

ISLANDER GROUP OF COMPANIES LIMITED

Presents



“KATAFANGA ISLAND RESORT & SPA”



INFORMATION MEMORANDUM

2005

Islander Group of Companies Ltd
Ph: (679) 330 7333 Fax: (679) 330 7334



Ph: (679) 331 4166 Fax: (679) 330 0046
Contact: Steve Pickering

Memorandum No:

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For those wishing to start a resort, a Private Tropical Island is undoubtedly the very finest investment money can buy.”

~ Cheyenne Morrison, “Islomania”

1. Confidential Information Memorandum

This Memorandum has been prepared for The Islander Group of Companies Limited trading as “Katafanga Island Resort & Spa” (the Owner) and is being disclosed to a limited number of persons who may, after further investigation, be interested in acquiring a limited number of the issued shares of The Islander Group of Companies. The sole purpose of this Memorandum is to assist each such Recipient in evaluating the possible acquisition of the available shares.

By receiving this Memorandum, the Recipient acknowledges and agrees that all of the information contained herein is subject to a confidentiality agreement previously executed by the Recipient; and without prejudice to the generality of the foregoing, the Recipient agrees:-

- To keep strictly confidential at all times, any and all information contained herein, or any other information subsequently or contemporaneously made available in connection with this Memorandum or any related matter, or any and all Company information discovered as a result of further investigation related to the possible acquisition of shares in the Company.
- Not to disclose to any other person or third party that shares in the Company are being offered for sale, other than persons or organizations upon whom Recipient intends to rely for professional advice in assessing the information contained herein and or for further due diligence purposes related to the possible acquisition of said shares. In particular not in any circumstances to disclose this fact to persons or organisations outside its own employees. Further, the Recipient agrees not to approach any of the employees of the Company with offers of employment until such time as the sale transaction has been completed and the Shares are no longer under the ownership of the Owners.
- Any breach of the above will result in the immediate cessation of negotiations with the Recipient.
- That the Memorandum shall not be copied reproduced, distributed or shown to others at anytime without the prior written consent of the Owners.
- That the Memorandum has been delivered to prospective purchasers for information purposes only, with the express understanding that each such prospective purchaser will use it only for the purpose of evaluating the possible acquisition of the Shares and for no other purpose whatsoever.
- That upon request, the Recipient will promptly return all material (including this Memorandum) received from the Owners or their agents, advisers or representatives without retaining any copies, extracts or restatements thereof and will certify accordingly.
- That in providing this Memorandum, the Owners do not undertake any obligation to allow Recipient access to any additional information or to update or correct any information contained herein.
- The Recipient has agreed not to approach, under any circumstance, any officer, employee, customer, supplier or agent of the Company without the prior written permission of the Owners.
- For a period of 18 months from the date of receipt of this Memorandum, the Recipient will not solicit for employment any employees of the Companies or the Owners, or of any company related to one of the Owners, without the express written permission of the Owners or the relevant related company.
- Neither this Memorandum, nor its delivery to any prospective purchaser, shall constitute an offer to sell or the solicitation of an offer to buy the Shares or any securities, nor shall this Memorandum be construed to indicate that there has been any change in the affairs of the Company since the date hereof.
- Any prospective purchaser interested in buying the Shares is advised to seek independent financial advice regarding the matter.

The summary historical information contained in this document is believed to be accurate but the Owners (together with their respective directors, employees and agents) expressly disclaim any and all liability for any statements, information, representations or warranties, expressed or implied, or for any omissions in the Memorandum or any other written or oral information transmitted or made available at any time to a prospective purchaser by or on behalf of the Owners. Only an acquisition agreement when fully executed, and subject to such limitations and restrictions as may be specified in such agreement, shall have any legal effect. In particular, references to future Company conditions and projections are wholly subjective and prospective purchasers should rely entirely upon their own judgment in assessing said projections.

Any questions regarding this Memorandum and sale of the available shares should be directed to:-

John Miller
Director
Islander Group of Companies
PO Box 11614
SUVA

Phone: (679) 330 7333 in Fiji
Mobile: (679) 990 8690 in Fiji
Other shareholders have requested not to be contacted.



Villas scattered along the shimmering white sand beach and turquoise waters of Katafanga.

“Fiji has become the host for beautiful private islands being developed with resorts meeting international standards”

~ Vladi Private Islands

2. Background on Katafanga

2.1 The Vision

The primary objective of the Islander Group of Companies is to develop a truly world-class resort and spa on the freehold island of Katafanga, nestled in the heart of the South Pacific. The exclusive resort will cater to the most discriminating traveler in search of the ultimate vacation destination. The developers' goal is to achieve the highest possible return on their investment while enjoying the many benefits of owning a five star private island resort.



TURTLE COVE

Katafanga Island Resort & Spa will provide an exquisite sanctuary for the expanding market of affluent travelers in constant search of a unique and incomparable vacation experience. The resort is being developed on the uninhabited island of Katafanga, which is located in the Lau Group of the Fiji Islands. The islands, in the North Eastern region of the country, escape the heavy rains that affect the mainland and don't suffer the droughts of the Western region, enjoying moderate rainfall and cool breezes from steady easterly trade winds.

Katafanga Island is 225 acres of unspoiled beauty, fringed with white sand beaches surrounded by its own tranquil lagoon and spectacular reef. Being freehold property, it is not subject to the regulatory requirements governing native land leases, providing distinct advantages to developing the island. The resort location, design and staffing will ensure each guest maximum privacy and security while allowing them the freedom to fully experience the unsurpassed natural beauty of the island, the crystal clear aqua waters, consummate personalized service, invigorating spa treatments and wonderful accommodations.

The luxurious private island resort features air-conditioned beachfront villas, each exquisitely furnished with tropical woods and soft inviting fabrics, custom king beds with a soaring sheer canopy, lavish spa bath for two, oversize double sinks recessed in marble counter, and dual indoor shower. The exterior area of the villas consists of an enclosed courtyard entry with lily pond, and a wrap around lanai with a covered dining area, rock walled outdoor shower, and individual splash pool. The expansive bi-folding mahogany and glass doors allow an unobstructed view of the azure lagoon, only steps away.



KATAFANGA VILLA BEDROOM

The full service *Le Spa*, will offer a range of revitalizing treatments with a unique South Pacific flavour, including floral scented coconut oil massages, lemon sugar glow rubs, and papaya facials. Guests can choose a serene treatment room or an outdoor tropical sanctuary framed by natural rock formations and lush foliage mingled with fragrant flowers. Experienced spa professionals will lull guests with their soothing hands, herbal infusions, intoxicating aromas, and seductive tropical sounds in their own private paradise. On the outdoor lanai overlooking the breathtaking turquoise waters, guests will enjoy yoga, stretching, meditation and other wellness classes. The emphasis of *Le Spa* will be soothing and relaxing treatments in a tranquil atmosphere. Visiting speakers and chefs will offer classes to interested resort guests on maintaining a nurturing life style and the preparation of exciting spa cuisine once they leave Katafanga Island. Special theme weeks will be developed and promoted in response to guest feedback and specific requests.



