



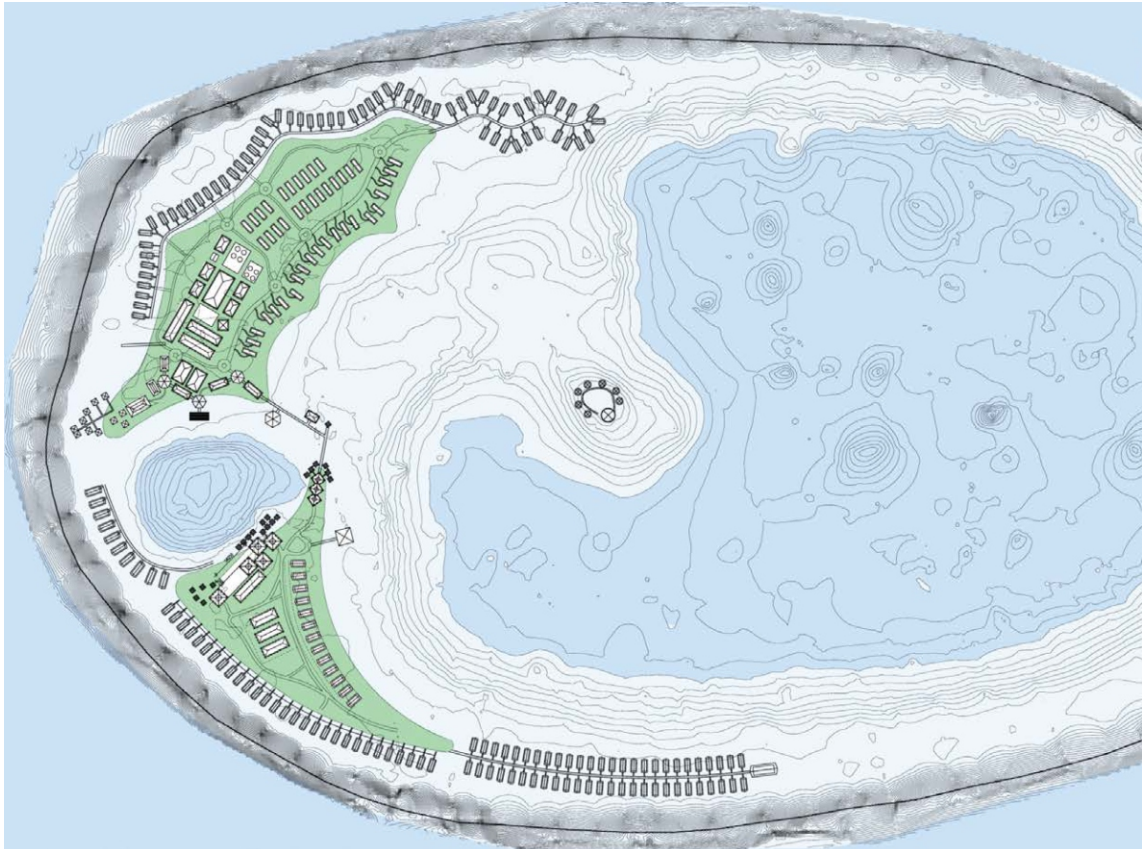
Investment Opportunity in The Maldives



EXECUTIVE SUMMARY

This business plan presents an overview of the proposed exclusive tourist resort development in the Maldives, and demonstrates the financial viability of the project.

