Contents

1 Introduction and Background

1.1 Purpose of Report

This report was commissioned by Capital Planners ACT Pty Ltd on behalf of the Department of Finance and Administration (Finance) to provide strategic real estate services to outline the options available to Finance for the property known as Block 13 Section 9 Barton, ACT.

1.2 Qualifications

In undertaking this analysis, information provided by Finance has been relied upon and we have not verified the accuracy of this information. The indicative pricing used for income is an estimate based on what is considered fair and reasonable giving prevailing conditions in the present market and, is not and, **should not be relied upon as a valuation** of these assets. The residual land data provided herein is to be considered as potential price guidance only and is calculated as at December 2005.

This report is for the sole use of Capital Planners and Finance in assessing the above referred to property. No responsibility is accepted to any third party who may use or rely on the whole or any part of the contents of this report.

This report should be read in conjunction with Ernst & Young's proposal to Capital Planners ACT Pty Ltd.

1.3 Background to the Project

Finance controls the site known as Block 13 Section 9 Barton, ACT an irregular shaped site bounded by Broughton, Blackall and Macquarie Streets, Barton. We understand the site has a total area of approximately 19,730 square metres (4.875 acres). We further understand that the property has been identified as a property to be divested by the Australian Government, through Finance.

This report was commissioned by Capital Planners, for the Property Management Branch of Finance. The Capital Planners ACT consortium is to provide strategic advice (including real estate advisory and other nominated services) for Finance in accordance with our proposal.

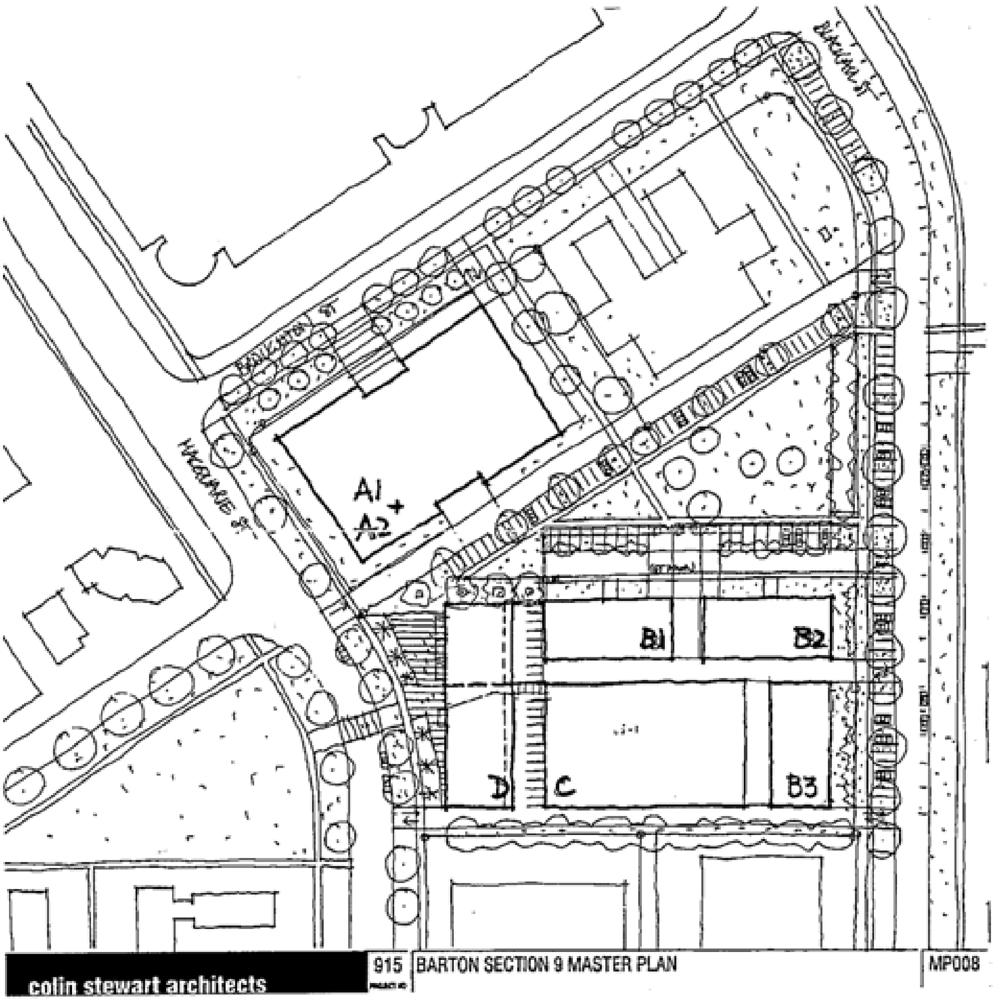
2 Overview of Accommodation Options

The detail of the various masterplanning options developed for Finance by the Capital Planners consortium is provided in detail within the architectural section of the overall masterplanning report, as prepared by Colin Stewart Architects.

This information has been relied upon by various consortium members including the quantity surveyor, Wilde & Woollard and ourselves in order to develop financial data supporting the various proposals. In summary there have been seven (7) options for the masterplanning of the site, known as options 1, 2A, 2B, 3, 3A, 4 and 5. A brief summary of each option is included on the following two pages.

Although each of the Options differs, the following diagram developed by Colin Stewart Architects provides the layout plan for Option 5 i.e. the preferred option (note plan is not to scale).

Option 5 Diagram



Buildings	Description	Option 1	Option 2A	Option 2B	Option 3	Option 3A	Option 4	Option 5
A1 & A2	12,000 sq m office building with total 240 no. of carparks in undercroft and basement	Included	Included	Included	Included	Included	Included	Included
A4	6 level residential building of 30 units and total of 45 carparks in undercroft and basement	Included						
A4	1 level retail and 2 levels commercial of 2,910 sq m GFA plus 110 carparks in 2 basements		Included	Included				
B2	8 level residential building of 40 units and total of 60 carparks in 2 basements	Included						
B3	5 level residential building of 20 units and total of 30 carparks in undercroft and basement	Included						
B1 & B2	A total of 18 levels in residential buildings of 90 units and total of 135 carparks in undercroft and basement		Included					
B1 & B2	A total of 4 levels in residential buildings of 64 units and total of 90 carparks in undercroft			Included				
B1 & B2	A total of 14 levels in residential buildings of 70 units and total of 119 carparks in basement, ground and external						Included	
B1, B2 & B3	A total of 20 levels in residential buildings of 100 units and total of 188 carparks in basement, ground and external				Included	Included		
B1, B2 & B3	A total of 24 levels in residential buildings of 120 units and total of 180 carparks in basement, ground and external							Included

Buildings	Description	Option 1	Option 2A	Option 2B	Option 3	Option 3A	Option 4	Option 5
C	Structured Carpark	Included 524 spaces	Included 466 spaces	Included 466 spaces	Included 460 spaces	Included 303 spaces	Included 460 spaces	Included 330 spaces
D	1 level retail and 3 levels commercial with total of 4000sq m GFA (20 carpark on ground and 60 in C)				Included	Included	Included	Included
A3	1 level of retail and 2 levels of commercial office with total of 1800 sq m GFA (24 carparking in Carpark C)	Included						
E (Corner Bldg)	3 levels of total 900sq m commercial building	Included						
External & Street Park	Landscaping, services, street parking for 100 cars and temporary parking for 650 cars (250 temporary carparks for option 3A)	Included	Included	Included	Included	Included	Included	Included

3 Real Estate Market Environment

3.1 Economic Overview Context

The following is a brief summary of the main economic indicators relevant at the date of this report.

- ***Gross Domestic Product (GDP)*** – The Australian economy grew strongly during 2004/2005. Figures released for the June quarter 2005 show a chain volume growth figure of 0.7% since the March quarter 2005. This equated to growth of 2.3% in the year since June 2004.
- ***Balance on Current Account –*** In seasonally adjusted terms the Current Account Deficit fell $2,366 million (16%) to $12,640 million between the March and June quarters 2005 and continues to remain at that level. The main contributor to the decrease in the deficit was goods credits which rose $2,844 million (9%) partly offset by goods debits which rose $745 million (2%). A significant factor was the increase in non-rural goods, in particular resources where there was increases in volume coupled with increases in prices.
- ***Business confidence*** – Despite the current account deficit, business expectations and investment intentions in recent times have been positive with profitability at a high level, and an optimistic outlook for the world economy. Current indications of a weakening in the level of business confidence have been interpreted by economists as due to seasonal factors rather than actual trends. This view is supported by recent data which shows that the largest component of growth in the economy in March quarter 2005 was from business investment, indicating that business activity remains strong. The influence of recent increases in oil prices is to be determined.
- ***Unemployment*** – The strong labour market conditions of 2003 and 2004 have continued into 2005, with employment growing by a seasonally adjusted figure of 2.8% in the 12 months to October 2005. In recent months and continuing into October 2005, the unemployment rate has remained steady at 5.1 %, a 28-year low. These figures are providing a positive outlook for the labour market with job vacancy and hiring intention surveys pointing to strong employment growth well above the long-run average levels.
- ***Inflation*** – Australia’s inflation rate in underlying terms remains relatively low, with the current annual inflation rate of 3%, as of September 2005, lying at the upper limit of the Reserve Bank of Australia’s (RBA) target range of 2% to 3% per annum. The current low unemployment rate and growing skills shortage has led to concerns of inflation problems in the future.
- ***Interest Rates*** – In its latest meeting on monetary policy on 6 September 2005, the Board of the RBA decided to maintain the cash rate target unchanged at 5.5 per cent. Prior to this, the last change made by the Board was in March 2005 when it was increased by 25 basis points to the current rate of 5.5% per cent. The last increase followed a period of 17 months during which time interest rates were on hold.
- ***Exchange Rates*** – After falling in 2002 and 2003, the Australian dollar appreciated by 6% on a trade-weighted basis from January 2004 through to mid June 2004. This was supported by greater confidence in the US economic recovery and the increasing likelihood of rising interest rates. In mid June 2004 the upward trend in the $US stalled, but the Australian dollar has continued to trade strongly against the $US, hovering around the 73 to 74 cent mark

3.1.1 Conclusion

Economic developments over recent months point to a slowing in the growth of the Australian economy. Further, the balance of growth in the economy appears to be changing from household consumption to business investment, with increased levels of business activity proving a positive factor for the domestic economy.