The resort boutique, *Crossroads*, will offer hand made items from around the South Pacific and Asia – all beautifully presented in hand carved mahogany display cases, as well as high end logo resort wear, spa products, and convenience items. In future, the boutique will offer custom jewelry and an extensive collection of Pacific Rim original art and furnishing pieces.

Katafanga Island is truly a water lover's paradise. The 225 acre former 18th century coconut plantation is surrounded by incredible crystal clear warm waters. The resort's private marina, with moorings for visiting yachts, will have a complete dive center and fully trained staff offering a wide variety of water sports, including internationally acclaimed scuba diving (voted best in the world), challenging world-class sport fishing, sailing, snorkeling, windsurfing, and kayaking.

2.2 The Property

The Islander Group of Companies was created in 1995 for the specific purpose of locating and acquiring a freehold private island for the development of an exclusive, yet ecologically sensitive, deluxe island resort. After an extensive and diligent search, it was decided that Fiji, and specifically Katafanga Island, was the ideal location for the envisioned retreat.

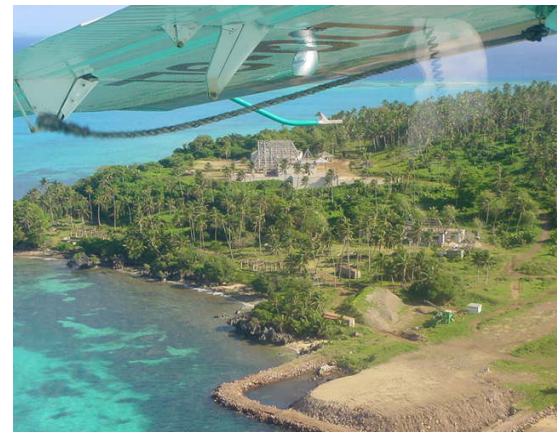
One of the reasons the principals chose Katafanga Island, aside from the island's breathtaking beauty, was its' freehold status. This puts the company and the resort in the enviable position of being able to enjoy the numerous benefits of the mass marketing effort by the Government of Fiji and international hotel chains. There is one thing that is certain – freehold property will become scarcer and more difficult to acquire in the future, making it even more valuable. Other benefits to developing freehold property are having unfettered discretion in the design, construction, management recruitment and ongoing operations of the resort with no outside interference.



The 225-acre private island is a comfortable 60 minutes by air from the international airport in Nadi, flying over the most breathtaking island scenery in the world.

Currently either under construction or completed are:

- Twenty luxurious air-conditioned private villas;
- Main complex with dining pavilion and open air lounge;
- Spectacular two story rock walled wine cellar;
- Retail boutique and meeting or reception facilities;
- Well-equipped fitness center and full service spa;
- Nine-hole executive golf course and tennis court;
- Airplane hangar; water treatment and power generation plants;
- Underground water, electrical, telephone and internet lines;
- Laundry facilities; employee housing;
- Sealed all weather runway and 7 kilometers of roads;
- Marina and moorings for large visiting yachts;
- Million litre reservoir; recompression chamber facilities.



Pictured above, clockwise from upper left:

Water Treatment, Power Generation, Laundry, and Airplane Hangar
 Rock walled Villa Courtyard Entry
 Katafanga South End Runway Extension
 Main Resort Complex overlooking Katafanga Lagoon

“A desirable island is anywhere from five to 1,000 acres in size, has an elevation of at least 15 feet, and the more existing infrastructure - docks, landing ramps, roads, housing - the better.”

~ Farhad Vladi, Island Broker

2.3 The Investment Opportunity

The current shareholders of The Islander Group of Companies have collectively invested, as of 31 December 2003, approximately \$9.8 million USD in the construction of the resort and acquisition of other assets*. This investment figure does not include the freehold 225 acre island property, which was valued at approximately \$10 million USD in 1999.

CAPITAL ADVANCES IN FIJI DOLLARS AS OF	ISLANDER GROUP	AIR KATAFANGA	ISLANDER SHIPPING	TOTAL F \$
31 DECEMBER 2001	13,635,000	635,000	841,000	15,111,000
31 DECEMBER 2002	6,507,000	-	-	6,507,000
31 DECEMBER 2003	550,000	-	-	550,000
TOTAL ADVANCES IN FD	20,692,000	635,000	841,000	22,168,000 FD
TOTAL APPROXIMATE USD				9,800,000 USD

*Based on currency conversion rates in effect at the time of investment; if the current conversion rate of .58 was used, it would equal an investment of approximately \$13,079,000 USD, not including the real property. The principals currently advance funds as required to continue the resort construction and maintain the integrity of the work in progress.

Equity Offer

The company is offering 50% or 100% of the shares in the Islander Group of Companies as well as 50% or 100% ownership of the 225 acre freehold island.

Additional Debt Offer

In the event an investor chooses to purchase 50% of the available shares and island real estate, there is also an opportunity to provide the 6 million USD funding necessary to ensure the resort project will meet its anticipated opening target date. Preferential return options on this additional investment will be discussed on request.

The 6 million USD capital will be utilized as follows:

Completion of Construction:	USD5.5 Million
Working Capital Contingencies:	<u>USD0.5 Million</u>
	USD6.0 Million

A detailed schedule of costs supporting the USD\$5.5 million required for completion and \$.5 million initial operating capital contingency is available on request.

Bridging Loan

The Directors have secured tentative approval from accredited financial institutions to provide the construction bridging loan if an investor is not interested in the debt financing investment opportunity for completion of the resort. The island real property and chattels will be used as collateral to secure the bridging loan.

As an investment, the project is undoubtedly one of the most exciting tourism ventures in Fiji, and an opportunity to be a part of such an exceptional project with favorable financial and life-style returns is fast becoming rare in today's world. This resort development shares all of the financial and operational facets associated with many other tourism products in the world; however high-end resorts, as reflected in our financials, project a 25% - 30% break-even occupancy rate, presenting enormous pay-back potential within a short amount of time.

Spectacular Katafanga Sunset



View from the North End of the Island



Even 70 years ago, islands were recognized for their great investment potential. "As a symbol of great possession, the privately owned island may yet supplant even the steamship."

