
Estimated Total Capital Outlay Incl VAT	R54 104 320
Gearing	
Subsidies and Grants (0.00% or R0 per unit)	
Phased Rental Income	
Net Sale Income	R63 927 798
Final Finance required (50.12%)	R26 164 665
Bridging Equity required (20.00%)	
Shareholder's Loan Account (0.00%)	
Interest earned on Surplus (0.00 % per annum)	
Profit	(R37 886 823)
Total Gearing	R52 205 640
Bridging Finance required (50.12%)	R26 164 665
Bridging Equity required (20.00%)	R10 441 197
Performance Indicators	
Return on Investment (ROI) (20 months excl. time value of money)	22.45%
Return on Investment (ROI) after Tax (over 20 months)	16.17%
Return on Investment (ROI) excluding Interest	25.98%
Net Profit	R11 722 158
Net Profit Margin	18.34%
Gross Profit (excluding interest)	R13 562 010
Gross Profit Margin	21.21%
Net Sales after agents commission (during trading period)	
Payback Period (in month 19 - first breakeven point)	Mar-2010
Percentage of Sales required to Repay Borrowings	40.93%
Net Present Value	R8 570 117
Monthly Internal Rate of Return on Capital Employed (incl interest)	3.56%
Annualised Internal Rate of Return on Capital Employed (incl interest)	52.17%
Monthly Internal Rate of Return on Equity	4.45%
Annualised Internal Rate of Return on Equity	68.70%
Return on Equity (ROE) (over 20 months excl. time value of money)	112.27%

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TOTAL CAPITAL OUTLAY

Synnyside Park
Plot 92

Description	Total	Per m ² CA	% of Cost
Estimated building cost	R36 266 400	R1 180.58	69.47%
Pre-contract and contract building cost escalation	0	0.00	0.00%
Professional fees and disbursements	2 409 199	78.43	4.61%
Land and allied costs	5 350 947	174.19	10.25%
Conveyancing fees for registration of loan	75 360	2.45	0.14%
Conveyancing on behalf of purchaser	1 169 445		
Municipal fees for SDP and plan approval	276 472	9.00	0.53%
Bond raising fees	418 099	13.61	0.80%
Bond release fees - R 0 per house			
Home Owners Association Levies			
Audit fees			
Occupational health and safety			
Assessment rates prior to and during construction	100 000	3.26	0.19%
Tenant & legal costs, marketing & commissions	35 000	1.14	0.07%
Agents fees and commission for letting (on Gross Rental)			
Agents sales commission (4.50%)	2 876 754	93.65	5.51%
Development management fee			
Bulk services or development contribution			
Bankers guarantee costs	35 000	1.14	0.07%
National Home Builders Registration Council Levy	831 061	27.05	1.59%
Development contingency	522 050	16.99	1.00%
Total excluding interest and Lease up costs	R50 365 787	R1 601.49	94.24%
Operating costs during Lease up period			
Phased Rental Income			
Estimated Capital Outlay excluding interest	R50 365 787	R1 601.49	94.24%
Interest incurred on bond prior to trading	1 839 852	59.89	3.52%
Interest incurred on equity prior to trading			
Estimated Total Capital Outlay	R52 205 640	R1 661.38	98%

Note:

The Total Capital Outlay excludes for VAT

SCHEDULE OF SALES IN PROJECT CASHFLOW

No.	Month	Total Gross Sales	VAT @ 14.00%	Agents Commission 4.50%	Bond release fees	Apply NHBRC Scale	Conveyancing Registration & Stamp Duties on behalf of Purchaser	Net Sales excluding VAT	Percent Escalation in Selling Prices
1	30-Sep-2008								
2	31-Oct-2008								
3	30-Nov-2008								
4	31-Dec-2008								
5	31-Jan-2009								
6	28-Feb-2009								
7	31-Mar-2009								
8	30-Apr-2009								
9	31-May-2009								
10	30-Jun-2009	R4 780 600	R587 091	R188 708			R86 491	R3 918 310	
11	31-Jul-2009	R6 579 100	R807 960	R259 702			R119 030	R5 392 408	
12	31-Aug-2009	R1 210 000	R148 596	R47 764			R21 892	R991 748	
13	30-Sep-2009								
14	31-Oct-2009								
15	30-Nov-2009	R682 000	R83 754	R26 922			R12 339	R558 985	
16	31-Dec-2009								
17	31-Jan-2010								
18	28-Feb-2010								
19	31-Mar-2010	R59 625 990	R7 322 490	R2 353 658			R929 693	R49 020 149	
20	30-Apr-2010								
21	31-May-2010								
Totals		R72 877 690	R8 949 892	R2 876 754			R1 169 445	R59 881 599	