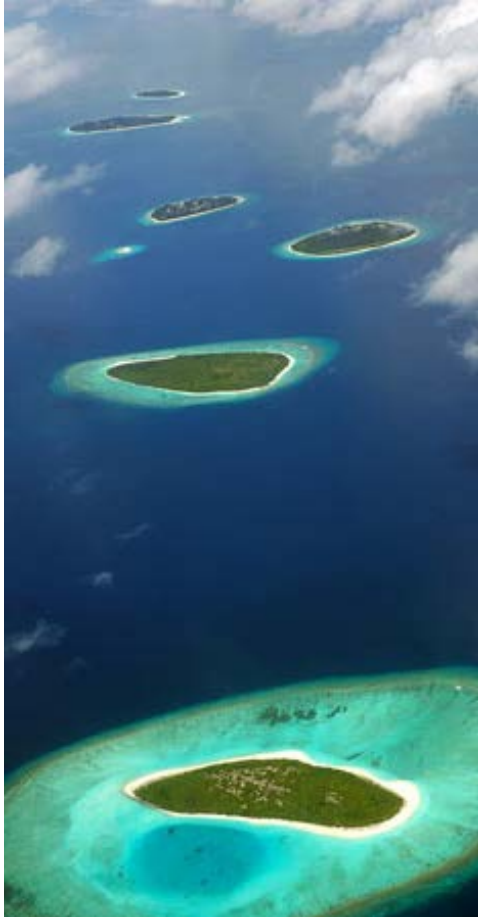
The Resort will consist of a total of 216 Guest Villas, made up of 23 Garden Villas, 21 Beach Villas, 66 Water Villas, 13 Beach Suite, 81 Over Water Suites, 10 Over Water Deluxe Suites and 2 Over Water Royal Suites. The resort will host all day dining and bar, fine dining restaurants, boutiques, spa facilities, fitness center, business centre, kids club, swimming pool, scuba diving and water sports complex.



We target the elite travelers, a market segment with huge potential and consistent growth that fits perfectly with the luxurious destination image of the Maldives. With the European recession coming to an end, combined with diversification into new source markets, a massive short supply is being experienced especially in high end properties that are within close proximity to Male' International Airport. This resort will capture this market segment with its unique and contemporary resort concept and being a mere 25km away from Male' International Airport.

BACKGROUND

MALDIVES: COUNTRY INFORMATION



Maldives is a dream destination famous for its beautiful white sandy beaches and breathtaking underwater scenery. But there is more to this unique nation of islands spread across the Indian Ocean straddling the equator. They boast rich cultural traditions, a history of kings and queens, pageants, feasts and festivals, their own language and script.

The islands of Maldives are naturally grouped into 26 atolls, ring like coral formations enclosing a lagoon, which gives the Maldives its unique paradise like appearance. They stretch for about 820 km from North to South, 130 km at the widest point. The largest island is about 7 km long with a mean height of about 2 meters above sea level.

Of the 1190 islands that make up Maldives 200 islands are inhabited by locals, 160 islands are allocated exclusively for tourism related development and the rest are uninhabited except for a few that are used for fisheries and agricultural purposes.

The capital Malé, the seat of government and the centre of business, health and education, is a small island buzzing with the sounds and activities of a busy capital island. More than a third of the 350,000 Maldivians live in the capital island Malé.

Maldives has always been a peaceful country free from political and ethnic unrest. Following the adoption of a new Constitution in 2008, the political system experienced a teething problem as the country had its first ever multi-party presidential election in 2008. This democratic transition of Maldives was considered one of the most peaceful political transitions a country has experienced. Over the past 5-years, the democratic transition has matured, which was evidenced by the smooth presidential election and change of government in 2013.

Maldives graduated from the UN's Least Developed Country (LDC) designation to Middle Income Country status on 1 January 2011. Tourism and fisheries form the basis of Maldives' economy. Tourism is Maldives' largest economic activity and accounts for 30 per cent of GDP and more than 70 per cent of foreign exchange receipts. Tourism is believed to be the catalyst for employment creation and economic development in the foreseeable future.

TOURISM DEVELOPMENT

The Tourism Industry in Maldives began in 1972 with the opening of two island resorts and a couple of guest houses in Malé. From just over 1,000 visitors in that year, visitor arrivals passed the 1 million mark in 2013, and tourist arrivals grew by 10% during the first quarter of 2014.

