



# JUSTIFICATION OF MOTEL DEVELOPMENT

FAMILY First in Hospitality

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Version 19

**Note: All figures quoted below exclude GST unless labelled "Inc. GST"**

Prepared For: Construction Company and associated Bank

Build Date: 30/10/2009

Motel: A new motel I have assessed in Country NSW

Print Date: 16/03/2010

Report based on a 4 AAAT star rating.

This Justification Report uses "Industry Averages" to substantiate the capitalised worth of a motel and compares it with construction estimated costs using Industry Benchmarks.

The report offers three assessments as set out below for you to compare.

If you have commissioned me to prepare these reports I attach an additional explanation of the key findings in all report groups. Thank you, Russ Dodson.

Page 1.

## 1. Capitalised Value based on estimated overnight room revenue to be obtained:

Number of Rooms:	30	<b>Typical Freehold Business based on revenue earned: (Capitalisation)</b>	
Estimated Occupancy:	67%	Trying for an average room rate excluding GST of:	\$129.50
Operating Expenses:	44.0%	<b>Average room rate inc. GST Check matching box below</b>	<b>\$142.45 &lt;&lt;&lt;&lt; &lt;</b>
Adjusted Net FH Profit:	56.0%	Maximum occupancy revenue based on above rates:	\$1,418,025
<b>Leasehold Business:</b>		Current Occupancy:	67.0%
Rental @ 47.5%	\$265,859	<b>Note, Break-even occupancy is:</b>	<b>38.4%</b>
Net Profit after rent:	\$293,844	Add Breakfast Revenue	\$31,255 3.1%
Yield of: 29.0%		Add Restaurant Revenue	\$0 0.0%
<b>Capitalised Value:</b>	<b>\$1,013,255</b>	Add Bar Revenue	\$0 0.0%
<b>Value of Freehold INV:</b>	<b>\$3,210,917</b>	Add Phone, Function, Mini bar & Other Revenue	\$17,539 1.8%
Rental Return:	\$265,859	Total Income	<b>\$998,871 100%</b>
Net Return on INV:	8.3%	Less: Operating Expenses	\$439,168 44.0%
Note: Building Depreciation not included		Adjusted Net Profit Percentage	<b>56.03%</b>
			<b>\$559,703 56.0%</b>
		<b>Accepted Industry Yield</b>	<b>13.25%</b>
		<b>Capitalised Price inc Land</b>	<b>\$4,224,172</b>

**Break-even** The revenue required for this motel to break-even is \$573,375 which is 60% of the nominated income \$998,871 this includes interest of \$150,000  
 If the break-even income amount exceeds 80% of the estimated income - seek professional assistance before commencing the development.

## 2. Return on estimated construction costs:

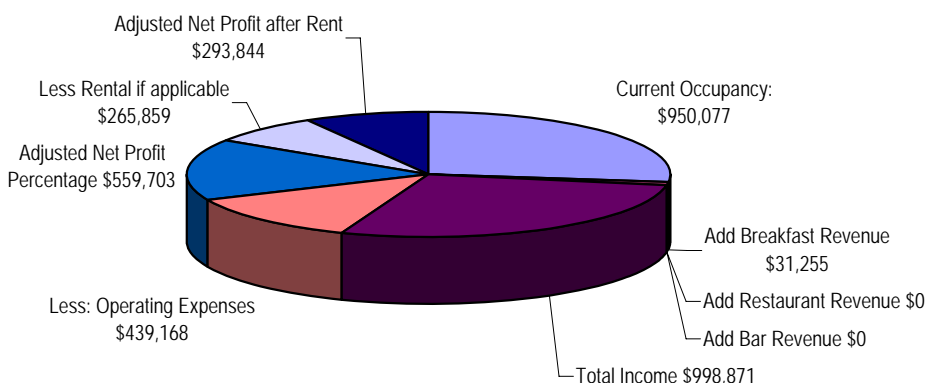
<b>New Construction</b> without allowing for any demolition		<b>Assessed Construction Cost</b>	
\$1,461 per square metre - building cost.		Construction Cost:	\$2,921,905 67%
\$293 per square metre - fit out cost		Land including Landscaping	\$590,000 13%
<b>Construction Cost per room</b>	\$97,396.83	Cost of motel inc. land:	\$3,511,905 80%
Land Cost per room	\$19,666.67	Fit out:	\$571,225 13%
Fit out per room (Ref: Inclusion Work Sheet)	\$19,040.85	Acquisition & Development:	\$294,245 7%
Construction & Professional Fees:	\$9,808.15	<b>Total Cost of Motel:</b>	<b>\$4,377,375 100%</b>
<b>Total Cost of Motel per room:</b>	<b>\$145,912.50</b>	<b>Total Cost inc. GST:</b>	<b>\$4,815,112</b>
<b>Areas of Motel Development:</b>	Assessed	Building Depreciation Ex GST	\$116,876 4%
Motel Total Room Area 1947 m2	Construction	<b>Equivalent room rate required on construction cost</b>	
Admin Block 0 m2	Cost Exc Land	13.25% Yld = Net Profit	\$580,002 59%
Games Room 0 m2	\$3,416,130	56% is the net profit % ratio of Turnover.	
Stair Ways & Corridors 0 m2 +L/Scp	\$77,000	On this % room turnover is	<b>\$984,534 100%</b>
Verandahs total 0 m2 +Res	\$0	Average Room Rate will be	\$134.20
Total 1947 m2	\$3,493,130	<b>Room Rate Inc. GST</b>	<b>\$147.62 Check &lt;</b>
		Based on occupancy of:	67%

For you to assess if your nominated room rate is achievable check the turnover figures highlighted green