PROJECT SALES INFORMATION SCHEDULE

Ref.	Unit Type	Selling Price incl VAT	No. of units	Month Sold (Generate)	(No.) Month Sold	Month Transferred	Potential Sales 100.00%	Operating Cost per House (Apply Clear)	Extent (m²)	Description	Selling Price per m²	Escalation in Sales	Phase No.	Sales Comm.	Bond Release
1	A	R456 300	64	17	17	19	R29 203 200		50.7	2 Bedroom F	R9 000	1.00	1	4.50%	
2	B	R428 490	71	17	17	19	R30 422 790		47.61	Top Structure	R9 000	1.00	1	4.50%	
3	C	R182 600	16	8	8	10	R2 921 600		332	Land Type A	R550	1.00	1	4.50%	
4	D	R160 600	13	7	7	9	R2 087 800		292	Land Type B	R550	1.00	1	4.50%	
5	E	R168 300	16	7	7	9	R2 692 800		306	Land Type C	R550	1.00	1	4.50%	
6	F	R341 000	2	13	13	15	R682 000		620	Land Type D	R550	1.00	1	4.50%	
7	G	R242 000	5	9	9	11	R1 210 000		440	Land Type E	R550	1.00	1	4.50%	
8	H	R192 500	19	8	8	10	R3 657 500		350	Land Type F	R550	1.00	1	4.50%	
9	I									Type I		1.00	1	4.50%	
10	J									Type J		1.00	1	4.50%	
11	K									Clubhouse		1.00	1	4.50%	
TOTAL			206				R72 877 690					1.00	1	4.50%	

Add Rows

SALES SUMMARY SCHEDULE

Ref.	Unit Type	Description	No. of Units	Extent (m²)	Ave. Price per m²	Ave. Price per Unit	Total Sales
1	A	2 Bedroom Fla	64	50.7	R9 000	R456 300	R29 203 200
2	B	Top Structure	71	47.6	R9 000	R428 490	R30 422 790
3	C	Land Type A	16	332.0	R550	R182 600	R2 921 600
4	D	Land Type B	13	292.0	R550	R160 600	R2 087 800
5	E	Land Type C	16	306.0	R550	R168 300	R2 692 800
6	F	Land Type D	2	620.0	R550	R341 000	R682 000
7	G	Land Type E	5	440.0	R550	R242 000	R1 210 000
8	H	Land Type F	19	350.0	R550	R192 500	R3 657 500
9	I	Type I					
10	J	Type J					
TOTAL			206				R72 877 690

71 stands

16 x 332

Sales Drawdown	NHBRC Levy
15.00%	379 642
20.00%	395 496
30.00%	37 981
35.00%	27 141
	35 006
	1,2010%

EXECUTIVE REPORT

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Notes

- This feasibility is based on the assumption that the Owner / Developer is a Vendor for VAT purposes, and can recover the applicable VAT as an input tax

Estimating Method

- Based on square metre method - Square metre rates based on current projects

Cost Basis

- Costs herein are based on current ruling competitive market conditions.
- Building costs are current as at the date of the Pre-Contract period. Building cost escalations up to date of completion have not been provided for

Drawings

- Based on the drawings listed below:
Not yet Approved

Exclusions

- Abnormal soil conditions / foundations
- PCI Insurance costs during construction
- UPS and standby generators
- Security access systems
- Specialist tenant installations
- Loose furniture and fittings
- Information technology installation including data cabling
-
- Deposits
-
-
- Interest on Equity during construction
-
-
- Development management fee
-
-

FINANCIAL FEASIBILITY AND PROJECT ANALYSIS

A. SUMMARY

1. Project Description

The Synnyside Park situated on Plot 92 .

