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**Humby Property Consultants**  
Quantity Surveyors

## **Property Tax Allowances Schedule**

**For the Construction of**

**Lot 10 - Unit 2.03 The Observatory Resort William Street  
Port Macquarie NSW**

August 2004

File #: 20420

Prepared for:

**Thornet Pty Ltd**

## Contents

1.	Introduction	1
2.	Methodology	2
3.	Expenditure Analysed	5
4.	Diminishing Value Depreciation Schedule	6
5.	Prime Cost Depreciation Schedule	8
6.	Low-Value Pool Schedule	10
7.	Division 43 Capital Works Schedules	13
8.	Summary	16
9.	Reconciliation of Expenditure	17
10.	Ten Year Tax Allowance Flow	18
11.	Disclaimer	19
<b>Appendix</b>		
12.	Low-Value Pool Adjustments	20

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## Property Tax Allowances Schedules

### 1. Introduction

1. Property Tax Allowance Schedules have been prepared for the construction of the subject property following instructions from Jason DeVos on behalf of Thornet Pty Limited.
2. Humby Property Consultants have been engaged in our capacity as Quantity Surveyors as per TR 97/25 to provide independent analysis of the capital allowances available under the Income Tax Assessment Act 1997 (ITAA 1997).
3. As the owner acquired this property after 1 July 1997, this assessment is based on the Income Tax Assessment Act 1997 and the following allowances have been evaluated:
  - Capital allowances for expenditure on plant in accordance with Division 40 of ITAA 1997
  - Capital works deductions on structure and infrastructure in accordance with Division 43 of the ITAA 1997.
4. This report quantifies the capital allowances available to the taxpayer for the first 10 years of ownership. Information provided in this report will allow the taxpayer to complete the ATO requirements for claiming depreciation on property in terms of the annual adjustments to the low value pool.
5. Under Division 40 of the ITAA 1997 a taxpayer has to choose between the diminishing value method and the prime cost method of depreciating plant. This report provides schedules for both options and the Appendix provides the yearly adjustments to the low value pool for each option.
6. Having elected a method of depreciating plant, it is not possible to change methods through the ownership of the property.
7. Due to an ATO Interpretative Decision being published on the 30 October 2002 we have excluded distribution and switch gear, light fittings and signage from the schedule of depreciable plant and included them in the capital works schedule. Case law suggests that these items could be claimable as depreciable plant but we have not taken an aggressive approach on your behalf. Interpretative decisions are not law and are neither legally nor administratively binding on the Commissioner but they are indicative of the Commissioner's view on the interpretation of the law on particular issues.

## **2. Methodology**

1. This report is based on legislation in effect at the time the asset was acquired and the date this report was produced. The report is based on Humby Property Consultants interpretation of the ITAA 1997, tax cases and tax rulings and our understanding of the Commissioner of Taxation's intentions.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith.
3. The preparation of these schedules has been based on the following:
  - Date of commencement of construction: November 2002
  - Date of completion of construction: 13 May 2004
4. For the purpose of this report the property was inspected on 12 July 2004 and a detailed analysis was completed. The analysis included identification, measurement and establishment of use of plant and structure. This incorporated compiling a full photographic record of the property to substantiate the existence of the assets.
5. The construction cost of this asset is apportioned between the following categories:
  - Plant
  - Building Structure/Infrastructure
  - Non-Eligible Items
6. This report is based on the information available to us at the time of preparation and has been prepared on the understanding that all items of plant listed in the schedules are owned by the taxpayer. If there are any additions, disposals or changes in ownership of any items, please contact Mark Humby of this office.

# Humby Property Consultants

## Property Tax Allowances Schedules

### 2.1. Plant

1. The valuation of plant has been based on a reasonable attribution of the overall capital expenditure as provided for in Section 40-195 ITAA 1997.
2. The effective lives used in calculating depreciation rates are taken from TR 2000/18 and the subsequent Income Tax (Effective Life of Depreciating Assets) Amendment Determinations.
3. The depreciation rates adopted in these schedules are in accordance with the legislation in force at the time of acquisition.
4. As allowed for in the ITAA 1997, assets acquired after 1 July 2000 with a cost under \$1,000 can be included in a low-value pool to accelerate their depreciation. They are depreciated at a rate of 18.75% over the whole first year using the diminishing value method. In future years, these assets are depreciated at 37.5% under the diminishing value method. See Section 12 of this report for further explanation of the Low-value pool and how utilising it can further improve a taxpayers cashflow.
5. Our schedules are based on the understanding that the owner of the property is not a small business taxpayer.

