

BMT Tax Depreciation

QUANTITY SURVEYORS

Maximising Property
Depreciation Deductions



BMT Tax Depreciation Estimate

1324-1328 Nepean Highway
CHELTENHAM, VIC 3192

www.bmtqs.com.au



16 February, 2011

Josh Holdings Pty Ltd
Level 12 390 St Kilda Road
MELBOURNE, VIC 3004

1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 - 151828r2

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 Josh Holdings 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 (TR2009/4).

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 Tom Plenty of this office.

Yours Sincerely,



BMT Tax Depreciation Pty Ltd
Quantity Surveyors

Appendix One

BMT Tax Depreciation Estimate

1324-1328 Nepean Highway

CHELTENHAM, VIC 3192

BMT Tax Depreciation Estimates & BMT Tax Depreciation Reports

How the Documents Work

Marketing/Real Estate Agent engages BMT Tax Depreciation to complete a Tax Depreciation Estimate for a specific development, prior to, or during marketing phase



Investor purchases the property



After settlement the purchaser engages BMT Tax Depreciation to complete a Tax Depreciation Report. This document is offered by BMT Tax Depreciation at a discounted rate as BMT have knowledge of the property



BMT Tax Depreciation Report contents are used in the purchaser's tax return preparation

BMT Tax Depreciation Estimates

BMT Tax Depreciation Estimates ensure that investors are easily able to determine their after-tax cash position if they were to purchase a particular property. Presenting a potential investor with a BMT Tax Depreciation estimate assists the buyer, results in a value added service and often helps with early sales. The report will show the minimum and maximum range of depreciation along with the expected depreciable 'plant and equipment articles' within the building and the building write off allowance.

BMT Tax Depreciation Reports

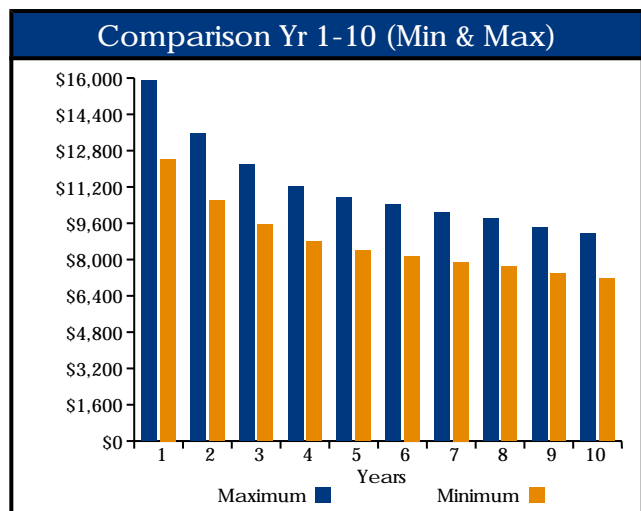
BMT Tax Depreciation Reports are used to claim depreciation deductions when completing your tax return. The report will provide the basis for maximising claims covering both plant and equipment depreciation and building write off. Many investment property owners remain unaware of the benefits that tax depreciation provides. There are usually thousands of dollars to be claimed in depreciation deductions on any investment property. BMT Tax Depreciation specialise in maximising the total depreciation available from a given property under current legislation.



