

CABINET - SUBJECTS FOR CONSIDERATION, 05 DECEMBER 2002 9:30 AM

1 **New Initiatives/Policy Matters**

101 DIT015/001/002PT2CS **New Accommodation for the Office Economic Development, Incorporating The Centre for Innovation, Business and Manufacturing, the Office of Regional Affairs and Strategic Partner Organisations
WITHDRAWN RELISTED FOR 9/12/2002**

Not Relevant

CABINET COVER SHEET

- 1 TITLE:** New accommodation for the Office of Economic Development, incorporating The Centre for Innovation, Business and Manufacturing, the Office of Regional Affairs and strategic partner organisations.
- 2 MINISTERS:** Deputy Premier, Treasurer and Minister for Industry Investment and Trade.
- 3 PURPOSE:** Progress the relocation and amalgamation of the entire Office of Economic Development (OED), including the Centre for Innovation, Business and Manufacturing and the Office of Regional Affairs, to leased premises in Naylor House (cnr Flinders and Pulteney Streets, Adelaide); and encourage/ facilitate the co-location of strategic partner organisations.
- 4 RESOURCES REQUIRED FOR IMPLEMENTATION:**

COSTS The proposed new lease is within the funding capacity of OED's operating budget.

In addition, in a worst-case scenario, lease legacies for the South Terrace and Terrace Towers properties could result in over 2,000m² in each of those properties remaining vacant until mid 2004. (Estimated one-off total cost up to \$1.04 million).
- 5 RELATIONSHIP TO GOVERNMENT POLICY:** Co-location of all current OED functions at Naylor House will enable the delivery of an integrated industry, trade and enterprise development service to the public from a single accessible CBD location; and the realisation of efficiencies in the agency's operations.
- 6 CONSULTATION:** Cabinet approved a preliminary proposal in July 2002. Discussions on the current proposal have been held with Treasury. The Director, Prudential Management Group has been aware of the project and will have had an opportunity to review a draft of this Cabinet submission prior to its presentation to Cabinet.

Discussions are taking place with potential strategic partner organisations, to assess their interest in co-location.

OED includes functional areas that are responsible to the Minister for Small Business and the Minister for Regional Affairs. Due to ongoing restructuring, the complexity of negotiations and the tight timeframes involved, close consultation has not been possible. However the Ministers' Offices have been made aware of the arrangements proposed for their specific areas.

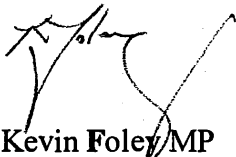
7 URGENCY:

Urgent. The need to re-locate Woodville staff by September 2003, and significant lead times associated with fit-out mean that the project must be progressed before mid December 2002.

8 RECOMMENDATIONS:

It is recommended that Cabinet:

- 6.1 Approve the relocation and amalgamation of the entire Office of Economic Development, including the Centre for Innovation, Business and Manufacturing and the Office of Regional Affairs, to leased premises in Naylor House (cnr Flinders and Pulteney Streets, Adelaide) on a basis negotiated by the Real Estate Management Group of DAIS, which involves rental, fit-out finance and outgoings of no more than OED is currently incurring on existing premises; and the encouragement/facilitation of co-location by strategic partner organisations.
- 6.2 Delegate authority to the Minister for Administrative Services to enter into a new lease for 6019m² in Naylor House for a term of 12 years after receipt of a formal report from the Government Office Accommodation Committee.



Hon Kevin Foley MP

DEPUTY PREMIER

TREASURER

MINISTER FOR INDUSTRY INVESTMENT AND TRADE

28/11/2002

TO: PREMIER FOR CABINET

RE: INTEGRATING ACCOMMODATION FOR THE OFFICE OF ECONOMIC DEVELOPMENT, INCORPORATING THE CENTRE FOR INNOVATION, BUSINESS AND MANUFACTURING, THE OFFICE OF REGIONAL AFFAIRS AND STRATEGIC PARTNER ORGANISATIONS

1. PROPOSAL

That Cabinet:

