

Estate Master Hotel Feasibility



Operations Manual

ESTATEMASTER
PROPERTY SOFTWARE

www.estatemaster.net

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Part



1 Introduction to Estate Master

1.1 Introduction

This operations manual is a guide for using Estate Master HF developed in Microsoft Excel and Visual Basic .NET.

The Hotel Feasibility model is a user friendly cashflow model designed to give you the flexibility to model accurately the income from a Hotel through the important stabilization years.

The method of income generated in a hotel is very specific to this asset class and the HF model will give you all the inputs you need in a logical spreadsheet interface with the added benefit of eliminating the need to build your own spreadsheets or learn complex software programs.

Estate Master HF is a cash flow model designed for hotel development and operational feasibility analysis.

It calculates returns including NPV, IRR, Yield and Return on Capital Employed based on a comprehensive set of inputs. The program can also be used to:

- Determine the acquisition price of a hotel.
- Model the income generated from hotel services through a stabilisation and operations period.
- Model multiple incentive fee options for the hotel operator.
- Determine the sensitivity of the performance of a hotel to various factors.
- Run multiple hotel options to determine the best development mix for the hotel.
- Consolidate multiple hotel operations.

1.2 Program Integrity

Every effort has been made to provide a quality product that is simple, flexible and detailed in its analysis.

The Estate Master HF program has been originally sealed by a password to safeguard the integrity of the program and formulae. If the seal is broken the validity of the formulae and program calculations cannot be guaranteed any more. Therefore, we recommend that the authors be notified of any problems rather than the user attempting to rectify the problem by removing the protection facility.

To this end any modifications to the Estate Master HF program are prohibited without the express written approval of the authors Hill PDA Land Economists.

Also, we cannot guarantee that the program is or will remain error free for every possible input permutation. To retain the integrity of the programs we recommend you audit the models on a regular basis with manual reality checks on the output results.

Furthermore the program assumes certain tax assumptions such as rates of stamp duty. These may change in time and it is important for the user to keep abreast of such changes and know how they effect the model's assumptions.

If you have any queries or suggestions for improvements, please contact us:

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1.3 System Requirements

To install and operate Estate Master HF efficiently, the following is recommended:

- PC with an Intel Core 2 Duo (3GHz) or Quad (2.4Ghz) minimum processor (or equivalent).
- Microsoft Windows 98 or later operating system. The software is not compatible with Macintosh systems.
- Microsoft Internet Explorer 5.1 or higher.
- Microsoft .Net Framework 2.0 or higher.
- Microsoft Excel 2000 or later. The software may run on Excel 97, but is not recommended.
- 1Gb RAM or higher.
- CD Drive (if installing from CD).
- Printer installed.
- Modem and internet connection (for downloading files and obtaining tech support).

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2 Installation

The program can only be installed by a person who has Administration rights for that PC. This is relevant for workstations that form part of a network.

To Install the File from CD

1. Place the Estate Master CD into the drive and wait for the installation program to automatically load.
2. Follow the prompts to install the program on the PC.

To Install the File from Download

1. After downloading the executable file from the Estate Master web site and saving it on your PC, open the file by double clicking on it with your mouse.
2. Follow the prompts to install the program on the PC.

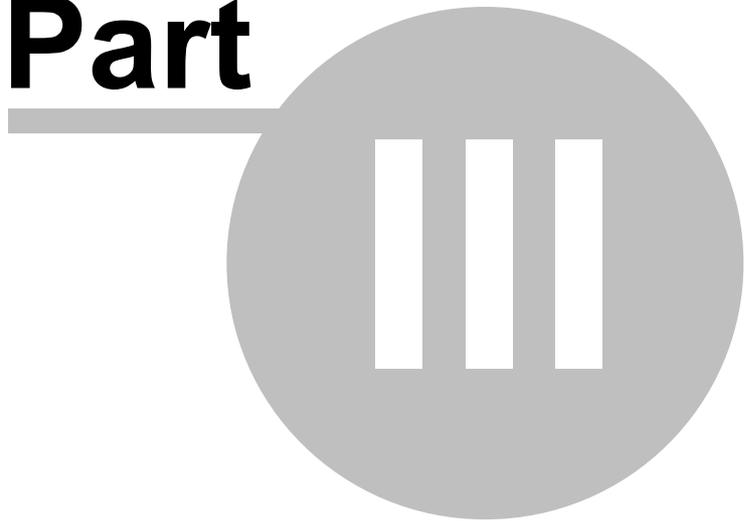
Opening and Closing the File - New File

1. In Microsoft Windows go to the [Start] → [Programs] → [Estate Master] → [HF1] and click on [Estate Master HF]
2. The program will begin to load. If asked, tick the box 'Always Trust Macros from this source' and ensure that macros have been 'Enabled'.
3. Once the file has opened, it is recommended that you save the file as a different filename. Be sure not to save your working file over the master file or template. If you have done so then you should re-install the master software.
4. After using the program, save the file if required, and close using the Excel File Close command.

Opening and Closing the File - Existing File

1. Go to the current Estate Master HF file you wish to open and double click with your mouse.
2. The program will begin to load. If asked, tick the box 'Always Trust Macros from this source' and ensure that macros have been 'Enabled'.
3. After using the program, save the file if required, and close using the Excel File Close command.

Part



3 Quick Start Guide

3.1 Quick Start

1. Open the Estate Master HF program. Depending upon whether or not the file has been installed as an Excel file or a template, to open the Master file either:
 - a) Open the Estate Master HF program via the shortcut in the Windows Start Menu (if installed from CD);
 - b) Go File_New from the Excel Menu (if the file has been installed as a template in your template directory);
 - c) Go File_Open from the Excel Menu; or
 - d) Consult your I.T. staff.
2. Save your working file using the Excel - 'File' - 'Save As' command or the Estate Master Tool Bar.
3. Set Input Preferences. It is recommended that before entering any data in the 'Input' sheet, the user set their preferences. This can be done by:
 - a) Clicking on 'Preferences' on the Estate Master Menu,
 - b) Clicking on 'Set Input Preferences' on the 'Input' sheet,
 - c) Pressing F10, or
 - d) Clicking on the  buttons next to the relevant section in the input areas.
4. Navigate around the program by clicking 'Estate Master' - 'Go to Inputs' or 'Go to Reports' from the Estate Master Menu or by selecting the worksheet tabs at the bottom of the screen.
5. Enter data into input cells with a font colour of blue or purple. Fixed cells (non input) have a black font colour. Because the worksheets are protected and locked, the model will only allow you to enter into the relevant input cells.

Input Cells

Blue Font Cells: Cells with blue font are the main input cells in the program.

Purple Font Cells: Cells with purple font relate to inputs that are entered via a list selector. When selecting the cell, a drop-down arrow will appear. Click the arrow and a list of options for that input cell will be displayed.

6. If you need assistance with understanding any of the inputs or outputs, click on the  buttons located throughout the sheet. These are context-sensitive help buttons and will load the Help for that particular section.
7. When data input is complete, you may run the Sensitivity Analysis by clicking on the button on the relevant worksheets or on the Estate Master Menu.
8. When you are satisfied that the information has been entered correctly you may select the Print Report Options on the Estate Master Menu.
9. Save your changes using the Excel - 'File' - 'Save' command or the Estate Master Tool Bar.

3.2 Navigation

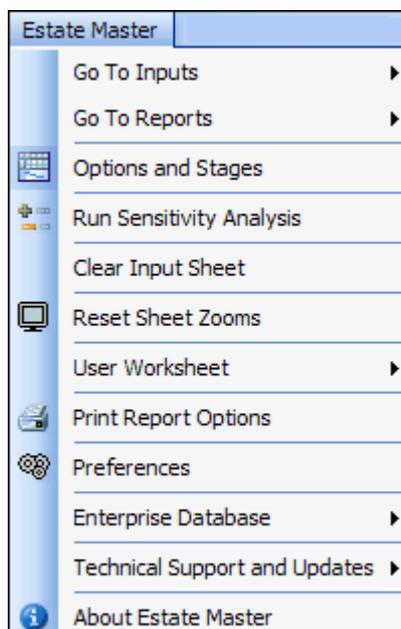
The Estate Master HF program is subdivided into a series of Excel worksheets. To navigate around the Estate Master HF program, there are two methods available:

1. Use the 'Go to Inputs' and 'Go to Reports' navigation tool on the Estate Master Menu.
2. Click on the relevant sheet on the workbook sheet tabs.

Intro	Introduction page. Enter project name and other details.
Input	Primary data input sheet for: <ul style="list-style-type: none">• The assumptions regarding hotel operational costs and revenues.• The Hotel Profit and Loss statement.• The returns on capital (debt and equity) employed.
Summary	The financial summary sheet detailing the results for: <ul style="list-style-type: none">• The hotel's performance (e.g. NOV, Yield, IRR, roce, ETC)• The outcome of the sensitivity analysis.
Consolidate	Consolidates or compares up to 8 different stages or options that have been stored.
Title	A title page for the financial reports. A custom disclaimer can be entered here.

3.3 Estate Master Menu

The Estate Master Menu is automatically loaded into Excel when you open the Estate Master HF program. It provides the user with shortcuts to the various functions available in the program.



Go To Inputs	Go to any of the dedicated data input areas in the program.
Go To Reports	Go to any of the reporting worksheets, such as the Summary, Sensitivity Analysis, Profit and Loss Report, etc.
Options and Stages	Runs the Store/Recall function. Store the current set of inputs as one of the eight available 'options/stages' in the program for comparison or consolidation purposes. Recall one of the 'options/stages' in the program back into the main input sheet for editing.
Run Sensitivity Analysis	Updates the One-way and Two-way Sensitivity Analysis results on the Summary report.
Clear/Reset Inputs	Clears all inputs in the current option back and resets the Preferences back to their default.
Reset Sheet Zooms	Fits the sheet zoom to the size of the users monitor/screen size.
User Worksheet	Insert and name blank worksheets with the ability to delete them.
Print Report Options	Loads the print form to allow the user to select the worksheets to be printed, and if required, to run the default print setup.
Preferences	Opens the form for the user to select their data Input Preferences. These should be set before any data is entered but can be changed at any time.
Enterprise Database (requires Estate Master Enterprise database to be installed)	This function allows the user to export/import all the input data in the model to or from the Estate Master Enterprise database for cash flow archiving, consolidating, comparison and reporting purposes.

Tech Support and Updates

Allows the user to:

- Send a technical support query via email/internet
- Check the latest version of the software online (requires internet connection).
- Opens the Estate Master Help program.
- Use the 'Import Data from Previous Version' function after installing new versions.

About Estate Master

Allows the user to view the licence details and re-register an existing licence.

3.4 Estate Master Tool Bar

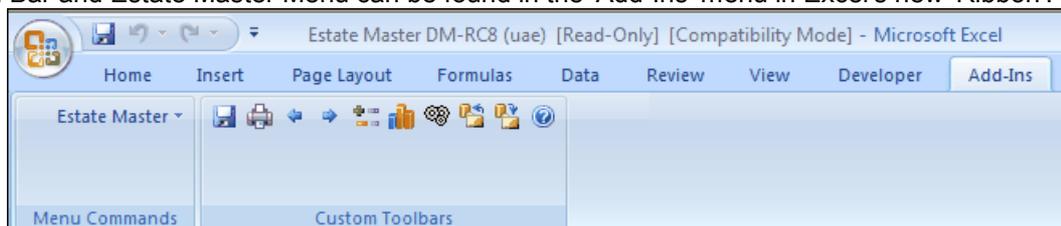
The Estate Master Toolbar is automatically loaded into Excel when you open the Estate Master HF program. It provides the user with shortcuts to the various functions available in the program.



- Save the current Estate Master file.
- Load the print report options menu.
- Store/Recall on option or stage in the model.
- Run the sensitivity analysis function.
- Load the Estate Master Preferences.
- Export the file into the Estate Master Enterprise database.
- Export data from the Estate Master Enterprise database.
- Open the Estate Master Help utility.

