



MitchellBrandtman

Quantity Surveyors & Construction Cost Managers

**39 DEVELOPMENT AVE
DEVELOPMENT**

SINKING FUND ANALYSIS





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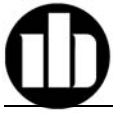
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1.0 Mitchell Brandtman

Mitchell Brandtman is a company with offices and associated firms throughout Australia and the Asia Pacific. With over 35 years in the industry, the company prides itself on the expertise of its people and its purpose built technology to deliver timely, accurate and cost effective quantity surveying and cost management services.

Quantity Surveyors are engaged to assess elements of cost and identify areas of risk within a given construction project. As advisers, they can estimate and monitor construction costs, from the feasibility stage of a project through to the completion of the construction period. After construction they may be involved with tax depreciation schedules, replacement cost estimation for insurance purposes and, if necessary, mediation and arbitration.

The services Mitchell Brandtman provides include:

ASSET SERVICES:

In order to achieve optimum financial return on investments, manage and insure properties effectively, our team offers comprehensive:

- Tax Depreciation Schedules and Advice.
- Insurance Replacement Cost Estimates.
- Sinking Fund Analysis.

DESIGN AND PROCUREMENT:

We provide the full range of cost management services for each stage of a project, from conception through to the completion of construction. Our Cost Planning, Contract Documentation and Contract Administration services are designed to protect client interests and achieve value for money.

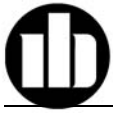
ADVISORY SERVICES:

We provide cost advisory services to lawyers, accountants, insurers and other clients concerned with construction disputes and insolvency matters.

FINANCIAL SERVICES:

Banks and Finance companies engage our team to provide comprehensive cost auditing services including Facility Assessment and Finance Drawdown reports.

We also assist building owners and developers in securing finance through the presentation of independent cost advice that is highly regarded by lenders.



2.0 The Brief

Mitchell Brandtman has been commissioned by Development Pty Ltd on behalf of the Body Corporate to prepare a report to analyse the anticipated expenditure for the next ten [10] years.

The site is located at 39 Development Ave, Development and is described as Lots 1 - 5 and on SP 000000, Parish of Development.

The project comprises the construction of four [4] townhouses and the renovation of a house to the front of the allotment. Construction type is timber veneer structure with textured and weatherboard exterior. The surrounding features include fencing, landscaping and driveway.

The site was inspected on 14 December 2005.

Year of Completion: 2005.

3.0 Sinking Funds Defined

The purpose of this document is to provide a sinking fund analysis to cover the costs of repair and upgrade of capital cost items.

A Sinking Fund item is defined as “*an item that needs replacement or major maintenance at a minimum of 2 – 3 years*”. Do not confuse this with an Administration Fund, which differs from a Sinking Fund in that it covers items such as swimming pool cleaning, lawn mowing and other annual or regular maintenance or replacement type costs maintained or replaced within every 1 – 3 years.

A Sinking Fund budget must allow for raising a reasonable capital amount both to provide for necessary and reasonable spending from the sinking fund for the financial year, and also to reserve an appropriate proportional share of amounts necessary to be accumulated to meet anticipated major expenditure over at least the next nine [9] years after the financial year, having regard to:

- (i) anticipated expenditure of a capital or non-recurrent nature.
- (ii) the periodic replacement of items of a major capital nature.
- (iii) other expenditure that should reasonably be met from capital.

[Body Corporate and Community Management [Standard Module] regulation 1997, Section 94 [3]].



4.0 Methodology

In accordance with the Act, ten [10] years has been adopted as the forecast period. Items outside the forecast period have not been included in this sinking fund analysis.

In the instance of the items in the schedules being put to tender, it would be expected that the quotations would vary significantly. We believe, however, that our estimates provide for good workmanship and materials and are therefore fair and reasonable.

The following schedules are supplied to assist the Body Corporate in calculating the provision, which should be allowed for future maintenance of the common property as required under the Act. However, to conform with the Body Corporate and Community Management [Standard Module] Part 7, Division 2, Section 3, it is recommended that the sinking fund schedules be reviewed on a yearly basis to account for major capital works items falling outside the forecasted period of ten [10] years.



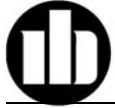
5.0 Schedules

ITEM	CURRENT VALUE	YEARS TILL REPLACEMENT	ANNUALISED REPLACEMENT COST PROVISION
1. Electrical			
Garage Door Motors	\$ 1,250.00	10	\$ 125.00
Common Light Fittings	\$ 100.00	12	\$ 8.00
2. External Works			
Timber Screen Fence	\$ 4,680.00	15	\$ 312.00
Concrete surfacing	\$ 2,600.00	15	\$ 173.00
3. Painting			
External Façade, Soffits & Screens	\$ 17,650.00	7	\$ 2,521.43
Total Amount Required Per Annum for Sinking Fund			\$ 3,139.43

5.2 Calculation of Sinking Fund Allocation Required for Year [2006]

1.	Annual contribution to Sinking Fund for 2006 as calculated in Schedule 1 – Maintenance & Repairs Schedule.	\$ 3,139.43
2.	Provision for unforeseen structural work, in ground services and concealed plumbing and contingency reserve.	\$ 156.97 *
3.	Amount now required to meet with forecast requirements [allocation required for this financial year].	\$ 3,296.00

- **Allowance for contingency 5% included in Item 2 above. The Body Corporate must review this amount, increase or decrease it, as it is an allowance / risk type item.**



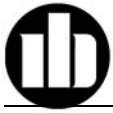
5.0 Schedules (cont'd)