~ Dwight Macdonald, 1st issue Fortune Magazine, 1926

"It goes without saying that MacDonald was right"

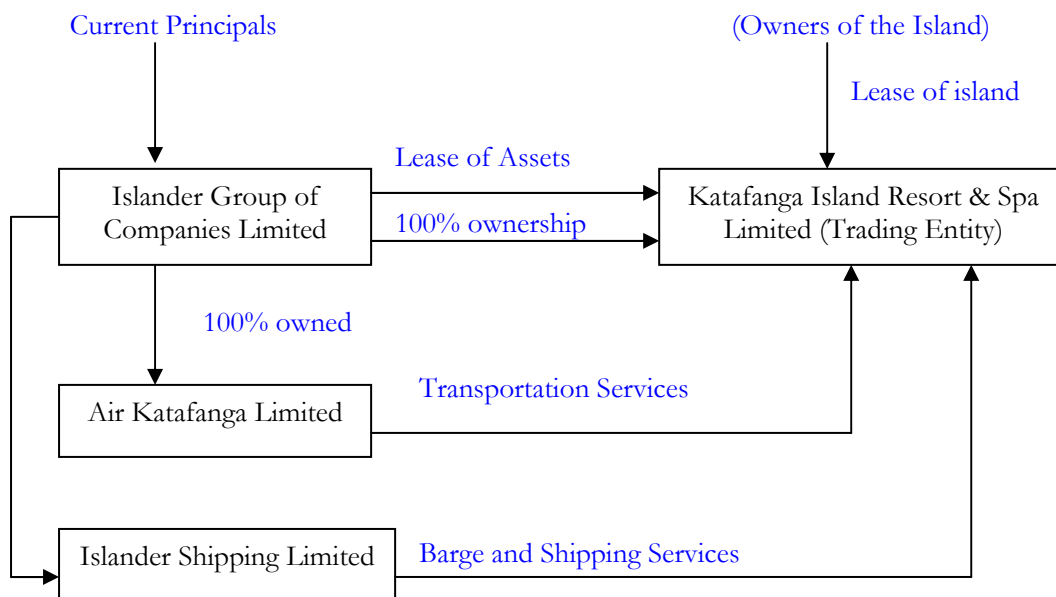
~ Nicolas Stein, Fortune Magazine, May 2000



View from the Main Complex restaurant terrace overlooking Katafanga Lagoon with Tuvuca Island on the horizon. Several other islands are visible from Katafanga, providing an array of stunning vistas.

2.4 Legal Structures

Katafanga Island Resort & Spa will be operated under the following legal entities:



A description of each company and related services/agreements are:

Land Lease Entity

The island is contained under Freehold Title CT 3931 and the current owner is a duly registered Cook Islands company created for liability purposes.

The combined legal entities has entered into an agreement with the trading entity, Katafanga Island Resort and Spa Limited (“KIRS”), to lease the island under a 50 year lease agreement commencing on January 1, 2005. The agreement will include an option to extend the lease for an additional term of 50 years at the expiration of the initial lease period.

In consideration of the lease, KIRS will pay lease rental of \$50,000.00 USD per annum plus 12.5% (negotiable) of gross turnover of the entity, excluding air transfer revenues.

As part of the lease agreement, KIRS is required to maintain comprehensive insurance coverage, including personal injury liability of \$500,000.00 USD, property damage insurance in the amount of \$500,000.00 USD, and workman compensation insurance in such form and amounts as are currently acceptable under the Republic of the Fiji Islands law.

2.5 Key Management Team

Key Development managers in this project currently are:

- John Miller
- Jona Sakealevu

(Detailed CV's will be provided upon request)

The above key administrative and construction personnel, as well as any support staff (e.g. Shipping Manager, Operations Manager) are willing to stay on until the project is completed and operational if 100% of the available shares and real property is acquired.

Islander Group of Companies Limited (IGCL)

Current financial statements prepared by Ernst & Young, Chartered Accountants, are available on request to qualified investors.

The Islander Group of Companies Limited was incorporated as a limited liability company on the 29 July 1994 and is a registered foreign company under the Foreign Investment Act of the Republic of the Fiji Islands.

When the resort becomes operational, IGCL will change normal rent equivalent to tax depreciation of assets on the island, with the ultimate objective of being tax neutral.

BOOK VALUE OF SIGNIFICANT ASSETS AS OF 31 DECEMBER 2003	
RESORT UNDER CONSTRUCTION	14,181,934
MLC "ADI WAITUI" LANDING BARGE (COST – DEPRECIATION)	887,369
PLANT & EQUIPMENT (COST – DEPRECIATION)	1,487,331
DEFERRED PRELIMINARY COSTS	4,787,587
ADVANCES TO RELATED ENTITIES	749,818
TOTAL	22,094,039

Points to Note:

- Deferred preliminary costs represent depreciation on assets employed during the construction phase. It is expected by the Directors that these amounts will be capitalized to the resort construction costs at completion of the construction phase as the Directors believe that the recoverable value of the resort as a going concern will be in excess of total amounts spent.
- Advances to related entities consist of advances to Air Katafanga, Islander Shipping Services Limited, and Directors. In the opinion of the Directors, these amounts are recoverable as the resort entity, once operational, will be trading with both the air services and shipping entities.

Katafanga Island Resort and Spa Limited (KIRS)

KIRS will be the trading entity for the resort due to the intention of Directors to separate the legal trading entity from the asset owning entities for risk management purposes.

The Ministry of Tourism and Transport has approved KIRS as the entity to receive the 10 year income tax concession (tax free income) available for hotel construction under the Short Life Investment Package (SLIP).

“There is no more prestigious property in the world than a Private Tropical Island.”

~ Cheyenne Morrison, Author of “Islomania”

Air Katafanga Limited (AKL)

Air Katafanga Limited was formed in 1996 and has been used to date primarily for transportation to the island during the construction process.

The net assets of the Company as of 31 December 2002* are as follows:

<u>Book Value:</u>	<u>F\$000</u>
Current Assets	5
Aircraft and Engines	473
Deferred Costs	<u>36</u>
	504
Current Liabilities	<u>7</u>
Net Assets	<u><u>497</u></u>
 <u>Net Assets</u> (represented by)	 <u>F\$000</u>
Advances from Original Shareholders	635
Advances from Islander Group	69
Asset Revaluation Reserve	169
Accumulated Losses	<u>(376)</u>
	<u><u>F\$497</u></u>

*Current financials for AKL are available and will be provided to qualified investors on request.

At present, the company has 2 ordinary shares issued to two nominee shareholders, which will be transferred back to Air Katafanga and distributed to the shareholders according to their respective shareholding percentages. Advances to Air Katafanga, principally from Islander Investments USA, will be converted to advances to The Islander Group, said advances to be determined by the market value of net assets transferred at that point in time. It is estimated that the market value of the aircraft is significantly in excess of book value.



Costs associated with providing air services to the island during the construction period will be passed on to The Islander Group as construction costs at the commencement of resort trading.

It is expected that Air Katafanga will operate primarily to provide air transportation for guests at the commencement of resort operations. Guests will be charged \$450 USD per person for air transfers, which is anticipated to yield an overall breakeven situation for the company, depending on the trip loads. Guests will be required to pay air transfers in addition to accommodation charges. Air Katafanga is a distinct legal and asset owning entity from the trading company for risk management purposes.

