

**Financial Analysis**  
**Mary Cairncross Scenic Reserve Building Renewal Project**  
December 2015

Table 1 – Cost / benefit assumptions

Table 2 – Cost Benefit “do nothing”

Table 3 – Cost Benefit Proposed Development

Table 4 – Sensitivity summary

Table 1 Cost /benefit assumptions

Cost/benefit parameters	'do nothing'	Proposed renewal
<b>Food/Drink Services</b>		
Type of services	kiosk	café
Provision of alcoholic beverages	n/a	fully licenced
Café turnover allocated to Council after 3yrs	n/a	5%
Lessee rent after 3yrs	n/a	\$ 25,000
Average spend at café per person (op yrs 1-7)	n/a	\$ 7.50
Average spend at café per person (op yrs 8-15)	n/a	\$ 11.95
Average spend at café per person (op yrs 16-25)	n/a	\$ 19.05
Penetration (% visitors who purchase café items)	n/a	45%
<b>Gift shop</b>		
Size (m2)	n/a	30 sqm
Average spend at retail per person (op yrs 1-7)	n/a	\$ 4.50
Average spend at retail per person (op yrs 8-15)	n/a	\$ 7.00
Average spend at retail per person (op yrs 16-25)	n/a	\$ 9.00
Penetration (% visitors who purchase gift items)	n/a	20%
Cost of goods sold (gift shop)	n/a	45%
<b>Education Centre</b>		
% of visitors who will donate	25%	56%
Average donation per person (op yrs 1 - 13)	n/a	\$ 0.01
Average donation per person (op yrs 14-25)	n/a	\$ 0.02
<b>Meeting theatre hire</b>		
Hourly rate	n/a	\$ 30.00
Size (m2)	n/a	80 sqm
Utilisation	n/a	25%

