



**Indicative
Tax Depreciation Proposal**

Ref: QCOM2481001

**Property: Byron on Byron
77-97 Broken Head Road, Suffolk Park NSW**

Date 13th August 2019

CONTACT DETAILS

COMPANY DETAILS	
Company Name	Koste Pty Ltd
Postal Address (Head Office)	12/133 Mary Street Brisbane QLD 4000
Office Number	1300 669 400
Office Email	order@koste.com.au

CONTACT DETAILS	
Surveyors Name	Mark Kilroy
Tax Agent Number	24670523
Contact Number	07 3106 4749
Email	mark@koste.com.au



Via Email

13th August 2019

Re: Indicative Tax Depreciation Proposal

Dear Neil,

Congratulations on the recent purchase of Byron on Bryon to the Crystalbrook portfolio. Koste have prepared an estimate of depreciation deductions that may be available to the tax paying entity as a result of the recent purchase of 77-97 Broken Head Road, Suffolk Park NSW.

The estimate of capital allowances or depreciation deductions contained in the Schedule – Depreciation Estimate (“Estimate”) below has been based upon preliminary information available to us, but has not been independently verified. The Estimate that has been prepared is general in nature, using our understanding of similar assets, adopting our interpretation of the Income Tax Assessment Act 1997, applicable tax rulings and court cases.

For the purposes of this estimate, we have assumed that the tax paying entity is eligible to claim depreciation deductions and that there are no restrictive clauses in the contract of sale of the Property affecting the revaluation of the depreciating assets.

This is an estimate only and cannot be used for tax purposes and also subject to any terms and conditions annexed. We will not assume or accept any liability or loss should you rely on this estimate for any purpose whatsoever. For information on depreciation, this estimate or having a detailed depreciation schedule prepared please contact Mark Kilroy on +61 07 3106 4749.

Yours Sincerely

Koste Pty Ltd

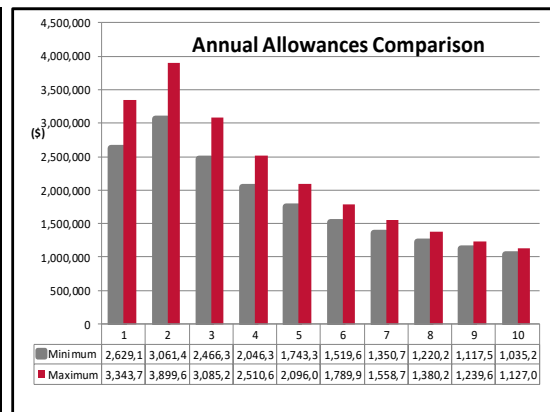
Koste Pty Ltd
Tax Depreciation Quantity Surveyors

DEPRECIATION ESTIMATE

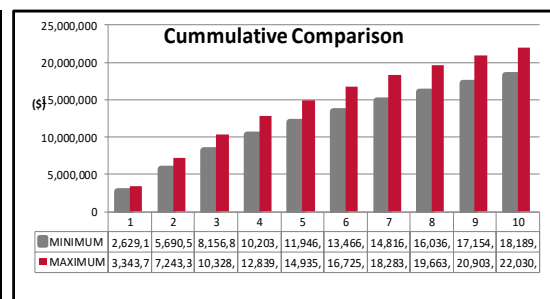
Estimate Of Capital Allowances Claimable 77-97 Broken Head Road, Suffolk Park NSW 2481

Tax Depreciation estimate of the minimum and maximum capital allowances claimable using a diminishing value method based on the purchase price of \$41,750,000

Tax Period Year	Division 40 Depreciating Assets	Division 40 Low Value Pool	Division 43 Capital Works Deductions	Annual Totals
	\$	\$	\$	\$
Year 1 - 320 Days	1,528,000	606,300	494,800	2,629,100
2	1,511,800	985,200	564,400	3,061,400
3	1,286,100	615,800	564,400	2,466,300
4	1,097,100	384,800	564,400	2,046,300
5	938,400	240,500	564,400	1,743,300
6	804,900	150,300	564,400	1,519,600
7	692,300	94,000	564,400	1,350,700
8	597,100	58,700	564,400	1,220,200
9	516,400	36,700	564,400	1,117,500
10	447,900	22,900	564,400	1,035,200
11+	3,513,900	38,200	1,198,000	4,750,100
TOTALS	12,933,900	3,233,400	6,772,400	22,939,700



