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THE RIDGE @ CASTARA

BUSINESS PLAN



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ROYAL PALM ESTATES LIMITED | CASTARA, NORTH WEST COAST, TOBAGO. TRINIDAD AND TOBAGO, W.I.

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EXECUTIVE SUMMARY

The Business Plan provides details on the proposed resort development, herein named The Ridge @ Castara, located on the North West Coast, Tobago. The company Royal Palm Estates Limited was created to own the land and develop a luxury residential resort. The company owns the land, which is free from debt, but requires financing for the development of the resort.

The homes at The Ridge will be constructed from mostly pre-fab green bamboo designs that will be imported from a highly certified company. The homes are sustainable yet luxurious, with all

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the high-end finishes. The company is offering a variety of designs in either bungalow, one, two, three, or four bedroom units. These bamboo homes are said to be the building material of the future, due to the many significant benefits, leading to their strength and durability.

The market segments the company is targeting for the sale of the home units are international tourists and domestic/Caribbean tourists. This market is viable at approximately 1,000,000 tourists per annum. The segments are further targeted based on geographic origination- USA, Canada, UK, Caribbean and Trinidad and Tobago- and the age range from 25 to 64 years. The value positioning is centred around the USP of the unique, sustainable, luxury resort homes.

A differentiated marketing strategy will be adopted that uses one campaign with two messages designed to reach each of the two segments. The general campaign message features the benefits of bamboo, the industry endorsements of the material, and the luxury of the resort and location in Tobago. The message focus for international tourists will be luxury holiday home that is also a long-term investment and retirement home. While for domestic/Caribbean customers, the focus is on homeownership and income generation through rental.

This marketing strategy supports the sales strategy to pull sales through a direct channel, and have all units sold by the completion of the resort in March, 2020. The project schedule estimates the development to run from June 2017 to March 2020. Pre-sales of units will generate cash flow.

The financials show that the resort development will be profitable.

THE COMPANY

1.1 OWNERSHIP

The land sited for the development is situated in Castara, North West Coast Tobago, and is fully owned by Royal Palm Estates Limited. The company is registered in Port of Spain, Trinidad, Republic of Trinidad and Tobago under the registration number T4212(95). Royal Palm Estates Limited owns approximately 49.23 acres of freehold land, and the concept design for the property. The entity was set-up to also assume responsibility for the development of a residential resort and management of the completed project and resort facility.

Royal Palm Estates Limited is a LLC. There are currently two company directors; Director/Chairman, Marlon Brown and Director/Legal Counsel, Anthony Cherry. David Maharaj is the company secretary.

The Land Ownership/Registration Certificate was registered with the Government of Trinidad and Tobago dated 06 April 2005. Outline government planning approval was awarded under Certificate reference CEC0691/2004. And full government planning approval for the development of the resort facility has been awarded Certificate reference T9R0417/2006 (see Appendix 1.0 for copies of Certificates). Detailed approvals will be awarded as construction of individual buildings proceeds.

The proposed development will comprise of 180 lettable residential units (land and building) for sale, managed under an operating contract with an established property developer/real estate specialist. Facilities provided by the Company are the; site infrastructure, homes, landscaping, security, central services, spa/fitness centre, and beach moorings. Upon completion of the sale of all residential units, the shared areas of the resort including restaurants and spa, will be retained for sale at a later date.

Royal Palm Estates Limited is seeking a financier or funding for the construction of the entire resort development.

1.2 START-UP

The land owned by the company has no debt and will be used as security. Minor work has been done on the site infrastructure, including; 4WD access road, detailed topographical surveys and site investigations. The land on the coast side currently has three existing buildings. The initial expenditure incurred includes; US\$5,000,000 initial capital for purchase of the land. Additional capital of US\$3,000,000 was injected to create concepts, drawings, designs, obtain planning consents, accumulated costs for Directors, legal and accounting, administration, travel, and other such preliminary activities. Some of the services were provided in exchange for shares in Royal Palm Estates Limited.

The breakdown of the initial costs incurred, in USD, is as follows:

- \$5,000,000 - purchase price of land
- \$700,000 – Directors’ fees, legal and accounting, planning applications and approvals
- \$2,000,000 - design consultants and negotiations
- \$300,000 - travel, expenses,

The loan or financing will be used to provide working capital to develop and complete the project, and will be repaid from the proceeds of the sale of the residential villas.

PRODUCT AND SERVICE

2.1 RESORT HOMES

At the site, the existing land rises from sea level at the Little Castara Down River outlet up to the ridge on the edge of the rain forest. The land is partly wooded. Mains services are available on the government main road to the edge of the land. Beneath the topsoil on the site, is firm blue stone. Percolation tests for septic tank soak-aways and foundation analyses were completed as part of the planning approval process. This elevated site forms one of the last ridges emerging from the rainforest spanning to Castara Bay. It is therefore unique, as it combines the best of coast and mountain views.

The design concept was to develop an **eco-friendly, five-star residential resort** comprising **180 lettable units** of various styles and in a mix of amenities similar to **villa accommodations**. The resort site will also accommodate central facilities of; a spa and fitness centre, restaurant/cafe area, parking, and docks and moorings. Construction of the buildings will utilise **sustainable bamboo houses**, sourced internationally from a company whose *“mission is to protect and*

restore our planet by pioneering the use of timber-grade structural bamboo as a building material.” They are dedicated to providing homes that are sustainable yet functional and beautiful. Some materials for finishes will be sourced both locally and from within the CARICOM duty-free trading community as required. Landscaping will use indigenous flora sourced locally from specially set-up nurseries, and in accordance with the rainforest environment. There will be optional add-ons offered at additional costs, such as; interior bamboo furniture, other fixtures and furnishings, and outdoor swimming pool.

The resort site also accesses a beautiful, land-locked **private beach** as well as rock pools along the river, for owners’ use.

These bamboo homes were specifically chosen for the resort for multiple reasons including;

- ✓ **Eco-friendly and sustainable:** bamboo is in the grass family and can therefore be farmed in a fraction of the time it takes trees. Additionally, the rhizome mat of bamboo does not die and decay like roots of trees, but instead regenerates new shoots. The process of building with this planted bamboo over timber significantly reduces our negative impact on the environment, social and economic wellbeing now and into the future
- ✓ **Stronger and more durable alternative:** these homes will be manufactured from a special bamboo species that has twice the compression strength of concrete and the about the same strength-weight ratio of mild steel. The tube has a strength factor of 1.9 times more than an equivalent solid wood beam. These bamboo homes also withstand hurricanes, earthquakes and termites as shown in the diagram below (see full comparison table in Appendix 2.0).

CHARACTERISTICS	BAMBOO
Strength	As strong as mild steel with the compression strength of concrete. One inch of bamboo can hold up to 7 ½ tons of weight
Termites	Tests show that termites refuse to eat even untreated bamboo
Hurricanes	These bamboo homes surpass the toughest hurricane codes in the USA, and in 1995, even withstood three back-to-back hurricanes with 173 mph winds or Category 5

Earthquakes	Bamboo bends instead of breaks. In April 1991, twenty bamboo houses built for the National Bamboo Foundation in Costa Rica suffered no structural damage from a 7.5 Richter Scale earthquake, despite being directly over the epicentre
Indoor Air Quality	These homes exceed California Air Resources Board standards. And all of the materials are minimally treated with natural borates to better resist mould and mildew

- ✓ **More efficient:** these green bamboo homes are also prefab, the first and only like it worldwide. They come in custom luxury designs and are mostly complete, only requiring minimal finishings. A green prefab home can be assembled very quickly, and each design comes with a 20-year warranty
- ✓ **International certifications:** these bamboo homes are designed and manufactured by a LEED-certified (by the U.S. Green Building Council) green home builder. All products used for treatments and finishes meet the highest IAQ (Indoor Air Quality) standards, exceeding the California Air Resources Board standards, so that they are healthy and safe for residents. These are the first and only bamboo homes worldwide to have achieved ICC-ES certification from the International Code Council. Additionally, these homes are designed to exceed international seismic and hurricane code requirements. They also surpass Florida Dade County's hurricane codes, which are the toughest in the US, and even withstood **Category 5** hurricanes.

