



Property Sinking Fund

281 Elizabeth Street

Sydney NSW

The Owners

Strata Plan 55468

May 2011

File No: 1019.162

QS Solutions

Property & Construction Consultants

23 Kirkwood Avenue

Epping NSW 2121

Telephone: 02 9876 4757

Facsimile: 02 9876 4756

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1. Introduction

Under instructions from Jim McDonald of Linders Property Group we have prepared this sinking fund analysis for strata plan 55468 at 281 Elizabeth Street, Sydney NSW. The purpose of the assessment is to help plan for the future by identifying when sinking fund expenses may be required for specific building items. This is used as a basis to calculate reasonable sinking fund contributions so the building retains its desired quality while reducing the need for special capital works levies.

2. Building Description

The Regency Hyde Park adjoins Elizabeth and Castlereagh Streets and has a street frontage of 27m and a depth of 42m. The building contains 7 levels of basement car parking with the car park entrance and shop on Castlereagh Street. The ground floor is located on Elizabeth Street and contains the residential lobby, a shop and commercial lot. Levels 1 to 23 contain 131 residential lots and a recreation area with internal pool, gym, saunas and amenities is located on level 2. The building contains quality finishes and furniture, air-conditioned common areas, central air conditioning plant, security system, video monitoring, central hot water system, garbage disposal system, fire services plant and two passenger lifts. The buildings façade is painted and contains balconies with glazed balustrades.

3. Valuation Methodology

Section 75(2) of the Strata Schemes Management Act requires an owners corporation to estimate the money it should set aside each year for anticipated sinking fund expenditure. This good property management recognises that all lot owners contribute to a buildings wear and tear and that they should contribute to the costs of reinstating the wear and tear.

This independent and unbiased sinking fund assessment is prepared to assist owners in estimating the funds they should set aside each year for the buildings anticipated capital expenditure.

3.1 Benefits of future planning

This sinking fund includes items anticipated to require capital expenditure within the next 10 years. This future planning:

- Limits the burden of current owners at the time of capital reinstatement;
- Reduces the financial hardship of costly special levies;
- Improves a strata's cash flow provision;
- Improves a strata's ability to react to sudden or emergency events;
- Positively impacts on capital values;
- Maintains the buildings desired appearance and performance;
- Allows existing savings to be invested to reduce owners annual contributions.
- May provide taxation advantages for investors. The Australian Tax Office state in Interpretative Decisions 2004/933 and 2004/934 that taxpayers are not entitled to deductions under section 8-1 of the Income Tax Assessment Act for the payment of special contributions levied for particular capital expenditure to their rental property. They are however entitled to the deductions if the contributions are paid into a general purpose sinking fund.

3.2 Included assets

The included sinking fund assets are items which are understood to be the responsibility of the owners corporation which can not be economically repaired or maintained without reinstatement. The sinking fund excludes regular administration, repairs and maintenance costs.

3.3 By-laws

QS Solutions have reviewed the strata plan and By-Laws and have taken the following into consideration when preparing the sinking fund.

- We have not allowed for be refurbishing common areas at least every 5 years as noted in by-law 34 as we understand this by-law is no longer valid.
- We understand each lot is responsible for their own air conditioning plant as detailed in By-law 4

We are not aware of any other by-laws or other agreements which alter the extent of assets for which the owners corporation is responsible.

3.4 Reinstatement years

While an assets life can be extended indefinitely with unlimited expenditure on repairs and maintenance it is assumed that the assets will be maintained in reasonably good condition and their effective lives end when it is no longer economic to maintain them.

The reinstatement year is the years until the asset is anticipated to reach the end of its effective life for its intended purpose and will be wholly or substantially reinstated. These life expectancies are based on our site inspection and the following factors:

- Its age, current condition and insured duration;
- Historical performance of the item and similar items;
- Local conditions and its ability to carry out its intended function;
- The owners corporations required standards.

3.5 Reinstatement costs

Reinstatement costs are the estimated costs to restore items back to their original standard.

The costs:

- assume the work will be carried out by qualified and independent tradespeople;
- are at the date noted in the report;
- consider the availability of replacement parts;
- may allow for partial restoration or total replacement;
- exclude GST which is included at the bottom of the analysis after summing the annual cost of all assets. Owners should consider their requirements for collecting and paying GST when reviewing the sinking fund.

3.6 Inflation rate

The estimated building inflation rate is anticipated over the life of the sinking fund. Variances in inflation can significantly impact a sinking funds cash position and we recommend the sinking fund be periodically updated to address inflation discrepancies.

