

MASTERMAN MONTESSORI INDIGENOUS CHILDREN'S TRUST

DRAFT 5 YEAR BUSINESS PLAN MARCH, 2023



DRAFT

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The Brief

As outlined in the Investment Philosophy and Guidelines

Objective

To double the size of the organisation's asset base within the next 10 – 15 years while creating sufficient income to fund its on-going operations.

General Investment guidelines

- No more than 60% of real estate investment funds to be held in a single investment
- Real estate investments will be targeting a 10% net return for the portfolio;

Medium Term Guidelines July 2022 – July, 2027 (which form the basis of this 5 year business plan)

- Expand real estate portfolio;
- Continue opportunistic investment, expand as necessary, based on historical performance
- Maintain \$250,000 buffer.

Leading to long term Guidelines from July 2025

- Investigate balancing investment portfolio with securities and alternate investments;
- Continue opportunistic investment, expand as necessary, based on historical performance
- Maintain \$250,000 buffer

Recommended course of action

Invest in cash flow positive property with a net profit target of 8% - 10% for the portfolio. To optimise investment in targeted real estate appropriate bank finance will be secured.

Proposal

Current		
Property purchased by MMICT in 2020	Property values	Current loan
Purchased in December, 2020 – Purchase price		
17 Scott Street, Parramatta Park	900,000	
Martyn Street, Parramatta Park	1,500,000	
Loeven Street, Parramatta Park	1,075,000	
Purchased by MMICT in October, 2022 – purchase price		
22 Scott Street, Parramatta Park	650,000	
351 Draper Street, Parramatta Park	850,000	
Total as at October, 2022	4,975,000	
Revaluation of properties purchased in December, 2020 - June, 2022 –	625,000	
Current Value of properties	5,600,000	
CBA Loan as at 28th February, 2023		1,738,000
Net equity in property as at 28th February 2023	3,862,000	
Surplus current assets over current liabilities	263,000	
Total net equity as at 28th February, 2023	4,125,000	
Proposed/possible future developments 2024 and beyond		
Additional accommodation buildings at 22 Scott Street, Parramatta Park – further discussion required - see CEO's report for further details.		

Net Equity - 2027			
Current			
Property purchased by MMICT in 2020	Purchase price	Current value (Opteon reports)	Current loan
17 Scott Street, Parramatta Park	900,000	1,000,000	
Martyn Street, Parramatta Park	1,500,000	1,850,000	
Loeven Street, Parramatta Park	1,075,000	1,200,000	
Purchased by MMICT in October, 2022			
22 Scott Street, Parramatta Park	650,000	700,000	
351 Draper Street, Parramatta Park	850,000	850,000	
Balance of loan outstanding	4,975,000	5,600,000	1,738,000
Growth in property value Dec 2020 - June 2022		625,000	
Percentage increase in value		12.6%	
Proposed/possible future purchases/developments 2024 financial year and beyond			
22 Scott Street – feasibility study currently being undertaken			
Total Property at 2027 – assuming further annual growth rate of 2%		6,061,000	
Cash at bank at 2027		427,000	
Total loans at 2027		-1,118,000	
Net equity 2027		5,370,000	

Key Assumptions

- Bank borrowings at a rate of 6.75% p.a.;
- Current CBA loan is for 3 years and repayments have been calculated on a 20 year loan;
- Bank loan redraw accounts to be established so take advantage of paying interest only on funds the balance in the account and having the ability to redraw as required;
- Remi Capital - The balance owing by Remi is currently approximately \$420,000. Based on the information provided by the liquidator, given the complexity of the matter it is likely to take between 3 and 5 years to resolve. For the purposes of this business plan any return from Remi has been excluded.
- OSR Stamp Duty matter. Until further information is received a refund of the \$180,000 stamp duty paid on 17 Scott Street, Loeven Street and Martyn Street has been excluded from this model;
- Returns on purchased properties to realise between 8% and 10% p.a.;
- The future funding of MCF and MMICT education expenses is to be discussed and agreed by the Board at its March meeting;
- Current arrangements allow for changes to future proposed purchases if required due to changes in circumstances.