Table 2 - NPC - "do nothing"																										
Years	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Annual Discount Factor	1.000	0.939	0.882	0.828	0.777	0.730	0.685	0.644	0.604	0.567	0.533	0.500	0.470	0.441	0.414	0.389	0.365	0.343	0.322	0.302	0.284	0.266	0.250	0.235	0.221	0.207
Visitors		200,000	204,000	208,080	212,242	205,874	199,698	193,707	197,581	201,533	205,564	209,675	203,385	197,283	191,365	197,106	203,019	209,109	215,383	208,921	202,653	196,574	206,403	216,723	223,224	229,921
<b>REVENUE</b>																										
Café lessee rent		\$8,500	\$8,500	\$8,500	\$8,755	\$9,018	\$9,288	\$9,567	\$9,854	\$10,149	\$10,454	\$10,768	\$11,091	\$11,423	\$11,766	\$12,119	\$12,483	\$12,857	\$13,243	\$13,640	\$14,049	\$14,471	\$14,905	\$15,352	\$15,813	\$16,287
Café lessee portion of turnover		-	-	-	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retail revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gold coin donations		\$70,000	\$70,000	\$72,100	\$72,100	\$74,263	\$74,263	\$76,491	\$76,491	\$78,786	\$78,786	\$81,149	\$81,149	\$83,584	\$83,584	\$86,091	\$86,091	\$88,674	\$88,674	\$91,334	\$91,334	\$94,074	\$94,074	\$96,896	\$96,896	\$99,803
<b>Total Revenue</b>		<b>\$78,500</b>	<b>\$78,500</b>	<b>\$80,600</b>	<b>\$80,855</b>	<b>\$83,281</b>	<b>\$83,551</b>	<b>\$86,058</b>	<b>\$86,345</b>	<b>\$88,935</b>	<b>\$89,240</b>	<b>\$91,917</b>	<b>\$92,240</b>	<b>\$95,007</b>	<b>\$95,350</b>	<b>\$98,210</b>	<b>\$98,574</b>	<b>\$101,531</b>	<b>\$101,917</b>	<b>\$104,974</b>	<b>\$105,383</b>	<b>\$108,545</b>	<b>\$108,979</b>	<b>\$112,248</b>	<b>\$112,709</b>	<b>\$116,090</b>
<b>EXPENDITURE</b>																										
Salaries (1.2 FTE)		\$107,000	\$110,210	\$113,516	\$116,922	\$120,429	\$124,042	\$127,764	\$131,597	\$135,544	\$139,611	\$143,799	\$148,113	\$152,556	\$157,133	\$161,847	\$166,703	\$171,704	\$176,855	\$182,160	\$187,625	\$193,254	\$199,052	\$205,023	\$211,174	\$217,509
Cost of goods sold (retail)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities		\$16,000	\$16,640	\$17,306	\$17,998	\$18,718	\$19,466	\$20,245	\$21,055	\$21,897	\$22,773	\$23,684	\$24,631	\$25,617	\$26,641	\$27,707	\$28,815	\$29,968	\$31,166	\$32,413	\$33,710	\$35,058	\$36,460	\$37,919	\$39,435	\$41,012.87
Preventative mtce		\$7,000	\$7,210.00	\$7,426.30	\$7,649.09	\$7,878.56	\$8,114.92	\$8,358.37	\$8,609.12	\$8,867.39	\$9,133.41	\$9,407.41	\$9,689.64	\$9,980.33	\$10,279.74	\$10,588.13	\$10,905.77	\$11,232.95	\$11,569.93	\$11,917.03	\$12,274.54	\$12,642.78	\$13,022.06	\$13,412.72	\$13,815.11	\$14,229.56
Per condition report		\$14,300	\$500	\$300.00	\$0	\$14,800	\$2,500	\$71,400	\$8,400	\$23,500	\$47,250	\$26,100	\$28,150	\$8,400	\$36,000	\$7,100	\$6,700	\$52,100	\$12,300	\$48,000	\$14,300	\$500	\$300	\$14,800	\$2,500.00	
Breakdown & other (historical)		\$65,000	\$66,950	\$68,959	\$71,027	\$73,158	\$75,353	\$77,613	\$79,942	\$82,340	\$84,810	\$87,355	\$89,975	\$92,674	\$95,455	\$98,318	\$101,268	\$104,306	\$107,435	\$110,658	\$113,978	\$117,397	\$120,919	\$124,547	\$128,283	\$132,132
<b>Total Costs</b>		<b>\$209,300</b>	<b>\$201,510</b>	<b>\$207,507</b>	<b>\$213,596</b>	<b>\$234,984</b>	<b>\$229,477</b>	<b>\$305,380</b>	<b>\$249,602</b>	<b>\$272,149</b>	<b>\$303,577</b>	<b>\$290,345</b>	<b>\$300,559</b>	<b>\$289,228</b>	<b>\$325,509</b>	<b>\$305,560</b>	<b>\$314,391</b>	<b>\$369,310</b>	<b>\$339,326</b>	<b>\$385,149</b>	<b>\$361,887</b>	<b>\$358,852</b>	<b>\$369,753</b>	<b>\$380,901</b>	<b>\$407,507</b>	<b>\$407,383</b>
EBITDA		-\$130,800	-\$123,010	-\$126,907	-\$132,741	-\$151,703	-\$145,925	-\$219,323	-\$163,258	-\$183,214	-\$214,338	-\$198,428	-\$208,319	-\$194,221	-\$230,159	-\$207,350	-\$215,818	-\$267,779	-\$237,410	-\$280,174	-\$256,504	-\$250,307	-\$260,774	-\$268,653	-\$294,799	-\$291,293
Capital Expenditure	\$200,000																									
Facility Reburishment								-\$75,000							-\$200,000						-\$200,000					-\$75,000
Cash Flow	-\$200,000	-\$130,800	-\$123,010	-\$126,907	-\$132,741	-\$151,703	-\$145,925	-\$294,323	-\$163,258	-\$183,214	-\$214,338	-\$198,428	-\$208,319	-\$194,221	-\$430,159	-\$207,350	-\$215,818	-\$267,779	-\$237,410	-\$280,174	-\$456,504	-\$250,307	-\$260,774	-\$268,653	-\$294,799	-\$366,293
Discounted Cash Flow	-\$200,000	-\$122,817	-\$108,453	-\$105,060	-\$103,183	-\$110,725	-\$100,008	-\$189,399	-\$98,645	-\$103,947	-\$114,183	-\$99,256	-\$97,844	-\$85,655	-\$178,129	-\$80,623	-\$78,794	-\$91,798	-\$76,420	-\$84,681	-\$129,554	-\$66,701	-\$65,249	-\$63,118	-\$65,033	-\$75,873
<b>Net Present Cost - "do nothing"</b>	<b>-\$2,695,147</b>																									

