

Tax Depreciation Estimate

Maximising the cash return from investment properties

70-78 Regent Street
KOGARAH NSW 2217

30 October, 2018

Modern Construction & Development Pty Ltd

PO Box 166

BEVERLY HILLS NSW 2209

70-78 Regent Street, KOGARAH NSW 2217 - 619987

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 Modern Construction & 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 (2015/2).

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 (division 40 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

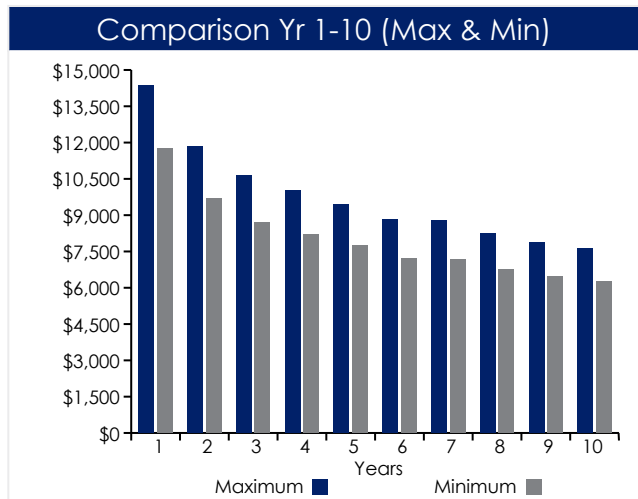
70-78 Regent Street
KOGARAH NSW 2217

Estimate of Depreciation Claimable

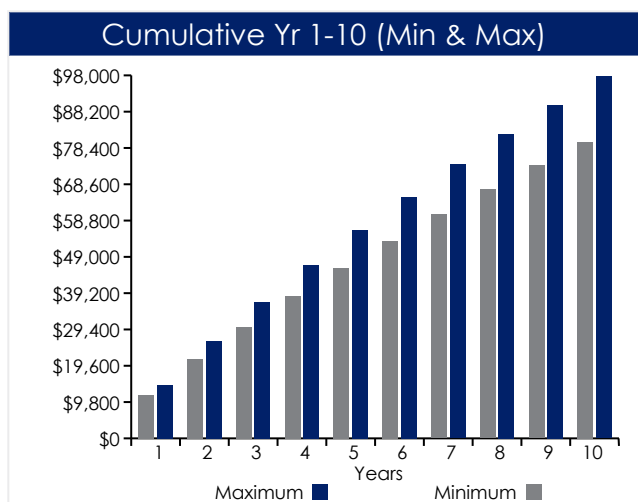
Typical 1 Bedroom + Study Apartment

70-78 Regent Street, KOGARAH NSW 2217

Maximum			
Year	Plant & Equipment	Division 43	Total
1	7,537	6,839	14,376
2	4,989	6,839	11,828
3	3,799	6,839	10,638
4	3,179	6,839	10,018
5	2,611	6,839	9,450
6	1,988	6,839	8,827
7	1,937	6,839	8,776
8	1,401	6,839	8,240
9	1,048	6,839	7,887
10	805	6,839	7,644
11 +	4,641	205,151	209,792
Total	\$33,935	\$273,541	\$307,476



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,167	5,595	11,762
2	4,082	5,595	9,677
3	3,109	5,595	8,704
4	2,601	5,595	8,196
5	2,137	5,595	7,732
6	1,626	5,595	7,221
7	1,585	5,595	7,180
8	1,147	5,595	6,742
9	858	5,595	6,453
10	659	5,595	6,254
11 +	3,797	167,851	171,648
Total	\$27,768	\$223,801	\$251,569



* assumes settlement on 1 July in any given year.

