

MULLER *partnership*

LOT 9, LOT B LADBROKE STREET, MELTON
DOUBLE STOREY TOWNHOUSE DEVELOPMENT
DEPRECIATION REPORT

Melbourne :: Sydney :: Newcastle
26 June 2019



26 June 2019

BFG Properties Pty Ltd
Level 7, 484 St Kilda Road
MELBOURNE 3004 VIC

Dear Sir/Madam,

**RE: LOT 9, LOT B LADBROKE STREET, MELTON
DEPRECIATION REPORT**

As requested please find attached Muller Partnership's depreciation report for the above.

This report is prepared by Muller Partnership as Construction Cost Consultants for the addressee only and not in any other capacity. It is based on the "Total Installed Cost" which was arrived at by using the following information:

- Written & verbal information supplied by the Developer & BFG Properties
- Floor Plans & Elevation Drawings
- Muller Partnership Construction Cost advice

The following costs are proportioned over the items contained in the report:-

- 1) Preliminaries
- 2) Consultants
- 3) Authorities

The following items are not depreciable and are therefore excluded:-

- a) Land costs, rates & taxes
- b) Holding costs
- c) Non-depreciable items (e.g. demolition, soft landscaping, etc.)

The report is intended for use only by the party or parties to whom it is directed. The contents should only be treated as advice on construction costs and like matters, and not as legal, accounting or taxation advice & we recommend the owner(s) consult with their advisors before relying on the non-construction information provided.

Should you have any queries or require any further information please do not hesitate to contact the undersigned.

Yours faithfully

MULLER PARTNERSHIP



RICHARD SAMUELS | DIRECTOR

Tax Registration No: 53779009

19154 Lot 9, Lot B Ladbroke St, Melton

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1.0 EXECUTIVE SUMMARY

Introduction

Muller Partnership has been engaged by BFG Properties to prepare a Depreciation Report for Lot 9, Lot B Ladbroke Street, Melton in order to identify the following:

- a) estimate Division 40 – Plant Depreciation
- b) estimate Division 43 – Building Write-off

Methodology

In order to identify and determine the value of Building Works (Division 43) and Plant Items (Division 40) based on estimated construction costs, we have prepared our report based on the drawings and other documentations used on the project.

Where detailed breakdowns for actual Division 40 costs were not available, Muller Partnership has estimated their values based on current market rates and trade advice.

The outcomes for Division 40 and Division 43 items are contained in the attached Depreciation Schedules (pg. 4) and summarised below.

Findings – Prime Cost Method

	Division 40	Division 43	Indicative Depreciable Total
Year 1	246	584	830
Year 2	2,819	4,866	7,685
Year 3	2,226	4,866	7,092
Year 4	1,854	4,866	6,720
Year 5	1,622	4,866	6,488
Year 6	1,476	4,866	6,342
Year 7	1,385	4,866	6,251
Year 8	1,327	4,866	6,193
Year 9	1,294	4,866	6,160
Year 10	1,271	4,866	6,137
Residual	2,562	150,266	152,828

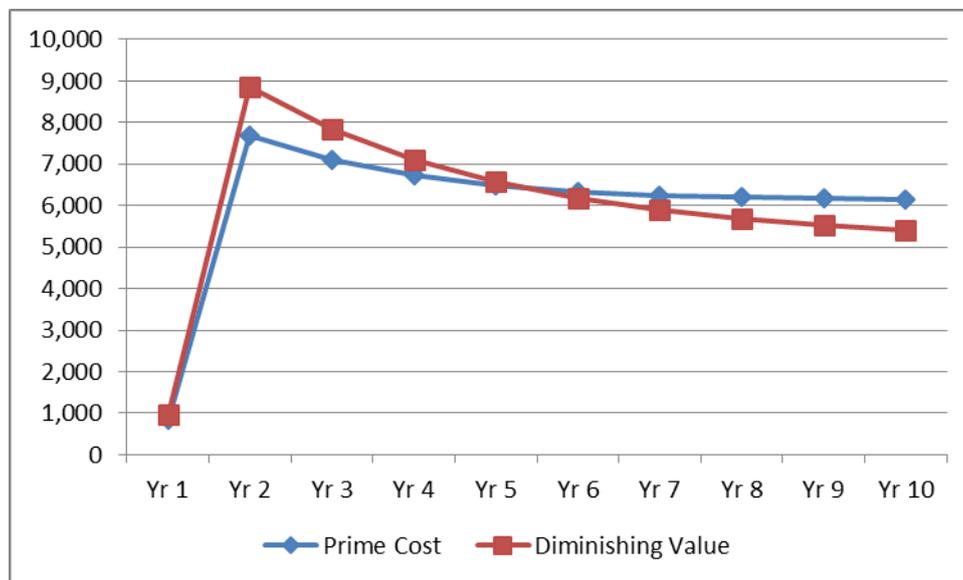
** Refer attached Schedule for detailed cost information*