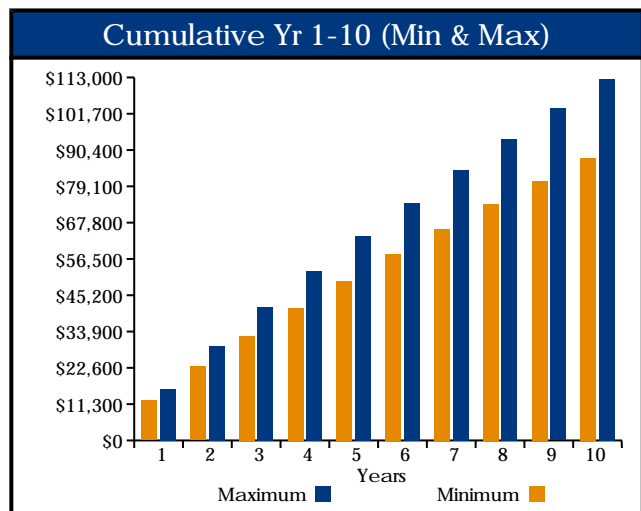


Estimate of Depreciation Claimable Typical 2 Bedroom 1 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$475,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	7,285	8,599	15,884
2	4,948	8,599	13,547
3	3,574	8,599	12,173
4	2,635	8,599	11,234
5	2,152	8,599	10,751
6	1,826	8,599	10,425
7	1,486	8,599	10,085
8	1,214	8,599	9,813
9	817	8,599	9,416
10	568	8,599	9,167
11 +	3,013	257,937	260,950
Total	\$29,518	\$343,927	\$373,445



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,702	6,729	12,431
2	3,873	6,729	10,602
3	2,797	6,729	9,526
4	2,062	6,729	8,791
5	1,684	6,729	8,413
6	1,429	6,729	8,158
7	1,163	6,729	7,892
8	950	6,729	7,679
9	639	6,729	7,368
10	445	6,729	7,174
11 +	2,358	201,864	204,222
Total	\$23,102	\$269,154	\$292,256



* 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% or 4% depending on the property type and date of construction. This estimate is based upon legislation in force at the date of report production.

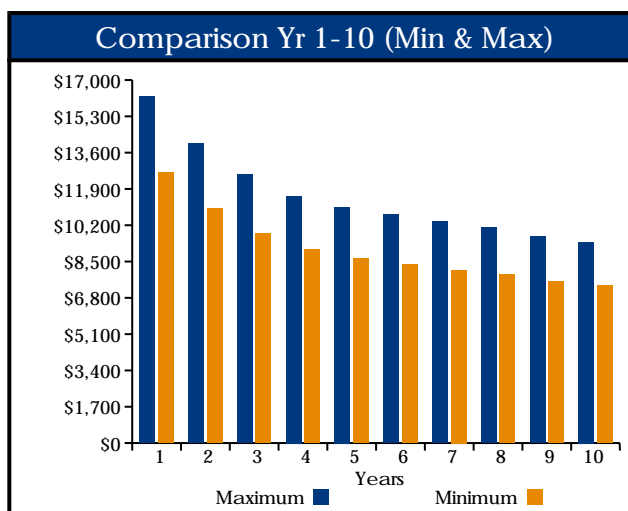
This Estimate Cannot Be Used For Taxation Purposes

To discuss the contents of this report please contact Tom Plenty at BMT Tax Depreciation on 03 9654 2233

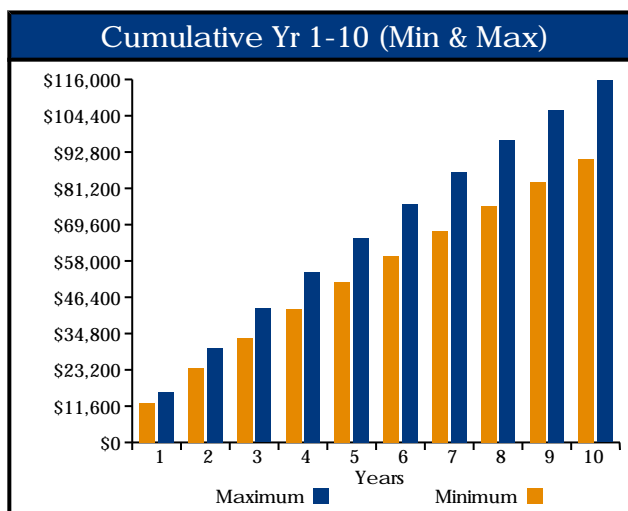


Estimate of Depreciation Claimable Typical 2 Bedroom 2 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$500,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	7,378	8,835	16,213
2	5,184	8,835	14,019
3	3,727	8,835	12,562
4	2,737	8,835	11,572
5	2,221	8,835	11,056
6	1,875	8,835	10,710
7	1,521	8,835	10,356
8	1,244	8,835	10,079
9	838	8,835	9,673
10	582	8,835	9,417
11 +	3,095	265,061	268,156
Total	\$30,402	\$353,411	\$383,813



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,774	6,915	12,689
2	4,057	6,915	10,972
3	2,917	6,915	9,832
4	2,142	6,915	9,057
5	1,738	6,915	8,653
6	1,467	6,915	8,382
7	1,191	6,915	8,106
8	974	6,915	7,889
9	656	6,915	7,571
10	455	6,915	7,370
11 +	2,422	207,439	209,861
Total	\$23,793	\$276,589	\$300,382



* assumes settlement on 1 July in any given year.