Based on the economic information currently available and excluding unforeseen events that could have a dramatic impact on the global and local economy, it is expected that Australian economic fundamentals will remain relatively steady in the short to medium term despite a recent slowing in the economy. There are likely to be continual corrections in the market caused by changing levels of business and consumer confidence.

3.2 The Canberra Office Market

3.2.1 Background

The Canberra office market, the fourth largest in Australia, has shown continued strong performance over the past 12 months, particularly in terms of vacancy rates and net absorption.

As a total market, Canberra has approximately 1.57 million square metres of office space, distributed throughout a number of inner-city and town centre locations. These office locations are typically categorised as either Civic or Non-Civic commercial precincts, relating to their position within the principal CBD area of Civic, or alternatively in the town centre sub-regions.

Civic is the principal commercial district of Canberra, representing the largest and most centrally located of the office precincts. With approximately 443,855 square metres of office space, Civic represents about 29% of Canberra’s total office space (as at July 2005).

The Non-Civic commercial precincts are comprised of a number of smaller sub-regions, distributed throughout the near-city and suburban areas of Canberra, predominantly the town centres. Combined, the Non-Civic office precincts represent approximately 1.13 million square metres of space, or 71% of the Canberra total.

Of the total office space within the Canberra market, approximately 60%-70% of that space is occupied by Government tenancies. As a result, the Government is the principal driver of the office market in Canberra, as highlighted by a 2004 Jones Lang LaSalle report, which stated that government tenants accounted for 80% of the total office market activity in Canberra over the past 12 months.

3.2.2 Supply

In the 12 months to July 2005, the total Canberra office market has seen the addition of approximately 35,063 square metres of space, largely in the three office precincts of Civic, Belconnen, and the Brindabella Business Park (Canberra Airport, located within the office precinct of Campbell).

The following table details the change in office stock amongst Canberra’s office precincts, divided into the categories of Civic and Non-Civic (including Barton and other selected suburbs), from January 2000 to January 2005. It demonstrates a slight decrease in Canberra’s overall office stock between 2000 and 2001, due to a higher level of withdrawals than additions, before stock levels began increasing again. Barton and Parkes represent 16.3% of the total Canberra office stock.

Canberra Office Market Stock: July 2000 to July 2005

Office Precinct	Jul-2000 (sq metres)	Jul-2001 (sq metres)	Jul-2002 (sq metres)	Jul-2003 (sq metres)	Jul-2004 (sq metres)	Jul-2005 (sq metres)
Civic						
Civic	443,887	439,630	439,630	435,382	433,763	**443,855**
Non-Civic (Selected Suburbs)						
Airport	0	4,000	16,000	18,700	40,700	**45,400**
Barton	190,393	188,532	186,061	191,308	191,308	**190,002**
Belconnen	131,890	132,568	128,878	134,878	134,878	**149,578**
Campbell	51,625	51,625	51,625	51,625	51,625	**51,625**
Forrest	14,815	14,815	15,140	27,593	37,093	**37,093**
Parkes	48,062	39,502	63,836	63,836	67,236	**67,236**
Phillip	122,652	122,652	122,652	122,652	122,652	**122,511**
Russell	110,299	110,299	110,299	110,299	110,493	**110,493**
Tuggeranong	66,474	66,474	68,144	68,144	68,144	**68,144**
Other	265573	265,873	276,764	277,264	289,346	**287,822**
Total Non-Civic	1,001,783	996,340	1,039,399	1,066,299	1,113,475	**1,129,904**
Overall Canberra Market						
Total	1,445,670	1,435,970	1,479,029	1,501,681	1,547,238	**1,573,759**

Source: Property Council of Australia – Office Market Report - July 2005

3.2.2.1 New office stock additions

With the exception of the recent completion of 11 Moore Street, Civic had not seen any significant stock additions since July 2002. Several projects either under construction or mooted will add considerably to the precinct's office stock in 2006, including:

- QIC Westpoint's development at Precinct B, Section 84, City – a four to eleven-storey building with 23,000 square metres of office space, due for completion in 2006, together with a 40,000 square metre building at Precinct C Section 84;
- Consolidated/Snow's office development at Blocks 3 & 4, Section 88, where a 14-storey building with 21,500 square metres of office space is due for completion in 2006 for DITR;
- An eight-storey building of 8,000 square metres of office space to be constructed by Willemsen on Marcus Clarke Street;
- Universal Portfolio Services, a joint venture owned by Mirvac Group and Leighton Properties secured approval in February 2005 for a 12-storey office building of 29,400 square metres GFA, on Block 16, Section 61;
- A five storey building 9,200 square metres of office space to be constructed by London 11 Pty Limited on Block 20, Section 10 (London Circuit);
- The Evri Group acquired Section 92 at auction in August and will develop 8,000 square metres of office accommodation; and

- Leighton Properties has entered into an agreement to provide NICTA with 6,200 square metres of A Grade accommodation as part of a building of approximately 17,000 square metres on London Circuit. We understand that the balance of this building will be leased by DAFF from 2007, along with another adjacent property.

The most dramatic growth in stock of Canberra's office precinct sub-regions has been the Brindabella Business Park at Canberra Airport, being a total of 45,400 square metres of office space since January 2001, and demonstrates the strong growth of the Canberra Airport office precinct.

Other developments in Non-Civic Canberra office sub-regions include:

- Two projects by Industry Superannuation Property Trust (ISPT) on adjoining sites in Barton at 1 National Circuit and 3-5 National Circuit, providing 15,000 square metres and 18,000 square metres of office space respectively, with projected completion of 1 National Circuit in late 2006 and a projected completion of 3-5 National Circuit in 2008/2009.
- A 40,000 square metre office building in Tuggeranong, to accommodate Centrelink has recently been announced with a completion date of 2007.
- The Glass House in Phillip a 14,000 square metre building, is under construction and due for completion in 2006.

Given the number of pre-commitment leases that have been negotiated or are in negotiations and the lease expiry profile in 2007, market sources anticipate that the vacancy rate in 2007/08 will increase from 2.9% to somewhere between 12 – 15% predominately, in B to C Grade buildings.

Current and potentially vacant buildings throughout Civic and Phillip will need to be repositioned for the market either by way of refurbishment or adaptive re-use. This level of vacancy is likely to alter the current vacancy status and may lead to produce a "two tiered" market, where refurbished stock may attract a lower (and possibly significantly lower) rental level than those buildings that have pre-committed leases in place. This situation is reminiscent of the state of the market in all major office markets in the early 1990s in Canberra, Sydney and Melbourne.

3.2.3 Precommitment leasing market evidence

Over the past twelve months there have been a relatively large number of pre-commitment leases negotiated in the Canberra market. Summary details of these arrangements are as follows noting that all are subject to confidentiality provisions in respect to rental and incentive provisions.

- Civil Air Safety Authority (CASA) has entered into an agreement to lease some 8,000 square metres of space in 'The Glasshouse' in Furzer Street Phillip for a period of 15 years. CASA will relocate into this building in early 2007. The building has a total net lettable area of approximately 14,000 square metres.
- Centrelink has entered into an arrangement for an 18 year lease for a new 40,000 square metre building in Tuggeranong Town Centre.
- In Civic there are two executed agreements for lease; one being for the Department of Industry Tourism and Resources (DITR) for an area of 21,500 square metres for a term of 15 years from 1 October 2006 on Section 52, Civic (Akuna Street). The other building is the new premises for AusAID on London Circuit which is approximately 9,200 square metres also for a term of 15 years.
- The Australian Federal Police have agreed to lease Anzac Park West after a total refurbishment (to A Grade standard) for a period of 15 years from mid 2006.

- NICTA has entered into a 10 year lease with Leighton Properties for 6,200 square metres on London Circuit (Part of the former Section 61).
- The Department of Prime Minister & Cabinet (PM & C) has agreed to a 15 year lease of new premises at 1 National Circuit Barton for approximately 15,000 square metres with a completion date of late 2006. Post relocation of PM & C, 3-5 National Circuit will be demolished and a new building will be constructed for the Attorney General's Department.