“Luxury travel is an industry in its own right. A lucrative industry representing the elite 3% of travelers who account for 20% of the total annual world travel expenditure – and who are immune to economic slow down”.

~ International Luxury Travel Market, Cannes 2004

Islander Shipping Services Limited (ISSL)

Islander Shipping Services Limited has been in existence for a number of years providing shipping services to the island during the construction period as well as operating charters for third parties, making it a profitable income producing entity.

Current financial statements prepared by Ernst & Young, Chartered Accountants, are available on request to qualified investors.

The company's shareholders are as follows:

The Islander Group of Companies	49,998	ordinary shares of \$1
In Trust	<u>50,002</u>	ordinary shares of \$1
	100,000	ordinary shares of \$1

The company's current shareholding structure is due to a Fiji Government Foreign Investment Act provision that deems shipping service in Fiji as a protected industry, requiring 51% local equity to operate a shipping company in the country. Therefore, an employee of IGCL holds these shares in trust.

At the commencement of resort trading:

- Consideration for the shares will be the market value of assets acquired in proportion to shareholder advances;
- Costs incurred with shipping to the island during construction will be passed on to the Company at the nominal value incurred;
- Islander Shipping will continue to provide barge and shipping services to the island at nominal rates and will offer charter services to third parties at commercial rates.



MLC ADI WAITUI ENROUTE TO KATAFANGA ISLAND (JANUARY 2005)

The company presently has FD 3 Million in charter contracts through 2005, with assured renewals from clients. The main shipping customer of ISSL is a government subsidiary which supplies fertilizer to the North island of Vanua Levu. Due to the ongoing nature of the contract and increased demand for shipping services, the continuity of income with an excellent profit margin is relatively secure.

In addition to this contract, there is a great demand for shipping services in both the private and public sectors, which ISSL exploits when scheduling permits to supplement its main income source, making the shipping company a profitable entity.

Future plans for ISSL include the construction of additional purpose specific vessels to provide passenger transportation as well as cargo service. With tourism on outer islands experiencing remarkable growth, the demand for better passenger transport will increase as well and ISSL plans to take advantage of that growing demand.

Improvement of air and shipping services to the outer islands and assistance with transportation ...are being given top priority.

In infrastructure, the priorities will be on the provision and maintenance of roads, bridges, ports, jetties, and airports.

*~ H.E. Laisenia Qarase, Prime Minister, Address to Fiji Parliament
July 26, 2004*



North End Runway Extension and Marina Construction

The Fiji Tourism Market

3.1 General Overview

International Tourism

Fiji tourism is currently enjoying one of its busiest periods, and based on trend figures, the demand shows no signs of abating. With recent international events, Fiji's market position as a safe destination is reflected in significantly increased visitor numbers for the last three years. With 430,800 visitor arrivals, 2003 was a record year up 8.3% over 2002 and up 5.1% over 1999 the previous record year for visitor arrivals. Preliminary figures show visitor arrivals for 2004 were in excess of 480,000 and initial indications show 500,000 tourists may visit Fiji's shores in 2005.

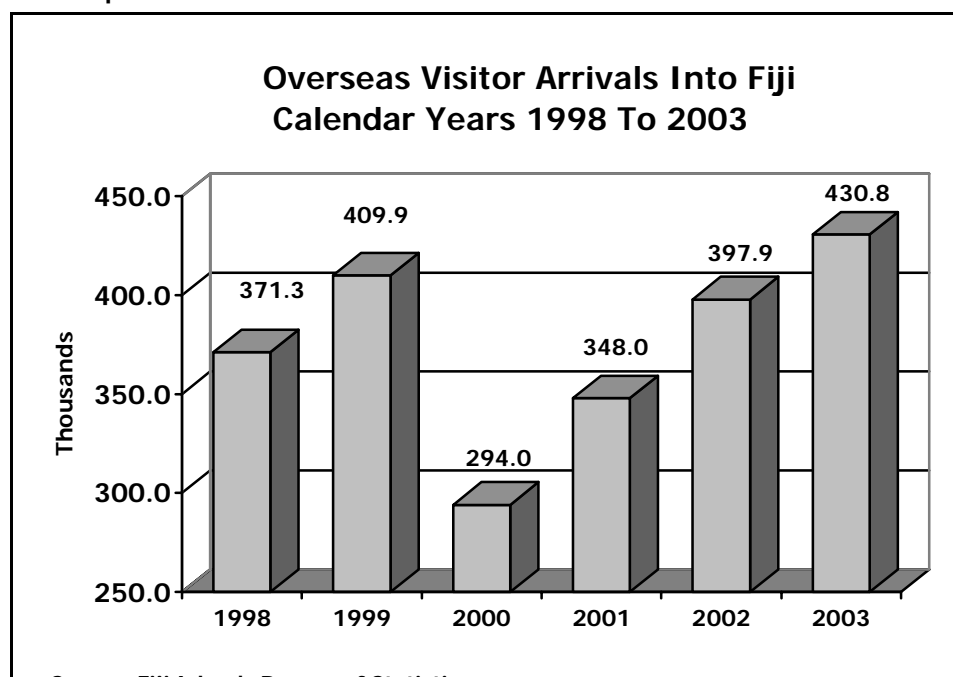
"Towards a billion dollar industry" was the theme of the last Tourism National Summit in Fiji, and the consensus about the future of the industry was summed up by Mr. Viliame Gavoka, Chief Executive of the Fiji Visitor Bureau who said:

"Tourism is very resilient. It is an amazing industry. There are bad things in the world nowadays but tourism does not believe in that. You bring out the best of your people."

"Tourism is a link between people from all over the world. No one can destroy tourism because it appeals to the essence of mankind and tourism knows no boundaries."

~ Viliame Gavoka, Chief Executive, FVB

Chart: Special



Source: Fiji Islands Bureau of Statistics
Chart by GlobalBedBank

Visitor Arrivals

The forecast arrivals by the Fiji Visitors Bureau is consistent with short-term tourism data for the first months of 2005 which confirm the upward trend already visible at the end of 2004. With the cease of the major geopolitical tensions and in spite of uncertainty constant all over the world, signs are that travel confidence is back. All regions, but in particular destinations in the South Pacific, show a strong rebound in reaction to the difficulties experienced in SE Asia. Their prediction is for a strong increase in arrivals over the next two years, after which time there may be a slowdown caused mainly by room capacity constraints.



