



Harcourts Busselton
29 Queen Street, Busselton, WA 6280
T: 08 9752 4555 F: 08 9752 4524
E: busselton@harcourts.com.au
W: www.busselton.harcourts.com.au

LAUNCESTON OFFICE
PO Box 62 LAUNCESTON TAS 7250
T: (03) 6334 5076 F: 1300 776 329
E: admin@realpropertymatters.com.au
Job Reference: LAUNCESTON 1075

40 Year Schedule of Depreciation and Capital Allowances



Property Address: 66 Carlton Street New Town TAS 2042

Report requested by: Miss Real Demonstration

Report Creation Date: 19-Jun-2009

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Introduction

Welcome to Real Property Matters (Australia) Pty Ltd. Thank you for the opportunity to provide you with a schedule of depreciation and capital allowance for your property located at 66 Carlton Street New Town TAS 2042.

This report provides an independent analysis of the capital allowances available under the Income Tax Assessment Act 1997 (ITAA 1997).

Please be aware that it has been prepared on the understanding that:

- you are the owner of the property;
- all items listed in the schedules are owned by you;
- the property is used for income generating purposes;
- you are not a small business taxpayer

Basis of Report

The purpose of this report is to provide an independent analysis of the value of capital expenditure relating to the subject property in accordance with the Income Tax Assessment Act 1997, as instructed by Miss Real Demonstration.

Where construction costs are unknown, Real Property Matters (Australia) Pty Ltd are permitted in accordance with Income Tax Ruling 97/25 to provide estimates of original construction costs for the purposes of claiming depreciation and the construction write-off allowance.

Our estimates also allow for builder's preliminaries and fees.

The following items are not deemed to be part of the construction costs and therefore have been excluded from our estimate;

- Land acquisition
- Building works commenced prior to 18 July 1985
- Structural improvement works commenced prior to 27 February 1992
- Legal Fees
- Authorities' headwork's charges
- Stamp Duty
- Site preparation prior to carrying out detailed excavation
- Demolition of existing structures, etc. on the site
- Soft Landscaping

In addition our reports do not allow for loose furnishings, with the exception of white goods, i.e. washing machines and clothes dryers.

Property Information

Property details are as follows:

Address:	66 Carlton Street New Town TAS 2042.
Purchase price:	\$640,000
Settlement date:	1-Jun-2007
Tenancy date:	1-Jul-2007
Construction date:	1-May-2007
This property was inspected by RPM on:	18-Jan-2008

Calculations

Division 43 Capital Works Allowance – Building

Division 43 Capital Works Allowances are calculated in the following manner:

- Periodic rates of depreciation have been established by the Australian Taxation Office. The rates are set at either 4% or 2.5% and give an annual deduction based on original construction cost.
- The rates apply to the date of construction and the intended purpose of the building, and are constant over the effective life of the building.
- Where construction costs are unknown, the ATO allows Quantity Surveyors to calculate historic construction costs (tax ruling 97/25). An estimate based on the original building specifications is sometimes required.
- Any renovations carried out by previous owners of the property can be depreciated, providing they qualify under the relevant dates as specified by the ATO. Real Property Matters qualified Quantity Surveyors can assist in the estimation of such works.

For strata units we have inspected the common area improvements and apportioned the historical construction cost and associated depreciation allowances based on the relevant lot entitlement of the specific unit.

The Capital Works Allowance, see annexure 1, are calculated on the historical construction cost of the eligible building works as per Division 43 of the Income Tax Assessment Act 1997.

'Building works' refer to the main building structure and any subsequent building additions or extensions. Any refurbishments will be outlined under 'Structural improvements' providing works undertaken meet ATO requirements.

Please refer to **Annexure 1 – Capital Works Allowance (Building)** for data relating to the subject property.

Division 43 Capital Works Allowance – Structural Improvements

The Capital Works Allowance table is calculated on the historical construction costs of the eligible structural improvements as per Division 43 of the Income Tax Assessment Act 1997.

