MULLER partnership

TWO BEDROOM APARTMENT
18-20 CAVENDISH ST, GEELONG
23 STOREY APARTMENT COMPLEX
DEPRECIATION REPORT

Melbourne :: Sydney :: Newcastle

11 April 2017

MULLER partnership
QUANTITY SURVEYORS

11 April 2017

Morris Property Group
Unit 9, 2431 Gold Coast Highway
MERMAID BEACH QLD 4218

Dear Sir/Madam,

RE: TWO BEDROOM APARTMENT, 18-20 CAVENDISH ST, GEELONG
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 Morris Property Group
- Floor Plans
- 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

17109 Two Bedroom Apartment, 18-20 Cavendish Street, Geelong (TAX)

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1.0 EXECUTIVE SUMMARY

Introduction

Muller Partnership has been engaged by Morris Property Group to prepare a Depreciation Report for Two Bedroom Apartment, 18-20 Cavendish St, Geelong 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	2,851	3,926	6,777	*
Year 2	2,866	3,926	6,792	*
Year 3	2,851	3,926	6,777	*
Year 4	2,842	3,926	6,768	*
Year 5	2,837	3,926	6,763	*
Year 6	2,833	3,926	6,759	*
Year 7	2,830	3,926	6,756	*
Year 8	2,829	3,926	6,755	*
Year 9	2,828	3,926	6,754	*
Year 10	2,825	3,926	6,751	*
Residual	6,996	117,775	124,771	*

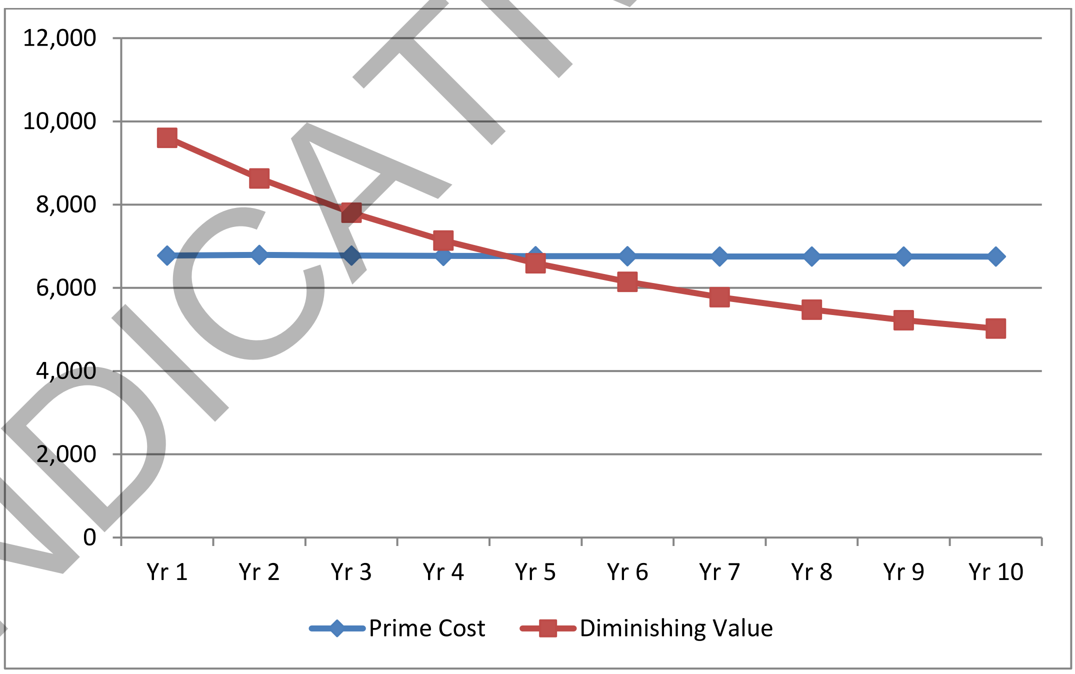
** Refer attached Schedule for detailed cost information*

Findings – Diminishing Value Method

	Division 40	Division 43	**Indicative Depreciable Total**	
Year 1	5,681	3,926	9,607	*
Year 2	4,707	3,926	8,633	*
Year 3	3,881	3,926	7,807	*
Year 4	3,212	3,926	7,138	*
Year 5	2,664	3,926	6,590	*
Year 6	2,218	3,926	6,144	*
Year 7	1,850	3,926	5,776	*
Year 8	1,549	3,926	5,475	*
Year 9	1,300	3,926	5,226	*
Year 10	1,095	3,926	5,021	*
Residual	7,231	117,775	125,006	*