Tourism in the Maldives has been controlled to maintain exclusivity, good return on investment and practice sustainable development. Eco tourism is practiced in the Maldives and there are strict controls across the country for coral and sand mining, spear fishing, netting, dolphin, whale and turtle catching, and general dumping in the sea and land.

Until recently, resort development has been limited to only a few atolls around Malé Atoll in the central area of Maldives. However, recently more atolls have been opened for tourism development. Recent tourism plans are geared towards tourism expansion across the country. It is planned that every atoll in the Maldives would have resort islands in order to increase employment and livelihood opportunities in the atolls.

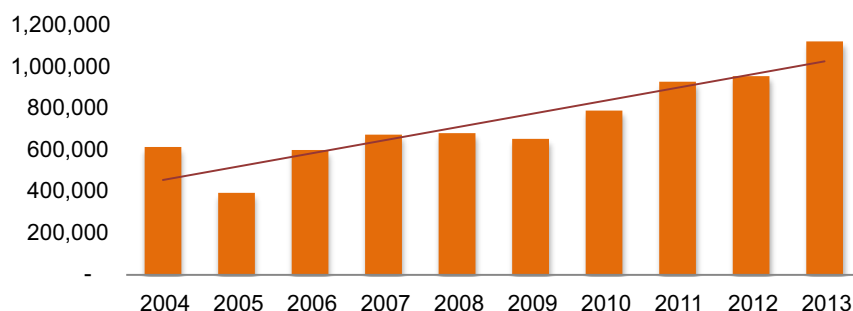
In 2010 important changes were brought to tourism legislation, which greatly enhanced the feasibility of resort operations. The second amendment to Tourism Act capped the lease rent payable to government based on land area of the resort island. The Tourism Goods and Services Tax Act introduced a goods and services tax charged on the price of goods and services sold to tourists by tourism operators. Both amendments reduce the fixed costs associated with resort operations, while favoring a government royalty system based on revenue and profit.

Future outlook of the tourism industry is promising, and the tourist arrivals are expected to attain a new record in 2014.

TOURISM TRENDS

Tourist arrivals have grown rapidly since tourism was first introduced to Maldives. From just 1097 tourists in 1972, arrivals passed the 0.5 Million mark in 2003 and reached 616,716 in 2004. However, due to the Indian Ocean tsunami of December 2004 Maldives experienced negative growth in 2005. Visitor arrivals bounced back quickly in 2006 and 2007 closing the years with 601,923 and 675,889 tourists, respectively. The growth continued in 2008 with 683,012 however, in 2009 tourist arrivals declined by 4% to 655,852 in lieu of the global economic crisis. Once again tourism rebounded quickly in 2010, closing the year with a record high 791,719 arrivals, and the growth continued closing 2013 with 1,125,202 arrivals, the highest ever tourist arrivals in any given year.

