

2017

LUVHOMBA CAPITAL (PTY) LTD

A SUBSIDIARY OF LUVHOMBA INVESTMENT
HOLDINGS PTY LTD, A DIVISION OF LUVHOMBA
GROUP.



**VENTURE CAPITAL
PRIVATE EQUITY
WHOLESALE FUNDING
PARTNER BUSINESS
PROPOSAL**

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Notice of Confidentiality

This confidential business proposal contains proprietary and confidential information regarding Luvhomba Group and its subsidiary, Luvhomba Capital, which in turn, is a wholly owned subsidiary of Luvhomba Investments Holdings, a division of Luvhomba Group. Neither the whole nor any part of this business proposal or any reference to it may be included in any publication nor published in any way without the prior consent in writing of Luvhomba Investment Holdings or its subsidiary, Luvhomba Capital, nor the holding company, Luvhomba Group. The reviewer(s) hereby undertakes not to disclose the information without the express written permission of Luvhomba Investments Holdings, a division of Luvhomba Group.

This document is therefore to be reviewed only by people mandated to and/or associated to the company, and potential business partners thereof.

Limiting Conditions

This business proposal is subject to the following limiting conditions:

- 1) Neither the whole nor any part of this business proposal or any reference to it may be included in any publication nor published in any way without the prior consent in writing of Luvhomba Capital and the holding company, Luvhomba Group.

PREAMBLE:

This document has been prepared as a formal proposal for Luvhomba Capital to seek out funding to run a wholesale fund or venture capital or business investments and funding project, in partnership with ECP.

Luvhomba Capital will be responsible for the identification, assessment, vetting, monitoring and evaluation and eventually retrieving of the invested funds and return on investment (ROI) from the clients; whilst the funding partner ECP, will be responsible for funding the project, and be involved at strategic level of the business, where by Luvhomba Capital will be offering reports and feedback where necessary.

In this proposal document, we have outlined how we will establish this venture capital and wholesale business funding project, with the aim of assisting the development of new and struggling businesses that lack financial assistance and business management advise and consultancy services.

The main target beneficiaries of this funding programme will be new and existing wholesaling organisations, with a special concentration on those wholesaling firms within the electronics and clothing manufacturing space.

Luvhomba Capital will utilize its skills, equipment, and full spectrum of resources within Luvhomba Investments Holdings, and Luvhomba Group as a whole, to see the efficient use of the funds, to the achievement of the organisation's vision, mission, goals and objectives.

An initial fund injection of between R100million and R500million is sort to get the project off the ground.

It is our organisation's vision to capacitate the previously disadvantaged populace who are struggling to break into the business fraternity due to lack of funding and informed guidance. The scope of the project will also include business consulting services to budding wholesalers; which will simultaneously, create employment for our fellow citizens and improve the living standards of those affected directly and indirectly, thereof.

1. BACKGROUND

Luvhomba Group is a wholly black owned organisation, managed and directed by its founder, Mr Tuwani Matthews Mulaudzi. Luvhomba Group consists of a diversified group of companies, which includes Luvhomba Investments Holdings. This is the investments and business acquisitions arm of the group. As a whole, Luvhomba Group's sectors of investment include clothing and electrical-ware retail, mining, construction, legal services and general project management.

Within Luvhomba Investment Holdings, Luvhomba Capital exists as its subsidiary. Luvhomba Capital has positioned itself as the financing house of the group, with its aim to expand into a dependable venture capital firm and possibly a banking institution overtime, working with those organisations which need recapitalization.

We are confident that we are unique in the market place. This uniqueness is based on a number of interdependent competencies, and these are;

- Our ability to develop and implement total solutions, by harnessing and integrating our own capabilities, as well as those of our alliance partners (as and when the need arises), to address unique problems;
- Delivery of end to end service offering in process design and management;
- An extensive network/database of experts to augment our own capabilities;
- Our close relationship with research and academic institutions;
- Our experience in the South African general business industry;
- Our research expertise; and
- A staff compliment that is highly skilled in analytical processes, as well as creative solution, development and implementation.

Vision

Luvhomba Capital's vision is to continuously identify and execute on viable and profitable investment opportunities in the venture capital space, with the aim of supporting and sustainably growing Luvhomba Group and its subsidiaries.

As part of the Luvhomba Capital's long terms strategies, we have commenced strategic plans to establish a wholly black South African bank, whose main purposes would be to serve the people of South Africa, providing relevant and simple banking solutions to both the common folk and business corporates. Part of our service strategies would be to plug those gaps which the current service providers are not delivering upon.

We achieve this by;

- Developing and implementing solutions which draw upon our expertise in our various capacities and different levels of skill;
- Experience gained in the business world;
- Productivity improvement;
- Access to appropriate technology, thereby creating the effective capacity for action in our business.