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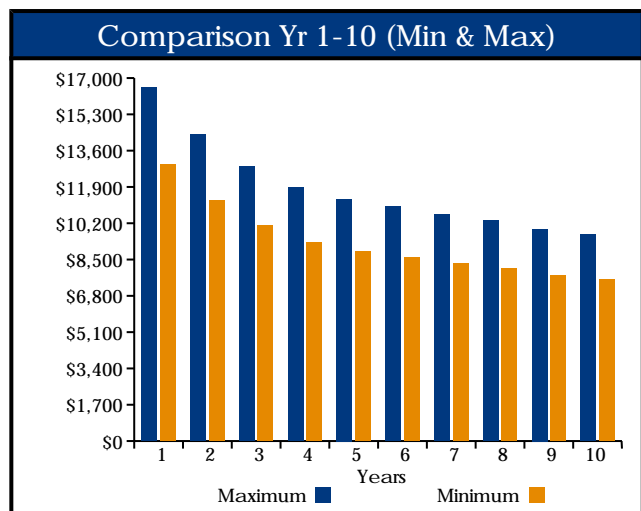
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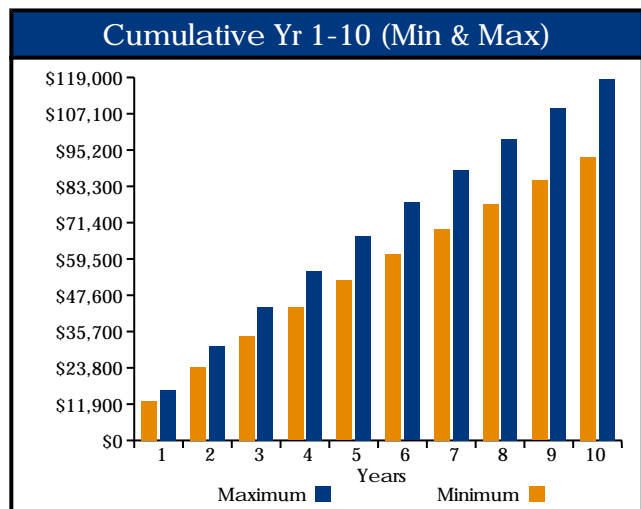


Estimate of Depreciation Claimable Typical 2 Bedroom 2 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$510,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	7,493	9,080	16,573
2	5,290	9,080	14,370
3	3,798	9,080	12,878
4	2,785	9,080	11,865
5	2,255	9,080	11,335
6	1,898	9,080	10,978
7	1,540	9,080	10,620
8	1,263	9,080	10,343
9	852	9,080	9,932
10	590	9,080	9,670
11 +	3,168	272,430	275,598
Total	\$30,932	\$363,230	\$394,162



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,864	7,106	12,970
2	4,140	7,106	11,246
3	2,973	7,106	10,079
4	2,180	7,106	9,286
5	1,765	7,106	8,871
6	1,485	7,106	8,591
7	1,205	7,106	8,311
8	988	7,106	8,094
9	667	7,106	7,773
10	462	7,106	7,568
11 +	2,480	213,206	215,686
Total	\$24,209	\$284,266	\$308,475