For items to qualify, they must have been constructed after the 27 February 1992.

Structural improvements include items such as, but not limited to;

- Fencing
- Paving
- Driveways
- Retaining Walls
- Pergola's
- Swimming Pools

Please refer to Annexure 2 – Capital Works Allowance (Structural Improvements) for data relating to the subject property.

Division 40 Plant and Equipment Allowances

Division 40 refers to depreciating assets commonly known as plant and equipment. Generally these are items that are not permanently attached to the structure and can be removed without damage.

Plant and equipment items are depreciated at an annual rate based on their effective life as set by the ATO (TR2007/3). Real Property Matters (Australia) Pty. Ltd. have assessed all eligible plant and equipment items in accordance with the ITAA 1997 requirements and such items have been estimated as at the date of tenancy by having regard to market value in conjunction with its new replacement cost and relative age/condition.

All Real Property Matters Tax Depreciation Schedules report Plant items in 2 formats; Prime Cost Method and Diminishing Value Method.

The Prime Cost Method applies a constant rate every year. By claiming by the Prime Cost Method, you are claiming a lower but more constant portion of the available deductions over the life of the property. This method particularly suits investors looking to hold the property for the longer term. Annexure 3 – Plant & Equipment (Prime Cost Method) outlines the plant and equipment items that have been identified following our inspection of the subject property. The items have been estimated as at the date of tenancy and a prime cost rate applied in accordance with the Income Tax Assessment Act 1997 TR2007/3.

The Diminishing Value Method applies the depreciation rate annually to the value of the asset diminished by previous calculations (ie. a compound decrease). Therefore, claiming the Diminishing Value Method allows a greater portion of the asset to be depreciated in the earlier years of ownership. This method is commonly adopted by investors with a short term strategy, i.e. 5 years ownership. Annexure 4 – Plant & Equipment (Diminishing Value Method) outlines the plant and equipment items that have been identified following our inspection of the subject property. The items have been estimated as at the date of tenancy and a diminishing value rate applied in accordance with the Income Tax Assessment Act 1997 TR2007/3.

It is recommended that you consult your accountant or financial advisor to determine which method of depreciation best suits your financial requirements. The example below illustrates the variance between the two methods for a cooktop of value \$1500, depreciated over 5 years:

Year	Diminishing Value Method (at rate of 20%)	Prime Cost Method (at rate of 10%)
Year 1	\$300	\$150
Year 2	\$240	\$150
Year 3	\$192	\$150
Year 4	\$154	\$150
Year 5	\$123	\$150
Total (over 1st 5 years)	\$1,009	\$750

Division 43 and Division 40 – Depreciation Summary Table

Please see Annexure 5 & 6 – Depreciation Summary for the summary tables of the depreciable allowances for the subject property. Depreciation may be claimed from the date the property became income producing. Therefore this report covers the period from the initial tenancy date and extends for a 40 year term.

Annexure 1: Capital Works Allowance (Building)

Where construction costs are unknown, the ATO allows Quantity Surveyors or suitably qualified personnel to calculate historic construction costs (tax ruling 97/25). The building costs below are for the main building and any building extensions or additions constructed after 18th July 1985. The corresponding depreciating rate for that particular period has been applied.

Capital Works Allowance - Building								
Item	Construction Date	Written Down Value	Prime Cost Rate	Depreciation Allowance				
				2007/08	2008/09	2009/10	2010/11	2011/12
<i>Building Works</i>	1-May-2007	\$223,600	2.5%	\$5,590	\$5,590	\$5,590	\$5,590	\$5,590
Total		\$223,600		\$5,590	\$5,590	\$5,590	\$5,590	\$5,590

Annexure 2: Capital Works Allowance (Structural Improvement)

As per Building work, where Structural improvement construction costs are unknown, the ATO allows Quantity Surveyors or suitably qualified personnel to calculate historic construction costs (tax ruling 97/25). The calculations below are for the various structural improvements of the subject property, which are eligible for capital works allowances. Structural improvements must be constructed after 27th February 1992 to comply.