Information for Excel 2007 Users

Due to the changes in the user interface in Office 2007, for Excel 2007 users, the Estate Master Tool Bar and Estate Master Menu can be found in the 'Add-Ins' menu in Excel's new 'Ribbon'.



Part



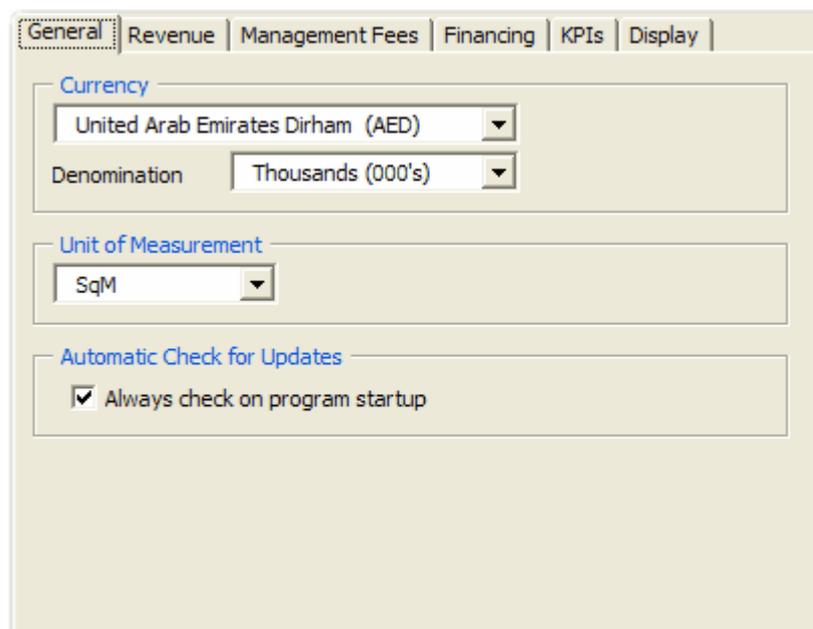
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4 Estate Master Preferences

The program allows flexibility by the way of user preferences. These are operated by:

1. Clicking on  Preferences on the Estate Master Menu,
2. Clicking on  on the 'Input' sheet,
3. Pressing F10, or
4. Clicking on the  buttons next to the relevant section in the input areas.

4.1 General



Currency	Set the currency format. This is important if the Estate Master CC software is used to consolidate cash flows that are based on different currencies.
Denomination	Set how currency amounts are inputted and reported, either in thousands, millions or native amounts (as inputted)
Unit of Measurement	Select the unit of measurement (e.g. sqm, sqft, etc) for any areas, such as meeting room space.
Export to Enterprise Database	Select whether the software is to always prompt the user to store the data into the Enterprise Database when storing an option/stage.
Automatic Check for Updates	Select whether the software is to check for updates over the internet every time it is started or not.

4.2 Revenue

The screenshot shows a software interface for configuring revenue. It features a tabbed menu at the top with 'Revenue' selected. The main area is divided into two sections. The first section, 'Hotel F+B Revenue', contains a list of eight restaurants, each with a dropdown menu currently set to 'Meals/day'. The second section, 'Additional Meeting Space and F+B Revenue', contains a single dropdown menu set to 'Based on AED/SqM'.

Hotel F+B Revenue

Set how the food and beverage revenue is to be calculated for the different outlets:

The Food and Beverage revenue can be calculated using 3 different types of methods.

- Based on Meals per Guest per day and a % capture of hotel guests, or
- Based on covers per day (independent on hotel guests).

Additional Meeting Space

Set how the additional meeting room revenue is to be calculated:

- Based on amount per meeting space guest, or
- Based on amount per area of meeting space.

4.3 Management Fees

Management Fees

Base Fee:

- Select if the Base Fee is reported as a cost prior to the calculation of the Gross Operating Profit (GOP), or after the calculation of the GOP.

Incentive Fee:

- Select if the Incentive Fee is based on a flat fee or a yield-based sliding scale.

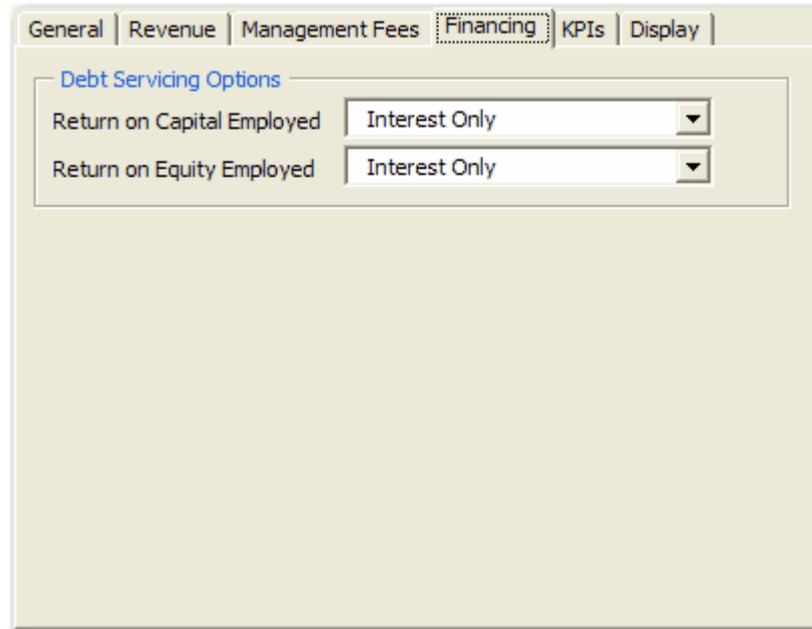
Adjusted GOP Settings

Select items to be included in the calculation of the Adjusted GOP for the purposes of calculating the Incentive Fee

Group (Chain) Services

Select whether these expenses are entered as a percentage of Total Revenue or just Room Revenue.

4.4 Financing

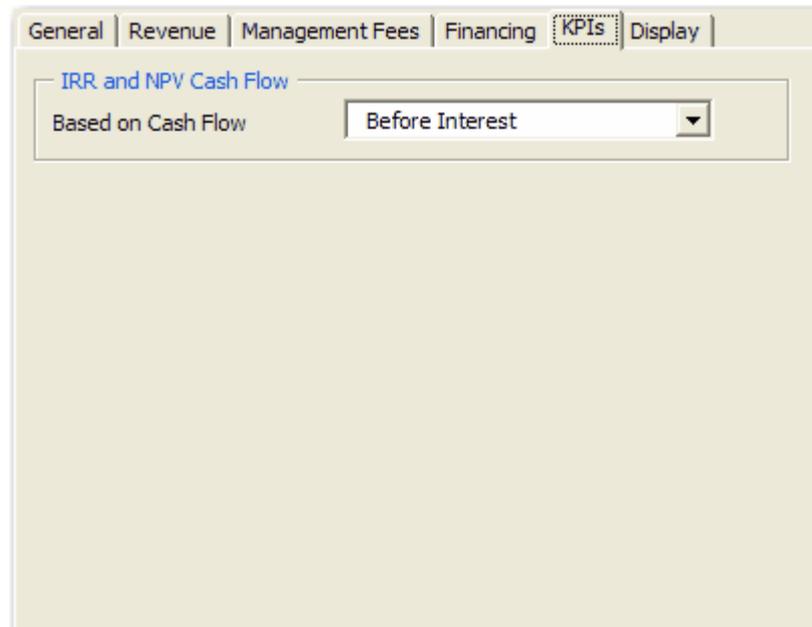


The screenshot shows a software window with several tabs: General, Revenue, Management Fees, Financing, KPIs, and Display. The 'Financing' tab is selected. Under the heading 'Debt Servicing Options', there are two rows. The first row is 'Return on Capital Employed' with a dropdown menu set to 'Interest Only'. The second row is 'Return on Equity Employed' with a dropdown menu also set to 'Interest Only'.

Debt Servicing Options

The debt servicing can be set to either Interest Only or Principal and Interest.

4.5 KPI's

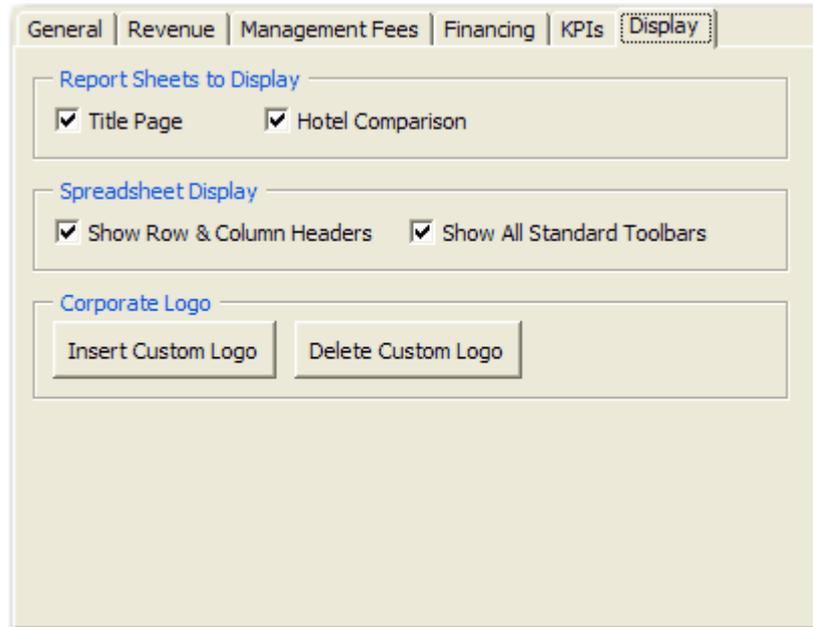


The screenshot shows the same software window with the 'KPIs' tab selected. Under the heading 'IRR and NPV Cash Flow', there is a dropdown menu labeled 'Based on Cash Flow' which is currently set to 'Before Interest'.

IRR and NPV Cash Flow

Nominate if Interest Charges for the debt servicing are to be included in the calculation of the Project IRR and NPV.

4.6 Display



Report Sheets to Display

Select the worksheets which are to remain visible. This simply allows you to hide worksheets that you are not working on or do not intend to display making navigation around the workbook a little easier. Hiding sheets does not impede in the operation of the program

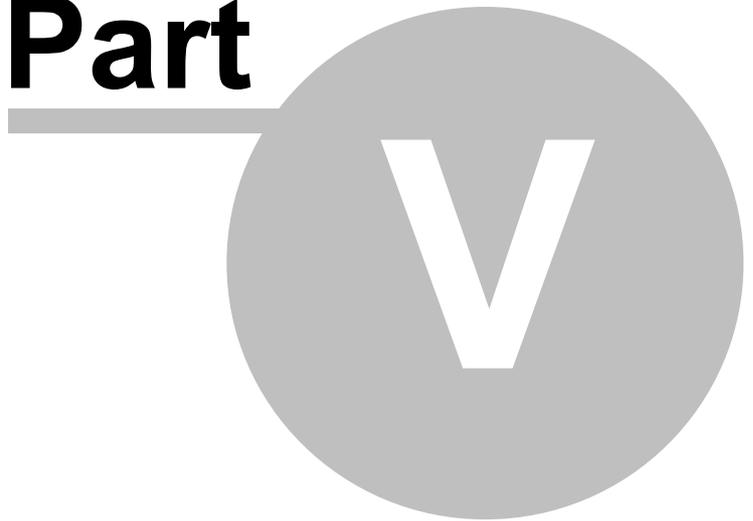
Spreadsheet Display

These options allow you to hide the standard Excel toolbars (option not available in Excel 2007) or hide the worksheet row and column headers, therefore increasing the viewable area of the worksheet.

Corporate Logo

Insert your own custom corporate logo on the report sheets. The logo must not exceed 50kb in size.