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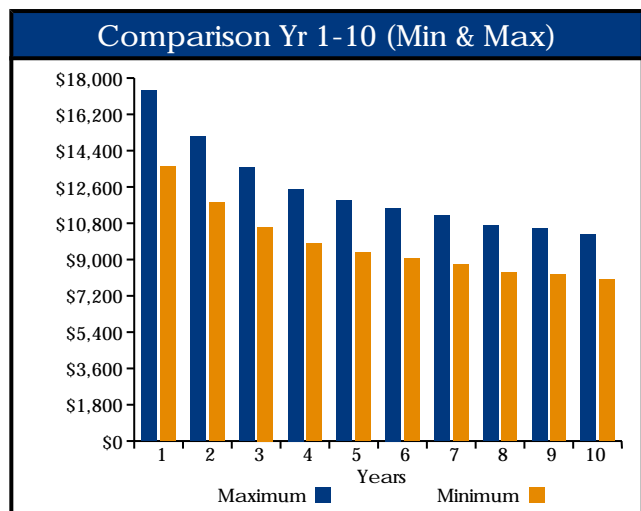
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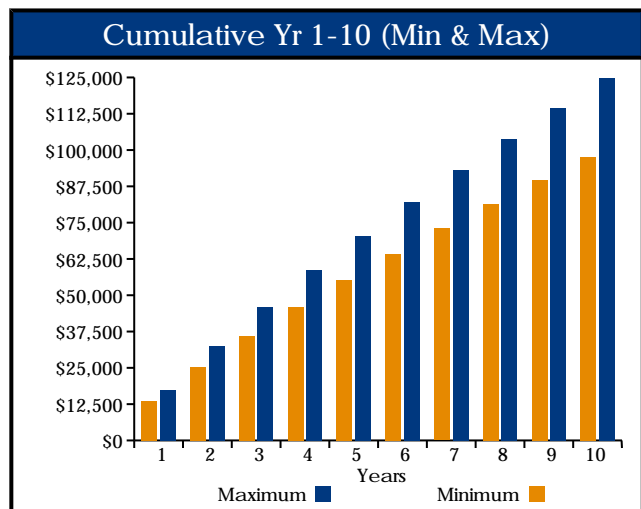


Estimate of Depreciation Claimable Typical 2 Bedroom 2 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$520,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	7,802	9,585	17,387
2	5,538	9,585	15,123
3	3,976	9,585	13,561
4	2,913	9,585	12,498
5	2,348	9,585	11,933
6	1,970	9,585	11,555
7	1,593	9,585	11,178
8	1,120	9,585	10,705
9	968	9,585	10,553
10	669	9,585	10,254
11 +	3,473	287,545	291,018
Total	\$32,370	\$383,395	\$415,765



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,106	7,502	13,608
2	4,334	7,502	11,836
3	3,111	7,502	10,613
4	2,280	7,502	9,782
5	1,838	7,502	9,340
6	1,542	7,502	9,044
7	1,247	7,502	8,749
8	877	7,502	8,379
9	758	7,502	8,260
10	524	7,502	8,026
11 +	2,718	225,035	227,753
Total	\$25,335	\$300,055	\$325,390



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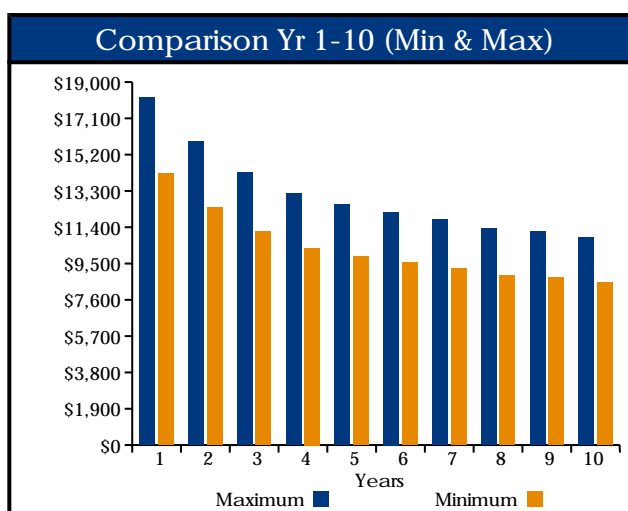
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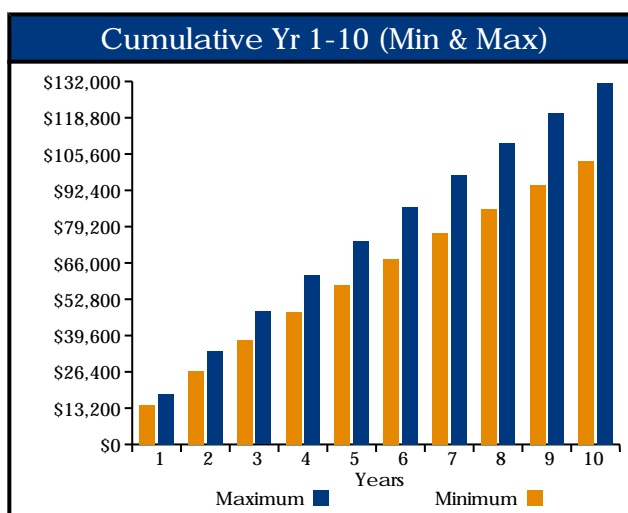