All of these buildings will have a minimum ABGR rating of 4.5 stars. Although all these lease precommitments are subject to confidentiality agreements it is our understanding that they have been struck between $345.00 - $425.00/square metres gross (i.e. inclusive of base year building and statutory outgoings). Some leases have fixed rent reviews and the fixed rental escalators between the date of negotiation and the lease commencement data are approximately 3.5% - 4% pa. Industry sources have indicated that the incentives are in the vicinity of 7% to 8.5% of the total gross rental over the full initial term of the lease.

The Australian Taxation Office is understood to have finalised its lease precommitment for 63,000 square metres NLA on Section 84 in Civic with an anticipated delivery date of 2007, and IP Australia is negotiating approximately 10,000 square metres in Phillip also due for delivery in 2007. The Australian National Audit Office (ANAO) has commenced a process to secure additional premises for occupation post its current lease expiry in September 2008. This requirement is for approximately 6,000 square metres.

There has been a very recent announcement that the Department of Agriculture Fisheries and Forestry (DAFF) is to relocate from the Edmund Barton Building in Barton to Civic (18 Marcus Clarke Street for 27,100 sq metres, and part 7 London Circuit for 4,255 sq metres) in 2007. The DAFF tenancy in Barton is a major component of the suburbs existing office supply (i.e. approximately 40,000 sq metres out of a total of 190,000 square metres, or 21%). The impact on the overall ACT commercial office vacancies is approximately 2.5% (i.e. 40,000 sq metres out of a total 1,573,759 sq metres) which is considered to be a relatively large impact. The relocation of DAFF is likely to have more of an impact on the market rentals associated with older, rather than new commercial buildings as a consequence of the increase in lower grade vacancies both in the immediate area and also in the greater Canberra region. The future intentions of Stockland, the owner of the Edmund Barton Building are not known. Stockland's future position may have some impact on the leasing and sale of Section 9 Barton. A positive impact to Section 9 Barton is likely to be the reduced requirement for temporary off-site carparking associated with any redevelopment of Section 9, due to the reduced demand for carparking as a consequence of DAFF having relocated in 2007.

3.3 Residential unit market

Analysis undertaken by the Land Development Agency (LDA) indicates that there are approximately 3,000 units that are either in the planning and/or design phase of development together with a further 2,000 that have been identified for construction within the next three years. As these sites are in the early stages of design, development may in fact not proceed and will be subject to market demand. There were some 2,200 units under construction in the ACT as at 30 June 2005. There are 32 DA's issued, but no building applications lodged for multi unit developments, 22 of which are in the Central Canberra district that are expected to yield approximately 630 separate dwellings. The potential 3 year additional multi unit development provides for an additional 1,937 dwellings of which 1,213 are within the Canberra Central district. The majority of unit sites are in the Canberra

Central area (which includes Barton). The LDA's June 2005 Residential Land and Building Activity Report suggests that 63% of units under construction are in the Canberra Central area.

Overall, the demand for multi unit sites is somewhat subdued, compared to 12 to 18 years ago. A site on Kingston Foreshore was put to auction in August by the LDA and failed to reach reserve and has not been sold since. There are a number of developers that have considerable land banks of residential unit sites available to bring on line when market demand increases.

The 'Landmark' residential unit complex, located opposite the subject site to Blackall Street, has sold relatively well as a consequence of its elevated located, unit layout design and general value for money. The development reinforces the acceptance of residential unit development in the immediate area.

The following table provides an historic perspective of the median prices achieved for residential units throughout greater Canberra and the suburb of Barton from 1991 to current. It will be noted that in 2004 the Barton market represented 12.2% of the total greater Canberra market.

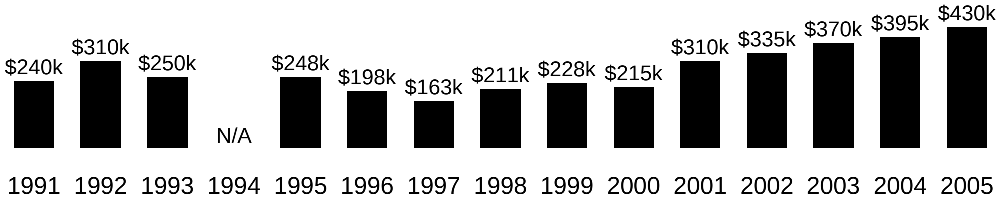
Unit Sale Statistics – Greater Canberra and Barton

Year	Canberra Median Unit- $	Canberra Unit Transfers	Barton Median Sale Price	Barton Total Sales	Barton % Total Sales to Canberra
1991	110,000	2,012	$240,000	24	1.2%
1992	134,950	2,219	$310,000	11	0.5%
1993	132,000	2,190	$290,000	11	0.5%
1994	135,000	2,684	$320,000	5	0.1%
1995	126,500	2,093	$270,000	7	0.3%
1996	128,000	1,479	$235,000	20	1.3%
1997	135,000	1,700	$191,000	30	1.7%
1998	129,000	1,794	$212,000	28	1.5%
1999	135,500	2,418	$230,000	35	1.4%
2000	144,950	2,958	$220,000	23	0.8%
2001	165,000	3,321	$362,000	21	0.6%
2002	205,000	3,232	$380,000	13	0.4%
2003	262,000	2,790	$370,000	164	5.9%
2004	300,000	2,787	$395,000	341	12.2%
2005	314,250	1,801	$430,000	65	3.6%

Source – www.allhomes.com.au

The following graph indicates the variance in the median prices for residential prices in Barton from 1991 to 2005 (part year).

Median Unit Price - Barton



Median Unit Price - Canberra

Canberra summary of median unit prices - September quarter 2005

The following table indicate that the Greater Canberra median unit prices have continued to increase through to the latest reported quarter i.e. September 2005.

Period	Canberra Total
September Quarter 2005	$294,500
June Quarter 2005	$295,000
March Quarter 2005	$291,500
June Quarter 2004	$284,000
% Change March 2005 – September 2005	1.03%
% Change June 2004 – September 2005	3.70%

Source - Real Estate Market facts – September Quarter 2005

Canberra moving annual median unit prices – September quarter 2005

Quarter	Median Price
June 2002	$177,100
September 2002	$185,900
December 2002	$197,800
March 2003	$211,000
June 2003	$228,500
September 2003	$247,000
December 2003	$262,900
March 2004	$272,800
June 2004	$290,000
September 2004	$281,000
December 2004	$278,700
March 2005	$282,100
June 2005	$284,900
September 2005	$289,000

Source - Real Estate Market facts – September Quarter 2005

Canberra's median residential rentals are measured to be the highest of any of the capital cities, and its vacancy rate the lowest of any of the capital cities.

Summary of Median Weekly Rents – September Quarter 2005

Quarterly Median Rent $/week	Quarterly % Change	Annual % Change
$280	0.0	3.7

Source - Real Estate Market facts – September Quarter 2005

Vacancy Rates (all rented dwellings) – September Quarter 2005

Quarterly Vacancy %	Quarterly Change %	Annual Change %	Moving Annual (Trend) Vacancy Rate %	Quarterly Change %	Annual Change %
1.8	-0.7	-2.8	3.0	-0.7	-1.3

Source - Real Estate Market facts – September Quarter 2005

An analysis of the most recently available information indicates that unit sales growth continues.

Canberra Unit Prices September Quarter 2005 by District

City/Zone	Sample Size	Preliminary Median Price	Current Preliminary median compared with preliminary medians in earlier quarters		Lower Quartile	Upper Quartile
			Change over Quarter %	Change over Year %		
Canberra Total	350	$294,500	-0.2	5.9	$250,000	$355,000
Inner Central	131	$320,000	-3.3	5.8	$280,500	$424,500
Inner South	53	$265,000	-11.7	-10.2	$199,000	$355,000
West & North	95	$270,000	-4.4	-2.9	$245,000	$315,000
Outer South	71	$273,000	-1.3	-2.9	$251,300	$310,000

Source - Real Estate Market facts – September Quarter 2005

It is possible that residential usage could in part be serviced residential units, although this use is likely to require additional town planning requirements.

3.4 Retail uses

There is not a large amount of retail space in the Barton area. We consider that with the predominant local user group being the weekday Commonwealth office employee base, there would be sufficient call for another food outlet(s). Ideally a new food outlet(s) would need to be located in a building that is not immediately adjacent to any of the existing cafes. We also believe that there would be appropriate levels of demand for a sub-newsagency and/or a post office outlet. Although these operations do not have a high profit margin they would certainly add value to the café/bistro. The immediate area is supported by the relatively recently completed 'Landmark' residential unit complex. Recent activity in this sector of the market would indicate a rental level on the vicinity of $400.00 to $480.00 per square metre per annum net. We note that the nominated ground floor retail /

service retail facility as proposed by Colin Stewart Architect is in the order of 1,000 sq metres Gross Floor area. This could provide for say 3 to 5 separate outlets.

Indicative retail and service retail uses may include:

- Restaurant(s)
- Small grocer or convenience store
- Other convenience shopping
- Drycleaners
- Bank or credit union

3.5 Carparking use

The NCA has a current requirement for the replacement of existing carparking facilities on the site. Negotiations are not finalised as to the number of displaced car parking spaces that must be replaced.