5.3 Ten [10] Year Sinking Fund Forecast including Building Cost Escalation

Cost Escalation

6%

		ANNUAL REQUIREMENT									
ITEM	Life	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Electrical											
Garage Door Motor	10	\$ 125	\$ 133	\$ 140	\$ 149	\$ 158	\$ 167	\$ 177	\$ 188	\$ 199	\$ 211 R
Common Light Fittings	12	\$ 8	\$ 8	\$ 9	\$ 10	\$ 10	\$ 11	\$ 11	\$ 12	\$ 13	\$ 14
2. External Works											
Timber Screen Fence	15	\$ 312	\$ 331	\$ 351	\$ 372	\$ 394	\$ 418	\$ 443	\$ 469	\$ 497	\$ 527
Concrete surfacing	15	\$ 173	\$ 183	\$ 194	\$ 206	\$ 218	\$ 232	\$ 245	\$ 260	\$ 276	\$ 292
3. Painting											
Ext Façade, Soffits & Screen	7	\$ 2,521	\$ 2,672	\$ 2,833	\$ 3,003	\$ 3,183	\$ 3,374	\$ 3,576 R	\$ 3,791	\$ 4,018	\$ 4,259
Sub-Total Amount Per Annum		\$ 3,139	\$ 3,327	\$ 3,527	\$ 3,739	\$ 3,963	\$ 4,201	\$ 4,453	\$ 4,720	\$ 5,003	\$ 5,303
Add Contingency (5%)		\$ 157	\$ 166	\$ 176	\$ 187	\$ 198	\$ 210	\$ 223	\$ 236	\$ 250	\$ 265
Total Amount Per Annum		\$ 3,296	\$ 3,494	\$ 3,703	\$ 3,926	\$ 4,161	\$ 4,411	\$ 4,675	\$ 4,956	\$ 5,253	\$ 5,568



5.0 Schedules (cont'd)

5.3 Ten [10] Year Sinking Fund Forecast including Building Cost Escalation (cont'd)

The Replacement and Maintenance Schedule details the individual Sinking Fund items, which have been totalled to obtain an Annual Contribution to the Sinking Fund required to be paid by the owners of the lots.

This amount, as stated previously, is set aside for a Sinking Fund to maintain a typical building of this type.

To enable us to determine a ten [10] year Sinking Fund Forecast it is necessary to apply a factor which has an impact on the annual amount to be contributed, this being Building Cost Escalation.

The percentage rates that have been used for Building Cost Escalation is 6%.

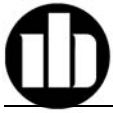
6.0 Limitations of Use

This report has a maximum usage period of three [3] years.

The nominated rates of escalation allowed in this report are a prediction based on historical analysis of construction cost data and the changes in these prices over time. As we are only able to forecast likely cost movements, it is necessary to update this sinking fund regularly, hence the maximum usage period stipulated.

This report excludes the following items:

- a) Structural, or potential structural defects.
- b) Refurbishment or general upgrade of common areas.
- c) Impacts / costs associated with future changes to legislation.
- d) Maintenance contracts [ie pool, lifts, and gardening].
- e) Abnormal usage of premises.
- f) Costs associated due to insufficient normal maintenance.
- g) No provision is made for work associated with removal of contaminated materials or for additional cost of working with or adjacent to contaminated material.
- h) No soil analysis or geological studies were ordered or made in conjunction with this report.
- i) Part only replacement and minor items, which would occur infrequently [whereby the sum of such a replacement does not exceed [\$500.00] have not been included in this sinking fund.
- j) The sinking fund forecast assumes the Body Corporate will maintain the Administration Fund adequately to account for future costs associated with Item i].



6.0 Limitations of Use (cont'd)

This indicative sinking fund analysis has been prepared on the understanding that full disclosure of all facts and information which may affect the report, has been made to Mitchell Brandtman. Mitchell Brandtman does not accept any responsibility or liability whatsoever for the analysis if full disclosure has not been made. Whilst every attempt has been made to list all issues, Mitchell Brandtman accept no responsibility for the amount determined by the Body Corporate for its annual sinking fund allocation.

Furthermore, Mitchell Brandtman does not accept responsibility for any consequential defect or error in the sinking fund which has resulted from any error, omission or inaccuracy in facts or information supplied by the client or its officers and agents.

The sinking fund analysis is solely for the use of the party by whom we were instructed and for no other purpose. Mitchell Brandtman owes no duty of care to any third party that becomes aware of this analysis and, without our knowledge, chooses to act or rely on the whole or any part of it.

7.0 Goods and Services Tax

This sinking fund is exclusive of goods and services tax.



8.0 Photographs



MitchellBrandtman

Quantity Surveyors & Construction Cost Managers

QUOTATION FORM FOR UPDATED SINKING FUND ANALYSIS

BODY CORPORATE DETAILS

Name: _____

Address: _____

Postcode: _____

Telephone: []

Facsimile: []

Email: _____

PROPERTY DETAILS

Site Address: _____

39 Development Ave, Development [MB Reference 000000]

Real Property Description [Lot & RP]:
[Please Attach Copy of Rates Notice]

Lots 1 - 5 on SP 000000

PROPERTY MANAGER

Real Estate Agent: _____

Contact Name: _____

Telephone: []

AUTHORISATION

I/We, the undersigned, hereby request Mitchell Brandtman to provide a quotation to provide an updated sinking fund analysis.

Name: _____

Signature: _____

Dated: _____

To return this form to us, please choose one of the following:

FAX [07] 3870 1344 Attention: Asset Services

POST 29 Woodstock Road Toowong Qld 4066 Attention: Asset Services

EMAIL bne@mitbrand.com Attention: Asset Services

Contact Jessica on 1800 808 289 if you need assistance in completing this form.