There has been growing industry support in many regions of the world for construction with bamboo, even coining it as “green steel” and it is said to be “the timber of the 21st century”.

The 180 green prefab homes will be offered in a variety of design options, with a choice of Bungalows, 1, 2, 3 or 4 bedroom, and a 4-Plex Condo option (see designs in Appendix 3.0). The sale of each unit includes house and land. The owner, and any tenant, also have use of the central facilities and resort grounds. The owner can offer their home for rent. The bamboo homes are similar to the current villa offering based on the characterisation of accommodation types in Tobago, which is discussed in a later Section.

The resort will be developed in approximately 3 years. This resort is distinct from other offerings on the island. A residential resort of this scale, developed with sustainable bamboo homes, will be the first and only of its kind in Trinidad and Tobago and possibly the Caribbean.

2.2 PROPERTY MANAGEMENT AND MAINTENANCE SERVICES

A real estate agency, located in Tobago, will be tasked with the property management and maintenance contract for the completed resort. This service brings in two separate revenue streams; mandatory fee paid by owners for central services and resort grounds, and possible income from facilitating property rental at the option of the owners.

The contracted agency will manage and maintain the central services of the resort, which carries a mandatory monthly or annual fee by each owner. The spa and fitness centre, restaurant area, car parking, beach and rock pools, docks and moorings, lighting and utilities, and landscaping of the grounds all fall under central services.

For owners who rent their property, they have the option to have it managed by the real estate company at a fee. They will advertise the property, facilitate the rental process and provide maintenance services like house cleaning, pool cleaning, landscaping/gardener, and such. The owner must maintain a pool of money monthly in the service bank account, which covers maintenance costs and fee. The excess generated belongs to the homeowner.

MARKET ANALYSIS

3.1 MARKET SEGMENTATION, TARGETING AND POSITIONING (STP)

The then Secretary of Tourism and Transportation and Deputy Chief Secretary of the Tobago House of Assembly (THA), Tracy Davidson-Celestine, reported (March 2016) that the statistics show that tourism is on the increase. She said that “our figures (over 590,000 persons per annum), based on accommodation stay, are comparable to other strong tourist industries in the Caribbean like Barbados” (approximately 500,000 persons per annum). Davidson-Celestine claims that properties nationwide in Tobago are being upgraded, and international airlift, domestic flights and returning airlines have all increased.

All the above factors indicate that there is a viable market for the residential resort development at Castara, Tobago; for both home ownership and holiday rental. The **market segments** chosen can be categorised as;

- **Domestic and Regional tourists:** nationals of Trinidad and Tobago and other Caribbean countries
- **International tourists:** all other countries

For the purposes of this plan, cruise ship visitors will not be factored in as they tend to forgo staying at accommodations on the islands. However, they can still be a contributing segment, which will mean that the market may be even larger than estimated here.

The chosen segments of tourists visit Tobago for many reasons. According to the Tourism Development Company (TDC) visitor stopover statistics for the island in 2014, the main purposes are; leisure/beach vacation (70.4%), to visit relatives and friends (12.2%) and incentive vacation (8.5%).

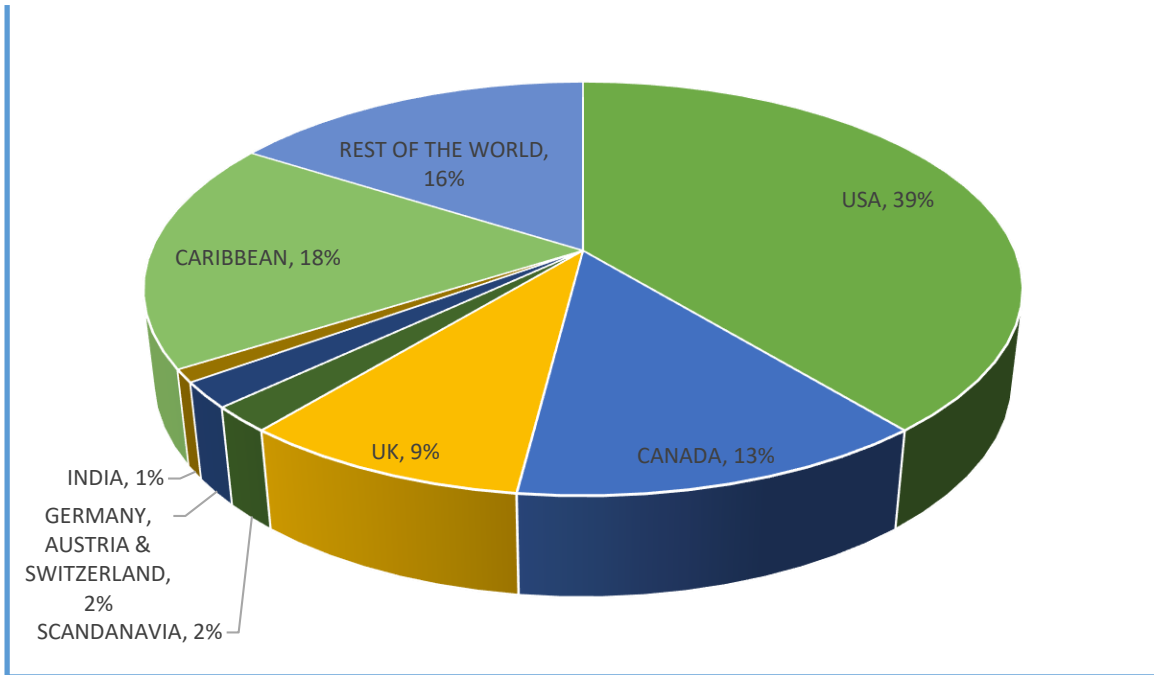
For both tourist segments, the business will target those who tend to fall within the middle to upper income bracket.

From the market segment, this bamboo resort development will **target** customers based on;

- **Geographical Location/Origination**
- **Age Bracket**

The target markets were chosen due to the similarities and differences in behaviour, with respect to holidays for both tourist groups, based on geographical origination and age.

The chart below depicts the breakdown of the proportions of visitors and from which location they came (for 2014). The resort development in Castara will specifically target the most viable; **USA, Canada, UK and the Caribbean**. Trinidad and Tobago nationals will also be included, though not depicted. The markets outside the region in particular can identify with the concept of sustainability of the green bamboo homes. They also seek leisure/beach holidays and homes in the Caribbean more than local and regional tourists.



Source: TDC Report 2015- T&T Stopover Arrivals Main Market Profiles (2014)

According to the Visitor Profiles from the TDC in 2014 (see Appendix 4.0), the main age range of the target markets are as follows;

- International tourists: **45-64 years**
- Caribbean tourists: **25-44 years**
- Trinidad and Tobago: **25-64 years**

It can be assumed that, for Trinidad and Tobago, domestic tourists will fall within an extended age range.

The **positioning strategy** adopted for both target segments are based on a value proposition. The aim is to create the consumer perception of premium quality, unique villa homes on a luxury resort, sold at comparable prices to the current traditional villa accommodations. The green bamboo homes are sustainable yet luxurious, and the first and probably only of its kind in the region. Customers are not just purchasing a strong and durable home, but also buying the concept and belief in sustainability in our lifestyle choices.