## **2.2. Building Structure & Infrastructure**

1. Depending on the date the building commenced construction, a capital allowance deduction for building structure will be available under Division 43 of the ITAA 1997 for a maximum of 40 years after construction completion.
2. The allowances are calculated from the historical cost of construction having deducted non-qualifying expenditure, and notionally depreciating the qualifying expenditure to the date of settlement in accordance with Division 43 of the ITAA 1997.
3. The Division 43 Capital Works Deductions have been based on the actual historical construction cost as advised which has been tested for accuracy against our knowledge of historical costs.
4. The prime cost rates for deductions for capital works are 2.5% or 4% and are determined by the type of building and the date of commencement of the building works. For this property the following rates have been used:
  - 2.5% for building works as described in 43-25, 43-75, 43-90 and 43-140 of the Act and which commenced construction after 15 September 1987.
  - 2.5% for external works which qualify as structural improvements as described in Sections 43-20 and 43-140 of the Act, and which commenced construction after 26 February 1992.

## **2.3. Non-Eligible Expenditure**

1. Non-eligible expenditure includes the proportion of the construction price relating to:
  - Capital non-deductible items of expenditure including landscaping

### 3. Expenditure Analysed

1. This report is based on the following expenditure:

Construction cost	\$385,581
Stamp duty	Not Applicable
<b>Total Expenditure Analysed</b>	<u>\$385,581</u>

2. Historical construction cost has been advised for the entire complex. We have calculated the construction cost for this lot in the year the property was constructed as \$385,581 based on applying the lot entitlement to the construction cost of the entire development. The eligible Division 43 Deductions for capital works have been calculated from that total by excluding non-qualifying expenditure.
3. The lot entitlement for this lot is 1,837 out of 100,000.

**4. Diminishing Value Depreciation Schedule**

**Capital Expenditure incurred on depreciable plant  
for the construction of  
Lot 10 - Unit 2.03 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:  
**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Diminishing Value Depreciation Schedule for the Construction of

**Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW**

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Air-conditioning (excluding pipes, ductwork and vents) :</b>				
- Mini split systems (including ceiling, floor and high wall split systems)	3,921	15.00	77	3,844
<b>Carpets :</b>				
- Business places, hotels etc..	6,541	30.00	257	6,284
<b>Fire Control and Alarm Systems :</b>				
- Alarms, hoses and nozzles	1,712	7.50	17	1,695
<b>Hot Water Installation</b>				
	1,032	7.50	10	1,022
<b>Lifts and Elevators :</b>				
- Electric	7,499	9.00	89	7,410
<b>Security Systems and Equipment :</b>				
- Insert card access control system	1,741	22.50	51	1,690
<b>SUB TOTAL</b>	<b>\$ 22,446</b>		<b>\$ 501</b>	<b>21,945</b>
<b>LOW-VALUE POOL TOTAL</b>				
	9,456	18.75	1,773	7,683
<b>TOTAL</b>	<b>\$ 31,902</b>		<b>\$ 2,274</b>	<b>29,628</b>

**5. Prime Cost Depreciation Schedule**

**Capital Expenditure incurred on depreciable plant  
for the construction of  
Lot 10 - Unit 2.03 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:  
**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Prime Cost Depreciation Schedule for the Construction of

**Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW**

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 13-May-04 \$	Prime Cost Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Air-conditioning (excluding pipes, ductwork and vents) :</b>				
- Mini split systems (including ceiling, floor and high wall split systems)	3,921	10.00	51	3,870
<b>Carpets :</b>				
- Business places, hotels etc..	6,541	20.00	172	6,369
<b>Fire Control and Alarm Systems :</b>				
- Alarms, hoses and nozzles	1,712	5.00	11	1,701
<b>Hot Water Installation</b>	1,032	5.00	7	1,025
<b>Lifts and Elevators :</b>				
- Electric	7,499	6.00	59	7,440
<b>Security Systems and Equipment :</b>				
- Insert card access control system	1,741	15.00	34	1,707
<b>SUB TOTAL</b>	<b>\$ 22,446</b>		<b>\$ 334</b>	<b>22,112</b>
<b>LOW-VALUE POOL TOTAL</b>	9,456	18.75	1,773	7,683
<b>TOTAL</b>	<b>\$ 31,902</b>		<b>\$ 2,107</b>	<b>29,795</b>

**6. Low-Value Pool Schedule**

**Capital Expenditure incurred on depreciable plant  
for the construction of  
Lot 10 - Unit 2.03 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:  
**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Low-Value Pool Schedule for the Construction of

**Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW**

Low-Cost Asset Description	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Air-conditioning (excluding pipes, ductwork and vents) :</b>				
- Packaged air conditioning units to common property	200	18.75	38	163
<b>Automatic Entry System and Mechanical Door Closers</b>	547	18.75	103	444
<b>Blinds</b>	2,413	18.75	452	1,961
<b>Electrical Machinery and Equipment :</b>				
- Motors	44	18.75	8	36
<b>Fire Control and Alarm Systems :</b>				
- Alarms, hoses and nozzles	583	18.75	109	474
- Fire extinguishers	134	18.75	25	109
<b>Furniture and Fittings :</b>				
- Barbecue	17	18.75	3	14
- Door mats	39	18.75	7	32
- Furniture, counter fittings, shelving	185	18.75	35	150
<b>Gymnasium Equipment</b>	207	18.75	39	168
<b>Hot Water Installation</b>	115	18.75	22	93
<b>Kitchen Equipment :</b>				
- Dishwashers	834	18.75	156	678
- Exhaust and range hoods	159	18.75	30	129
- Microwave ovens	379	18.75	71	308
- Stoves	455	18.75	85	370
- Wall and other ovens	720	18.75	135	585
<b>Laundry Plant :</b>				
- Drying equipment	303	18.75	57	246
<b>Linoleum, Vinyl and Similar Floor Coverings</b>	<u>84</u>	18.75	<u>16</u>	<u>68</u>
Carried Forward	7,418		1,391	6,027

# Humby Property Consultants

## Property Tax Allowances Schedules

### Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW

Low-Cost Asset Description	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
Brought Forward	7,418		1,391	6,027
<b>Pumps</b>	585	18.75	110	475
<b>Sauna and Spa Equipment :</b>				
- Sauna	90	18.75	17	73
- Spa - filtration and heating assets only	70	18.75	13	57
<b>Security Systems and Equipment :</b>				
- Intercom access	272	18.75	51	221
<b>Sun Shades - PVC Membrane</b>	204	18.75	38	166
<b>Swimming Pools :</b>				
- Filtration equipment	130	18.75	24	106
- Heating equipment	83	18.75	16	67
<b>Ventilating Plant :</b>				
- Ventilation plant	604	18.75	113	491
<b>TOTAL</b>	<b>\$ 9,456</b>		<b>\$ 1,773</b>	<b>7,683</b>

**7. Division 43 Capital Works Schedule**

**Capital Expenditure incurred for the construction of  
Lot 10 - Unit 2.03 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:

**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Capital Works Schedule for the Construction of

Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW

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Qualifying Capital Expenditure Incurred on Eligible Capital Works  
in accordance with Division 43 of the ITAA 1997.

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Construction Dates	Total Historical Cost	Prime Cost Rate	Annual Claim	Opening Residual Value 13-May-04	Allowance for 48 Days	Closing Residual Value 30-Jun-04
Start - Completion	\$	%	\$	\$	\$	\$
<b>Eligible Capital Works:</b>						
1.) 1/11/02 - 13/5/04	339,140	2.50	8,479	339,140	1,112	338,028

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<b>TOTAL</b>	<b>\$</b>	<b>339,140</b>	<b>8,479</b>	<b>339,140</b>	<b>1,112</b>	<b>338,028</b>
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## Property Tax Allowances Schedules

### Structural Improvements Schedule for the Construction of

Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW

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Qualifying Capital Expenditure Incurred on Structural Improvements  
in accordance with Division 43 of the ITAA 1997.

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Construction Dates	Total Historical Cost	Prime Cost Rate	Annual Claim	Opening Residual Value 13-May-04	Allowance for 48 Days	Closing Residual Value 30-Jun-04
Start - Completion	\$	%	\$	\$	\$	\$
<b>Structural Improvements:</b>						
1.) 1/11/02 - 13/5/04	3,098	2.50	77	3,098	10	3,088

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<b>TOTAL</b>	<b>\$</b>	<b>3,098</b>	<b>77</b>	<b>3,098</b>	<b>10</b>	<b>3,088</b>
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## Property Tax Allowances Schedules

### 8. Summary

The figures outlined in the previous schedules are reconciled in Section 9 of this report. Section 10 indicates the allowances available on a yearly basis and is supported by the Appendix (Section 12) which provides the supporting information required to submit yearly Group Certificates to the ATO.