The project includes the construction of two bedroom flats and Affordable Housing

2. Programme Assumptions

Key Programme Dates

2.1 Date of Transfer of Land	01-May-2006
2.2 Date of Rezoning	01-Jul-2008
2.3 Base Date of Estimate (Start of Pre Contract Period)	01-Sep-2008
2.4 Construction Commencement Date	01-Mar-2009
2.5 Construction Completion Date	28-Feb-2010
2.6 Date of Last Sale	31-Mar-2010

Other Key Milestones

2.7 Submission of Site Development Plan	30-Sep-2008
2.8 Close of Tender	10-Oct-2008

3. Project Area Analysis

3.1 <u>Construction Area (C.A)</u>	(m ²)	No
- 2 Bedroom Flats - 64 No. at 50.7m ²	3 244.8	64
- Top Structure House - 71 No. at 47.6m ²	3 380.3	71
- Land Type A - 16 No. at 332.0m ²	5 312.0	16
- Land Type B - 13 No. at 292.0m ²	3 796.0	13
- Land Type C - 16 No. at 306.0m ²	4 896.0	16
- Land Type D - 2 No. at 620.0m ²	1 240.0	2
- Land Type E - 5 No. at 440.0m ²	2 200.0	5
- Land Type F - 19 No. at 350.0m ²	6 650.0	19
C.A. excl Parking in Building (m ²)	30 719.1	206
- Parking in Building		
Total Construction Area (m ²)	30 719.1	206

4. Gearing

R52 205 640

4.1 Subsidies and Grants (0.00% or R0 per unit)		
4.2 Phased Rental Income		
4.3 Net Sale Income	63 927 798	
4.4 Bridging Finance required (50.12%)		26 164 665
4.5 First Draw on Bridging Finance (month 8)	01-Apr-2009	
4.6 Final Finance required (50.12%)	26 164 665	1
4.7 Interest earned on Surplus (0.00 % per annum)		
4.8 Bridging Equity required (20.00%)		10 441 197
4.9 Shareholder's Loan Account (0.00%)		

5. Estimated Total Capital Outlay on Completion excluding VAT

R52 205 640 R1699/m²
(R253425 / Unit)

6. Sale Income excluding VAT(87.72%)

R63 927 798 R2081/m²
R310329/unit

6.1 Gross Sales including VAT	R72 877 690
6.2 Less: Value Added Tax (14.00%)	(8 949 892)

7. Schedule of Gross Selling Prices including VAT**R72 877 690** R2372/m²
R353775/unit

7.1	2 Bedroom Flats, Type A - 64 No. at 51m ² @ R9000/m ² or R456300 each	R29 203 200
7.2	Top Structure House, Type B - 71 No. at 48m ² @ R9000/m ² or R428490 each	R30 422 790
7.3	Land Type A, Type C - 16 No. at 332m ² @ R550/m ² or R182600 each	R2 921 600
7.4	Land Type B, Type D - 13 No. at 292m ² @ R550/m ² or R160600 each	R2 087 800
7.5	Land Type C, Type E - 16 No. at 306m ² @ R550/m ² or R168300 each	R2 692 800
7.6	Land Type D, Type F - 2 No. at 620m ² @ R550/m ² or R341000 each	R682 000
7.7	Land Type E, Type G - 5 No. at 440m ² @ R550/m ² or R242000 each	R1 210 000
7.8	Land Type F, Type H - 19 No. at 350m ² @ R550/m ² or R192500 each	R3 657 500
7.9		
7.10		
7.11		

8. Net Profit (Pre-Tax)**R11 722 158** R382/m²

8.1	Net Sale Income	63 927 798	R56904/unit
8.2	Interest earned on Surplus (0.00 % per annum)		
8.3	Less: Total Capital Outlay excluding Interest (cost of goods sold)	(50 365 788)	
	Gross Profit	13 562 010	
8.4	Less: Interest on borrowings	(1 839 852)	
8.5	Less: Interest on equity		