Findings – Diminishing Value Method

	Division 40	Division 43	Indicative Depreciable Total
Year 1	395	584	979
Year 2	3,998	4,866	8,864
Year 3	2,965	4,866	7,831
Year 4	2,232	4,866	7,098
Year 5	1,709	4,866	6,575
Year 6	1,323	4,866	6,189
Year 7	1,038	4,866	5,904
Year 8	820	4,866	5,686
Year 9	659	4,866	5,525
Year 10	529	4,866	5,395
Residual	2,414	150,266	152,680

* Refer attached Schedule for detailed cost information

Prime Cost vs. Diminishing Value





2.0 PRIME COST METHOD

INDICATIVE DEPRECIATION SCHEDULES (Years 1 to 10)

Lot 9, Lot B Ladbroke Street, Melton
Double Storey Townhouse Development

PRIME COST METHOD

DEPRECIATION REPORT (YEAR 1)
 Construction Completion date - 17 May 2019

ITEM	RATE %	TOTAL INSTALLED COST	Year 1 DEPRECIABLE VALUE 2018/19	RESIDUAL VALUE (AFTER YEAR 1)
TOTAL DEPRECIABLE VALUE	100%	212,726	830 45 Days	211,896
DEPRECIABLE ITEMS				
Items costing more than \$300 & up to \$1000:-				
Exhaust fans [NB.Items measured separately]	18.75%	1,155	26	1,129
Smoke detectors	18.75%	660	15	645
Electrical heating panels [NB.Items measured separately]	18.75%	1,540	35	1,505
Automatic garage door; Motorization system	18.75%	972	22	950
Items costing more \$1000:-				
Carpet	10.00%	1,980	24	1,956
Hot water system (solar)	6.67%	2,222	18	2,204
Mini split system up to 20KW	10.00%	2,562	31	2,531
Dishwasher	10.00%	1,650	20	1,630
Oven	8.33%	1,634	16	1,618
Cook top	8.33%	1,210	12	1,198
Range hood	8.33%	1,210	12	1,198
Window blinds	10.00%	1,287	15	1,272
SUB-TOTALS		18,082	246	17,836
WRITE-OFF				
Remaining write-off	2.50%	194,644	584	194,060
TOTALS		212,726	830	211,896

The depreciation rates for items costing more than \$1000 are based on the latest rulings by the ATO for assets acquired from 21 September 1999 & TR2018/4, re: effective life. The information contained herein has been prepared by Muller Partnership as Construction Cost Consultants & not in any other capacity & on the basis of estimated costs plus information provided to us by the Client only. It is intended for use only by the parties to whom it is directed. The contents should therefore only be treated as advice on construction costs & like matters, but not as legal, accounting or taxation advice & we recommend that clients consult with their own advisers before relying on the "non-construction" information provided. This is an indicative schedule only.

Lot 9, Lot B Ladbroke Street, Melton
Double Storey Townhouse Development

PRIME COST METHOD

DEPRECIATION REPORT (YEARS 2 TO 5)

Construction Completion date - 17 May 2019

ITEM	RATE %	INSTALLED COST (AFTER YEAR 1)	Year 2 DEPRECIABLE VALUE 2019/20	Year 3 DEPRECIABLE VALUE 2020/21	Year 4 DEPRECIABLE VALUE 2021/22	Year 5 DEPRECIABLE VALUE 2022/23	TWDV AFTER YEAR 5
TOTAL DEPRECIABLE VALUE	100%	211,896	7,685 3.61%	7,092 3.33%	6,720 3.16%	6,488 3.05%	183,911
DEPRECIABLE ITEMS							
Items costing more than \$300 & up to \$1000:-							
Exhaust fans [NB.Items measured separately]	37.50%	1,129	423	265	165	104	172
Smoke detectors	37.50%	645	242	151	95	59	98
Electrical heating panels [NB.Items measured separately]	37.50%	1,505	564	353	221	138	229
Automatic garage door; Motorization system	37.50%	950	356	223	139	87	145
Items costing more \$1000:-							
Carpet	10.00%	1,956	198	198	198	198	1,164
Hot water system (solar)	6.67%	2,204	148	148	148	148	1,612
Mini split system up to 20KW	10.00%	2,531	256	256	256	256	1,507
Dishwasher	10.00%	1,630	165	165	165	165	970
Oven	8.33%	1,618	136	136	136	136	1,074
Cook top	8.33%	1,198	101	101	101	101	794
Range hood	8.33%	1,198	101	101	101	101	794
Window blinds	10.00%	1,272	129	129	129	129	756
SUB-TOTALS		17,836	2,819	2,226	1,854	1,622	9,315
WRITE-OFF							
Remaining write-off	2.50%	194,060	4,866	4,866	4,866	4,866	174,596
TOTALS		211,896	7,685	7,092	6,720	6,488	183,911