4. Reviewing & Refining

Variations to this sinking fund are likely due to future unforeseen events and the owners corporation should periodically review and refine the sinking fund to ensure reasonable funds are available for future expenditure.

4.1 Why review

The sinking fund assessment is an estimate based upon all available information and the predicted impact of reasonably foreseeable events at the date of the report. It uses a number of assumptions in an attempt to provide an indication of the required annual sinking fund contributions. Reinstatement items, durations, costs and inflation rates are intended as a guide for the purpose of contributing a reasonable annual allowance to the sinking fund. As an integral property management tool sinking funds should be regularly refined as the building ages to ensure quality expectations can be met and anticipated expenses included.

4.2 Refining

Owners can improve the accuracy of anticipated sinking fund contribution and expenditure obligations by:

- Addressing changes to the building by excluding redundant future expenses and budgeting for previously unforeseen expenses;
- Ensuring that all included items are the responsibility of the owners corporation;
- Considering the consequences of allowing assets to deteriorate when estimating reinstatement dates;
- Ensuring reasonable reinstatement costs for the anticipated scope of work;
- Including a reasonable contingency allowance and inflation rate;
- Allowing for possible expenses due to changes in legislation or other items identified in the general exclusions section of this report;
- Obtaining expert independent advice including checking with maintenance or specialist contractors if unsure about a particular item;
- Focusing on items with high annual contributions.

Any adjustment, deletion or addition to the sinking fund will require the report to be recalculated. Please contact QS Solutions if you require any changes to be made.

5. Information for Substantiation

This report is based on our understanding of the sinking fund requirements as outlined in the Strata Schemes Management Act 1996.

5.1 Assessment process

This is an update of the original report dated June 2007 and includes adjustments following a review of the original report with the building manager on 11 May 2011.

The life expectancy and reinstatement cost of building items were assessed taking into consideration their performance over the last 5 years and the anticipated requirements of the owners.

5.2 General inclusions and exclusions

Unless specifically noted the sinking fund makes no allowance for expenditure resulting directly or indirectly from:

- Unforeseeable events;
- Changes to the use of the building;
- Building defects, water damage, termites or pests;
- Insurance work;
- Work to comply with government legislation, building codes, Occupational Health and Safety or Australian Standards.

This sinking fund does not consider the after tax return on invested funds which may be used to reduce owners sinking fund contributions.

We consider both commercial and technological obsolescence when determining the effective life of an asset. Obsolescence can be unpredictable and difficult to assess as it may occur if the material for an asset are no longer available or if another asset is better suited for the intended purpose.

5.3 Specific exclusions

Items anticipated to not require sinking fund expenditure within the next 10 years include:

- Painting basement stairs and plant rooms.
- Cleaning and painting main garbage room floor.
- Garbage room shelving and overhauling the basement toilet.
- Stopping calcification to balcony floors.
- Store rooms on each typical floor.
- Television antenna and booster as administration expense.
- Electrical mains, sub mains and distribution equipment.
- Water mains and drainage pipes including in ground services.
- Lot air-conditioning plant, intercom handsets, smoke detectors, canvas awnings, timber decking and balcony planters as understood to be each lots responsibility.
- Failed waterproofing to wet areas within units or basement.
- Entry lobby mat.
- Items within the cubic space of each lot.
- Common area smoke detectors as anticipated to be an administration expense.
- Artwork & prints on typical floors.
- Car park and plant room lighting.
- Sprinkler pipes as no expenditure anticipated.
- Cleanings equipment as not common property.
- The grease trap as understood to be the users responsibility.

5.4 Specific inclusions

Items anticipated to require sinking fund expenditure within the next 10 years include:

- Major entry lobby refurbishment.
- Repainting, renewing or replacing common fixtures and finishes.
- All roof top ventilation fans are understood to be common property.
- Passenger lifts.
- Roller shutter doors.
- Painting to external walls of residential tower.

6. Sinking Fund Analysis

The included analysis provides yearly advice on the money to be contributed to and expended from the sinking fund.

6.1 Contributions

The contributions analysis estimates the annual sinking fund contributions to provide for future liabilities.

The reinstatement cost of each item is apportioned over its remaining life and annual contributions increase with inflation to ensure sufficient funds are available at reinstatement.

The reinstatement date contains an asterisk and the accumulated funds are used to reinstate the item. Once reinstatement is complete, annual contributions are recalculated to ensure sufficient funds are available to reinstate the item based on the new reinstatement date.

The recommended annual contribution is the sum of all annual contributions and is displayed as 'Sinking fund contribution' at the bottom of the analysis.