Capital Works Allowance - Structural Improvements								
Item	Construction Date	Written Down Value	Prime Cost Rate	Depreciation Allowance				
				2007/08	2008/09	2009/10	2010/11	2011/12
<i>Pergola</i>	1-May-2007	\$11,544	2.5%	\$289	\$289	\$289	\$289	\$289
<i>Air conditioning - ducted</i>	1-May-2007	\$9,462	2.5%	\$237	\$237	\$237	\$237	\$237
<i>Paving - pavement</i>	1-May-2007	\$9,070	2.5%	\$227	\$227	\$227	\$227	\$227
<i>Fence</i>	1-May-2007	\$6,464	2.5%	\$162	\$162	\$162	\$162	\$162
<i>Rain water tank</i>	1-May-2007	\$288	2.5%	\$7	\$7	\$7	\$7	\$7
Total		\$36,828		\$922	\$922	\$922	\$922	\$922

Annexure 3: Plant & Equipment (Prime Cost Method)

Real Property Matters (Australia) Pty Ltd have identified the following plant and equipment through onsite inspection of the subject property. The items have been estimated as at the date of tenancy and a prime cost rate applied in accordance with the Income Tax Assessment Act 1997 TR2007/3. Items with an assessed value of less than \$300 qualify for an immediate full deduction these items have been listed and treated accordingly.

Plant & Equipment - Prime Cost Method								
Item	Commence Date	Written Down Value	Prime Cost Rate	Depreciation Allowance				
				2007/08	2008/09	2009/10	2010/11	2011/12
<i>Air conditioning - ducted</i>	1-Jul-2007	\$6,555	5%	\$328	\$328	\$328	\$328	\$328
<i>Floor coverings - carpet</i>	1-Jul-2007	\$5,940	10%	\$594	\$594	\$594	\$594	\$594
<i>Window - curtains/drapes</i>	1-Jul-2007	\$4,620	16.7%	\$770	\$770	\$770	\$770	\$770
<i>Floor coverings - floating timber</i>	1-Jul-2007	\$4,400	6.7%	\$293	\$293	\$293	\$293	\$293
<i>Window - blinds/venetians</i>	1-Jul-2007	\$2,160	10%	\$216	\$216	\$216	\$216	\$216
<i>Ovens</i>	1-Jul-2007	\$1,945	8.3%	\$162	\$162	\$162	\$162	\$162
<i>Hot water system</i>	1-Jul-2007	\$1,560	8.3%	\$130	\$130	\$130	\$130	\$130
<i>Dishwashers</i>	1-Jul-2007	\$1,310	10%	\$131	\$131	\$131	\$131	\$131
<i>Rangehoods</i>	1-Jul-2007	\$1,290	8.3%	\$108	\$108	\$108	\$108	\$108
<i>Cook tops</i>	1-Jul-2007	\$890	8.3%	\$74	\$74	\$74	\$74	\$74
<i>Automatic door/shutter</i>	1-Jul-2007	\$515	10%	\$52	\$52	\$52	\$52	\$52
<i>Exhaust fans - light/heating</i>	1-Jul-2007	\$510	10%	\$51	\$51	\$51	\$51	\$51
<i>Fire control - smoke detector</i>	1-Jul-2007	\$502	16.7%	\$84	\$84	\$84	\$84	\$84
Total		\$32,197		\$2,993	\$2,993	\$2,993	\$2,993	\$2,993

Annexure 4: Plant & Equipment (Diminishing Value Method)

Real Property Matters (Australia) Pty Ltd have identified the following plant and equipment through onsite inspection of the subject property. The items have been estimated as at the date of tenancy and a diminishing value rate applied in accordance with the Income Tax Assessment Act 1997 TR2007/3. Items with an assessed value of less than \$300 qualify for an immediate full deduction these items have been listed and treated accordingly.