3.2 INDUSTRY ANALYSIS- TOURISM TRENDS

At the onset of the global economic crisis around 2007, and the years that followed to 2010, tourism in Trinidad and Tobago experienced significant downturn. In 2011 the economic

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situation and thus international tourist visits improved, with fluctuations in visitor numbers since. In 2012 and 2015 highs were experienced.

Though growth was projected for 2017, the TDC data for international visits shows that YTD October 2017 (339,320 visitors) is lower than same period 2015 (361,954 visitors). This may have been the effect of two major political events in 2016; BREXIT in the UK and National Elections of a new President in the USA. However, the Christmas peak period still has to be accounted for and therefore the 6% deficit can be reduced or the forecasted growth realised by year-end 2016.

Tracy Davidson-Celestine of the THA said that statistics for a total of domestic and international visitors will show that “well over 1 million persons” visit Tobago yearly. TDC data supports her statement. They report that based on a 5-year average, there are approximately 423,900 international visitors per annum (see Appendix 5.0). And domestic visitors are on average over 590,000 per annum.

Therefore, with a **market size** of 1,000,000 plus tourists yearly, The Ridge @ Castara resort has a viable market for the sale and subsequent rental of the bamboo holiday homes.

The TDC data, sourcing CSO estimates, illustrates that though international visitors stay longer periods, an average of 14 days, domestic visitors make more trips. Additionally, they estimated the value of direct revenue earnings from both types of tourists are;

- ✓ Foreign: TT\$3.5 billion per annum
- ✓ Domestic: TT\$862.27 million (2015) or TT\$783.42 on average

3.2.1 PESTLE ANALYSIS

This analysis of the macro-environment as it relates to the development of The Ridge @ Castara resort will identify implications that must be considered.

POLITICAL	The Central Government budget allocation to Tobago affects injections and growth in the Tourism industry. THA Elections for new governance was held on January 23 rd 2018. This will affect the overall governance of Tobago’s affairs, and therefore impact the island’s ability to attract tourism and economic investment
ECONOMIC	The THA’s budget allocation is dependent on the National Government. The tourism industry needs growth as well as to attract foreign investment in development of other business areas like construction of commercial properties. This generates billions of TT\$ in direct revenue

SOCIAL	There is significant social impact on tourism since the sector is heavily reliant on people; skills and abilities, customer service, hospitality training, and such. Increases in tourism, and particularly accommodation, requires trained persons to meet the increase in jobs that will be created. Tourism also has a social impact on the nationals of the island, as it can affect cultural changes and crime levels
TECHNOLOGICAL	Tobago has technological capabilities to serve needs of the island, including Tourism. There is cable television, Internet and WiFi, mobile smartphone up to 4G and LTE services, and other such capabilities and offerings. This means that the island is connected to the global world
LEGAL	Under the Tourism Development Act there are government incentives to hotel and tourism like; tax exemptions, capital allowances, and special duty. Also, there are laws that govern and guide the ownership of land and property by foreigners for commercial and residential purposes with respect to acreage, and must obtain an approved license
ENVIRONMENTAL	Ecotourism is growing in strength in Tobago, and is centred mainly on the large protected rainforest areas in central and north of the island and forested area on Little Tobago island. The global growth for sustainability and green practices in the way we live influences all aspects of life, including business operations. The decision to build sustainable homes on the ridge of the north-west rainforest, in Castara, was heavily influenced by environmental factors

3.3 COMPETITIVE ANALYSIS AND PURCHASING BEHAVIOUR

The Ridge @ Castara bamboo resort development will be competing specifically in the Tourism Industry. Though the homes can be used as main dwellings, the company's focus is on its use in Tourism. Many direct and indirect competitors exist in this industry. For the purposes of this business plan, the key indirect competitors will be identified, but the focus will be on key direct competitors. With respect to direct competition, Tourism will also be more narrowly defined to Tobago.

Indirect competition comes from the industry at large, and specifically Tourism in the Caribbean, as the offering is similar; it is mainly leisure/beach vacation. Therefore, the **key indirect competitors** The Ridge at Castara will face are as follows;

- Hotels, Bed & Breakfast, Guest Houses, Apartments, Villas in other Caribbean islands like; Barbados, Antigua & Barbuda, Jamaica, St Lucia, British Virgin Islands, and others ➤ Caribbean Cruise Lines

There are some islands that offer residential resorts. For instance, in Barbados there is one with operations similar to the bamboo development planned for The Ridge @ Castara with respect to the option to own or rent property on the resort. However, the designs are more homogenous to hotel and condo styled accommodations. They are not separate homes, and use traditional brick and mortar building materials and process. There are also islands offering similar eco-centred resorts like in Dominica. A resort there is similar in concept to The Ridge @ Castara, but it is small and the facilities are built from hardwoods. There are even some traditional hotels adding the option for similar eco-friendly villas as part of the accommodation offering, like in Montego Bay. The industry is trending towards villa type accommodations for both purchase and rental throughout Caribbean.

Direct competition within Tobago takes the form of the various types of accommodation offered to tourists. The table below shows the most recent accommodation statistics. It can be noted that the **most popular type of property**, based on number available and having the largest number of rooms, is **villas**. Apartments are a close second and hotels rank fourth by number of properties, but offer significantly more rooms than Guest Houses, which was the third popular type of property.

PROPERTY TYPE	TRINIDAD		TOBAGO		TOTAL T&T	
	No. of Properties	No. of Rooms	No. of Properties	No. of Rooms	No. of Properties	No. of Rooms
Apartment	21	144	119	928	140	1072
Bed and Breakfast	34	143	9	54	43	197
Guest Houses	34	380	44	341	78	721
Hotels	53	3062	34	1472	87	4534
Host Home	5	29	7	30	12	59
Villa	5	30	226	1155	231	1185
TOTAL	152	3788	439	3980	591	7768

Source: TDC Tourist Accommodation Database

Source: TDC- Tourist Accommodation Data in Trinidad and Tobago

Therefore, though all the property types are direct competition, the **key direct competitors** considered for the purposes of this business are;

- **Villas**
- **Apartments**
- **Hotels**

Within the market for these three types of property, there is further categorisation based on the offering. Therefore, within these key competitors, The Ridge @ Castara competes mainly with the properties that are; more high-end, offer extra facilities like a pool or full kitchen, all or part inclusive options, various bedroom options, and such.

The selling prices for a competitive villa or apartment start from about TT\$1.5million and above. Rental rates across the property types will range from TT\$1,200 to \$4,500 per night.

There are some accommodations that position themselves as eco-friendly, but the offerings are more like a lodge or cottage than hotel standards. They are constructed from a combination of wood and conventional building materials and offer reduced amenities or a “no-frills” ambience. The Ridge @Castara is offering more than a simple eco-friendly approach.

The **purchasing behaviour** of domestic and international tourists have similarities but are also different in significant ways. When considering a home, buying patterns are largely based on their geographic origination and age range, as evident in the Visitor Profiles.

1. **International Visitors/Tourists:** it is assumed that a larger proportion of international tourists will purchase a holiday home. International tourists- USA, Canada and UK- in the 45-64 age range tend to have; greater spending power, spend higher valued currency and are more driven to own holiday homes abroad, including the Caribbean. They tend to holiday at a Caribbean destination for leisure/beach vacation at least once per year and at times twice/more. Their visits tend to be seasonal due to the weather changes in the USA, Canada and UK. Visitors worldwide also visit Trinidad during Carnival and may include a beach vacation stop in Tobago. TDC reports that for this group the peak visit periods are Carnival, July, August and Christmas. However, this group will also use it as an investment property that can be rented to other tourists or as an eventual retirement home. Therefore, the offering at The Ridge @ Castara is suited to their needs.
2. **Domestic and Caribbean/Regional Tourists:** it is assumed that a smaller proportion of domestic and Caribbean tourists will purchase a holiday home than international tourists. This group fall into variable income brackets as their ages range wider from 25 to 64 years. Therefore, the portion that fall in the upper income segment are more likely to purchase a holiday home like the offering at The Ridge @ Castara. A larger proportion of these tourists will holiday/visit multiple times per year. It is not dependent on (weather) season, though visits do increase at peak periods like July-August.