- 1.1 Approve the relocation and amalgamation of the entire Office of Economic Development (OED), including the Centre for Innovation, Business and Manufacturing (CIBM) and the Office of Regional Affairs (ORA), to leased premises in Naylor House (cnr Flinders and Pulteney Streets, Adelaide) on a basis negotiated by the Real Estate Management (REM) Group of the Department of Administrative and Information Services (DAIS), which involves rental, fit-out finance and outgoings of no more than OED is currently incurring on existing premises; and the encouragement/facilitation of co-location by strategic partner organisations.
- 1.2 Delegate authority to the Minister for Administrative Services to enter into a new lease for 6019m² in Naylor House for a term of 12 years after receipt of a formal report from the Government Office Accommodation Committee (GOAC).

2. BACKGROUND

- 2.1 Significant benefits can be achieved, in terms of both efficiencies and more integrated services to clients, by co-locating the whole of OED's operations in one appropriately-located building, along with key organisations involved in industry and trade development, viz Austrade, EFIC (Export Finance and Insurance Corporation), AusIndustry, CITCSA (Council for International Trade & Commerce SA), and the international operations of Business SA (including Institute of Export SA Ltd).
- 2.2 Cabinet originally considered the idea of consolidating OED to a single CBD location, and seeking co-location with strategic partners, on 29 July 2002. At that time Cabinet endorsed the undertaking of further work by DAIS' REM Group on amalgamating and relocating OED and strategic partners, under the supervision of the Treasurer and the Minister for Small Business. The proposal was to be put to Cabinet again when details were available to enable better assessment of the project's feasibility.
- 2.3 The current proposal incorporates costings based on the outcome of subsequent negotiations with the building owner. The total area required for the agency and its partners has also been reduced from earlier levels, due to restructuring within the agency and a more strategic approach to identifying preferred partner organisations.
Negotiations by REM have resulted in rental and outgoings in the first full year at Naylor House (including financing of fit-out) being marginally lower than OED's current expenditure on accommodation.

- 2.4 REM became aware of the forthcoming availability of Naylor House, a former Australian Taxation Office building on the corner of Flinders and Pulteney Streets, Adelaide, in December 2001. Naylor House totals some 16,000 square metres over 5 levels (ie ground and four upper floors). Of these, all of levels 1 and 2, and 1,000m² on level 3, are expected to be leased to Centrelink. This leaves a further 8,000m² available for use by OED (estimated total requirement is approximately 6,000m²), the strategic partners identified above (estimated total requirement approximately 1,170m²), and (subject to viability) a privately operated Export Display Centre of 700m².
- 2.5 The ground floor of Naylor House is expected to become available for fit-out in January 2003; other levels will become available from the end of March to end June 2003.

3. DISCUSSION

- 3.1 Naylor House presents the Government with an unprecedented opportunity to create a focussed, one-stop point for delivery of leading edge industry, manufacturing and export development activities, along with other enterprise improvement, investment and re-investment services. Consolidation of the entire agency in a single central location would yield both immediate and long-term benefits, allowing integration of agency functions, achievement of synergies with strategic partner organisations, and hence improved services and outcomes for South Australian business and industry.

Integration of the agency also offers opportunities for direct savings in recurrent costs, through achievement of efficiencies in operations and the delivery of services. Already some agency restructuring has occurred to reflect the priorities of the new Government; further restructuring is anticipated. Co-location will enable some additional streamlining of services.

- 3.2 Formal negotiations with the building owner have focussed on achieving an outcome that is cost-effective for both the agency and the Government as a whole. Thus the aim has been to establish a fair rent rate and a fit-out arrangement that meets the agency's needs – both financial and operational – without having longer-term negative implications for other Government properties.
- 3.3 Facilities plans prepared by consultants Woods Bagot, which take into account the most recent GOAC guidelines for office accommodation, have indicated that an area of approximately 6,000m² would be required to accommodate the agency and provide the necessary level of equipment and facilities to operate effectively. This area includes a significant provision for training and meeting rooms for training programs, presentations, functions and face-to-face meetings with clients. These areas are physically separated from the office area, so as to maintain the security of large quantities of commercial-in-confidence and policy analysis information held and used by agency staff in their day-to-day work; and to protect staff from other security threats.
- 3.4 OED's Leadership team agreed in October this year that a more strategic approach should be taken to identifying the partner organisations to be co-located with the agency. Consequently Austrade, AusIndustry, EFIC, CITCSA and the International Services area of Business SA are now being considered.
- 3.5 A detailed analysis of the costs involved in this proposal is provided below. Compared with the proposal put to Cabinet earlier this year, the current proposal represents a modest cost reduction.