Plant & Equipment - Diminishing Value Method								
Item	Commence Date	Written Down Value	Diminishing Value Rate	Depreciation Allowance				
				2007/08	2008/09	2009/10	2010/11	2011/12
<i>Air conditioning - ducted</i>	1-Jul-2007	\$6,555	7.5%	\$493	\$455	\$421	\$389	\$360
<i>Floor coverings - carpet</i>	1-Jul-2007	\$5,940	15%	\$893	\$757	\$644	\$547	\$465
<i>Window - curtains/drapes</i>	1-Jul-2007	\$4,620	25%	\$1,158	\$866	\$649	\$487	\$365
<i>Floor coverings - floating timber</i>	1-Jul-2007	\$4,400	10%	\$441	\$396	\$356	\$321	\$289
<i>Window - blinds/venetians</i>	1-Jul-2007	\$2,160	15%	\$325	\$275	\$234	\$199	\$169
<i>Ovens</i>	1-Jul-2007	\$1,945	12.5%	\$244	\$213	\$186	\$163	\$142
<i>Hot water system</i>	1-Jul-2007	\$1,560	12.5%	\$196	\$170	\$149	\$131	\$114
<i>Dishwashers</i>	1-Jul-2007	\$1,310	15%	\$197	\$167	\$142	\$121	\$102
<i>Rangehoods</i>	1-Jul-2007	\$1,290	12.5%	\$162	\$141	\$123	\$108	\$94
<i>Cook tops</i>	1-Jul-2007	\$890	12.5%	\$112	\$97	\$85	\$74	\$65
<i>Automatic door/shutter</i>	1-Jul-2007	\$515	15%	\$77	\$66	\$56	\$47	\$40
<i>Exhaust fans - light/heating</i>	1-Jul-2007	\$510	15%	\$77	\$65	\$55	\$47	\$40
<i>Fire control - smoke detector</i>	1-Jul-2007	\$502	25%	\$126	\$94	\$70	\$53	\$40
Total		\$32,197		\$4,501	\$3,762	\$3,170	\$2,687	\$2,285

Annexure 5: Depreciation Summary (Prime Cost)

The following summary table indicates the depreciable allowances for the subject property using the Prime Cost. The depreciation may be claimed from the date the property became income producing. Therefore this report covers the period from the initial tenancy date and extends for a 40 year term. We strongly recommend you liaise with your accountant or financial adviser prior to deciding which of these methods to adopt.