The depreciation rates for items costing more than \$1000 are based on the latest rulings by the ATO for assets acquired from 21 September 1999 & TR2018/4, re: effective life. The information contained herein has been prepared by Muller Partnership as Construction Cost Consultants & not in any other capacity & on the basis of estimated costs plus information provided to us by the Client only. It is intended for use only by the parties to whom it is directed. The contents should therefore only be treated as advice on construction costs & like matters, but not as legal, accounting or taxation advice & we recommend that clients consult with their own advisers before relying on the "non-construction" information provided. This is an indicative schedule only.

Lot 9, Lot B Ladbroke Street, Melton
Double Storey Townhouse Development

PRIME COST METHOD

DEPRECIATION REPORT (YEARS 6 TO 10)

Construction Completion date - 17 May 2019

ITEM	RATE %	INSTALLED COST (AFTER YEAR 5)	Year 6 DEPRECIABLE VALUE 2023/24	Year 7 DEPRECIABLE VALUE 2024/25	Year 8 DEPRECIABLE VALUE 2025/26	Year 9 DEPRECIABLE VALUE 2026/27	Year 10 DEPRECIABLE VALUE 2027/28	TWDV AFTER YEAR 10
TOTAL DEPRECIABLE VALUE	100%	183,911	6,342 2.98%	6,251 2.94%	6,193 2.91%	6,160 2.90%	6,137 2.88%	152,828
DEPRECIABLE ITEMS								
Items costing more than \$300 & up to \$1000:-								
Exhaust fans [NB.Items measured separately]	37.50%	172	65	40	25	16	10	16
Smoke detectors	37.50%	98	37	23	14	9	6	9
Electrical heating panels [NB.Items measured separately]	37.50%	229	86	54	33	21	13	22
Automatic garage door; Motorization system	37.50%	145	54	34	21	14	8	14
Items costing more \$1000:-								
Carpet	10.00%	1,164	198	198	198	198	198	174
Hot water system (solar)	6.67%	1,612	148	148	148	148	148	872
Mini split system up to 20KW	10.00%	1,507	256	256	256	256	256	227
Dishwasher	10.00%	970	165	165	165	165	165	145
Oven	8.33%	1,074	136	136	136	136	136	394
Cook top	8.33%	794	101	101	101	101	101	289
Range hood	8.33%	794	101	101	101	101	101	289
Window blinds	10.00%	756	129	129	129	129	129	111
SUB-TOTALS		9,315	1,476	1,385	1,327	1,294	1,271	2,562
WRITE-OFF								
Remaining write-off	2.50%	174,596	4,866	4,866	4,866	4,866	4,866	150,266
TOTALS		183,911	6,342	6,251	6,193	6,160	6,137	152,828

The depreciation rates for items costing more than \$1000 are based on the latest rulings by the ATO for assets acquired from 21 September 1999 & TR2018/4, re: effective life. The information contained herein has been prepared by Muller Partnership as Construction Cost Consultants & not in any other capacity & on the basis of estimated costs plus information provided to us by the Client only. It is intended for use only by the parties to whom it is directed. The contents should therefore only be treated as advice on construction costs & like matters, but not as legal, accounting or taxation advice & we recommend that clients consult with their own advisers before relying on the "non-construction" information provided. This is an indicative schedule only.



