

SMITH - REVIEW OF FINANCIAL CLAIM

5.6 Additional Costs of Acquiring Facilities - \$91,000 (\$172,000 revised)

FHCA Recommendation	Claim	Defence
	\$172,000	-

DM Ryan has claimed \$172,000 for the additional cost now suffered by CBHC to purchase and build additional facilities at CBHC.

It is claimed that the cost of these facilities in 1990-91 was \$208,000 and this has now risen in 1994 to \$299,000. This claim was increased to \$172,000 (per letter from DMR dated 21 January 1995). The claim was increased to allow for the tax which will be payable on the claim ($\$172,000 \times 47\% = \$80,840$).

Claim	\$172,000
Tax	<u>\$(80,840)</u>
Net Receipt	<u>\$91,160</u>

Smith had planned in 1990/1991 to acquire, repair and erect buildings at a cost of up to \$208,000 made up as follows:

	\$
• Tender costs of mobile health centre - accommodates 40 Reclad outside to blend in with the other buildings	20,000 15,000
Removal costs	4,000
Plumbing	2,500
Electrical	2,000
• Costs of 3 unit cabins - each cabin accommodates 8-12	63,000
• Cost of 2 unit cabins - each cabin accommodates 8-12	42,000
• Cost of renovation to managers house	25,000
• Cost of repairs to toilets and showers	2,000
• General repairs - say \$5,000 per annum (6.5 years)	<u>32,500</u>
Total	<u>208,000</u>

*I wanted to argue with him - 1990 + by - 1991 for \$208,000.
 See a photo, I see the tower. Let me know now - \$299,000 - claim
 compensate for price has risen - increased cost by ~~49,000~~
 Crappy claim - to resolve*

SMITHSONIAN INSTITUTION

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see notes

5.7 Loss of Capital Value in the Business - \$447,000

FHCA Recommendation	Claim	Defence
	\$477,000	-

DM Ryan have projected a proforma profit and loss statement with estimated operating expenses and have calculated a maintainable profit figure of \$308,000. Based on this, DMR have valued the business in the range of \$925,000 to \$1,100,000.

DM Ryan state the present valuation of CBHC based purely on land and buildings is \$230,000.

Capital loss calculation:

	DM Ryan Business Valuation	Land and Building Valuation	Capital Loss
Low Range	\$925,000	\$230,000	\$695,00
High Range	\$1,100,000	\$230,000	\$870,000

Alternatively, DM Ryan has argued that this capital loss can be replaced by A Smith retaining the business and rebuilding the business to the level where the capital loss would be diminished or eliminated.

Alternative Capital Loss Claim

DM Ryan have prepared as analysis of the expected income and expenses over the next 2 years and the future profits (losses) which should be earned (incurred) as the business is rebuilt. Throughout 1995 and 1996 (two years) it is assumed that the business will be rebuilt based on 40% (1995) and 60% (1996) occupancy.

Expected losses to 30 June 1995	\$38,089
Expected profit to 30 June 1996	\$308,486
Expected other costs in 1996	<u>\$100,000</u>
	<u>\$446,575</u>

*Ryan says value of business 925-1.1 (proforma for \$250)
 Ryan gives alternative - lost profit - \$447,000
 (really re-establishment costs)*