## 3. How you would perceive the motel to trade in 3 years time:

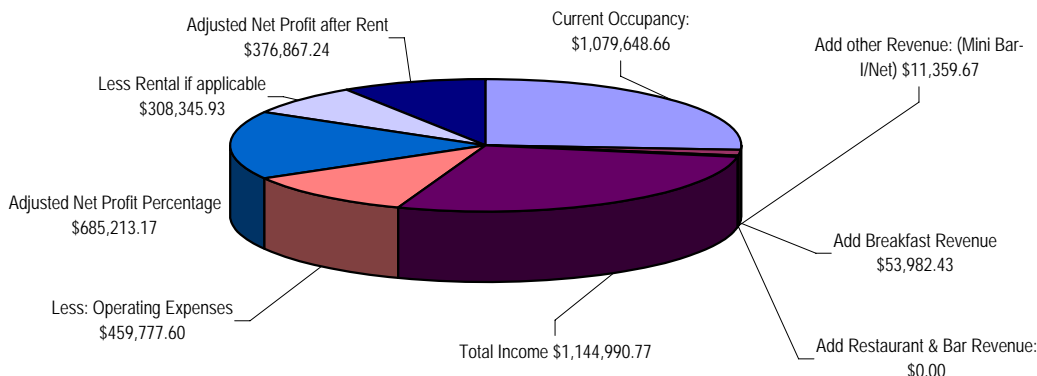
Number of Rooms	30	<b>Value Freehold Business: (Capitalisation Method)</b>	
<b>Value of Leasehold Business:</b>		Assessed Average room rate excluding GST	\$148.20
Rental of FH Net 45%	\$308,346	<b>Average room rate including GST</b>	<b>\$163.02</b>
Net Profit after rent:	\$376,867	Maximum occupancy revenue based on above rates:	\$1,622,810
Yield of: 29%		66.5% Occupancy	\$1,079,649 94%
<b>Capitalised Value:</b>	<b>\$1,299,542</b>	Add Breakfast Revenue:	5.00% \$53,982 5%
<b>Value of Freehold INV:</b>	<b>\$3,776,111</b>	Add Restaurant & Bar Revenue:	0.00% \$0 0%
Rental Return:	\$308,346	Add other Revenue: (Mini Bar-I/Net)	0.70% \$11,360 1%
<b>Net Return on INV:</b>	<b>8.17%</b>	<b>Total Income</b>	<b>\$1,144,991 100%</b>
CPI Increment 1.3% Average		Operating Expenses	\$459,778 40%
Depreciation Allowance \$136,645		Adjusted Net Profit Percentage	<b>59.84%</b>
			<b>\$685,213 60%</b>
		<b>Accepted Industry Yield</b>	<b>13.50%</b>
		<b>Capitalised Price inc Land</b>	<b>\$5,075,653</b>

### Actual or starting assessment



Actual or starting assessment		
Current Occupancy:	\$950,076.75	95%
Add Breakfast Revenue	\$31,254.92	3%
Add Restaurant Revenue	\$0.00	0%
Add Bar Revenue	\$0.00	0%
<b>Total Income</b>	<b>\$998,870.88</b>	<b>100%</b>
Less: Operating Expenses	\$439,168.08	44%
<b>Adjusted Net Profit Percentage</b>	<b>\$559,702.80</b>	<b>56%</b>
Less Rental if applicable	\$265,858.83	27%
<b>Adjusted Net Profit after Rent</b>	<b>\$293,843.97</b>	<b>29%</b>

### Situation after three years trading



Under management for 3 years		
Current Occupancy:	\$1,079,648.66	94%
Add Breakfast Revenue	\$53,982.43	5%
Add Restaurant & Bar Revenue:	\$0.00	0%
Add other Revenue: (Mini Bar-I/Net)	\$11,359.67	1%
<b>Total Income</b>	<b>\$1,144,990.77</b>	<b>100%</b>
Less: Operating Expenses	\$459,777.60	40%
<b>Adjusted Net Profit Percentage</b>	<b>\$685,213.17</b>	<b>60%</b>
Less Rental if applicable	\$308,345.93	27%
<b>Adjusted Net Profit after Rent</b>	<b>\$376,867.24</b>	<b>33%</b>

This report has been compiled on information received from the building industry and motel benchmark figures collected over the past 15 years. The report can only be used as a guide to establish a preliminary assessment of viability comparing the three scenarios set out above. Always seek independent advice before applying these assumptions.

**Disclaimer:**

The computer projections listed above simply illustrate the outcome calculated from the input values and assumptions contained in the model. Therefore the figures can be varied as required and are in no way intended to be a guarantee of future performance. The information is provided in good faith, it is also given on the basis that no person using the information, in whole or part, shall have claim against Family First in Hospitality, its employees or consultants.



# Family First in Hospitality

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Build Date 30/10/2009

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ALL FIGURES BELOW ARE IN CURRENT YEAR

## Assessment of a Typical New Motel Five Year Projection

Print Date 16/03/2010

Motel: A new motel I have assessed in Country NSW

All Figures are excluding GST unless nominated to include GST

Occupancy	63.4%	64.9%	66.5%	68.3%	70.1%
Tariff Increase		9.2%	4.8%	3.9%	3.6%

Current Year ending:	30/06/2009	%	2009	2010	2011	2012	2013
<b>INCOME:</b>		<b>of T/O</b>	<b>AMOUNT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
Accommodation		94.9%	899,447	1,005,423	1,079,649	1,152,105	1,225,023
Breakfast		3.3%	31,255	34,130	35,769	37,164	38,501
Phone/Fax/Broadband & Sundry		0.3%	9,894	10,804	11,323	11,764	12,188
Mini Bar	Licensed? No	0.8%	7,645	8,349	8,749	9,091	9,418
Restaurant		0.0%	0	0	0	0	0
Bar		0.0%	0	0	0	0	0
Functions		0.0%	0	0	0	0	0
<b>TOTAL:</b>		<b>100%</b>	<b>948,241</b>	<b>1,058,707</b>	<b>1,135,489</b>	<b>1,210,123</b>	<b>1,285,130</b>

LESS: COST OF PURCHASES								
Breakfasts	Cost: % of food	25.0%	0.8%	7,814	8,533	8,942	9,291	9,625
Phone/Broadband	over sales price	1.0%	0.0%	99	108	113	118	122
Mini Bar		38.0%	0.3%	2,905	3,172	3,325	3,454	3,579
Restaurant Food		0.0%	0.0%	0	0	0	0	0
Bar & Beverages		0.0%	0.0%	0	0	0	0	0
Function cost		0.0%	0.0%	0	0	0	0	0
<b>TOTAL PURCHASES:</b>			<b>1.1%</b>	<b>10,818</b>	<b>11,813</b>	<b>12,380</b>	<b>12,863</b>	<b>13,326</b>
<b>GROSS PROFIT:</b>			<b>98.9%</b>	<b>937,423</b>	<b>1,046,893</b>	<b>1,123,109</b>	<b>1,197,260</b>	<b>1,271,804</b>

LESS: ADVERTISING & MARKETING:							
Advertising		1.5%	14,224	13,532	14,182	14,735	15,265
Brochures		0.2%	1,896	0	2,086	0	0
Special Marketing		0.0%	0	0	0	0	0
NRMA/GoStay Books		0.1%	948	1,035	1,085	1,128	1,168
<b>Total Advertising &amp; Marketing</b>		<b>1.8%</b>	<b>17,068</b>	<b>14,568</b>	<b>17,353</b>	<b>15,862</b>	<b>16,433</b>