3.0 DIMINISHING VALUE METHOD *INDICATIVE DEPRECIATION SCHEDULES (Years 1 to 10)*

Lot 9, Lot B Ladbroke Street, Melton
Double Storey Townhouse Development

DIMINISHING VALUE METHOD

DEPRECIATION REPORT (YEAR 1)
 Construction Completion date - 17 May 2019

ITEM	RATE %	TOTAL INSTALLED COST	Year 1 DEPRECIABLE VALUE 2018/19	RESIDUAL VALUE (AFTER YEAR 1)
TOTAL DEPRECIABLE VALUE	200%	212,726	979 45 Days	211,747
DEPRECIABLE ITEMS				
Items costing more than \$300 & up to \$1000:-				
Exhaust fans [NB.Items measured separately]	18.75%	1,155	26	1,129
Smoke detectors	18.75%	660	15	645
Electrical heating panels [NB.Items measured separately]	18.75%	1,540	35	1,505
Automatic garage door; Motorization system	18.75%	972	22	950
Items costing more \$1000:-				
Carpet	20.00%	1,980	48	1,932
Hot water system (solar)	13.33%	2,222	36	2,186
Mini split system up to 20KW	20.00%	2,562	61	2,501
Dishwasher	20.00%	1,650	40	1,610
Oven	16.67%	1,634	33	1,601
Cook top	16.67%	1,210	24	1,186
Range hood	16.67%	1,210	24	1,186
Window blinds	20.00%	1,287	31	1,256
SUB-TOTALS				
		18,082	395	17,687
WRITE-OFF				
Remaining write-off	2.50%	194,644	584	194,060
TOTALS				
		212,726	979	211,747

The depreciation rates for items costing more than \$1000 are based on the latest rulings by the ATO for assets acquired from 21 September 1999 & TR2018/4, re: effective life. The information contained herein has been prepared by Muller Partnership as Construction Cost Consultants & not in any other capacity & on the basis of estimated costs plus information provided to us by the Client only. It is intended for use only by the parties to whom it is directed. The contents should therefore only be treated as advice on construction costs & like matters, but not as legal, accounting or taxation advice & we recommend that clients consult with their own advisers before relying on the "non-construction" information provided. This is an indicative schedule only .

Lot 9, Lot B Ladbroke Street, Melton
Double Storey Townhouse Development

DIMINISHING VALUE METHOD

DEPRECIATION REPORT (YEARS 2 TO 5)

Construction Completion date - 17 May 2019

ITEM	RATE %	INSTALLED COST (AFTER YEAR 1)	Year 2 DEPRECIABLE VALUE 2019/20	Year 3 DEPRECIABLE VALUE 2020/21	Year 4 DEPRECIABLE VALUE 2021/22	Year 5 DEPRECIABLE VALUE 2022/23	TWDV AFTER YEAR 5
TOTAL DEPRECIABLE VALUE	200%	211,747	8,864 4.17%	7,831 3.68%	7,098 3.34%	6,575 3.09%	181,379
DEPRECIABLE ITEMS							
Items costing more than \$300 & up to \$1000:-							
Exhaust fans [NB.Items measured separately]	37.50%	1,129	423	265	165	104	172
Smoke detectors	37.50%	645	242	151	95	59	98
Electrical heating panels [NB.Items measured separately]	37.50%	1,505	564	353	221	138	229
Automatic garage door; Motorization system	37.50%	950	356	223	139	87	145
Items costing more \$1000:-							
Carpet	20.00%	1,932	386	309	247	198	792
Hot water system (solar)	13.33%	2,186	291	253	219	190	1,233
Mini split system up to 20KW	20.00%	2,501	500	400	320	256	1,025
Dishwasher	20.00%	1,610	322	258	206	165	659
Oven	16.67%	1,601	267	222	185	155	772
Cook top	16.67%	1,186	198	165	137	114	572
Range hood	16.67%	1,186	198	165	137	114	572
Window blinds	20.00%	1,256	251	201	161	129	514
SUB-TOTALS		17,687	3,998	2,965	2,232	1,709	6,783
WRITE-OFF							
Remaining write-off	2.50%	194,060	4,866	4,866	4,866	4,866	174,596
TOTALS		211,747	8,864	7,831	7,098	6,575	181,379

The depreciation rates for items costing more than \$1000 are based on the latest rulings by the ATO for assets acquired from 21 September 1999 & TR2018/4, re: effective life. The information contained herein has been prepared by Muller Partnership as Construction Cost Consultants & not in any other capacity & on the basis of estimated costs plus information provided to us by the Client only. It is intended for use only by the parties to whom it is directed. The contents should therefore only be treated as advice on construction costs & like matters, but not as legal, accounting or taxation advice & we recommend that clients consult with their own advisers before relying on the "non-construction" information provided. This is an indicative schedule only.