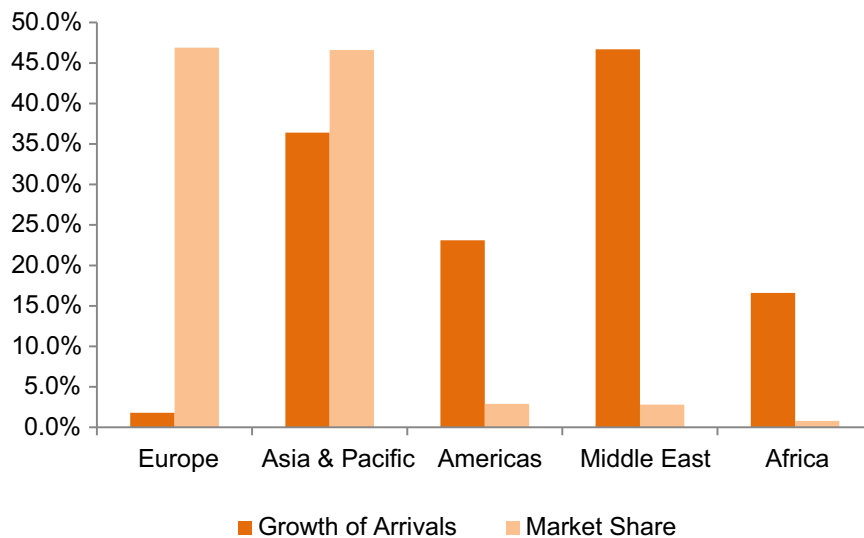
Figure1: Tourist Arrivals 2004-2013



During the last five years 2009 to 2013 tourist arrivals grew by an average of 10.5 %per annum increasing by 65% over the period. This was despite the negative growth experienced due to the global economic crisis of 2009. The average annual occupancy level across resort sector stood at over 75% during the period 2008 to 2013.

The main tourist market is the European market, representing 46.9% of all tourist arrivals into the country in 2013, closely followed by the fast growing Asia and Pacific market representing 46.6% Figure 2 shows market share and arrivals growth in 2013

Figure 2: Market Share and Arrivals Growth 2013

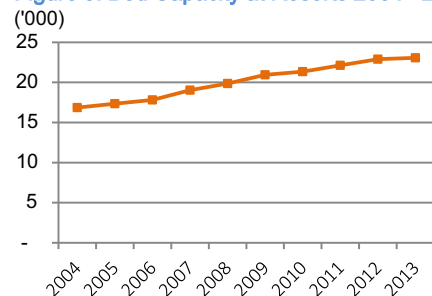


Source: Ministry of Tourism, Arts & Culture

At the end of 2013 the resort bed capacity stood at 23,469. During the 10 year period 2004 to 2013 total bed capacity grew on average by 3.4% year on year. Average annual occupancy across all resorts in Maldives stood at an impressive 81.3% in 2013. The total tourist bed nights increased by 37% over the last 10 years from 5.1 million bednights in 2004 to 7.0 million bed nights in 2013.

The majority of the new resort developments are happening in islands far away from Male' (International Airport, the gateway for all international flights) due to unavailability of unused islands in Male' Atoll (also known as Kaafu Atoll). Islands which are within close proximity to Male' International Airport has a clear competitive advantage, as the resort transfer time and cost is considerably reduced for guests. Occupancy rates are higher in resorts that are closer to Male'.

Figure 3: Bed Capacity at Resorts 2004 - 2013



Majority of the visitors chose to come to Maldives because of the tropical climate, unique geography and natural beauty of the Maldives. Most of the recent client satisfaction surveys carried out indicate that the level of satisfaction is very high and the majority of those polled rated their experience beyond expectation.

PROPOSED RESORT CONCEPT

The Proposed resort concept is to provide the upper class leisure traveler with superior service and pleasant surroundings in a unique upmarket resort. The resort is designed to be ecofriendly with architectural traditions and materials in harmony with the culture. The resort embodies environmentally friendly and aesthetically pleasing settings; a design that is quietly contemporary and in cultural harmony with its surroundings; service that emphasizes the individual; and a resort style that provides a personal and a memorable guest experience.



The architectural concepts and creations are designed to harmonize with nature and contribute to enhance the beauty and uniqueness of the island sitting in a vast turquoise lagoon.

The resort is designed for the health conscious and nature loving people in the upper class.

FACILITIES AND SERVICES

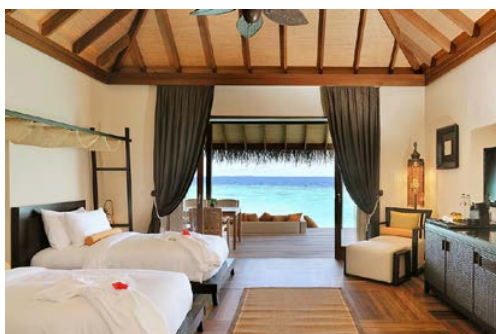


The island will be developed into a 5 Star deluxe and the resort will consist of a total of 216 villas, guest facilities including all day dining and bar, fine dining restaurants, boutiques, spa facilities, fitness center, business centre, kids club, swimming pool, scuba diving and water sports complex