Proposed outcomes

That by 2027:

- the net equity of the organisations will be approximately \$5,370,000 – still well on track to meet the target of doubling the capital base within 10 – 15 years. However, this will depend on how much the Board decides will be contributed towards education expenses from MMICT earnings and how much will be contributed towards repayment of debt/cash buffer.

The current business plan assumes the following – the matter is to be discussed and decided by the Board.

Year	2022	2023	2024	2025	2026	2027
Total available for distribution between MMICT Education and Project Expenses and MCF Education Projects	92,838	120,000	140,000	110,000	120,000	130,000
Contribution towards debt repayment/cash buffer	32,748	34,360	75,859	119,557	128,315	142,647
Cash on hand at year end	174,407	278,032	305,301	369,866	430,852	426,967

- sufficient funds will be generated to fund on-going operations;

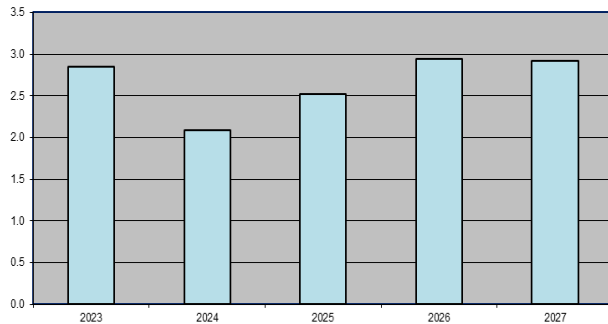
Notes:

It is noted that the original 2021 5 year Business Plan included net equity of \$6,300,000 in 2026. The assumed net equity in 2026 is now \$5,042,000. The decrease \$1,258,000 is due to the following:

Reason
Loss of funds being generated due to lack of access to Remi investment and OSR stamp duty
Lack of income from NDIS properties (\$560,000); doubling of interest rates in original business plan vrs timing of loans and lease replaced with loan repayments on 22 Scott Street and 351 Draper Street
Covid and the inability to fundraise to cover Education Expenses
Increase to more appropriate salary for CEO, CFO contract
Increase in R & M, cleaner, gardener, etc.

GRAPHS

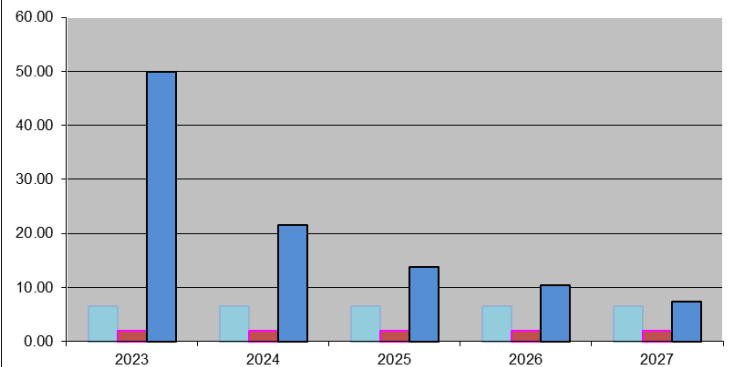
Measure of Liquidity of MMICT
Working Capital Ratio
Current Assets/Current Liabilities



□ Working Capital Ratio

This is a measure of an entity's ability to pay its debts as and when they fall due. A ratio above 1 usually indicates the organisation is able to pay debts when they are due. The greater the ratio than 1 the more favourably the situation is viewed. According to the above graph in future years MMICT will be well placed to comfortably repay its debts as and when they fall due.