As Quantity Surveyors providing information on Property Tax Allowances we have prepared this report examining the capital costs relating to:

1. Plant as included in the construction contract between Thornet Pty Limited and the building contractors and are calculated in accordance with the Income Tax Assessment Act 1997, Division 40.
2. Capital works deductions calculated in accordance with the Income Tax Assessment Act 1997, Division 43.

It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.

### **HUMBY PROPERTY CONSULTANTS**

PO Box 381  
Newcastle NSW 2300  
Tel: 02 4942 4422

9 August 2004

## 9. Reconciliation of Expenditure

**Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW**

### 1. RECONCILIATION OF CAPITAL EXPENDITURE

Plant	\$31,902
Division 43 Capital Works	\$342,238
Non-eligible Expenditure *	\$11,441
<b>Total Expenditure Analysed</b>	<b><u>\$385,581</u></b>
<i>Percentage of Expenditure Attributable to Plant</i>	8.27%

### 2. SUMMARY OF DIVISION 43 CAPITAL WORKS

Buildings	- Original Cost	\$339,140
	- Opening Balance	\$339,140
Structural Improvements	- Original Cost	\$3,098
	- Opening Balance	\$3,098
Total Opening Balance		<b><u>\$342,238</u></b>

### 3. SUMMARY OF DIVISION 40 PLANT (DEPRECIATING ASSETS)

Opening Value of Plant in Low Value Pool	\$9,456
Remainder of Plant	\$22,446
Total Value of Plant	<b><u>\$31,902</u></b>

\* The Reconciliation of Expenditure at the top of this page includes a figure for the "Non Eligible Expenditure". This figure includes the proportion of the construction cost relating to capital non-deductible items of expenditure.

## 10. Tax Allowance Flow

Lot 10 - Unit 2.03 The Observatory Resort William Street Port Macquarie NSW

### ANNUAL ALLOWANCES

THE FOLLOWING SUMMARISES TAX DEDUCTIONS CLAIMABLE PER ANNUM

DIMINISHING VALUE METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	501	1,773	1,122	3,396
30 June 2005	3,713	2,881	8,556	15,150
30 June 2006	2,829	2,155	8,556	13,540
30 June 2007	2,230	1,347	8,556	12,133
30 June 2008	1,604	1,137	8,556	11,297
30 June 2009	1,170	1,045	8,556	10,771
30 June 2010	819	1,008	8,556	10,383
30 June 2011	458	907	8,556	9,921
30 June 2012	345	935	8,556	9,836
30 June 2013	314	585	8,556	9,455
Remaining Years	3,172	974	264,112	268,258
<b>TOTALS</b>	<b>17,155</b>	<b>14,747</b>	<b>342,238</b>	<b>374,140</b>

PRIME COST METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	334	1,773	1,122	3,229
30 June 2005	2,549	2,881	8,556	13,986
30 June 2006	2,549	1,801	8,556	12,906
30 June 2007	2,549	1,125	8,556	12,230
30 June 2008	2,549	703	8,556	11,808
30 June 2009	2,377	440	8,556	11,373
30 June 2010	1,240	275	8,556	10,071
30 June 2011	1,119	172	8,556	9,847
30 June 2012	979	107	8,556	9,642
30 June 2013	979	67	8,556	9,602
Remaining Years	5,222	112	264,112	269,446
<b>TOTALS</b>	<b>22,446</b>	<b>9,456</b>	<b>342,238</b>	<b>374,140</b>

## **11. Disclaimer**

1. It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith
3. These schedules have been prepared for the sole purpose of claiming property tax allowances and are not to be used for any other purpose.
4. These schedules are confidential to the owners of the premises, the future owner and essential parties dealing with a claim.
5. Humby Property Consultants does not accept any contractual, tortious or other form of liability for any consequences, loss or damage which may arise as a result of any other person acting upon or using this valuation.