GUEST VILLAS

The 216 guest villas consist of the following seven villa Categories:

#	Villa Category	Qty at Navaagan Island	Qty at Vaanagan Island	Remarks
1	Garden Villa	23	-	Entry villa category is designed to take full advantage of the lush green vegetation
2	Beach Villa	21	-	Designed to take full advantage of the white sandy beach and the spectacular seascapes
3	Water Villa	63	-	Designed to provide maximum privacy and over water experience
4	Beach Suite	-	13	Designed to exude luxury while taking full advantage of the white sandy beach and the spectacular seascapes in luxury
5	Over Water Suite	-	81	Designed to exude luxury and to provide maximum privacy and over water experience in luxury
6	Over Water Deluxe Suite	-	10	Designed to be the most luxurious villas on the island, the Suites comes with two bedrooms, spacious lounge and deck, and private plunge pools.
7	Over Water Royal Suite	-	2	
TOTAL		110	106	



All villas are furnished with spacious bathrooms and bathtubs, mini bar facilities, flat screen TVs and Hi-fi music systems. The outdoor decks and landscaped gardens provide additional areas for relaxing and entertaining. They are designed to take full advantage of the white sandy beach and the spectacular seascapes.

FOOD AND BEVERAGE

The hallmark of the food and beverage will be the freshness and the acquisitiveness of the food enhanced by the dining locations.

The main restaurant caters buffet style breakfast, lunch and dinner with an international food concept.

Private and ala-carte dining experience is available in the overwater Fine Dining Restaurant amidst beautiful lagoon and providing the view of a mesmerizing sunset in the evenings.

Two bars exist to serve the guests, one at waterfront and the second bar at the Beach Club near the pool for those who like to enjoy a drink at the poolside.

Much of the local fruits, vegetables and the herbs used in the kitchens will come from the organic gardens grown by the local people in the surrounding islands.

SPA

The Spa will play a central role in the development and marketing of the resort. Guest villas are designed integrating a private in-room spa where guests can enjoy a soothing massage in the comfort of their rooms.

Vitality, Fitness, Beauty- a complete range of wellness and beauty treatments will be offered featuring products and innovative techniques of Balinese and Thai massages. The Spa features treatment rooms on the beach as well as over water. The hallmark of the wellness luxury is the tranquility of the exclusive stand-alone over water spa.

OTHER FACILITIES

Comprehensive ranges of recreational facilities are provided including swimming pool, gym, indoor and outdoor games, snorkeling & scuba diving, sun bathing, beach volleyball, sunset star glazing, boutiques, cycling, sailing and other water sports activities.

ACCESS TO RESORT



Maldives is well connected to the international air transport network with direct long haul flights from cities such as London and Tokyo as well as flights to all the regional hubs such as Singapore, Kuala Lumpur, Bangkok, Dubai, Colombo and Bangalore. Additionally scheduled charter flights connect Maldives directly to most European capitals.

Resort is situated a mere 25km from Male' international airport. Speedboat transfer from Male' International Airport to the resort takes approximately 30 minutes.

CAPITAL INVESTMENT

The cost of the development is estimated at US\$100million. It is proposed that a mix of bank loan and equity finance the investment. The proposed capital investment is shown in Table 1

Table1: Capital Investment

	US\$
Acquisition Cost Of Property	2,000,000
Civil Works Cost	55,000,000
Machinery & Equipment	17,000,000
Furniture & Fittings	12,000,000
Landscaping	6,500,000
Vehicles & Vessels	3,000,000
Other PreOpening Unit Cost	3,000,000
Professional Fees	500,000
Contingency	1,000,000
Total Capital Investments (US\$)	100,000,000

FINANCING

The estimated initial funding required for financing the development of Loama Island and commencing operation of the resort as proposed are shown in Table 1.