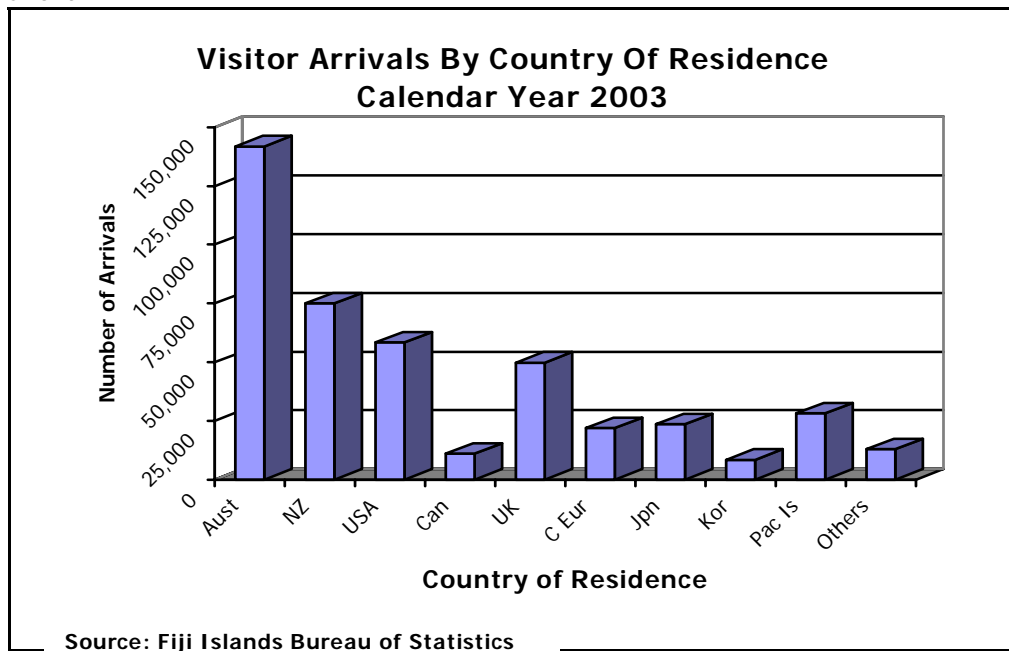
Our growth target will not be realized if we do not grow inventory.

~ Viliame Gavoka, Chief Executive FVB

FIJI VISITOR BUREAU ARRIVAL STATISTICS

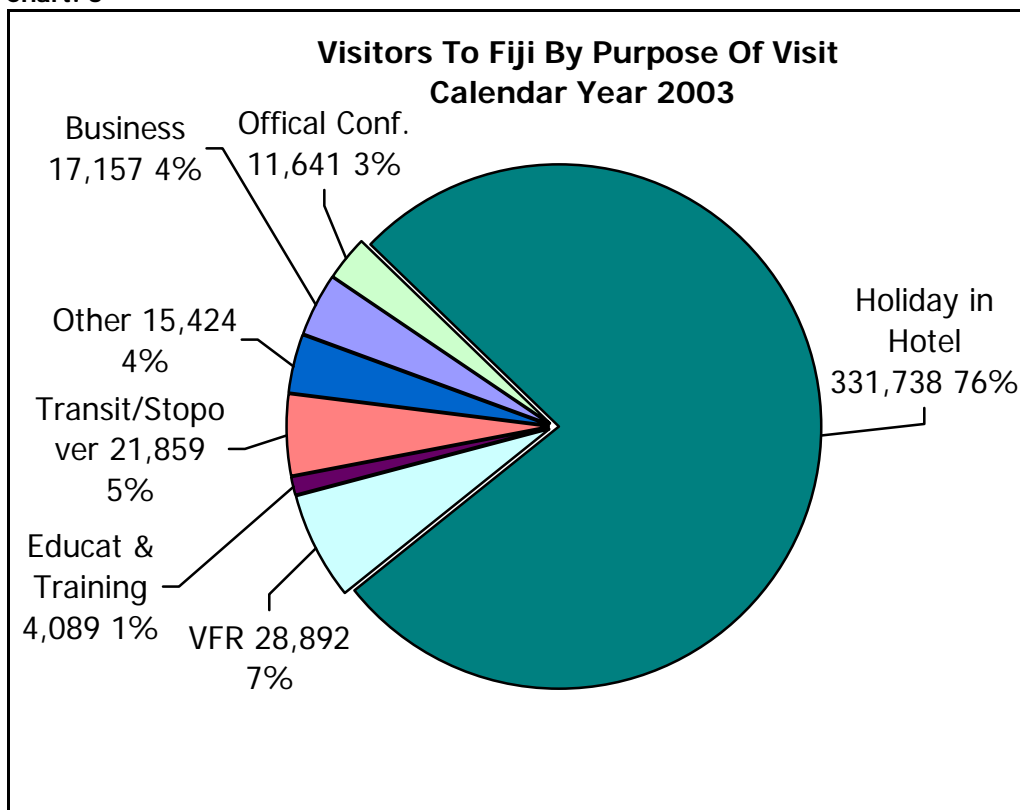
Source Markets	2002	2003	2004	% Change 2002 - 2003	% Change 2003 - 2004
Australia	115,000	141,873	128,000	7.0%	4.1%
New Zealand	69,300	75,016	76,000	5.3%	4.1%
USA	62,000	58,323	74,000	11.3%	7.2%
Canada	11,500	10,990	13,000	5.2%	7.4%
United Kingdom	37,700	49,794	44,500	8.8%	8.5%
Continental Europe	22,500	21,847	25,300	5.8%	6.3%
Japan	28,000	23,464	34,700	13.6%	9.1%
Pacific Islands	25,700	28,167	27,500	12.8%	5.2%
Others	21,300	12,946	25,000	19.4%	14.6%
Total Arrivals	393,300	430,800	448,000	8.4%	5.2%
Growth P/A	13.0%	8.3%			

Chart: 1



Source: Fiji Islands Bureau of Statistics
 Chart by GlobalBedBank

Chart: 5



Source: Fiji Islands Bureau of Statistics
 Chart by GlobalBedBank

Australia provided 32.9% of visitors to Fiji. The top 4 countries provided 75.4% of the total visitor arrivals. All countries, except Japan, showed increased visitor arrivals for the year 2003.

Seasonality

Historically, arrivals from Australia, New Zealand, and Japan have tended to peak around the middle of the year, whereas arrivals from North America and Europe are more concentrated during the October to February period when Fiji hotel occupancies are at their lowest. Therefore, Katakanga Island Resort & Spa, anticipating the majority of their guests to come from the American market, is positioned to benefit during a traditionally low occupancy period.

Fiji's peak season is from June to October, while a reduced number of arrivals are recorded during the wet season between January and April, although there is a spike in demand around Easter.

Average Length of Stay

During the first 9 months of 2004, visitors stayed for an average of 9.1 days, an increase in the 2003 figure of 8.7 days. The latest figures from the Fiji International Visitors Survey for 2003 indicate that the average length of stay for visitors was 7.7 nights in those hotels along the Coral Coast and 8.4 nights in the Mamanuca Islands. The hotels in the Nadi area have a lower average length of stay of 6.2 nights due to the number of guests who stopover near the airport on their way to/ from other parts of Fiji.

Visitors to high end island resorts traditionally stay longer because the type of client who frequents luxury resorts usually has more disposable income and therefore is not constrained as to how long they stay.