9. Net Profit (After-Tax)**R8 439 954** R275/m²

9.1	Net Profit (Pre Tax)	11 722 158
9.2	Less: Corporate Tax (28.00%)	(3 282 204)
9.3	Less: Secondary Company Tax @ 10.0%	(843 995)

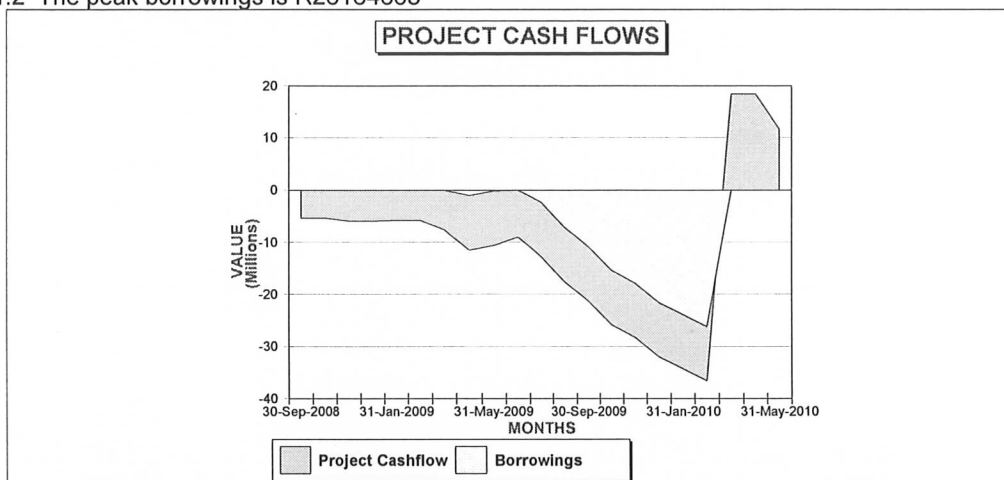
10. Return on Investment (ROI) (over 20 months)**22.45%**

10.1	Pre-Tax	22.45%
10.2	After Tax	16.17%

11. Project Cash Flow

11.1 The maximum cash flow exposure is R51620962

11.2 The peak borrowings is R26164665



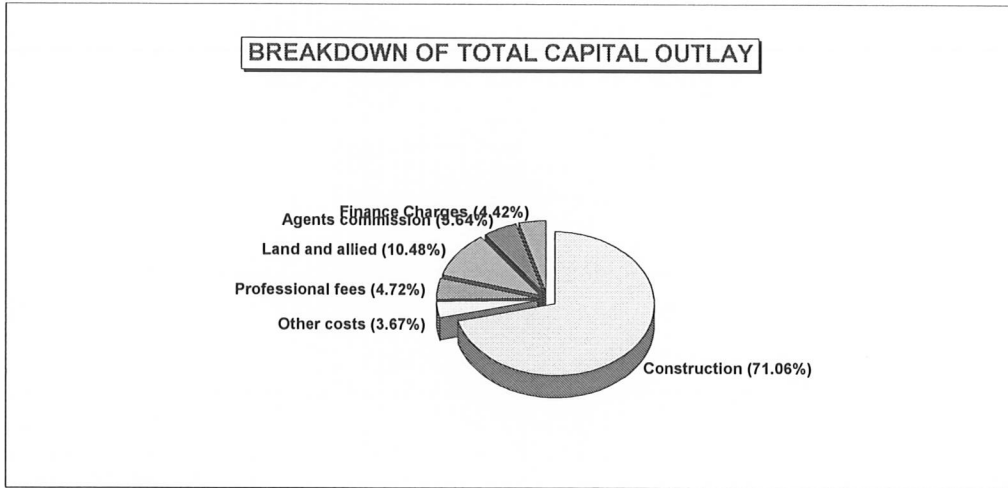
11.3 Bank Balance on completion of project	R22 163 354
Add: Last outstanding VAT input credit	
Less: Repayment of Shareholders Equity	(10 441 197)
Less: Interest on Shareholders Equity @ 0.00 % p.a.	
11.4 Profit before Tax	11 722 157
Less: Corporate Tax (28.00%)	(3 282 204)
11.5 Funds available for distribution to Shareholders	8 439 952
Less: Secondary Company Tax @ 10.0%	(843 995)
11.6 Final Dividend to Shareholders / (Loss)	R7 595 957