ADMINISTRATIVE & OVERHEADS:								
Amounts shown in red are "ADD-Backs" that are accepted in the Industry.								
Accountancy & Legal Fees		0.5%	4,890	4,988	5,088	5,189	5,293	
Advertising & Marketing		1.8%	17,068	14,568	17,353	15,862	16,433	
Bank Charges		0.3%	2,650	2,894	3,033	3,151	3,264	
Cable TV (Austar)		0.8%	7,560	7,711	8,081	8,397	8,699	
Chain Fees		0.0%	0	0	0	0	0	
Cleaning Chemicals inc Contracts		0.8%	7,825	8,545	8,955	9,304	9,639	
Commissions to Internet Booking Agents		2.7%	25,603	26,115	26,637	27,170	27,713	
Compliance with Ordinances		0.1%	569	580	592	604	616	
Computer & System Costs		0.2%	2,160	2,203	2,247	2,292	2,338	
Consumables for rooms per night	\$1.10	0.8%	7,640	8,343	8,743	9,084	9,411	
Credit Card Charges	1.2% to 2%	1.2%	11,379	12,426	13,022	13,530	14,017	
Electricity, Gas & Oil		4.1%	38,878	42,455	44,492	46,228	47,892	
Freight		0.0%	250	273	286	297	308	
Ground & Pool Maintenance	(No Pool)	0.2%	1,760	1,922	2,014	2,093	2,168	
Insurance - General		0.8%	7,950	8,049	8,150	8,252	8,355	
Insurance - Workers Comp		1.1%	10,245	10,373	10,502	10,634	10,767	
Internet Costs		0.2%	1,688	1,843	1,932	2,007	2,079	
Interest	(Interest during construction not included)	15.8%	150,000	150,000	150,000	150,000	150,000	
Laundry Chemicals		0.3%	2,845	3,106	3,256	3,383	3,504	
Laundry Linen Hire		2.4%	23,226	25,363	26,580	27,617	28,611	
Lease & Hire Payments		0.0%	0	0	0	0	0	
Licenses & Subscriptions		0.2%	1,480	1,510	1,540	1,571	1,602	
Motor Vehicle & Travelling (Token Amount)		0.3%	3,000	3,000	3,000	3,000	3,000	
Pest Control		0.2%	2,150	2,193	2,237	2,282	2,327	
Postage, Printing, Stationery, Papers		0.3%	2,845	3,106	3,256	3,383	3,504	
Rates, Water & Land Tax		1.1%	10,900	11,031	11,163	11,297	11,433	
Replacements, R&M		5.0%	47,412	48,360	49,328	60,506	61,716	
Security		0.2%	1,900	1,938	1,977	2,016	2,057	
Sundry Costs		0.5%	5,000	5,100	5,202	5,306	5,412	
Superannuation - Staff		2.1%	20,000	21,840	22,889	23,781	24,638	
Telephone & Fax		1.4%	13,275	14,497	15,193	15,785	16,353	
Wages Employees		14.1%	133,610	139,756	146,465	152,177	157,655	
Wages Manager		8.2%	78,000	79,950	81,949	83,997	86,097	
Management Incentives		0.0%	0	13,800	13,973	14,147	14,324	
Waste Removal		0.1%	948	967	987	1,006	1,026	
<b>TOTAL EXPENSES:</b>		<b>68.0%</b>	<b>644,706</b>	<b>678,805</b>	<b>700,119</b>	<b>725,347</b>	<b>742,253</b>	
<b>ACTUAL FREEHOLD NET PROFIT:</b>		<b>30.9%</b>	<b>292,717</b>	<b>368,088</b>	<b>422,990</b>	<b>471,913</b>	<b>529,551</b>	
Add-Backs (Inc W.C. & Super for Manager)		25.2%	238,616	254,366	256,537	258,760	261,037	
<b>ADJUSTED FREEHOLD NET PROFIT</b>		<b>56.0%</b>	<b>531,333</b>	<b>622,454</b>	<b>679,527</b>	<b>730,673</b>	<b>790,588</b>	
Net Profit shown as a % of Turnover			56.03%	58.79%	59.84%	60.38%	61.52%	
LESS RENT:	CPI of	1.34%	26.6%	\$252,383	\$255,767	\$259,196	\$262,671	\$266,192
<b>ADJ. L/HOLD NET PROFIT After Rent:</b>			<b>29.4%</b>	<b>\$278,950</b>	<b>\$366,687</b>	<b>\$420,331</b>	<b>\$468,003</b>	<b>\$524,396</b>
Rent as a % of Freehold Net Profit			47.5%	41.1%	38.1%	35.9%	33.7%	
<b>Value of Freehold Business:</b>	Yield:	13.25%	\$4,010,062	\$4,697,768	\$5,033,535	\$5,412,396	\$5,856,207	
<b>Value of Leasehold Business:</b>	Yield:	29.00%	\$961,896	\$1,264,440	\$1,449,419	\$1,613,803	\$1,808,261	

Tax Benefits Available to Freehold Business							
Adjusted Freehold Net Profit less Interest			\$381,333	\$472,454	\$529,527	\$580,673	\$640,588
Depreciation Building at 4%	12.3%		\$116,876	\$116,876	\$116,876	\$116,876	\$116,876
Depreciation Plant Fixtures Fittings	8.4%		\$79,972	\$71,974	\$64,777	\$58,299	\$52,469
<b>Total</b>	20.8%		<b>\$196,848</b>	<b>\$188,851</b>	<b>\$181,653</b>	<b>\$175,175</b>	<b>\$169,346</b>
<b>Adjusted Taxable Income (Freehold)</b>			<b>\$184,485</b>	<b>\$283,604</b>	<b>\$347,874</b>	<b>\$405,498</b>	<b>\$471,242</b>

Motel Details	
1st Year Only	
No. of Rooms	30
Rooms Occ.	6946
Occupancy	63%
Room Tariff	\$129.50
Inc. GST	\$142.45
Brkfst per Room	\$12.50
Inc. GST	\$13.75
Sales %	36%

Add Backs	
Dep. Building	\$116,876.20
Dep. PFF	\$79,971.57
Interest	\$150,000.00
Wages Mngr	\$78,000.00
Incentives	\$0.00
<b>Total</b>	<b>\$424,847.77</b>

