

11 November 2014
File Ref: 3182050875

Alan Rolfe
Hudson Lakes Pty Ltd
157 Fitzroy Street
St Kilda VIC 3182

Dear Alan,

**Indicative Property Tax Allowance Schedules
157 Fitzroy Street, St Kilda VIC**

Further to our recent discussions we have pleasure in enclosing our preliminary report on tax depreciation allowances for the purchase of the above property.

We have based our calculations on the following information based on discussions between Alan Rolfe of Hudson Lakes Pty Ltd and John Mathew of Napier & Blakeley Pty Ltd.

Anticipated purchase price as advised

Land value as advised

Please note that the enclosed indicative figures have been produced in accordance with the Income Tax Assessment Act 1997 and Tax Ruling 2014/4. TR 2014/4 is an unofficial consolidated table of effective lives for depreciating assets effective 1 July 2014.

The figures should be used for preliminary tax planning purposes only. In the absence of information as to the 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.

Should you require any further information please do not hesitate to contact Amy Holmes or John Mathew of this office.

Yours faithfully

Napier & Blakeley

Napier & Blakeley Pty Ltd



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1. Indicative Property Tax Allowances Report

This report is dated 11 November 2014 and has been prepared to highlight the potential capital allowances available to the purchasers of:

157 Fitzroy Street, St Kilda VIC

As Quantity Surveyors specialising in the field of property tax allowances, Napier & Blakeley Pty Ltd have prepared the following tables to highlight the approximate level of allowances available to the purchasers of the above property.

We have assumed that the owner will be entitled to claim available Division 40 Capital allowances & Division 43 Capital works deductions.

The figures contained in these reports reflect the allowances available under the legislation in force as at the date of preparation of the reports. Division 40 Capital allowances are calculated on the diminishing value method.

Assuming that there are no restrictive clauses in the Contract of Sale the depreciating assets 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.

It is worth noting that should the advised purchase price or land value change, then the value of the capital allowances will also change.

For further information or clarification of this report please contact Amy Holmes or John Mathew of this office.

This report is intended only to give a guide to the likely level of allowances claimable. It has been based on a preliminary appraisal of information provided. Final schedules will be necessarily based on the actual sale price

Typical 1 Bedroom Apartment Front 157 Fitzroy Street, St Kilda, VIC

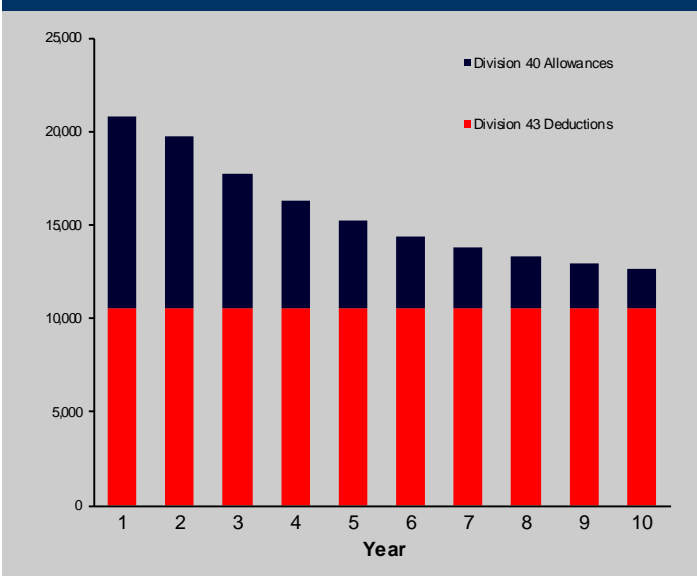
Indication of capital allowances deductions

Prepared for: Hudson Lakes Pty Ltd

Estimated Allowances

Year	Division 40 Allowances	Division 43 Deductions	Annual Totals
	\$	\$	\$
1 (365 days)	10,300	10,500	20,800
2	9,200	10,500	19,700
3	7,200	10,500	17,700
4	5,800	10,500	16,300
5	4,700	10,500	15,200
6	3,900	10,500	14,400
7	3,300	10,500	13,800
8	2,800	10,500	13,300
9	2,400	10,500	12,900
10	2,100	10,500	12,600
11+	18,100	314,300	332,400
TOTAL	69,800	419,300	489,100