Part



5 Input Assumptions

5.1 Project Introduction

ESTATE MASTER Project Introduction			
Project Title	Project Title		
Address	Address		
City/Suburb	City/Suburb	Zip/Post Code	Zip/Post Code
State/County	State/County	Country	Country
Account Code	Account Code	Project Number	Project Number
Prepared By	Report Prepared By	Developer	Enter Developer Name
Prepared For	Report Prepared For		

Project Name (Mandatory) Enter the name of the project that the property belongs to. 'Project' may be interpreted as a 'development project', an 'investment project', a 'valuation project', etc.

Project Number (Mandatory) Enter the unique project number related to the project.

Account Code (Optional) Enter in the unique reference code that this project belongs to in your accounting system (if applicable).

It may be the same as the Project Number.

Street Address, City/Suburb, Zip/Post Code, State/County and Country (Optional) Enter the physical address of the subject property.

Prepared By (Optional) Enter in who this report was prepared by.

Prepared For (Optional) Enter in who this report was prepared for.

Developer (Optional) Enter the name of the developer.

5.2 Preliminary

Input Assumptions		
Cash Flow Title	Sample	
Hotel Brand	ABC Hotels & Resorts	
Hotel Star Rating	5	
Operational Month/Year	October, 2011	
Project Status	Preferred Option	
Currency and Denomination	AED	(000's)

Cash Flow Title (Mandatory) Enter the description of the option, scenario or stage of the development.

Hotel Brand (Optional) The name of the hotel group/chain.

Hotel Star Rating (Optional) The number of stars that the hotel is rated.

Operational Month/Year (Mandatory) This is the first year of the hotel's cash flow.

Status (Mandatory)

Nominate the status of the project to identify at what stage of the analysis it is at.

Currency and Denomination

These are set in the Estate Master Preferences. They will determine what currency the cash flow is in, and how some of the inputs and outputs are displayed, in either thousands, millions or as per their input.

Guests/Room	1.5	
Days/Year	365	
Cap Rate (Terminal Yield)	12.50%	
Notional Hotel Holding Period for DCF (Yrs)	10	
Notional Hotel Terminal Value		328,948,050
as at 2021 based on EBITDA in 2021		

Guests per Room (Mandatory)

A ratio used (along with occupancy rate) to determine the number of guests in the hotel.

Days/Year

The model assumes that the hotel operates 365 days per year.

Cap Rate (Terminal Yield)

(Mandatory)

The model assumes a notional sale of the hotel at the end of the holding period.

The Cap Rate is used to “Capitalise” the EBITDA to determine the value of the hotel at the end of the holding period.

Notional Hotel Holding Period for DCF (Mandatory)

The model can accommodate cash flows up to a maximum of 10 years.

Notional Hotel Terminal Value

Calculated at the end of the holding period by taking the EBITDA and “Capitalising” using the Cap Rate.

5.3 Room Mix and ADR

Room Mix and ADR (Average Daily Room rate) is used to determine the compound Average Daily Room Rate. This calculation assumes 100% occupancy; the occupancy rate is inputted in the P+L section.

Room Mix & ADR		
Room Description	Count	Yr1 ADR
Standard room	50	400
Senior Suites	100	500
Executive Suites	180	600
Royal Suite	20	750
Compound ADR	350	551

Room Description

Enter the description of the room type, eg 1-Bed Suite, Spa Suite, Oceanview Suite, etc.

Count

The quantity of that specific room type in the hotel.

Yr1 ADR

The Average Daily Room rate for that room type in the first year.

5.4 Development and Acquisition Costs

Development/Acquisition Costs	
Land Cost	35,000,000
Dev. Cost (exc interest)	150,000,000
Dev. Interest	13,644,960
Dev. Profit	42,700,000
Pre Opening	25,000,000
Total	266,344,960

Land Cost (Optional)

The cost of the acquisition of land.

If you are modelling the acquisition of an existing hotel then the purchase price of the hotel would be assumed to be the Land Cost.

Development Cost (Optional)

The cost of developing the hotel.

This may also include the cost of refurbishment if you were modelling the acquisition of an existing hotel for refurbishment.

Development Interest (Optional)

This is any interest cost incurred on the development of the hotel.

Development Profit (Optional)

If development profit was booked then the profit would be specified here.

Pre Opening (Optional)

Funds set aside to cover items such as FF&E and normal consumables in the hotel that need to be acquired prior to the opening. Usually needed to be funded by the developer.

5.5 Funding Structure

Funding Structure		
Equity	40.00%	106,537,984
Debt	60.00%	159,806,976
Interest Rate (p.a.)	8.00%	
Loan Term (Yrs)	30	
Debt Servicing Interest Only		12,784,558
Debt Servicing Principal and Interest		14,195,244

Equity (Optional)

The percentage of the total development and acquisition cost of the hotel that will be funded by Equity.

Debt

The percentage of the total development and acquisition cost of the hotel that will be funded by Debt.

Interest Rate (Optional)

Nominate the interest rate on the debt.

Loan Term (Optional)

For principal and interest calculations you will be required to enter a loan term. This is not required for interest only loan.

Debt Servicing

Interest Only: A calculation of the interest on the debt.

Principal and Interest: A calculation of the debt repayments on a Principal and Interest basis.

5.6 F+B Revenue

The F+B (Food and Beverage) revenue can be calculated using 3 different types of methods for up to 10 different outlets.

1. Based on hotel occupancy and a % capture of hotel guests.
2. Based on Meals per Guest per Day and a % capture of hotel guests.
3. Based on Covers per Day (independent on hotel guests).

For each outlet you need to enter the revenue per cover. A 'cover' is referred to as a single sitting/meal.

Method 1: Hotel Occupancy and % Capture of Hotel Guests

Breakfast	
Capture	65%
AED/cover	40

The 'capture' refers to the % of hotel guests that frequent the F&B establishment.

This method is ideal for the calculation of revenue from Breakfast outlets.

Method 2: Meals per Guest per Day and a % Capture of Hotel Guests

Restaurant 1	
	Meals/day
AED/cover	10
Meals/Guest/Day	1.0
Capture	25%

For these outlets you need to enter the Meals/Guest/Day. The system will calculate the potential number of covers for the outlet by referring to the hotel occupancy and the guest per room inputs.

Method 3: Covers per Day

For F&B outlets who's performance is not directly tied to the hotel occupancy you can select to input the Covers Per Day and the revenue per cover.

Restaurant 2	
	Covers/day
AED/cover	20

When this option is selected, you can nominate the number of covers over the first 3 years, year 4 and beyond will be based on the covers in year 3.

Restaurant 2			
Restaurant Covers/day	85	85	90
Restaurant Rate/cover	20	21	21
Total Rest. Revenue AED(000's)	621	636	690

5.7 Escalation Assumptions

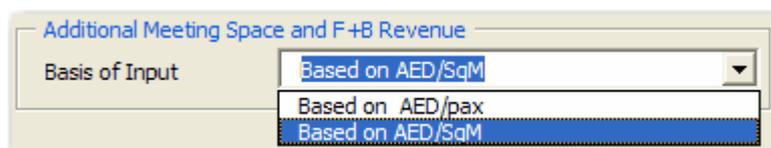
Varying escalations rates can be applied on the room rates, F&B Revenue, Meeting Room Revenue and Expenses.

- There is no escalations in Year 1.
- There is no escalations in Years 1-3 for the Meeting Room Revenue, as the user can factor in any increasing revenue in the meeting space section.
- Escalation rates for years 6 onwards adopt the year 5 rate.

Escalation Assumptions		Year 1	Year 2	Year 3	Year 4	Year 5 +
Room Rates	No Escalation		10.00%	5.00%	2.50%	2.50%
F&B Revenue	No Escalation		2.50%	2.50%	2.50%	2.50%
Meeting Room Revenue	No Escalation		No Escalation	No Escalation	2.50%	2.50%
Expenses	No Escalation		2.50%	2.50%	2.50%	2.50%

5.8 Meeting Space

The Meeting Space revenue can be modelled using two different methods, which are set via the [Estate Master Preferences](#).



All the revenue and supplementary assumptions can be inputted for the first 3 years through to stabilisation, thereafter the escalation rates are adopted to calculate revenue to the end of the cash flow.

Revenue Method 1: Based on Amount per Pax (Guests)

Meeting space (SqM)	1,000	1,000	1,000
Rental revenue as a % of the additional F&B revenue	20%	20%	20%
SqM/pax	2	2	2
Capacity	500 pax	500	500
Days/year	250	250	250
Occupancy	50%	60%	65%
Pax/year	62,500	75,000	81,250
Additional F&B revenue AED/pax	60	60	60
Additional F&B revenue AED(000's)/annum	3,750.0	4,500.0	4,875.0

Meeting Space

The area allocated to meeting rooms where revenue can be received.

Rental Revenue as a % of Additional F&B Revenue

The projected rental revenue of the meeting space calculated as a percentage of the F+B revenue obtained from hiring the meeting space.

Area per Pax

Is used to determine the capacity of the meeting space.

Capacity

The estimated capacity of the meeting space calculated by:
Meeting Space / Area per Pax

Days per Year

Is used to calculate the maximum operating utilisation of the meeting venue.

Occupancy

Is used to ratio the utilisation of the meeting space based on the assumed occupancy rate.

Pax per Year

The estimated meeting space guests for a year calculated by:
Capacity x Occupancy x Days/Year

Additional F&B Revenue Per Pax

The projected F+B revenue per guest obtained from hiring the meeting space.

Additional F&B Revenue Per Annum

The total annual projected F+B revenue associated to the meeting space calculated by: Pax per Year x F&B Revenue Per Pax

Revenue Method 2: Based on Amount per Area

Meeting space (SqM)	1,000	1,000	1,000
Rental revenue as a % of the additional F&B revenue	20%	20%	20%
Additional F&B revenue AED/SqM (annual)	2,000	2,000	2,000
Additional Rental revenue AED/SqM (annual)	400	400	400
Additional F&B & Rental revenue AED/SqM (annual)	2,400	2,400	2,400

Meeting Space

The area allocated to meeting rooms where revenue can be received.

Rental Revenue as a % of Additional F&B Revenue

The projected rental revenue of the meeting space calculated as a percentage of the F+B revenue obtained from hiring the meeting space.

Additional F&B Revenue Per Area

The projected annual F+B revenue per area (e.g sqm, sqft, etc) of the meeting space.

Expense and Profit

Irrespective of the method of calculating the Meeting Space revenue, the expenses and profits are determined by inputting the gross margin (Profit as a % of Revenue as indicated in the P+L) for both F&B and Rental incomes.

- The profit rate can be inputted for the first 3 years through to stabilisation.
- The profit rate in year 3 is projected forward to the end of the cash flow.

Expense - F&B (000's)	-1,400	70%	-1,400	70%	-1,400	70%
Expense - Rental (000's)	-80	20%	-80	20%	-80	20%
Total Expense	-1,480		-1,480		-1,480	
		% Revenue		% Revenue		% Revenue
Dept Profit - F&B (000's)	600	30%	600	30%	600	30%
Dept Profit - Rental (000's)	320	80%	320	80%	320	80%
Meeting & BC Profit	920		920		920	

5.9 Other Operating Departments

Other operating departments represents income from items such as mini bar, in-room movies, laundry, etc and is inputted as a % of room revenue.

- The revenue rate can be inputted for the first 3 years through to stabilisation.
- The rate in year 3 is projected forward to the end of the cash flow.

Other Operating Departments	2011	2012	2013
Room Revenue (from P&L)	49,311.5	58,117.1	65,091.2
% of Room Revenue	9.0%	8.5%	8.0%
Other Operating Depts Revenue	4438.0	4940.0	5207.3

5.10 Management Fees

5.10.1 Base Fee

The Base Management Fee is typically payable to the operator and is normally based on a percentage of total revenue.

