

Tax Depreciation Estimate

Maximising the cash return from investment properties

Unit 1-3/7 Gallipoli Avenue
BLACKWALL NSW 2256

13 September, 2018

Arctic Iris Pty Ltd ATF The Arctic Iris Trust

Unit 23/6-14 DARLEY Street

DARLINGHURST NSW 2010

Unit 1-3/7 Gallipoli Avenue, BLACKWALL NSW 2256 - 537737

Dear Andrey,

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 Arctic Iris Pty Ltd ATF The Arctic Iris Trust.

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 (2015/2).

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 (division 40 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 Bradley Beer at the office.

Yours Sincerely,



BMT Tax Depreciation Pty Ltd
Quantity Surveyors

Appendix One

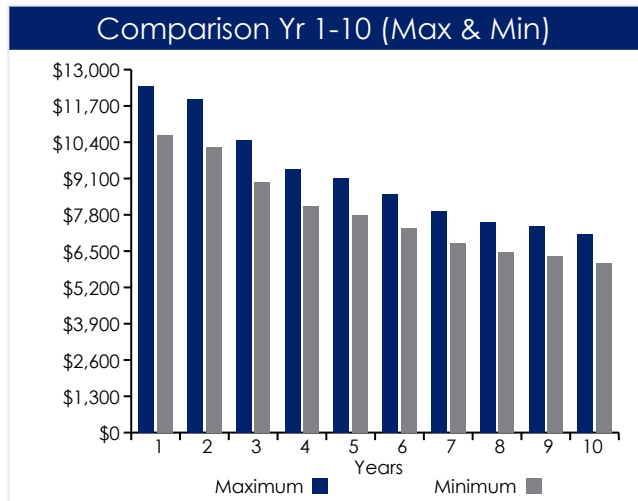
BMT Tax Depreciation Estimate

Unit 1-3/7 Gallipoli Avenue

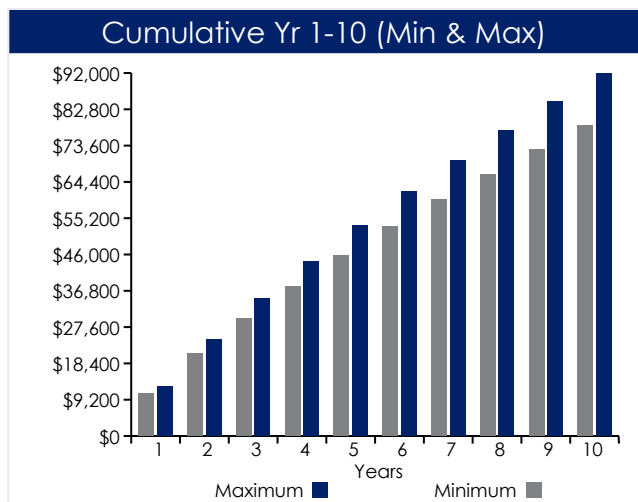
BLACKWALL NSW 2256

Estimate of Depreciation Claimable
Unit 1
Unit 1-3/7 Gallipoli Avenue, BLACKWALL NSW 2256
Purchase Price
\$730,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	6,107	6,319	12,426
2	5,626	6,319	11,945
3	4,148	6,319	10,467
4	3,124	6,319	9,443
5	2,778	6,319	9,097
6	2,226	6,319	8,545
7	1,616	6,319	7,935
8	1,203	6,319	7,522
9	1,073	6,319	7,392
10	777	6,319	7,096
11 +	3,131	189,548	192,679
Total	\$31,809	\$252,738	\$284,547



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,234	5,416	10,650
2	4,822	5,416	10,238
3	3,555	5,416	8,971
4	2,678	5,416	8,094
5	2,381	5,416	7,797
6	1,908	5,416	7,324
7	1,385	5,416	6,801
8	1,031	5,416	6,447
9	920	5,416	6,336
10	666	5,416	6,082
11 +	2,684	162,470	165,154
Total	\$27,264	\$216,630	\$243,894



* assumes settlement on 1 July in any given year.

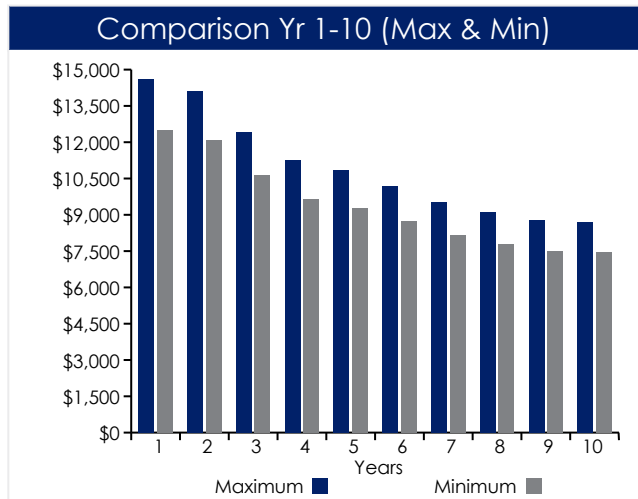
This is an estimate only and should not be applied or acted upon. Depreciation of plant is based on the Diminishing Value method of depreciation applying Low-Value Pooling. The Division 43 Write Off Allowance is calculated using 2.5% depending on the property type and date of construction. This estimate is based upon legislation in force at the date of report production.