Based on the number of properties and rooms shown earlier on the table, it can be assumed that both types of tourist demand villas, apartments and hotels most. Both groups tend to be well-educated and more socially aware and concerned. They seek to own things that are unique and a reflection of their values and achievements. They are holiday-makers and homeowners that seek luxury that is distinct or unique and worth the investment.

STRATEGY AND IMPLEMENTATION

4.1 MARKETING STRATEGY

Currently called The Ridge @ Castara, there is opportunity to create and build a new brand name for the resort that will be centred around the USP. A full marketing and brand plan will be required, separate to this document, and will guide the sales and marketing remit for the developed resort.

The Ridge @ Castara's competitive advantage is the offering of a large-scale resort of villas that are unlike any other in the country and possibly region due to the building material being used for the homes. The bamboo homes and operations of the resort compound are highly sustainable yet premium quality. Other villas are constructed with conventional building materials that are not sustainable, including hardwoods, even though they are more ecofriendly than conventional materials. Contributing to the competitive advantage is the fact that the land borders a rainforest reserve, therefore, the resort benefits from that natural environment. Additionally, no other large-scale development is ever possible in that same area.

A **differentiated marketing strategy** will be adopted for The Ridge @ Castara. This strategy targets both market segments with one campaign that has two messages. The campaign will be designed to appeal to both domestic/regional and international tourists. However, the message will be different for internationals purchasing a resort home as opposed to nationals and Caribbean customers. One message will centre around the benefits to an international buyer of the long-term investment in a Caribbean home at The Ridge at Castara, with specific emphasis on leisure and beach. The other message specifically speaks to the benefits of owning a property that can generate income and for "everyday" living, to appeal to domestic and regional buyers.

The **objectives** of the marketing campaign are to;

- build awareness and educate regarding the sustainability and durability of the bamboo homes
- promote the luxury features of the homes and resort facilities
- take a Societal Marketing approach due to the resort's location in Castara, Tobago and bordering a rainforest
- incorporate marketing of Tobago as the destination for tourism

4.1.1 SWOT ANALYSIS

Royal Palm Estates Limited is a newly formed company for the sole purpose of owning the land and developing a residential resort for sale. The company can also facilitate the provision of a

property management and maintenance services contractor. Such a company will be given responsible for the resort grounds, and facilitating rental of owners' properties.

The SWOT analysis below indicates factors considered by Royal Palm Estates Limited in undertaking this venture;

<p>STRENGTHS</p> <ul style="list-style-type: none"> □ Land fully owned with no debt □ Located on the ridge bordering the rainforest in Castara, Tobago First (and only) sustainable bamboo resort □ Strong development team with the right combination of expertise 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> □ Dependent on financing for construction and property management
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> □ Can capitalise on location for ecofriendly, "green" positioning □ Company personnel can facilitate the special requirements of the sale process to international customers 	<p>THREATS</p> <ul style="list-style-type: none"> □ Other hoteliers/property developers can try to copy bamboo resort concept

4.1.2 MARKETING MIX

To achieve the overall marketing strategy discussed previously, the mix will be designed as follows;

Product:

A sustainable resort of bamboo homes boasting Artisan quality designs (please refer to section 2.1). The **Gross Floor Area (GFA)** of each house type is as follows;

1. BUNGALOWS

- a) Ohana 15: 399 sq.ft.
- b) Zen 400: 496 sq.ft.
- c) Bali 576: 720 sq.ft.

2. ONE-BEDROOM UNITS

- a) Zen 560: 720 sq.ft.

- b) Bali 768: 960 sq.ft.
- c) Pacific 612: 1,074 sq.ft.

3. TWO-BEDROOM UNITS

- a) Bali 960: 1,216 sq.ft.
- b) Celestial: 1,280 sq.ft.
- c) Pacific 992: 1,562 sq.ft.
- d) Villa 2240: 3,120 sq.ft.

4. THREE-BEDROOM UNITS

- a) Pacific Queen: 1,598 sq.ft.
- b) Hanalei 1352: 2,208 sq.ft.
- c) Villa 1950 Smith: 2,785 sq.ft.
- d) Celestial 3: 3,929 sq.ft.
- e) Condo 4-Plex: 10,112 sq.ft.

5. FOUR-BEDROOM UNITS

- a) Villa 2745: 3,401 sq.ft.

Each residential unit below a GFA of 2,000 sq.ft. will be sold with one lot of land, measuring 5,000 sq.ft. All above 2,000 sq.ft. will be sold with two lots, except for the Condo- 4Plex built on 5 lots of land.

Each design stays true to the natural rainforest environment of the resort location, using sustainable bamboo for building homes. The interior of the bamboo homes is then luxuriously finished in keeping with the high-end villa appeal desired by the target market segments. Owners can customise their home with **optional add-ons** to suit their tastes. These options include;

- Interior bamboo furniture
- Other furniture, fixtures and accessories/finishes
- Interior bamboo flooring
- Outdoor swimming pool

Price:

Each house design will carry a different price based on the product offering of the design. They also vary by building size (square footage) and land. A standard mark-up of 75% was applied to all units (see Appendix 6.0).

The price range shown below matches the high-end villas and the uniqueness of the offering, while still reflecting market asking prices and acceptance.

UNIT TYPE	QUANTITY	UNIT SELLING PRICE
-----------	----------	--------------------

1. BUNGALOWS	15	TT\$
a) Ohana 15	5	1,167,828
b) Zen 400	5	1,281,560
c) Bali 576	5	1,544,200
2. ONE-BEDROOM	15	
a) Zen 560	5	1,544,200
b) Bali 768	5	1,825,600
c) Pacific 612	5	1,959,265
3. TWO-BEDROOM	60	
a) Bali 960	10	2,125,760
b) Celestial	10	2,200,800
c) Pacific 992	20	2,531,445
d) Villa 2240	20	5,058,200
4. THREE-BEDROOM	70	
a) Pacific Queen	20	2,573,665
b) Hanalei 1352	20	3,988,880
c) Villa 1950 Smith	20	4,665,413
d) Celestial 3	10	6,006,753
e) Condo 4-Plex	10	15,356,320
e.i) Condo by Unit	40	3,839,080
5. FOUR-BEDROOM	10	
a) Villa 2745	10	5,387,673

As mentioned, there are optional add-ons depending on the purchaser's requirements. Add-ons are not included in the listed selling prices. The additional costs will be provided upon request by interested buyers.

Place/Distribution:

The resort is in one physical location at The Ridge, Castara, North West Coast, Tobago. Live viewing of homes and the resort site will be at the location. Virtual tours will also be facilitated using digital technologies. This will assist in overseas sales in particular.

Development is scheduled to run from June 2017 to March 2020 (see Section 4.3). Pre-sales will open when site infrastructure works commence. Purchase will take place through the expected

channels for house and land sale. This includes lawyers and banks who facilitate the transaction.

Promotion:

Following the differentiated strategy described earlier, the campaign will be designed to achieve the outlined objectives. The **overall message** for all target segments will focus on the facts about building with bamboo, including the industry endorsements for the material over alternatives, the certifications and guarantees that accompany these homes. Additionally, the resort's location in Castara and Tobago as a holiday destination will also be incorporated.

