

Tax Depreciation Estimate

Maximising the cash return from investment properties

Vesta Apartments
32-36 Gonzales Street
MACGREGOR, QLD 4109

9 April, 2015

Sanchi Development Pty Ltd

659 Mains Road

MACGREGOR, QLD 4109

32-36 Gonzales Street, MACGREGOR, QLD 4109 - 361831

Dear Sir/Madam,

Please find attached the BMT Tax Depreciation Estimates for the above property detailing the depreciation and associated tax allowances that may be available to the owner under the Income Tax Assessment Act 1997 (ITAA97).

This document is intended to provide a guide to the potential depreciation and building allowances available from the purchase of the above residential property, facilitating the estimation of the after tax return on the investment over the first 10 full years of ownership.

1.0 Information

The following information was used in the preparation of the schedules:

- Written and verbal information provided by Sanchi Development Pty Ltd.

2.0 Depreciation Potential – Plant and Capital Allowance

The purchaser of the property, intending to use it for income producing purposes, is entitled to depreciation including:

- Division 40, Depreciation of Plant and Equipment; and
- Division 43, Capital Works Allowance (2.5 % pa).

The depreciation of plant and equipment items is based on the diminishing value effective life rates as published by the commissioner of taxation (TR2014/4).

In the scenario where plant and equipment items are not sold at an agreed value these items will be depreciated on the basis of a just attribution of the total expenditure (42-65 ITAA97).

3.0 Capital Work Allowance

The special building write off allowance is based on the industry specific eligible dates. If the property qualifies for the special building write off, the applicable depreciation rate will be used. Where properties do not qualify for the special building write off allowance, no capital works allowance will be used.

The allowance for capital works will be based on the historical cost of construction less non-depreciable items.

4.0 Estimate Calculation

This report is based on a just attribution of the total expenditure to estimate the allowances for plant. The estimates provided are based on the sale price as indicated, as the final purchase price at this time is not known.

This estimate has been provided for the purpose of informing the investor of the depreciation potential. Different depreciation returns are available and are influenced by the purchase price of the property.

Please note that the first year calculations are based on ownership over a full financial year.

5.0 Disclaimer

This report has been based on very preliminary documentation, and the figures provided should be treated as a guide only.

As documentation improves, BMT Tax Depreciation will be able to provide more accurate estimates of depreciation.

6.0 Conclusion

As can be extracted from the attached tables, the units will obtain maximum depreciation potential within the first 5 years of ownership.

BMT Tax Depreciation would be pleased to provide a complete detailed tax depreciation report on any of the units in the above property upon request.

Our results suggest employing a specialist to maximise the various tax allowances has a significant effect on improving the after tax return.

Should you or the purchaser wish to discuss the contents of this report in more detail, please do not hesitate to contact Bradley Beer at the office.

Yours Sincerely,



BMT Tax Depreciation Pty Ltd
Quantity Surveyors

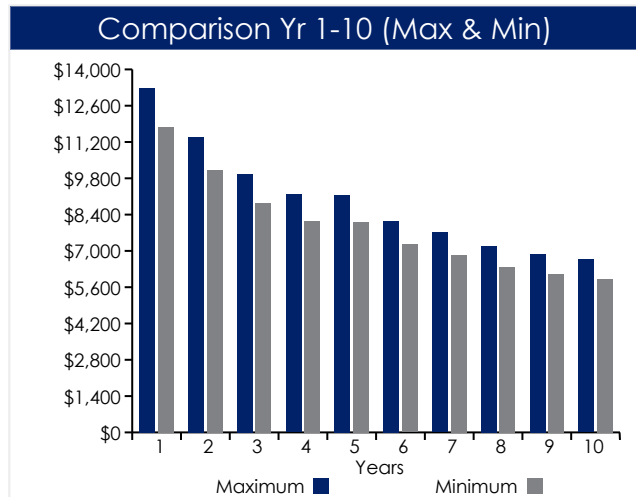
Appendix One

BMT Tax Depreciation Estimate

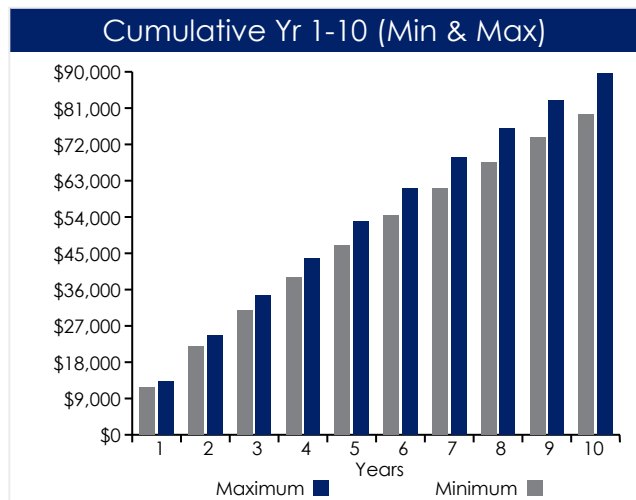
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Estimate of Depreciation Claimable Typical 2 Bedroom Apartment, Vesta Apartments 32-36 Gonzales Street, MACGREGOR, QLD 4109

Maximum			
Year	Plant & Equipment	Division 43	Total
1	7,106	6,178	13,284
2	5,230	6,178	11,408
3	3,803	6,178	9,981
4	3,000	6,178	9,178
5	2,971	6,178	9,149
6	1,986	6,178	8,164
7	1,534	6,178	7,712
8	1,024	6,178	7,202
9	699	6,178	6,877
10	491	6,178	6,669
11 +	2,874	185,322	188,196
Total	\$30,718	\$247,102	\$277,820



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,309	5,485	11,794
2	4,644	5,485	10,129
3	3,376	5,485	8,861
4	2,664	5,485	8,149
5	2,638	5,485	8,123
6	1,763	5,485	7,248
7	1,362	5,485	6,847
8	909	5,485	6,394
9	620	5,485	6,105
10	436	5,485	5,921
11 +	2,552	164,538	167,090
Total	\$27,273	\$219,388	\$246,661



* assumes settlement on 1 July in any given year.

This is an estimate only and should not be applied or acted upon. Depreciation of plant is based on the Diminishing Value method of depreciation applying Low-Value Pooling. The Division 43 Write Off Allowance is calculated using 2.5% depending on the property type and date of construction. This estimate is based upon legislation in force at the date of report production.

This Estimate Cannot Be Used For Taxation Purposes

To discuss the contents of this report please contact Bradley Beer at BMT Tax Depreciation on 07 3221 9922