** Refer attached Schedule for detailed cost information*

Prime Cost vs. Diminishing Value



2.0 PRIME COST METHOD
INDICATIVE DEPRECIATION SCHEDULES (Years 1 to 10)

MULLER partnership

PRIME COST METHOD

DEPRECIATION REPORT (YEAR 1)

Two Bedroom Apartment, 18-20 Cavendish Street, Geelong

Two Bedroom Apartment

Construction Completion date - July 2019

ITEM	RATE %	TOTAL INSTALLED COST	Year 1 DEPRECIABLE VALUE 2019/20	RESIDUAL VALUE (AFTER YEAR 1)
TOTAL DEPRECIABLE VALUE	**100%**	**192,423**	**6,777** **365 Days**	**185,646**
DEPRECIABLE ITEMS				
Item Costing Less than $300				
Fire Hose Reel [Common Area]	18.75%	19	4	15
Fire Booster [Common Area]	18.75%	108	20	88
Items costing more $1000:-				
Carpet	10.00%	4,430	443	3,987
Hot water system	6.67%	2,373	158	2,215
Mini split system up to 20KW	10.00%	4,972	497	4,475
Window blinds	10.00%	1,678	168	1,510
Lift system [Common Area]	3.33%	5,424	181	5,243
Cook top	8.33%	3,028	252	2,776
Range hood	8.33%	3,028	252	2,776
Dishwasher	10.00%	3,390	339	3,051
Oven	8.33%	3,503	292	3,211
Gas ducted central heating unit	5.00%	1,966	98	1,868
Exhaust Fans	10.00%	1,469	147	1,322
SUB-TOTALS		**35,388**	**2,851**	**32,537**
WRITE-OFF				
Remaining write-off	2.50%	157,035	3,926	153,109
TOTALS		**192,423**	**6,777**	**185,646**

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 & TR2016/1, 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 .

PRIME COST METHOD

DEPRECIATION REPORT (YEARS 2 TO 5)

Two Bedroom Apartment, 18-20 Cavendish Street, Geelong

Two Bedroom Apartment

Construction Completion date - July 2019

ITEM	RATE %	INSTALLED COST (AFTER YEAR 1)	Year 2 DEPRECIABLE VALUE 2020/21	Year 3 DEPRECIABLE VALUE 2021/22	Year 4 DEPRECIABLE VALUE 2022/23	Year 5 DEPRECIABLE VALUE 2023/24	TWDV AFTER YEAR 5
TOTAL DEPRECIABLE VALUE	**100%**	**185,646**	**6,792** **3.53%**	**6,777** **3.52%**	**6,768** **3.52%**	**6,763** **3.51%**	**158,546**
DEPRECIABLE ITEMS							
Item Costing Less than $300							
Fire Hose Reel [Common Area]	37.50%	15	6	3	2	2	2
Fire Booster [Common Area]	37.50%	88	33	21	13	8	13
Items costing more $1000:-							
Carpet	10.00%	3,987	443	443	443	443	2,215
Hot water system	6.67%	2,215	158	158	158	158	1,583
Mini split system up to 20KW	10.00%	4,475	497	497	497	497	2,487
Window blinds	10.00%	1,510	168	168	168	168	838
Lift system [Common Area]	3.33%	5,243	181	181	181	181	4,519
Cook top	8.33%	2,776	252	252	252	252	1,768
Range hood	8.33%	2,776	252	252	252	252	1,768
Dishwasher	10.00%	3,051	339	339	339	339	1,695
Oven	8.33%	3,211	292	292	292	292	2,043
Gas ducted central heating unit	5.00%	1,868	98	98	98	98	1,476
Exhaust Fans	10.00%	1,322	147	147	147	147	734
SUB-TOTALS		**32,537**	**2,866**	**2,851**	**2,842**	**2,837**	**21,141**
WRITE-OFF							
Remaining write-off	2.50%	153,109	3,926	3,926	3,926	3,926	137,405
TOTALS		**185,646**	**6,792**	**6,777**	**6,768**	**6,763**	**158,546**

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 & TR2016/1, 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 .

