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Investment project “Imperial Golf Club - town of Razlog”



August, 2007



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I. Introduction

1.1. Business offer

The main purpose of this business offer is to present the investment opportunities regarding the purchase by an Investor of Project “Vacation apartment complex – Imperial Golf Club”. The project is being constructed in its own plot with area of 6,4 decares in one of the most perspective mountain villages at the foot of the Pirin Mountains for development of year-round tourism in Bulgaria.

By purchasing Imperial Golf Club at this stage of execution the Investor shall acquire:

The project for construction of a vacation apartment complex with a category of 5 stars to a total project amount of EUR 10.5 million¹, of which amount as of the end of September 2007 investment expenses amounting to EUR 3,7 million have been implemented constituting approximately 35% of the total project value.

All rights regarding the sales agreements, which have been concluded up to now, in relation to 35 apartments with a total area of 2 634 sq.m. According to the installment plan for the negotiated payments 2 until the end of 2008 there are 2.0 million EUR remaining to be deposited from the total value of 3.7 million EUR.

The revenues expected from the sale of the remaining 104 apartments with a total area of about 10,5 thousand sq.m. amounting to approximately 15.6 million EUR according to current prices³.

The rights of management of the common parts of the whole complex, which according to the project include: a casino, a SPA&Wellness center, an open and a closed swimming pool, a lobby-bar, a scenic restaurant, a night SKY-bar, a business center and others.

The opportunity to enter into management agreements with the owners of the sold apartments allowing the whole complex to be used as an year-round hotel with a category of five stars.

¹ The price of the Project includes VAT

² 1.7 million EUR have been paid and assimilated from the sales of apartments contracted up to now

³ The indicated amount includes VAT



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1.2. Location

Vacation apartment complex Imperial Golf Club (*****) is located in the region Bayova Borika (municipality of Razlog) at the foot of the Pirin Mountains. The distances from Complex Imperial Golf Club to some of the most attractive sites in the region are as follows:

- ◆ 550 m from the entrance of the golf court Pirin Golf Holidays Club, which provides the opportunity for professional and amateur sport activities. In the region of the golf court there are also accompanying tourist attractions such as: horse bases, service centers, commercial areas, sport complexes with tennis courts, basketball, volleyball and mini-football courts and others.
- ◆ 4 km from the station of the cabin lift to the world ski center Bansko in the Pirin Mountains. The total length of the ski tracks in Pirin is approximately 65 km, the longest one being 16 km, and the highest and the lowest ski points are 2460 m and 990 m above sea level, respectively. The tracks are serviced by 1 cabin lift, 7 seat lifts and 6 tow-lifts. They are provided with installations for artificial snow and night skiing.
- ◆ The region offers excellent conditions for the lovers of mountain, culture-cognitive, religious, ecological and ornithological tourism;
- ◆ It is about 85 km away from the Bulgarian-Greek border checkpoint (BCCP) Ilinden-Exohi;
- ◆ It is about 60 km away from the future airport complex near the town of Gotse Delchev for servicing of chartered flights, the construction of which is expected to commence in the beginning of 2009.

The distance to the capital of Bulgaria – the city of Sofia is about 150 km, which takes up approximately 2,5 hours by car. To get there one should travel along international road E-79 (Sofia-Kulata) and in the town of Simitly turn in the direction of the town Gotse Delchev. There are regular bus lines covering this route. The distances to some of the biggest cities of the countries – neighbours of Bulgaria are as follows:

- ◆ to the town of Thessalonica (Greece) - about 300 km.;
- ◆ to the town of Istanbul (Turkey) – about 600 km.;
- ◆ to the town of Belgrade (Serbia) – about 650 km.;
- ◆ to the town of Bucharest (Romania) – about 600 km.