Estimated Allowances



Basis of estimated allowances

- The purpose of this report is to provide a broad independent indication of capital allowances and capital works deductions available to a purchaser 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 property owner, we have assumed that the allowances will be available and be of benefit to the owner.
- The Allowances provided above are based on our interpretations of the Income Tax Assessment Act 1997 (ITAA 1997), tax cases and tax rulings, all as current at the date of this report and on our understanding of the Commissioner of Taxation's
- The estimated depreciating assets allowances (Division 40) has been based on a reasonable attribution of the purchase price and for capital works deductions (Division 43), historical cost has been assessed. We have been supplied with an Anticipated Purchase Price, which has been accepted in good faith. Apportionment for Land has been based on an estimated Improved Land Value. The estimated Allowances above are subject to change if these values differ to that provided.
- The above estimate is based on the assumption that there are no specific apportioned values prescribed in the Contract of Sale and the depreciation assets will be able to be depreciated on the basis of a reasonable attribution of the purchase price (Section 40-195 ITAA 1997).
- These figures are of a general nature and should not be applied or acted upon unless supported by specific advice, they **CANNOT be used for tax return** purposes. Depreciation of Depreciating Assets has been based on the DIMINISHING VALUE METHOD and the Division 43 Allowances are calculated on the PRIME COST METHOD. A claim will be dependent on a purchaser's tax position.

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NOT ACCEPTABLE FOR TAX RETURNS

Typical 2 Bedroom Apartment Front 157 Fitzroy Street, St Kilda, VIC

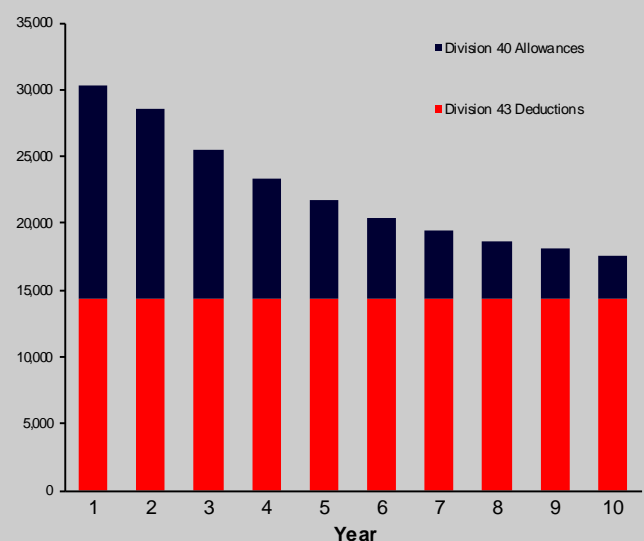
Indication of capital allowances deductions

Prepared for: Hudson Lakes Pty Ltd

Estimated Allowances

Year	Division 40 Allowances	Division 43 Deductions	Annual Totals
	\$	\$	\$
1 (365 days)	15,900	14,400	30,300
2	14,100	14,400	28,500
3	11,100	14,400	25,500
4	8,900	14,400	23,300
5	7,300	14,400	21,700
6	6,000	14,400	20,400
7	5,100	14,400	19,500
8	4,300	14,400	18,700
9	3,700	14,400	18,100
10	3,200	14,400	17,600
11+	28,000	430,900	458,900
TOTAL	107,600	574,900	682,500