We understand that currently there is no operating commercial pay parking station is known to exist within a one (1) kilometre radius of the subject site. As such, no Fringe Benefits Tax (FBT) on carparking provided by an employer exists. Should a pay parking (i.e. not lease or licence arrangement) station be developed and be operated as such, FBT for employer provided carparking would prevail within a one (1) kilometre radius of that pay parking station. We understand that the employer who is currently providing the free carparking will be levied the FBT, at the current rate of $6.28 per car space per day.

We consider that there is strong demand for carparking in the immediate area, as evidenced during business hours on site on a Monday to Friday basis (which is currently free to users). Any changes in the demand for carparking in a structured carpark is not known, however we consider that a new facility, whether "free" or on a pay parking basis would be very well patronised during business hours from Monday to Friday. We further believe that the facility would have substantially less patronage after business hours and on weekends, as is the case currently.

Within our sensitivity analysis to assess the land prices for the site we have assumed two development and revenue scenarios as follows:

- where pay parking is operative and is levied at $6.28 per space per work day; and
- where the facility is licensed to third parties, such as adjacent and nearby Government and private users. In this case we have assumed an ongoing lease occupancy rate of 75%, or alternatively a vacancy rate of 25%. These percentages are calculated after any on-site parking requirements are required to be met, such as the parking requirements of Building D, which under the Masterplanning scenarios does not include basement carparking. We are of the opinion that under a longer term lease or licence agreement carpark rentals are in the order of $1,500 per space per annum excluding GST.

4 Stakeholder Interests

We have identified a number of stakeholders that we consider would be applicable to the future sale and development of the site. For each nominated stakeholder we have indicated the expected issues, relevance and method to deal with applicable issues.

Stakeholder	Stakeholder Issues and Relevance	Method to Deal with Issues
Government Stakeholders		
A. Australian Government		
Department of Finance & Administration (including Minister for Finance and Administration, Special Minister of State, Department Secretary and the Executive of and PMB)	▪ Value for money in transaction ensured. ▪ Approval of major transaction based initiatives.	▪ Open communication and agreed processes and programs. ▪ Ensure appropriate development of analysis, models, skills and personnel to meet Finance requirements including comprehensive and clear financial analysis skills. ▪ Appropriate upward communication within Finance.
Senior Ministers	▪ Budgetary interest in impact of the transaction, including achievement of value for money. ▪ Budgetary interest includes management of current or future financial risk for Government through any potential sublease(s) or other transactions(s).	▪ Ensure value for money proposition at lease and/or sale/development proposal by appropriate mechanisms, methodology, documentation and pricing. ▪ Independent valuation and other appropriate advice prior to sale. ▪ Identification and management of risks in a comprehensive and regularly updated manner.
Various Parliamentary Committees	▪ Potential review and interviewing of Finance during or following the transaction.	▪ Ensure project managed efficiently and effectively. ▪ Be available to assist with any questions provided to Finance.
National Capital Authority (NCA)	▪ Finalisation of potential future Works Approval and Crown Lease requirements and conditions.	▪ Determine any specific requirements of the NCA in respect to each site option. ▪ Confirm status of current Works Approval requirements as they may affect potential options ▪ Through liaison with NCA, determine any matters to be actioned/resourced. ▪ Determine and implement strategy, and agree with NCA as appropriate. ▪ Understand programming issues affecting options.
Australian National Audit Office (ANAO)	▪ Assuming a sale of part of the site with a sub-lease(s) in place – the potential classification as Operating or Finance Leases in accordance with relevant Accounting Standards (but only where there is a potential sale and leaseback transaction). ▪ Potential future audit of the options development and any future transaction processes.	▪ Any future sublease and sale negotiations to be reflective of need to meet Operating Lease classification under a leaseback arrangement. ▪ Maintain appropriate dialogue with the ANAO, when appropriate. ▪ Determine status of current sub-lease negotiation and strategies. ▪ When appropriate seek opinion as to classification (most likely via independent accounting firm).

Stakeholder	Stakeholder Issues and Relevance	Method to Deal with Issues
Department of the Treasury, and the Australian Taxation Office (ATO)	▪ Tax treatments of potential transactions (lease or otherwise) and managing taxation leakage and exemptions (if any) from certain taxation obligations. ▪ Fringe Benefits Tax (FBT) issue relating to pay parking in the Parliamentary precinct	▪ Provision of taxation expertise and advice on best management strategies and potentially to assist in discussions and negotiations with Treasury or the ATO. ▪ Understand the implications of crystallising a pay parking regime in the area, including whole of government issues and potentially affected departments.
Department of Environment and Heritage	▪ Issues concerning lessees as they may be affected by EPBC Act and in particular whether there are any proposed or current "actions" that need approval under the Act as they relate to Commonwealth Land (as defined).	▪ Determine via environmental consultant and other retained advisers to Finance to determine if there are any proposed or current "actions". ▪ Agree and implement agreed strategy, ensuring a consultative approach and use of specialists as appropriate.
B. ACT Government		
Department of Urban Services (DUS)	▪ Possible influence on public service requirements such as roads, services, surfaces etc.	▪ Determine, through consultation, the Department of Urban Service's statutory rights and requirements that are particular to sites and any potential development. ▪ Develop and implement agreed strategy to deal where appropriate under crown lease.
Land Development Agency (LDA)	▪ Possible influence on commercial and residential land release program of ACT Government.	▪ Determine, through consultation, the influence of the LDA and issues (if any). ▪ Develop and implement agreed strategy to deal where appropriate.
ACT Planning and Land Authority (ACTPLA)	▪ Possible influence on planning and land uses (noting the NCA's position) under Australian Capital Territory (Planning and Land Management) Act 1988.	▪ Determine, through consultation, the influence of ACTPLA and issues (if any) ▪ Develop and implement agreed strategy to deal where appropriate.
ACTION Transport	▪ ACTION manages the public bus routing throughout the ACT and may have an influence over the siting of routes and bus stops. Public transport is an important workplace issue in the Parliamentary precinct.	▪ Consider public transport issues as part of the overall transport review in the various accommodation options. ▪ Include the management of ACTION in negotiations for preferred locations if there is a need to alter existing bus services and stops.
Non Government Stakeholders		
Objectors to proposed development options	▪ It is possible that the adjacent owner of the site could attract town planning (use based) or building design related objections to future proposals.	▪ Stakeholder consultation process
Public interest groups, press etc	▪ It is possible that due to the size and nature of the sale and development there could be media and other interested parties to be managed.	▪ Identify possible interest groups and issues that may have to be dealt with. ▪ Individual issues will have to be managed by appropriate personnel without delay. ▪ Finance to be initially informed of matters requiring action, and to action matters as they arise.
Service suppliers to site e.g. ActewAGL, Telstra	▪ It is possible that technical issues during the option review process may be raised for review.	▪ Finance's advisors to investigate matters to be investigated. ▪ Determine possible issues to be addressed. ▪ Develop and implement a strategy for appropriately dealing with individual issues.

5 Identified Issues and Risks

The following table outlines the main risks that we have identified as part of the options analysis process. We have identified only those risks that we consider to be applicable and to have an element of 'scale'. We have assessed the consequence of each identified risk, a rating (significant or high) and mitigation strategies.

Risk	Consequence of Risk	Risk Rating	Mitigation Strategies
Fringe Benefits Tax (FBT) being crystallised for current free car parking within one (1) km where a public pay parking station is developed and operated	▪ Whole of Government potential impact when a pay parking station is opening for first time. Potential impact on all agencies within 1km. ▪ Consequence is MAJOR (impact to large number of Government agencies that currently are not liable for FBT) ▪ If property is sold a developer may crystallize the issue with major impact to Government. FBT rate is currently $6.28 per car per day.	HIGH	▪ Fully understand the ramifications of the applicable taxation determination ▪ Finance to be advised of the issues and implications ▪ Consider whole of government implications i.e. cost ▪ Structured carparking could be leased or licensed rather than be operated as a pay parking station.
NCA requirement for existing publically available carparking to be replaced as a development condition in the granting of a new Crown Lease for new development.	▪ The NCA will likely require the site developer to develop structured carparking to replace existing grade carparking in addition to parking required for new commercial premises. ▪ Consequence is MAJOR	HIGH	▪ Fully discuss and debate the issue with the NCA ▪ Consider options to reduce the impact of the proposed development condition ▪ Understand the financial implications of the proposal i.e. cost to provide and potential returns ▪ Consider appropriate and defensible financial and legally based strategies to manage the issue
NCA may require the supply of a temporary carparking facility to accommodate displaced carparks while the site is redeveloped	▪ Potentially significant due diligence issue that may affect the sale negotiations and pricing of the site when sold ▪ Major non-revenue cost to a developer to provide temporary facility ▪ Potential difficulty in sourcing sufficient volume of temporary spaces	HIGH	▪ Finance to fully understand implications prior to sale and where possible negotiate appropriate Crown Lease terms with the NCA ▪ Finance to identify and if possible determine Heads of Agreement or an MOU for the occupation of a site(s) to assist in facilitating a sale