Tax Period Year	Division 40 Depreciating Assets	Division 40 Low Value Pool	Division 43 Capital Works Deductions	Annual Totals
	\$	\$	\$	\$
Year 1 - 320 Days	2,090,900	829,600	423,200	3,343,700
2	2,068,700	1,348,200	482,700	3,899,600
3	1,759,900	842,600	482,700	3,085,200
4	1,501,300	526,600	482,700	2,510,600
5	1,284,200	329,100	482,700	2,096,000
6	1,101,500	205,700	482,700	1,789,900
7	947,400	128,600	482,700	1,558,700
8	817,100	80,400	482,700	1,380,200
9	706,700	50,200	482,700	1,239,600
10	612,900	31,400	482,700	1,127,000
11+	4,808,500	52,300	1,024,400	5,885,200
TOTALS	17,699,100	4,424,700	5,791,900	27,915,700



These figures should not be used for tax return purposes. These indicative figures will vary according to developer's particular circumstances. Specific advice should be sought in relation to these estimates before using them in any way. Division 43 deductions are calculated on the prime cost method in accordance with legislative requirements. Depreciation deductions have been calculated adopting effective life rates in accordance with TR 2013/4.

For further information contact Mark Kilroy at Koste on 1300 669 400

DEPRECIATION SCHEDULE

Property investors use depreciation as non-cash expense to improve the after tax cash flow of the investment. Depreciation reflects the deterioration of an asset, with the annual depreciation amount used to offset the tax paying entities (building owner's) assessable income.

The total Depreciation claimable on an income producing property is the total claim for the Capital Allowances (Div 40 – ITAA 1997 Depreciating Assets – Plant & Equipment) and the Capital Works (Div 43 – ITAA 1997 43).

In the course of preparing signed schedules of depreciation we would carry out the following:

- Inspection of the subject property, including photographic evidence.
- Independent assessment of depreciating assets, including the opening value will be based upon a reasonable attribution of cost to the asset (40-195 ITAA 1997). The effective lives will be based on commissioner's rates as outlined in the relevant tax ruling at first use/ ownership.
- In the event that the commissioner's effective lives do not cover the asset, we will self-assess the effective lives of the asset, and these assets will be identified within our assessment (40- 105 ITAA 1997).
- Provision of an itemised breakup of the depreciating assets.
- Investigation and estimating of the eligible Division 43 Allowance
- A forty (40) year tax flow summary of depreciating assets and Division 43 deductions.
- Retain necessary documents as required by the Australian Tax Office (ATO).

THE NEXT STEP

Now you have received your indicative Tax Depreciation Estimate, you will be aware of the potential tax benefits and savings on this investment property. Koste provide a highly competitive fee, to carry out an ATO compliant Tax Depreciation Report including a site inspection. We have provided details of our fee below, if you are looking to proceed please complete and return as soon as possible to book in your site inspection.

Our Fee

We provide you with a fixed fee to carry out the services as detailed in the following table:

Services	Service \$	GST (\$)	Total Incl GST (\$)
Purchase Depreciation Schedule 77-97 Broken Head Rd, NSW 2481	\$9,600	\$960	\$10,560
Asset Register	\$3,500	350	\$3,850
Annual Updates (CAPEX and Writeoffs) TBC	TBC	TBC	TBC
Total Fee	\$4,800	\$480	\$14,410

In most circumstances Koste fixed fee is inclusive of expenses including travel. Any additional advice or consultation provided beyond the scope of this fee proposal will require your written request and will incur an additional fee at the hourly rate specified below, unless otherwise agreed in writing.

- Director \$200+ GST Per Hour
- Quantity Surveyor \$150 + GST Per Hour


ACKNOWLEDGEMENT OF TERMS

Please complete, sign, and return this as your Instruction and Acknowledgement to proceed.

Billing Party (Name in Full)	GAG Byron on Byron Property Company Pty Ltd		
Billing Party Address	Surry Hills House, Level 2, 10 -14 Waterloo St, Surry Hills		
Address Report to be Sent	As Above		
Name	Neil Patmore	Position	CFO
Email	neil.patmore@crystalbrookcollection.com	Telephone	0400 732 975

Our Terms & Conditions Acceptance

We confirm that we have read and understand the Terms and Conditions set out in the following section, and acknowledge our acceptance of these Terms and Conditions by signing and dating below:

Signature		Date	22nd August 2019
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TERMS & CONDITIONS

The conditions set out in this Attachment are to be read in conjunction with the Terms of Engagement provided by Koste Pty Ltd which confirms the scope of consultancy services, the personnel providing those Services and Koste Pty Ltd charges for those Services.

Instructing Party's Obligation to Assist

The Instructing Party agrees to provide all reasonable assistance to Koste Pty Ltd to complete this instruction including all relevant documents and/or information the Instructing Party knows or ought to reasonably to know will so assist Koste Pty Ltd, at its own cost and in a timely fashion, including but not limited to:

- all information which Koste Pty Ltd requests from time to time for the performance of the Services;
- Reasonable access to the property/properties and to the Instructing Party's premises (if relevant) for the purpose of providing the Services.