Estimated Allowances



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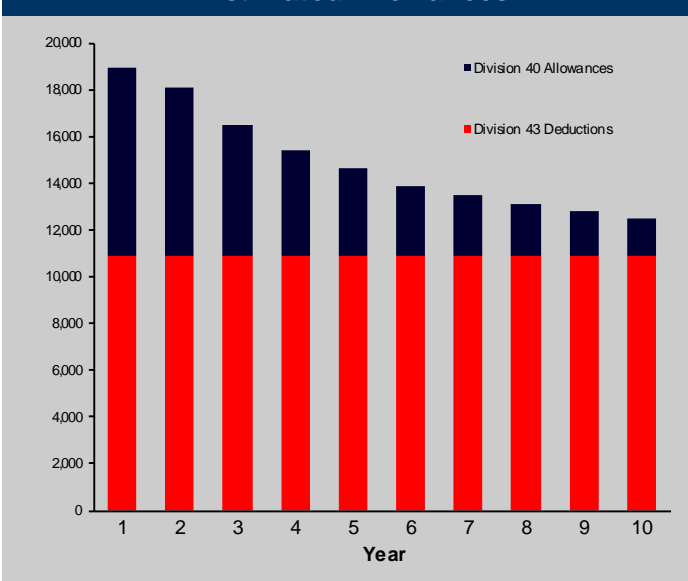
Indication of capital allowances deductions

Prepared for: Hudson Lakes Pty Ltd

Estimated Allowances

Year	Division 40 Allowances	Division 43 Deductions	Annual Totals
	\$	\$	\$
1 (365 days)	8,000	10,900	18,900
2	7,200	10,900	18,100
3	5,600	10,900	16,500
4	4,500	10,900	15,400
5	3,700	10,900	14,600
6	3,000	10,900	13,900
7	2,600	10,900	13,500
8	2,200	10,900	13,100
9	1,900	10,900	12,800
10	1,600	10,900	12,500
11+	14,200	328,100	342,300
TOTAL	54,500	437,100	491,600

Estimated Allowances



Basis of estimated allowances

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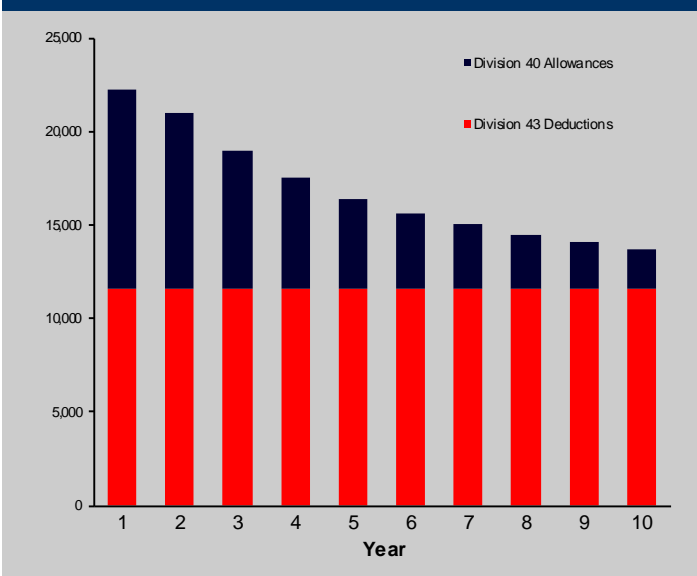
Indication of capital allowances deductions

Prepared for: Hudson Lakes Pty Ltd

Estimated Allowances

Year	Division 40 Allowances	Division 43 Deductions	Annual Totals
	\$	\$	\$
1 (365 days)	10,600	11,600	22,200
2	9,400	11,600	21,000
3	7,400	11,600	19,000
4	5,900	11,600	17,500
5	4,800	11,600	16,400
6	4,000	11,600	15,600
7	3,400	11,600	15,000
8	2,900	11,600	14,500
9	2,500	11,600	14,100
10	2,100	11,600	13,700
11+	18,600	347,200	365,800
TOTAL	71,600	463,200	534,800

Estimated Allowances



Basis of estimated allowances

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2. Disclaimer

The information contained in this report has been based in part on material supplied by others. We believe that material to be correct and every effort has been made to ensure our report is a fair representation of the depreciation and building allowances that will be available to a taxpaying owner.

Napier & Blakeley Pty Ltd do not give any warranty, nor accept any contractual, tortious or any other form of liability for any consequences, loss or damage which may occur as a result of a purchaser acting upon or using the preliminary information contained in this.