Risk	Consequence of Risk	Risk Rating	Mitigation Strategies
For commercial and possibly carpark leases to the Government ensure that a sale is not deemed a Finance Lease	▪ Sale would not be reflected in the books of the Commonwealth (based on the assumption that the property is sold with a sublease or agreement to sublease in place) ▪ Consequence is MAJOR	HIGH	▪ Review of overall sale structure and lease arrangements ▪ Strong valuation and accounting advice throughout process
A potential purchaser is not willing to enter into commercial terms in accordance with the nominated Masterplan	▪ A sale of the site could be affected in terms of price and or ability to sell ▪ Consequence is MAJOR	Significant	▪ Finance to ensure that the masterplanning is not so rigid over the site that future developers are required to enter into protracted negotiations with the NCA to alter the Masterplan
Development of a site may not meet the timing requirements of Finance i.e. the divestment program of Finance	▪ Finance may not be able to carry out its preferred divestment transaction as originally contemplated ▪ Consequence is MAJOR	Significant	▪ Finance must ensure that it will enter commercially acceptable sale terms and conditions, and where appropriate development control agreements
Delays and cost increases in rental, fitout and other occupational costs	▪ Costs may inhibit the ability to negotiate a sale agreement on acceptable terms and conditions ▪ Consequence is MAJOR	Significant	▪ Finance to be fully cognisant of the development and real estate cycles (e.g. rental and yield levels), and when best to sell to ensure the best value for money
Reg. 10, PWC and/or other approval(s) not occurring	▪ Project could be delayed ▪ Consequence is MAJOR	Significant	▪ Early engagement with stakeholders ▪ Develop strong Business Case for a Government precommitment to the site
Preferred precommitment lease terms not readily achievable due to changes in the real estate market	▪ Less favourable lease terms and conditions ▪ Possible less desirable site(s) ▪ Executive's requirements not met ▪ Consequence is MAJOR	Significant	▪ Confirm possible competitive demand by other Departments ▪ Determine favoured lease, terms and conditions ▪ Early negotiations on preferred locations
Not correctly identifying precommitment requirements in base building brief, contracts and leases	▪ Precommitment may fall over ▪ Consequence is MAJOR	Significant	▪ Flexibility to cater for change as late as possible ▪ Lease terms and conditions to be sufficiently documented ▪ Agreement to Lease documents to include necessary information ▪ Effectively identifying and drawing out requirements

6 Options Analysis Methodology

A financial and market based analysis was undertaken to test each of the seven (7) development options developed by the Capital Planners consortium. Each option has its own merits and has been compared financially utilising a residual land pricing mechanism i.e. 'Estate Master'. The resultant calculations have determined for each option the total indicative land price as at December 2005, as well as indicative land prices for each main component of the various options. We have undertaken calculations for staged, as well as, "in one line" development scenarios. It is important to note that the figures contained in this report are not valuation figures, and should not and must not be considered as such.

The nominated calculations require a relatively large number of assumptions, supported by market data, information and subjective assessment. For each main stage of each option we undertook a hypothetical development, whereby major assumptions were selected for:

- Commercial rentals, sale yields and pricing structures
- Commercial rental leasing incentives
- Development periods, including periods to negotiate town planning and works approvals
- Sale prices and rates for completed residential units
- Car park rentals and pay parking rates and occupancy levels for the structured car park
- Development costs (provided by Wilde and Woollard)
- Holding costs
- Anticipated developers profit i.e. profit and risk factor
- Sale and marketing costs
- Marketing periods and settlement of sale dates

We have assumed two development scenarios for each option:

a) There is an assumed development leasing and or sale of each stage of each option (as applicable); and

b) Development of the whole site "in one line", noting that with the development of the commercial office building (A1 and A2) developed ahead of the remaining site due to existing town planning and assumed pre-lease conditions being met.

In either case there is an overall assumption that the site or stages (as the case may be) will be offered for initial sale by Finance to a hypothetical third party developer.

The financial commentary is set out in Appendices 1 and 2. Appendix 1 nominates the financial results of the analysis undertaken and Appendix 2 summarises the main assumptions utilised to determine the nominated pricing in Appendix 1.

Appendix 1

Financial Results

The following tables outline summaries of the results of the financial calculations to determine the estimated levels of land residual process as at December 2005.

The tables are as follows:

- Appendix table 1 – Summary of indicated land price options
- Appendix table 2 – Financial ranking of indicated land price options
- Appendix tables 3 to 9 – Details of individual land prices by potential use.

It should be noted each of the nominated development options i.e. options 1, 2A, 2B, 3, 3A, 4 and 5 are in accordance with design and costing information developed by the Capital Planners consortium. In particular development massing diagrams and development capacities were undertaken by Colin Stewart Architects, and construction cost data was prepared by Wilde & Woollard.

As a consequence of issues pertaining to the position and risks with potential FBT for a hypothetical structured carpark, it was agreed by the consortium to undertake alternative financial calculations assuming each of the four nominated options, with a pay parking arrangement and alternatively with an assumed lease(s) or licence(s) over the structured carpark. We have therefore developed a total of 28 financial scenarios for the seven options 1, 2A, 2B, 3, 3A, 4 and 5, where each of these options is considered on a staged development basis or development in one line, and for each of these alternatives a pay parking and a lease(s) or licence(s) option in relation to the structured carpark component.

As will be noted from Table 2 from residual land pricing criteria the development scenario that is the most financially attractive to Finance is Option 5 – development of the site in one line with a pay parking component (rather than predetermined licence type arrangements). It should also be noted that Option 5 scenarios provide 4 of the 'top 10' most superior financial scenarios to Finance.

Appendix Table 1 – Summary of indicated land price options

Option No.	Total Estimated Land Price ($) (assumed no pay parking)		Total Estimated Land Price ($) (assumed with pay parking)	
	Staged Development	Development in One Line	Staged Development	Development in One Line
1	6,670,000	7,380,498	8,087,065	8,797,563
2A	7,930,985	8,738,594	9,364,685	10,121,669
2B	3,867,000	4,347,931	5,275,000	5,755,931
3	8,878,000	9,676,788	9,952,000	10,750,788
3A	11,591,500	12,458,800	12,050,500	12,917,800
4	8,347,000	9,111,498	9,444,000	10,208,498
5	11,091,213	11,768,786	12,661,213	13,338,786

Appendix Table 2 – Financial ranking of indicated land price options

Ranking by Price	Option No.	Description of Option	Estimated Land Price ($)
1	5	Development in one line - with pay parking	13,338,786
2	3A	Development in one line - with pay parking	12,917,800
3	5	Staged development - with pay parking	12,661,213
4	3A	Development in one line - without pay parking	12,458,800
5	3A	Staged development - with pay parking	12,050,500
6	5	Development in one line - without pay parking	11,768,786
7	3A	Staged development - without pay parking	11,591,500
8	5	Staged development - without pay parking	11,091,213
9	3	Development in one line - with pay parking	10,750,788
10	4	Development in one line - with pay parking	10,208,498
11	2A	Development in one line - with pay parking	10,121,669
12	3	Staged development - with pay parking	9,952,000
13	3	Development in one line - without pay parking	9,676,788
14	4	Staged development - with pay parking	9,444,000
15	2A	Staged development - with pay parking	9,364,685
16	4	Development in one line - without pay parking	9,111,498
17	3	Staged development - without pay parking	8,878,000
18	1	Development in one line - with pay parking	8,797,563
19	2A	Development in one line - without pay parking	8,738,594
20	4	Staged development - without pay parking	8,347,000
21	1	Staged development - with pay parking	8,087,065
22	2A	Staged development - without pay parking	7,930,985
23	1	Development in one line - without pay parking	7,380,498
24	1	Staged development - without pay parking	6,670,000
25	2B	Development in one line - with pay parking	5,755,931
26	2B	Staged development - with pay parking	5,275,000
27	2B	Development in one line - without pay parking	4,347,931
28	2B	Staged development - without pay parking	3,867,000

Appendix tables 3 to 9 – Details of individual land prices by potential use

Appendix Table 3 - Option 1 Key Results

Component	*A1 & A2 Offices*	*Structured Carpark*	*Other Commercial*	*Residential*	*Total*
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	5,675,120	11,645,889	70,815,000	138,276,009
Project cost (excl. land)	40,014,624	9,502,580	7,630,956	47,855,212	105,003,372
Net development profit	6,540,576	-3,827,460	1,520,015	8,578,279	12,811,410
Individual IRR	33.24%	n/a	30.79%	30.57%	34.58%
Development margin	15.00%	14.67%	15.01%	15.00%	14.99%
Individual land value components - assumes staged development					
Land value	2,582,000	-4,667,000	2,262,000	6,493,000	**6,670,000**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	2,738,035	-4,667,000	2,396,435	6,913,028	**7,380,498**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**14,873,409**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**-394,691**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	7,600,000	11,645,889	70,815,000	140,200,889
Project cost (excl. land)	40,014,624	9,502,580	7,630,956	47,855,212	105,003,372
Individual land value components - assumes staged development					
Land value	2,582,000	-3,249,935	2,262,000	6,493,000	**8,087,065**
Development in one line					
Land value	2,738,035	-3,249,935	2,396,435	6,913,028	**8,797,563**