Fiji Tourist Accommodation – Supply and Demand

According to the Fiji Bureau of Statistics, the room supply in hotels, resorts and other forms of licensed lodging houses in the country totaled approximately 7654 as of December 2004.



Fiji is experiencing a shortage of hotel rooms, with a minimum of 2606 more rooms needed by 2007. Between 1993 and 2004 total room inventory in Fiji grew by 31 percent, while visitor arrivals during that same period increased by 50 percent. "There is clearly an imbalance between room supply and visitor demand," Tourism Minister, Pita Nacuva said. "The picture is clear; there is no shortage of demand for additional hotel projects in the next five years." While there are several large international hoteliers with properties under construction to meet the growing demand, currently only five hotels have more than 250 rooms.

The Fiji Bureau of Statistics does not provide any distinction between the various standards of accommodation (i.e. budget vs. luxury). Accordingly, these occupancy levels include all grades of hotel from five star luxury resorts to budget conscious backpacker style properties.

All Fiji Hotels and Resorts						
	1999	2000	2001	2002	2003	2004
Room Nights Available (Supply)	2,066,094	2,001,134	1,967,933	2,127,745	2,203,482	2,347,342
Room Nights Occupied (Demand)	1,258,615	974,357	921,203	1,183,125	1,237,234	1,439,004
% Occupancy	60.9%	48.7%	46.5%	55.6%	56.1%	63.9%

Source: Fiji Bureau of Statistics

3.2 Katafanga's Expected Position in the Market

International tourism preferences indicate an ever-increasing number of travelers who desire secluded, serene vacations on pristine tropical islands, without sacrificing outstanding facilities and fantastic service. The demand for luxury resorts, and in particular destination spa resorts, has increased exponentially in the last few years, far exceeding supply. The choice of desirable destinations offering all these amenities is limited.

Privately owned, uninhabited and beautiful, Katafanga Island is being developed to take advantage of this burgeoning demand and presents an ideal location to meld the beauty of nature with refined service and exquisite accommodations.

Katafanga Island Resort & Spa will provide a full range of five star amenities and world famous warm Fijian hospitality to attract and maintain an affluent clientele.



Luxurious well appointed accommodations, impeccable service, and exciting cuisine are necessary prerequisites for the success of the resort and will appeal to the discriminating well traveled guest.

Katafanga Island Resort & Spa is positioning its opening accommodation rates between Turtle Island Resort & The Wakaya Club in Fiji. As far as facilities and quality of product is concerned, we expect that Katafanga Island Resort & Spa will be exceptional and compare to such highly acclaimed international properties as the Four Seasons in Bali or the Aman properties.

At this point in time, a high-end product in Fiji, with the superb accommodations and amenities that will be offered at Katafanga Island Resort & Spa, is in high demand.



KATAFANGA RESORT VILLA LIVING ROOM AND LANAI WITH PRIVATE SPLASH POOL

4. Performance Forecasts

4.1 Base Trading Forecast

We have constructed a 5 year operating projection, cash flow, and balance sheet for Katafanga Island Resort & Spa wherein the various revenue items and costs are forecast at appropriate rates. The forecast is based on the assumption that whilst revenue and departmental costs vary in direct proportion to occupancy, overhead costs are mainly fixed in nature. We have allowed for inflation at 4.0% per annum throughout the forecast period. Assumptions which are presumed to be constant during the forecast period are:

- Fiji will remain a desirable tourist destination capturing its current share of world tourism;
- The ability to achieve the indicated room rate and occupancy;
- Maintaining excellent resort service and high quality levels;
- Variations in the Fiji Dollar will not adversely affect performance levels as the resort operates in USD;
- Political stability in Fiji during the forecast period;
- Economic stability in those countries from which international tourists will be sourced;
- The industrial relations environment will remain stable;
- Fiji continuing to be regularly served by international airlines; and
- Consistency and quality in management.

Periods Covered:

- Year to date from 31 December 2005 to 2009 (4 years). The 2005 year includes a 9 month construction phase, with 10 villas to be completed by December 2005 and the remaining 10 within the next six months.

4.2 Occupancy and Nett Rates *(All figures are in USD)*

Katafanga, marketed as a 5 star luxury resort, conservative projected occupancy levels:

OCCUPANCY ASSUMPTIONS		
(Seasons)		
Low	Mid	High
45%	55%	65%
Jan-April	Sept-Dec	May-Aug

The types and number of accommodation(s) offered at Katafanga Island Resort & Spa:

Category	Number	* Net rate per night (\$)
Residence	1	2000
Grand Tropical Villa	8	900
Deluxe Tropical Villa	12	700
Available room nights per year	7,665	

* The net rate per night does not include VAT of 12.5%

This will yield an average net occupancy of 65% for the forecast period. Most luxury resorts have occupancies in the 90% to 100% range. However, the Directors have conservatively forecast Katafanga's average occupancy level consistent with offshore resorts in the Mamanucas and Yasawa Islands, as shown below:

Katafanga Island Resort & Spa	65%
All Fiji Hotels 2003	67%
All Fiji Hotels 2002	47.2%
Mamanucas and Yasawa Islands 2002	55%

Average occupancy rates above include all hotels, ranging from budget motels to luxury class resorts for the years 2002 and 2003. Figures for 2004, a record breaking year are pending.

Anecdotal evidence for luxury resorts similar to Katafanga, such as Turtle Island, Vatulele Island Resort, Namale, and Wakaya Island Resort would put average occupancy at 75% to 100%.

4.3 Average Room Rate – *(All figures are in USD)*

It is generally accepted that resorts in the Luxury Resort sector achieve a revenue premium above other tourist properties in Fiji.

Details of nett room rates* are in Section 4.2 of this report. Because initially most business will be booked through wholesalers and travel agents, an average discount of 20% is expected on the room rates below.

However, it is the intention of the Directors to aggressively market the resort and operate their own GSA offices in key locations worldwide, which will enable the Company to keep the majority of commissions in house and therefore consistently increase profits.

Katafanga's commissionable rates to wholesalers are broken down as follows:

Katafanga Rates

SPA & DIVE PACKAGE

Category	Room	F&B	Spa	Dive	Total Per Couple	Total Per Person
Deluxe Tropical Villas	\$700	\$335	\$260	\$200	\$1,495	\$748.00
Grand Tropical Villas	\$900	\$335	\$260	\$200	\$1,695	\$847.50

SPA PACKAGE

Category	Room	F&B	Spa	Dive	Total Per Couple	Total Per Person
Deluxe Tropical Villas	\$700	\$335	\$260		\$1,295	\$647.50
Grand Tropical Villas	\$900	\$335	\$260		\$1,495	\$747.50

*Room rates will likely be adjusted upward to reflect market value at time of opening.