R247/m²

12. Performance Indicators

12.1 Return on Equity (ROE) (over 20 months excl. time value of money)	112.27%
12.2 Monthly Internal Rate of Return on Equity	4.45%
12.3 Annualised Internal Rate of Return on Equity	68.70%
12.4 Return on Investment (ROI) (over 20 mnths excl. time value of money)	22.45%
12.5 Monthly Internal Rate of Return on Capital Employed (including interest)	3.56%
12.6 Annualised Internal Rate of Return on Capital Employed (including interest)	52.17%
12.7 Net Sales after Agents Commission (during trading period)	N/A
12.8 Payback Period (in month 19 - first breakeven point)	Mar-2010
12.9 Net Present Value discounted at 8.36 %	R8 570 117
12.1 Net Profit Margin	18.34%
12.1 Gross Profit Margin	21.21%
12.12 Percentage of Sales required to Repay Borrowings	40.93%

B. ESTIMATED TOTAL CAPITAL OUTLAY



**Cost/m²
of C.A.**

1. Cost of Land and Allied

R5 350 947

R174/m²
R25975/unit

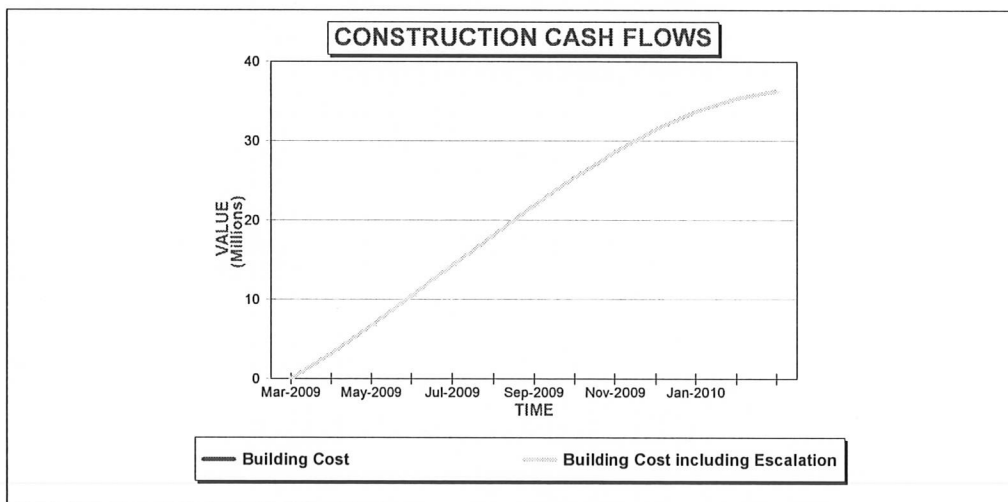
1.1 Purchase price (R98.82 x 42500 m ² total site area)	4 200 000
1.2 Transfer costs as at 1/5/2006	
1.3 Commission	
1.4 Holding costs (28.5 months to start of pre contract)	996 297
1.5 Conveyancing fees	27 150
1.6 Land surveying	37 500
1.7 Town planning	90 000
1.8 Soil investigation costs	
1.9 Historical improvements	
1.10 Other	

2. Estimated Escalated Construction Cost at Contract Completion at 30/4/2010

R36 266 399

R1181/m²
R176050/unit

2.1 Primary elements	27 911 428	R909 /m ²
2.2 Special installations	65 000	2 /m ²
2.3 External works and services	6 237 171	203 /m ²
2.4 Preliminaries	incl	/m ²
2.5 Contractor's fee	incl	/m ²
2.6 Building cost contingency (3.00%)	1 026 400	33 /m ²
2.7 Design contingency (3.00%)	1 026 400	33 /m ²
Estimated Current Construction Cost as at 1/9/2008	R36 266 399	R1 181 /m²
2.8 Pre-contract escalation @ 0.00% p.a for 6 months		/m ²
2.9 Contract escalation @ 0.00% p.a 12 months (0.000 haylett facto		/m ²