Note: Major project costs include:

Wilde & Woollard costs (as at July 2006)	99,744,815
Holding costs	1,059,811
Interest	6,545,911

Appendix Table 4 - Option 2A Key Results

Component	A1 & A2 Offices	Structured Carpark	Other Commercial	Residential	Total
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	4,967,000	15,300,000	52,806,267	123,213,267
Project cost (excl. land)	40,106,250	8,264,552	11,155,664	31,987,831	91,514,297
Net development profit	6,540,950	-3,297,552	1,995,651	6,262,616	11,501,665
Individual IRR	33.38%	n/a	35.42%	27.76%	33.72%
Development margin	15.00%	15.00%	15.00%	15.00%	15.00%
Individual land value components - assumes staged development					
Land value	2,490,000	-4,044,700	1,842,685	7,643,000	**7,930,985**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	2,693,825	-4,044,700	1,948,816	8,140,653	**8,738,594**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**8,962,824**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**-998,676**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	6,800,000	15,300,000	52,806,267	125,046,267
Project cost (excl. land)	40,055,729	8,264,552	11,155,664	31,987,831	91,463,776
Individual land value components - assumes staged development					
Land value	2,540,000	-2,661,000	1,842,685	7,643,000	**9,364,685**
Development in one line					
Total land value	2,693,200	-2,661,000	0	8,140,653	**8,172,853**

Note: Major project costs include:

Wilde & Woollard costs (as at July 2006)	93,856,833
Holding costs	1,131,808
Interest	5,992,028

Appendix Table 5 - Option 2B Key Results

Component	*A1 & A2 Offices*	*Structured Carpark*	*Other Commercial*	*Residential*	*Total*
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	4,967,000	15,300,000	37,000,000	107,407,000
Project cost (excl. land)	40,301,296	8,288,834	11,356,998	23,765,854	83,712,982
Net development profit	6,540,904	-3,321,834	1,996,002	4,390,510	9,605,582
Individual IRR	33.38%	n/a	35.42%	27.76%	33.72%
Development margin	15.00%	15.00%	15.00%	15.00%	15.00%
Individual land value components - assumes staged development					
Land value	2,295,000	-4,069,000	1,641,000	4,000,000	**3,867,000**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	2,431,663	-4,069,000	1,733,518	4,251,750	**4,347,931**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**9,648,324**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**-3,153,603**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	6,800,000	15,300,000	37,000,000	109,240,000
Project cost (excl. land)	40,301,296	8,288,834	11,356,998	23,765,854	83,712,982
Individual land value components - assumes staged development					
Land value	2,295,000	-2,661,000	1,641,000	4,000,000	**5,275,000**
Development in one line					
Total land value	2,431,663	-2,661,000	1,733,518	4,251,750	**5,755,931**

Note: Major project costs include:	
Wilde & Woollard costs (as at July 2006)	84,488,943
Holding costs	734,945
Interest	4,943,940

Appendix Table 6 - Option 3 Key Results

Component	A1 & A2 Offices	Structured Carpark	Other Commercial	Residential	Total
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	4,856,000	17,000,000	65,108,900	137,104,900
Project cost (excl. land)	39,903,034	7,892,781	10,154,230	42,689,277	100,639,322
Net development profit	6,540,965	-3,036,781	2,216,657	7,434,801	13,155,642
Individual IRR	33.31%	n/a	28.88%	29.51%	33.24%
Development margin	15.00%	14.99%	14.99%	14.37%	14.71%
Individual land value components - assumes staged development					
Land value	2,540,000	-3,767,000	4,035,000	6,070,000	**8,878,000**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	2,693,200	-3,767,000	4,289,113	6,461,475	**9,676,788**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**17,169,501**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**2,247,253**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	6,600,000	17,000,000	65,108,900	138,848,900
Project cost (excl. land)	39,903,034	7,892,781	10,154,230	42,689,277	100,639,322
Individual land value components - assumes staged development					
Land value	2,540,000	-2,693,000	4,035,000	6,070,000	**9,952,000**
Development in one line					
Total land value	2,693,200	-2,693,000	4,289,113	6,461,475	**10,750,788**

Note: Major project costs include:	
Wilde & Woollard costs (as at July 2006)	97,823,812
Holding costs	1,160,241
Interest	6,583,202

Appendix Table 7 - Option 3A Key Results

Component	A1 & A2 Offices	Structured Carpark	Other Commercial	Residential	Total
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	3,157,563	17,000,000	65,108,900	135,406,463
Project cost (excl. land)	39,615,799	5,854,176	11,065,092	41,558,914	98,093,981
Net development profit	6,541,401	-2,696,613	2,214,908	7,726,640	13,786,336
Individual IRR	32.68%	n/a	30.46%	29.39%	29.39%
Development margin	15.00%	14.98%	14.98%	15.01%	15.01%
Individual land value components - assumes staged development					
Land value	2,980,000	-2,068,500	3,380,000	7,300,000	**11,591,500**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	3,162,900	-2,068,500	3,589,900	7,774,500	**12,458,800**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**19,636,512**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**5,277,838**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	4,345,000	17,000,000	65,108,900	136,593,900
Project cost (excl. land)	39,615,799	5,854,176	11,065,092	41,558,914	98,093,981
Individual land value components - assumes staged development					
Land value	2,980,000	-1,609,500	3,380,000	7,300,000	**12,050,500**
Development in one line					
Total land value	3,162,900	-1,609,500	3,589,900	7,774,500	**12,917,800**

Note: Major project costs include:

Wilde & Woollard costs (as at July 2006)	93,914,408
Holding costs	1,267,319
Interest	6,702,507

Appendix Table 8 - Option 4 Key Results

Component	A1 & A2 Offices	Structured Carpark	Other Commercial	Residential	Total
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	4,856,000	17,000,000	45,576,241	117,572,241
Project cost (excl. land)	40,047,309	7,908,606	10,203,495	28,093,318	86,252,728
Net development profit	6,540,803	-3,052,606	2,215,430	5,405,244	11,108,871
Individual IRR	33.51%	n/a	28.98%	28.63%	33.49%
Development margin	15.00%	15.19%	14.99%	15.00%	15.01%
Individual land value components - assumes staged development					
Land value	2,405,000	-3,790,000	3,990,000	5,742,000	**8,347,000**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	2,549,088	-3,790,000	4,241,075	6,111,335	**9,111,498**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**13,087,527**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**-60,330**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	6,600,000	17,000,000	45,576,241	119,316,241
Project cost (excl. land)	40,047,309	7,908,606	10,203,495	28,093,318	86,252,728
Individual land value components - assumes staged development					
Land value	2,405,000	-2,693,000	3,990,000	5,742,000	**9,444,000**
Development in one line					
Total land value	2,549,088	-2,693,000	4,241,075	6,111,335	**10,208,498**

Note: Major project costs include:	
Wilde & Woollard costs (as at July 2006)	86,494,459
Holding costs	1,112,018
Interest	5,786,808

Appendix Table 9 - Option 5 Key Results

Component	*A1 & A2 Offices*	*Structured Carpark*	*Other Commercial*	*Residential*	*Total*
Assuming a long term lease(s) for 75% of the structured carpark i.e. not pay parking					
Construction start	Jan-07	Aug-08	May-09	May-09	Jan-07
Construction complete	Aug-08	May-09	May-10	May-10	May-10
Revenue	50,140,000	3,547,000	17,000,000	77,975,000	148,662,000
Project cost (excl. land)	40,039,812	6,218,271	10,203,495	50,510,111	106,971,689
Net development profit	6,541,388	-2,671,271	2,215,430	9,247,253	15,332,800
Individual IRR	33.27%	n/a	28.98%	24.10%	33.52%
Development margin	15.00%	14.97%	14.99%	15.01%	15.00%
Individual land value components - assumes staged development					
Land value	2,566,000	-3,204,000	3,990,000	7,739,213	**11,091,213**
Construction start					Jan-07
Construction complete					May-10
Development in one line					
Land value	2,720,955	-3,204,000	4,241,075	8,010,756	**11,768,786**
Construction start					Jan-07
Construction complete					Nov-08
Sensitivity Analysis 1					
Increase revenue by 5% and decrease project costs by 5%					
Land value					**18,710,876**
Sensitivity Analysis 2					
Decrease revenue by 5% and increase project costs by 5%					
Land value					**2,928,080**
Assuming a lease to a carpark operator for 100% of the structured carpark and pay parking					
Revenue	50,140,000	5,574,000	17,000,000	77,975,000	150,689,000
Project cost (excl. land)	40,039,812	6,218,271	10,203,495	50,510,111	106,971,689
Individual land value components - assumes staged development					
Land value	2,566,000	-1,634,000	3,990,000	7,739,213	**12,661,213**
Development in one line					
Total land value	2,720,955	-1,634,000	4,241,075	8,010,756	**13,338,786**

Note: Major project costs include:	
Wilde & Woollard costs (as at July 2006)	99,187,476
Holding costs	1,471,172
Interest	8,465,048

Appendix 2

Key Financial Assumptions

The following tables indicate the key financial assumptions that were adopted to undertake the financial development scenarios, the key results of which are outlined in Appendix 1.

