



Tax Depreciation Report

35 Union Steet, Newtown NSW 2042,
(35 Union Street, Erskineville NSW 2043)

Janette Woodward
37 Union St
MCMAHONS POINT, NSW 2060

Issue Schedule	
Issue Date:	Issued by:
23 October 2019	Mark Kilroy Bsc (Hons) MRICS

Janette Woodward
37 Union St
MCMAHONS POINT, NSW 2060

October 2019
Job No: RES2042001

Tax Depreciation Report – 35 Union Steet, Newtown NSW 2042, (35 Union Street, Erskineville NSW 2043)

We thank you for choosing Koste Pty Ltd to prepare the attached Tax Depreciation report and schedule for the above property.

This report has been prepared to provide an independent review of Tax Depreciation entitlements available on the subject property, under The Income Tax Assessment Act 1997.

Koste Pty Ltd are a registered tax agent (24836767) who comply with the Tax Agent Services Act 2009. The attached schedule is based on an apportionment of the total expenditure, together with the Tax Commissioners current intentions in preparing this document.

As you continue to grow your portfolio, we would be pleased to provide you with free estimates of tax depreciation allowances on purchases. We can also provide updates for \$100+GST on any revised depreciation reports which may include new capital works and write-offs on disposed assets over the coming years.

The majority of our custom is based on repeat customers and from word of mouth. Testimonials are important to our business especially on social media including Google+, LinkedIn and Facebook. If you are pleased with our service and have some time to write a short testimonial on either social media or via an email, this would be greatly appreciated.

If you or your accountant require any further clarification on the contents of this report, please do not hesitate in contacting a member of our team on 1300 669 400 where they would be more than happy to assist.

Yours Sincerely

Koste Pty Ltd

Koste Pty Ltd
Tax Depreciation Quantity Surveyors



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1. Property Information

Date of Report

23 October 2019

Purchaser

Janette Woodward

Property Address

35 Union Steet, Newtown NSW 2042, (35 Union Street, Erskineville NSW 2043)

Real Property Description

LOT A DP437704

Property Type

Residential House

Date of Construction (Renovation)

13 May 2019



2. Report Details

2.1 Introduction

Koste Pty Ltd has prepared an independent Tax Depreciation Schedule for the purchase of the subject property under the Income Tax Act 1997.

We have evaluated and reported the allowances based on the following:

Division 40 (Capital Allowances)

Referred to as Depreciating Assets, identified as assets which can be removed with ease including; Appliances, Furnishings and the like. Koste will identify and provide an analysis using both Diminishing Value and Prime Cost methods of depreciation. All items which have a value less than \$300 will be written off in the first year.

Division 40 (Capital Allowances) - Low Value Pool

Low Cost Assets are depreciating assets which have a cost of between \$300 and \$1,000 at your purchase date. These assets are depreciated at 18.75% in the first year, and 37.5% in each subsequent year.

Division 43 (Capital Works)

Capital works often referred to as Building Allowances entitles the tax payer to a deduction on assessable income producing buildings and other capital works. The opening value of these assets will be calculated on the date of installation; typical assets may include Windows, Doors and Walls.

3. Capital Allowances

3.1 Entitlement

Capital Allowances Division 40 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life. A depreciating asset will deteriorate over the life and will therefore decline in value.

3.2 Qualifying Expenditure Calculation

On a property acquisition, Capital Allowances (Plant and Equipment) are based on a reasonable apportionment of the purchase price relating to qualifying plant under the Income Tax Assessment Act (ITAA) 1977 Section 40 – 195.

3.3 Effective Life

The Commissioner of Taxation provides regular tax rulings which determine the period an asset can be used to produce income. Included within this report is as new effective life rates.

3.4 Immediate Write-Off Assets

A depreciating asset which costs less than \$300 can be immediately written off under Division 40 of ITAA. Please note that this is only applicable to residential property investments.

3.5 Low Value Pool

Assets which have a starting value of between \$300 and \$1000 have been included within the Low Value Pool. These assets are depreciated at 18.75% in the first year and 37.5% for all subsequent years on a diminishing basis.

An asset that has a written down value under \$1000 in following years will be allocated to the low value pool and depreciated at 37.5% using diminishing value method. This method does not apply to assets that were depreciated using the prime cost method in any previous years.

3.6 Method of Depreciation

We provide you with a choice to calculate the decline in value for depreciating assets. Your choice on whether to use Diminishing Value or Prime Cost method of depreciation should be discussed with your accountant. Once a depreciation method is chosen for an asset this cannot be changed.