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II . Development of tourism in Bulgaria

Tourism is one of the fastest developing fields of the Bulgarian economy during the last few years and traditionally attracts **a growing number of foreign tourists**, which in 2006 reached 7.5 million. The main reasons for the increase in tourist visits to Bulgaria are:

- ◆ The incorporation of Bulgaria to the European Union and the expansion of the market for the Bulgarian tourism product;
- ◆ Implementation of a consistent governmental policy for tourism support;
- ◆ The excellent natural-climatic conditions providing **four active tourism seasons**;
- ◆ New and relatively **high category base**;
- ◆ Rapid development of **new tourist products** – mountain, culture-cognitive, ecological, ornithological and others;
- ◆ Developed presence on the European market;
- ◆ The municipalities are determined to invest a considerable part of the Euro funds for the construction of the infrastructure necessary for the development of tourism and provision of employment;

Project Imperial Golf Club – Razlog is territorially located in the immediate vicinity of the countries (Greece, Macedonia, Serbia and Montenegro) forming the largest share of tourist flow to Bulgaria. In 2006 approximately **65% of the visitors of hotels in Bulgaria with a category of “5 stars and special” are from Germany, Great Britain, Israel, Russia, USA and Greece**, which are also the main target group of tourists expected in Imperial Golf Club – Razlog “.

The foreign tourists in Bulgaria are gradually orienting to using the **services of hotels with 4 and 5 stars, as well as of the special hotels**. This tendency is an expression of the increased effectiveness of Bulgarian international tourism, as well as an additional guarantee for successful implementation of Project Imperial Golf Club – Razlog.

Upon the successful implementation of the present Project the Vacation apartment complex **Imperial Golf Club – Razlog will become one of the largest Bulgarian hotel complexes with a category of 5 stars**.

The presence of all prerequisites for an year-round exploitation, as well as the numerous tourist attractions in the region serve as assurance that Imperial Golf Club – Razlog will attract a permanent flow of solvent tourists. According to the conducted moderately pessimistic forecasts **the average year load in 2009 is expected to be about 25% and gradually increase up to 56% in 2012**. Practically all the prerequisites for the actual average load to be higher by at least 6-10% are available.



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III . Dynamics of the market of vacation homes market in Bulgaria

3.1. Demand

During the last few years Bulgaria became an attractive place for purchasing a vacation home. The main factors determining the demand are:

- ◆ The acceptance in the EU;
- ◆ The exceptional variety of tourist resources (beautiful nature, favourable climate, mineral waters, mountains and others);
- ◆ The low prices of real estates compared to other countries;
- ◆ The growth of the tourist industry in Bulgaria.

The buyers are gradually becoming more pretentious in relation to the **quality, the additional services and the opportunities for development.**

The demand is executed mainly by natural persons from Great Britain and Ireland, followed by Bulgarians living and working abroad, Russians, Germans, Scandinavians and others. Moreover, a small part of the initial demand originates from the wholesale buyers who allocate the purchased units on their local markets.

The greatest demand is for one-room apartments (with an area between 40 and 50 sq.m.) and two-room apartments (with an area between 70 and 80 sq.m.).

3.2. Offering

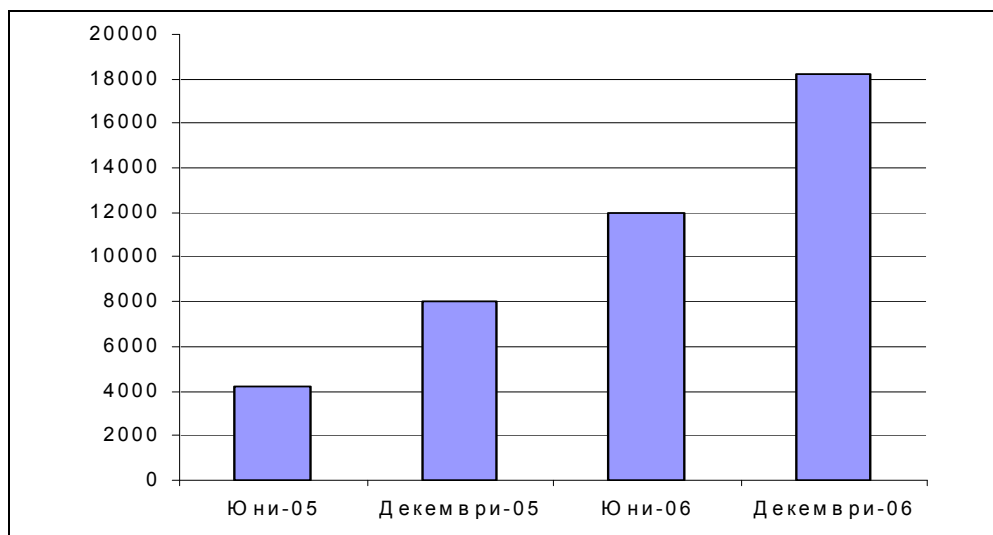
The market of vacation homes experienced a considerable growth in 2006. More than 26 000 apartments were added to the overall offering in the resort areas thus increasing the overall offering up to more than 53 000.