The tables are as follows:

- Appendix table 11 – Option 1 key assumptions
- Appendix table 12 – Option 2A key assumptions
- Appendix table 13 – Option 2B key assumptions
- Appendix table 14 – Option 3 key assumptions
- Appendix table 15 – Option 3A key assumptions
- Appendix table 16 – Option 4 key assumptions
- Appendix table 17 – Option 5 key assumptions

We assumed various town planning, disposal and development assumptions in respect to a disposal and development of the whole site, and also acknowledging the current zoning of the land that is reserved for a 12,000 sq metre GFA commercial office development. The assumptions in the above tables assume that the 12,000 sq metre GFA site could be developed and therefore sold sooner than the balance of the site.

For this exercise we have assumed that a developer would undertake a staged development of the site and construct the structured carpark component immediately following the completion of the large commercial office buildings (i.e. buildings A1 and A2). The balance of the site (i.e. other than the 12,000 sq metre GFA commercial site and the structured carpark) is assumed to be developed immediately following the completion of the construction of the structured carpark.

Detailed timing assumptions and estimates for the development of the 12,000 sq metre GFA commercial site (i.e. buildings A1 and A2) and the sale of the property are as follows, together with indicative construction periods on a staged basis for the balance of the development of the property are as follows, assuming four scenarios addressing Option 5 only:

- Scenario 1- Sale of the site with significant design of buildings A1 and A2 undertaken prior to the sale (i.e. approximately 80%) the balance of design undertaken post sale (i.e. approximately 20%), and without referral to the Joint Parliamentary Committee;
- Scenario 2 - Sale of the site with some design of the building A1 and A2 undertaken prior to the sale (i.e. approximately 40%) the balance of design undertaken post sale (i.e. approximately 60%), and with preparation and referral to the Joint Parliamentary Committee;
- Scenario 3 - Sale of the site with most of the detailed design and documentation of buildings A1 and A2 undertaken prior to the sale (i.e. approximately 90%) the balance of design undertaken post sale (i.e. approximately 10%) and with preparation and referral to the Joint Parliamentary Committee; and

- Scenario 4 - Sale of the site with a minor component of the detailed design and documentation of buildings A1 and A2 undertaken prior to the sale (i.e. approximately 10%) the balance of design undertaken post sale (i.e. approximately 90%) and with preparation and referral to the Joint Parliamentary Committee.

The milestone dates for the above four scenarios are included on the following page (refer Appendix table 10).

Copies of the complete Gantt Charts including the above dates are attached in Appendix 3.

Appendix Table 10 – Option 5 Planning, Sale and Development Estimates

Milestone	Scenario 1 date completed	Scenario 2 date completed	Scenario 3 date completed	Scenario 4 date completed
Executed Agreements for lease with two sublessees (assumed)	14 / 6/ 06	14 / 6/ 06	14 / 6/ 06	14 / 6/ 06
Development of user tenant brief by Finance as part of precommitment negotiations	19 / 5 / 06	19 / 5 / 06	1 / 8 / 06	19 / 5 / 06
NCA Board Meeting to ratify Masterplan	8 / 2 / 06	8 / 2 / 06	8 / 2 / 06	8 / 2 / 06
Finalise draft amendment to the NCP	5 / 5 / 06	5 / 5 / 06	5 / 5 / 06	5 / 5 / 06
Minister approves amendment to the NCP	9 / 6 / 06	28 / 07 / 08	28 / 07 / 08	28 / 07 / 08
Gazetted Notice of Amendment to NCP	15 / 6 / 06	3 / 8 / 06	3 / 8 / 06	3 / 8 / 06
Sale due diligence period completed	16 / 6 / 06	4 / 8 / 06	4 / 8 / 06	4 / 8 / 06
Sale RFT released	22 / 6 / 06	7 / 8 / 06	7 / 8 / 06	7 / 8 / 06
Sale contract(s) exchanged	13 / 9 / 06	26 / 10 / 06	26 / 10 / 06	26 / 10 / 06
Settlement of sale(s)	13 / 10 / 06	13 / 11 / 06	14 / 11 / 06	14 / 11 / 06
Works Approval documentation to NCA	30 / 10 / 06	1 / 2 / 07	4 / 12 / 06	2 / 4 / 07
NCA issues Works Approval	8 / 12 / 06	14 / 3 / 07	12 / 2 / 07	8 / 6 / 07
Release of RFT for building contract	30 / 10 / 06	15 / 1 / 07	20 / 11 / 06	5 / 3 / 07
Construction of buildings A1 and A2 commences	3 / 1 / 07	20 / 3 / 07	10 / 1 / 07	13 / 6 / 07
Construction of buildings A1 and A2 completed (including integrated fitout)	15 / 8 / 08	31 / 10 / 08	29 / 08 / 08	13 / 2 / 09
Relocation of tenants into buildings A1 and A2 complete and operational	1 / 9 / 08	17 / 11 / 08	15 / 9 / 08	2 / 3 / 09
Commence structured carpark construction	18 / 08 /08	3 / 11 / 08	1 / 9 / 08	16 / 2 / 09
Completion structured carpark construction	15 / 5 / 09	31 / 7 / 09	29 / 5 / 09	18 / 11 / 09
Commence residential and other buildings construction	18 / 5 / 09	3 / 8 / 09	1 / 6 / 09	19 / 11 / 09
Completion Commence residential and other buildings construction i.e. all development	19 / 5 / 10	30 / 7 / 10	29 / 5 / 10	19 / 11 / 10

Appendix Table 11 – Option 1 Key Assumptions

Assumptions	A1 & A2 Offices	C Structured Carpark	A3 Retail & Commercial	E Corner Blg	A4 Residential	B2 Residential	B3 Residential
Data for Commercial Buildings (A1 & A2, A3, C & E)							
Gross Floor Area (sq metres)	12,000		1,800	900			
Net Lettable Area (sq metres)	10,200		1,620	810			
Car spaces	240	524	-	-			
Construction cost @ July 2006	36,833,580	10,265,640	4,550,490	2,206,890			
Construction cost @ December 2005	33,245,418	9,128,680	6,202,898	Included in A3			
Construction start date	Jan-07	Aug-08	May-09	May-09			
Construction end date	Aug-08	May-09	May-10	May-10			
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	400.00			
Net retail rental ($/sq m pa) at December 2005			450.00				
Outgoings ($/sq m pa) at December 2005	50.00						
Car park rent ($ pa per space) at December 2005	1,500	1,500					
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	7.25			
Value @ December 2005 assuming completion	50,140,000	5,675,120	11,645,880	Included in A3			
Settlement date	Aug-08	May-09	May-10	May-10			
Data for External and Street park							
Construction cost @ July 2006							
Construction cost @ July 2005							
Data for Residential Units (A4, B2, B3)							
Number of 2 bedroom units					18	24	
Number of 3 bedroom units					12	16	20
Total number of units					30	40	20
Construction cost @ July 2006					12,743,976	16,095,200	11,333,910
Construction start date					May-09	May-09	May-09
Construction end date					May-10	May-10	May-10
Construction period (months)					12	12	12
Average unit value on completion @ December 2005					682,500	878,500	760,000
Value @ December 2005 assuming completion					20,475,000	35,140,000	15,200,000
Other data and assumptions							
Holding costs:							
. Interest rate (%pa)	9.00%						
. Rates and Land Tax estimate ($ pa)	200,000						
. Stamp Duty	5.50%						
Leasing and sales commissions at market levels							
Construction cost includes fees and contingency							
Construction cost excludes GST							

Appendix Table 12 – Option 2A Key Assumptions

Key Assumptions	A1 & A2 Offices	C Structured Carpark	A4 Retail & Commercial	B1 & B2 Residential
Data for Commercial Buildings (A1 & A2, C & A4)				
Gross Floor Area (sq metres)	12,000		2,910	
Net Lettable Area (sq metres)	10,200		2,619	
Car spaces	240	466	-	
Construction cost @ July 2006	36,833,580	8,918,910	11,284,434	
Construction cost @ December 2005	35,079,600	8,494,200	10,747,080	
Construction start date	Jan-07	Aug-08	May-09	
Construction end date	Aug-08	May-09	May-10	
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	
Net retail rental ($/sq m pa) at December 2005			450.00	
Outgoings ($/sq m pa) at December 2005	50.00			
Car park rent ($ pa per space) at December 2005	1,500	1,500		
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	
Settlement date	Aug-08	May-09	May-10	
Data for Residential Units (B2 & B3)				
Number of 2 bedroom units				54
Number of 3 bedroom units				36
Total number of units				90
Construction cost @ July 2006				31,104,780
Construction cost @ December 2005				29,623,600
Construction start date				May-09
Construction end date				May-10
Construction period (months)				12
Average unit value on completion @ December 2005				586,736
Other data and assumptions				
Holding costs:				
. Interest rate (%pa)	9.00%			
. Rates and Land Tax estimate ($ pa)	200,000			
. Stamp Duty	5.50%			
Leasing and sales commissions at market levels				
Construction cost includes fees and contingency				
Construction cost excludes GST				