Applying the rates to the different accommodation types, the average accommodation rate is estimated to be:

Category	Bures		Days		Occupancy		Nett rate	Theoretical revenue \$000
Residence	1	x	365	x	65%	x	1,000	237
Grand Tropical	8	x	365	x	65%	x	900	1,708
Tropical Deluxe	12	x	365	x	65%	x	700	1,993
								3,938
					Discount net rate 20%			788
								3,150
					Proposed rooms sold			4,982
					Average room rate per night			\$632

Average Villa Rate

Accordingly we have estimated the AVR to be the following, commencing from project construction completion date.

	2004	2005	2006	2007+
AVR USD	\$632.00	\$657.28	\$683.59	\$710.91 (plus 4% p/a then on)

4.4 Food and Beverage Income

Average amount allocated for food and beverage income is forecast as follows:

	2004	2005	2006	2007
Food & Beverage Income POR	\$269	\$280	\$291	\$301

For the first year of the forecast period, food and beverage income is projected at \$269 POR based on an estimate of USD134 (less wholesaler discount) per guest, per day, with an average stay of 4 nights. This projection reflects a 100% caption rate of the anticipated up market clientele on the island.

4.5 Spa and Dive Revenue/Other Revenues

Spa and dive packages are the main recreational activities on the island that have either been priced as a package with villa accommodations or as a separate cost. Daily rates are priced as follows, excluding tax, and including wholesalers' discount, where applicable.

Spa	USD104.00
Dive	USD100.00

Katafanga's accommodations will be sold inclusive of spa treatments initially (dive packages extra) and as such, revenue is calculated based on total guest nights booked.

The options of spa and dive packages subsidize the relatively conservative room rates, giving this resort the unique ability to be profitable with a very low occupancy level.

Spa and dive revenues are forecast to be approximately 23% of total revenues compared to room revenues at 39% of total revenues.

Other revenues from commissions, Internet, and other sources are forecast not to exceed 1% of total revenues. If the boutique and fishing earnings are included, this figure should increase to 5% of total revenue. The resort, as part of its future strategic direction, will consider the option of fully packaged weddings as a separate business unit.

4.6 Departmental Costs

Accommodation Department

Most boutique resorts have traditionally controlled accommodation department expenses between 12% and 16% of sales. In Katafanga's case this is forecast at 15% of lodging sales excluding guest transportation costs. Guest transportation costs are expected to be recovered at cost. This equates to approximately USD108 POR, which is consistent with other exclusive island resorts.

For the purposes of the performance forecast, a rate of approximately 15% of accommodation sales has been used.

Food and Beverage Costs

In line with the return on food and beverage income, food and beverage costs will fluctuate correspondingly.

For the purposes of the performance forecast, we have adopted a cost rate of 70% for total expenses of food and beverage sales with key major cost bench marks as:

Cost of food	40% of total sales
Cost of beverages	40% of beverage sales
Salaries & Wages	15% of total sales
Barge & freight expenses	6.5% of total sales

Spa and Dive Activities

Costs of spa and dive activities are forecast at 30% of spa and dive sales with the major costs being salaries & wages, diving equipment and spa supplies. This is a high profit margin area of sales revenue with the majority of infrastructure expense already invested in the resort construction process.

4.7 Overhead

Administration and General Expenses

Administration and general expenses are estimated at a consistent rate of 13%, declining to 10% of total sales by 2007, due to increased net sales growth and an inflation factor of 4.0%. Major components of administration costs are the General Manager salary package, Suva Office expenses, telephone expense from telephone sales, and travel expenses for Directors.

Sales and Marketing

Sales and marketing costs vary according to contract. However, sales and marketing costs are expected to be consistent at approximately 6.5% of revenue during the forecast period. Marketing costs anticipate the expense of establishing a permanent sales office in the United States.

Energy Costs

The cost of providing electricity, gas and water for the forecast period is estimated at an average of 4% of revenue, which is consistent with the cost of most island resorts.

Property Operations, Repairs and Maintenance

Our estimate for repairs and maintenance costs are at 3.0% of revenue for the forecast period due to the new nature of the infrastructure, requiring less repairs and lower maintenance expenditures.

Ownership and Other Expenses

Insurance expense reflects increased premiums following the September 11 terrorist attacks in the United States and is forecast at 3 - 4% of total sales, to be constant from 2005.

Lease rental is a function of the lease agreement with the lease ownership entity receiving \$50,000.00 USD P/A plus 12.5% (negotiable) of gross revenue, excluding transportation income.

4.8 Depreciation and Interest

For the purposes of the forecast, we have conservatively projected depreciation to cost 5% of the purchase price of fixed assets. The majority of projected capital expenditure will be building related, which should be depreciated over the useful life of the asset, estimated at 40 years (2.5% per annum). The Directors, having decided to preserve the value of the assets, have allowed capital replacements to equal depreciation, this being twice the normal wear and tear allowance.

Interest is a function of the level of borrowing and will reduce progressively based on the declining principal balance. It is expected that all shareholder advances in excess of capital will be paid at a rate of 9% per annum. In the event of a complete buy out, any shareholder advances would be cancelled and not subject to repayment.

4.9 Taxation

As KIRS will have a 10 year tax concession, income tax is not expected to be a factor in after tax earnings. All other associated entities such as IGCL, Air Katafanga and Islander Shipping will be trading at a tax neutral position from an income tax point of view. Key withholding taxes to be paid from remittances to shareholders are estimated at:

Lease costs	15%
Interest withholding tax	15%
Profit after tax	15%

4.10 Balance Sheet Items

Balance Sheet indicators are forecast at::

	Time Frame	Capex Investment rate
Capital Expenditure	2006 forecast period 2005 to 2008 forecast period	- 50% of depreciation - equivalent to depreciation
Working Capital	Receivables – 37 days Payables – 50% of receivables Other receivables – constant Inventories – 70 days of F&B cost of sales	
Shareholder Advances	Shareholder advances will be payable at 9% interest and will be fully paid in 2008 (applicable only in the event of a funding transaction other than a purchase).	
Dividends	Dividends will be paid at the rate of 75% of after tax profits from the year 2006 to year 2010.	
Capital	Capital at the commencement of the project is 1,000,000 ordinary \$1 Fiji shares which for the purposes of the forecast is converted at USD50 cents per \$.	
Shareholder Advances	Non-interest bearing shareholder advances will be repayable at such time cash flows allow. It is envisaged that repayments will commence in 2006 and will be paid at the rate of USD500, 000.00 per annum.	