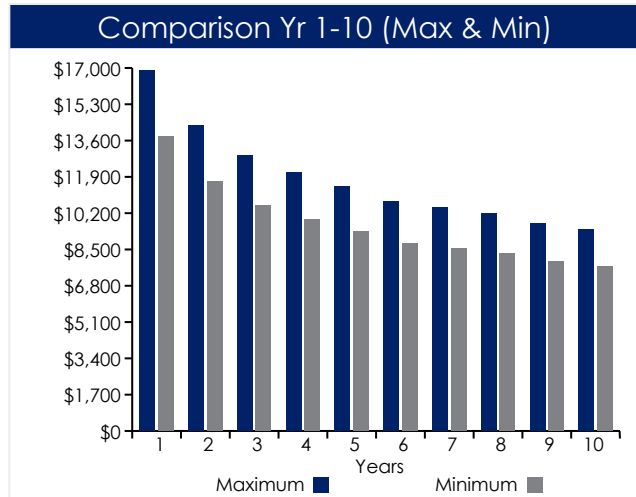
This is an estimate only and should not be applied or acted upon. Depreciation of plant is based on the Diminishing Value method of depreciation applying Low-Value Pooling. The Division 43 Write Off Allowance is calculated using 2.5% depending on the property type and date of construction. This estimate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

This Estimate Cannot Be Used For Taxation Purposes

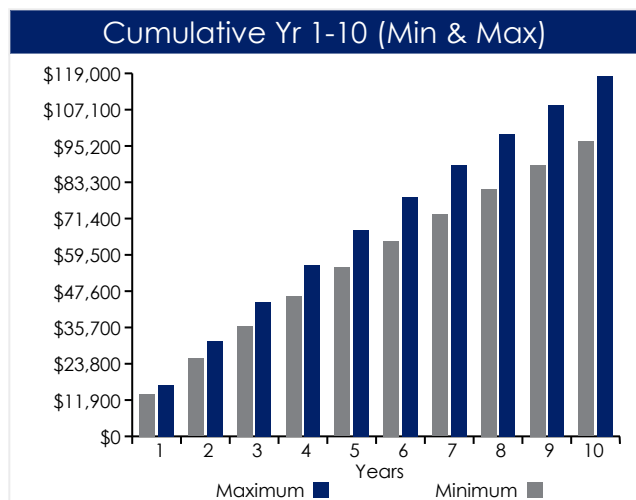
To discuss the contents of this report please contact Bradley Beer at BMT Tax Depreciation on 02 8265 5500

Estimate of Depreciation Claimable Typical 2 Bedroom Apartment + Study (Small) 70-78 Regent Street, KOGARAH NSW 2217

Maximum			
Year	Plant & Equipment	Division 43	Total
1	8,438	8,435	16,873
2	5,875	8,435	14,310
3	4,466	8,435	12,901
4	3,691	8,435	12,126
5	3,012	8,435	11,447
6	2,311	8,435	10,746
7	2,010	8,435	10,445
8	1,728	8,435	10,163
9	1,289	8,435	9,724
10	989	8,435	9,424
11 +	5,701	253,047	258,748
Total	\$39,510	\$337,397	\$376,907



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,904	6,901	13,805
2	4,807	6,901	11,708
3	3,654	6,901	10,555
4	3,020	6,901	9,921
5	2,464	6,901	9,365
6	1,891	6,901	8,792
7	1,644	6,901	8,545
8	1,414	6,901	8,315
9	1,055	6,901	7,956
10	809	6,901	7,710
11 +	4,665	207,039	211,704
Total	\$32,327	\$276,049	\$308,376



* assumes settlement on 1 July in any given year.

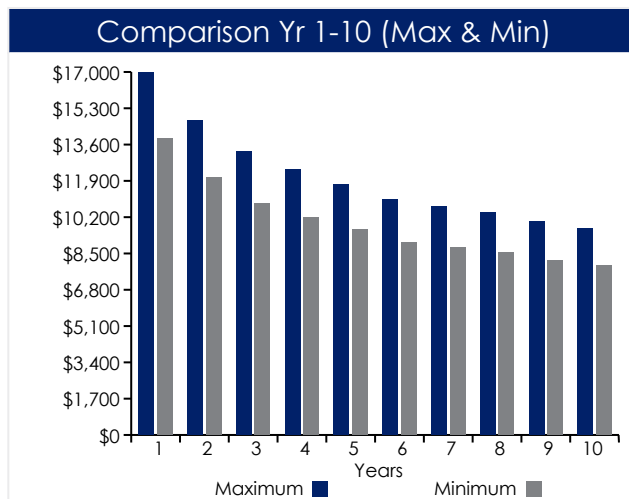
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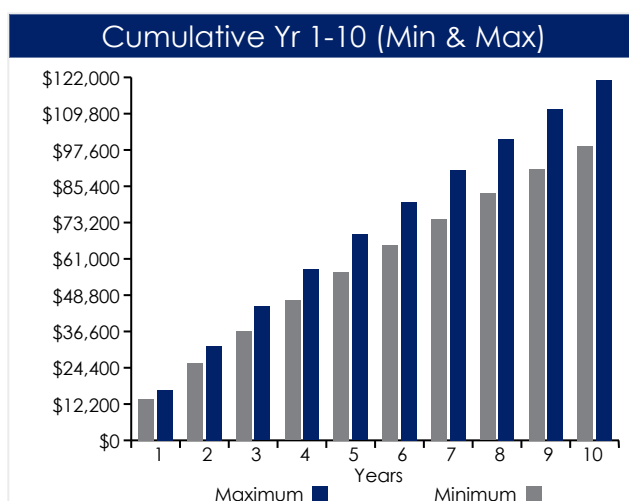
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Estimate of Depreciation Claimable Typical 2 Bedroom Apartment 70-78 Regent Street, KOGARAH NSW 2217

