

1 July 2005
File Ref 4006437.IA

Roger Azzopardi
Roca Constructions
16 Neville Raod
BRIDGEMAN DOWNS QLD 4035

Dear Sir

South Vale Apartments – 124 Merivale St South Brisbane

Further to your recent instruction we have prepared investment analyses for three typical apartments that will be sold as strata lots in the above property.

The purpose of this report is to provide a broad overview of the income generated and after tax return on an investment in the project for a given set of circumstances.

We stress the calculations are for illustrative purposes only, and potential investors should seek their own professional advice.

1. Basis Analysis

The financial models use the following input data and assumptions:

1. Income projections provided to us dated 16 June 2005. Income has been shown in the analysis on the basis of financial years.
2. Current legislation in respect of the treatment of interest for tax purposes.
3. Current legislation in respect of the availability of tax allowances.
4. Interest rates at 7.00% per annum for the next five years. Interest only funding has been adopted.
5. Purchasers hold the property as an individual and the rent and salary is the only income for the investor.
6. Purchase price of the unit is as noted on each model.
7. Investors should consult with their lender for borrowing capacity.
8. Medicare levy has been ignored.
9. Outgoings provided to us June 2005.
10. Purchasers are not registered for GST.

COST ■ RISK ■ RETURN



It is worth noting there are many variable factors that will affect the analysis. These include income achieved, finance costs, interest rates, depreciation allowances, loan structures, general rates, Vacancy Allowances, letting fees and others.

2. Summary

Based on the figures provided, tax and income benefits will be available to investors purchasing strata units in this development.

Should you or potential purchasers wish to discuss the content of this report, please do not hesitate to contact Kah Yao Pih of this office.

Yours faithfully



N&B National Residential



**TYPICAL 1 BED - SOUTH VALE APARTMENTS
MERIVALE STREET - INDICATIVE RETURNS**

INPUT DATA

UNIT TYPE	
LOAN RATIO	70% Debt
INTEREST RATE	7.00%
INVESTOR INCOME	\$ 65,000
PURCHASE COSTS	
Purchase Price	\$ 325,000
Stamp Duty, Legals	\$ 9,850
Finance costs	\$ 1,600
Total	\$ 336,450

CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5
Income - Salary	65000	65000	65000	65000	65000
Estimated Income - Rent	16640	16640	16640	16640	16640
Total Income	81640	81640	81640	81640	81640
Outgoings:-					
Rates, Replacement Fund, Insurance	4950	4950	4950	4950	4950
Interest	16486	16486	16486	16486	16486
Total outgoings	21436	21436	21436	21436	21436
DEDUCTIONS					
Mortgage interest	16486	16486	16486	16486	16486
Rates, Replacement Fund, Insurance	4950	4950	4950	4950	4950
Depreciation	7700	7100	6400	5800	5400
Total Tax Claim	29136	28536	27836	27236	26836
TAX PAYABLE					
Tax on Base Salary	15600	15360	15360	15360	15360
Tax on Salary plus Investment:					
Gross Income	81640	81640	81640	81640	81640
Less Deductions	29136	28536	27836	27236	26836
Taxable Income	52504	53104	53804	54404	54804
Tax Payable	11611	11791	12001	12181	12301

SUMMARY

	Year 1	Year 2	Year 3	Year 4	Year 5
Tax Payable no Investment	15600	15360	15360	15360	15360
Tax Payable with Investment	11611	11791	12001	12181	12301
Tax Saved	3989	3569	3359	3179	3059
Cash Position no Investment	49400	49640	49640	49400	49400
Cash Position with Investment	48592	48412	48202	48022	47902
Additional Income due to Investment (p.a.)	-808	-1228	-1438	-1378	-1498
Additional Income due to Investment (per week)	-16	-24	-28	-26	-29

* Note - The above figures are to be read in conjunction with the accompanying notes



**TYPICAL 2 BED - SOUTH VALE APARTMENTS
MERIVALE ST - INDICATIVE RETURNS**

INPUT DATA

UNIT TYPE	
LOAN RATIO	70% Debt
INTEREST RATE	7.00%
INVESTOR INCOME	\$ 65,000
PURCHASE COSTS	
Purchase Price	\$ 420,000
Stamp Duty, Legals	\$ 13,175
Finance costs	\$ 2,065
Total	\$ 435,240

CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5
Income - Salary	65000	65000	65000	65000	65000
Estimated Income - Rent	20800	20800	20800	20800	20800
Total Income	85800	85800	85800	85800	85800
Outgoings:-					
Rates, Replacement Fund, Insurance	4950	4950	4950	4950	4950
Interest	21327	21327	21327	21327	21327
Total outgoings	26277	26277	26277	26277	26277
DEDUCTIONS					
Mortgage interest	21327	21327	21327	21327	21327
Rates, Replacement Fund, Insurance	4950	4950	4950	4950	4950
Depreciation	8900	8300	7600	7000	6500
Total Tax Claim	35177	34577	33877	33277	32777
TAX PAYABLE					
Tax on Base Salary	15600	15360	15360	15360	15360
Tax on Salary plus Investment:					
Gross Income	85800	85800	85800	85800	85800
Less Deductions	35177	34577	33877	33277	32777
Taxable Income	50623	51223	51923	52523	53023
Tax Payable	11047	11227	11437	11617	11767

SUMMARY

	Year 1	Year 2	Year 3	Year 4	Year 5
Tax Payable no Investment	15600	15360	15360	15360	15360
Tax Payable with Investment	11047	11227	11437	11617	11767
Tax Saved	4553	4133	3923	3743	3593
Cash Position no Investment	49400	49640	49640	49400	49400
Cash Position with Investment	48476	48296	48086	47906	47756
Additional Income due to Investment (p.a.)	-924	-1344	-1554	-1494	-1644
Additional Income due to Investment (per week)	-18	-26	-30	-29	-32

* Note - The above figures are to be read in conjunction with the accompanying notes