- The base fee rate can be inputted for the first 3 years through to stabilisation.
- The base fee rate in year 3 is projected forward to the end of the cash flow.

Base fee	
Base Management Fee (% of Total Revenue)	701.0 1.0% 807.8 1.0% 894.5 1.0%

There is often debate as to whether the Base Management Fee is reported in the Profit and Loss statement as:

- An “Undistributed Operating Expense” and reported as a cost prior to the calculation of the Gross Operating Profit (GOP), or
- An “Other Deduction” and located after the calculation of the GOP .

To accommodate this, there is an option in the Estate Master Preferences that give you the ability to choose either option.

Management Fees

Base Fee: Located in P&L post GOP

Incentive Fee: Located in P&L post GOP

5.10.2 Incentive Fee

Incentive fees are payable to the operator for over-performance. Using the Estate Master Preferences, you can nominate a number of ways of calculating this fee.

Management Fees

Base Fee: Located in P&L post GOP

Incentive Fee: Flat % of AGOP

Option 1: Flat Fee

The Incentive Fee can be based on a flat fee as a percentage of the Adjusted Gross Operating Profit (AGOP).

- The fee can be inputted for the first 5 years through to stabilisation.
- The rate in year 5 is projected forward to the end of the cash flow.

Incentive Fee	
As % of AGOP	2,127.3 8.0% 2,724.9 8.0%
AGOP = GOP - Base Management Fee - Operators Liability Insurance - FF&E	

Option 2: Yield-based Sliding Scale Fee

The Incentive Fee can also be based on a yield-based sliding scale, based on the Adjusted Gross Operating Profit (AGOP) as either a percentage of Revenue or as a percentage of Development and

Acquisition Costs.

- If using a yield based incentive fee the fee payable increases as the yield increases. Using the yield and Fee input on the Input sheet, you can specify the sliding scale.
- In some instances the incentive fee may not be payable in the first couple of years (during stabilisation) and in this instance you can nominate which year the incentive fee will start from

Incentive Fee		YIELD	FEE	AGOP	26,591.6	34,061.2
Yield Based				Total Revenue	70,099.8	80,777.5
AGOP / Total Revenue		0.0%	6.0%	YIELD = AGOP / Total Revenue	37.9%	42.2%
		6.0%	7.0%	Incentive Fee (% of AGOP)	13%	13%
		8.0%	9.0%	INCENTIVE amount (based on Yield)	3,456.9	4,428.0
		10.0%	10.0%			
		12.0%	11.0%			
		14.0%	12.0%	Incentive fee starts from year		0
		16.0%	13.0%			

Adjusted Gross Operating Profit

The Adjusted Gross Operating Profit (AGOP) is used when determining the Incentive Fee payable. There are a number of items that could be adjusted out of the GPO for the purposes of the Incentive Fee calculations.

Tick the boxes in the Estate Master Preferences to include various items from the AGOP calculations.

Adjusted GOP Settings

Select items to be included in the calculation of the Adjusted GOP for the purposes of calculating the Incentive Fee

Base Management Fee Taxes, Licenses & Permits

Operator Liability Insurance FF&E Reserve

Building Insurance

If you select 'Located in P+L pre GOP' for the Base Fee setting, this will 'check' and lock the Base Management fee option in the 'Adjusted GOP Settings'.

General | Revenue | Management Fees | Financing

Management Fees

Base Fee: Located in P&L pre GOP

Incentive Fee: Yield based Sliding Scale (AGOP as % of Revenue)

Adjusted GOP Settings

Select items to be included in the calculation of the Adjusted GOP for the purposes of calculating the Incentive Fee

Base Management Fee

Operator Liability Insurance

5.11 Profit and Loss Statement

5.11.1 Occupancy Rate

The Occupancy Rate is entered to calculate the forecasted RevPAR (revenue per available room), Room Nights Sold and the quantity of Guests for that year.

- The occupancy rate can be inputted for the first 5 years through to stabilisation.
- The rate in year 5 is projected forward to the end of the cash flow.

Occupancy Rate	70.0%	75.0%	80.0%
Average Daily Rate	551.4	606.6	636.9
RevPAR	386.0	454.9	509.5
Room Nights Sold	89,425	95,813	102,200
Guests	134,138	143,719	153,300

5.11.2 Revenue

The primary hotel revenue such as Room, F+B, Meeting Space, etc, is calculated from the Input Assumptions above the P+L report.

REVENUES				
Room	49,311.5	70.3%	58,117.1	71.9%
Food & Beverage	13,950.3	19.9%	15,320.4	19.0%
Other Operating Depts.	4,438.0	6.3%	4,940.0	6.1%
Meeting Space	2,400.0	3.4%	2,400.0	3.0%

Other Revenues

- This section is provided to increase the flexibility of the program to cater for non-standard revenues.
- It is advised that any monies forecasted in this section are supported by additional information in a user-inserted worksheet.

Other Revenues				
Misc Revenue	50.0	0.1%	60.0	0.1%
	0.0	0.0%	0.0	0.0%
	0.0	0.0%	0.0	0.0%
	0.0	0.0%	0.0	0.0%
Total Revenues	70,150	100%	80,837	100%

Using the **View Options** feature, you can select how to view the 'Other Revenues' rows:

- Hide all the rows.
- Show all the rows.
- Show only rows that have data in them.



5.11.3 Departmental Operating Expenses

- Departmental Operating Expenses are inputted as a ratio to the departmental revenues.
- These can be varied for the first 3 years until stabilisation and ratios in year 3 are projected forward through to the end of the cashflow.

DEPARTMENTAL OPERATING EXPENSES						
Room	10,848.5	22.0%	11,623.4	20.0%	11,716.4	18.0%
Food & Beverage	9,765.2	70.0%	10,417.9	68.0%	11,055.2	66.0%
Other Operating Depts.	1,109.5	25.0%	1,136.2	23.0%	1,093.5	21.0%

Other Expenses

- This section is provided to increase the flexibility of the program to cater for non standard expenses.
- It is advised that any monies forecasted in this section are supported by additional information in a user-inserted worksheet.

Other Expenses					
Misc Expenses		124.0	0.2%	213.0	0.3%
.....		0.0	0.0%	0.0	0.0%
.....		0.0	0.0%	0.0	0.0%
.....		0.0	0.0%	0.0	0.0%
Total Dep.Operating Expenses		23,327	33%	24,870	31%

Using the [View Options](#) feature, you can select how to view the 'Other Expenses' rows:

- Hide all the rows.
- Show all the rows.
- Show only rows that have data in them.



5.11.4 Undistributed Operating Expenses

Further to Departmental Operating Expenses, you can input Undistributed Operating Expenses. They may be inputted as:

- **Sales & Marketing:**
 - For this item, enter a percentage of total revenue for the first 3 years through to stabilisation.
 - The rate in year 3 is then projected forward to the end of the cash flow.
- **Group (Chain) Services:**
 - For this item, select in the Estate Master Preferences whether it is entered as a percentage of Total Revenue or Room Revenue
 - Enter the percentage rate for the first 3 years through to stabilisation.
 - The rate in year 3 is then projected forward to the end of the cash flow.

- **All Other Expenses (Admin & General, Utility, etc):**

- For these items, enter a percentage rate based on the year 3 stabilised income.
- It is then adjusted back to the opening date at the escalation rate adopted for Expenses.
- The expense is then escalated to the end of the cash flow using the escalation rate adopted for Expenses.

UNDISTRIBUTED OPERATING EXPENSES							
Admin & General	% of Total Revenue in Yr 3	6,327.4	9.0%	6,495.5	8.5%	6,647.7	8.0%
Sales & Marketing	% of Total Revenue	6,092.7	8.7%	6,364.3	8.3%	2,492.9	3.0%
Property Repairs & Maintenance	% of Total Revenue in Yr 3	3,163.7	4.5%	3,242.8	4.2%	3,323.8	4.0%
Utility	% of Total Revenue in Yr 3	3,163.7	4.5%	3,242.8	4.2%	3,323.8	4.0%
Base Management Fee							
Group (Chain) Services	% Total Revenue	1,402.0	2.0%	1,529.6	2.0%	1,661.9	2.0%
Total UOE		20,149	28.7%	20,865	27.3%	17,450	21.0%

Depending on your preference, the Base Management Fee could be included here as an 'Undistributed Operating Expense' or an 'Other Deduction' (next section)

5.11.5 Other Deductions

Both Base Management Fees and Incentive Fees are calculated in accordance with the preference selections and the inputs in the Management Fees input section.

Depending on your preferences selections the Base Management Fee could be included as an 'Undistributed Operating Expense' (previous section) or an here as an 'Other Deduction'.

Rates for Operators Liability Insurance, Building Insurance and Taxes, Licences & Permits are entered here.

- These rates are based on the year 3 stabilised income and adjusted back to the opening date at the escalation rate adopted for Expenses.
- The deduction is then escalated to the end of the cash flow using the escalation rate adopted for Expenses.

OTHER DEDUCTIONS							
Base Management Fee		701.0	1.0%	764.8	1.0%	831.0	1.0%
Incentive Fee		2,993.7	4.3%	3,606.6	4.7%	4,849.5	5.8%
Operators Liability Insurance	% of Total Revenue in Yr 3	790.9	1.1%	810.7	1.1%	831.0	1.0%
Building Insurance	% of Total Revenue in Yr 3	790.9	1.1%	810.7	1.1%	831.0	1.0%
Taxes, Licences & Permits	% of Total Revenue in Yr 3	790.9	1.1%	810.7	1.1%	831.0	1.0%
Total Other Deductions		6,067	8.7%	6,803	8.9%	8,173	9.8%

5.11.6 NOP and Lease

The Net Operating Profit (NOP) is revenue minus expenses and other deductibles.

The model allows for the deducting of a ground Lease to the hotel owner based on a percentage of the Net Operating Profit.

- The lease rate can be inputted for the first 3 years through to stabilisation.
- The rate in year 3 is projected forward to the end of the cash flow.

NET OPERATING PROFIT (NOP)					
Lease		235.3	1.0%	303.1	1.0%
EBITDA		23,300	33%	30,008	37%

Following these inputs, the Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) will be calculated.

5.11.7 FF+E Reserve and Free Cash

The FF&E Reserve is a reserve calculated as a percentage of total revenue for the replacement of Fixtures and Fittings and Equipment.

- The FF&E rate can be inputted for the first 5 years through to stabilisation.
- The rate in year 5 is projected forward to the end of the cash flow.
- FF&E Reserve is typically deducted from the EBITDA to achieve Free Cash.

EBITDA	23,300	33%	30,008	37%
FF&E Reserve	2,103.0	3.0%	2,423.3	3.0%
Free Cash	21,197	30%	27,585	34%

Part



6 Storing and Recalling Options/Stages

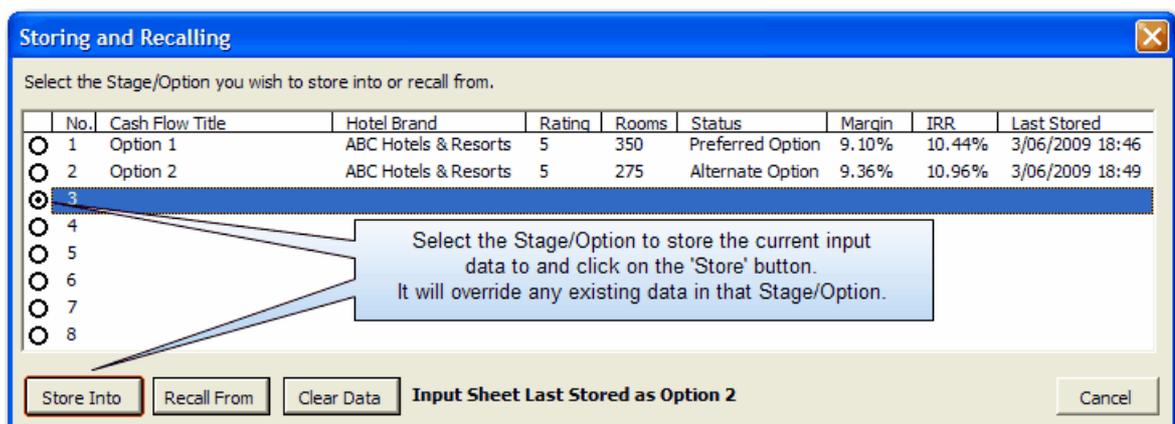
6.1 Using the Options/Stages Function

Using the 'Options and Stages' function  on the Estate Master Menu, you may compare up to eight different hotel feasibility options or amalgamate up to eight project stages using the 'Consolidate' report within the one Estate Master HF file.