Wage Break-up		of T/O
<b>Management</b>	<b>\$78,000.00</b>	<b>8.2%</b>
Relief	\$14,400.00	1.5%
Grounds-Pool	\$0.00	0.0%
Reception	\$26,983.41	2.8%
Housekeeping	\$71,955.76	7.6%
Breakfasts	\$1,798.89	0.2%
Laundry	\$15,288.00	1.6%
Restaurant/Bar	\$0.00	0.0%
Function	\$0.00	0.0%
<b>Total</b>	<b>\$222,226.06</b>	<b>23.4%</b>

Add Back		
Manager	\$78,000.00	8.2%
W.C. & Super	\$10,615.80	1.1%
Gross Wages	\$133,610.26	14.1%

Capitalised Value	
Freehold	\$4,010,062
Value/Unit	\$133,669

Construction Cost		
Const Cost m2	\$1,461	
Cost per Unit	\$91,771	
Building Cost	\$2,844,905	65%
Plant F & Fittings	\$571,225	13%
Grounds, Signs	\$77,000	2%
Land	\$590,000	13%
Total Build	\$4,083,130	93%
DA Costs	\$294,245	7%
All up Costs	\$4,377,375	100%

Interest during Construction	
Make allowance for this interest which has not been included in the first year of expenses.	\$40,500

Mortgage Details	
Maximum loan available	70% of Capitalised
Value:	\$2,807,043
Interest Rate	8.00%
Total Loan:	\$1,875,000
R&M 5 yrs	\$ 267,322

Restaurant Profitability		of T/O
Total Sales	\$0	100%
Food Costs	\$0	0%
Gross Profit	\$0	0%
Labour	\$0	0%
Net to Food	\$0	0%

Profit & Loss Overview		of T/O
Income	\$948,241	100%
Purchases	\$10,818	1.1%
Gross profit	\$937,423	98.9%
Marketing	\$17,068	1.8%
Expenses	\$644,706	68.0%
FH Profit	\$292,717	30.9%
Add Backs	\$238,616	25.2%
Adj. Net Profit	\$531,333	56.0%
Rent if L/hold	\$252,383	26.6%
Net After Rent	\$278,950	29.4%

Prepared by:	Russ Dodson
Version:	19
Date:	30/10/2007

(Income before Tax)

## A new motel I have assessed in Country NSW

Number of Rooms: 30

Date: 30/10/2009

Based on external laundry service for all linen.