A mixture of debt and equity will finance the capital works. Equity financing will be 30% of the total capital investment, or US\$30 million. The remaining US\$70million will be financed through bank loans.

The term loan will be repaid in 7 years excluding a grace period of 2 years. It is assumed that the applicable interest rate will be 5% per annum.

MARKET ANALYSIS

The Maldives continues to demonstrate strong growth in visitor arrivals. In 2003, the Maldives crossed the half –million visitor mark, and in 2013 visitor arrivals crossed one -million visitor mark. Over the last decade tourism has shown unwavering growth despite the negative impact of the 2004 tsunami and global economic crisis of 2009. Average occupancy during 2013 stood at an astounding 81.3 % as compared to 76.7% in 2012.

Table 2 shows the top 10 markets for 2013 for the Maldives. Visitor arrivals from the emerging Asian markets have grown rapidly over the last 5 years with China, Korea and India now occupying top ten positions in terms of visitor arrival. Starting 2010, China emerged as the number one tourist market for Maldives, beating the European markets. Traditionally, the United Kingdom and Italy had always claimed the top two markets. China market accounted for 29.5% percent of the total arrivals in 2013 with Germany holding second at 8.3% percent.

Table2: Top 10 markets for 2013

Rank 2013	Rank 2012	Market	% Share 2013	Arrivals 2013
1	1	China	29.5%	331,719
2	2	Germany	8.3%	93,598
3	3	UK	7.6%	85,869
4	4	Russia	6.8%	76,479
5	5	Italy	5.1%	57,854
6	6	France	4.8%	54,328
7	7	Japan	3.5%	39,463
8	9	India	3.4%	38,014
9	8	Switzerland	3.0%	34,102
10	10	Korea	2.7%	30,306

The strong growth trend continues to prevail in 2014 with record breaking arrival figures. Hence, the demand for middle and upper class resorts is likely to grow rapidly in the future, aided by the increasing number of scheduled flights. The commencement of new airline operating to Maldives including Turkish Airline, Mega Air, Oman Air, Tigre Air greatly enhance connectivity and affordability within the European and Asian market.

PROJECTED FINANCIAL PERFORMANCE

FINANCIAL SUMMARY

The financials have been prepared for the first 10 years of operations based on similar type exclusive accommodation in the Maldives. Other revenue (food and beverage, spa, etc.) and expenditure are also based on the past experience of similar operations in Maldives. The financials comprise of (1) Projected Income Statement (2) Cash Flows (3) Balance Sheet, (4) Performance Ratios and (5) Schedules and Assumptions.

The Net Present Values (NPV), Internal Rate of Return (IRR) and Payback methods and various other ratios show that the project is financially feasible and with very reasonable return on investment.

Rack					
WEIGHTED AVG. RACK YEAR 1	# Rooms	LS	SS	HS	Full Year
Garden Villas	23	320	400	480	396
Beach Villas	21	440	550	660	545
Water Villas	66	520	650	780	644
Beach Suites	13	600	750	900	743
Over Water Suites	81	680	850	1020	842
Over Water Deluxe Suite	10	1200	1500	1800	1486
Over Water Royal Suite	2	2000	2500	3000	2477
Total /average	216	601	751	901	744

Average tariff for year one is shown in the table above. The tariff is based on seasons, and the weighted average rate inclusive of breakfast in year one is US\$ 744. The average annual occupancy is forecast at 43% in the first year and rising to 72% in the fifth year. Food and beverage sales, spa services are calculated on the actual rates per person generally observed in Maldivian resorts. Table below provides a summary of the main financials.