Diminishing Value Method	Prime Cost Method								
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.	Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.								
Benefits	Benefits								
<ul style="list-style-type: none"> • Cash-flow during initial years of asset ownership • Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets) 	<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 								
Calculation Example	Calculation Example								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p>200 / 10 Years = 20% (Adjusted Value)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>	<p>Under Prime Cost method, the effective life is dividing by 100.</p> <p>100 / 10 Years = 10% (Straight Line)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>								
Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

4. Capital Works

4.1 Entitlement

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

4.2 Method of Depreciation

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

4.3 Method of Depreciation

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	13 May 19 to 30 June 19	821	787	1,608	1,108	2,716
2	1 July 19 to 30 June 20	4,446	1,465	5,910	8,429	14,339
3	1 July 20 to 30 June 21	3,180	1,550	4,730	8,429	13,159
4	1 July 21 to 30 June 22	2,688	969	3,657	8,429	12,086
5	1 July 22 to 30 June 23	2,114	908	3,021	8,429	11,450
6	1 July 23 to 30 June 24	1,798	567	2,365	8,429	10,794
7	1 July 24 to 30 June 25	1,531	355	1,886	8,429	10,315
8	1 July 25 to 30 June 26	1,305	222	1,527	8,429	9,956
9	1 July 26 to 30 June 27	952	440	1,392	8,429	9,821
10	1 July 27 to 30 June 28	822	275	1,096	8,429	9,525
11	1 July 28 to 30 June 29	709	172	881	8,429	9,310
12	1 July 29 to 30 June 30	470	461	931	8,429	9,360
13	1 July 30 to 30 June 31	407	288	696	8,429	9,125
14	1 July 31 to 30 June 32	353	180	533	8,429	8,962
15	1 July 32 to 30 June 33	306	113	418	8,429	8,847
16	1 July 33 to 30 June 34	265	70	335	8,429	8,764
17	1 July 34 to 30 June 35	230	44	274	8,429	8,703
18	1 July 35 to 30 June 36	199	28	227	8,429	8,656
19	1 July 36 to 30 June 37	173	17	190	8,429	8,619
20	1 July 37 to 30 June 38	150	11	160	8,429	8,589
21	1 July 38 to 30 June 39	0	371	371	8,429	8,800
22	1 July 39 to 30 June 40	0	232	232	8,429	8,661
23	1 July 40 to 30 June 41	0	145	145	8,429	8,574
24	1 July 41 to 30 June 42	0	91	91	8,429	8,520
25	1 July 42 to 30 June 43	0	57	57	8,429	8,486
26	1 July 43 to 30 June 44	0	35	35	8,429	8,464
27	1 July 44 to 30 June 45	0	22	22	8,429	8,451
28	1 July 45 to 30 June 46	0	14	14	8,429	8,443
29	1 July 46 to 30 June 47	0	9	9	8,429	8,438
30	1 July 47 to 30 June 48	0	5	5	8,429	8,434
31	1 July 48 to 30 June 49	0	3	3	8,429	8,432
32	1 July 49 to 30 June 50	0	2	2	8,429	8,431
33	1 July 50 to 30 June 51	0	1	1	8,429	8,430
34	1 July 51 to 30 June 52	0	1	1	8,429	8,430
35	1 July 52 to 30 June 53	0	1	1	8,429	8,430
36	1 July 53 to 30 June 54	0	0	0	8,429	8,429
37	1 July 54 to 30 June 55	0	0	0	8,429	8,429
38	1 July 55 to 30 June 56	0	0	0	8,429	8,429
39	1 July 56 to 30 June 57	0	0	0	8,429	8,429
40	2057+	0	0	0	15,756	15,756
Totals		22,917	9,910	32,827	337,166	369,993

The diminishing value method involves multiplying the remaining amount (or also known as the written down value) of the item by the depreciation rate each year. Hence the term diminishing value method as it diminishes in value each year never quite reaching zero.