Fees and Disbursements

All disbursements, including travelling and other reasonable expenses incurred by Koste Pty Ltd in the provision of the Services are fully recoverable from the Instructing Party as and when incurred.

All invoices are payable within 7 days of the date of invoice, unless otherwise stated in the Terms of Engagement. A late payment fee of 2% per month (or part thereof) for any overdue amount may be charged by Koste Pty Ltd.

All legal and debt recovery costs which Koste Pty Ltd may incur in recovering overdue account balances from the Instructing Party shall be fully recoverable from the Instructing Party as and when incurred.

Suspension of Services

Koste Pty Ltd has the right to suspend its engagement where the Instructing Party fails to pay any invoiced fees and disbursements within the required time frame, by giving the Instructing Party seven days' notice in writing. Should the engagement be suspended by Koste Pty Ltd, all obligations Koste Pty Ltd to the Instructing Party cease to exist and, furthermore, all intellectual property that the Koste Pty Ltd receives from the Instructing Party prior to the engagement being suspended becomes the property of Koste Pty Ltd and, unless otherwise agreed, Koste Pty Ltd shall be free to use this information and value the property for any other party.

Limitation of Liability

Koste Pty Ltd accepts no responsibility or liability whatsoever for the Services unless full disclosure of all information likely to affect the valuation has been made.

Conditions, warranties or other rights for the Instructing Party's benefit may be implied or given in respect of these terms and conditions by the Trade Practices Act 1974, the Fair Trading Act 1986 (NZ) (as relevant) or other laws. Where it is not lawful or possible to exclude them, then those conditions, warranties or other laws apply but only to the extent required by law.

All other implied conditions, warranties and rights together with any implied by custom or other circumstances are excluded.

Koste Pty Ltd limits its liability for breach of any implied condition, warranty or right to the extent allowed by law. Subject to the qualifications in section 68A of the Trade Practices Act or in other laws, Koste Pty Ltd's liability for any breach of any such implied condition, warranty or right is limited in the case of services supplied to one of the following as Koste Pty Ltd may determine:

- the supplying of the Services again; or
- the payment of the cost of having the Services supplied again.

Subject to the provisions of this clause and despite any implication arising from any other clauses of this agreement, Koste Pty Ltd is not liable in contract or in tort for or in respect of any direct or indirect loss or damage suffered by the Instructing Party or any other person arising out of any breach or other act or omission in connection with its engagement.

Indirect loss includes, without limitation, any financial loss or expense including where caused by loss of use or of goodwill, loss of data or delay in the performance of any obligation together with any expense incurred in connection with that loss or in litigation or attempted litigation of that loss.

Return of Document

Koste Pty Ltd reserves the right to retain possession of all papers and documents owned by the Instructing Party until all outstanding amounts payable by the Instructing Party have been received.

Once the Services provided to the Instructing Party have been finalised and all outstanding invoices have been paid, Koste Pty Ltd will return documents owned by the

Electronic Communication

If the Instructing Party asks Koste Pty Ltd to send any documents by email, the Instructing Party will be deemed to have accepted the risk of (and Koste Pty Ltd will have no responsibility for) the message being intercepted, not being received or not being viewed by the recipient.

If the Instructing Party asks Koste Pty Ltd to provide the Instructing Party with a copy of a document by email or disk, Koste Pty Ltd will do so on the basis that Koste Pty Ltd does not warrant that the disk or email communication will be virus or defect free and on the basis that:

- Koste Pty Ltd will not be responsible for any loss or damage sustained by the computer system which reads the disk or email; and
- Precautions will be taken by the Instructing Party to ensure that the disk or email does not cause any loss or damage.

Copyright

Copyright in any written work, drawing, compilation, table, graph and similar works created by or on behalf of Koste Pty Ltd remains with Koste Pty Ltd.

Variation

The engagement conditions can only be varied by agreement and in writing by the Instructing Party and Koste Pty Ltd.

Privacy Act

Any personal information collected and held by Koste Pty Ltd in the course of providing the Services will only be used for purposes relating to the provision of Services. More information about the manner in which Koste Pty Ltd handles personal information is described in its privacy policy.

Entirety of Terms of Engagement

The Engagement Letter in terms of engagement, subject to any qualifications, conditions, assumptions, and reservations set out in any report or opinion furnished to you:

- Constitutes the entire understanding and agreement of the parties relating to the matters dealt within in;
- Supersedes and extinguishes all prior agreements, statements, representations and understandings whether verbal or written between us relating to the matters dealt with in this Engagement Letter; and

May be varied at any time by mutual agreement in writing.