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PRIME COST METHOD

DEPRECIATION REPORT (YEARS 6 TO 10)

Two Bedroom Apartment, 18-20 Cavendish Street, Geelong

Two Bedroom Apartment

Construction Completion date - **July 2019**

ITEM	RATE %	INSTALLED COST (AFTER YEAR 5)	Year 6 DEPRECIABLE VALUE 2024/25	Year 7 DEPRECIABLE VALUE 2025/26	Year 8 DEPRECIABLE VALUE 2026/27	Year 9 DEPRECIABLE VALUE 2027/28	Year 10 DEPRECIABLE VALUE 2028/29	TWDV AFTER YEAR 10
TOTAL DEPRECIABLE VALUE	**100%**	**158,546**	**6,759** **3.51%**	**6,756** **3.51%**	**6,755** **3.51%**	**6,754** **3.51%**	**6,751** **3.51%**	**124,771**
DEPRECIABLE ITEMS								
Item Costing Less than $300								
Fire Hose Reel [Common Area]	37.50%	2	1	0	0	0	0	1
Fire Booster [Common Area]	37.50%	13	5	3	2	1	1	1
Items costing more $1000:-								
Carpet	10.00%	2,215	443	443	443	443	443	0
Hot water system	6.67%	1,583	158	158	158	158	158	793
Mini split system up to 20KW	10.00%	2,487	497	497	497	497	497	2
Window blinds	10.00%	838	168	168	168	168	166	0
Lift system [Common Area]	3.33%	4,519	181	181	181	181	181	3,614
Cook top	8.33%	1,768	252	252	252	252	252	508
Range hood	8.33%	1,768	252	252	252	252	252	508
Dishwasher	10.00%	1,695	339	339	339	339	339	0
Oven	8.33%	2,043	292	292	292	292	292	583
Gas ducted central heating unit	5.00%	1,476	98	98	98	98	98	986
Exhaust Fans	10.00%	734	147	147	147	147	146	0
SUB-TOTALS		**21,141**	**2,833**	**2,830**	**2,829**	**2,828**	**2,825**	**6,996**
WRITE-OFF								
Remaining write-off	2.50%	137,405	3,926	3,926	3,926	3,926	3,926	117,775
TOTALS		**158,546**	**6,759**	**6,756**	**6,755**	**6,754**	**6,751**	**124,771**

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 & TR2016/1, 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)*

DIMINISHING VALUE METHOD

DEPRECIATION REPORT (YEAR 1)

Two Bedroom Apartment, 18-20 Cavendish Street, Geelong

Two Bedroom Apartment

Construction Completion date - **July 2019**

ITEM	RATE %	TOTAL INSTALLED COST	Year 1 DEPRECIABLE VALUE 2019/20	RESIDUAL VALUE (AFTER YEAR 1)
TOTAL DEPRECIABLE VALUE	**200%**	**192,423**	**9,607** **365 Days**	**182,816**
DEPRECIABLE ITEMS				
Item Costing Less than $300				
Fire Hose Reel [Common Area]	18.75%	19	4	15
Fire Booster [Common Area]	18.75%	108	20	88
Items costing more $1000:-				
Carpet	20.00%	4,430	886	3,544
Hot water system	13.33%	2,373	316	2,057
Mini split system up to 20KW	20.00%	4,972	994	3,978
Window blinds	20.00%	1,678	336	1,342
Lift system [Common Area]	6.67%	5,424	362	5,062
Cook top	16.67%	3,028	505	2,523
Range hood	16.67%	3,028	505	2,523
Dishwasher	20.00%	3,390	678	2,712
Oven	16.67%	3,503	584	2,919
Gas ducted central heating unit	10.00%	1,966	197	1,769
Exhaust Fans	20.00%	1,469	294	1,175
SUB-TOTALS		**35,388**	**5,681**	**29,707**
WRITE-OFF				
Remaining write-off	2.50%	157,035	3,926	153,109
TOTALS		**192,423**	**9,607**	**182,816**

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 & TR2016/1, 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 .

MULLER partnership

DIMINISHING VALUE METHOD

Two Bedroom Apartment, 18-20 Cavendish Street, Geelong

Two Bedroom Apartment

DEPRECIATION REPORT (YEARS 2 TO 5)