The overall message will then have **two versions**;

- For **internationals**; designed around owning a luxury villa on The Ridge at Castara highend resort as both their "own piece of paradise" for holidaying, as well as a long term investment property that can earn income and use for retirement
- For **domestic/regionals**; focus on the advantage of home ownership and income generation through rental at a high-end, secure facility

The communications methods and promotional tools to be used are as follows;

- Company Website: featuring information about the company, digital product catalogue, resort location, destination Tobago, sales requirements
- Digital Advertisements: click ads on relevant websites worldwide that land on a mobile site dedicated to sales for The Ridge at Castara
- Informational and promotional CD and/or digital video(s): potential buyers are invited to contact the company to be sent either the CD or video
- Publications: ads placed in relevant local and international in-flight magazines, high-end Home magazines, real-estate listings, and other relevant. These can be both print and digital

4.2 SALES STRATEGY

The overarching strategy adopted for sales of the resort homes at The Ridge at Castara aims to have all units sold by completion of the project on 4th March, 2020. All marketing efforts will commence at the start of infrastructure works in order to support the sales plan.

Sales will be conducted directly between the company and the buyer or buyer's representative. This is due to the legal requirements and process involved in the purchase of land and buildings, particularly by foreigners.

There will be pre-sales for all unit types, with the expectation that all units will be sold in the year in which they are completed.

The marketing campaign is designed to pull sales through a direct channel, by creating awareness and education about the homes, and promoting the location and destination.

4.2.1 SALES FORECAST

Pre-sales for bungalows and one bedroom villas will commence with infrastructure works as these are the first units scheduled to be built. Though they will be built during March to July 2018, the company hopes to achieve at least 25% revenue in 2017 from the pre-sales.

The forecast below illustrates that for 2018-2020, there is a 75%: 25% apportionment for sales revenues based on planned construction and pre-sale by unit type.

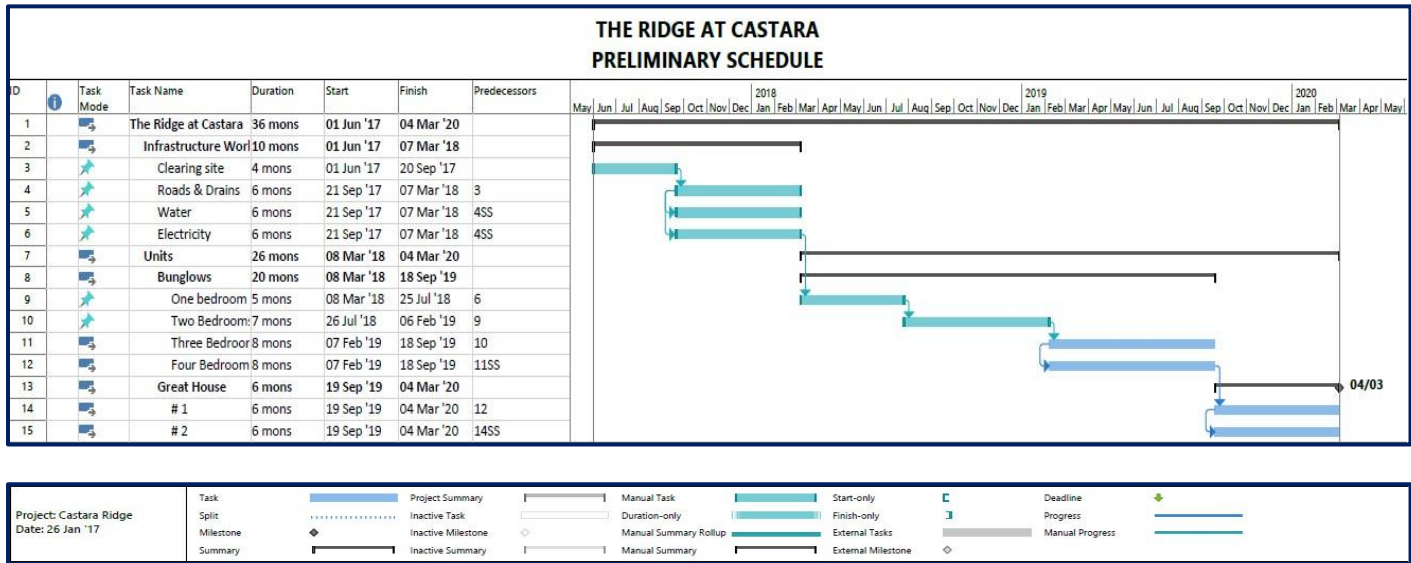
SALES FORECAST				
Year	2019	2020	2021	2022
Sales Revenue from Units:	TT\$	TT\$	TT\$	TT\$
	11,653,316.00	34,959,947.00		
Revenue from Bungalows/One Bedroom			48,764,625.00	
Revenue from Two Bedroom		146,293,875.00		
Revenue from Three Bedroom			328,642,256.00	109,547,419.00
Revenue from Four Bedroom			40,407,544.00	13,469,181.00
TOTAL SALES	11,653,316.00	181,253,822.00	417,814,425.00	123,016,600.00

4.3 OPERATIONS PLAN

The business plan document will act as a guide to the development team. The project will be mobilised starting with site and infrastructure works. Roadways and utilities work will be developed first. Construction of the buildings will be done by unit type, starting with bungalows and one bedroom. Construction of the Great Houses for use by the resort will be done last, as

DO NOT DISSEMINATE. This business plan contains confidential, sensitive information and is shared on the understanding that you will not disclose any of the content or ideas with third parties without the express written consent of the plan owner. [Prepared by: Carla Alleyne]

this will be retained by the company, for possible sale at a later time. The project timeline will be spread over 36 months- June 2019 to March 2022 as illustrated below (see Appendix).



Please note the start date is now 2019 till 2022, infrastructure works are currently in progress, with completion in 2022.

4.3.1 MILESTONES

Over the approximately 3-year life span of the project, the key points of achievement are as follows;

1. Approval of the finalised designs for the bamboo houses: April, 2019
2. Completion of the infrastructure works: 7th March, 2020
3. Completion of all home units: 18th September, 2020
4. Completion of the full resort: 4th March, 2022
5. All units sold

The project management schedule below will be followed by the construction and development team. Any significant changes in the project must be altered and reflected in the project plan timeline.

MANAGEMENT

5.1 SUMMARY

Royal Palm Estates Limited is a LLC. There are currently two company directors; Director/Chairman, Marlon Brown and Director/Legal Counsel, Anthony Cherry. David Maharaj is the company secretary.

Marlon Brown is a businessman, who co-owns businesses in Australia and Trinidad and Tobago. Anthony Cherry is the owner/principal of A C O Cherry & Company, Attorneys at Law, Trinidad. He is a qualified, UK trained barrister. David Maharaj is a business man, with companies in Trinidad and Tobago.

5.2 PERSONNEL PLAN

The Chairman of the Board of Directors, Mr Brown, will spearhead the development and lead the team involved in bringing the project to completion. The team will consist of various relevant professionals and professional organisations including; property developer, contractors/builders, project manager, Architects, Civil Engineers, Structural Engineers, Landscape Architects, Specialist Lighting Design, real estate/property management company, sales and marketing, and any other relevant expertise required.

The overall project management of developing the residential resort site and infrastructure will also be the responsibility of the property developer. The contractors, builders, and other technical personnel requirements will fall under the purview of the property developer and Directors.

The consultancy team covers consultants, companies and contractors proposed for Project Management, Contract Administration, Concept/Brand Development. Andrew Walsh will be the Head of Sales.