Depreciation Summary - Prime Cost					
Year	Building	Structural Improvement	Plant & Equipment	Yearly Total	Cumulative Total
2007/08	\$5,590	\$922	\$2,993	\$9,505	\$9,505
2008/09	\$5,590	\$922	\$2,993	\$9,505	\$19,010
2009/10	\$5,590	\$922	\$2,993	\$9,505	\$28,515
2010/11	\$5,590	\$922	\$2,993	\$9,505	\$38,020
2011/12	\$5,590	\$922	\$2,993	\$9,505	\$47,525
2012/13	\$5,590	\$922	\$2,993	\$9,505	\$57,030
2013/14	\$5,590	\$922	\$2,141	\$8,653	\$65,683
2014/15	\$5,590	\$922	\$2,139	\$8,651	\$74,334
2015/16	\$5,590	\$922	\$2,139	\$8,651	\$82,985
2016/17	\$5,590	\$922	\$2,139	\$8,651	\$91,636
2017/18	\$5,590	\$922	\$1,098	\$7,610	\$99,246
2018/19	\$5,590	\$922	\$1,095	\$7,607	\$106,853
2019/20	\$5,590	\$922	\$621	\$7,133	\$113,986
2020/21	\$5,590	\$922	\$621	\$7,133	\$121,119
2021/22	\$5,590	\$922	\$621	\$7,133	\$128,252
2022/23	\$5,590	\$922	\$329	\$6,841	\$135,093
2023/24	\$5,590	\$922	\$328	\$6,840	\$141,933
2024/25	\$5,590	\$922	\$328	\$6,840	\$148,773
2025/26	\$5,590	\$922	\$328	\$6,840	\$155,613
2026/27	\$5,590	\$922	\$328	\$6,840	\$162,453
2027/28	\$5,590	\$922	\$1	\$6,513	\$168,966
2028/29	\$5,590	\$922	\$0	\$6,512	\$175,478
2029/30	\$5,590	\$922	\$0	\$6,512	\$181,990
2030/31	\$5,590	\$922	\$0	\$6,512	\$188,502
2031/32	\$5,590	\$922	\$0	\$6,512	\$195,014
2032/33	\$5,590	\$922	\$0	\$6,512	\$201,526
2033/34	\$5,590	\$922	\$0	\$6,512	\$208,038
2034/35	\$5,590	\$922	\$0	\$6,512	\$214,550
2035/36	\$5,590	\$922	\$0	\$6,512	\$221,062
2036/37	\$5,590	\$922	\$0	\$6,512	\$227,574
2037/38	\$5,590	\$922	\$0	\$6,512	\$234,086
2038/39	\$5,590	\$922	\$0	\$6,512	\$240,598
2039/40	\$5,590	\$922	\$0	\$6,512	\$247,110
2040/41	\$5,590	\$922	\$0	\$6,512	\$253,622
2041/42	\$5,590	\$922	\$0	\$6,512	\$260,134
2042/43	\$5,590	\$922	\$0	\$6,512	\$266,646
2043/44	\$5,590	\$922	\$0	\$6,512	\$273,158
2044/45	\$5,590	\$922	\$0	\$6,512	\$279,670
2045/46	\$5,590	\$922	\$0	\$6,512	\$286,182
2046/47	\$4,671	\$769	\$0	\$5,440	\$291,622
Totals:	\$222,681	\$36,727	\$32,214	\$291,622	

Annexure 6: Depreciation Summary (Diminishing Value)

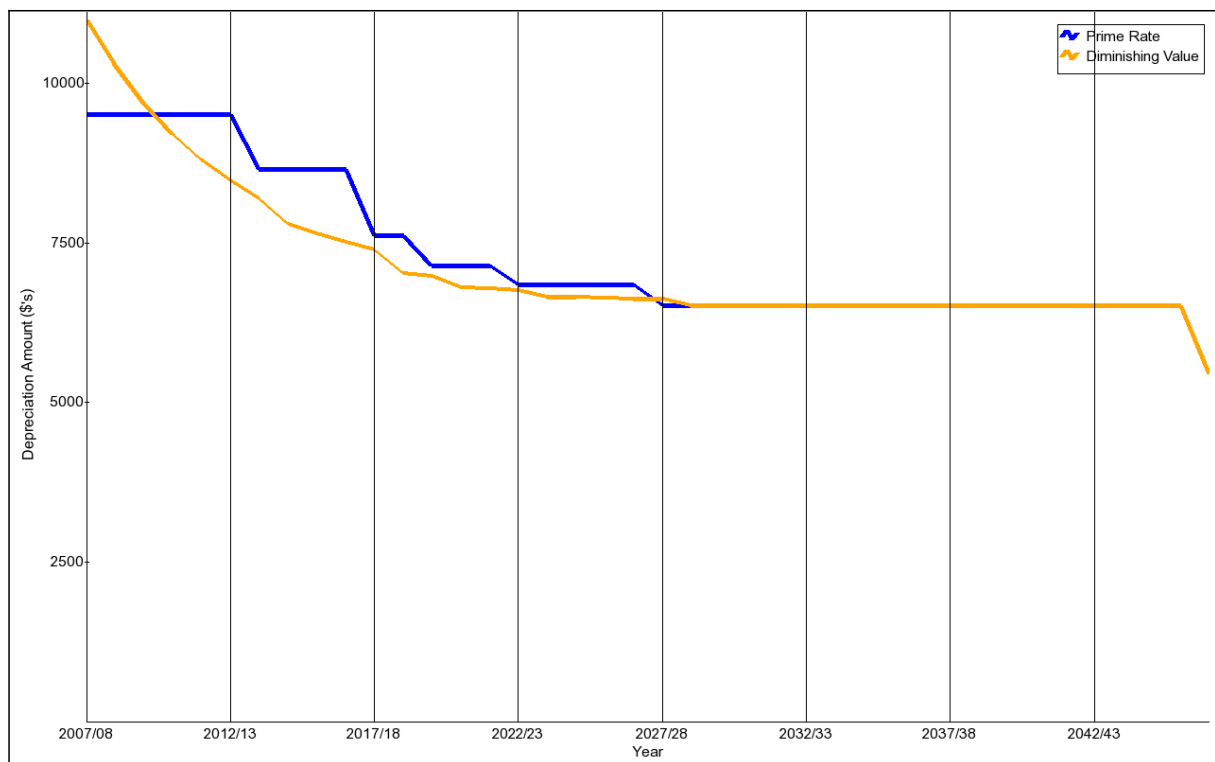
The following summary table indicates the depreciable allowances for the subject property using the Diminishing Value. The depreciation may be claimed from the date the property became income producing. Therefore this report covers the period from the initial tenancy date and extends for a 40 year term. We strongly recommend you liaise with your accountant or financial adviser prior to deciding which of these methods to adopt.

