

Case Example

CS0001

V1.0 Apr2015 AV

Developer owns Land, Contributes Equity & Obtains External Financing

Scenario: Developer contributes his Land as an upfront equity contribution and has approved external funding up to 60% of Net Cashflow (including Land Value), to be progressively drawn down as required. Developer to fund balance from equity as and when required.

Step 1 Define and Set Parameters within the Financing section of Preferences

Global Select the **Advanced** financing level for structured/ complex arrangements

Select the appropriate Interest Rate Conversion (ie: **Nominal or Effective**)

Select **% of Net Cash Flow**, to limit funding to a fixed % of Cash to be outlaid

The screenshot shows the 'Estate Master DF Preferences' dialog box. The left sidebar contains a tree view with the following categories: General, Calculations, Taxation, Financial Reporting, Joint Venture, and Financing. The 'Financing' category is selected, and its sub-items are: Global Settings, Hard Costs, Equity, Loan 1, Loan 2, Loan 3, and Loan 4. The 'Global Settings' sub-item is currently selected. The main area of the dialog displays the following settings:

- Financing Level:** Advanced - Equity and up to 4 Loans
- Interest Rates Annual to Rest Period Conversion:** per annum Nominal
- Total Debt Loan Ratio Calculation Method:** % of Net Cash Flow to be Funded
- Loan Ratios Display Option:**
 - Cash Flow Reports:** Based on Cumulative Loan Drawdowns
 - Summary Report:** ☐ Include Capitalised Interest and Fees
- Profit Share Payments:** Paid progressively as project makes a profit.

At the bottom of the dialog are three buttons: Ok, Cancel, and Reset.

Equity

Will be used to set up the Developer's contribution of Land

Define the Limit to Land Value by selecting **% of Purchase Price** (Land Acquisition Costs is also an option if Stamp Duty/ DD or other costs is also required to be paid).

As the developer already owns the Land, set the Method to **Injected in total upfront**

Select the appropriate interest payment method (ie **Simple, Compounded etc**)

Select the appropriate repayment method (ie **Project End or When Available**) to nominate when equity is repaid back to the project.

Tick the box so that Equity repays any Outstanding Debt at Project End.

The screenshot shows the 'Estate Master DF Preferences' dialog box. On the left is a tree view with categories: General, Calculations, Taxation, Financial Reporting, Joint Venture, and Financing. Under 'Financing', 'Equity' is selected. The main area on the right contains several settings, each with a dropdown menu and a lock icon:

- Facility Limit Calculation Method:** % of Purchase Price.
- Equity Injection Method:** Injected in total upfront.
- Interest Payment Method:** Capitalised (Compounded).
- Equity Ratio Calculation Method:** % of Project & Finance Costs (inc Interest/Fees and net of GST).
- Equity Repayment Method:** Repaid when available (do not retain surplus cash).
- Outstanding Debt at Project End:** ☒ Equity to pay any outstanding debt at project end.

At the bottom right are three buttons: 'Ok', 'Cancel', and 'Reset'.

Loan 1 Will be used to set up the financier's arrangement

Select **% of Net Cashflow** to indicate the % agreed to be funded – 60% in this example

The Injection Method will determine how the Funding drawdowns will be made.

Selecting **Progressively to facility limit** - External loan will cover all funding until the facility limit has been reached only at that point will further equity injections be required.

Selecting **Progressively when required** - Drawdowns will be funded as required to meet funding % split

Select the appropriate interest payment method (ie **Simple, Compounded etc**)