## **12. Annual Adjustments to Low-Value Pool**

1. A low-value pool contains both low-value depreciating assets (plant) and low-cost depreciating assets (plant) and is a means of depreciating assets at an accelerated rate.
2. Low-cost assets are assets which when acquired have a total cost of less than \$1,000. In the year of acquisition, a low-cost item is depreciated at 18.75% on the diminishing value basis. This rate, applicable for the first year only, is an averaging tool which negates the need for expenditure on these items to be apportioned over the number of days owned in that year. From the second year onwards the full rate of 37.5% will apply. The pool is always depreciated on a diminishing value basis.
3. Low-value assets are assets whose opening adjustable values (written down values) in a given tax year fall below \$1,000 when calculated on the diminishing value basis. From that year onwards, the taxpayer can put the assets into the low-value pool and it will be depreciated at 37.5% on the diminishing value basis from then on. Note that assets depreciated using the Prime Cost method cannot be put into the low-value pool when their written down value falls below \$1,000.
4. To meet the reporting needs of the taxpayer to the Australian Taxation Office (ATO) in the year of acquisition this report has identified the Low-cost items that form the opening balance of the low-value pool.
5. To meet the reporting needs of the taxpayer to the ATO in subsequent years (years 2 to 10) Appendices A and B identify the adjustments to the Low-value pool if either the diminishing value or prime cost method respectively is elected.
6. Note that the Tax Allowance Flow at Section 10 of this report includes for the adjustments made to the respective low value pools.

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix A

#### DIMINISHING VALUE LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	7,683	37.50	2,881	4,802
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 7,683</b>		<b>\$ 2,881</b>	<b>4,802</b>
<b>Year 3:</b>				
Opening Balance	4,802	37.50	1,801	3,001
Total New Low Value Pool Items	945	37.50	354	591
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 5,747</b>		<b>\$ 2,155</b>	<b>3,592</b>
<b>Year 4:</b>				
Opening Balance	3,592	37.50	1,347	2,245
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,592</b>		<b>\$ 1,347</b>	<b>2,245</b>
<b>Year 5:</b>				
Opening Balance	2,245	37.50	842	1,403
Total New Low Value Pool Items	786	37.50	295	492
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,031</b>		<b>\$ 1,137</b>	<b>1,895</b>
<b>Year 6:</b>				
Opening Balance	1,895	37.50	710	1,184
Total New Low Value Pool Items	892	37.50	334	557
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,787</b>		<b>\$ 1,045</b>	<b>1,742</b>
<b>Year 7:</b>				
Opening Balance	1,742	37.50	653	1,089
Total New Low Value Pool Items	947	37.50	355	592
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,689</b>		<b>\$ 1,008</b>	<b>1,681</b>
<b>Year 8:</b>				
Opening Balance	1,681	37.50	630	1,050
Total New Low Value Pool Items	739	37.50	277	462
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,420</b>		<b>\$ 907</b>	<b>1,512</b>
<b>Year 9:</b>				
Opening Balance	1,512	37.50	567	945
Total New Low Value Pool Items	982	37.50	368	614
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,495</b>		<b>\$ 935</b>	<b>1,559</b>
<b>Year 10:</b>				
Opening Balance	1,559	37.50	585	974
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,559</b>		<b>\$ 585</b>	<b>974</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix B

#### PRIME COST LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	7,683	37.50	2,881	4,802
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 7,683</b>		<b>\$ 2,881</b>	<b>4,802</b>
<b>Year 3:</b>				
Opening Balance	4,802	37.50	1,801	3,001
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 4,802</b>		<b>\$ 1,801</b>	<b>3,001</b>
<b>Year 4:</b>				
Opening Balance	3,001	37.50	1,125	1,876
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,001</b>		<b>\$ 1,125</b>	<b>1,876</b>
<b>Year 5:</b>				
Opening Balance	1,876	37.50	703	1,172
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,876</b>		<b>\$ 703</b>	<b>1,172</b>
<b>Year 6:</b>				
Opening Balance	1,172	37.50	440	733
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,172</b>		<b>\$ 440</b>	<b>733</b>
<b>Year 7:</b>				
Opening Balance	733	37.50	275	458
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 733</b>		<b>\$ 275</b>	<b>458</b>
<b>Year 8:</b>				
Opening Balance	458	37.50	172	286
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 458</b>		<b>\$ 172</b>	<b>286</b>
<b>Year 9:</b>				
Opening Balance	286	37.50	107	179
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 286</b>		<b>\$ 107</b>	<b>179</b>
<b>Year 10:</b>				
Opening Balance	179	37.50	67	112
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 179</b>		<b>\$ 67</b>	<b>112</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

# HPC



**Humby Property Consultants**

Quantity Surveyors

**Tax Depreciation Allowances Schedule  
For the Acquisition of  
Type A Furniture Package in Lot 10 The Observatory  
Resort**

August 2004

File #: 20420.010 Furniture

Prepared for:

**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Contents

1.	Introduction	1
2.	Methodology	2
3.	Diminishing Value Depreciation Schedule	3
4.	Prime Cost Depreciation Schedule	5
5.	Low-Value Pool Schedule	7
6.	Summary	9
7.	Ten Year Tax Allowance Flow	10
8.	Disclaimer	11