Table 3 Cost - benefit - Proposed Development																										
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Annual Discount Factor	1.000	0.939	0.882	0.828	0.777	0.730	0.685	0.644	0.604	0.567	0.533	0.500	0.470	0.441	0.414	0.389	0.365	0.343	0.322	0.302	0.284	0.266	0.250	0.235	0.221	0.207
Initial Investment		220,000	230,750	242,038	249,149	244,266	239,480	232,446	243,818	255,759	263,282	271,030	265,710	260,496	252,831	265,222	278,233	286,430	294,873	289,076	283,394	275,042	288,545	302,722	311,653	320,853
<b>REVENUE</b>																										
Life lessee rent		\$5,000	\$15,000	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619	\$33,598	\$34,606	\$35,644	\$36,713	\$37,815	\$38,949	\$40,118	\$41,321	\$42,561	\$43,838	\$45,153	\$46,507	\$47,903
Life lessee portion of turnover		-	-	\$20,422	\$42,044	\$41,220	\$40,412	\$39,225	\$65,578	\$68,789	\$70,813	\$72,897	\$71,466	\$70,063	\$68,002	\$71,335	\$119,274	\$122,788	\$126,408	\$123,922	\$121,487	\$117,906	\$123,695	\$129,772	\$133,601	\$137,545
Retail revenue		\$198,000	\$207,675	\$217,834	\$224,234	\$219,839	\$215,532	\$209,201	\$341,346	\$358,063	\$368,595	\$379,443	\$371,994	\$364,694	\$353,963	\$371,311	\$500,820	\$515,575	\$530,772	\$520,336	\$510,110	\$495,076	\$519,380	\$544,899	\$560,976	\$577,535
Gold coin donations		\$123,200	\$129,220	\$135,541	\$139,523	\$136,789	\$134,109	\$130,170	\$136,538	\$143,225	\$147,438	\$151,777	\$148,797	\$145,878	\$283,170	\$297,049	\$311,621	\$320,802	\$330,258	\$323,765	\$317,402	\$308,048	\$323,170	\$339,048	\$349,052	\$359,355
Catrette Hire		\$0.00	\$15,067.50	\$15,520	\$15,985	\$16,465	\$16,959	\$17,467	\$17,991	\$18,531	\$19,087	\$19,660	\$20,249	\$20,857	\$21,483	\$22,127	\$22,791	\$23,475	\$24,179	\$24,904	\$25,651	\$26,421	\$27,214	\$28,030	\$28,871	\$29,737
<b>Total Revenue</b>		<b>\$326,200</b>	<b>\$366,963</b>	<b>\$414,316</b>	<b>\$447,536</b>	<b>\$440,835</b>	<b>\$434,330</b>	<b>\$424,201</b>	<b>\$590,435</b>	<b>\$618,460</b>	<b>\$636,679</b>	<b>\$655,445</b>	<b>\$645,126</b>	<b>\$635,090</b>	<b>\$761,224</b>	<b>\$797,466</b>	<b>\$991,220</b>	<b>\$1,020,454</b>	<b>\$1,050,566</b>	<b>\$1,033,046</b>	<b>\$1,015,971</b>	<b>\$990,012</b>	<b>\$1,037,296</b>	<b>\$1,086,903</b>	<b>\$1,119,007</b>	<b>\$1,152,075</b>
<b>EXPENDITURE</b>																										
Salaries (2 part time)		\$174,400	\$179,632	\$185,021	\$190,572	\$196,289	\$202,177	\$208,243	\$214,490	\$220,925	\$227,552	\$234,379	\$241,410	\$248,653	\$256,112	\$263,796	\$271,710	\$279,861	\$288,257	\$296,904	\$305,811	\$314,986	\$324,435	\$334,168	\$344,193	\$354,519
Cost of goods sold (retail)		\$89,100	\$93,454	\$98,025	\$100,905	\$98,928	\$96,990	\$94,141	\$153,605	\$161,128	\$165,868	\$170,749	\$167,397	\$164,112	\$159,283	\$167,090	\$225,369	\$232,009	\$238,847	\$234,151	\$229,549	\$222,784	\$233,721	\$245,205	\$252,439	\$259,891