Examples of how Options/Stages could be used	Option/Stage 1	Option/Stage 2, etc
Development Options	100 hotel rooms	150 hotel rooms
Feasibility / Sensitivity Scenarios	70% Occupancy	80% Occupancy
Stages of the Project	Stage 1	Stage 2

6.2 Storing

Once you are satisfied that all the inputs have been entered for a particular Option/Stage, you may store this by using the 'Options and Stages' function  and selecting where to store the data before clicking on the 'Store Into' button.



Before the storing process will begin, the program will check the following:

- That the user has entered a unique 'Cash Flow Title' in the Preliminary input section. If it is blank, or not unique to the other Options/Stages that have been stored, it will not proceed.
- That the user has not changed the Currency or Denomination setting in between storing options. If either of these settings have changed after one or more cash flows have been stored, to avoid inaccurate consolidating or comparing of data, it will not proceed.

Input Assumptions	
Cash Flow Title	Sample
Hotel Brand	ABC Hotels & Resorts
Hotel Star Rating	5
Operational Month/Year	October, 2011
Project Status	Preferred Option
Currency and Denomination	AED (000's)

On successful execution, the following input data ranges are stored:

- 'Input' sheet data;

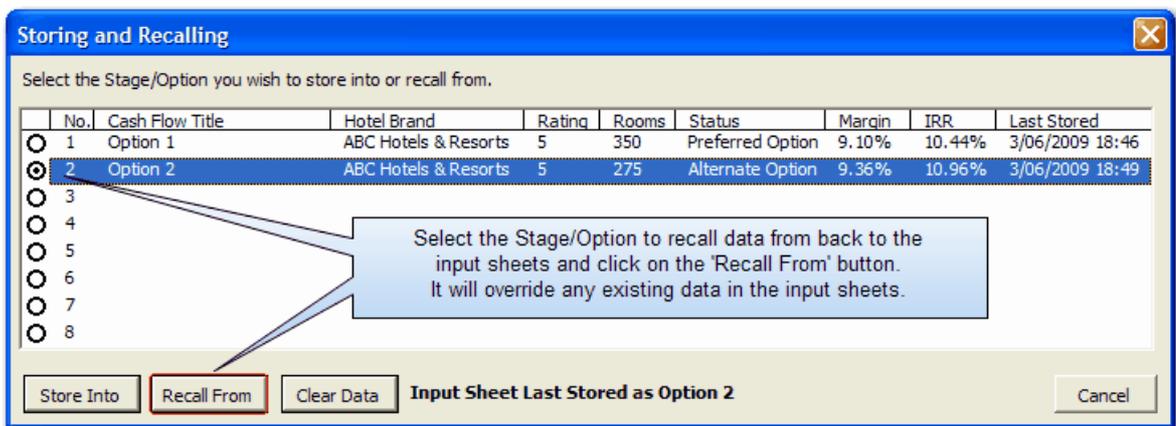
- All Preferences.

Storing enables you to make changes to the input data while retaining the original data. Once a change is made, storing it as Option/Stage 2 can create a new option/stage. The original Option/Stage 1 can be retrieved at a later date for further analysis.

As well as comparing different development options or scenarios, you can use the 'Options and Stages' facility to split large projects into stages.

6.3 Recalling

To change data in an option/stage that has been previously stored, it is recommended that you 'Recall' the relevant data back into the input data ranges. This is achieved by using the 'Recall From' option from the 'Options and Stages' function  and deciding what Option/Stage to recall.

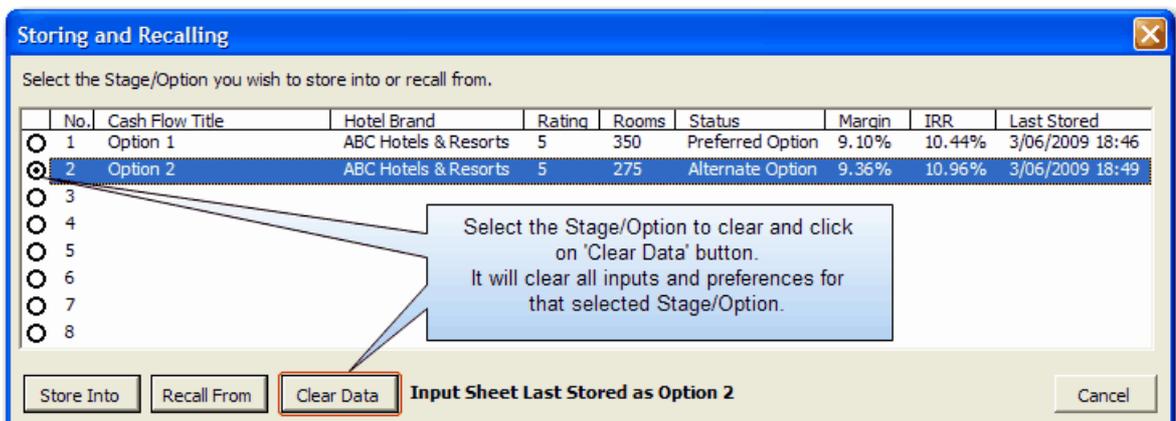


When recalling options, the model will replace the existing data in the input ranges with that of the option being restored.

Remember to store information in the input ranges to an option sheet prior to recalling an option.

6.4 Clearing Data

To delete all data for an option/stage that has been previously stored, use the 'Clear Data' option from the 'Options and Stages' function  and deciding what Option/Stage to clear.



When using this function, be carefully not to accidental clear the wrong Option/Stage, as the data cannot be retrieved once it has been cleared (unless you have a backup of the file).

6.5 The Consolidate Report

Reset Page Setup		Function buttons such as Print, Page Setup, View as Comparison/Consolidate.	
Print Sheet	View as Comparison		
ESTATEMASTER Hotel Feasibility PROPERTY SOFTWARE		'Total' column, only appears when in 'Consolidate' mode.	
Hotel Consolidated Summary Project Title <small>Estate Master for Excel Licensed to: Unlicensed</small>			
Description of Options or Stage	Option 1	Option 2	TOTAL
Hotel Brand	ABC Hotels & Resorts	ABC Hotels & Resorts	
Hotel Star Rating	5	5	10
Number of Rooms	350	275	
Operational Month/Year	October, 2011	February, 2003	
Project Status	Preferred Option	Alternate Option	
Land Cost	350,000,000	220,000,000	570,000,000
Development Costs	0	0	
Development Interet	0	0	
Development Profit	0	0	0
Pre Opening Expenses	35,000,000	15,000,000	50,000,000
Total Acquisition Cost (AED)	385,000,000	235,000,000	620,000,000
P&L Summary (all in AED in year 3)			TOTAL
Occupancy rate	80%	85%	
ARR	637	522	
RevPar	510	444	
Room	65,091,180	40,492,279	105,583,459
Food & Beverage	11,224,405	7,004,468	18,228,872
Other Operating Depts.	5,207,294	3,239,382	8,446,677
Meeting Space	5,850,000	5,850,000	11,700,000
Rental & Other Income	0	0	0
Total Revenue	87,372,879	56,586,129	143,959,008
GDP	45,199,023	28,503,713	73,702,736
	GDP as % of TR	51.73%	51.20%
NOP	36,396,159	22,902,595	59,298,753
	NOP as % of TR	41.66%	41.19%
Lease	0	0	0
EBITDA	36,396,159	22,902,595	59,298,753
FF&E reserve	2,621,186	1,697,584	4,318,770
Free Cash for debt holders	33,774,972	21,205,011	54,979,983
Debt/Equity Ratio			29,760,000
Debt repayment			25,219,983
Free Cash for equity holders before tax			620,000,000
Total Acquisition/Development Cost			620,000,000
Notional Hotel Terminal Value			535,902,166
PERFORMANCE INDICATORS			
Discount Rate	10.00%	10.00%	
NPV (as at the start of each stage)	9,981,907	13,438,940	
Holding Discount Rate	4.00%		
NPV (as at the start of consolidated cash flow)	7,104,934	13,438,940	20,543,875
YIELD (average inflow of 10 full years)	9.10%	9.36%	
IRR	10.44%	10.96%	
ROCE (in Y3)	9.29%	9.56%	9.50%

'Holding Discount Rate' and the NPV as at the start of the consolidated cash flow, only appears when in 'Consolidate' mode.

Using the 'View Comparison/Consolidate' button at the top of the 'Consolidate' report, the user can change how the results are reported:

- **Comparing the 'Options'**, where up to 8 columns of reporting data is made available for each scenario, providing a summary of the performance indicators for all Options or Scenarios that were previously stored.
- **Consolidating the 'Stages'**, where an additional 'Total' column is provided to report on the consolidated performance of up to 8 individual stages. This is only relevant if the data stored are stages or precincts within the one larger project. It enables the user to model long term projects in smaller stages.

Holding Discount Rate

The Consolidate report also allows the user to input a 'Holding Discount Rate' for the consolidated cash flow of all the stages stored. Since each stage may have different start dates, the NPV's for each stage cannot simply be added until they are discounted to a common date - that is the start of the consolidated project.

This is the rate that is applied to discount the NPV of each stage to present value at the start of the consolidated cash flow. Since there is little or no development risk during the holding period, a lower discount rate is usually applied (i.e. lower than the rate applied during the development period).

Description of Options or Stage	Stage 1	Stage 2	TOTAL
PERFORMANCE INDICATORS			
Discount Rate	10.00%	10.00%	
NPV (as at the start of each stage)	9,981,905	13,438,940	
Holding Discount Rate	4.00%		
NPV (as at the start of consolidated cash flow)	9,981,905	12,425,056	22,406,961
YIELD (average inflow of 10 full years)	9.10%	9.36%	
IRR	10.44%	10.72%	
ROCE (in Y3)	9.20%	9.50%	

The consolidated NPV for all stages to the start of the entire project.

The 'Holding Discount Rate' applied to stages that start after the start of the consolidated

Stage 2 is further discounted back to the start of the entire project by 4% as it started later than Stage 1.