(All amounts stated in thousands of US\$)	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	33,786	43,548	54,103	62,548	64,913
Expenses	29,613	3,724	38,365	41,785	42,836
Net Profit before tax	4,172	9,824	15,738	20,764	22,077
Net Cashflow	216	5,907	10,385	14,271	15,122
Assets	98,240	8,508	103,431	11,948	120,496
Liabilities	64,693	56,611	48,157	39,025	28,807
Net Assets	33,547	41,897	55,274	72,923	91,689

The project is expected to make a gross operating profit of US\$ 10.7 million even in the first year. The annual net profits before tax for 5 years including interest expenditure on the US\$100 million investment is US\$4.2 million in year 1 increasing to US\$20.8 million and US\$22.1 million in year 4 and 5, respectively. Net cash flow is expected to be positive in year one with US\$0.22 million and increasing to US\$15.1 million in year 5. As a result cash balances remain strong with more than US\$46.4 million at the end of year 5. Total assets are US\$98.2 million in year 1 increasing to US\$120.5 by year 5. Total

liabilities decrease from US\$64.7million in year 1 to US\$ 28.8 in year 5 as a result of the loans being paid. Net Assets as a result increase steadily from year 1 onwards to US\$91.7million in year 5.

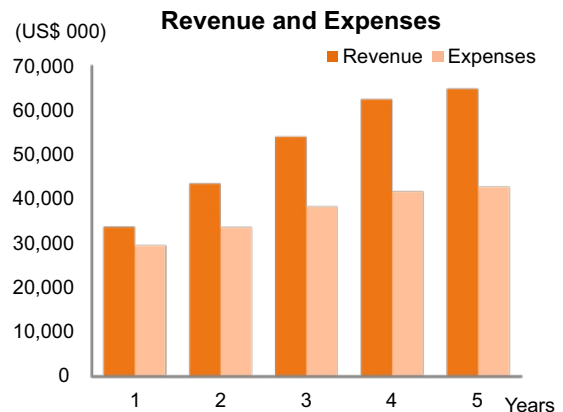
The Return on Assets is 4% in year 1, and improves to 8% in year 2 to 16% by year 5 with net profit ratio increasing from 4% to 17% in the same period. Interest coverage is 2.19times in year 1 increasing to 14.40 in year 5 and the average DCSR is over 3.8 for the loan period of 7 years

Internal Rate of Return (IRR), at constant growth of operating cash flows at 1% from year 6-30, is 22%. The average cost of capital is considered to be around 12% and with the IRR way above the cost of capital the project is considered viable.

The Cash Payback period of total investment of US\$100million including interest is around 4 years and 9 months.

REVENUE

The Resort will have an accommodation capacity of 216 villas. In the first year of operation the hotel is expected to achieve an average annual occupancy rate of 43%. The occupancy in the resort is projected to increase steadily to 53% in year 2 to 72% in year 5.



OCCUPANCY BREAKDOWN	Year 1	Year 2	Year 3	Year 4	Year 5
TOTAL HOTEL	43%	53%	63%	71%	72%
Rate of bed occupancy HIGH SEASON	59%	69%	79%	84%	89%
Rate of bed occupancy SHOULDER SEASON	39%	49%	59%	69%	69%
Rate of bed occupancy LOW SEASON	30%	40%	50%	59%	59%

As the hotel becomes more established and the positive impact of the marketing programmes kicks in, average annual occupancy rates are expected to improve (See table above).

Total revenue in the first year of operation is forecast at US\$ 33.8million, with US\$25.6million generated by accommodation sales. The other significant sources of revenue are US\$3.7million from food and beverage sales, US\$ 1.3million from transfer income and US\$0.8 from Spa operation

Income from food and beverage sales which includes lunch, dinner and drink and other sales from the bar is forecast at US\$110 per room per day in the first year. 5% provision has been made for inflation.

5.3 PROFIT BEFORE INTEREST

Operating profit before interest is forecast at US\$7.7million in year 1. As the occupancy increases, the PBI is also expected to steadily grow to US\$ 23.7million in year 5.

Once fully operational, will employ more than 416 staff, including management and administrative employees, at an average wages, salaries and benefits cost of US\$3.1 million in year 1 with an annual increment of 5% during projected period.