The market of mountain vacation homes marked considerable growth during the last year. The offering of homes in the mountain regions relates mainly to projects located in Bansko. **However, the new offering is expected to be directed at Borovets, Pamporovo and Razlog.** The reason for this is the sudden increase in land prices in Bansko, which drives the entrepreneurs to invest in other resorts. Moreover, on account of the overbuilding the capacity of the infrastructure in Bansko reached its limit.

The overall offering of vacation homes in the Bulgarian mountain regions as of the end of 2006 reached more than 18 000 units, which constitutes an increase of 53% compared to June 2006. The projects in the mountain regions vary from premises with less than 10 units to resort complexes including more than 400 apartments.



**Number of apartment (with accumulation),
offered in mountain vacation settlements**



Source: Colliers' Research

3.3. Prices

In 2006 the offering grew at a faster rate compared to the demand. The end sales prices of vacation apartments however marked a slight increase on account of the new projects offering better quality of construction, services and conveniences.

The prices of a second home depend on several criteria, the most important of which are the location, the quality of the resort, the complex services offered and the duration of the tourist season. As a whole most of the prices are between 800 and 1 600 EUR/sq.m. Some projects however are offered at prices of more than 2 000 EUR/ sq.m.

The sales prices also depend on the development and the stage of completion. When offered at a “green” stage the second home costs approximately 15% to 30% less compared to its price if it is completed. When offered at a “rough construction” stage the apartments’ prices are between 10% and 15% lower than the end prices.



Sales prices (EUR/m²) in selected mountain resorts

Resort	Sales price (including VAT)
Borovets	600 - 1,590
Pamporovo	650 - 1,825
Bansko	635 - 2,500

Source: Colliers' Research

3.4. Market development forecast

According to the appraisal of recognized real estate agencies¹ the market of vacation homes in Bulgaria will be subjected to the following basic tendencies during the next few years:

- ◆ The offering of vacation homes in Bulgaria is expected to increase at lower rates during the following years.
- ◆ The share of the small resorts in the overall offering is expected to increase on account of the fact that the popular resorts have become less attractive to the entrepreneurs because of their overbuilding.
- ◆ The quality of construction, services and conveniences will also be improved.
- ◆ The largest potential driving force of the future demand is the improvement in the infrastructure, as well as the professional management in relation to the offered apartments.
- ◆ The sales prices are expected to remain stable or to mark a slight increase in relation to the end prices on account of the fact the market is already relatively mature and managed by buyers who value quality and uniqueness.

A similar structure and tendencies of developments of the demand, the offering and the dynamics of the prices create extremely favorable prerequisites for the successful sale of all apartments in the Vacation apartment complex Imperial Golf Club – Razlog especially when its commissioning draws near.

¹ Colliers International, Bulgaria – “H1/2007 – Holiday homes – Market Overview”



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IV . Current owner of the Project

The Project for construction of Imperial Golf Club (*****) is the initiative and property of Global Choice Construction LTD – an investment company with the purpose of constructing luxurious vacation apartment complexes in popular tourist resorts and the big towns in Bulgaria:

Registration of Global Choice Construction

Name:	Global Choice Construction
Legal form:	Limited Liability Company
Registered management address:	Town of Plovdiv, 9 Vasil Aprilov Boulevard, floor 5
Communications:	Tel.:+359 (0) 32 950097, Fax: +359 (0) 32 950099; mail: imperial@globalchoiceproperty.com ; web: imperialgolfclub.eu
BULSTAT	160010637
Court registration	Company File № 258/2006 as per the register of the Plovdiv County Court
Type of ownership:	Private
Capital:	BGN 178 000 (one hundred and seventy-eight leva)
Subject of activity:	Purchase of commodities or other items with the purpose of reselling then in the original, processed or worked state, commercial representation and mediation, commission, forwarding and transporting transactions, warehouse transactions, license transactions, stock control, transactions with intellectual property, advertising, information, program, impresario or other services, leasing, sale-trade of and transactions with real estates, construction and/or furnishing of real estates with the purpose of sale, production of and trading in construction materials, hotel management, restaurant management and any other activity not prohibited by law.
Main activity:	Construction and furnishing of luxurious vacation apartment complexes with the purpose of sale.
Owners	Mariyka Hristova Doncheva; Yosif Lyubomirov Peev; Anastas Georgiev Georgiev; Tanya Nikolaeva Kozlodzhova; Ivan Vasilev Trifonov; Nikolay Yordanov Danailov
Representatives	Mariyka Hristova Doncheva – Manager
For further investment information BG/EN	http://beis.bia-bg.com