General Items	QTY	PRICE	GST	Inc GST	Ex GST
Queen Bed head Timber Veneer finish	30	\$ 332.00	\$ 996.00	\$ 10,956.00	\$ 9,960.00
Hotel Luxury Queen Bed Ensemble	30	\$ 675.00	\$ 2,025.00	\$ 22,275.00	\$ 20,250.00
Doona Cover and Doona	0	\$ 150.00	\$ -	\$ -	\$ -
Valances	0	\$ 65.00	\$ -	\$ -	\$ -
Bed Spreads Queen	30	\$ 264.00	\$ 792.00	\$ 8,712.00	\$ 7,920.00
Blankets Queen - Wool (+ spare in cupboard)	90	\$ 80.00	\$ 720.00	\$ 7,920.00	\$ 7,200.00
Blankets Queen - Cotton	0	\$ 40.00	\$ -	\$ -	\$ -
Pillows 700gms Dacron Fill for Queen beds (inc spare)	120	\$ 9.90	\$ 118.80	\$ 1,306.80	\$ 1,188.00
Mattress Protectors Queen (+ 25% on hand)	38	\$ 12.35	\$ 46.31	\$ 509.44	\$ 463.12
Single Bed Head Timber Veneer Finish	30	\$ 277.00	\$ 831.00	\$ 9,141.00	\$ 8,310.00
Single Bed	30	\$ 370.00	\$ 1,110.00	\$ 12,210.00	\$ 11,100.00
Bed Spreads Single	30	\$ 165.00	\$ 495.00	\$ 5,445.00	\$ 4,950.00
Blankets Single - wool (+ spare in cupboard)	90	\$ 60.00	\$ 540.00	\$ 5,940.00	\$ 5,400.00
Blankets Single - cotton (+ spare in cupboard)	0	\$ 25.00	\$ -	\$ -	\$ -
Mattress Protectors Single	30	\$ 10.35	\$ 31.05	\$ 341.55	\$ 310.50
Pillows 700gms Dacron Fill for Single beds (inc spare)	60	\$ 9.90	\$ 59.40	\$ 653.40	\$ 594.00
Trundle Beds (Made up)	16	\$ 450.00	\$ 720.00	\$ 7,920.00	\$ 7,200.00
Cot (Made up)	8	\$ 185.00	\$ 148.00	\$ 1,628.00	\$ 1,480.00
Towels, Bathmats, Face Washers (per sleeping space + 1)	120	\$ 22.00	\$ 264.00	\$ 2,904.00	\$ 2,640.00
Bedside Table Timber finish Powdered Coated Steel Frame	60	\$ 270.00	\$ 1,620.00	\$ 17,820.00	\$ 16,200.00
Armchair	30	\$ 288.00	\$ 864.00	\$ 9,504.00	\$ 8,640.00
Coffee Table	30	\$ 192.00	\$ 576.00	\$ 6,336.00	\$ 5,760.00
Dining Chair	90	\$ 48.00	\$ 432.00	\$ 4,752.00	\$ 4,320.00
Wall Mounted Luggage Rack	30	\$ 245.00	\$ 735.00	\$ 8,085.00	\$ 7,350.00
2 seater Sofa Powder coated base	6	\$ 880.00	\$ 528.00	\$ 5,808.00	\$ 5,280.00
Blinds or similar	0	\$ 175.00	\$ -	\$ -	\$ -
Sheer Drapes	64	\$ 315.64	\$ 2,020.10	\$ 22,221.06	\$ 20,200.96
Blockout Drapes to suit	64	\$ 854.90	\$ 5,471.36	\$ 60,184.96	\$ 54,713.60
Bathroom Mirror 600 x1000	30	\$ 165.20	\$ 495.60	\$ 5,451.60	\$ 4,956.00
Timber Floor Lamp and Parchment Shade	30	\$ 325.00	\$ 975.00	\$ 10,725.00	\$ 9,750.00
LCD 26" TV wall mounted (Digital)	10	\$ 840.00	\$ 840.00	\$ 9,240.00	\$ 8,400.00
LCD TV Wall Bracket	10	\$ 88.00	\$ 88.00	\$ 968.00	\$ 880.00
51cm television with hotel lock	20	\$ 220.00	\$ 440.00	\$ 4,840.00	\$ 4,400.00
TV Wall Bracket	20	\$ 35.00	\$ 70.00	\$ 770.00	\$ 700.00
DVD Player	30	\$ 190.00	\$ 570.00	\$ 6,270.00	\$ 5,700.00
Kettle	30	\$ 25.00	\$ 75.00	\$ 825.00	\$ 750.00
Toaster (2 Slice)	30	\$ 25.00	\$ 75.00	\$ 825.00	\$ 750.00
Iron, Steam & Dry	30	\$ 25.00	\$ 75.00	\$ 825.00	\$ 750.00
Ironing board with scorchgard cover	30	\$ 40.00	\$ 120.00	\$ 1,320.00	\$ 1,200.00
84L bar fridge	30	\$ 270.00	\$ 810.00	\$ 8,910.00	\$ 8,100.00
Water Tumblers per sleeping space, Water Jugs,	30	\$ 12.00	\$ 36.00	\$ 396.00	\$ 360.00
Hair dryer	30	\$ 22.00	\$ 66.00	\$ 726.00	\$ 660.00
Clock radio	30	\$ 15.00	\$ 45.00	\$ 495.00	\$ 450.00
Waste Paper Baskets	30	\$ 9.90	\$ 29.70	\$ 326.70	\$ 297.00
10L Toilet Tidy Flat Lid White	30	\$ 9.95	\$ 29.85	\$ 328.35	\$ 298.50
Consumables, Soap, Shampoo, Tea, Coffee & Sugar	30	\$ 4.60	\$ 13.80	\$ 151.80	\$ 138.00
<b>Total of General Items</b>		<b>\$ 8,792.69</b>	<b>\$ 25,996.97</b>	<b>\$ 285,966.65</b>	<b>\$ 259,969.68</b>
<b>Other Items:</b>			<b>GST</b>	<b>Inc GST</b>	<b>Ex GST</b>
Wall Prints	60	\$ 66.00	\$ 396.00	\$ 4,356.00	\$ 3,960.00
Wall Mirror (minimum size 1200mmx450mm)	30	\$ 90.91	\$ 272.73	\$ 3,000.03	\$ 2,727.30
Office Desk	0	\$ 290.00	\$ -	\$ -	\$ -
Office Chairs	0	\$ 65.00	\$ -	\$ -	\$ -
Desk Lamp	0	\$ 22.00	\$ -	\$ -	\$ -
Compendiums	30	\$ 26.00	\$ 78.00	\$ 858.00	\$ 780.00
Coat Hangers	180	\$ 1.95	\$ 35.10	\$ 386.10	\$ 351.00
Accessory Pack, Coffee Cups, Wine Glasses, Opener etc.	30	\$ 14.75	\$ 44.25	\$ 486.75	\$ 442.50
Cupboard matching, Bed & Side Tables	30	\$ 1,680.00	\$ 5,040.00	\$ 55,440.00	\$ 50,400.00
Electronic Safe	30	\$ 115.00	\$ 345.00	\$ 3,795.00	\$ 3,450.00
Door Mats	30	\$ 24.50	\$ 73.50	\$ 808.50	\$ 735.00
Commercial 21kg Front Loading Washing Machine (Motel)	1	\$ 11,200.00	\$ 1,120.00	\$ 12,320.00	\$ 11,200.00
Matching Dryer (Motel)	1	\$ 8,700.00	\$ 870.00	\$ 9,570.00	\$ 8,700.00
Guest Washing Machine	1	\$ 480.00	\$ 48.00	\$ 528.00	\$ 480.00
Guest Dryer	1	\$ 250.00	\$ 25.00	\$ 275.00	\$ 250.00
Sundry Items, Room service trays, toilet paper, tissues etc	30	\$ 100.00	\$ 300.00	\$ 3,300.00	\$ 3,000.00
<b>Total of other items</b>		<b>\$ 23,126.11</b>	<b>\$ 8,647.58</b>	<b>\$ 95,123.38</b>	<b>\$ 86,475.80</b>
<b>Grand Total</b>		<b>\$ 31,918.80</b>	<b>\$ 34,644.55</b>	<b>\$ 381,090.03</b>	<b>\$ 346,445.48</b>
Cost from above schedule		\$ 11,548.18	\$ 34,644.55	\$ 381,090.03	\$ 346,445.48
Add Tiled entry areas & common area, Carpet & Light Fittings	30	\$ 3,850.00	\$ 11,550.00	\$ 127,050.00	\$ 115,500.00
Split Air conditioners (All Areas)	36	\$ 1,480.00	\$ 5,328.00	\$ 58,608.00	\$ 53,280.00
Commercial Kitchen set up, say		\$ 48,000.00	\$ 4,800.00	\$ 52,800.00	\$ 48,000.00
Restaurant/Conference Set Up, seating of 50/30		\$ 0.00	\$ -	\$ -	\$ 0.00
Games Room Equipment only, say		\$ 0.00	\$ -	\$ -	\$ 0.00
Reception & Office set up, say		\$ 8,000.00	\$ 800.00	\$ 8,800.00	\$ 8,000.00
Other Items:		\$ 0.00	\$ -	\$ -	\$ 0.00
<b>Grand Total:</b>			<b>\$ 57,122.55</b>	<b>\$ 628,348.03</b>	<b>\$ 571,225.48</b>



# Family First in Hospitality

222 Carthage Street TAMWORTH NSW 2340

Build Date: 30/10/2009

Phone: 02-6766-5331

Fax: 02-6766-1000

Email: russ@familyfirst.net.au

Web: www.familyfirst.net.au

Motel: A new motel I have assessed in Country NSW

For: Construction Company and associated Bank

## INPUT For Assessment of Income, Expense & Net Profit of a New Motel

Print Date: 16/03/2010  
Year End: 30/06/2009

Instructions: Place the cursor at the top left hand corner of the screen and press "Tab" key to move through the boxes.