The contributions analysis does not take into consideration the existing sinking fund balance or any income the owners corporation may obtain in an attempt to reduce sinking fund levies.

SP55468, 281 Elizabeth Street, Sydney NSW Assets as at May 2011		Reinstatement years		Reinstatement Cost (2011)	Sinking fund contributions										* Year of reinstatement					5.0% Building Inflation Rate					
		First	Subsequent		2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	
Carried Forward					650,137	238,640	236,097	227,670	239,054	165,181	171,147	179,704	184,344	193,482											
44	Electrical																								
45	Upgrade corridor and lobby lighting	2	15	18,000	9,680	10,165	1,912	2,008	2,108	2,213	2,324	2,440	2,562	2,690											
46	Security entry system - entry points and controls	2	10	10,000	5,378	5,647	1,428	1,499	1,574	1,653	1,735	1,822	1,913	2,009											
47	Video monitoring equipment	5	8	7,000	1,617	1,698	1,783	1,872	1,965	1,382	1,451	1,524	1,600	1,680											
48	Overhaul Fire Services																								
49	Essential fire services works	1	1	20,000	21,000	22,050	23,153	24,310	25,526	26,802	28,142	29,549	31,027	32,578											
50	EWIS & fire control panels	8	15	18,000	2,785	2,924	3,070	3,224	3,385	3,554	3,732	3,919	4,113	4,314											
51	Pumps	9	18	30,000	4,221	4,432	4,653	4,886	5,130	5,387	5,656	5,939	6,236	6,541											
52	Main valves	4	7	5,000	1,410	1,481	1,555	1,632	1,713	1,103	1,158	1,216	1,277	1,341											
53	Passenger Lift																								
54	Floors	3	3	3,000	1,102	1,157	1,215	1,275	1,339	1,406	1,476	1,550	1,628	1,709											
55	Lift interiors and doors	1	15	150,000	157,500	15,174	15,933	16,729	17,566	18,444	19,366	20,334	21,351	22,419											
56	Motors, controls & cables	8	18	250,000	38,680	40,614	42,645	44,777	47,016	49,367	51,836	54,427	57,158	60,000											
57	Hydraulics																								
58	Hot water storage tanks & pumps	8	11	9,000	1,392	1,462	1,535	1,612	1,693	1,777	1,866	1,959	2,052	2,150											
59	Overhaul hot water boilers	6	20	30,000	5,911	6,206	6,516	6,842	7,184	7,543	7,926	8,337	8,777	9,247											
60	Booster & pressure pumps (replace half)	5	6	10,000	2,310	2,425	2,546	2,674	2,808	2,954	3,104	3,267	3,444	3,636											
61	Sub soil pumps (replace 1 pump)	3	5	4,500	1,652	1,735	1,822	1,903	1,263	1,327	1,393	1,463	1,536	1,612											
62	Overhaul water storage tanks	10	20	10,000	1,295	1,360	1,428	1,499	1,574	1,653	1,735	1,822	1,913	2,009											
63	Hydraulic variable speed pumps	9	12	16,000	2,251	2,364	2,482	2,606	2,736	2,873	3,017	3,167	3,326	3,494											
64	Overhaul Recreation Area																								
65	Tiled surface around pool	9	10	12,000	1,688	1,773	1,861	1,954	2,052	2,155	2,262	2,376	2,494	2,617											
66	Pool & spa surface	10	20	15,000	1,943	2,040	2,142	2,249	2,361	2,479	2,603	2,733	2,870	3,014											
67	Ceiling	10	20	10,000	1,295	1,360	1,428	1,499	1,574	1,653	1,735	1,822	1,913	2,009											
68	Saunas/heaters & minor overhaul	3	10	7,000	2,570	2,699	2,834	3,000	3,180	3,375	3,585	3,810	4,050	4,305											
69	Minor overhaul to amenities	6	10	10,000	1,970	2,069	2,172	2,281	2,395	2,514	2,644	2,784	2,934	3,094											
70	Pool & spa pumps & filters	5	9	7,000	1,617	1,698	1,783	1,872	1,965	2,064	2,168	2,276	2,388	2,504											
71	Pool & spa heaters	3	6	7,000	2,570	2,699	2,834	3,000	3,180	3,375	3,585	3,810	4,050	4,305											
72	Gym equipment (maintenance only)	2	3	6,000	3,227	3,388	3,558	3,738	3,927	4,127	4,337	4,557	4,787	5,027											
73	Gym television, blinds, artwork & fittings	5	12	6,000	1,386	1,455	1,528	1,604	1,685	1,770	1,864	1,967	2,079	2,200											
74	Main Garbage room																								
75	Overhaul compactor and bins	2	2	3,000	1,613	1,694	1,779	1,868	1,961	2,059	2,162	2,270	2,384	2,503											
76	General Items																								
77	Entry lobby furniture	10	10	10,000	1,295	1,360	1,428	1,499	1,574	1,653	1,735	1,822	1,913	2,009											
78	Contingency 5.0%				46,475	19,088	18,599	18,317	19,200	15,727	16,119	16,925	16,176	16,807											
79	Sinking fund contribution (excluding GST)				975,972	400,855	390,588	384,659	403,195	330,271	338,497	355,422	339,692	352,954											

