



# Leaseco

HOTEL FURNITURE LEASING

## **Make the switch from CAPEX to OPEX Refurbishments Made Easy**

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In today's highly competitive Hotel and Serviced Apartment landscape, it's imperative that Operators keep their properties current and market relevant.

February 2016

## 01.

### Why Hotels should lease their FF&E:

- Conserve working capital
- Preserve existing credit lines
- 100% of goods and services financed
- Tailored terms and payments
- Potential tax efficiency

## 02.

### Key features:

- Your design
- Your suppliers
- End to end asset life cycle management
- Complete flexibility with your FF&E inventory
- Flexible end of lease options

## 03.

### Who and what is Leaseco?

- Leaseco is an accommodation industry specialist finance broker. We work with a number of financiers
- Leaseco provides Operating Lease and other finance facilities to fund loose fit outs and minor capital works enabling accommodation properties to refurbish with no up front capital requirement

Our finance products allow you to use now and pay later from trading cash flow

## 04.

### Finance Products

Leaseco has considered the various components of FF&E, SOE, CAPEX, IT and MV for Hotels, Motels, Serviced Apartments and Pubs and can offer the following finance products to enable you to deliver these outcomes:

- Operating Lease
- Finance Lease
- Chattel Mortgage
- Motor Vehicle Leasing
- Strata Improvement Loans

## 05.

### What can be leased?

- Furniture Fixtures & Equipment (FF&E)
- Standard Operating Equipment (SOE)
- Information Technology (IT)
- Minor Capital Works (CAPEX)
- Motor Vehicle & transport (MV)
- Project Soft Costs (Interior design)

## 06.

### Leaseco Vision

Our vision is to re-engineer loose fit outs from CAPEX to OPEX by offering end to end solutions unmatched in the market place incorporating:

- Finance
- Logistics management
- Warehousing
- Asset management

## 07.

### Who will Leaseco Finance?

- Leaseco is mandated to finance soft refurbishments to the broader Australian and New Zealand accommodation and hospitality market
- Ranging from budget to luxury Hotels, Motels, Serviced Apartments and Pubs
- Leaseco can assist with a finance product to meet the specific needs of hotel accommodation and hospitality businesses irrespective of size, location and standard of the property

## 08.

### Responsibilities and contracting parties?

- Leaseco - Facilitates the structure of the tailored Operating Lease
- Financier - Provides funding (direct contracting party)
- The Operator/Owner - Responsible for design, procurement, project management and enters into an operating lease with the Financier (direct contracting party)

## 09.

### Can you select equipment and suppliers?

Yes, you can select:

- Your FF&E items
- Your preferred suppliers
- You control the design, inventory and budget

## 10.

### What can be leased?

#### 1. Furniture Fixtures & Equipment (FF&E)

- Joinery /case goods & seating
- Lighting & artwork
- Soft furnishings & window treatments
- Beds & bedding
- Electrical ie. (radio, telephone)

#### 2. Standard Operating Equipment (SOE)

- Guest room equipment
- White & brown goods
- Restaurant furniture & equipment
- Conference room furniture

- Conferencing A/V equipment
- Gym equipment
- Business centre equipment and furniture
- Back of House equipment
- Commercial laundry machines and dryers
- Ice machines
- Housekeeping & maintenance equipment
- Pool furniture & equipment
- Gardening Equipment

#### 3. Information Technology (IT)

- Computer Hardware, software & training
- PABX
- Security surveillance systems
- Communication systems

#### 4. Capital Building Works (CAPEX)

- Carpet
- Painting
- Fixed lighting
- Signage
- Kitchen bench tops and splash backs

#### 5. Motor Vehicles & Transport

- Hotel town car
- Back of house vehicles (utes/vans)
- Garden maintenance vehicles
- Boats and leisure marine craft (ie skidoos)

#### 6. Project Soft Costs

- Internal or external project specific consultant fees including Interior Design, Procurement and Project Management
- FF&E sampling and mock up room development
- Warehousing, insurance and demolition
- Installation and waste removal

## 11.

### Are the financing terms flexible?

Yes, you can tailor the payment program to suit your trading cash flows. The lease term can be 5 - 7 years

On a new build project:

- Start with low payments
- Increase lease payments to match increased trading receipts /stabilised trading

In locations with seasonal & shoulder periods:

- Reduce payments in weaker trading periods to assist cash flow
- Increase payments in stronger trading cash flow periods

## 12.

### What are the options at the end of the lease?

The Operating Lease provides flexible options at the end of the agreement:

- Return the equipment and upgrade again with new equipment
- Purchase all or some of the equipment
- Continue usage on a holdover basis
- Continue usage at a reduced cost for an agreed committed extended term
- Redeploy the equipment to another property at a reduced cost for an agreed committed extended term
- Return the equipment with no further obligation

## 13.

### Can you change the inventory?

Yes. Items removed from the Operating Lease agreement are subject to the NPV of remaining lease payments and can also be purchased by agreement at the fair market value ascribed to that item. Items removed or added to the Lease agreement results in an adjustment to the lease payments.

## 14.

### As (Lessee) what are the Operator's responsibilities in addition to monthly payments?

- Insure the FF&E
- Like for like replacement for damaged goods
- Maintenance: regular repairs and maintenance of FF&E
- Extraneous costs: Legal fees, fines, statutory compliance certification eg. electrical
- Return of equipment: Removalist labour and transport of returned FF&E items cost
- Fees: Documentation fees, late payment fees as detailed in the Lease Agreement

## 15.

### Take advantage of a free asset management system

A cloud based Asset Management System is directly linked to the Lease contract, providing a real time inventory management system. The asset management system enables tracking of FF&E items that:

- Move in and out of the building as tenants come and go
- Move around the building
- Are returned to the Financier and replaced

## 16.

### \*Tax & GST implications of an Operating Lease?

- TAX: Operating Lease payments in a business trading operation are eligible as a tax deduction
- GST: Lease payments are calculated on the price of the equipment exclusive of GST – the GST amount is added to this figure. Businesses registered for GST claim the GST amount as an input tax credit

\* Parties should seek advice from their own financial advisors/accountants.

## 17.

### Property Information Requirements

#### 1. Trading information & history

- Operator's Corporate overview
- 2 year property trading history
- Business plan (trading forecast and forward cash flow projection)
- Statement of Assets and Liabilities

#### 2. Underlying property Lease Agreement or Management Agreement

#### 3. Refurbishment details

- Executive refurbishment overview
- Itemised FF&E Inventory and budget

## 18.

### Property Security

- Contracting Party is the Operator/Owner:
  - Personal Property Security Register (PPSR) registration of FF&E
  - Depending on the financial strength of the Lessee Corporate Parent and Directors guarantees

## 19.

### Leaseco Website

For more information in respect to the various services Leaseco can offer, please visit our website:  
[www.leaseco.com.au](http://www.leaseco.com.au).

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