Maximum			
Year	Plant & Equipment	Division 43	Total
1	8,312	8,665	16,977
2	6,073	8,665	14,738
3	4,607	8,665	13,272
4	3,788	8,665	12,453
5	3,086	8,665	11,751
6	2,368	8,665	11,033
7	2,055	8,665	10,720
8	1,766	8,665	10,431
9	1,320	8,665	9,985
10	1,013	8,665	9,678
11 +	5,853	259,936	265,789
Total	\$40,241	\$346,586	\$386,827



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,800	7,089	13,889
2	4,969	7,089	12,058
3	3,769	7,089	10,858
4	3,100	7,089	10,189
5	2,525	7,089	9,614
6	1,938	7,089	9,027
7	1,681	7,089	8,770
8	1,445	7,089	8,534
9	1,080	7,089	8,169
10	829	7,089	7,918
11 +	4,789	212,675	217,464
Total	\$32,925	\$283,565	\$316,490



* assumes settlement on 1 July in any given year.

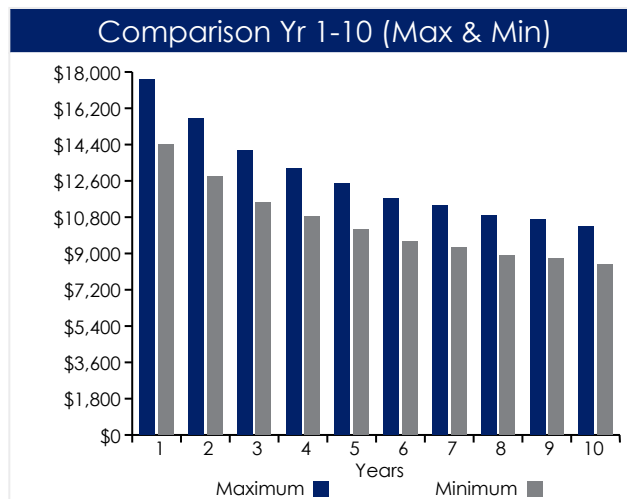
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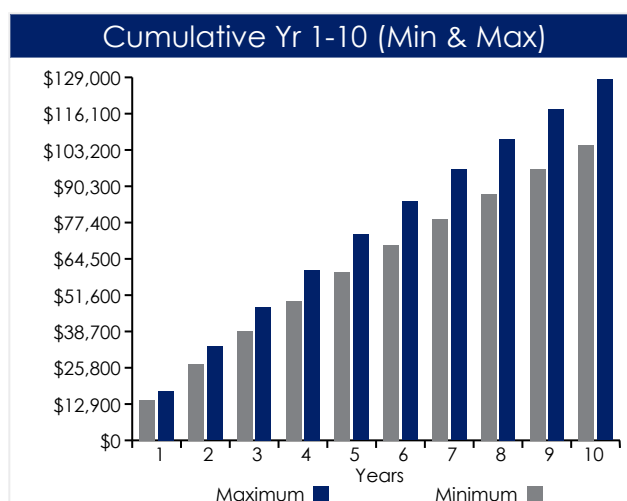
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Estimate of Depreciation Claimable Typical 2 Bedroom Apartment + Study (Large) 70-78 Regent Street, KOGARAH NSW 2217