Part

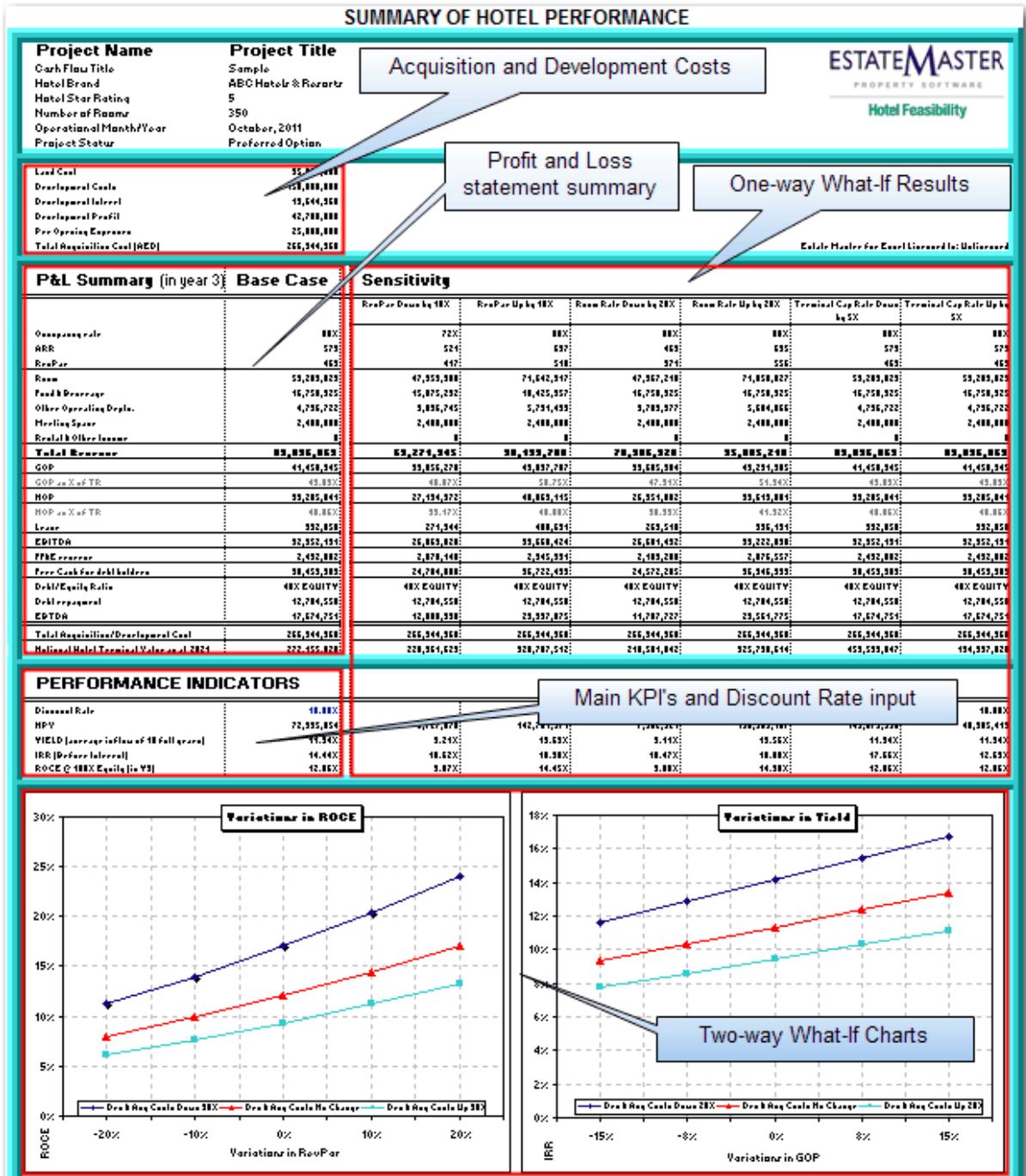


7 Performance Reporting

7.1 Hotel Performance Summary

This Hotel Summary Report will display the:

- Summary of the Profit and Loss Statement as at Year 3;
- The Key Performance Indicators (KPI's); and
- The sensitivity analysis of those outputs via a One-way and Two-way What-If outputs.



Profit and Loss Summary

Occupancy Rate	The percentage of all hotel rooms that are occupied or rented at a given time.
ADR	Average Daily Rate: <ul style="list-style-type: none"> This is a statistical unit that represents the average rental income per occupied room in a given time period. ADR along with the hotel's occupancy are the foundations for the hotel's financial performance. The ADR is calculated by dividing the room revenue by the number of rooms sold.
RevPAR	Revenue Per Available Room: <ul style="list-style-type: none"> Occupancy Rate x ADR
Revenue	The total revenue from hotel rooms, food and beverage, meeting space rental, other operating departments and other revenue.
GOP	Gross Operating Profit: <ul style="list-style-type: none"> Total Department Operating Income less undistributed Operating Expenses
NOP	Net Operating Profit: <ul style="list-style-type: none"> GOP less other deductions (e.g. Management Fees, Insurance, etc)
Lease	The ground lease payable by the hotel owner.
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization.
F F & E Reserve	A reserve calculated as a percentage of total revenue for the replacement of Fixtures and Fittings and Equipment.
Free Cash for debt holders	EBITDA less F F & E Reserve
Debt/Equity Ratio	The leverage ratio adopted for funding the acquisition and development costs.
Debt Repayment	The total debt servicing for the year.
EBTDA	Earnings before Taxes, Depreciation, and Amortization.
Total Acquisition/Development Cost	The total cost of acquiring and developing the hotel, including development interest, profit and pre-opening expenses.
Notional Hotel Terminal Value	Calculated at the end of the 10 year holding period by taking the EBITDA and "Capitalising" using the Cap Rate.

Performance Indicators

Discount Rate	The Discount Rate (or Target IRR) only affects Net Present Value (NPV).
NPV *	The Net Present Value of the hotel's cash flow, using the nominated discount rate.
Yield	A ratio of EBITDA over the years of operation to the acquisition and development cost of the hotel.
IRR *	The Internal Rate of Return based on the hotel's cash flow.
IRR on Equity *	The Internal Rate of Return on the equity cash flow.

ROCE

A ratio of the EBITDA to the acquisition cost plus the accumulated FF&E Reserve.

- $\text{EBITDA} / (\text{Acquisition Cost} + \text{Accumulated FF\&E})$

Notes about NPV and IRR:

- The Excel XIRR/XNPV functions are used for these calculations.
- You can use the Estate Master Preferences to change the NPV and IRR calculation methods to either include or exclude interest costs.

Other Functions

Hide Rows

Show Rows

You can customise the rows that are displayed in the Summary Report:

- **Hide Rows:** This will hide the rows that have been deselected using the checkboxes on the left of the report.
- **Show Rows:** This will unhide all rows on the report. Any rows that were hidden will have their checkbox still deselected.

Update Sensitivity

Update the Sensitivity analysis results if data has changed.

Hide Sensitivity

Hide the Sensitivity analysis results from the Summary report.

Print Sheet

Print the active report based on the default print setup.

7.2 Sensitivity Analysis

The Sensitivity Analysis is a risk assessment mechanism and allows the user to examine the impact on the hotel performance indicators resulting from changes in a series of input variables.

There are 3 Sensitivity Analysis features available in the Estate Master HF program:

1. Scenario Analysis
2. One-Way What-If Analysis
3. Two-Way What-If Analysis

Scenario Analysis

On the bottom of the 'Summary' sheet, the 'Scenario Analysis' allows you to input variations to each of the variables listed on the table. The 'Variation' column in the 'Scenario Analysis' table affects the calculation cells in the cash flow. You can put any combination of variations and see their impact on the various performance indicators. No function is required to be run as this alters the model directly.

Variable	Variation		Performance Indicator	Result
Occupancy	5.0%	Increase/Decrease	Occupancy Rate	85.00%
Room Rate	5.0%	Variation	ARR	608
RevPar	0.0%	Variation	RevPar	487
GOP	0.0%	Variation	NPV	102,455,376
Development & Acquisition Costs	0.0%	Variation	YIELD	12.65%
Terminal Cap Rate	1.0%	Increase/Decrease	IRR	16.22%
			ROCE (in Y3)	13.38%

Before commencing with further work, the values in the variations should be set back to zero. When you run the 'Sensitivity Analysis' function, the values in the 'Variation' column will return to zero automatically.

One-Way What-If Analysis

In the One-Way What-If Analysis table, put low and high forecast variations for each of the variables. Using the drop-down lists, select the 3 variables you wish to test before running the sensitivity.

Sensitivity to Changes in:	Low	High
RevPar	-10.0%	10.0%
Room Rate	-20.0%	20.0%
Terminal Cap Rate	-5.0%	5.0%

Note that this table does not affect the cash flow - only the outputs on the Sensitivity section of the Summary report, which is generated when the Sensitivity function is run.

P&L Summary (in year 3)	Base Case	Sensitivity		
		RevPar Down by 10%	RevPar Up by 10%	Room Rate Down by 20%
Occupancy rate	80%	72%	88%	80%
ARR	579	521	637	463
RevPar	463	417	510	371
Room	53,203,023	47,959,308	71,642,917	47,367,218
Food & Beverage	16,750,325	15,075,292	18,425,357	16,750,325

Two-Way What-If Analysis

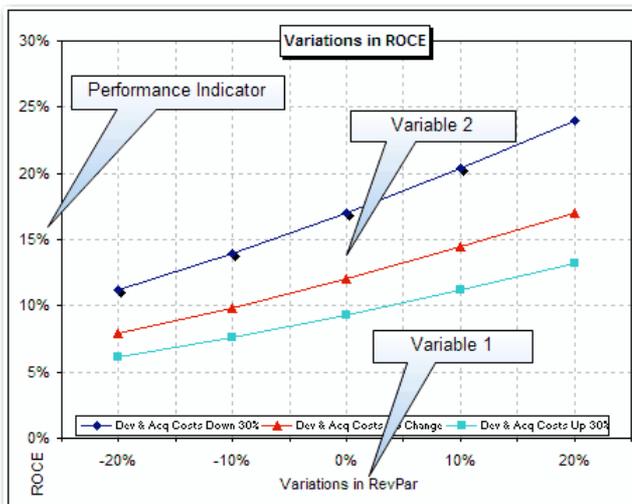
In the 'Two-Way What-if Analysis' section there are drop down boxes for setting parameters.

Performance Indicator	ROCE	Low	High
Variable 1 (X-Axis)	RevPar	-20.0%	20.0%
Variable 2	Development & Acquisition Costs	-30.0%	30.0%

There are two charts each with three drop down boxes:

- **Performance Indicator:** Select either 'Yield', 'IRR' or 'ROCE'
- **Variable 1 and 2:** Select either RevPar, GOP or Development and Acquisition Costs ; and

These are translated into charts on the 'Summary' report when the Sensitivity function is run.



Running the Sensitivity Function

Once you have finished making all input entries, click the **Update Sensitivity** button on the 'Summary' sheet or via the Estate Master Menu. The sensitivity function performs four functions:

1. It resets the values in the 'Variation' column of the 'Scenario Analysis' to zero.
2. It updates the One-Way What-If sensitivity table on the Summary report;
3. It generates the Two-Way What-If charts on the Summary report.

7.3 Return on Capital Employed

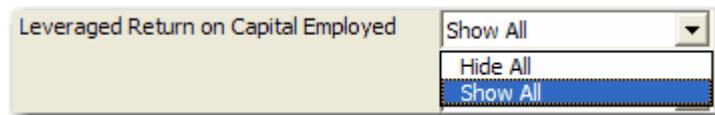
ROCE is the ratio of the EBITDA to the equity plus the accumulated FF&E Reserve for any given year.

- $\text{EBITDA} / (\text{Equity} + \text{Accumulated FF\&E})$

The resulting ratio represents the efficiency with which capital is being utilized to generate revenue.

- The ROCE on the summary pages is reporting the unleveraged ROCE.
- The leveraged ROCE can be seen on the Input sheet below the P&L

Using the **View Options** feature, you can select either to show or hide the leveraged Return on Capital Employed section.



In determining the leveraged ROCE (see Input sheet below P&L) you can select via the Preferences to account for the loan repayments on an Interest Only or Principal and Interest basis.

7.4 Return on Equity Employed

ROEE is the ratio of the EBITDA to the Equity Funded.

- $\text{EBITDA} / \text{Equity}$

The resulting ratio represents the efficiency with which Equity is being utilized to generate revenue.

- The leveraged ROEE can be seen on the Input sheet below the P&L.

Using the **View Options** feature, you can select either to show or hide the leveraged Return on Equity Employed section.



In determining the leveraged ROEE (see Input sheet below P&L) you can select via the Preferences to account for the loan repayments on an Interest Only or Principal and Interest basis.