Depreciation Summary - Diminishing Value					
Year	Building	Structural Improvement	Plant & Equipment	Yearly Total	Cumulative Total
2007/08	\$5,590	\$922	\$4,501	\$11,013	\$11,013
2008/09	\$5,590	\$922	\$3,762	\$10,274	\$21,287
2009/10	\$5,590	\$922	\$3,170	\$9,682	\$30,969
2010/11	\$5,590	\$922	\$2,687	\$9,199	\$40,168
2011/12	\$5,590	\$922	\$2,285	\$8,797	\$48,965
2012/13	\$5,590	\$922	\$1,956	\$8,468	\$57,433
2013/14	\$5,590	\$922	\$1,678	\$8,190	\$65,623
2014/15	\$5,590	\$922	\$1,274	\$7,786	\$73,409
2015/16	\$5,590	\$922	\$1,124	\$7,636	\$81,045
2016/17	\$5,590	\$922	\$990	\$7,502	\$88,547
2017/18	\$5,590	\$922	\$872	\$7,384	\$95,931
2018/19	\$5,590	\$922	\$510	\$7,022	\$102,953
2019/20	\$5,590	\$922	\$460	\$6,972	\$109,925
2020/21	\$5,590	\$922	\$290	\$6,802	\$116,727
2021/22	\$5,590	\$922	\$266	\$6,778	\$123,505
2022/23	\$5,590	\$922	\$244	\$6,756	\$130,261
2023/24	\$5,590	\$922	\$141	\$6,653	\$136,914
2024/25	\$5,590	\$922	\$131	\$6,643	\$143,557
2025/26	\$5,590	\$922	\$121	\$6,633	\$150,190
2026/27	\$5,590	\$922	\$112	\$6,624	\$156,814
2027/28	\$5,590	\$922	\$103	\$6,615	\$163,429
2028/29	\$5,590	\$922	\$0	\$6,512	\$169,941
2029/30	\$5,590	\$922	\$0	\$6,512	\$176,453
2030/31	\$5,590	\$922	\$0	\$6,512	\$182,965
2031/32	\$5,590	\$922	\$0	\$6,512	\$189,477
2032/33	\$5,590	\$922	\$0	\$6,512	\$195,989
2033/34	\$5,590	\$922	\$0	\$6,512	\$202,501
2034/35	\$5,590	\$922	\$0	\$6,512	\$209,013
2035/36	\$5,590	\$922	\$0	\$6,512	\$215,525
2036/37	\$5,590	\$922	\$0	\$6,512	\$222,037
2037/38	\$5,590	\$922	\$0	\$6,512	\$228,549
2038/39	\$5,590	\$922	\$0	\$6,512	\$235,061
2039/40	\$5,590	\$922	\$0	\$6,512	\$241,573
2040/41	\$5,590	\$922	\$0	\$6,512	\$248,085
2041/42	\$5,590	\$922	\$0	\$6,512	\$254,597
2042/43	\$5,590	\$922	\$0	\$6,512	\$261,109
2043/44	\$5,590	\$922	\$0	\$6,512	\$267,621
2044/45	\$5,590	\$922	\$0	\$6,512	\$274,133
2045/46	\$5,590	\$922	\$0	\$6,512	\$280,645
2046/47	\$4,671	\$769	\$0	\$5,440	\$286,085
Totals:	\$222,681	\$36,727	\$26,677	\$286,085	