Construction Completion date - July 2019

ITEM	RATE %	INSTALLED COST (AFTER YEAR 1)	Year 2 DEPRECIABLE VALUE 2020/21	Year 3 DEPRECIABLE VALUE 2021/22	Year 4 DEPRECIABLE VALUE 2022/23	Year 5 DEPRECIABLE VALUE 2023/24	TWDV AFTER YEAR 5
TOTAL DEPRECIABLE VALUE	**200%**	**182,816**	**8,633** **4.49%**	**7,807** **4.06%**	**7,138** **3.71%**	**6,590** **3.42%**	**152,648**
DEPRECIABLE ITEMS							
Item Costing Less than $300							
Fire Hose Reel [Common Area]	37.50%	15	6	3	2	2	2
Fire Booster [Common Area]	37.50%	88	33	21	13	8	13
Items costing more $1000:-							
Carpet	20.00%	3,544	709	567	454	363	1,451
Hot water system	13.33%	2,057	274	238	206	178	1,161
Mini split system up to 20KW	20.00%	3,978	796	636	509	407	1,630
Window blinds	20.00%	1,342	268	215	172	137	550
Lift system [Common Area]	6.67%	5,062	338	315	294	274	3,841
Cook top	16.67%	2,523	421	350	292	243	1,217
Range hood	16.67%	2,523	421	350	292	243	1,217
Dishwasher	20.00%	2,712	542	434	347	278	1,111
Oven	16.67%	2,919	487	405	338	282	1,407
Gas ducted central heating unit	10.00%	1,769	177	159	143	129	1,161
Exhaust Fans	20.00%	1,175	235	188	150	120	482
SUB-TOTALS		**29,707**	**4,707**	**3,881**	**3,212**	**2,664**	**15,243**
WRITE-OFF							
Remaining write-off	2.50%	153,109	3,926	3,926	3,926	3,926	137,405
TOTALS		**182,816**	**8,633**	**7,807**	**7,138**	**6,590**	**152,648**

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 & TR2016/1, 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 .

MULLER partnership

DIMINISHING VALUE METHOD

DEPRECIATION REPORT (YEARS 6 TO 10)

Construction Completion date - July 2019

Two Bedroom Apartment, 18-20 Cavendish Street, Geelong

Two Bedroom Apartment

ITEM	RATE %	INSTALLED COST (AFTER YEAR 5)	Year 6 DEPRECIABLE VALUE 2024/25	Year 7 DEPRECIABLE VALUE 2025/26	Year 8 DEPRECIABLE VALUE 2026/27	Year 9 DEPRECIABLE VALUE 2027/28	Year 10 DEPRECIABLE VALUE 2028/29	TWDV AFTER YEAR 10
TOTAL DEPRECIABLE VALUE	**200%**	**152,648**	**6,144**	**5,776**	**5,475**	**5,226**	**5,021**	**125,006**
			3.19%	**3.00%**	**2.85%**	**2.72%**	**2.61%**	
DEPRECIABLE ITEMS								
Item Costing Less than $300								
Fire Hose Reel [Common Area]	37.50%	2	1	0	0	0	0	1
Fire Booster [Common Area]	37.50%	13	5	3	2	1	1	1
Items costing more $1000:-								
Carpet	20.00%	1,451	290	232	186	149	119	475
Hot water system	13.33%	1,161	155	134	116	101	87	568
Mini split system up to 20KW	20.00%	1,630	326	261	209	167	133	534
Window blinds	20.00%	550	110	88	70	56	45	181
Lift system [Common Area]	6.67%	3,841	256	239	223	208	194	2,721
Cook top	16.67%	1,217	203	169	141	117	98	489
Range hood	16.67%	1,217	203	169	141	117	98	489
Dishwasher	20.00%	1,111	222	178	142	114	91	364
Oven	16.67%	1,407	235	195	163	136	113	565
Gas ducted central heating unit	10.00%	1,161	116	105	94	85	76	685
Exhaust Fans	20.00%	482	96	77	62	49	40	158
SUB-TOTALS		**15,243**	**2,218**	**1,850**	**1,549**	**1,300**	**1,095**	**7,231**
WRITE-OFF								
Remaining write-off	2.50%	137,405	3,926	3,926	3,926	3,926	3,926	117,775
TOTALS		**152,648**	**6,144**	**5,776**	**5,475**	**5,226**	**5,021**	**125,006**

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 & TR2016/1, 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
Exhaust fans	Includes for the supply and installation of exhaust fan to the bathroom and kitchen
Floor coverings; carpet	Includes for carpet inclusive of underlay, floor fittings and fixtures associated with the coverings to mezzanine level
Gas ducted central heating unit	Includes for the supply and installation of gas ducted central heating system complete to the property
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
Window blinds	Includes for the supply and installation of window roller blinds to the unit
Fire hose reel	Includes for the supply and installation of fire hose reel complete
Lift System	Includes for the supply and installation of lift system complete
Fire booster system	Includes for the supply and installation of Fire booster complete

5.0 SCHEDULES

5.1 INFORMATION

- Written & verbal information supplied by the Developer Morris Property Group
- Floor Plans
- 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 TR2016/1.

- 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.