4. COSTS AND RISKS

4.1 Rental and Fit-out – Naylor House

OED is not in a position to fund fit-out costs up-front. The options therefore are to negotiate a deal in which the fit-out is funded by either the building owner or Treasury, and amortised over the period of the lease (ie recouped from OED as a recurrent cost over 12 years).

To attract OED to the building as a major long-term tenant, the owner has agreed to a rental rate of \$255/m² (compared with the \$300/m² estimate used in the previous Cabinet submission). The owner is willing to fund and amortise the cost of the fit-out over the period of the lease; alternatively the Government could fund the fit-out and charge back to OED in a similar way.

A present value assessment of the two options identified above is provided in 4.6. This assessment is based on a maximum fit-out cost of \$680/m². Cash flow details and Present Value calculations for each Option are provided in Attachment 1. Under Option 1 (lessor-funded fit-out) OED's annual payment for fit-out would be \$468,319 whereas under Option 2 (Government-funded fit-out) the annual payment would be \$503,018.

4.2 Terrace Towers Lease Legacy

OED currently has two leases in Terrace Towers (178 North Terrace), expiring in July 2004 (Levels 10,11 – 2,037m²) and December 2009 (Levels 7, 8 – 2,142m²). If the agency can be moved into Naylor House in the first half of 2003, this would leave 12 months on Levels 10 and 11; and 6 years on Levels 7 and 8 (currently net rent for 12 months is \$0.617m for Levels 10+11, and \$0.605m for Levels 7+8). REM has advised that the fit-out on these floors is of good quality, with a remaining life of 7-10 years.

REM has further advised that sub-letting for a short lease period (12 months) may be difficult; however back-filling with temporary public service requirements may be an option. Slippage in the relocation program would reduce the period of availability, and increase the risk that the space on Levels 10 and 11 might remain vacant until lease expiry.

In relation to levels 7 and 8, with 6 years remaining on the lease, and a relative shortage of good quality fitted-out office space in the Adelaide market, REM has indicated that there should be a reasonable chance of sub-letting. Alternatively REM advises that there are agencies interested in consolidating their operations (and space leased from the private sector) in Terrace Towers, subject to proving the feasibility of such a move.

4.3 South Terrace Lease Legacy

The lease of 2,074m² at 145 South Terrace expires in October 2007, but can be terminated in June 2004 if 6 months notice is given. If the space is vacated earlier than June 2004, leaving 12 months (or less) on the lease, REM would try to back-fill with a Government agency seeking short or longer-term space on the city fringe. Due to its location, the risk of this space remaining vacant until lease expiry is higher than for Terrace Towers Levels 10 and 11.

4.4 Other Options

The current lease on the Woodville property has now been extended to September 2003: if the re-location cannot be achieved within that time-frame, priority will need to be given to finding an alternative solution, as the property is scheduled for demolition in October 2003. Due to the deteriorating condition of the premises, a number of Woodville staff have already been transferred to South Terrace.

If Cabinet does not agree to the Naylor House proposal, it will be necessary to make urgent arrangements to remove the remaining 35 staff from Woodville. External facilities will also need to be identified to enable delivery of some of the agency's training and networking programs.

In the longer term however, there will be a need to identify another property that can be fitted out to facilitate efficient operations, enables delivery of CIBM's seminar and training programs, is readily accessible to clients, and desirably enables better integration and stream-lining of the agency's total operations.

4.5 Restructuring

It is recognised that further restructuring of OED to more effectively promote and implement the State's economic priorities could impact on the agency's future requirements and relationships. Nevertheless, integration of OED's operations is considered to be desirable from both the client perspective and in terms of operational efficiency, regardless of structure.