6.2 Expenditure

The expenditure analysis details the anticipated annual expenditure cost and reinstatement date of each item in the sinking fund. The expenditure costs are at the date of reinstatement and include for inflation.

Contributing money as detailed in the contributions analysis will provide sufficient funds to cover the anticipated expenditure.

SP55468, 281 Elizabeth Street, Sydney NSW		Sinking fund expenditure										* Year of reinstatement				5.0% Building Inflation Rate									
Assets as at May 2011		Reinstatement years		Reinstatement Cost (\$2011)		2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017		2017-2018		2018-2019		2019-2020		2020-2021	
		First	Subsequent																						
1 Major Refurbishment Work																									
2	Entry lobby refurbishment	1	0	400,000	420,000																				
3 Floor Finishes																									
4	Entry lobby	6	6	5,000						6,700															
5	Carpet to recreation level	3	8	10,000						11,576															
6	Carpet to typical floors	5	8	120,000						153,154															
7	Vinyl to garbage rooms	10	10	11,000																					17,918
8	Gym flooring	5	12	6,000																					
9 Painting																									
10	Ground & recreation lobby	6	6	6,000						8,041															
11	Recreation area	6	6	11,500						15,411															
12	Typical floor corridors including doors	5	8	80,000						102,103															
13	Typical floor garbage room	3	6	6,000						6,946															9,308
14	Basement stairs, lift lobbies, bollards, toilet	2	8	7,000						7,718															11,402
15	Car park line marking	8	15	8,000																					
16	External timber doors	3	4	10,000						11,576															14,071
17	Plant rooms	1	15	3,000	3,150																				
18	Pressure clean painted facade	5	8	10,000																					
19	External painting	5	15	370,000																					
20 Doors																									
21	Roller door motors	2	3	2,000						2,205															
22	Overhaul roller door including springs	2	3	4,000						4,410															
23	Overhaul common doors	1	1	2,000	2,100					2,205															
24	Overhaul External Structure																								
25	Metal roof above recreation area	5	5	3,000																					
26	Street awning	10	15	11,500																					
27	Roof edge steps & ventilation grills	8	8	3,500																					
28	Overhaul roof membrane (minor works only)	6	15	17,000																					
29	Balcony floors & handrails (minor works only)	8	18	25,000																					
30	Overhaul windows and balcony doors	1	1	10,000	10,500					11,025															
31 Mechanical Services																									
32	Condenser pumps	3	8	7,000						8,103															
33	Cooling tower fans	3	9	11,000						12,734															
34	Overhaul cooling tower	10	20	15,000																					
35	Foyer, gym & pool air-conditioning (replace 1)	3	5	10,000						11,576															
36	Lift motor room air-conditioning	9	11	2,500																					
37	Toilet, laundry & kitchen exhaust fans (replace 1/3)	3	5	14,000						16,207															
38	Lobby relief & pool smoke exhaust fans	8	20	10,000																					
39	Stair pressurisation fans	3	15	23,000						26,625															
40	Car park supply & exhaust fans	2	8	23,000						25,358															
41	Plant room ventilation fans	5	10	7,000						8,934															
42	Foyer & lobby supply & garbage ventilation fans	2	5	2,000						2,205															
43	Mechanical variable speed drives (replace 1 of 10)	2	2	5,000						5,513															
Brought Forward					435,750					60,638															
										119,235															
										783,637															
										20,664															
										6,078															
										6,700															
										33,770															
										75,715															
										138,142															
										31,802															
										142,528															