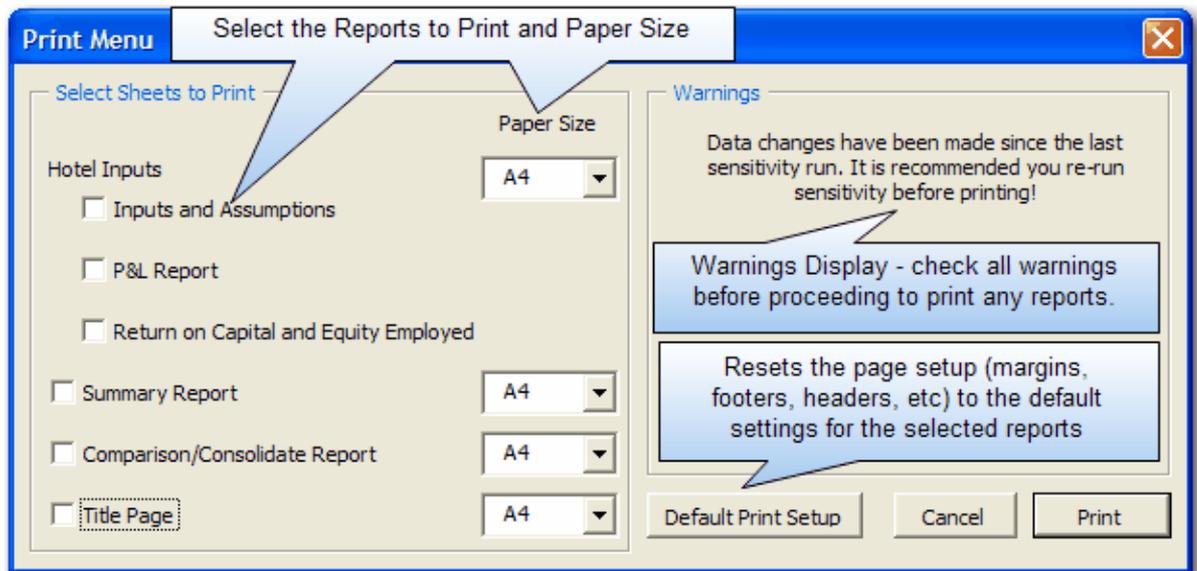
Part



8 Printing Reports

There are two methods to print reports in the Estate Master HF program:

1. Use the 'Print Sheet' buttons on the individual sheets,
2. Click on  or 'Print Report Options' on the Estate Master Menu. That will load the following menu.



Print Menu Features

Select Reports to Print Select the reports that you wish to print and the paper size, and then click 'Print'.

Warnings Display A warning may appear if it relates to data that needs to be updated on any of the selected reports. The program will provide a warning in the following circumstances:

- Input changes have been done since the last sensitivity run.
- Variations in the Scenario Analysis are affecting the cash flow.
- The current set of inputs has not been stored and that the 'Consolidate' sheet is not up to date.

Default Print Setup

The print setup has been pre-defined in the Estate Master HF program.

If at any time you altered the print setup for the selected sheets to print, you must run the 'Default Print Setup' prior to printing to reset the settings for paper size, print area, orientation, header, footer, etc.

If no changes have been to the print setup by the user, the 'Default Print Setup' is not required.

Conducting a Check Before Printing

There are numerous output report sheets in the Estate Master HF program that provide you with the performance indicators upon which the project's feasibility is assessed. You should do a reality check of these to make sure that there are no errors. If there are obvious errors, amend them in the inputs and re-run the sensitivity analysis.

Part



IX

9 Troubleshooting and Support

9.1 Macros are Disabled

A macro is a series of commands and instructions that are grouped together as a single command to accomplish a task automatically. Estate Master uses these in all of its functions such as Sensitivity Analysis, Printing, etc.

If a warning appears when you open the file or when you try and run a macro function in the program, stating that 'Macros are Disabled', you will have to:

1. Change the macro security setting of Excel to 'Medium' by clicking on Tools - Macro - Security and reopen the program.
2. Select 'Always trust macros from this source' and/or 'Enable Macros' if asked.

9.2 Entering the Correct Data

You may find that once all data has been entered and calculated, the performance indicators in the financial summary are returning a #VALUE or #NUM value. The reasons for this could be that incorrect data has been entered in the input cells. There is a safeguard built into the program against entering text in a cell that requires a numerical entry. If this is the case the cell will return 'Error Input' in red font or the cell will have a red background. The contents of the cell should be examined and edited appropriately.

9.3 Cut & Move Commands

Do not use the Cut or Move commands, as this will corrupt the formulae in the model. If you do cut or move cells, they will lose their white background and turn red, generally as a result of this #REF! values will appear in the financial summary sheet.

If this happens you must immediately 'Undo' before anything else using the Excel - Edit - Undo command - or click on the Undo button in the toolbar.

If you can't use the UNDO feature it is recommended that you:

1. Save the file under a different file name;
2. Print a copy of the inputs for record;
3. Open an earlier saved model without the reference errors; and
4. Re-enter all inputs into this model.

If you do not have an earlier saved file without reference errors it is recommended that you open the template and enter the information into a fresh model. It may be necessary to reinstall the template file if a user has corrupted the template file (i.e. it also has reference errors in it).

Copy and Fill Down commands are safe to use. Do not use Fill Right since different columns have different format types.

9.4 Importing Data from Previous Versions

After installing new versions of the Estate Master HF software, it is recommended that any job files that were created in previous versions of the software be transferred to the new version.

1. Ensure the Microsoft Excel program is closed.
2. Open the Estate Master HF template file from the Programs list in the Start menu.
3. Once loaded, check the version numbers on the 'Intro' sheet to see if they are the latest versions.

4. If the Engine Version hasn't updated, you have not uninstalled the previous version and installed the new version correctly.
5. If the Sheet Versions hasn't updated, you did not open the new master file.
6. If both version numbers do not match, try installing the new version again.
7. Once the version has been verified, you are now ready to import data from previous versions.

Using the Enterprise Database Import function

1. If you have used the Enterprise Database software to store your previous HF cash flows, then use the Import function to import data to your new Estate Master HF template file.
2. If you are not a Enterprise Database user, you can use the 'Import From Previous Version' function (below).

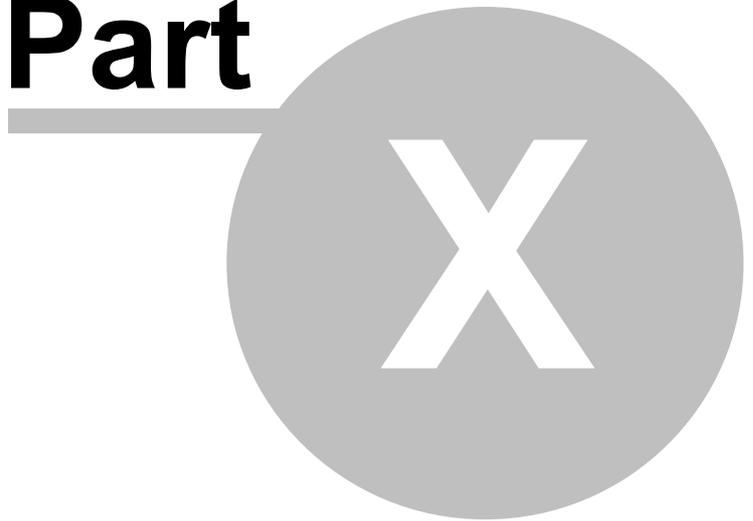
Using the Automatic 'Import from Previous Version' Feature

1. Open the latest Estate Master HF template file that has the latest version numbers and go to the 'Estate Master' menu.
2. Go to 'Technical Support and Updates' and select 'Import Data from Previous Version'.
3. The program will then prompt you to select the working file created in the previous version and it will import the relevant data from it into the new master file.
4. Follow the prompts to complete the process and take note of any warnings or messages.
5. If a message appears claiming that the file is not compatible for importing, you must manually import data (below).

Manually Importing Data

1. Open the new Estate Master HF template file and any job file that was created in previous versions of the software.
2. While having both files opened (new version and old version) you can manually copy inputs from the old version and paste them into the new version (using Paste Special - Formulas only). It is recommended to set the input preferences and resizing of the model before transferring the data across.
3. Once all the data for one file is transferred, save it under a new file name and rename the old file to avoid confusion (eg. Feasibility - OLD.xls).
4. Complete this process for all existing working files. Once it is satisfied that all data has been successfully transferred, it is recommended that you delete/archive any old files.

Part



10 Licence Agreement

1. Acceptance of Terms

- 1.1 Permission to use this Software is conditional upon you reading and accepting all the terms of this licence agreement. By clicking "I Accept", you accept all of the terms. If you do not wish to accept the terms, you must not click "I Accept" and you may not use the Software.
- 1.2 If you are using the Software on behalf of a company or an organisation, in clicking the "I Accept" button during installation you warrant that you are authorised by the company or organisation to agree the terms on its behalf.

2. Licence

- 2.1 We grant you a non-exclusive, non-transferable licence to use:
 - (a) the Software, on equipment owned and used by you at the Site:
 - (i) on the number of computers equal to the number of User/PC Licences that you have purchased; or
 - (ii) by the number of concurrent users equal to the number of CAS Licences that you have purchased; and
 - (b) the Documentation,on the terms of this agreement.
- 2.2 You acknowledge that there is no transfer to you of any right in the Software or the Documentation other than the licence granted in clause 2.1.

3. Your obligations

- 3.1 You must not and must not allow any other person to:
 - (a) except as expressly permitted by law, copy, alter, modify, tamper with, decompile, reverse engineer or attempt to reverse engineer, the Software, or use the Software to develop other software;
 - (b) copy the Documentation;
 - (c) permit the Software to be combined with or incorporated in other software; or
 - (d) use the Software to supply hosting services or bureau services to any person.
- 3.2 You must:
 - (a) use the Software only in accordance with the Documentation;
 - (b) ensure that the Software is used only by people trained to use it;
 - (c) establish and carry out reasonable backup procedures for the Software;
 - (d) comply with our support and operating procedures current from time to time; and
 - (e) comply with all reasonable directions issued by us regarding use of the Software.
- 3.3 You must keep records in sufficient detail to enable compliance with your obligations under this agreement to be verified. We, or our auditors, after giving you at least 48 hours notice may examine your records during your usual business hours to verify that you have complied, and are complying, with those obligations.
- 3.4 You indemnify us and our officers, employees and agents from and against any loss (including reasonable legal costs and expenses) or liability reasonably incurred or suffered by any of those indemnified where such loss or liability was caused by:
 - (a) your breach of your obligations under this agreement; or
 - (b) your wilful, unlawful or negligent act or omission.

4. Evaluation Period and Activation

- 4.1 You may use the Software for the purpose of evaluation for a period of up to 30 days from the date of installation of the Software. After the evaluation period has expired, you must either:
 - (a) input an activation key and register the Software in accordance with the installation and registration instructions provided with the Software; or
 - (b) stop using the Software and uninstall it so that it is deleted from all computer equipment.
- 4.2 If, after evaluation, the Software is not registered in accordance with clause 4.1(a),
 - (a) the licence granted in clause 2.1 terminates; and
 - (b) the Software will disable itself and become unusable.
- 4.3 The Software is matched to the computer equipment on which the Software is first activated for use and the Software will disable itself and become unusable if you attempt to use it on another computer. However, on request we will issue a further activation key to you to allow you to install the Software on another computer, provided that you satisfy us that you have uninstalled the Software from the original computer.

5. Documentation

You acknowledge that the Documentation contains sufficient information for the adequate use of the Software, except to the extent we have notified you of any omission or deficiency or of any variation that we consider necessary for the proper use of the Software.