3. Professional Fees & Disbursements**R2 409 199** R78/m²
R11695/unit

3.1 Architect (1.49%)	540 000
3.2 Structural Engineer (1.74%)	631 699
3.3 Quantity Surveyor (0.55%)	200 000
3.4 Mech. Engineer (0.00%)	
3.5 Project Manager (0.00%)	
3.6 Electrical Engineer (0.00%)	
3.7 Wet Services (0.00%)	
3.8 Civil Engineer (1.93%)	700 000
3.9 Land Surveyor (0.93%)	337 500
3.10 Town Planner (0.00%)	
3.11 Landscape Architect (0.00%)	
3.12 Qs - Watching Brief (0.00%)	
3.13 Interior Designer (0.00%)	
3.14 Other (0.00%)	
3.15 Disbursements (0.00%)	

Total Professional fees @ 6.64% of final building cost including escalation

4. Management CostsR0/m²
R0/unit

4.1 Audit fees	
4.2 Occupational health and safety	
4.3 Tenant co-ordination fee	
4.4 Development management fee (0.00%)	

5. Municipal & Statutory Charges**R1 242 533** R40/m²
R6032/unit

5.1 Municipal fees for SDP and plan approval	276 472
5.2 Assessment rates prior to and during construction @ R5000 pm	100 000
5.3 Interim tax on improvements @ R0 per month	
5.4 Home Owners Association Levies	
5.5 Bulk services or development contribution	
5.6 Bankers guarantee costs	35 000
5.7 Clearance and occupational certificates	
5.8 Stamp duty on lease agreements	
5.9 National Home Builders Registration Council Levy (1.30%)	831 061

6. Finance Related Charges**R2 257 951** R74/m²
R10961/unit

6.1 Interest incurred on bond prior to last sale @ 14.50% p.a. (cash flow factor / weighted factor of 0.182) over 20 months	1 330 343
6.2 Interest incurred on equity prior to last sale @ 0.00% p.a. (cash flow factor / weighted factor of 0) over 20 months	
6.3 Interest incurred on land prior to trading	509 509
6.4 Bond release fees - R 0 per house	
6.5 Bond raising fees (1.00%)	418 099

7. Tenant Costs, Marketing & Commissions**R2 901 754** R94/m²
R14086/unit

- 7.1 Agents fees and commission for letting (on Gross Rental)
- 7.2 Agents sales commission (4.50%)
- 7.3 Marketing and pre-opening costs
- 7.4 Non - recoverable tenant requirements
- 7.5 Fixtures, fittings and equipment
- 7.6 Staff training
- 7.7 Other

2 876 754
25 000

8. Legal Costs**R1 254 805** R41/m²
R6091/unit

- 8.1 Sectional title costs
- 8.2 Development agreements
- 8.3 Rental / sales agreements
- 8.4 Joint venture agreements
- 8.5 PCI Insurances
- 8.6 Conveyancing fees for registration of loan
- 8.7 Conveyancing on behalf of purchaser
- 8.8 Other

10 000
75 360
1 169 445

9. Contingencies**R522 050** R17/m²
R2534/unit

- 9.1 Development contingency (1.00%)

522 050

10. Lease Up Income and Operating CostsR0/m²
R0/unit

- 10.1 Operating costs during lease up period
- 10.2 Phased Rental Income

ESTIMATED TOTAL CAPITAL OUTLAY (Excluding Vat)**R52 205 640** R1699/m²
R253425/unit**11. Value Added Tax****11.1 Value Added Tax @ 14.0%**

Note: Value Added Tax is refundable during the Project as an Input Credit
The VAT reflects the net amount payable

R1 898 681 R62/m²
R9217/unit**ESTIMATED TOTAL CAPITAL OUTLAY (Including Vat) as a 30/4/2010****R54 104 321** R1761/m²
R262642/unit**Disclaimer**

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