Mission

Our philosophy is based on the principle of PARTNERSHIP. This philosophy guides our navigation through the competitive and rapidly changing world we work in.

We believe our fellow colleagues share our present and future and must be active in creating our mutual future. This also dictates that we need to share the wealth, skills, capabilities and knowledge that are generated in realizing our future;

We acknowledge the need to develop a deep sense of purpose with the people we serve and our partners to ensure that we, at all times serve their best interests. We are therefore their business partners in that we help them create and sustain their viability;

We also understand that we co-exist in a broader society and community and that, since we are dependent on other's future existence, we need to partner with this society in a responsible manner to ensure sustainability.

Purpose of Business Plan

This confidential business proposal was prepared for the purpose of:

- i) Informing prospective financiers and/or investors about the subject company, its vision, goals and how it plans to achieve the objectives borne of the identified goals.

Corporate Information

COMPANY INFORMATION	PROJECT SPONSORS
<p>Luvhomba Capital (A division of Luvhomba Investments Holdings, a division of Luvhomba Group) 92 Bourke Street Sunnyside Pretoria</p> <p>Business Contact Person: Mr. Matthews Tuwani Mulaudzi (MD & Executive Chairman) Tel: 012 344 0908 Fax:012 344 0913 Mobile: 082 495 4515 Fax to email: 088012344 0913 E-mail: mulaudzim@luvhombagroup.co.za</p>	<p>Luvhomba Group</p> <p>92 Bourke Street Sunnyside Pretoria 0002</p> <p>Business Contact Person: Mr. Matthews Tuwani Mulaudzi (MD & Executive Chairman) Tel: 012 344 0908 Fax: 012 344 0913 Mobile: +27 81 852 2641 Fax to email: 088012344 0913 E-mail: mulaudzim@luvhombagroup.co.za</p>
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2. COMPANY SUMMARY

Luvhomba Capital, a subsidiary of Luvhomba Investments Holdings, a division of Luvhomba Group, is a black owned enterprise that was founded and incorporated in SA. The company is registered with CIPRO under the laws of the Republic of South Africa as private limited company and is a division of Luvhomba Group of companies. Luvhomba Group was founded in 1997 and has been trading for over 16 years.

BUSINESS VALUES

- An entrepreneurial mindset borne out of necessity.
- Maximizing on quality and productivity.
- Sustainable business and corporate responsibility
- Formulation of strategic partnerships

BUSINESS SERVICES

- Project and construction management
- Execution of development projects
- Clothing and Electrical-ware retail
- Mining
- General supply and delivery
- Planning and Evaluation
- Human Resources and organizational management services
- Legal services
- Local and international systems management policy and legislative Support

3. PROJECT SYNOPSIS

The project will entail two aspects of business assistance to the target groups; namely financial assistance and business consultancy services.

- Financial Assistance

This function will entail the funding of SMEs specialising in the manufacture and whole of clothing and electronic house-hold equipment, including and those starting-up, with bright entrepreneurial ideas and concepts, but lacking the financing to get those ideas off the ground.

- Business consultancy services

These will be tailor-made after an initial analysis of the performance of the business and where it lacks, and thus a definition of the improvement points. The consultancy services will include internal audits, leadership management, organisational and management systems implementation and monitoring, among others. Luvhomba Capital will borrow skills and expertise from its relevant subsidiaries to see this function of business services through, successfully.

The target groups are defined as the small to medium enterprises (SMEs) within the clothing and electronics wholesaling sector. This is not a mutually exclusive criterion, which means that even those businesses that are not SMEs, but qualify in the services they require from the organisation, will also be considered with an equal opportunity of being selected for assistance. We also target companies in other industries like high-tech.

Successful companies have a trend of similarities in the manner in which they do business, and one such similarity is in their spend towards obtaining the right skill resources at strategic points of their Organogram.

These institutions rely on these resources in order to achieve their management and operational goals. This is the gap we will want to fill, as Luvhomba Capital, through this funding initiative.

Beneficiaries

The business groups to benefit from this venture capitalization project will be the following:

- ✓ Start-up businesses in the electronics and clothing wholesaling sector
- ✓ SMEs in the clothing and electronics wholesaling sector
- ✓ Existing wholesaling businesses that need business management consultancy and advisory services
- ✓ Other areas

4. PROBLEM STATEMENT

One of the major problems faced by small businesses in South Africa, in particular, black businesses and those businesses owned by previously disadvantaged groups is the fact they suffer from lack of funding. The historical educational disparities meant that these disadvantaged groups usually had, and to some extent, still have, limited access to information. Information means balanced, intelligible decision making. Thus, without access to information, these disadvantaged groups have trouble running successful business enterprises, most borne out of lack of funding. Funding applications are rigorous and if your access to information is limited from the get-go, one will either not know where to apply for funding for their start-up business, and when they make those applications, they are still found wanting on so many counts.