Estimate of Depreciation Claimable Typical 2 Bedroom 2 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$535,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	8,002	10,189	18,191
2	5,699	10,189	15,888
3	4,087	10,189	14,276
4	2,992	10,189	13,181
5	2,405	10,189	12,594
6	2,009	10,189	12,198
7	1,627	10,189	11,816
8	1,145	10,189	11,334
9	1,002	10,189	11,191
10	689	10,189	10,878
11 +	3,637	305,659	309,296
Total	\$33,294	\$407,549	\$440,843



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,262	7,974	14,236
2	4,460	7,974	12,434
3	3,199	7,974	11,173
4	2,342	7,974	10,316
5	1,882	7,974	9,856
6	1,572	7,974	9,546
7	1,274	7,974	9,248
8	896	7,974	8,870
9	784	7,974	8,758
10	539	7,974	8,513
11 +	2,847	239,211	242,058
Total	\$26,057	\$318,951	\$345,008



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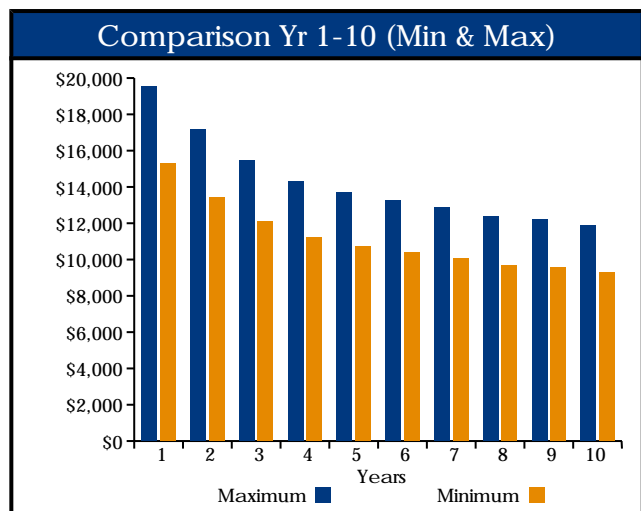
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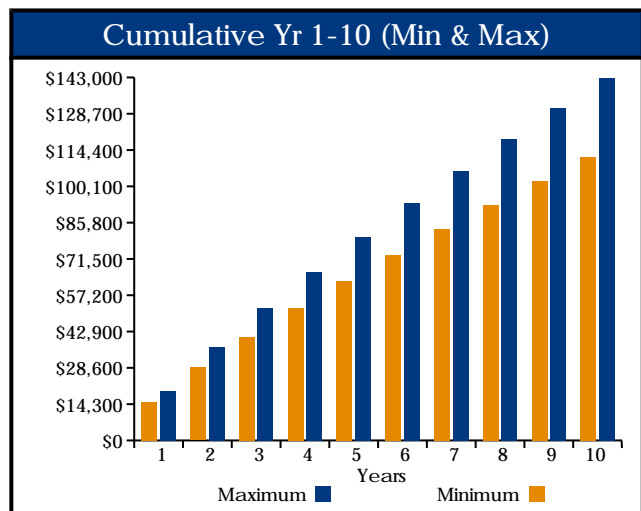