Annexure 7: Prime Cost v Diminishing Value Comparative Chart

The summary graph below illustrates the depreciation timeline for building works, structural improvements and Plant and Equipment, for both the prime cost and diminishing value rates.

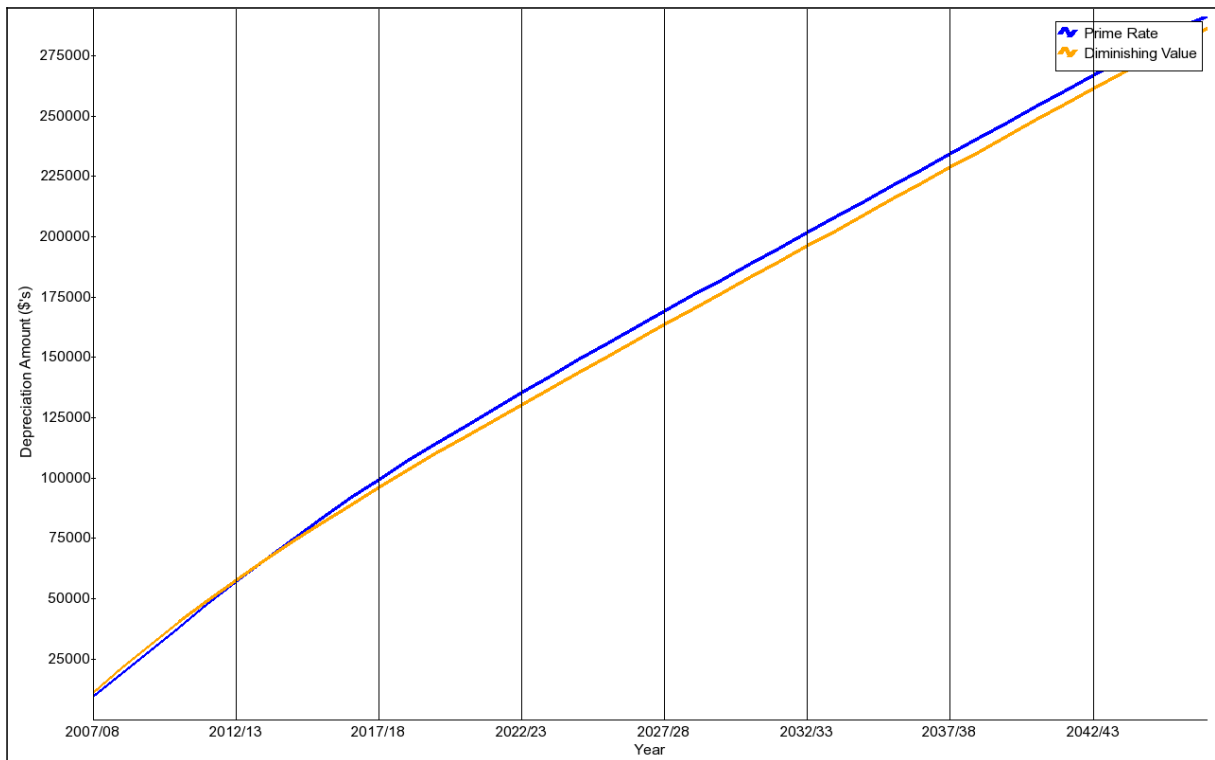
This graph may assist you in determining which method of depreciation you choose for the 'decline in value' of plant & equipment. The intersecting juncture of prime cost and diminishing value may assist your decision making process according to your investment strategy (ie. length of time in retaining investment property).