### Figures based on a predetermined Net Profit

<b>Current Year:</b>		
Turnover:	\$948,241	100%
Expenses:	\$426,709	45.0%
<b>Freehold Net Profit:</b>	<b>\$521,533</b>	<b>55.0%</b>
Rent:	\$247,728	26.1%
<b>Net After Rent:</b>	<b>\$273,805</b>	<b>28.9%</b>
<b>Next Year:</b>		
Turnover:	\$973,844	100%
Expenses:	\$435,243	44.7%
<b>Freehold Net Profit:</b>	<b>\$538,601</b>	<b>55.3%</b>
Rent:	\$251,049	25.8%
<b>Net After Rent:</b>	<b>\$287,552</b>	<b>29.5%</b>
<b>Net Growth as a percentage:</b>	<b>5.02%</b>	

<b>Depreciation Schedules</b>		Construction Cost
Building Depreciation at	4.0%	\$2,921,905
<b>Depreciation is</b>		<b>\$116,876</b>
Plant Fixtures & Fittings	Say:	\$571,225
Allow average % of, say:	14.0%	<b>\$79,972</b>

<b>Current Year:</b>		<b>Yield of</b>	
Value	\$3,936,095	13.3%	Freehold
	\$944,154	29.0%	Leasehold
<b>Next Year:</b>		<b>Yield of</b>	
Value	\$4,064,913	13.3%	Freehold
	\$991,558	29.0%	Leasehold

Construction Cost - m2	\$1,461
Total Area m2	1947
Overall Cost/Unit inc. Residence	<b>\$91,771</b>
No of Units	30
Inc Residence	

Entry of Data: You can over ride amounts in this colour

<b>Enter Net After Rent</b>	<b>\$273,804.63</b>	C60
Enter Rent/NP %	47.5%	
Enter Expenses/TO %	45%	
<b>Turn Over</b>	<b>\$948,241.13</b>	F41
Land Purchase Price	\$590,000	
Land % of Construction	15.00%	which is
CPI	1.34%	
Growth for 1st year	2.7%	
Increase on Expenses	2%	thereafter
Number of Rooms	30	
Size of Rooms m2	30	
Expected Tariff ex GST	\$129.50	Inc GST
Occupancy 1st Year	67.0%	\$142.45
Freehold Yield	13.25%	
Leasehold Yield	29.0%	
Maximum Occ Income	\$1,418,025.00	

<b>Insurance Premium Calc.</b>	This applies to a brick/concrete construction, \$10m liability, subject to confirmation by Underwriter	
Freehold	\$7,100.00	
Leasehold	\$7,950.00	
Sum Insured	\$4,289,867	Being estimated replacement cost

\$426,736 (check) being:	15.00%	of total construction cost
	99.9%	Accommodation
	3.3%	Breakfasts
0.3%	0.3%	Phone/Broadband
0.9%	0.8%	Mini Bar
	0.0%	Restaurant
	0.0%	Bar
	0.0%	Functions
0.8%	0.8%	Sundry
<b>\$948,241.13</b>	<b>100.0%</b>	<b>Total</b>

<b>Wage Break-up</b>		% of T/O
Management	\$78,000.00	
Management Incentives	\$13,800.00	
Relief	\$14,400.00	\$200.00
Grounds inc. pool	\$0.00	
Reception (E48)	\$26,983.41	3.0%
Housekeeping (E49)	\$71,955.76	8.0%
Breakfasts (E50)	\$1,798.89	0.2%
Laundry (E51)	\$15,288.00	16.0%
Restaurant (E52)	\$0.00	35.0%
Function (E53)	\$0.00	35.0%
<b>Total</b>	<b>\$222,226.06</b>	
Employees Wages:	133,610.26	14.09% of T/O
Management	\$91,800.00	9.68% of T/O
Total	225,410.26	23.77% of T/O

Sales revenue per breakfast	\$12.50	36%	breakfast sales
Relief Manager Structure:	4	Days per month	
48	Days per year	6.9	Weeks per Year.

<b>Costs of Services</b>	
<b>Austar</b>	\$21.00 Per Room
<b>Consumables</b>	\$1.10 Per Room

Hrs per week \$18.375 average per hour

<b>Checking Housekeeping Hours, Wages &amp; %</b>		
Rooms Cleaned	6945.537	per year
At	\$9.25	per room
Annual Wages Check:	7.1%	<b>\$64,246.21</b>
<b>Growth:</b>	2.0%	(On Expenses)
Year 2	9.2%	(Income) \$1,058,707
Year 3	4.8%	(Income) \$1,135,489
Year 4	3.9%	(Income) \$1,210,123
Year 5	3.6%	(Income) \$1,285,130

### Figures based on a predetermined Turnover

<b>Current Year:</b>		
Turnover	\$948,241	100%
Expenses	\$426,709	45%
<b>FH Net Profit</b>	<b>\$521,533</b>	<b>55%</b>
Rent	\$247,728	26%
<b>Net After Rent</b>	<b>\$273,805</b>	<b>29%</b>
<b>Next Year (Year2):</b>		
Turnover	\$973,844	100%
Expenses	\$435,243	45%
<b>FH Net Profit</b>	<b>\$538,601</b>	<b>55%</b>
Rent	\$251,049	26%
<b>Net After Rent</b>	<b>\$287,552</b>	<b>30%</b>
<b>Net Growth as %</b>	<b>5.02%</b>	

<b>Current Year:</b>		<b>Yield of</b>	
Value	\$3,936,095	13.25%	Freehold
	\$944,154	29.00%	Leasehold
<b>Next Year (Year 2):</b>		<b>Yield of</b>	
Value	\$4,064,913	13.3%	Freehold
	\$991,558	29.0%	Leasehold

<b>Interest during construction</b>		<b>Rent:</b>	
9	Months to Build	Year 3	\$254,415
Interest	\$40,500.00	Year 4	\$257,826
8.00%		Year 5	\$261,282
Prepared by:	Russ Dodson	<b>Loan LVR</b>	70% Freehold
Version:	19		50% Leasehold
Date	30/10/2007		70% Investment