Utilities		\$20,000	\$20,800	\$21,632	\$22,497	\$23,397	\$24,333	\$25,306	\$26,319	\$27,371	\$28,466	\$29,605	\$30,789	\$32,021	\$33,301	\$34,634	\$36,019	\$37,460	\$38,958	\$40,516	\$42,137	\$43,822	\$45,575	\$47,398	\$49,294	\$51,266
Liquor License Annual Fee		\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563
General maintenance		\$28,000	\$28,840	\$29,705	\$30,596	\$31,514	\$32,460	\$33,433	\$34,436	\$35,470	\$36,534	\$37,630	\$38,759	\$39,921	\$41,119	\$42,353	\$43,623	\$44,932	\$46,280	\$47,668	\$49,098	\$50,571	\$52,088	\$53,651	\$55,260	\$56,918
Corp maintenance		\$5,000	\$5,150	\$5,314	\$5,627.42	\$5,796	\$8,115	\$8,358	\$8,609	\$8,867	\$9,134	\$9,408	\$9,690	\$21,386	\$22,028	\$25,000	\$15,580	\$16,047	\$16,529	\$17,025	\$26,303	\$27,092	\$27,905	\$28,742	\$29,604	\$30,492
Evaporator Maintenance		\$8,000	\$8,240	\$8,487	\$8,742	\$9,004	\$9,274	\$9,552	\$9,839	\$10,134	\$10,438	\$10,751	\$11,074	\$11,406	\$11,748	\$12,101	\$12,464	\$12,838	\$13,223	\$13,619	\$14,028	\$14,449	\$14,882	\$15,329	\$15,789	\$16,262
<b>Total Costs</b>		<b>\$329,500</b>	<b>\$341,266</b>	<b>\$364,089</b>	<b>\$364,403</b>	<b>\$370,556</b>	<b>\$379,145</b>	<b>\$385,004</b>	<b>\$453,448</b>	<b>\$470,229</b>	<b>\$484,515</b>	<b>\$497,522</b>	<b>\$504,269</b>	<b>\$522,803</b>	<b>\$529,056</b>	<b>\$550,600</b>	<b>\$610,561</b>	<b>\$629,116</b>	<b>\$648,243</b>	<b>\$656,218</b>	<b>\$673,451</b>	<b>\$680,424</b>	<b>\$705,528</b>	<b>\$731,622</b>	<b>\$753,923</b>	<b>\$776,912</b>
ITDA		<b>-\$3,300</b>	\$25,697	\$50,227	\$83,133	\$70,279	\$55,185	\$39,197	\$136,987	\$148,230	\$152,164	\$157,924	\$140,857	\$112,286	\$232,168	\$246,866	\$380,659	\$391,338	\$402,323	\$376,827	\$342,520	\$309,588	\$331,767	\$355,281	\$365,084	\$375,163
Capital Expenditure	\$4,500,000																									
Facility Reburishment									<b>-\$100,000</b>		<b>-\$80,000</b>				<b>-\$300,000</b>					<b>-\$500,000</b>					<b>-\$150,000</b>	
Cash Flow	<b>-\$4,500,000</b>	<b>-\$3,300</b>	\$25,697	\$50,227	\$83,133	\$70,279	\$55,185	<b>-\$60,803</b>	\$136,987	\$148,230	\$152,164	\$157,924	\$140,857	\$112,286	\$232,168	<b>-\$53,134</b>	\$380,659	\$391,338	\$402,323	\$376,827	<b>-\$157,480</b>	\$309,588	\$331,767	\$355,281	\$365,084	\$375,163
Discounted Cash Flow	<b>-\$4,500,000</b>	<b>-\$3,099</b>	\$22,656	\$41,580	\$64,621	\$51,295	\$37,820	<b>-\$39,127</b>	\$82,772	\$84,099	\$88,444	\$78,995	\$66,158	\$49,520	\$96,141	<b>-\$20,660</b>	\$138,977	\$134,156	\$129,504	\$113,894	<b>-\$44,692</b>	\$82,498	\$83,012	\$83,470	\$80,538	\$46,640
<b>Net Present Cost - Concept 2</b>	<b>-\$3,080,789</b>																									

Table 5 - Sensitivity summary

Sensitivity factor	Adjustment	NPV sensitivity	
Capital expenditure	10%	-11%	Low sensitivity
	30%	-32%	
Visitor numbers	-30%	-44%	Moderate sensitivity
	-10%	-15%	
	20%	29%	
Operating cost	10%	20%	High degree of sensitivity
	30%	59%	
Revenue	-30%	-63%	
	-10%	-21%	
	20%	42%	