Many entrepreneurs and owners of emerging and start-up small businesses perceive the lack of access to finance as the major obstacle to the growth and development of their business. Often this belief is misplaced as it obscures the shortcomings of the entrepreneur, the business concept and the management structures of the enterprise concerned. We at Luvhomba Capital believe that start-up and small businesses don't just fail due to lack of finance capital only, thus our two pronged approach that we have embarked on

Through this venture capitalization project, Luvhomba Capital will become a one-stop solution base for these wholesale start-up businesses and existing wholesale businesses that are in need of re-capitalization.

Luvhomba Capital will utilize its subsidiaries to offer, not only funding solutions, but will also secure the investments made into these start-up businesses through offering supporting business consultancy services, to ensure that investments are made into the right companies, and supporting business management services are rendered, to guarantee the ROIs, thereof.

5. GOALS AND OBJECTIVES

The organization is founded on the principles of production of quality guaranteed work on the first run, as per customer specification.

In order to achieve the organization's vision and mission, the organization ensures that each project objectives will be designed based on the basis of specificity; measurability; attainability; time defined and realistic.

The aim of this project will be to:

- Provide venture capital resources to start-up wholesaling businesses and SMEs in the high-tech, clothing and electronics space;
- Capacitate these SMEs and start-up businesses by providing them with business management skills and business advisory services.

6. PROJECT PLAN

Luvhomba Capital will be responsible for execution of the project as whole, through the following phases:

➤ **Phase 1 – Basic Assessment**

Assess the economic merit and sustainability of the applicant and their business proposition. This is the desktop research stage of the application. It will involve gathering all relevant background information of the applicant ranging from company registration documents, to ID documents of owners, to the list of suppliers of and clients of the applicant; including the financial performance of the company in the past and present, and their projections for a defined future. Turnover assessments will also form an integral element in this basic assessment process.

The output of this basic assessment phase will be a report and supporting financial model. These findings will be then presented to the relevant committee for their review.

➤ **Phase 2 – Unit Committee**

This committee will be responsible for the evaluation of the information gathered during the Basic Assessment stage of the application. The Unit Committee will deliberate on the baseline information gathered, and then decide if the due diligence exercise ought to continue to the next phase of the application or it will be rejected at this juncture.

➤ **Phase 3 – Due Diligence**

A team of competent individuals will be allocated to focus on the marketing, technical and financial aspect of the application process. These are the individual who will get into the crux of the due diligence exercise, to ensure that the applicant's proposal is analysed and evaluated aptly.

The due diligence team, on completion of their exercise, will then present their findings report to the Credit Committee.

➤ **Phase 4 – Credit Committee**

The due diligence team will present its findings and recommendations to the Credit Committee. The latter committee will then decide whether the application has been approved for funding or not.

The credit committee, among other aspects will pay particular attention to the issue of surety. Because it is the object of Luvhomba Capital to serve the people of South Africa through this exercise, this surety aspect will be not as stringent as with the orthodox funding processes in the marketplace.

In order to protect the investments made into successful candidates' business enterprises will implement a select number of mechanisms to ensure that investments are protected.

Mechanism 1:

Luvhomba Capital would also include in the assessment process, a need to attach equity, notary bonds on the inputs (stock, equipment, etc) procured by the successful candidates, as a means of further securing the funds injected into the candidates' businesses. This will also serve as a means of guaranteeing the ROIs for our own funding partners and the Luvhomba Group board.

Mechanism 2:

This methodology of securing investments and repayments would involve an analysis of the applicant's turnovers and repayments calculated based on the future financial projections and the actual sales made, be it cash or future credit card sales to be made. Our model would be to obtain percentages of those sales made on both credit cards and cash sales thereof.

This basically would allow our applicants flexibility in payment amounts, meaning that a better performing business would manage to repay its loan much quicker. Under the same merit, should an applicant's intervention take a little more time to take effect upon his or her business, it means that the applicant will have the ease of paying a proportionally smaller amount at a time, until his or her business gains positive momentum.

In cases where the application has been unsuccessful, the applicants will be duly notified, outlining where they fell short. Luvhomba Capital will then give these unsuccessful candidates,

recommendations on the areas they can correct and work on, in order to qualify for the funding in the future.

The successful candidates will then have their applications submitted to the next stage of the application process, which is the Legal Phase.

➤ **Phase 5 - Legal Phase**

Legal experts will draw up the legal agreements, before the funding is dispersed.