Estimate of Depreciation Claimable Typical 2 Bedroom 2 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$585,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	8,407	11,152	19,559
2	6,009	11,152	17,161
3	4,308	11,152	15,460
4	3,149	11,152	14,301
5	2,524	11,152	13,676
6	2,100	11,152	13,252
7	1,697	11,152	12,849
8	1,203	11,152	12,355
9	1,061	11,152	12,213
10	735	11,152	11,887
11 +	3,945	334,552	338,497
Total	\$35,138	\$446,072	\$481,210



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,579	8,727	15,306
2	4,703	8,727	13,430
3	3,371	8,727	12,098
4	2,464	8,727	11,191
5	1,976	8,727	10,703
6	1,643	8,727	10,370
7	1,328	8,727	10,055
8	941	8,727	9,668
9	831	8,727	9,558
10	575	8,727	9,302
11 +	3,087	261,824	264,911
Total	\$27,498	\$349,094	\$376,592



* assumes settlement on 1 July in any given year.

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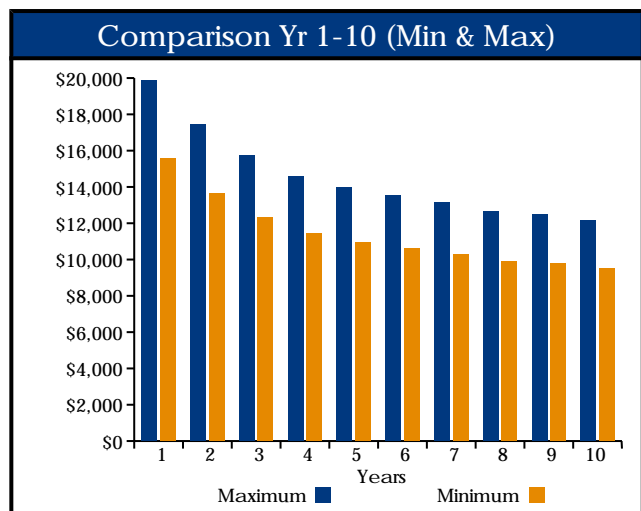
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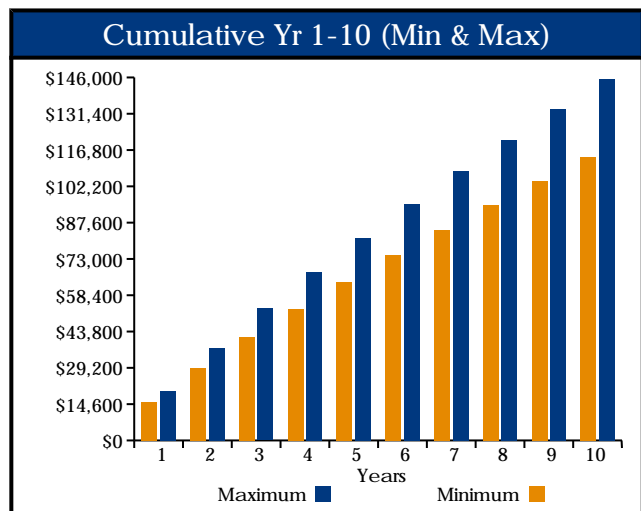


Estimate of Depreciation Claimable Typical 2 Bedroom 2 Bathroom Apartment 1324-1328 Nepean Highway, CHELTENHAM, VIC 3192 Purchase Price \$595,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	8,440	11,422	19,862
2	6,031	11,422	17,453
3	4,322	11,422	15,744
4	3,160	11,422	14,582
5	2,535	11,422	13,957
6	2,110	11,422	13,532
7	1,700	11,422	13,122
8	1,206	11,422	12,628
9	1,067	11,422	12,489
10	739	11,422	12,161
11 +	3,985	342,686	346,671
Total	\$35,295	\$456,906	\$492,201



Minimum			
Year	Plant & Equipment	Division 43	Total
1	6,605	8,939	15,544
2	4,720	8,939	13,659
3	3,382	8,939	12,321
4	2,473	8,939	11,412
5	1,984	8,939	10,923
6	1,652	8,939	10,591
7	1,330	8,939	10,269
8	944	8,939	9,883
9	835	8,939	9,774
10	579	8,939	9,518
11 +	3,119	268,189	271,308
Total	\$27,623	\$357,579	\$385,202



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