

STANDARD OPERATING PROCEDURE	CODE: GA - 003		PAGE: 1 of 2
	EFFECTIVE:		UPDATE NO.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:		ANNUAL CAPEX BUDGET

OBJECTIVE:

To identify an annual plan for capital expenditure

POLICY:

An Annual Capital Expenditure budget is to be prepared and approved by Head Office , which will serve as the basis for the overall Capital Expenditure limits for the company.

PROCEDURE:

Each property will prepare a Capital Expenditure Plan identifying the capital expenditure needs for the budget year and the four following years. The Capital Plan will be submitted with the Operational Plan in a format required by Head Office and reviewed and approved during the same time frame as operation plan reviews. Timing of works and disruption of business should be coordinated between the two plans. A hotel Capital plan may be subject to owner approval. Management will provide a schedule for the planning process to ensure a timely delivery to the Board.

Capital expenditures associated with acquisitions and due diligence will be prepared by General Manager and included in the plan. The Capital Plan must forecast the current year’s anticipated cash spend at the end of the period No spillover of Projects/funds should be assumed.

Hotels which have a reserve provision must comply with the contractual provisions governing the establishment, funding, and usage of this reserve. Each annual period should demonstrate spending of no more than 80% of the annual reserve amount, reserving the remaining 20% for a 5 year rotational renovation program. Director of Finance will advise on annual reserve requirements for a specific hotel.

The Capital Plan should be based on a methodical evaluation of the physical asset condition, its component useful life and a systematic program for replacement or

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renovation to ensure asset performance and compliance with current design, operating and life safety standards.

A project is defined as a budget line item on the plan and authorization is required prior to the Hotel’s commitment for any capital purchase, even though the item was approved in the annual capital plan

Capital Expenditure Items will be classified as one of four types:

1. Replacement (replace an existing item)
2. Addition (additional to existing register with profit improvement objective)
3. Mandatory/Brand Standard (Health, Safety, Legal, etc)
4. Renovation/Refurbishment/Enhancement

Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date