➤ **Phase 6 - Disbursement of Funds**

On mutual understanding and agreement of the delineations of the legal documents, and their completion and signing thereof, the funds can then be disbursed to the successful applicant.

Note: Before the funds are actually disbursed, the business systems of the successful candidates will be reviewed based on information gathered and noted by the Due Diligence team. If the business needs advisory interventions and business management services, these will be highly recommended to the candidate, and signed off on as part of the conditions of the disbursement of the funding.

7. REGULATIONS AND LEGAL ISSUES

Luvhomba Capital is governed and impacted by various bodies that have interest and/or are active participants in the venture capital business, within South Africa and regionally. The following is an account of legislative bodies that Luvhomba Capital has to take into consideration when planning and implementing its business operations.

Labour Acts

Safety and Human Resource regulations like the Occupational Health and Safety Act (OHSA); Basic Conditions of Employment Act (BCEA); Employment Equity Act (EEA); Skills Development and Levy Act (SDLA); and Labour Relations Act (LRA) will be actively adhered to within the company operations.

Public Finance Management Act

The Public Finance and Management Act regulates the management of finances in national and provincial government. It sets out the procedures for efficient and effective management of all revenue, expenditure, assets and liabilities. It establishes the duties and responsibilities of government officials in charge of finances. The Act aims to secure transparency, accountability and sound financial management in government and public institutions.

National Credit Act and its Regulations

The National Credit Act (hereinafter referred to as "the NCA") was passed by Parliament on the 10th of March 2006. The main provisions of the Act came into effect on the 1st of June 2007.

The purpose of the Act is to promote a fair and non-discriminatory market place for access to the consumer credit; regulation of consumer credit and improved standards of consumer information; prohibit certain unfair credit and credit marketing practices; promote responsible credit granting and use; prohibit reckless credit granting; provide for debt re-organization in case of over-indebtedness; to regulate credit information; and establish the National Credit Regulator and the National Consumer Tribunal.

8. HUMAN RESOURCES PLAN

Equity Plans

The organisation, through a competent human resources department, will ensure that all employment equity aspects are carried out according. Currently, there is a running Employment Equity and Transformation Plan, to this effect. The human resources office also runs, among other related policies, an in-house policy to ensure that all individuals in the market place have an equal and fair opportunity to work for the organisation, including Historical Disadvantaged Persons (HDPs).

Executive Management:

The following are the ideal staff requisite;

- Chief Executive Officer;
- Risk Assessment Manager;
- Business Development Manager;
- Finance Manager;
- Accounts Manager;
- Human Resources Manager.

Company Structure

The structure of the company for Top Management is as shown below:

Head of Luvhomba Investments Holdings

- His role is that of Strategic planning and business growth;

Business Development Manager

- Responsible for continuous growth of the Group and seeking out new and better business opportunities and investments.

Risk Assessment Manager

- Responsible for management of the Due Diligence team and Credit Committee.

Human Resources Manager

- Responsible for ensuring that all skills resources are adequate throughout the organisation. The expertise of the Human Resources Manager will also be referred to during the assessment process of candidates, in ensuring that funds are disbursed to capable organisations.

Accounts manager

- Responsible for all internal audits and accounts activities of the organisation.

Finance Manager

- Responsible for all financial matters

Note: Lower level structures are not defined on this document but a complete Organogram can be supplied upon request.

9. FINANCIAL PLAN

The projected cash-flows and ROIs are defined in detail on the attached ANNEXURE A document.

ANNEXURE B

This Annexure document comprises a summary of some of the already identified organisations which require business recapitalisation and associated assistance.

Name of Organisation	Description of Project/Business	Amount Requested
International Fashion Sale	Clothing	R1.5million
Sowearto	Clothing. Investment opportunity into the expansion of retail stores and Sowearto brand thereof.	R4million
CNS CLASSIC PTY LTD	Clothing	R5million
EAS ELECTRONICS	Elctrical factory	R3,8million

Luvhomba Capital is also looking to work with other businesses invested in other areas of industry, besides the electronic and clothing space. These are summarised below as:

Name of Organisation	Description of Project/Business	Amount Requested
Fabucon	Manufacturing. Multi-vitamin manufacturing and distribution.	Up to R1million

<p>Odispex Investments</p>	<ol style="list-style-type: none"> 1. Bulking handling 2. Township Residential development 3. Railway Project sub-contract 4. Shopping mall development 	<p>>R5million >R5million >R5million >R5million</p>
<p>Mavu Resources</p>	<ol style="list-style-type: none"> 1. Coal transportation 2. Mining investment, including outright purchase options 	<p>>R5million >R5million</p>
<p>Various SMEs</p>	<p>Order servicing and contract</p>	<p>Between R1000 000 – R100mill</p>

financing;
high-tech

ion