Lot 9, Lot B Ladbroke Street, Melton
Double Storey Townhouse Development

DIMINISHING VALUE METHOD

DEPRECIATION REPORT (YEARS 6 TO 10)

Construction Completion date - 17 May 2019

ITEM	RATE %	INSTALLED COST (AFTER YEAR 5)	Year 6 DEPRECIABLE VALUE 2023/24	Year 7 DEPRECIABLE VALUE 2024/25	Year 8 DEPRECIABLE VALUE 2025/26	Year 9 DEPRECIABLE VALUE 2026/27	Year 10 DEPRECIABLE VALUE 2027/28	TWDV AFTER YEAR 10
TOTAL DEPRECIABLE VALUE	200%	181,379	6,189 2.91%	5,904 2.78%	5,686 2.67%	5,525 2.60%	5,395 2.54%	152,680
DEPRECIABLE ITEMS								
Items costing more than \$300 & up to \$1000:-								
Exhaust fans [NB.Items measured separately]	37.50%	172	65	40	25	16	10	16
Smoke detectors	37.50%	98	37	23	14	9	6	9
Electrical heating panels [NB.Items measured separately]	37.50%	229	86	54	33	21	13	22
Automatic garage door; Motorization system	37.50%	145	54	34	21	14	8	14
Items costing more \$1000:-								
Carpet	20.00%	792	158	127	101	81	65	260
Hot water system (solar)	13.33%	1,233	164	142	124	107	93	603
Mini split system up to 20KW	20.00%	1,025	205	164	131	105	84	336
Dishwasher	20.00%	659	132	105	84	68	54	216
Oven	16.67%	772	129	107	89	75	62	310
Cook top	16.67%	572	95	80	66	55	46	230
Range hood	16.67%	572	95	80	66	55	46	230
Window blinds	20.00%	514	103	82	66	53	42	168
SUB-TOTALS		6,783	1,323	1,038	820	659	529	2,414
WRITE-OFF								
Remaining write-off	2.50%	174,596	4,866	4,866	4,866	4,866	4,866	150,266
TOTALS		181,379	6,189	5,904	5,686	5,525	5,395	152,680

The depreciation rates for items costing more than \$1000 are based on the latest rulings by the ATO for assets acquired from 21 September 1999 & TR2018/4, re: effective life. The information contained herein has been prepared by Muller Partnership as Construction Cost Consultants & not in any other capacity & on the basis of estimated costs plus information provided to us by the Client only. It is intended for use only by the parties to whom it is directed. The contents should therefore only be treated as advice on construction costs & like matters, but not as legal, accounting or taxation advice & we recommend that clients consult with their own advisers before relying on the "non-construction" information provided. This is an indicative schedule only.

4.0 CLARIFICATION OF DEPRECIABLE ITEMS

Air conditioning mini split system	Includes for the supply and installation of mini split system to the property
Automatic garage motors and controls	Includes for the supply and installation of automatic garage motorization system
Exhaust fans	Includes for the supply and installation of exhaust fan to the bathroom and laundry complete
Floor coverings; carpet	Includes for carpet inclusive of underlay, floor fittings and fixtures associated with the coverings to bedrooms
Hot water system; Solar	Includes for the supply and installation of a solar hot water system complete
Kitchen appliances	Includes for the supply and installation of cook top, range hood, oven and dishwasher to the property
Smoke detector	Includes for the supply and installation of a smoke detector complete including hard wiring as complete
Window blinds	Includes for the supply and installation of window roller blinds to the unit
Heating & Cooling	Includes for the supply and installation of heating panels

5.0 SCHEDULES

5.1 INFORMATION

- Written & verbal information supplied by the Developer & BFG properties
- Floor Plans & Elevation drawings
- Muller Partnership Construction Cost advice

5.2 EXCLUSIONS

- Land costs & legal fees
- Demolition
- Fit-out other than listed in the foregoing estimate
- Soft landscaping

5.3 NOTES

- This report has been prepared to identify Capital Allowances available under current taxation legislation. It identifies costs in relation to Divisions 40 and 43 of the Income Tax Assessment Act 1997 and subsequent amendments.
- The estimate Capital Allowances deductions shown in these schedules can be claimed by investors who hold the unit for taxable purpose.
- Division 43 Capital Works deductions (Write-off for building Works and Structural Improvements) have been calculated at 2.5% per annum.
- This estimated cost, which represents the estimated value of the original Capital Works at the time of construction, has been used in the assessment of estimated annual deductions.
- The estimated undeducted value of the original Capital Works, which represents the "Opening Adjustable Value" for Division 43 Capital Works, is also provided for future assessments.
- This estimated undeducted value of the original Capital Works has incorporated write-off deductions from completion of the building to the time of purchase by the current owner.
- The percentages used for calculation of the estimated Division 40 deductions for decline in value of depreciating assets are derived from the 'effective life values (in years)' as listed in Taxation Ruling TR2018/4.
- This report has been prepared by Muller Partnership as Construction Cost Consultants and includes actual or estimated values for items which may be depreciable under the relevant tax legislation.
- The report does not provide tax advice and the tax payer must discuss the contents of this report with a tax advisor prior to using the information in a tax return. The report only relates to the current owner of the property.