

**Sean Butler**

**From:** Sean Butler <sbutler@iinet.net.au>  
**Sent:** Wednesday, 15 June 2011 5:00 PM  
**To:** 'Daniel.Smith@bankwest.com.au'  
**Cc:** Brian Benari  
**Subject:** Lighthouse P&L and forward estimates  
**Attachments:** Profit & Loss - Level 2 Jul 10 to May 11.pdf

Hi Daniel,

Lighthouse profit for the 11 months 1<sup>st</sup> July to 31<sup>st</sup> May 2011:

As requested I attach an update. Profits have increased.

The R&M spend has been increased by \$92,000 on the 2009 levels, this has covered the cost of reopening the Cellars Bar as well as refurbishing more rooms. These improvements will (and already have) helped increase profits.

	EBIT	R&M	Entitlement Provisions	EBIT Adjusted for R&M &
entitlements				
2009	1,104,562	143,762		1,104,562
2010	572,430	163,822		592,490
2011	621,074	236,429	82,984	796,725

*And yet receivers were appointed to this company on 18 July 2011 (1 month later) The receivers destroyed the business & charged us over \$1.3m to do so*

*All interest payments met this year  
This year better so all interest could be met if allowed to*

The adjusted Profit has increased by \$204,235 or 34% on last years levels but still below the 2009 levels however the profit for April and May is above the best on record for those months and going ahead I believe the trend beyond the 2009 levels could continue.

Projected profits for next 3 months:

	June	July	August	Total
2008	-27,918	53,923	73,743	99,748
2009	-55,264	46,850	52,978	44,564
2010	30,298	54,461	52,729	137,488
Average	-17,628	51,744	59,816	93,932

*Note the increase*

June July and August are the seasonally quietest winter months. I estimate we should achieve average or slightly above profits over the next three months.

When I took over the business in August 2003 it was earning \$12,000 pa.

I built the business up over the next 5 years to earn over \$1m in 2008-2009.

At the start of 2009 various issues outside my control caused management problems at both the Lighthouse and with the Builders at the National.

That uncertainty resulted in a decline in profits in 2009 -2010 however things have improved since as shown above.

Sales & Funding:

We have been clients of Bankwest for 8 years and I have built up what was a very good business at the Lighthouse and all interest payments on all loans had been met until recently. It has been a profitable partnership for Bankwest. The effect of the GFC on substantially reducing capital values and the subsequent policy changes by Bankwest to

*only when I was told receivers would be brought in due to non sale were funds used to prepare for sales on advice from Accountants*

lower LVRs on lowered capital values has resulted in funding restrictions to complete the National. Despite this we have continued to work on the property funded by cash flow and capital contributions by the partners.

*By Banker Brian Benari*  
A date for repayment of all funds was set without my consultation; I was advised by Rob Byatt that the Bank may act to sell things up if that deadline wasn't met. Now that deadline has passed I have been advised our interest rate is now to be 10.81% and I have been served a notice of demand requesting repayment of all facilities by next Thursday. Under the circumstances this is not possible at such short notice. *impossible !!*

Capital work to the value of over \$150,000 has been done at the National over the last few months as it became apparent what would happen and I had an application for funding with Nab. Budgets and cash flows have been done, Cost to complete estimates have been revised and a Builder is repricing the job. I have an experienced operator keen to help run the Hotel. I will get approval for a rooftop Bar. It will be one of the best hotels in Perth when opened. All this will make it more saleable or easier to refinance.

I have stabilised things at the Lighthouse as much as possible given whats happened and profits are rising again however it is very much a people business and without good management profits could fall which would affect capital values. I believe Bankwest has also seen this effect on another Bunbury Hotel, as has St George Bank on the Compass Hotels. *In both the Banks and our best interest I would like to avoid this happening.*

I will do my best if required to maximise the income from the Lighthouse and to either refinance or sell the properties for the best price. They are both extremely well located with enormous potential.

Please call me if you want to discuss any of the above.

Regards,

Sean

*This is what happened after receiver took over the value went from \$14m → 9.5m*

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**From:** Sean Butler [mailto:sbutler@iinet.net.au]  
**Sent:** Tuesday, 14 June 2011 12:03 PM  
**To:** 'Daniel.Smith@bankwest.com.au'  
**Cc:** Brian Benari  
**Subject:** Lighthouse Budgets

Hi Daniel,

I was going to provide you updated trading figures and profit projections for the Lighthouse Hotel today but Bunbury has been hit by an electrical storm and all phone and internet communications are down.

Things should be back to normal later today or early tomorrow and I will send you the reports when I receive them.

Regards,

Sean Butler

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