4.6 Detailed Financial Analysis

In the previous Cabinet submission, a commitment was made to provide Cabinet with a full analysis of the project costs and benefits based on the final negotiated figures, for approval.

A detailed financial analysis of the package offered is provided in Attachment 1. This analysis assumes the Government would lease 6,019m² in Naylor House for OED, for a period of 12 years. Of the two options offered – one offering fit-out funding by the building owner, and the other a rent-only package (ie government-funded fit-out) – present value analysis indicates that the lessor-funded option represents marginally better value.

An additional 1,870m² has been identified on the ground floor for strategic partner organisations (including a privately-operated Export Display Centre). Should the partners choose to take up part or all of this area, an incentive will be paid.

A summary of the initial costs and a comparison with current OED accommodation costs (excluding any further incentives) is provided below:

COSTS:

Naylor House – Option 1 (Lessor funded fit-out)

Rent	6019m ² @ \$255/m ² (base year)	\$1.514m)	PV (over 12 years)
Fit-out:	\$0.468m pa, amortised over lease period	<u>\$0.468m)</u>	= \$18.081m
		\$1.982m	

Naylor House – Option 2 (Treasury funded fit-out)

Rent:	6019m ² @ \$255/m ² (base year)	\$1.514m)	PV (over 12 years)
Fit-out:	\$0.503m pa, amortised over lease period	<u>\$0.503m)</u>	= \$18.360m
		\$2.017m	

Car parking:	75 @ \$200/month x 12 (base year)	\$0.180m
Storage:	200m ² @ \$110/m ² (base year)	\$0.022m
Outgoings:	utilities, cleaning, etc	<u>\$0.330m</u>
		\$0.532m

Rent + fit-out + parking + storage + outgoings (Year 1):

– Option 1	\$2.514m
– Option 2	\$2.549m

Removal expenses: (one-off, 3 sites – payment in first year) \$0.150m

Current OED accommodation costs (2002/03)		
Rent:	Terrace Towers + South Terrace + Woodville	\$2.105m
Car parking:	65 vehicles	\$0.135m
Storage:	120m ² – Myer basement	\$0.008m
Outgoings:	utilities, cleaning, etc	<u>\$0.348m</u>
TOTAL		\$2.596m

The move would therefore represent a modest cost saving of \$47-82,000 in the first year, compared with OED's estimated accommodation costs in 2002/03 of \$2.596m. However, this would be off-set in the first year by the one-off removal costs (estimated at \$150,000).

The financing of the fit-out by the building owner represents marginally better value as it offers an effective interest rate of 5.25% per annum, which compares with an indicated Government finance cost of 6.55% per annum.

4.7 The fit-out brief will include requirements to

- re-use the existing fit-out in Naylor House to the maximum extent possible, thus minimising up-front capital requirements. (Consultants are preparing a detailed estimate of fit-out costs; the estimate of \$680/m² used for this submission is regarded as realistic);
- maximise the energy efficiency of the fit-out, and hence minimise recurrent energy costs (The building owner has agreed to provide an energy rating on the building prior to execution of the lease documents).

4.8 Subject to Cabinet's approval of this proposal, lease details and fit-out plans will be submitted to GOAC for consideration. The fit-out design will have due regard to the GOAC guidelines for Government offices. The total area required to carry out the agency's operations has been assessed based on both the agency's functional requirements and GOAC guidelines.

4.9 The aim would be to have the building ready for occupation by CIBM in July 2003, with the rest of the agency being relocated from Terrace Towers to Naylor House as soon as possible after the CIBM move was completed.

5. CONSULTATION

5.1 The Director, Prudential Management (Ms Giulia Bernardi) is aware of the proposal and received a draft of the submission before it was forwarded to Cabinet.

5.2 The offices of the Ministers for Small Business and Regional Affairs have received this submission and advise that they have no comments to make on the content.

5.3 Discussions were held with Treasury prior to commencement and during the lease negotiations; the current submission takes into account some of Treasury's comments. The negotiated lease rate and terms are better than originally estimated.