PROFIT AFTER INTEREST AND TAX

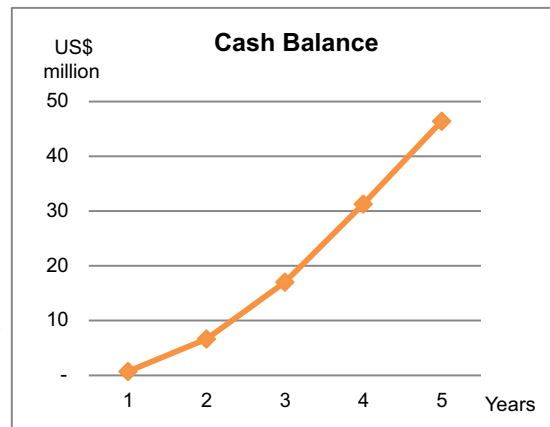
The resort is forecast to post a net profit of US\$4.2 million in its first year of operation after paying loan interest, and increases to US\$9.8million in year 2 (Net profit after interest and tax is projected at US\$3.5 million year 1 and US\$8.4 million in year 2) The strong growth is due to a combination of higher operating profit from increased revenue, lower lease rent and lower loan interest as the loan is gradually repaid.

The net profit after interest percentage is forecast to be 12% in year 1 improving to 23% in year 2 and 34% by year 4. The profit margins for this venture are acceptable given the nature of the resort. The exclusivity and the level of service provided will warrant the high margins applied to the projections, and are consistent with the high end accommodation generally available in the Maldives.

CASH FLOW

Operating cash flow is forecast at US\$ 12.8million in the first year of operation and increases in line with the profit growth of the hotel.

The resort is expected to be able to meet all its cash needs from the cash flow from year one onwards. The hotel will be increasingly cash rich as the profitability increases. At the end of year five the closing cash balance is expected to be US\$46.4 million.



5.6 CAPITAL INVESTMENT

The initial capital investment is forecast to amount to US\$100million. This will be funded by debt financing of US\$70.0 million and equity investment of US\$ 30.0 million. A further working capital overdraft of US\$0.5 million is expected for year one.

The resort infrastructure will be depreciated over the lease period of 35 years. The useful economic life of the machinery and equipment is expected to be 8 years and furniture and fitting 5 years.

5.7 FINANCIAL RETURNS

This is forecast to generate an internal rate of return of 22 % over 35 years, assuming a constant annual growth of 1% after year 10. This compares very favorably with the expected cost of debt financing of 5%.

The cash payback before interest payments is planned for 4 years 9 months.

Net return on fixed assets in year 1 is 4 % and improves substantially to 29% by year five. As the operations of the resort improve and the net profit continues to grow due to the increased occupancy, the return continues to improve.

Gearing ratio for the resort improve from 2.4 in year 1 to 0.5 by year 5.

SENSITIVITY ANALYSIS

A financial sensitivity analysis of the project was carried out using 3 different scenarios.

- x Capacity utilization rate (CUR) reduced by 10%
- x Room Tariff reduced by 10%
- x CUR & Room Tariff reduced by 10%

The impact of a reduction in occupancy and price and a combination of both on (a) net profit, (b) operating return on average operating capital employed, and (c) current ratio, was studied. Despite reductions in performance the project was still feasible.

The results under all three scenarios improve as the loans are paid and the debt burden reduces indicating that the main issue is cash flow or liquidity related rather than profitability. It should be noted that this financial feasibility has used very low occupancy rates of accommodation of this nature and given the number of units needed to fill and is below the existing occupancy rates of Maldives.

6 CONCLUSION

The room rates and capacity utilization rates used in this business plan are conservative. It is estimated that the will post an operating profit even in the first year. Based on the current assumptions the cash payback period including interest is 4 years and 9months. The IRR over a 35-year period is 22percent.

The results of the projections indicate that Resort will be a suceess financially as well as in creating a memorable tropical holiday experience for the fun loving middle class tourist.

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