### Appendix

9.	Low-Value Pool Adjustments	12
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# Humby Property Consultants

## Property Tax Allowances Schedules

### 1. Introduction

1. Tax Depreciation Allowance Schedules have been prepared for the acquisition of the subject furniture package following instructions from Jason DeVos on behalf of Thornet Pty Limited.
2. Humby Property Consultants have been engaged in our capacity as Quantity Surveyors as per TR 97/25 to provide independent analysis of the capital allowances available under the Income Tax Assessment Act 1997 (ITAA 1997).
3. As the owner acquired this property after 1 July 1997, this assessment is based on the Income Tax Assessment Act 1997 and the following allowances have been evaluated:
  - Capital allowances for expenditure on plant in accordance with Division 40 of ITAA 1997
4. This report quantifies the capital allowances available to the taxpayer for the first 10 years of ownership. Information provided in this report will allow the taxpayer to complete the ATO requirements for claiming depreciation on property in terms of the annual adjustments to the low value pool.
5. Under Division 40 of the ITAA 1997 a taxpayer has to choose between the diminishing value method and the prime cost method of depreciating plant. This report provides schedules for both options and the Appendix provides the yearly adjustments to the low value pool for each option.
6. Having elected a method of depreciating plant, it is not possible to change methods through the ownership of the property.

## **2. Methodology**

1. This report is based on legislation in effect at the time the asset was acquired and the date this report was produced. The report is based on Humby Property Consultants interpretation of the ITAA 1997, tax cases and tax rulings and our understanding of the Commissioner of Taxation's intentions.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith.
3. The preparation of these schedules has been based on the following:
  - Date the furniture package was installed ready for use: 13 May 2004
  - The value of the furniture package (advised by supplier): \$25,650
4. For the purpose of this report the property was inspected on 12 July 2004 and a detailed analysis was completed. The analysis included identification, measurement and establishment of use of furniture. This incorporated compiling a full photographic record of the property to substantiate the existence of the assets.
5. This report is based on the information available to us at the time of preparation and has been prepared on the understanding that all items of plant listed in the schedules are owned by the taxpayer. If there are any additions, disposals or changes in ownership of any items, please contact Mark Humby of this office.

### **2.1. Plant**

1. The valuation of plant has been based on a reasonable attribution of the overall capital expenditure as provided for in Section 40-195 ITAA 1997.
2. The effective lives used in calculating depreciation rates are taken from TR 2000/18 and the subsequent Income Tax (Effective Life of Depreciating Assets) Amendment Determinations.
3. The depreciation rates adopted in these schedules are in accordance with the legislation in force at the time of acquisition.
4. As allowed for in the ITAA 1997, assets acquired after 1 July 2000 with a cost under \$1,000 can be included in a low-value pool to accelerate their depreciation. They are depreciated at a rate of 18.75% over the whole first year using the diminishing value method. In future years, these assets are depreciated at 37.5% under the diminishing value method. See Section 12 of this report for further explanation of the Low-value pool and how utilising it can further improve a taxpayers cashflow.
5. Our schedules are based on the understanding that the owner of the property is not a small business taxpayer.

**3. Diminishing Value Depreciation Schedule**

**Expenditure incurred on depreciable plant  
for the acquisition of  
Type A Furniture Package in Lot 10 The Observatory  
Resort**

Prepared for:  
**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Diminishing Value Depreciation Schedule for the Acquisition of Type A Furniture Package in Lot 10 The Observatory Resort William Street Port Macquarie NSW

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Audio Visual Equipment :</b>				
- Home theatre pack	1,100	22.50	32	1,068
<b>Furniture and Fittings :</b>				
- Bedding & Linen	3,400	11.25	50	3,350
- Furniture, counter fittings, shelving	2,500	11.25	37	2,463
SUB TOTAL	\$ 7,000		\$ 119	6,881
<b>LOW-VALUE POOL TOTAL</b>	18,650	18.75	3,497	15,153
<b>TOTAL</b>	<b>\$ 25,650</b>		<b>\$ 3,616</b>	<b>22,034</b>

**4. Prime Cost Depreciation Schedule**

**Expenditure incurred on depreciable plant  
for the acquisition of  
Type A Furniture Package in Lot 10 The Observatory  
Resort**

Prepared for:  
**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Prime Cost Depreciation Schedule for the Acquisition of