The funding options put forward in this submission highlight the fact that the difference between the present value of the two funding options proposed for the fit-out (ie lessor funded or Treasury funded) amounts to \$279,000 in favour of the lessor-funded option. Whichever funding package is selected, OED has the capacity to pay the total lease and amortised fit-out costs from within its recurrent allocation.

- 5.5 This proposal has been developed in conjunction with staff of DAIS' Building Management and REM Units, and is based on an analysis of the agency's current needs and requirements by consultants Woods Bagot.
- 5.6 The opportunity to establish an Export Display Centre within Naylor House is being explored. It has been suggested that this could be done as a private venture, at no cost to the Government, provided the tenancy of Naylor House created a viable proposition and appropriate space could be provided within the building. OED has been advised that a ground floor area of 700m² would be required to make the venture viable, and this has been factored into the planning (but is not included in the 6,000m² for OED).
- 5.7 Discussions have been initiated with the nominated strategic partner organisations. At this stage, the Commonwealth agencies acknowledge the potential benefits of co-location, but are not able to make any commitment to the proposal pending detailed evaluation and negotiation with their Head Offices. OED will undertake further discussions with these organisations to promote the case for co-location. CITCSA has responded more positively, expressing a keen interest in co-location. Its current lease commitment, which runs until 31 August 2003, will necessitate a timely response if lease penalties are to be avoided. However, as the intention is to locate CITCSA on the ground level, this deadline should not prove to be a barrier, provided arrangements can be negotiated expeditiously.

6. RECOMMENDATIONS

It is recommended that Cabinet:

- 6.1 Approve the relocation and amalgamation of the entire Office of Economic Development, including the Centre for Innovation, Business and Manufacturing and the Office of Regional Affairs, to leased premises in Naylor House (cnr Flinders and Pulteney Streets, Adelaide) on a basis negotiated by the Real Estate Management Group of DAIS, which involves rental, fit-out finance and outgoings of no more than OED is currently incurring on existing premises; and the encouragement/facilitation of co-location by strategic partner organisations.
- 6.2 Delegate authority to the Minister for Administrative Services to enter into a new lease for 6019m² in Naylor House for a term of 12 years after receipt of a formal report from the Government Office Accommodation Committee.



Hon Kevin Foley MP
DEPUTY PREMIER
TREASURER
MINISTER FOR INDUSTRY INVESTMENT AND TRADE

28/11/2002

COMPARISON OF OPTIONS FOR FUNDING FIT-OUT

Assumptions

- Lease a total of 6,019m² in Naylor House (on the corner of Pulteney and Flinders Streets, Adelaide) to accommodate OED (including CIBM and ORA)
- Re-fit the space, utilizing the existing fit-out to the maximum extent possible
- Fit-out costs estimated at \$680/m²
- To the extent possible, the fit-out will be staged to accommodate CIBM staff and facilities first, then ORA and Terrace Towers
- Discount rate of 7% has been used in Present Value (PV) calculations.

Option 1: Fit-out funded by building owner

Terms

- Initial rent rate = \$255/m² (+ GST)
- Lease term of 12 years
- Annual escalation factor of 3.5%
- Fit-out to be funded by the building owner and amortised as equal annual payments over the life of the lease

Financial Assessment

- Present value of (rent + fit-out) payments over the 12 year lease term = **\$18.081m**

Option 2: Government funded fit-out

Terms

- Initial rent rate = \$255/m² (+ GST)
- Lease term of 12 years
- Annual escalation factor of 3.5%
- No contribution to fit-out by building owner
- Fit-out to be funded by Government and amortised as equal annual payments over the life of the lease

Financial Assessment

- Present value of (rent + fit-out) payments over the 12 year lease term = **\$18.360m**

PV (Option 2) – PV (Option 1) = \$0.279m

Fitout Cost Calculations - 191 Pulteney Street, Adelaide

Assumptions	
Rent/m ²	\$ 255.00
Area (m ²)	6019
Reviews	3.5%
Fitout Cost/m ²	\$ 680.00
Interest Rate	5.25%