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V. Presentation of the Project

5.1. Capacity

The Project for construction of Vacation apartment complex Imperial Golf Club (*****) – town of Razlog stipulates that it will include 139 luxurious apartments, a casino, a SPA&Wellness center, an open and a closed swimming pool, a scenic restaurant and a night SKY-bar.

The apartments in the complex will be luxuriously furnished and depending on their size and the number of rooms they will be allocated in several main types:

*Allocation of the apartments in Imperial Golf Club (*****)*

No	Type	Area (sq.m.)	Number
1.	Apartment type “Studio”	50,75	46
2.	Apartment with one bedroom	61,38 - 142,60	64
3.	Apartment with two bedrooms	84,24 – 148,60	25
4.	VIP-apartment with three or four bedrooms	215,05 – 259,55	4
Total			139

All residential areas are designed for a high class of categorization (5*), which guarantees the visitors of the vacation complex a high quality of service, space and comfort.

Vacation apartment complex Imperial Golf Club (*****) – town of Razlog disposes of approximately 250 beds. The ordinary statistics regarding the behaviour of the owners of apartments in such complexes show that 90% of them enter into management agreements for their properties. In accordance with these parameters the complex disposes of **an operative capacity of about 225 beds**, which will be offered to its guests as a 5 star hotel.

With a view to the preparation of a moderately pessimistic forecast of the future financial flows the assessments made deliberately do not take into consideration the opportunity of adding additional beds in the apartments. Such expansion of the bed base especially in the most active tourist seasons is an actual additional opportunity for increasing the effectiveness of exploitation of the complex.

5.2. Management of the Project

At present the execution of the Project is managed by Global Choice Construction LTD. Upon the purchase of complex Imperial Golf Club – Razlog the Investor shall acquire all rights for the complete management of the Project including:

- ♦ Completion of the construction;



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- ◆ Sale of the apartments;
- ◆ Exploitation of the complex including by entering into management agreements in relation to the apartments with their respective owners, as well as by managing the common parts (restaurants, bars, a casino, a SPA complex, a business center, a reception, car parks and others)

5.3. Financial plan

The financial assessments prepared represent a moderately pessimistic appraisal of the basic financial indicators of apartment complex Imperial Golf Club for the period 2007 – 2012.

5.3.1. Completion of construction

The construction of Vacation apartment complex Imperial Golf Club is performed following a project, which up to now has not been implemented in Bulgaria according to recognized specialists in the field. After Imperial Golf Club (****) is commissioned in April 2009 the unique project of the complex will apply for Project and Building of the Year in Bulgaria.

The construction of Imperial Golf Club (****) commenced on 16 April 2007 and the construction installation works are conducted in strict observation of the planned stages and terms for execution.

*Stages of construction of Imperial Golf Club (****)*

No	Stage	Forecasted term of completion	Project value (thousand EUR)
1.	Elevation 0.00	01.10.2007	3 700
2.	Floor 1	15.11.2007	450
3.	Floor 2	10.01.2008	450
4.	Floor 3	01.03.2008	450
5.	Floor 4	15.04.2008	450
6.	Floor 5	01.06.2008	450
7.	Floor 6, 7 and Scenic restaurant	01.09.2008	1 300
8.	Vertical planning	01.11.2008	300
9.	Completion of common parts	01.12.2008	1 950
10.	Furnishing Apartments and Common parts	01.02.2009	1 000

Upon the completion of Stage №1 at the end of September 2007 approximately 35% (3,7 million EUR) of the total investment expenses on the Project amounting to 10,5 million EUR will have been implemented.