FINANCIAL PLAN

6.1 KEY ASSUMPTIONS

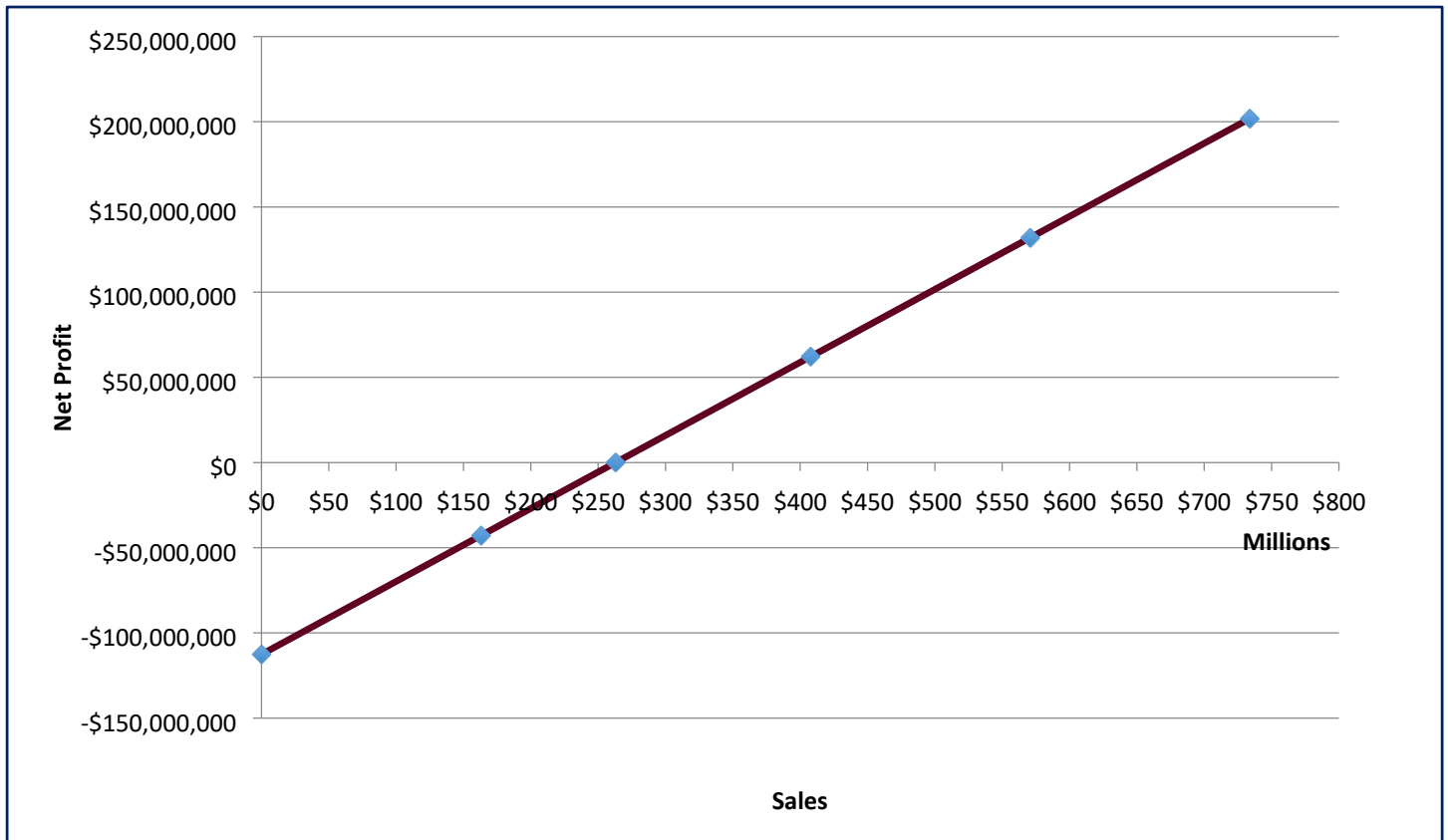
In calculating the various financials, the following are applied;

- Interest rate of 6%
- Tax rate of 25%
- Exchange rate of TT\$6.5 to US\$1

6.3 BREAK-EVEN ANALYSIS

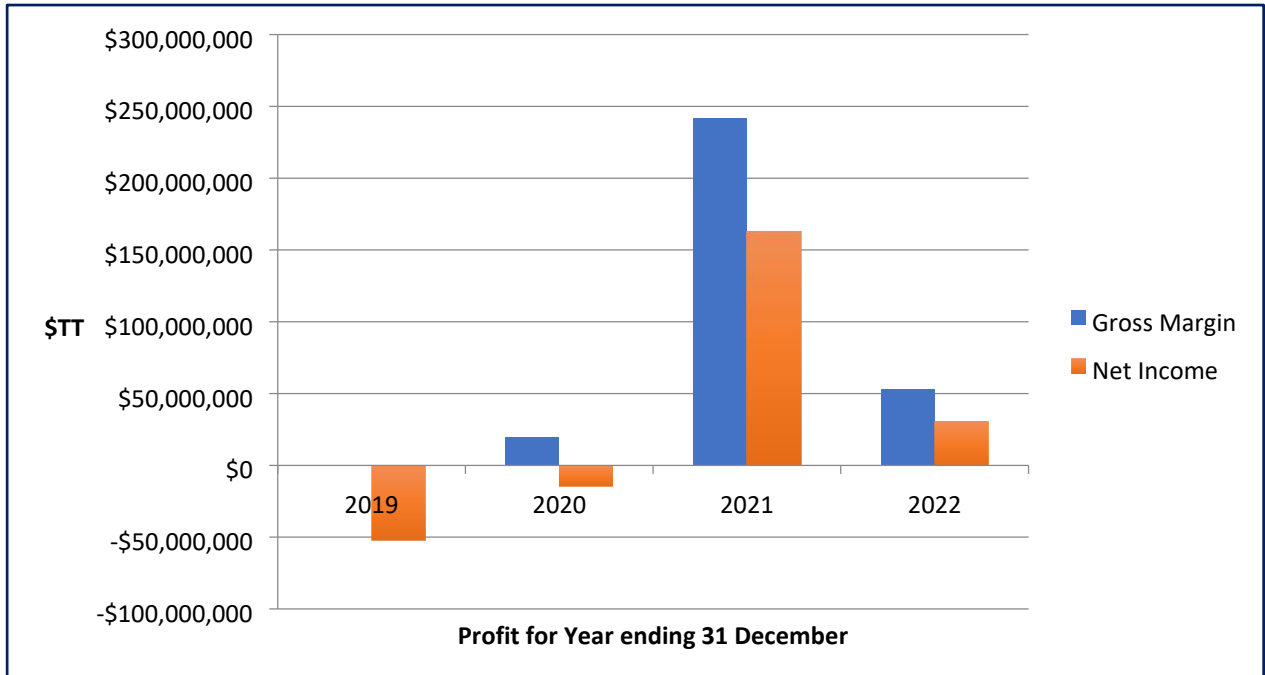
The break-even point was calculated using weighted averages for price and expenses since there are many different types of units being sold. This means that the break-even point of 65 units represents a calculated mixture of the different types of housing units. However, this is a limitation of this analysis since the company's construction schedule outlines all units of the same type to be built at the same time. This analysis is still helpful though as it provides a target break-even revenue of TT \$262,826,383.

<u>Break-Even Analysis</u>	
Weighted Average Selling Price	\$4,076,323
Weighted Average Variable Expense	\$2,329,328
Total Fixed Expenses	\$112,639,878
Break-even point (units)	65
Break-even point (\$TT)	\$262,826,383



6.4 PROJECTED PROFIT AND LOSS

It is expected to experience a Net Loss in the first year since there is no revenue from sales. During 2019 and 2020 focus is on land development and starting construction of units, which results in high costs and little sales revenue. This is why the company will also experience a Net Loss in 2019. However, at the end of 2022 all units would have been completed and majority sold resulting in very significant revenues and profits (see Appendix 7.0).



6.5 PROJECTED CASH FLOW

In 2019 Net Cash Flow is negative as expected. This is as a result of significant development costs and no major sales revenue before any building completion. During the following years it is expected that Net Cash Flows would remain positive and continue to increase. This is because the majority of expected sales revenues from units would occur in the year of its respective building costs. This is essential in order to maintain a positive Net Cash Flow in 2020 onwards, as well as a positive Cash Balance in 2021 and 2022 (see Appendix 8.0).