Annexure 8: Incremental Depreciation Chart

The summary graph below illustrates the incremental depreciation amount over a forty year period. The total shown in the graph includes the total depreciation for building, structural improvements and plant and equipment.

This graph will assist you in determining the depreciation available for the subject property at a given time and may assist your decision making process according to your investment strategy (i.e. length of time in retaining investment property).



Annexure 9: Terms and Conditions of Service

- This forty year tax depreciation report has been prepared on specific instructions from Miss Real Demonstration for the purpose of providing a schedule of eligible depreciation allowances. Real Property Matters (Australia) Pty Ltd stipulates that this report is not to be relied upon by any other person or for any other purpose. Real Property Matters (Australia) accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to contact Real Property Matters (Australia) and seek our written consent before relying on this report. We reserve our right to withhold content or to review the contents of this report in the event that our consent is sought.
- Neither the whole nor any part of this report or any reference thereto may be included in any published documents, circular or statement, nor published in part or full in any way, without written approval from Real Property Matters (Australia) Pty Ltd consenting to the form and context of which it may appear.
- Real Property Matters (Australia) Pty Ltd have carried out an inspection of exposed and readily accessible areas of the improvements. This report does not purport to be a site or structural survey of the land or improvement thereon, nor was any such survey undertaken. Our assessments assume that all existing improvements are Council approved.
- Real Property Matters (Australia) Pty Ltd confirm that we have no direct or indirect pecuniary or other interest in the subject property or owner.
- The calculations herein are current as at the date the subject property was assessed. This may change significantly and unexpectedly over a relatively short period (including as a result of unexpected changes in economic conditions, the cost of raw materials and wages and/or other factors specific to the particular property).
- When Real Property Matters has been provided with expenditure known by the Client, Real Property Matters accepts that information in good faith and does not accept any responsibility in justifying the expenditure provided by the Client.
- If you should require any further clarification or additional information, please feel free to contact your local Real Property Matters Office to discuss your enquiry.

Annexure 10: Net Rental Position – Worksheet Miss Real Demonstration (100% Ownership) 2008/09

The following ATO compliant worksheet will assist you in calculating your investment property's net rental income or loss. We trust you will find this worksheet a beneficial tool in assessing the net rental income or loss of your rental property. Note: Vacancies of days, or 0% of the year, have been applied.

Income

Other rental related income	\$1,050.00
Rental income	\$18,630.00
Gross Income	\$19,680.00

Expenses

Advertising for Tenants	\$125.00
Body corporate fees and charges	\$0.00
Borrowing expenses	\$0.00
Capital works deductions	\$6,512.00
Cleaning	\$100.00
Council rates	\$1,040.00
Deductions for decline in value	\$3,762.00
Gardening/lawn mowing	\$1,067.00
Insurance	\$260.00
Interest on loan(s)	\$2,677.22
Land tax	\$0.00
Legal expenses	\$0.00
Pest control	\$0.00
Property agent fees/commission	\$1,365.00
Repairs and maintenance	\$0.00
Stationery, telephone and postage	\$0.00
Sundry rental expenses	\$0.00
Travel expenses	\$0.00
Water charges	\$0.00
Total Expenses	\$16,908.22

Total

Net rental Profit	\$2,771.78
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