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The new owner of Imperial Golf Club will have to finance the implementation of the remaining investment expenses amounting to approximately 6,8 million EUR. The performance of the full capacity of construction installation works has been secured by contracts with construction organizations – subcontractors.

5.3.2. Sale of apartments

Up to now the current owners of the Project have entered into sales agreements for 35 apartments with a total area of 2 634 sq.m. and to the total value of 3,7 million EUR. According the applied installment plan for payment up to now the apartment owners have paid effectively 1,7 million EUR. **The new owner of Imperial Golf Club will receive 2.0 million EUR in relation to these agreements until the end of 2008**, allocated by periods as follows:

- ♦ As of 12.2007 – 850 000 EUR;
- ♦ As of 06.2008 – 350 000 EUR;
- ♦ As of 12.2008 – 800 000 EUR;

The assessments made show that **additional revenues amounting to approximately 15.6 million EUR** can be expected from the sale of the remaining 104 apartments with a total area of 10 thousand sq.m.

The total amount of revenues from sales of apartments without VAT is to the amount of 16.6 million EUR.

5.3.3. Exploitation

After its commissioning in May 2009 Imperial Golf Club will operate as a hotel complex with a category of 5 stars and it is expected that it will realize annual revenues as follows:

- ♦ From rents of the common parts– approximately 279 thousand EUR;
- ♦ From fees for maintenance and servicing of the common parts– approximately 158 thousand EUR;
- ♦ From realized night’s lodgings - from 1 million EUR in 2009 to 2,6 million EUR in 2012.

The forecast annual payments related to the exploitation of Imperial Golf Club (*****) are as follows:

- ♦ For current maintenance - from 243 thousand EUR to 518 thousand EUR at the end of the reviewed period – the year 2012;
- ♦ Payments to the owners of estates - from 735 thousand EUR in the beginning of the period to 1 714 thousand EUR in 2012.



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- ♦ Labour remunerations for administration and managerial personnel – from 58 thousand EUR in the beginning of the period to 117 thousand EUR in 2012.

The forecast financial result upon successful implementation of the Project stipulates a net profit for 2009 amounting to 8.6 million EUR mainly due to the sale of apartments. For the period 2010-2012 it is expected that its average value will be approximately 280 thousand EUR.

Forecast financial indicators (in thousands EUR)

Indications	2007	2008	2009	2010	2011	2012
Load			25%	50%	50%	56%
Revenues from sales of apartments	-	-	16 627	-	-	-
Revenues from exploitation of the complex	-	-	534	873	936	954
Expenses on construction	3 836	4 111	834	-	-	-
Modification of reserves from uncompleted production	(3 836)	(4 111)	(834)	-	-	-
Value of the sold apartments	-	-	6 665	-	-	-
Expenses on the maintenance of the complex	-	-	346	566	622	633
Financial result before taxation	-	-	9 615	307	314	321
Corporate tax (10%)	-	-	962	31	31	32
Financial result after taxation	-	-	8 654	276	283	289
Financial resources in the beginning of the period	3 700	380	6 985	9 732	9 319	9 862
Revenues	1 402	12 876	4 884	2 782	3 073	3 095
Payments	4 722	6 271	2 136	3 195	2 530	2 542
Financial resources at the end of the period	380	6 985	9 732	9 319	9 862	10 415

The forecast financial result upon successful implementation of the Project stipulates a net profit for 2009 amounting to 8.6 million EUR mainly due to the sale of apartments. From 2010 the net annual profit is expected to be approximately 280 thousand EUR.



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Net income of Project Imperial Golf Club, in thousand EUR

№	Indicator	Value
1	Value of the project (Elevation 0.00)	3 700
2	Completion of construction and furnishing	6 837
3	Total value of the project (1+2)	10 537
4	Revenues from contracted apartments (35)	2 000
5	Revenues from the remaining apartments (104)	15 611
6	Total expected revenues (4+5)	17 611
7	Expected total net income from exploitation of the complex for the period (2009-2012)	1 130
8	Total net income of the project (6+7-3)	8 204

It is evident from the presented financial assessment that the purchase of Imperial Golf Club is an attractive investment project with quick returns and a relatively low investment risk.



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City of Sofia, August 2007.