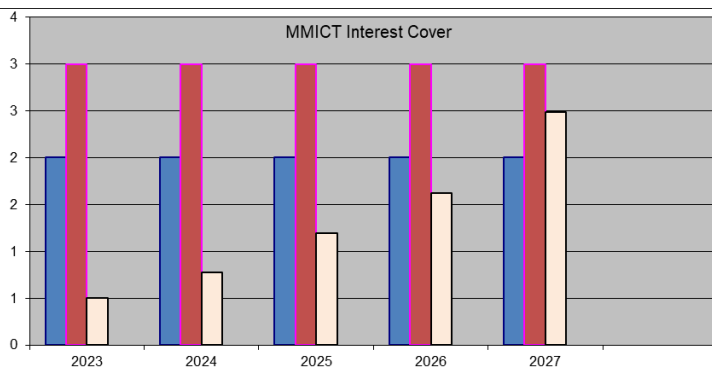
MMICT Debt/EBITD



■ Maximum acceptable to bank 6.5 ■ Preferred by banks 2 ■ MMICT Debt/EBITD

For this ratio, which is outstanding debt divided by the surplus, EBITD, (earnings before interest, tax and depreciation), banks assume the upper limit that is an acceptable risk is 6.5 but an upper limit of 2 is preferred. From the above graph it can be seen that in the ratio for MMICT eventually falls between the banks preferred and acceptable ratios in 2027.

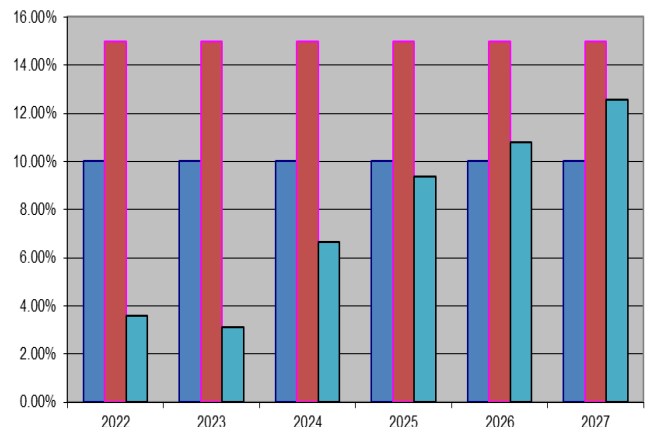
MMICT Interest Cover



■ Minimum Bank Target (2 times) ■ Preferred Bank Target (3 times or more) □ *MMICT Interest Cover ■

This ratio indicates the number of times the surplus (EBITD) covers the interest paid. Banks prefer figures of between 2 to 3 times. For MMICT interest cover including accessible funds in the loan account ranges from the current year ratio of 1 to 3 times in 2027.

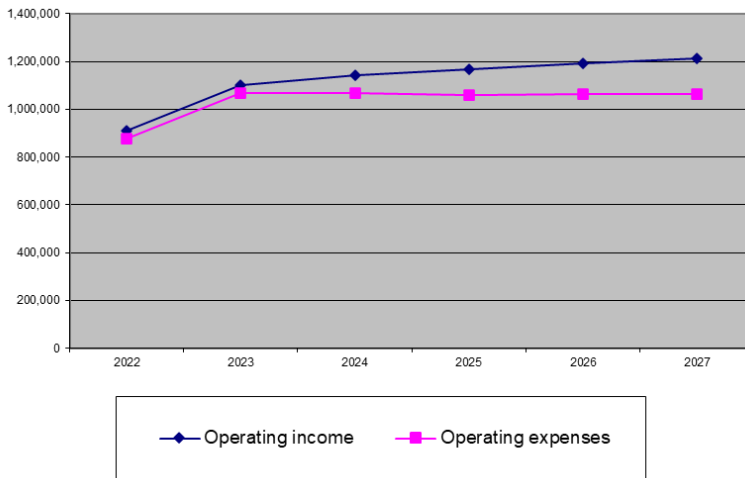
MMICT EBITD % income
(Earnings before interest, tax and depreciation as a % income)



■ Minimum bank target - 10% ■ Preferred bank target - 15% ■ MMICT - EBITD % of income

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5 YEAR BUSINESS PLAN – MARCH 2023

MMICT Operating income compared to operating expenses



MMICT- Growth in net equity



MMICT
Cash held and total property value vrs outstanding debt