SP55468, 281 Elizabeth Street, Sydney NSW Assets as at May 2011		Reinstatement years		Reinstatement Cost (2011)	Sinking fund expenditure										* Year of reinstatement				5.0% Building Inflation Rate		
		First	Subsequent		2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021							
Carried Forward					435,750	60,638	119,235	20,664	783,637	75,715	33,770	138,142	31,802	142,528							
44	Electrical																				
45	Upgrade corridor and lobby lighting	2	15	18,000	19,845 *																
46	Security entry system - entry points and controls	2	10	10,000	11,025 *																
47	Video monitoring equipment	5	8	7,000			8,934 *														
48	Overhaul Fire Services																				
49	Essential fire services works	1	1	20,000	22,050 *	23,153 *	24,310 *	25,526 *	26,802 *	28,142 *	29,549 *	31,027 *	32,578 *								
50	EWIS & fire control panels	8	15	18,000							26,594 *										
51	Pumps	9	18	30,000									46,540 *								
52	Main valves	4	7	5,000			6,078 *														
53	Passenger Lift																				
54	Floors	3	3	3,000		3,473 *			4,020 *									4,654 *			
55	Lift interiors and doors	1	15	150,000	157,500 *																
56	Motors, controls & cables	8	18	250,000								369,364 *									
57	Hydraulics																				
58	Hot water storage tanks & pumps	8	11	9,000																	
59	Overhaul hot water boilers	6	20	30,000						40,203 *											
60	Booster & pressure pumps (replace half)	5	6	10,000						12,763 *											
61	Sub soil pumps (replace 1 pump)	3	5	4,500						5,209 *											
62	Overhaul water storage tanks	10	20	10,000														16,289 *			
63	Hydraulic variable speed pumps	9	12	16,000														24,821 *			
64	Overhaul Recreation Area																				
65	Tiled surface around pool	9	10	12,000														18,616 *			
66	Pool & spa surface	10	20	15,000														24,433 *			
67	Ceiling	10	20	10,000														16,289 *			
68	Saunas(heaters & minor overhaul)	3	10	7,000		8,103 *															
69	Minor overhaul to amenities	6	10	10,000						13,401 *											
70	Pool & spa pumps & filters	5	9	7,000						8,934 *											
71	Pool & spa heaters	3	6	7,000						8,103 *								10,859 *			
72	Gym equipment (maintenance only)	2	3	6,000	6,615 *					7,658 *								8,865 *			
73	Gym television, blinds, artwork & fittings	5	12	6,000						7,658 *											
74	Main Garbage room																				
75	Overhaul compactor and bins	2	2	3,000	3,308 *		3,647 *			4,020 *								4,887 *			
76	General Items																				
77	Entry lobby furniture	10	10	10,000														16,289 *			
78	Contingency 5.0%				46,475	19,088	18,599	18,317	19,200	15,727	16,119	16,925	16,176	16,807							
79	Sinking fund expenditure (excluding GST)				660,725	142,568	185,876	73,015	874,308	179,889	78,031	613,817	184,495	270,100							

6.3 Summary

The summary provides sinking fund contributions which increase by an equal percentage each year and takes into account the anticipated sinking fund balance at the start of the financial year and the values obtained from the contribution and expenditure analysis. All values exclude GST.

The summary does not consider items individually and the lower initial contributions could result in insufficient levies being raised if unexpected sinking fund expenditure occurs.

The summary should only be relied upon once the contribution and expenditure analysis have been reviewed and fully understood.

SP55468, 281 Elizabeth Street, Sydney NSW				
Annual sinking fund cashflow excluding GST				
Financial Year	Opening balance	Contribution at 5% increase PA	Anticipated Expenditure	Closing balance
2011-2012	1,105,000	251,799	660,725	696,074
2012-2013	696,074	264,389	142,568	817,895
2013-2014	817,895	277,609	185,876	909,628
2014-2015	909,628	291,489	73,015	1,128,102
2015-2016	1,128,102	306,064	874,308	559,857
2016-2017	559,857	321,367	179,889	701,335
2017-2018	701,335	337,435	78,031	960,738
2018-2019	960,738	354,307	613,817	701,228
2019-2020	701,228	372,022	184,495	888,756
2020-2021	888,756	390,623	270,100	1,009,278

7. Disclaimer

This sinking fund assessment has been prepared for the sole purpose of calculating the estimated annual sinking fund contributions to allow for anticipated sinking fund expenditure. It should not be used for any other purpose.

The contents of this assessment are confidential to the instructing party and essential parties dealing with the strata's sinking fund and are not to be distributed to anyone else without the agreement of Justin Sheridan and QS Solutions, which agreement will not be unreasonably withheld. QS Solutions does not accept any contractual, tortious or other form of liability for any consequences, loss or damage that may arise as a result of any other person acting upon or using this assessment.

It is intended that this assessment will be read in full and no responsibility is accepted for later extractions, amendments, interpretations or distribution of parts of the contents of this assessment to any party.