Set the Refinancing at Maturity to be paid **by Equity**

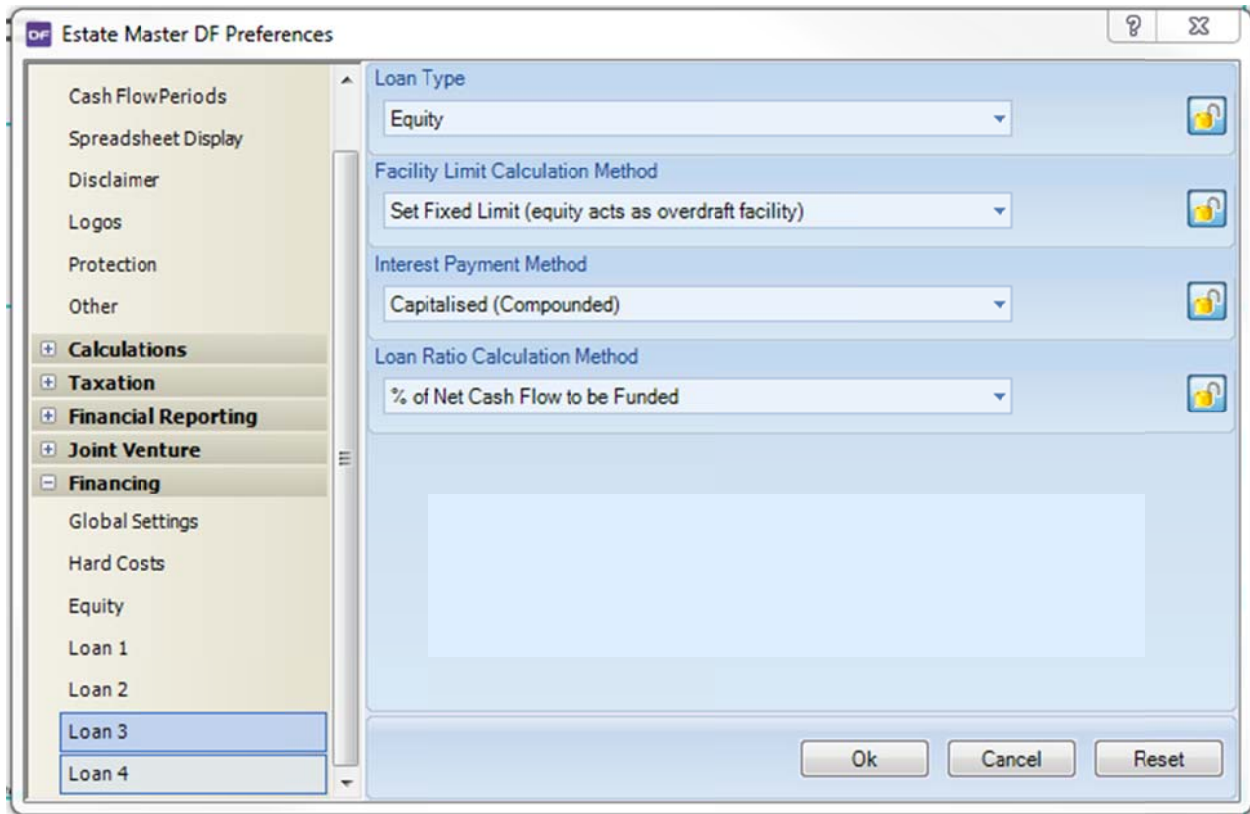
The screenshot shows the 'Estate Master DF Preferences' dialog box. On the left is a tree view with categories: General, Calculations, Taxation, Financial Reporting, Joint Venture, and Financing. Under 'Financing', 'Loan 1' is selected. The main area displays settings for 'Loan 1':
- **Loan Type:** Debt
- **Loan Commencement and Maturity:** Automatic Commencement and Automatic Maturity are both checked.
- **Facility Limit Calculation Method:** % of Net Cash Flow to be Funded
- **Loan Drawdown Method:** Progressively drawn down when required.
- **Interest Payment Method:** Capitalised (Compounded)
- **Loan Ratio Calculation Method:** % of Project & Finance Costs (inc Interest/Fees and net of GST).
- **Refinancing at Maturity:** Refinanced by Equity
At the bottom right are 'Ok', 'Cancel', and 'Reset' buttons.

Loan 2 & 3 Not Used

Loan 4

When the **Advanced** Financing Level is selected in Preference, Loan 4 will default as an Overdraft Facility

Set Limit to **Fixed Limit** so that Equity is used to meet the funding split requirement as and when required.



Step 2 Set up Loan Arrangements in the Input Sheet

Equity

Specify the % of Land Value to be contributed as Equity – 100% in our example

Specify the **Interest Rate** to be charged on Equity and any other **rate(s)** that may apply

Loan 1

Specify the % of the Facility Limit agreed to be funded by the financier – 60% in our example

Specify if there is a **fixed term**, the **Interest Rate** to be charged, and any **fee(s)** that have been agreed with the Financial Institutional/ Lender.

Loan 4

Set Fixed Limit to **\$0**, to revert any residual cashflow balance back to Equity as and when required.