This Estimate Cannot Be Used For Taxation Purposes

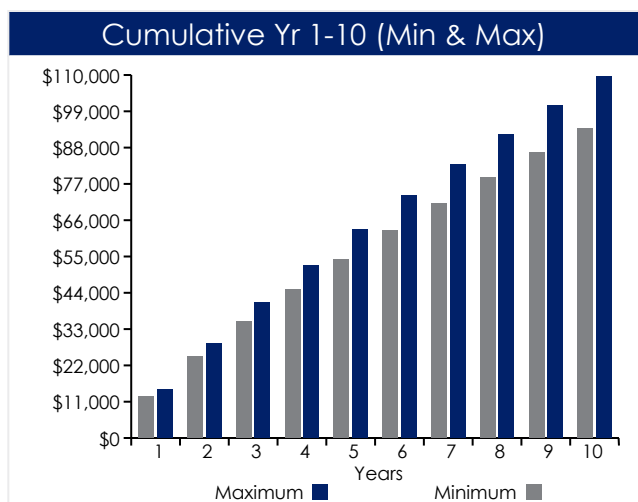
To discuss the contents of this report please contact Bradley Beer at BMT Tax Depreciation on 02 8265 5500

Estimate of Depreciation Claimable
Unit 2
Unit 1-3/7 Gallipoli Avenue, BLACKWALL NSW 2256
Purchase Price
\$740,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	6,879	7,716	14,595
2	6,377	7,716	14,093
3	4,710	7,716	12,426
4	3,551	7,716	11,267
5	3,112	7,716	10,828
6	2,490	7,716	10,206
7	1,828	7,716	9,544
8	1,376	7,716	9,092
9	1,053	7,716	8,769
10	983	7,716	8,699
11 +	3,849	231,501	235,350
Total	\$36,208	\$308,661	\$344,869



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,896	6,614	12,510
2	5,466	6,614	12,080
3	4,037	6,614	10,651
4	3,044	6,614	9,658
5	2,668	6,614	9,282
6	2,134	6,614	8,748
7	1,567	6,614	8,181
8	1,179	6,614	7,793
9	903	6,614	7,517
10	842	6,614	7,456
11 +	3,299	198,429	201,728
Total	\$31,035	\$264,569	\$295,604



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Estimate of Depreciation Claimable

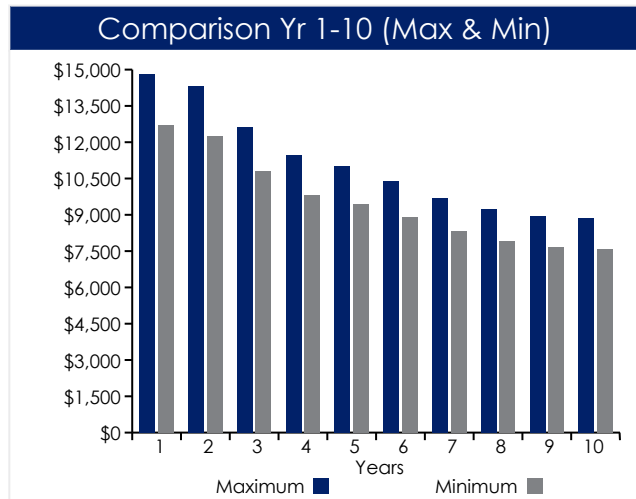
Unit 3

Unit 1-3/7 Gallipoli Avenue, BLACKWALL NSW 2256

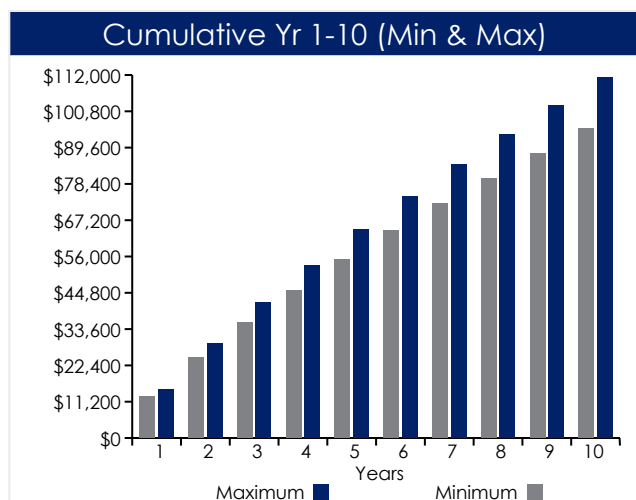
Purchase Price

\$750,000

Maximum			
Year	Plant & Equipment	Division 43	Total
1	6,960	7,856	14,816
2	6,442	7,856	14,298
3	4,764	7,856	12,620
4	3,595	7,856	11,451
5	3,148	7,856	11,004
6	2,520	7,856	10,376
7	1,852	7,856	9,708
8	1,398	7,856	9,254
9	1,071	7,856	8,927
10	1,001	7,856	8,857
11 +	3,932	235,665	239,597
Total	\$36,683	\$314,225	\$350,908



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,966	6,734	12,700
2	5,522	6,734	12,256
3	4,083	6,734	10,817
4	3,082	6,734	9,816
5	2,698	6,734	9,432
6	2,160	6,734	8,894
7	1,588	6,734	8,322
8	1,198	6,734	7,932
9	918	6,734	7,652
10	858	6,734	7,592
11 +	3,371	201,999	205,370
Total	\$31,444	\$269,339	\$300,783



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