Villa "A" and Main Complex Entry

4.11 Summary Forecast Position

The resulting financial forecast is summarized as follows:

PROFIT AND LOSS

Period ending 31 December in USD'000

	2005	2006	2007	2008	2009
Occupancy	51%	65%	65%	65%	65%
Average room rate	\$632.00	\$657.00	\$684.00	\$711.00	\$739.00
Room rate growth	(-)	4%	4%	4%	4%
REVENUE					
Rooms & Transportation	2,746	4,769	4,900	5,037	5,178
Food and Beverage	792	1,393	1,449	1,506	1,567
Spa & Dive	1,202	2,032	2,032	2,032	2,032
Others	93	164	170	1,701	184
TOTAL REVENUE	4,833	8,359	8,552	8,753	8,962
GROSS INCOME					
Rooms & Transportation	1,838	3,213	3,322	3,435	3,552
Food and Beverage	232	409	425	442	460
Spa & Dive	841	1,423	1,423	1,423	1,423
Others	75	132	138	143	149
TOTAL GROSS INCOME	2,987	5,177	5,307	5,443	5,584
UNDISTRIBUTED OPERATING EXPENSES					
Administration and General	614	851	885	921	958
Sales and Marketing	304	525	537	550	563
Energy Costs	193	334	342	350	358
Repairs and Maintenance	217	376	385	394	403
TOTAL EXPENSES	1,329	2,087	2,150	2,215	2,282
GROSS OPERATING PROFIT	1,659	3,090	3,157	3,228	3,301
FIXED EXPENSES	285	510	520	531	543
EBITDA	1,373	2,580	2,637	2,696	2,758
Interest	34	45	-	-	-
Depreciation	431	586	607	637	667
Abnormals	-	50	50	50	50
	465	681	657	687	717
Profit before tax	908	1,899	1,980	2,010	2,041

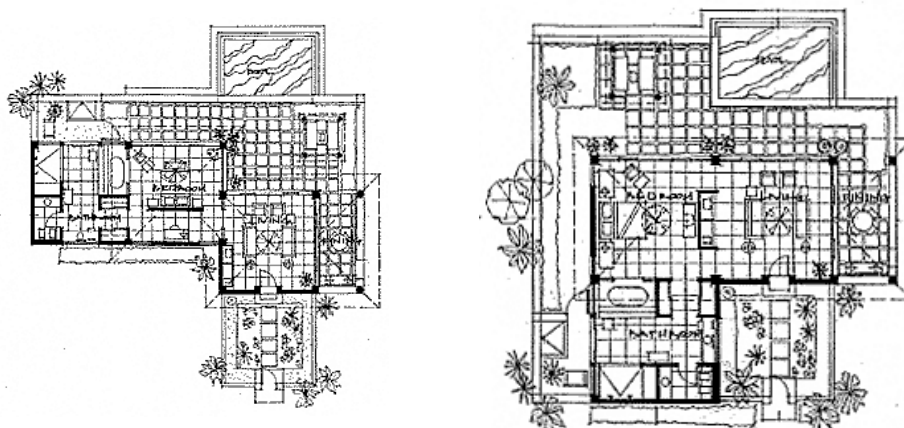
Note: 2005 results are affected due to proposed construction program.

CASH FLOW

	2005	2006	2007	2008	2009
Operating Cash flow	944	2,304	2,573	2,631	2,693
Capital expenditure	(215)	(431)	(586)	(607)	(637)
Cash flow for valuation	729	1,873	1,987	2,024	2,056
Interest paid	(34)	(45)	-	-	-
Cash available for debt reduction	696	1,829	1,987	2,024	2,056
Shareholder advance principal repayment	-	-	(1,000)	(500)	(500)
Dividends paid	-	-	(1,485)	(1,507)	(1,531)
Change in cash	696	1,829	(498)	17	25
Opening cash	1,000	1,696	3,524	3,026	3,043
Closing cash	1,696	3,524	3,026	3,043	3,068

BALANCE SHEET

	2005	2006	2007	2008	2009
Net working capital	(73)	153	667	682	698
Cash	1,696	3,524	3,026	3,043	3,068
	1,623	3,677	3,693	3,725	3,766
Property, plant & equipment	11,284	11,130	11,108	11,079	11,048
Net non current assets	11,284	11,130	11,108	11,079	11,048
Net Assets	12,907	14,807	14,801	14,804	14,814



KATAFANGA VILLA FLOOR PLANS A and B

4.12 Scenario Analysis

The following analysis reflects operating financials at various levels of occupancy.

KATAFANGA ISLAND RESORT SCENARIO ANALYSIS										
2005 Base Year	Occupancy	Sales \$	Gross Op Inc \$	GOP \$	Profit Before Tax \$	Op Cash Flow \$	Total assets \$	S/Funds \$	ROA	RONA
Occupancy 45%	45%	5,786	3,584	2,065	1,016	1,063	14,252	13,463	7.13%	7.90%
Occupancy 50%	50%	6,429	3,982	2,321	1,236	1,266	14,620	13,799	8.46%	9.18%
Occupancy 55%	55%	7,072	4,380	2,577	1,457	1,468	14,988	14,135	9.73%	10.39%
Occupancy 60%	60%	7,715	4,778	2,833	1,678	1,670	15,356	14,471	10.93%	11.55%
Occupancy 65%	65%	8,358	5,176	3,089	1,899	1,873	15,725	14,807	12.08%	12.65%
Break even	25%	3,215	1,991	1,040	133	255	12,780	12,119	1.04%	2.10%

5. Contact Information

The Owners of the project are open to discussions related to the investment in this project. All arrangements to visit the island can be made through the Managing Directors however all costs associated with the interested parties due diligence and research shall be born by the interested party.

Written expressions of interest may be forwarded to the address below or the principals may be contacted via email or fax:

Mail to: The Islander Group of Companies
PO Box 11614
Suva, Fiji Islands

Telephone: (679) 330 7333

Mobile: (679) 990 8690

Facsimile: (679) 330 7334

E-Mail: john@katafanga.com / fiji@connect.com.fj

Web Site: www.katafanga.com

Should you *not* wish to proceed further, please return this copy of the Memorandum to the office of IGCL together with a confirmation that no copies of the Memorandum have been retained or distributed to third parties.

6. Important Note

The information contained within this Information Memorandum has been prepared for IGCL. Whilst the information is believed to be correct, it has not been verified and nor the financial data been subject to any audit. Accordingly, neither IGCL nor its financial advisors express any opinion on the contents of the Memorandum or accept any responsibility to any party for errors, whether of fact or opinion, contained herein including any liability for negligence.

Recipients of this memorandum are referred to the terms contained in the Confidentiality Agreement they have executed, a copy of which is to be returned together with this Memorandum. Without limiting the general application of those provisions, Recipients are reminded that the Memorandum is provided solely for the purposes of assisting parties interested in this investment opportunity and as such the information is not permitted to be used for any other purpose. These provisions extend to any employees and/ or third parties assisting with inquiries.

Whilst IGCL's advisors will be pleased to assist prospective purchasers with any queries, it should be noted that they have no authority to negotiate on behalf of IGCL or enter into any contractual arrangements, whether binding or not, which may be contemplated by this invitation to treat.



Katafanga Island Resort & Spa Villa Courtyard Entry

“Fiji ~ Voted the world's friendliest destination by Conde Nast Traveller Online Readers Awards 2002”