#### Type A Furniture Package in Lot 10 The Observatory Resort William Street Port Macquarie NSW

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 13-May-04 \$	Prime Cost Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Audio Visual Equipment :</b>				
- Home theatre pack	1,100	15.00	22	1,078
<b>Furniture and Fittings :</b>				
- Bedding & Linen	3,400	7.50	33	3,367
- Furniture, counter fittings, shelving	2,500	7.50	25	2,475
SUB TOTAL	\$ <u>7,000</u>	\$	<u>80</u>	<u>6,920</u>
<b>LOW-VALUE POOL TOTAL</b>	18,650	18.75	3,497	15,153
<b>TOTAL</b>	\$ <u><u>25,650</u></u>	\$	<u><u>3,577</u></u>	<u><u>22,073</u></u>

**5. Low-Value Pool Schedule**

**Expenditure incurred on depreciable plant  
for the acquisition of  
Type A Furniture Package in Lot 10 The Observatory  
Resort**

Prepared for:  
**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Low-Value Pool Schedule for the Acquisition of

#### Type A Furniture Package in Lot 10 The Observatory Resort William Street Port Macquarie NSW

Low-Cost Asset Description	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Electrical Machinery and Equipment :</b>				
- Miscellaneous items of electrical equipment	145	18.75	27	118
<b>Furniture and Fittings :</b>				
- Bedding & Linen	3,043	18.75	571	2,472
- Furniture, counter fittings, shelving	9,715	18.75	1,822	7,893
<b>Kitchen Equipment :</b>				
- Cutlery, crockery and utensils	1,852	18.75	347	1,505
- Refrigerators - residential	1,250	18.75	234	1,016
<b>Laundry Plant :</b>				
- General	140	18.75	26	114
- Irons and ironing boards	205	18.75	38	167
- Washing machines	850	18.75	159	691
<b>Television Receivers</b>	1,450	18.75	272	1,178
<b>TOTAL</b>	<b>\$ 18,650</b>		<b>\$ 3,497</b>	<b>15,153</b>

## **6. Summary**

The following section indicates the allowances available on a yearly basis and is supported by the Appendix (Section 9) which provides the supporting information required to submit yearly Group Certificates to the ATO.

As Quantity Surveyors providing information on Tax Depreciation Allowances we have prepared this report examining the costs relating to:

1. Plant as included in the acquisition of the furniture package by Thornet Pty Limited in accordance with the Income Tax Assessment Act 1997, Division 40.

It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.

### **HUMBY PROPERTY CONSULTANTS**

PO Box 381  
Newcastle NSW 2300  
Tel: 02 4942 4422

9 August 2004

# Humby Property Consultants

## Property Tax Allowances Schedules

### 7. Tax Allowance Flow

Type A Furniture Package in Lot 10 The Observatory Resort  
William Street Port Macquarie NSW

#### ANNUAL ALLOWANCES

THE FOLLOWING SUMMARISES TAX DEDUCTIONS CLAIMABLE PER ANNUM

DIMINISHING VALUE METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	119	3,497	0	3,616
30 June 2005	894	5,682	0	6,576
30 June 2006	271	4,895	0	5,166
30 June 2007	240	3,059	0	3,299
30 June 2008	0	2,622	0	2,622
30 June 2009	0	1,639	0	1,639
30 June 2010	0	1,024	0	1,024
30 June 2011	0	640	0	640
30 June 2012	0	400	0	400
30 June 2013	0	250	0	250
Remaining Years	1	417	0	418
<b>TOTALS</b>	<b>1,525</b>	<b>24,125</b>	<b>0</b>	<b>25,650</b>

PRIME COST METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	80	3,497	0	3,577
30 June 2005	608	5,682	0	6,290
30 June 2006	608	3,552	0	4,160
30 June 2007	608	2,220	0	2,828
30 June 2008	608	1,387	0	1,995
30 June 2009	608	867	0	1,475
30 June 2010	608	542	0	1,150
30 June 2011	531	339	0	870
30 June 2012	443	212	0	655
30 June 2013	443	132	0	575
Remaining Years	1,855	220	0	2,075
<b>TOTALS</b>	<b>7,000</b>	<b>18,650</b>	<b>0</b>	<b>25,650</b>

**8. Disclaimer**

1. It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith
3. These schedules have been prepared for the sole purpose of claiming tax depreciation allowances and are not to be used for any other purpose.
4. These schedules are confidential to the owners of the premises, the future owner and essential parties dealing with a claim.
5. Humby Property Consultants does not accept any contractual, tortious or other form of liability for any consequences, loss or damage which may arise as a result of any other person acting upon or using this valuation.