Since Loan 4 works as a re-direct – interest and fees do not apply.

Financing (Advanced Mode)

Equity

Developer's Equity Contribution	Fixed Amount	Percentage	
Progressively - Limited to cumulative facility limit.	10,000,000	100.00%	% of Purchase Price.
Interest Charged on Equity	0.00%	per annum Nominal - Capitalised (Compounded)	
Interest received on Surplus Cash	0.00%	per annum received in arrears.	
% of Available Funds to Repay Equity Before Debt	0.00%		

Loan 1

Loan 1		Description	Lender Name	Debt
Facility Limit		Fixed Amount	Percentage	
Progressively - Limited to cumulative facility limit.		10,000,000	60.00%	% of Net Cash Flow to be Funded
Month Commencement	Auto	Jan-2014		
Maturity Month	Auto	May-2016		
Interest Rate		7.25%	per annum Nominal - Capitalised (Compounded)	
Fees		Amount	Percentage	Month Paid
Application Fee		10,000	0.00%	0
Line Fee		-	0.00%	
Profit Split to Lender 1		0.00%		

Loan 2

Loan 2		Description	NOT USED	Debt
Facility Limit			Fixed Amount	Percentage
Drawn down in total at loan commencement.			-	0.00%
Fixed Amount				
Month Commencement	Auto		0	
Maturity Month	Auto		0	N.A.
Interest Rate			0.00%	per annum Nominal - Capitalised (Compounded)
Fees			Amount	Percentage
	Application Fee		-	0.00%
	Line Fee		-	0.00%
Profit Split to Lender 2			0.00%	
Month Paid				
				0

Loan 3

Loan 3		Description	NOT USED	Debt
Facility Limit			Fixed Amount	Percentage
Drawn down in total at loan commencement.			-	0.00%
				Fixed Amount
Month Commencement	Auto		0	
Maturity Month	Auto		0	N.A.
Interest Rate			0.00%	per annum Nominal - Capitalised (Compounded)
Fees			Amount	Percentage
		Application Fee	-	0.00%
		Line Fee	-	0.00%
				Month Paid
				0
Profit Split to Lender 3			0.00%	

Loan 4

Loan 4		Description	OVERDRAFT	Equity
Set Fixed Limit (equity acts as overdraft facility)			-	
Interest Rate			0.00%	per annum Nominal - Capitalised (Compounded)
Fees		Amount	Percentage	Month Paid
	Application Fee	-	0.00%	0
	Line Fee	-	0.00%	
Maintain Leverage on Loan 4			0.00%	% of Future Positive Net Cash Flows

The Summary Report provides a meaningful overview of all sources of funds

RETURNS ON FUNDS INVESTED	Developer's Equity	Loan 1 Debt Lender Name	Total Equity	Total Debt
¹ Funds Invested (Cash Outlay)	32,934,486	49,401,730	32,934,486	49,401,730
% of Total Funds Invested	40.00%	60.00%	40.00%	60.00%
² Peak Exposure	32,934,486	51,153,406	32,934,486	51,153,406
Date of Peak Exposure	Jan-16	Jan-16	Jan-16	Jan-16
Month of Peak Exposure	Month 24	Month 24	Month 24	Month 24
Weighted Average Interest Rate	N.A.	7.25%	N.A.	7.25%
Interest Charged	-	3,087,396	-	3,087,396
Line Fees Charged	-	-	-	-
Application Fees Charged	-	10,000	-	10,000
Profit Share Received	-	-	-	-
³ Total Profit to Funders	27,582,644	3,097,396	27,582,644	3,097,396
⁴ Margin on Funds Invested	83.75%	6.27%	83.75%	6.27%
⁵ Payback Date	Mar-17	May-16	Mar-17	May-16
Month of Payback	Month 38	Month 28	Month 38	Month 28
⁶ IRR on Funds Invested	26.85%	7.28%	26.85%	7.28%
⁷ Equity to Debt Ratio		66.67%		66.67%
⁸ Loan to Value Ratio	26.78%	41.60%	26.78%	41.60%
⁹ Loan Ratio	39.29%	58.93%	40.00%	60.00%
	of Project & Finance Costs (inc Interest/Fees and net of GST)	of Project & Finance Costs (inc Interest/Fees and net of GST)	of Net Cash Flow to be Funded	of Net Cash Flow to be Funded