# Explanation & Input Area

CPI Calculation for Sydney			Break-even Analysis in the First Year				
\$251,049.15	New Rent payable by Lessee		Refers to your 1st year in 5Yr Assessment:				
1.34%	Percentage increase over previous year		<b>You need to make: \$573,375 in sales to break even</b>				
\$247,728.00	Insert previous years rent		<b>% over/</b>				
166.3	CPI index prior to review date	Jun-09	<b>breakeven</b>	<b>Monthly</b>	<b>2009</b>		
164.1	CPI index in the previous year	Jun-08					
<b>Motel Construction Cost</b>							
Acquisition & Development Costs:	\$294,245	6.72%					
Land Acquisition Cost:	\$590,000	13.48%					
Total Building Cost inc Ground Costs:	\$2,921,905	66.75%					
Full Fit-out:	\$571,225	13.05%					
<b>Total All Up Construction Cost:</b>	<b>\$4,377,375</b>	<b>100.00%</b>					
End Cost per Unit:	\$145,912						
<b>Construction Cost to Build</b>							
	Area	Cost m2	Cost				
Cost on Motel Main Bldg	1,535.0	\$1,695.00	\$2,601,825				
Verandahs	412.0	\$590.00	\$243,080				
	0.0		\$0				
<b>Total</b>	<b>1,947.0</b>		<b>\$2,844,905</b>				
Average cost per square m2			\$1,461.17				
<b>Breakdown of Development Costs</b>			<b>Value of Residence</b> <input style="width: 50px;" type="text"/>				
Solicitor & other professional	\$8,000		Enter when not included in m2				
Stamp Duty on Land	\$22,040		<b>Assessment of all Building Costs</b>				
Mortgage Stamp Duty	\$7,445		Development Costs \$294,245 6.72%				
Finance & Bank Fees	\$14,063		Building Cost 2,844,905 64.99%				
Council Fees	\$28,000		Landscaping, Pool, Sign etc \$77,000 1.76%				
Plan Drafting	\$16,000		PFF \$571,225 13.05%				
Engineering	\$12,000		Total Building Cost 3,787,375 86.52%				
Surveyor	\$4,900		Land Value 590,000 13.48%				
Valuations	\$6,500		Total Cost exc Dev Cost 4,377,375 100.00%				
Sundry	\$5,000		Land Value is 15.6% of total building cost				
Overseeing of Project 3%	\$170,297		\$113,621 at 3%				
<b>Total:</b>	<b>\$294,245</b>						
<b>Linen Laundry Costing</b> (Calculated on Single room use)			\$3.80				
Estimated cost of linen on	6945.5367	occupied room nights	\$26,393				
Allow for stay overs and single occupancy, less 12%			\$23,226				
			Percentage of Turnover: 2.45%				
<b>Commercial Laundry Rates</b>							
<b>Linen Hire</b>	<b>No</b>	<b>Cost</b>	<b>Total</b>	<b>Single Unit</b>	<b>Cost</b>	<b>Family</b>	<b>Cost</b>
Queen Sheets	4	\$1.00	\$4.00	2	\$2.00	4	\$4.00
Single Sheets	4	\$0.90	\$3.60	2	\$1.80	4	\$3.60
Pillow Cases	8	\$0.58	\$4.64		\$0.00	8	\$4.64
Towels	6	\$0.60	\$3.60		\$0.00	4	\$2.40
Hand Towels	2	\$0.35	\$0.70		\$0.00	2	\$0.70
Bath Mats	2	\$0.52	\$1.04		\$0.00	2	\$1.04
Washers	4	\$0.30	\$1.20		\$0.00	4	\$1.20
			\$0.00		\$0.00		\$0.00
<b>Total</b>			<b>\$18.78</b>		<b>\$3.80</b>		<b>\$17.58</b>

Break-up of Landscaping		
The following are estimates only		
Parking Areas:	\$26,000	
Covered Parking:	\$0	
Driveways:	\$11,500	
Lawn, Garden & Trees:	\$9,000	
Pool, Sauna & Spa:	\$0	
Site Drainage:	\$12,500	
Signage:	\$18,000	
<b>Total:</b>	<b>\$77,000</b>	

Restaurant Overview 1st Year			Establishing Food Income for Restaurant		
Total Income	0	100%	Number of Settings (Licensed)		
Food Cost	0	0.00%	Motel Daily Room Occupancy		
Labour	0	0.00%	Guest Attendance:		
Net Profit	\$0	0.00%	Outside Attendance:		
			Estimated Food & Liquor per setting:		
			Income per day: \$0		
			Anticipated Income per annum: \$0		
<b>Restaurant Overview 2nd Year</b>			<b>Establishing Income for Conferences</b>		
Total Income	0	100%	Number of Settings:		
Food Cost	0	0.00%	Estimated conferences per month:		
Labour	\$0	0.00%	Room Hire:		
Net Profit	\$0	0.00%	Average number attending:		
			Catering per person		
			Food Income per month: \$0		
			Food Income per annum: \$0		
			Room Income per month: \$0		
			Room Income per annum: \$0		
			<b>Estimated Total Annual Income: \$0</b>		

Food/Liquor Ratio			
Food	60%	\$0.00	\$0
Liquor	40%	\$0.00	\$0
		\$0.00	\$0

Allow for increased revenue in 2nd year			
Place your assessed increase below.			
Restaurant & Bar Growth:			
Function Centre Growth:			

Restaurant Overview 3rd Year		
Total Income	0	100%
Food Cost	0	0.00%
Labour	\$0	0.00%
Net Profit	\$0	0.00%



Entity A new motel I have assessed in Country NSW

Capitalised Value: **\$4,010,062** From 5 Year Assessment  
Value of Land: **\$0**

Land Acquisition:	\$300,000
Construction Cost:	\$2,921,905
Fit out:	\$571,225
Acquisition & Dev:	\$294,245
<b>Total Development Cost</b>	<b>\$4,087,375</b>

Date: 16/03/2010  
Year: 2009

Offering Motel Security:	<b>\$4,377,375</b>
Maximum Loan on Freehold	<b>\$3,064,162</b>
Maximum Loan on Leasehold	
Maximum Loan on Investment	

Bank LVRs  
70% LVR  
50% LVR  
70% LVR  
Nominated Bank: **To be advised**

Version 19  
30/10/2007

**Income**

The Net Profit below, is less interest on loan	0
Net Profit below, is less Dep. Allowances	95,870
Net profit before Tax, Sole Trader:	0
Net profit before Tax, Partnership:	95,870
Net Profit before Tax, Company:	

Your Net Profit as Stated Above	292,717
Other Income	
Less Depreciation Allowances	196,848
<b>Assessed Net Profit before Tax</b>	<b>95,870</b>

**Add backs (Included in above Net Profit)**

Depreciation	0
Interest	150,000
Motor Vehicle Adjustment	0
Owners Drawings, Wages, Super	0
Replacements, Refurbishment	0
Managers Wages	78,000
Mangers Superannuation	10,616
Adjustment of Food Costs	0
Nominated Living Expenses	0
Advertising,	0
Relief Managers	0
	0
	0
<b>Total Add-Backs as per P&amp;L</b>	<b>238,616</b>

Your net proceeds without Interest.	442,717
Investment Property Adj. Inc	0
Partners Wages Outside Motel #1	0
Partners Wages Outside Motel #2	0
Superannuation	0
Less	
Asset Loss	
Lease/HP (If to be paid out)	
Asset Sales	
Abnormals	
Related pmnts/dist.	
Other	
Carried Down Balance	442,717