Appendix Table 13 – Option 2B Key Assumptions

Key Assumptions	A1 & A2 Offices	C Structured Carpark	A4 Retail & Commercial	B1 & B2 Residential
Data for Commercial Buildings (A1 & A2, C & A4)				
Gross Floor Area (sq metres)	12,000		2,910	
Net Lettable Area (sq metres)	10,200		2,619	
Car spaces	240	466	-	
Construction cost @ July 2006	36,833,580	8,918,910	11,284,434	
Construction cost @ December 2005	35,079,600	8,494,200	10,747,080	
Construction start date	Jan-07	Aug-08	May-09	
Construction end date	Aug-08	May-09	May-10	
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	
Net retail rental ($/sq m pa) at December 2005			450.00	
Outgoings ($/sq m pa) at December 2005	50.00			
Car park rent ($ pa per space) at December 2005	1,500	1,500		
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	
Settlement date	Aug-08	May-09	May-10	
Data for Residential Units (B1 & B2)				
Number of 2 bedroom units				36
Number of 3 bedroom units				28
Total number of units				64
Construction cost @ July 2006				21,736,890
Construction cost @ December 2005				20,701,800
Construction start date				May-09
Construction end date				May-10
Construction period (months)				12
Average unit value on completion @ December 2005				578,125
Other data and assumptions				
Holding costs:				
. Interest rate (%pa)	9.00%			
. Rates and Land Tax estimate ($ pa)	200,000			
. Stamp Duty	5.50%			
Leasing and sales commissions at market levels				
Construction cost includes fees and contingency				
Construction cost excludes GST				

Appendix Table 14 – Option 3 Key Assumptions

Key Assumptions	A1 & A2 Offices	C Structured Carpark	D Retail & Commercial	B1, B2 & B3 Residential
Data for Commercial Buildings (A1 & A2, C & D)				
Gross Floor Area (sq metres)	12,000		4,000	
Net Lettable Area (sq metres)	10,200		3,550	
Car spaces	240	460	-	
Construction cost @ July 2006	36,833,580	8,801,515	9,595,740	
Construction cost @ December 2005	35,079,600	8,382,396	9,138,800	
Construction start date	Jan-07	Aug-08	May-09	
Construction end date	Aug-08	May-09	May-10	
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	
Net retail rental ($/sq m pa) at December 2005			450.00	
Outgoings ($/sq m pa) at December 2005	50.00			
Car park rent ($ pa per space) at December 2005	1,500	1,500		
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	
Settlement date	Aug-08	May-09	May-10	
Data for Residential Units (B1, B2 & B3)				
Number of 2 bedroom units				60
Number of 3 bedroom units				40
Total number of units				100
Construction cost @ July 2006				36,877,848
Construction cost @ December 2005				35,121,760
Construction start date				May-09
Construction end date				May-10
Construction period (months)				12
Average unit value on completion @ December 2005				651,089
Other data and assumptions				
Holding costs:				
. Interest rate (%pa)	9.00%			
. Rates and Land Tax estimate ($ pa)	200,000			
. Stamp Duty	5.50%			
Leasing and sales commissions at market levels				
Construction cost includes fees and contingency				
Construction cost excludes GST				

Appendix Table 15 – Option 3A Key Assumptions

Key Assumptions	A1 & A2 Offices	C Structured Carpark	D Retail & Commercial	B1, B2 & B3 Residential
Data for Commercial Buildings (A1 & A2, C & D)				
Gross Floor Area (sq metres)	12,000		4,000	
Net Lettable Area (sq metres)	10,200		3,550	
Car spaces	240	303	-	
Construction cost @ July 2006	36,833,580	5,897,255	9,595,740	
Construction cost @ December 2005	35,079,600	5,616,432	9,138,800	
Construction start date	Jan-07	Aug-08	May-09	
Construction end date	Aug-08	May-09	May-10	
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	
Net retail rental ($/sq m pa) at December 2005			450.00	
Outgoings ($/sq m pa) at December 2005	50.00			
Car park rent ($ pa per space) at December 2005	1,500	1,500		
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	
Settlement date	Aug-08	May-09	May-10	
Data for Residential Units (B1, B2 & B3)				
Number of 2 bedroom units				60
Number of 3 bedroom units				40
Total number of units				100
Construction cost @ July 2006				36,929,928
Construction cost @ December 2005				35,171,360
Construction start date				May-09
Construction end date				May-10
Construction period (months)				12
Average unit value on completion @ December 2005				651,089
Other data and assumptions				
Holding costs:				
. Interest rate (%pa)	9.00%			
. Rates and Land Tax estimate ($ pa)	200,000			
. Stamp Duty	5.50%			
Leasing and sales commissions at market levels				
Construction cost includes fees and contingency				
Construction cost excludes GST				

Appendix Table 16 – Option 4 Key Assumptions

Key Assumptions	A1 & A2 Offices	C Structured Carpark	D Retail & Commercial	B1 & B2 Residential
Data for Commercial Buildings (A1 & A2, C & D)				
Gross Floor Area (sq metres)	12,000		4,000	
Net Lettable Area (sq metres)	10,200		3,550	
Car spaces	240	460	-	
Construction cost @ July 2006	36,833,580	8,801,515	9,595,740	
Construction cost @ December 2005	35,079,600	8,382,396	9,138,800	
Construction start date	Jan-07	Aug-08	May-09	
Construction end date	Aug-08	May-09	May-10	
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	
Net retail rental ($/sq m pa) at December 2005			450.00	
Outgoings ($/sq m pa) at December 2005	50.00			
Car park rent ($ pa per space) at December 2005	1,500	1,500		
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	
Settlement date	Aug-08	May-09	May-10	
Data for Residential Units (B1 & B2)				
Number of 2 bedroom units				42
Number of 3 bedroom units				28
Total number of units				70
Construction cost @ July 2006				25,548,495
Construction cost @ December 2005				24,331,900
Construction start date				May-09
Construction end date				May-10
Construction period (months)				12
Average unit value on completion @ December 2005				651,089
Other data and assumptions				
Holding costs:				
. Interest rate (%pa)	9.00%			
. Rates and Land Tax estimate ($ pa)	200,000			
. Stamp Duty	5.50%			
Leasing and sales commissions at market levels				
Construction cost includes fees and contingency				
Construction cost excludes GST				

Appendix Table 17 – Option 5 Key Assumptions

Key Assumptions	A1 & A2 Offices	C Structured Carpark	D Retail & Commercial	B1, B2 & B3 Residential
Data for Commercial Buildings (A1 & A2, C & D)				
Gross Floor Area (sq metres)	12,000		4,000	
Net Lettable Area (sq metres)	10,200		3,550	
Car spaces	240	330	-	
Construction cost @ July 2006	36,833,580	6,333,188	9,595,740	
Construction cost @ December 2005	35,079,600	6,031,608	9,138,800	
Construction start date	Jan-07	Aug-08	May-09	
Construction end date	Aug-08	May-09	May-10	
Gross office rental ($/sq m pa) at December 2005	380.00		380.00	
Net retail rental ($/sq m pa) at December 2005			450.00	
Outgoings ($/sq m pa) at December 2005	50.00			
Car park rent ($ pa per space) at December 2005	1,500	1,500		
Yield (%) on completion assumed fully leased	7.00	10.00	7.25	
Settlement date	Aug-08	May-09	May-10	
Data for Residential Units (B1, B2 & B3)				
Number of 2 bedroom units				80
Number of 3 bedroom units				40
Total number of units				120
Construction cost @ July 2006				45,669,212
Construction cost @ December 2005				43,494,488
Construction start date				May-09
Construction end date				May-10
Construction period (months)				12
Average unit value on completion @ December 2005				649,791
Other data and assumptions				
Holding costs:				
. Interest rate (%pa)	9.00%			
. Rates and Land Tax estimate ($ pa)	200,000			
. Stamp Duty	5.50%			
Leasing and sales commissions at market levels				
Construction cost includes fees and contingency				
Construction cost excludes GST				

Appendix 3

Disposal and Development Gantt Charts

Indicative Gantt Charts reflecting possible sale and development scenarios of the sale of the site and development of the commercial buildings A1 and A2 and limited information concerning the development of the balance of the site is attached as follows. The design and development percentages relate specifically to building A1 and A2 only:

- Scenario 1- Sale of the site with significant design of buildings A1 and A2 undertaken prior to the sale (i.e. approximately 80%) the balance of design undertaken post sale (i.e. approximately 20%), and without referral to the Joint Parliamentary Committee;
- Scenario 2 - Sale of the site with some design of the building A1 and A2 undertaken prior to the sale (i.e. approximately 40%) the balance of design undertaken post sale (i.e. approximately 60%), and with preparation and referral to the Joint Parliamentary Committee;
- Scenario 3 - Sale of the site with most of the detailed design and documentation of buildings A1 and A2 undertaken prior to the sale (i.e. approximately 90%) the balance of design undertaken post sale (i.e. approximately 10%) and with preparation and referral to the Joint Parliamentary Committee; and
- Scenario 4 - Sale of the site with a minor component of the detailed design and documentation of buildings A1 and A2 undertaken prior to the sale (i.e. approximately 10%) the balance of design undertaken post sale (i.e. approximately 90%) and with preparation and referral to the Joint Parliamentary Committee.