6. Initial and Ongoing Fees

- 6.1** You must pay the Licence Fee and the Support Fee for the first 12 months in accordance with our standard payment requirements before we will issue an activation key for the Software.
- 6.2** If you dispute any invoice, you must pay any undisputed amount and must notify us in writing within seven days after receipt of the invoice of the reason for the dispute. The dispute will then be dealt with under clause 16. If the outcome of the dispute resolution process is that some or all of the disputed amount should properly have been paid, you must pay that amount together with interest at the rate prescribed from time to time for unpaid judgments of the Supreme Court of NSW, calculated from the original due date.
- 6.3** All fees, charges and other amounts referred to in this agreement are exclusive of Government Charges.
- 6.4** If any supply under this agreement is a taxable supply or results in Government Charges, the party making the supply:
- (a) may, in addition to any payment for the supply, recover the amount of the Government Charges applicable to the supply; and
 - (b) must issue a tax invoice to the recipient within 28 days after making the taxable supply.

7. Security

You are responsible for the use, supervision, management and control of the Software and Documentation. You must ensure that the Software is protected at all times from misuse or any form of unauthorised use.

8. Support Services, Upgrades and New Releases

- 8.1** Except to the extent specified in this agreement, we are not obliged to support the Software, whether by providing advice, training, error-correction, modifications, upgrades, new releases or enhancements or otherwise.
- 8.2** We will provide support for the Software for a period of 12 months after the date of activation. After 12 months, support is available on our standard terms on payment of the Support Charge. Our standard terms for support are available on our website.
- 8.3** If we offer an upgrade or new release and you accept:
- (a) the charge for the upgrade or new release will be at our then current rate for existing customers;
 - (b) this agreement will continue to apply to the upgrade or new release; and
 - (c) you must return to us all copies of the original Software or otherwise deal with all copies of the original Software in accordance with our directions.

9. Software performance

- 9.1** We do not guarantee that the Software is or will be error free for all possible systems, combinations of software and input variations.
- 9.2** It is a condition of this agreement that you test the Software for compatibility with your systems, existing software and input permutations. You must audit the output results of the Software on a regular basis to ensure the ongoing suitability and integrity of the Software.

10. Warranty

- 10.1** We warrant that:
- (a) for the duration of the Warranty Period, the Software will operate in conformity with the Documentation in all material respects;
 - (b) the Software and Documentation does not infringe the Intellectual Property Rights or moral rights of any person; and
 - (c) we have all necessary rights to grant the licence under clause 2.1.
- 10.2** If, during the Warranty Period, you consider there is a defect in the Software such that the Software does not conform with, or cannot be used in accordance with, the Documentation, you must notify us. We will investigate any defects so notified and, upon verification of the existence of the defect, rectify the defect without additional charge to you.

11. Limitation of Liability

- 11.1** You acknowledge that:
- (a) the Software or the Documentation may contain errors or inaccuracies;

- (b) results produced by the Software may contain errors or inaccuracies; and
- (c) you rely on your own professional skill and judgement in using the Software and in determining its suitability for any purpose.

11.2 We do not exclude or limit the application of any provision of any statute (including the *Trade Practices Act 1974*) where to do so would contravene that statute or cause any part of this agreement to be void, including any provision implying any condition, warranty or providing for an indemnity. In this clause an implied condition or warranty the exclusion of which from a contract (including a contract with a consumer as defined in the *Trade Practices Act 1974*) would contravene any statute or cause part or all of this clause to be void is called a **Non-excludable Condition**.

11.3 Our total liability to you for a breach of any express term of this agreement, or for a breach of any Non-excludable Condition (other than one implied by section 69 of the *Trade Practices Act 1974*), is limited, at our option, to any one of supplying, replacing or repairing, or paying the cost of supplying, repairing, or replacing the goods or supplying again, or paying the cost of supplying again, the services in respect of which the breach occurred.

11.4 We exclude:

- (a) from this agreement all conditions, warranties and terms implied by statute, general law or custom, except any Non-excludable Condition;
- (b) except for liability in relation to a breach of a Non-excludable Condition, all liability to you in contract for consequential or indirect damages arising out of or in relation to the Software or Documentation, any delay or other failure in supplying the Software or Documentation, even if we knew they were possible or they were otherwise foreseeable, including lost profits and damage suffered as a result of claims by any third person; and
- (c) all liability in negligence.

12. Confidentiality

12.1 Each party:

- (a) may use Confidential Information of the other party solely for the purposes of this agreement;
- (b) except as permitted under clause 12.1(c), must keep confidential all Confidential Information of the other party; and
- (c) may disclose Confidential Information of the other party only:
 - (i) to persons who:
 - (A) are aware and agree that the Confidential Information of the other party must be kept confidential; and
 - (B) either have a need to know (and only to the extent that each has a need to know), or have been specifically approved by the other party; or
 - (ii) as required by law or stock exchange regulation.

12.2 Even though information is the Confidential Information of a party, the other party is not obliged to comply with clause 12.1 in relation to that Confidential Information if:

- (a) the Confidential Information has become public knowledge; or
- (b) the other party became aware of that Confidential Information from a third person,

in circumstances where there was no breach of any obligation of confidence.

12.3 You must not make any public statement:

- (a) about the performance of;
- (b) about the operation of; or
- (c) benchmarking,

the Software without our prior written consent.

13. Intellectual Property Rights

13.1 In the event that proceedings are brought or threatened by a third party against you alleging that your use of the Software constitutes an infringement of Intellectual Property Rights, we may at our option and own expense conduct the defence of such proceedings. You must provide all necessary co-operation, information and assistance to us in the conduct of the defence of such proceedings.

13.2 If the Software is found to infringe a third party's Intellectual Property Rights, we may at our option:

- (a) procure for you the right to continue using the Software;
- (b) modify the Software so that it becomes non-infringing; or
- (c) replace the Software with other software with similar functionality.

14. Term and Termination

14.1 This agreement continues until:

- (a) a party terminates the agreement in accordance with clause 14.2; or
- (b) you give us at least 30 days notice.

14.2 A party may terminate this agreement with immediate effect by giving notice to the other party if:

- (a) that other party breaches any material term of this agreement not capable of remedy;
- (b) that other party breaches any material term of this agreement capable of remedy and fails to remedy the breach within 30 days after receiving notice requiring it to do so; or
- (c) any event of insolvency happens to that other party (whether or not notified).

15. On Termination

15.1 On termination of this agreement other than for our breach or insolvency, the licence granted under clause 2.1 terminates and you must immediately:

- (a) stop using the Software;
- (b) return to us all copies of the Software and Documentation in your possession or control; and
- (c) ensure that all of the Software has been deleted or permanently removed from any equipment on which it is stored.

15.2 You acknowledge that if this agreement is terminated other than for our breach or insolvency, in addition to any other remedies we may have, we may:

- (a) retain all fees paid under this agreement;
- (b) charge a reasonable sum for work performed in respect of which work no sum has been previously charged; and
- (c) if you do not return to us all Software and Documentation in your possession or control in accordance with clause 15.1, at your cost, enter any of your premises during working hours to repossess them.

16. Dispute Resolution

16.1 Neither party may start arbitration or court proceedings (except proceedings seeking interlocutory relief) in respect of a Dispute unless it has first complied with this clause.

16.2 A party claiming that a Dispute has arisen must notify the other party within 10 working days after the event occurring that has given rise to the Dispute.

16.3 Within 7 working days after a notice given under clause 16.2 each party must nominate in writing to the other party a representative authorised to settle the Dispute on its behalf.

16.4 During the 20 working day period after a notice is given under clause 16.2 (or if the parties agree a longer period, that longer period) each party must use his or her best efforts to resolve the Dispute.

16.5 If a Dispute is not resolved within that time, the Dispute must be referred:

- (a) for mediation, in accordance with the Australian Commercial Disputes Centre (ACDC) Mediation Guidelines; and
- (b) to a mediator agreed by the parties, or if the parties do not agree on a mediator, a mediator nominated by the then current chief executive officer of ACDC or the CEO's nominee (or if no such person is available or willing to nominate a mediator, by the then President of the Law Society of New South Wales).

17. Force Majeure

17.1 Neither party is liable for any delay or failure to perform its obligations pursuant to this agreement if such delay is due to Force Majeure.

17.2 If a delay or failure of a party to perform its obligations is caused or anticipated due to Force Majeure, the performance of that party's obligations will be suspended.

17.3 If a delay or failure by a party to perform its obligations due to Force Majeure exceeds sixty days, either party may immediately terminate the agreement on providing notice in writing to the other party.

17.4 If this agreement is terminated pursuant to clause 17.3, we will refund moneys previously paid by you for any goods or services not supplied to you.

18. Entire Agreement

This agreement, including the Invoice, constitutes the entire agreement between the parties and supersedes all prior representations, agreements, statements and understandings, whether verbal or in writing.

19. Assignment

You may not assign the benefit of this agreement without our written consent.

20. Variation

This agreement may be varied only by a document signed by both parties that states expressly that it varies this agreement.

21. Severability

If any provision of this agreement is held invalid, unenforceable or illegal for any reason, the agreement remains otherwise in full force apart from such provision, which is deemed to be deleted.

22. Governing law

22.1 This agreement is governed by the law applicable in New South Wales, Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that State.

23. Notices

23.1 Notices under this agreement must be in writing and may be delivered by hand, by mail or by facsimile to the addresses specified on the Invoice.

23.2 Notice will be deemed given:

- (a) in the case of hand delivery, upon written acknowledgment of receipt by an officer or other duly authorised employee, agent or representative of the receiving party;
- (b) in the case of posting, three days after dispatch;
- (c) in the case of facsimile, upon receipt of transmission if received on a business day or otherwise at the commencement of the first business day following transmission.

24. Definitions

24.1 The following definitions apply unless the context requires otherwise:

CAS License means Client Access Session, being the number of users that can use the Software at any one time on a network via a terminal server. For example, 20 people might have access to use the Software via a terminal server network, but a single CAS means that only one may use it at a time.

Confidential Information of a party means all confidential information (including trade secrets and confidential know how) relating to that party or a corporation related (as that term is used in the *Corporations Act 2001* (Cth)) to that party from time to time, of which the other party becomes aware.

Documentation means any operating manuals and other printed materials including users' manuals, programming manuals, modification manuals, flow charts, drawings and software listings that are designed to assist or supplement the understanding or application of the Software.

Force Majeure means a circumstance beyond the reasonable control of the parties which results in a party being unable to observe or perform on time an obligation under this agreement. Such circumstances include:

- (a) acts of God, lightning strikes, earthquakes, floods, storms, explosions, fires and any natural disaster;
- (b) acts of war, acts of public enemies, terrorism, riots, civil commotion, malicious damage, sabotage and revolution; and
- (c) strikes.

Government Charges means any taxes, duties or government charges arising out of or in connection with entering into this agreement or making a supply under it, including GST.

Intellectual Property Rights means all intellectual property rights, including:

- (a) patents, copyright, rights in circuit layouts, registered designs, trade marks and the right to have confidential information kept confidential; and
- (b) any application or right to apply for registration of any of those rights.

Invoice means our invoice received by you in relation to this agreement.

Licence Fee means the fee specified on the Invoice, payable to us for the use of the Software.

Software means the software specified on the Invoice that you are licensed to use under this agreement, including any enhancement, modification, upgrade or new release of that software.

Site means the physical address for the use of the Software specified at the time of installing the Software.

Support Charge means a charge for support in accordance with our standard rates in effect from time to time.

User/PC License means the licence for a single person to install, register and operate the Software on a single computer.

Warranty Period is the period of 90 days from the date of installation of the Software.

We, including its different grammatical forms such as **our** and **us**, means Estate Master Pty Limited, ABN 76 102 232 593, of Level 6, 234 George Street, Sydney, NSW, Australia.

You means the person installing the software or, where it has been installed on behalf of a company or organisation under clause 1.2, that company or organisation.

24.2 The following rules of interpretation apply unless the context requires otherwise:

- (a) any use of the verb ***includes***, or of words such as ***for example*** or ***such as***, do not limit anything else that is included in general speech; and
- (b) unless otherwise stated, monetary references are references to Australian dollars.