**Your total Business Income** **442,717**

Plus

PAYE external	
Your Total Income	442,717

Less (Assessed living expenses while occupying motel)

No of adults	0
No of children	0
Living Expenses	0
Available Income	442,717 (A)

Total of Available Income:	\$442,717 (A)
Total of Personal Facilities:	\$0 (B)
<b>Available for Business Debt Service:</b>	<b>\$442,717 (A-B)</b>
Investment Income from Motel	\$252,383 (A)
Total of Personal Facilities:	\$0 (B)
Available for Business Debt Service:	\$252,383 (A-B)

**Expenditure**

Adj. Net Profit:	292,717
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**Personal Facilities**

Facilities (Description)	Loan Amount	At current rates with a minimum of 7.25% time remaining	Years	Monthly Repayment
Residential Loan 1.	0	0	Years	0
Residential Loan 2.	0	0	Years	0
Description Existing Loan 1.	0	0	Years	0
Description Existing Loan 2.	0	0	Years	0

**Credit Card Information**

Credit Card Information	Limit		
	0	3.00%	0
	0	3.00%	0
	0	3.00%	0
	0		0

<b>Totals</b>	<b>0</b>			<b>0</b>
<b>Total of Available Income:</b>		<b>per annum</b>		<b>442,717 (A)</b>
<b>Total of Personal Facilities:</b>		<b>per annum</b>		<b>0 (B)</b>
<b>Available for Business Debt Service:</b>		<b>per annum</b>		<b>442,717 (A-B)</b>

**Notes to Assist Completion**  
(1) "Other Income" refers to net wages / salary / rent from external sources. ie outside motel

**Security Offered:**

\$0	Gross amount not including Mortgage
\$0	Gross amount not including Mortgage
Assessed Additional Land Value	\$0 Gross amount not including Mortgage
A new motel I have assessed in Country NSW	\$4,377,375 Gross amount not including Mortgage
Total Value of Properties Offered:	\$4,377,375 Gross amount not including Mortgage
Less: Existing Mortgages:	\$0 (Excludes Motel Mortgage)
Net Security available for additional mortgage:	\$4,377,375 (Before Motel Loan Application)

**Cash Position:** Total Value of security available: \$4,377,375  
Total Cash in Hand: \$400,000  
**Total Funds in Hand: \$4,777,375**

**Purchasing Costs:**

Stamp Duty:	\$0.00
Mortgage S/Duty:	\$12,201.65
Development Costs	\$264,759.50
Finance Costs:	\$14,062.50
Other Costs:	\$5,000.00
Stock in Hand	\$8,500.00
<b>Total Costs</b>	<b>\$304,523.65</b>

Allow for 1st months trading deficit: \$0.00  
Expected up front costs: \$304,523.65 that will be required

**1. Commercial Security**

Property Offered:	Additional land content in the proposed development
Assessed Value:	\$0
Less, Mortgage:	\$0 Net Security:
	\$0 70% LVR

**2. Total Residential Security:** Net of Mortgage \$0 80% LVR  
Total of above security: \$0

**3. All up construction cost of Motel:** \$4,377,375 **\$3,064,162 70% LVR**

Maximum funds available to mortgage:	\$3,064,162
<b>Funds Required to complete Construction:</b>	<b>\$3,797,654</b>
Maximum Mortgage Funds available on pledged security:	\$3,064,162
<b>Loan Shortfall/Surplus:</b>	<b>-\$733,492</b>
Applicants Available Funds:	Less: Net Cash in Hand: \$775,000
Add Development Interest in the first year:	\$40,500
<b>Loan Shortfall/Surplus:</b>	<b>\$1,008</b>

Break down on Funds Req.  
Land \$0  
Construction \$2,921,905  
Fit out \$571,225  
Purchasing Costs \$304,524  
Total: \$3,797,654

**Business Facilities**

Facilities	Benchmark Rate	9.00%	Loan Amount	Monthly Fee	Monthly Repayments at Benchmark Rate	Monthly Repayments at Actual Rate
Loan to Construct Motel	Interest Only	8.00%	\$3,064,162	\$120	\$23,101	\$20,548
<b>Totals</b>			<b>\$3,064,162</b>	<b>Per annum</b>	<b>\$277,215</b>	<b>\$246,573</b>

Interest Payable during Construction	Once Only	8.00%	Interest Only	Development Interest	9 Months	\$40,500
Benchmark Interest Cover Ratio (ICR)	(Without Const Interest)	1.61	<b>Freehold Motel Security</b>	<b>\$4,377,375</b>		
Benchmark Debt Service Ratio (DSR)	(Without Const Interest)	1.52	<b>Maximum Loan</b>	<b>\$3,064,162</b>	70% LVR	
Actual Interest Cover Ratio (ICR)	(Without Const Interest)	1.54	<b>Leasehold Motel Security</b>	<b>\$944,154</b>		
Actual Debt Service Ratio (DSR)	(Without Const Interest)	1.71	<b>Maximum Loan</b>	<b>\$472,077</b>	50% LVR	

Note: The above interest for a construction development is a one off cost

Total Debt Service	277,215	
Anticipated Taxation - Sole Trader 2006	0	
Anticipated Taxation - Partnership 2006	20,480	
Anticipated Taxation - Company 30%	0	
Anticipated Taxation - Investment Property	0	
Anticipated Taxation Income outside Motel - Partner 1	0	
Anticipated Taxation Income outside Motel - Partner 2	0	
Anticipated Taxation - PAYE external	0	
Total All Taxation (Federal Tax)	D 20,480	
Surplus after Debt Service, less A-B-D (Taxation)	145,023	
Years to pay off debt (Loan divided by Surplus after debt & tax)	Interest Only	2.15

**Funds Available for Business Debt Service in 1st Year** **A - B** \$442,717  
Less: Annual Loan Repayments \$317,714.62 Includes Construction Interest  
Add Tax Liabilities: D \$20,480.00  
**Surplus After Debt Service & Taxation:** ..... **\$104,523**  
Note: This net figure is calculated on the Interest Benchmark of: 9.00%  
**Development Interest applies to the first year only** **\$40,500**  
**Funds Available for Business Debt Service in 1st Year** **A - B** \$442,717  
Less: Annual Loan Repayments \$287,073.00 Includes Construction Interest  
Add Tax Liabilities: D \$20,480.00  
**Surplus After Debt Service & Taxation:** ..... **\$135,164**

The above "Years" is the total loan amount divided by the "Surplus after Debt Service & Taxation. Regional Banks prefer the years not to exceed 7 for motel Leaseholds.