



N&B Residential Depreciation Quantity Surveyors

Houses, Townhouses, Apartments, Units, Holiday Accommodation

Phone: 1300 790 790
Facsimile: 1300 133 387
Email: resdep@napier.net.au
GPO Box 703
Brisbane Qld 4001
www.napierblakeley.com

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Jack Horton
Baycrown Pty Ltd
11 Claretown Avenue
Caroline Springs VIC 3023

Dear Sir

CAPITAL ALLOWANCES AND ASSOCIATED TAX DEDUCTIONS

Home On Flinders The Student Empire Melbourne VIC

Further to your instructions of 30 June 2003 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.

The building comprises 306 student accommodation apartments.

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). Depending on the date the building commenced construction, 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.

Across Australia

The Napier & Blakeley Unit Trust ABN 87601474307 T/A Napier & Blakeley Pty Ltd ACN 006 386 278



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, historical cost has been used. We have been supplied with the following information, which has been accepted in good faith.

- Purchase details / price
- Land value
- Construction cost information
- Plans

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.

Apartment Type	Purchase Price	Land Value
Studio	\$179,000	\$10,100
1 Bed	\$255,500	\$13,300
2 Bed	\$305,000	\$15,400

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 estimate.

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

Yours faithfully

Napier & Blakeley Pty Ltd.

NAPIER & BLAKELEY



**HOME ON FLINDERS THE STUDENT EMPIRE MELBOURNE
TYPICAL STUDIO APARTMENT
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 \$179,000 which includes a land value assessment of \$10,100.

MINIMUM			
Financial Year	Division 40 Allowances \$	Division 43 2.5% Allowances \$	Annual Totals \$
1 - (365 days only)	1,800	1,900	3,700
2	1,800	1,900	3,700
3	1,400	1,900	3,300
4	1,200	1,900	3,100
5	1,000	1,900	2,900
6	800	1,900	2,700
7	700	1,900	2,600
8	600	1,900	2,500
9	600	1,900	2,500
10	500	1,900	2,400
Remainder	7,100	58,000	65,100
TOTALS	17,500	77,000	94,500

MAXIMUM			
Financial Year	Division 40 Allowances \$	Division 43 2.5% Allowances \$	Annual Totals \$
1 - (365 days only)	2,100	1,900	4,000
2	2,100	1,900	4,000
3	1,700	1,900	3,600
4	1,400	1,900	3,300
5	1,200	1,900	3,100
6	1,000	1,900	2,900
7	900	1,900	2,800
8	700	1,900	2,600
9	700	1,900	2,600
10	600	1,900	2,500
Remainder	8,100	56,400	64,500
TOTALS	20,500	75,400	95,900

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.

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



HOME ON FLINDERS THE STUDENT EMPIRE MELBOURNE
TYPICAL 1 BED APARTMENT
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 \$255,500 which includes a land value assessment of \$13,300.

MINIMUM			
Financial Year	Division 40 Allowances \$	Division 43 2.5% Allowances \$	Annual Totals \$
1 - (365 days only)	2,000	2,800	4,800
2	2,000	2,800	4,800
3	1,600	2,800	4,400
4	1,300	2,800	4,100
5	1,100	2,800	3,900
6	1,000	2,800	3,800
7	800	2,800	3,600
8	700	2,800	3,500
9	700	2,800	3,500
10	600	2,800	3,400
Remainder	8,900	83,200	92,100
TOTALS	20,700	111,200	131,900

MAXIMUM			
Financial Year	Division 40 Allowances \$	Division 43 2.5% Allowances \$	Annual Totals \$
1 - (365 days only)	2,300	2,700	5,000
2	2,400	2,700	5,100
3	1,900	2,700	4,600
4	1,600	2,700	4,300
5	1,300	2,700	4,000
6	1,100	2,700	3,800
7 --	1,000	2,700	3,700
8 --	900	2,700	3,600
9	800	2,700	3,500
10	700	2,700	3,400
Remainder	10,200	82,300	92,500
TOTALS	24,200	109,300	133,500

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**HOME ON FLINDERS THE STUDENT EMPIRE MELBOURNE
TYPICAL 2 BED APARTMENT
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 \$305,000 which includes a land value assessment of \$15,400.

MINIMUM			
Financial Year	Division 40 Allowances \$	Division 43 2.5% Allowances \$	Annual Totals \$
1 - (365 days only)	2,200	3,300	5,500
2	2,200	3,300	5,500
3	1,800	3,300	5,100
4	1,500	3,300	4,800
5	1,200	3,300	4,500
6	1,100	3,300	4,400
7	900	3,300	4,200
8	800	3,300	4,100
9	700	3,300	4,000
10	600	3,300	3,900
Remainder	10,100	100,600	110,700
TOTALS	23,100	133,600	156,700

MAXIMUM			
Financial Year	Division 40 Allowances \$	Division 43 2.5% Allowances \$	Annual Totals \$
1 - (365 days only)	2,600	3,300	5,900
2	2,600	3,300	5,900
3	2,100	3,300	5,400
4	1,700	3,300	5,000
5	1,500	3,300	4,800
6	1,200	3,300	4,500
7	1,100	3,300	4,400
8	1,000	3,300	4,300
9	800	3,300	4,100
10	800	3,300	4,100
Remainder	11,700	98,500	110,200
TOTALS	27,100	131,500	158,600

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