	1	2	3	4	5	6	7	8	9	10	11	12
Option 1 - Macquarie offer on rent - fitout												
Base Rental	\$ 1,513,779	\$ 1,566,761	\$ 1,621,597	\$ 1,678,353	\$ 1,737,096	\$ 1,797,894	\$ 1,860,820	\$ 1,925,949	\$ 1,993,357	\$ 2,063,125	\$ 2,135,334	\$ 2,210,071
Incentive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fitout Costs	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319	\$ 468,319
Total cost	\$ 1,982,098	\$ 2,035,080	\$ 2,089,916	\$ 2,146,672	\$ 2,205,415	\$ 2,266,213	\$ 2,329,139	\$ 2,394,268	\$ 2,461,676	\$ 2,531,444	\$ 2,603,653	\$ 2,678,390
Rate psm paid	\$ 329.31	\$ 338.11	\$ 347.22	\$ 356.65	\$ 366.41	\$ 376.51	\$ 386.96	\$ 397.79	\$ 408.98	\$ 420.58	\$ 432.57	\$ 444.99
Effective Fitout Interest Rate	5.25%											
Option 2 - Macquarie offer on rent only, SAFA funded fitout @ 6.55%												
Base Rental	\$ 1,513,779	\$ 1,566,761	\$ 1,621,597	\$ 1,678,353	\$ 1,737,096	\$ 1,797,894	\$ 1,860,820	\$ 1,925,949	\$ 1,993,357	\$ 2,063,125	\$ 2,135,334	\$ 2,210,071
Incentive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fitout Costs	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018	\$ 503,018
Total cost	\$ 2,016,797	\$ 2,069,779	\$ 2,124,616	\$ 2,181,372	\$ 2,240,114	\$ 2,300,912	\$ 2,363,839	\$ 2,428,967	\$ 2,496,376	\$ 2,566,143	\$ 2,638,352	\$ 2,713,089
Rate psm paid	\$ 335.07	\$ 343.87	\$ 352.98	\$ 362.41	\$ 372.17	\$ 382.27	\$ 392.73	\$ 403.55	\$ 414.75	\$ 426.34	\$ 438.34	\$ 450.75
Effective Fitout Interest Rate	6.55%											

Total payments	Gross	NPV @7%
- Option 1	\$ 27,723,966	\$ 18,081,000
- Option 2	\$ 28,140,396	\$ 18,360,000

191 PULTENEY STREET

Net present value calculation for amounts received in the future

	discount rate	7 %	(This is the current social opportunity cost of capital)												
			\$000's												
			year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10	year 11	year 12	Total
Cash outflow start of year			1,982	2,035	2,090	2,147	2,205	2,266	2,329	2,394	2,462	2,533	2,604	2,678	27,723
Cash inflow at end of the year			-	-	-	-	-	-	-	-	-	-	-	-	-

Formula calculations formula $A=P(1+r)^{-n}$

1	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
2	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
3	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
4	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
5	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
6	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
7	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
8	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
9	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
10	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
11	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
12	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07

Cash outflows - present value	1,982	1,777	1,706	1,638	1,572	1,510	1,450	1,393	1,339	1,287	1,237	1,189	1,189	18,081
Cash inflows - present value	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PRESENT VALUE OF RENTAL & FIT-OUT 18,081

Option 2 - Macquarie offer on rent only, SAFA funded fit-out @ 6.55%

\$000's

	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10	year 11	year 12	Total
Cash outflow start of year	2,017	2,070	2,125	2,181	2,240	2,301	2,364	2,429	2,496	2,566	2,638	2,713	28,140
Cash inflow at end of the year	-	-	-	-	-	-	-	-	-	-	-	-	-

Formula calculations formula $A=P(1+r)^{-n}$

1	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
2	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
3	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
4	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
5	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
6	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
7	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
8	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
9	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
10	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
11	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
12	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07

Cash outflows - present value	2,017	1,808	1,735	1,664	1,597	1,533	1,472	1,414	1,358	1,304	1,253	1,205	18,360
Cash inflows - present value	-	-	-	-	-	-	-	-	-	-	-	-	-

PRESENT VALUE OF RENTAL & FIT-OUT 18,360