6.6 PROJECTED BALANCE SHEET

The balance sheet shows;

- Land represents the property that will not be sold.
- Current Liabilities include cash received from pre-sale of units or down payments for units but sale is not final as units are not completed.
- Paid in Capital represents the initial payment made for the land being developed.

Forecasted Balance Sheet as at 31 December	2019	2020	2021	2022

	TT\$	TT\$	TT\$	TT\$
Assets				
Current Assets:				
Cash and cash equivalents	\$9,623,720	\$34,349,855	\$76,147,373	\$176,991,149
Inventory (Completed units)	\$0	\$0	\$70,295,200	\$0
Work in Progress	\$34,125,000	\$126,251,357	\$0	\$0
Long-term Assets:				
Land	\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000
Total Assets	\$58,373,720	\$175,226,213	\$161,067,573	\$191,616,149
Liabilities				
Current Liabilities	\$11,653,316	\$146,293,875	\$0	\$0
Long-term Liabilities	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000
Capital				
Paid in Capital	\$48,750,000	\$45,337,500	\$14,625,000	\$14,625,000
Retained Earnings	\$0	(\$52,029,596)	(\$66,405,162)	\$96,442,573
Earnings	(\$52,029,596)	(\$14,375,567)	\$162,847,736	\$30,548,575
Total Liabilities & Capital	\$58,373,720	\$175,226,213	\$161,067,573	\$191,616,149

6.7 BUSINESS RATIOS

Financial Ratio Analysis				
	2019	2020	2021	2022
Liquidity Measurement Ratios				
Current Ratio	3.75	1.10	n/a	n/a
Quick Ratio	0.83	0.23	n/a	n/a
Profitability Indicator Ratios				
Gross Margin	0%	43%	43%	43%
Net Profit Margin	0%	-31%	29%	25%
Return on Assets	-89%	-8%	101%	16%
Debt Ratios				
Debt Ratio	1.06	1.12	0.31	0.26
Debt-Equity Ratio	-18.80	-9.32	0.45	0.35
Coverage Ratios				
Interest Coverage Ratio	-16.34	-3.79	73.71	14.91
Cash Flow-Debt Ratio	-0.65	0.13	0.84	2.02
Debt-Service Coverage Ratio	-0.98	-0.27	3.07	0.58

Notes:

1. Liquidity ratios tell a company's ability to pay its current liabilities with its current assets. In this case the company's Current Ratio is very good. The Quick Ratio is very low but this is expected since its cash balance is low.
2. Gross Margin is a steady 43% for all years with sales revenue. Both Gross Margin and Net Profit Margin are 0% in 2019 since there is no revenue yet. Return on Assets (ROA) gives

the percentage profit earned in relation to a company's resources. In this case it is negative in the first two years since the company experiences a Net Loss. In 2020 ROA is favourable but in 2021 it is quite low as a result of the company's very high cash balance.

3. The Debt Ratio reflects the company's reliance on debt for the first two years. This is also why its Debt-Equity Ratio is so high in 2019 and 2020.
4. Coverage Ratios aim to highlight a company's ability to repay its interest expense and debt. In this case the company would be able to repay both by 2021. Its Cash Flow-Debt Ratio is higher than 1 in 2022 meaning the company has the ability to repay its debt using only cash from operations.

APPENDIX

1.0 Certificate of Registration and Certificate of Planning Approval

2.0 Comparison table of Bamboo VS Wood: Reasons why these bamboo homes are better

CHARACTERISTICS	BAMBOO	WOOD
Strength	As strong as mild steel with the compression strength of concrete. One inch of bamboo can hold up to 7 ½ tons of weight	University studies show softwoods cannot match bamboo's compression and tensile strength
Termites	Tests show that termites refuse to eat even untreated bamboo	Termites continue to cause significant damage to wood homes, requiring continued treatment with chemicals
Hurricanes	These bamboo homes surpass the toughest hurricane codes in the USA, and in 1995, even withstood three back-to-back hurricanes with 173 mph winds	Recent tests show that conventionally built wood homes cannot stand up to even 100 mph winds
Earthquakes	Bamboo bends instead of breaks. In April 1991, twenty bamboo houses built for the National Bamboo Foundation in Costa Rica suffered no structural damage from a 7.5 Richter Scale earthquake, despite being directly over the epicentre	The same earthquake levelled scores of conventionally built homes, hotels and resorts
Indoor Air Quality	These homes exceed California Air Resources Board standards. And all of the materials are minimally treated with natural borates to better resist mould and mildew	New home construction increasingly uses "manufactured" woods like particle board bonded with adhesives and polymer materials

3.0 Bamboo Homes Catalogue

4.0 Visitor Profiles

USA – Visitor Profile

- Roughly half of US visitors (51%) were women
- Age Groups:

0-14	15-24	25-34	35-44	45-54	55-64	≥ 65
13%	8%	14%	16%	20%	18%	12%

- Purpose of Visit:
 - 54% came to Visit Friends and Family,
 - 14% came for a Leisure and Beach vacation and
 - 12% came for business or to attend a Conference
- Visitors from the US spend an average of TT\$513 per day, and stay approximately 13 days.
 - *It is estimated that revenue generated by US visitors in 2014 was TT\$1.08 billion*

Canada – Visitor Profile

- 53% of Canadian visitors were women
- Age Groups:

0-14	15-24	25-34	35-44	45-54	55-64	≥ 65
10%	8%	14%	14%	21%	18%	15%

- Purpose of Visit:
 - 61% came to Visit Friends and Family,
 - 12% came for a Leisure and Beach vacation and
 - 7% came for business or to attend a Conference
- Canadian visitors spend an average of **TT\$456** per day and stay approximately **14 days**.
 - *The estimated revenue generated by Canadian visitors in 2014 was TT\$350 million.*

UK – Visitor Profile

- 46% were women and 54% were men
- Age Groups:

0-14	15-24	25-34	35-44	45-54	55-64	≥ 65
9%	8%	13%	16%	21%	19%	15%

- Purpose of Visit:
 - 30% came to Visit Friends and Family,
 - 34% came for a Leisure and Beach vacation and
 - 12% came for business or to attend a Conference
- UK visitors stay **17 days** on average, spending approximately **TT\$497.00** per day.
 - *The estimated revenue generated by UK visitors in 2014 was TT\$316 million*

Caribbean – Visitor Profile

- Half of Caribbean visitors were women
- Age Groups:

0-14	15-24	25-34	35-44	45-54	55-64	≥ 65
6%	14%	24%	21%	18%	12%	5%

- Purpose of Visit:
 - 30% came to Visit Friends and Family,
 - 10% came for a Leisure and Beach vacation and
 - 21% came for business or to attend a Conference
 - 30% came for 'Other' purposes (medical, shopping, study etc)
- Caribbean travellers spend an average of TT\$612 per day, and tend to stay approximately 12 days
 - *The estimated revenue generated in 2014 was approximately TT\$560 million.*

Please note these figures are dated 2014, increase of 5% each year up to 2018.