Maximum			
Year	Plant & Equipment	Division 43	Total
1	8,396	9,238	17,634
2	6,450	9,238	15,688
3	4,877	9,238	14,115
4	3,993	9,238	13,231
5	3,242	9,238	12,480
6	2,486	9,238	11,724
7	2,148	9,238	11,386
8	1,651	9,238	10,889
9	1,465	9,238	10,703
10	1,113	9,238	10,351
11 +	6,271	277,148	283,419
Total	\$42,092	\$369,528	\$411,620



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,870	7,558	14,428
2	5,278	7,558	12,836
3	3,991	7,558	11,549
4	3,267	7,558	10,825
5	2,652	7,558	10,210
6	2,034	7,558	9,592
7	1,758	7,558	9,316
8	1,351	7,558	8,909
9	1,199	7,558	8,757
10	911	7,558	8,469
11 +	5,131	226,758	231,889
Total	\$34,442	\$302,338	\$336,780



* assumes settlement on 1 July in any given year.

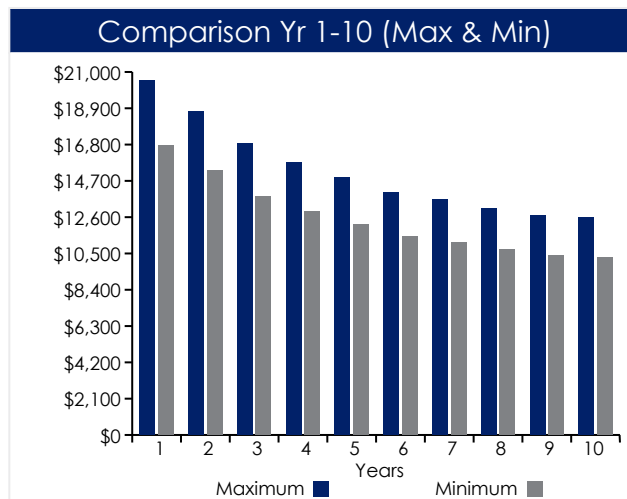
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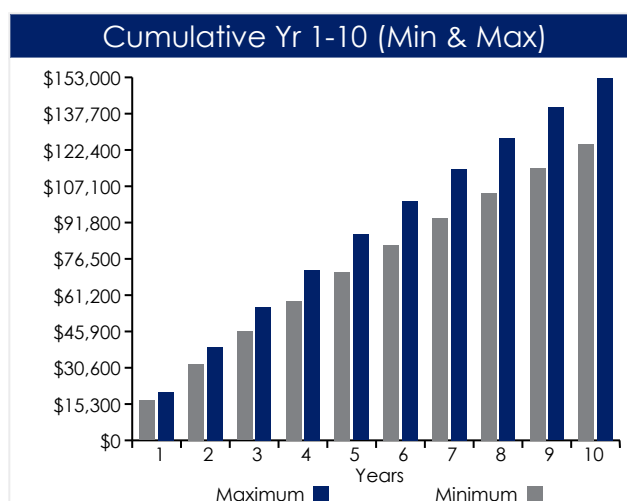
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Estimate of Depreciation Claimable Typical 3 Bedroom + Study Apartment 70-78 Regent Street, KOGARAH NSW 2217

Maximum			
Year	Plant & Equipment	Division 43	Total
1	9,323	11,183	20,506
2	7,530	11,183	18,713
3	5,683	11,183	16,866
4	4,608	11,183	15,791
5	3,725	11,183	14,908
6	2,870	11,183	14,053
7	2,462	11,183	13,645
8	1,912	11,183	13,095
9	1,520	11,183	12,703
10	1,385	11,183	12,568
11 +	7,622	335,463	343,085
Total	\$48,640	\$447,293	\$495,933



Minimum			
Year	Plant & Equipment	Division 43	Total
1	7,628	9,149	16,777
2	6,161	9,149	15,310
3	4,649	9,149	13,798
4	3,770	9,149	12,919
5	3,047	9,149	12,196
6	2,348	9,149	11,497
7	2,014	9,149	11,163
8	1,564	9,149	10,713
9	1,244	9,149	10,393
10	1,133	9,149	10,282
11 +	6,236	274,469	280,705
Total	\$39,794	\$365,959	\$405,753



* assumes settlement on 1 July in any given year.

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