

4 July 2005
File Ref 4006437.DU1

Roca Constructions
16 Neville Road
BRIDGEMAN DOWNS QLD 4035

Dear Sir

Capital Allowances and Associated Tax Deductions

South Vale 124 Merivale Street South Brisbane

Further to your instructions on 16 June 2005 we set out below our report detailing the depreciation and associated tax deductions that could be available to a purchaser of the above property under the Income Tax Assessment Act 1997 (ITAA 1997).

The purpose of this report is to provide a broad indication of capital allowances and capital works deductions available from the purchase of the above property. The figures should be used for preliminary tax planning purposes only. In the absence of information as to the tax status of the owner of the property for depreciation purposes, we have assumed that the allowances will be available and be of benefit to the owner. The estimated figures supplied cannot be used in a tax return.

1. Allowances Available and Valuation Methodology

Generally, a tax paying purchaser of the property will be entitled to allowances in respect of:

- Capital allowances for expenditure on plant (Division 40 of ITAA 1997)
- Capital works deductions on structure and infrastructure (Division 43 of ITAA 1997)

Assuming that there are no restrictive clauses in the Contract of Sale the plant will be able to be depreciated on the basis of a reasonable attribution of the purchase price (Section 40-195 ITAA 1997). A capital works deduction will be available based on the historical cost of construction having deducted non-qualifying expenditure, and notionally depreciating the qualifying expenditure to the date of settlement.

1.1 Basis of Estimate

As discussed above, the estimate of allowances for plant has been based on a reasonable attribution of the purchase price and for capital works deductions, estimated construction cost has been used. We have been supplied with the following information, which has been accepted in good faith.

COST ■ RISK ■ RETURN



- Purchase price
- Land value
- Total construction costs
- Plans
- Specification

The respective land values have been deducted from the purchase prices for the following properties as noted in the summary below. It is worth noting that should the purchase price or land value change, then the value of the capital allowances will also change.

Lot No.	Purchase Price	Land Value
18	\$ 325,000	\$ 44,000
20	\$ 420,000	\$ 44,000

2. Disclaimer

This report is for general advice only. Prospective purchasers should seek their own specialist advice having regard to their specific taxation position.

3. Summary

If effectively structured at the time of purchase, capital allowances and capital works deductions can significantly enhance the bottom line of a property investment. This is clearly demonstrated in the attached estimates.

If you have any queries in respect of the contents of this report, please do not hesitate to contact Thien Nguyen or Kah Yao Pih of this office.

Yours faithfully

N&B Residential Depreciation

Encl



South Vale

124 Marivale Street

South Brisbane

Capital Allowances and Associated Tax Deductions

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**1 BEDROOM APARTMENT - SOUTH VALE
124 MERIVALE STREET, SOUTH BRISBANE
INDICATION OF ALLOWANCES CLAIMABLE**

We list our estimate of the minimum and maximum depreciation allowances claimable,
assuming a REDUCING BALANCE METHOD of depreciation and a
purchase price of **\$325,000** which includes a land value assessment of **\$44,000**.

MINIMUM			
Financial Year	Division 40 Allowances	Division 43 2.5% Allowances	Annual Totals
	\$	\$	\$
1 - (365 days only)	4,400	2,600	7,000
2	4,000	2,600	6,600
3	3,300	2,600	5,900
4	2,800	2,600	5,400
5	2,400	2,600	5,000
6	2,100	2,600	4,700
7	1,900	2,600	4,500
8	1,600	2,600	4,200
9	1,500	2,600	4,100
10	1,300	2,600	3,900
Remainder	16,600	76,600	93,200
TOTALS	41,900	102,600	144,500

MAXIMUM			
Financial Year	Division 40 Allowances	Division 43 2.5% Allowances	Annual Totals
	\$	\$	\$
1 - (365 days only)	5,200	2,500	7,700
2	4,600	2,500	7,100
3	3,900	2,500	6,400
4	3,300	2,500	5,800
5	2,900	2,500	5,400
6	2,500	2,500	5,000
7	2,200	2,500	4,700
8	1,900	2,500	4,400
9	1,700	2,500	4,200
10	1,500	2,500	4,000
Remainder	19,400	74,500	93,900
TOTALS	49,100	99,500	148,600

These figures are of a general nature and should not be applied or acted upon unless supported by our specific advice. They must not be used for taxation purposes in this form. Division 43 Allowances are calculated on the PRIME COST METHOD. Depreciation deductions have been calculated adopting effective life depreciation rates which were announced by the Federal Treasurer on 21st September 1999.

SPECIFIC ADVICE IS AVAILABLE BY TELEPHONING (07) 3221-8255



**2 BEDROOM APARTMENT - SOUTH VALE
124 MERIVALE STREET, SOUTH BRISBANE
INDICATION OF ALLOWANCES CLAIMABLE**

We list our estimate of the minimum and maximum depreciation allowances claimable,
assuming a REDUCING BALANCE METHOD of depreciation and a
purchase price of **\$420,000** which includes a land value assessment of **\$44,000**.

MINIMUM			
Financial Year	Division 40 Allowances	Division 43 2.5% Allowances	Annual Totals
	\$	\$	\$
1 - (365 days only)	4,500	3,700	8,200
2	4,000	3,700	7,700
3	3,400	3,700	7,100
4	2,900	3,700	6,600
5	2,500	3,700	6,200
6	2,100	3,700	5,800
7	1,900	3,700	5,600
8	1,600	3,700	5,300
9	1,500	3,700	5,200
10	1,300	3,700	5,000
Remainder	16,100	112,100	128,200
TOTALS	41,800	149,100	190,900

MAXIMUM			
Financial Year	Division 40 Allowances	Division 43 2.5% Allowances	Annual Totals
	\$	\$	\$
1 - (365 days only)	5,300	3,600	8,900
2	4,700	3,600	8,300
3	4,000	3,600	7,600
4	3,400	3,600	7,000
5	2,900	3,600	6,500
6	2,500	3,600	6,100
7	2,200	3,600	5,800
8	1,900	3,600	5,500
9	1,700	3,600	5,300
10	1,500	3,600	5,100
Remainder	19,000	109,800	128,800
TOTALS	49,100	145,800	194,900

These figures are of a general nature and should not be applied or acted upon unless supported by our specific advice. They must not be used for taxation purposes in this form. Division 43 Allowances are calculated on the PRIME COST METHOD. Depreciation deductions have been calculated adopting effective life depreciation rates which were announced by the Federal Treasurer on 21st September 1999.

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