5.0 Visitor Stopover Statistics and TT Domestic Tourism

International Tourist Arrivals to Trinidad and Tobago 2016 vs 2017 vs 2018					
Month	2016	2017	y-o-y % Change	2018	y-o-y % Change
January	29,640	35,448	19.60%	40,112	13.20%
February	44,029	48,000	9.0%	42,002	-12.50%
March	33,787	36,133	6.90%	32,907	-8.90%
April	33,067	36,090	9.10%	31,955	-11.50%
May	30,082	32,614	8.40%	30,294	-7.10%
June	33,349	34,661	3.90%	32,508	-6.20%
July	40,187	42,041	4.60%	39,642	-5.70%
August	35,791	37,125	3.70%	34,782	-6.30%
September	27,689	29,164	5.30%	27,619	-5.30%
October	30,650	30,678	0.10%	27,499	-10.40%

November	30,894	34,480	11.6%	29,702	-	13.90%
December	43,282	43,315	0.1%	39,760		-8.20%
Total	412,447	439,749	6.6%	408,782		-7.00%

Data Source: Immigration Division of Trinidad and Tobago via the Ministry of Tourism Note: data is captured based on arrivals by Nationality and not country of residence and also presented based on visitors main place of stay.

Key facts on stop-over visitors to Trinidad and Tobago

- Average no. of stopover visitors per year: approximately **423,900** (5-year average)
- Average Length of Stay: **14 days** (CSO estimate)
- Average Daily Expenditure (ADX) per person: **TTD 580.00** (TDC estimate)
- Estimate Direct Foreign Revenue Earnings: approximately **TTD3.5 billion per annum** (TDC estimate)
- The peak periods for visiting Trinidad and Tobago from these source markets are: **Carnival, July, August and Christmas.**
- The USA continues to be the destination's main source market, accounting for 39%, followed by the Caribbean with 19% and Canada with 13%

Source: TDC 2018 Report

Domestic Tourism in Trinidad and Tobago –Overnight Trips

	2016	2017	2018	2016-2018 % change
Overnight Trips				
Est. No. of Households taking at least one (1) trip	139,954	152,527	150,387	-1.40%
Average number of trips per Household	1.67	1.73	1.85	6.90%
Est. Total No. of Household Trips	233,087	263,300	279,846	6.30%
Domestic Tourists				
Average No. of persons per trip	2.34	2.38	2	-16.00%
Estimated Total No. of persons on trips	545,559	626,653	558,574	-10.90%

Duration				
Average length of stay	4.53	4.63	5.25	13.40%
No. of person nights	2,473,958	2,901,491	2,933,912	1.10%
Expenditure				
Expenditure per person per day (TT\$)	\$255.53	\$294.96	\$293.90	-0.40%
Est. Total Exp. Dom Overnight (TT\$ millions)	\$632.17	\$855.82	\$862.27	0.80%

Source: TDC 2018 Report

6.0 Pricing Calculations

UNIT TYPE	QUANTITY	UNIT BUILDING COST	LAND LOT COST	TOTAL UNIT COST	MARK-UP 75%	UNIT SELLING PRICE
		TT\$	TT\$	TT\$		TT\$
1. BUNGALOWS	15					
a) Ohana 15	5	267,330	400,000	667,330	500,498	1,167,828
b) Zen 400	5	332,320	400,000	732,320	549,240	1,281,560
c) Bali 576	5	482,400	400,000	882,400	661,800	1,544,200
2. ONE-BEDROOM	15					
a) Zen 560	5	482,400	400,000	882,400	661,800	1,544,200
b) Bali 768	5	643,200	400,000	1,043,200	782,400	1,825,600
c) Pacific 612	5	719,580	400,000	1,119,580	839,685	1,959,265
3. TWO-BEDROOM	60					
a) Bali 960	10	814,720	400,000	1,214,720	911,040	2,125,760
b) Celestial	10	857,600	400,000	1,257,600	943,200	2,200,800

c) Pacific 992	20	1,046,540	400,000	1,446,540	1,084,905	2,531,445
d) Villa 2240	20	2,090,400	800,000	2,890,400	2,167,800	5,058,200
4. THREE-BEDROOM	70					
a) Pacific Queen	20	1,070,660	400,000	1,470,660	1,102,995	2,573,655
b) Hanalei 1352	20	1,479,360	800,000	2,279,360	1,709,520	3,988,880
c) Villa 1950 Smith	20	1,865,950	800,000	2,665,950	1,999,463	4,665,413
d) Celestial 3	10	2,632,430	800,000	3,432,430	2,574,323	6,006,753
e) Condo 4-Plex	10	6,775,040	2,000,000	8,775,040	6,581,280	15,356,320
e.i) Condo by Unit	40	1,693,760	500,000	2,193,760	1,645,320	3,839,080
5. FOUR-BEDROOM	10					
a) Villa 2745	10	2,278,670	800,000	3,078,670	2,309,003	5,387,673

7.0 Income Statement

Forecasted Income Statement				
For the Year ending December 31	2019	2020	2021	2022
	TT\$	TT\$	TT\$	TT\$
Revenue:				
Sales	\$0	\$46,613,263	\$564,108,300	\$123,016,600
Total Cost of Sales	\$0	\$26,636,150	\$322,347,600	\$70,295,200
Gross Margin	\$0	\$19,977,113	\$241,760,700	\$52,721,400

Gross Margin %	0%	43%	43%	43%
Operating Expenses:				
Land Development Cost	\$42,889,176	\$10,722,294	\$0	\$0
Professional Fees	\$5,237,642	\$6,547,052	\$6,547,052	\$1,309,410
Legal, Insurance & Accounting	\$902,778	\$1,083,333	\$1,083,333	\$180,556
Marketing & Advertising	\$0	\$13,000,000	\$13,000,000	\$6,500,000
Total Operating Expenses	\$49,029,596	\$31,352,680	\$20,630,386	\$7,989,966
EBITDA	(\$49,029,596)	(\$11,375,567)	\$221,130,314	\$44,731,434
Interest Expense	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Taxes Incurred	\$0	\$0	\$55,282,579	\$11,182,858
Net Income	(\$52,029,596)	(\$14,375,567)	\$162,847,736	\$30,548,575
Net Profit Margin	0%	-31%	29%	25%

Notes

- Revenue from sales is recognized in the year of the respective unit's completion.
- The land value associated with each unit is included in its respective cost and selling price.

8.0 Cash Flow Statement

Forecasted Cash Flow Statement				
For the Year ending 31 December				
	2019	2020	2021	2022
	TT\$	TT\$	TT\$	TT\$
Beginning Cash Balance	\$50,000,000	\$9,623,720	\$34,349,855	\$76,147,373
Revenues:				
Cash Received	\$11,653,316	\$181,253,822	\$417,814,425	\$123,016,600

Expenses:

Land Development Cost	\$42,889,176	\$10,722,294	\$0	\$0
Total Building Cost	\$0	\$122,175,007	\$297,103,943	\$0
Professional Fees	\$5,237,642	\$6,547,052	\$6,547,052	\$1,309,410
Legal, Insurance & Accounting	\$902,778	\$1,083,333	\$1,083,333	\$180,556
Marketing & Advertising	\$0	\$13,000,000	\$13,000,000	\$6,500,000
Interest Expense	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Tax Expense	\$0	\$0	\$55,282,579	\$11,182,858
	\$52,029,596	\$156,527,687	\$376,016,907	\$22,172,825
Closing Cash Balance	\$9,623,720	\$34,349,855	\$76,147,373	\$176,991,149
Net Cash Flow	(\$40,376,280)	\$24,726,135	\$41,797,518	\$100,843,775

Notes

- Assumes an initial investment of TT\$50,000,000.
- 25% of Sales for one-bedroom units were assumed to occur in 2019. This included revenue from pre sale of units as well as down payments. 75% of Sales for all unit types were assumed to occur in the year they were built, with the remaining 25% occurring either in the year prior or the year after. It should be noted that Sales includes money from down payments and pre-sale of units.
- No Building Cost was included for the Great House hence \$0 for 2020.
- Professional Fees include Structural Engineer's Fees, M&E Engineer's Fees, Architect's Fees, Project Manager's Fees, Quantity Surveying Fees and Miscellaneous Fees.
- No Cost of Property Acquisition was included but Total Building Cost includes the cost of land that would be purchased with each unit.