

# BMT & ASSOC

QUANTITY SURVEYORS



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## Phase A - Tax Depreciation Estimate

Latitude Point

Lots 12-16 Ashley Crescent

POINT COOK, VIC 3030

November 21, 2006

**Erin Bux**

**RIA Property Group**

**Level 1, 106 Harbour Esplanade**

**DOCKLANDS, VIC 3008**

**Re: Latitude Point, Lots 12-16 Ashley Crescent, POINT COOK, VIC 3030**

**Dear Erin,**

Please find attached our 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 a unit in the above 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 RIA Property Group.

## **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 (TR2000/18).

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).

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

### 3.0 Capital Work Allowance

The building will be constructed after the 18th July 1985 and therefore qualifies for the capital works allowance of 2.5%pa.

### 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 & ASSOC 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 & ASSOC 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 of this office.

Yours Sincerely,



BMT & ASSOC Pty Ltd

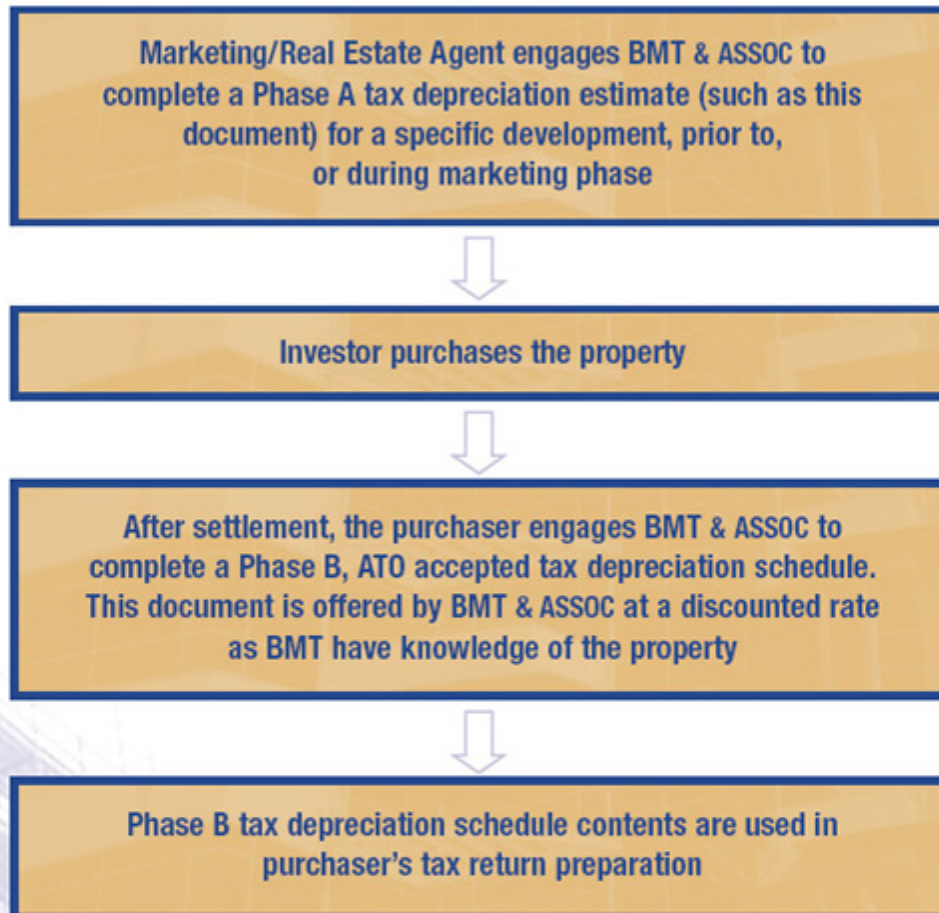
# Appendix One

## Phase A – Tax Depreciation Estimate

Latitude Point  
Lots 12-16 Ashley Crescent  
POINT COOK, VIC 3030

# Phase A Tax Depreciation Estimates & Phase B Full Tax Depreciation Schedules

## How the Documents Work



### Phase A – Tax Depreciation Estimates

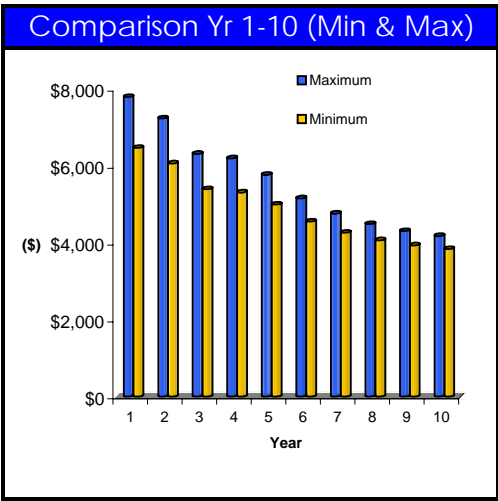
BMT & ASSOC produce tax depreciation estimates (such as this document) for new or renovated developments used as a marketing tool by the real estate marketing agent. BMT & ASSOC produce estimates for marketing purposes showing a maximum and minimum range of expected depreciation allowances available to potential investor purchasers. The Phase A tax depreciation estimate provides potential investors with depreciation forecasts facilitating feasibility calculations of the property scenario.

### Phase B – Full Tax Depreciation Schedules

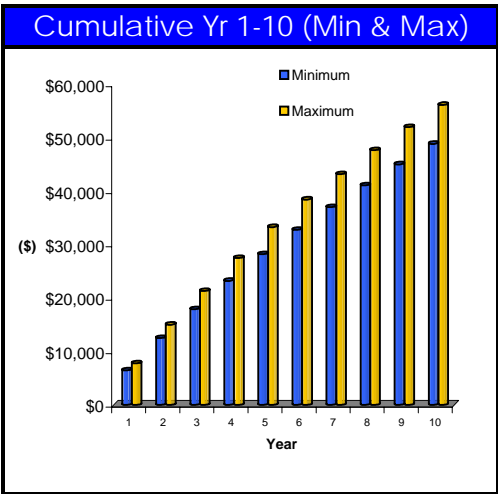
As specialists in depreciation, BMT & ASSOC produce a fully ATO accepted depreciation report ensuring maximum depreciable items are identified. This includes the two methods of depreciation and calculates the Division 43 write off allowance available. A pooling schedule of low value items is also provided, maximising the purchaser's deductions.

**Estimate of Depreciation Claimable**  
**Lots 12 - 26, Latitude Point**  
**Ashley Crescent, POINT COOK, VIC 3030**  
**Purchase Price**  
**\$303,000**

Maximum			
Year	Plant & Equipment	Division 43	Total
1	4,035	3,764	7,799
2	3,476	3,764	7,240
3	2,554	3,764	6,318
4	2,438	3,764	6,202
5	2,008	3,764	5,772
6	1,397	3,764	5,161
7	999	3,764	4,763
8	728	3,764	4,492
9	545	3,764	4,309
10	415	3,764	4,179
11 +	1,834	112,931	114,765
Total	\$20,429	\$150,575	\$171,004



Minimum			
Year	Plant & Equipment	Division 43	Total
1	2,934	3,541	6,475
2	2,528	3,541	6,069
3	1,858	3,541	5,399
4	1,773	3,541	5,314
5	1,460	3,541	5,001
6	1,016	3,541	4,557
7	726	3,541	4,267
8	530	3,541	4,071
9	396	3,541	3,937
10	302	3,541	3,843
11 +	1,334	106,222	107,556
Total	\$14,857	\$141,630	\$156,487



\* 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 via the Prime Cost Method. 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 & Assoc on (03) 9654 2233