## **9. Annual Adjustments to Low-Value Pool**

1. A low-value pool contains both low-value depreciating assets (plant) and low-cost depreciating assets (plant) and is a means of depreciating assets at an accelerated rate.
2. Low-cost assets are assets which when acquired have a total cost of less than \$1,000. In the year of acquisition, a low-cost item is depreciated at 18.75% on the diminishing value basis. This rate, applicable for the first year only, is an averaging tool which negates the need for expenditure on these items to be apportioned over the number of days owned in that year. From the second year onwards the full rate of 37.5% will apply. The pool is always depreciated on a diminishing value basis.
3. Low-value assets are assets whose opening adjustable values (written down values) in a given tax year fall below \$1,000 when calculated on the diminishing value basis. From that year onwards, the taxpayer can put the assets into the low-value pool and it will be depreciated at 37.5% on the diminishing value basis from then on. Note that assets depreciated using the Prime Cost method cannot be put into the low-value pool when their written down value falls below \$1,000.
4. To meet the reporting needs of the taxpayer to the Australian Taxation Office (ATO) in the year of acquisition this report has identified the Low-cost items that form the opening balance of the low-value pool.
5. To meet the reporting needs of the taxpayer to the ATO in subsequent years (years 2 to 10) Appendices A and B identify the adjustments to the Low-value pool if either the diminishing value or prime cost method respectively is elected.
6. Note that the Tax Allowance Flow at Section 10 of this report includes for the adjustments made to the respective low value pools.

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix A

#### DIMINISHING VALUE LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	15,153	37.50	5,682	9,471
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 15,153</b>		<b>\$ 5,682</b>	<b>9,471</b>
<b>Year 3:</b>				
Opening Balance	9,471	37.50	3,552	5,919
Total New Low Value Pool Items	3,582	37.50	1,343	2,239
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 13,052</b>		<b>\$ 4,895</b>	<b>8,158</b>
<b>Year 4:</b>				
Opening Balance	8,158	37.50	3,059	5,099
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 8,158</b>		<b>\$ 3,059</b>	<b>5,099</b>
<b>Year 5:</b>				
Opening Balance	5,099	37.50	1,912	3,187
Total New Low Value Pool Items	1,894	37.50	710	1,184
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 6,993</b>		<b>\$ 2,622</b>	<b>4,370</b>
<b>Year 6:</b>				
Opening Balance	4,370	37.50	1,639	2,731
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 4,370</b>		<b>\$ 1,639</b>	<b>2,731</b>
<b>Year 7:</b>				
Opening Balance	2,731	37.50	1,024	1,707
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,731</b>		<b>\$ 1,024</b>	<b>1,707</b>
<b>Year 8:</b>				
Opening Balance	1,707	37.50	640	1,067
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,707</b>		<b>\$ 640</b>	<b>1,067</b>
<b>Year 9:</b>				
Opening Balance	1,067	37.50	400	667
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,067</b>		<b>\$ 400</b>	<b>667</b>
<b>Year 10:</b>				
Opening Balance	667	37.50	250	417
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 667</b>		<b>\$ 250</b>	<b>417</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix B

#### PRIME COST LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	15,153	37.50	5,682	9,471
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 15,153</b>		<b>\$ 5,682</b>	<b>9,471</b>
<b>Year 3:</b>				
Opening Balance	9,471	37.50	3,552	5,919
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 9,471</b>		<b>\$ 3,552</b>	<b>5,919</b>
<b>Year 4:</b>				
Opening Balance	5,919	37.50	2,220	3,699
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 5,919</b>		<b>\$ 2,220</b>	<b>3,699</b>
<b>Year 5:</b>				
Opening Balance	3,699	37.50	1,387	2,312
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,699</b>		<b>\$ 1,387</b>	<b>2,312</b>
<b>Year 6:</b>				
Opening Balance	2,312	37.50	867	1,445
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,312</b>		<b>\$ 867</b>	<b>1,445</b>
<b>Year 7:</b>				
Opening Balance	1,445	37.50	542	903
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,445</b>		<b>\$ 542</b>	<b>903</b>
<b>Year 8:</b>				
Opening Balance	903	37.50	339	564
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 903</b>		<b>\$ 339</b>	<b>564</b>
<b>Year 9:</b>				
Opening Balance	564	37.50	212	353
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 564</b>		<b>\$ 212</b>	<b>353</b>
<b>Year 10:</b>				
Opening Balance	353	37.50	132	221
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 353</b>		<b>\$ 132</b>	<b>221</b>

# Humby Property Consultants

## Property Tax Allowances Schedules