Example

	DV Rate	Opening Value	Year 1	WDV	Year 2
Carpet	20%	\$1,000	\$200	\$800	\$160

6. Summary of Entitlements – Prime Cost Method

Year	Financial Year	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	13 May 19 to 30 June 19	508	787	1,295	1,108	2,403
2	1 July 19 to 30 June 20	2,383	1,279	3,662	8,429	12,091
3	1 July 20 to 30 June 21	2,383	799	3,182	8,429	11,611
4	1 July 21 to 30 June 22	2,383	500	2,883	8,429	11,312
5	1 July 22 to 30 June 23	2,383	312	2,695	8,429	11,124
6	1 July 23 to 30 June 24	2,335	195	2,531	8,429	10,960
7	1 July 24 to 30 June 25	2,021	122	2,143	8,429	10,572
8	1 July 25 to 30 June 26	2,021	76	2,097	8,429	10,526
9	1 July 26 to 30 June 27	2,021	48	2,069	8,429	10,498
10	1 July 27 to 30 June 28	2,021	30	2,051	8,429	10,480
11	1 July 28 to 30 June 29	1,940	19	1,958	8,429	10,387
12	1 July 29 to 30 June 30	1,465	12	1,477	8,429	9,906
13	1 July 30 to 30 June 31	1,454	7	1,461	8,429	9,890
14	1 July 31 to 30 June 32	1,367	5	1,372	8,429	9,801
15	1 July 32 to 30 June 33	1,076	3	1,079	8,429	9,508
16	1 July 33 to 30 June 34	868	2	870	8,429	9,299
17	1 July 34 to 30 June 35	0	1	1	8,429	8,430
18	1 July 35 to 30 June 36	0	1	1	8,429	8,430
19	1 July 36 to 30 June 37	0	0	0	8,429	8,429
20	1 July 37 to 30 June 38	0	0	0	8,429	8,429
21	1 July 38 to 30 June 39	0	0	0	8,429	8,429
22	1 July 39 to 30 June 40	0	0	0	8,429	8,429
23	1 July 40 to 30 June 41	0	0	0	8,429	8,429
24	1 July 41 to 30 June 42	0	0	0	8,429	8,429
25	1 July 42 to 30 June 43	0	0	0	8,429	8,429
26	1 July 43 to 30 June 44	0	0	0	8,429	8,429
27	1 July 44 to 30 June 45	0	0	0	8,429	8,429
28	1 July 45 to 30 June 46	0	0	0	8,429	8,429
29	1 July 46 to 30 June 47	0	0	0	8,429	8,429
30	1 July 47 to 30 June 48	0	0	0	8,429	8,429
31	1 July 48 to 30 June 49	0	0	0	8,429	8,429
32	1 July 49 to 30 June 50	0	0	0	8,429	8,429
33	1 July 50 to 30 June 51	0	0	0	8,429	8,429
34	1 July 51 to 30 June 52	0	0	0	8,429	8,429
35	1 July 52 to 30 June 53	0	0	0	8,429	8,429
36	1 July 53 to 30 June 54	0	0	0	8,429	8,429
37	1 July 54 to 30 June 55	0	0	0	8,429	8,429
38	1 July 55 to 30 June 56	0	0	0	8,429	8,429
39	1 July 56 to 30 June 57	0	0	0	8,429	8,429
40	2057+	0	0	0	15,756	15,756
Totals		28,630	4,197	32,827	337,166	369,993

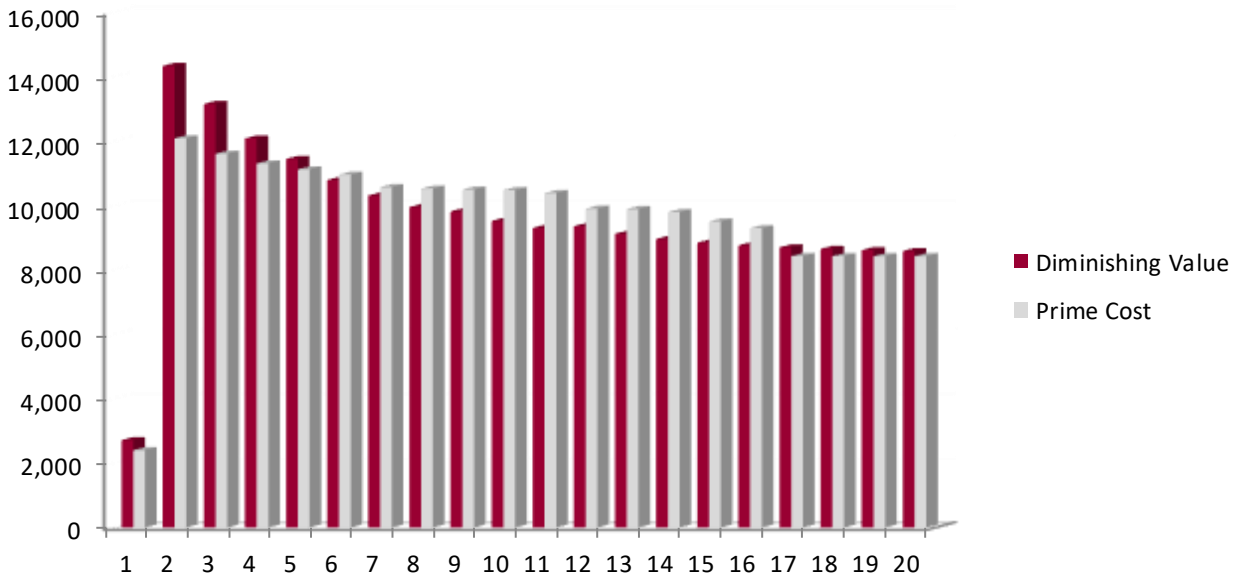
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

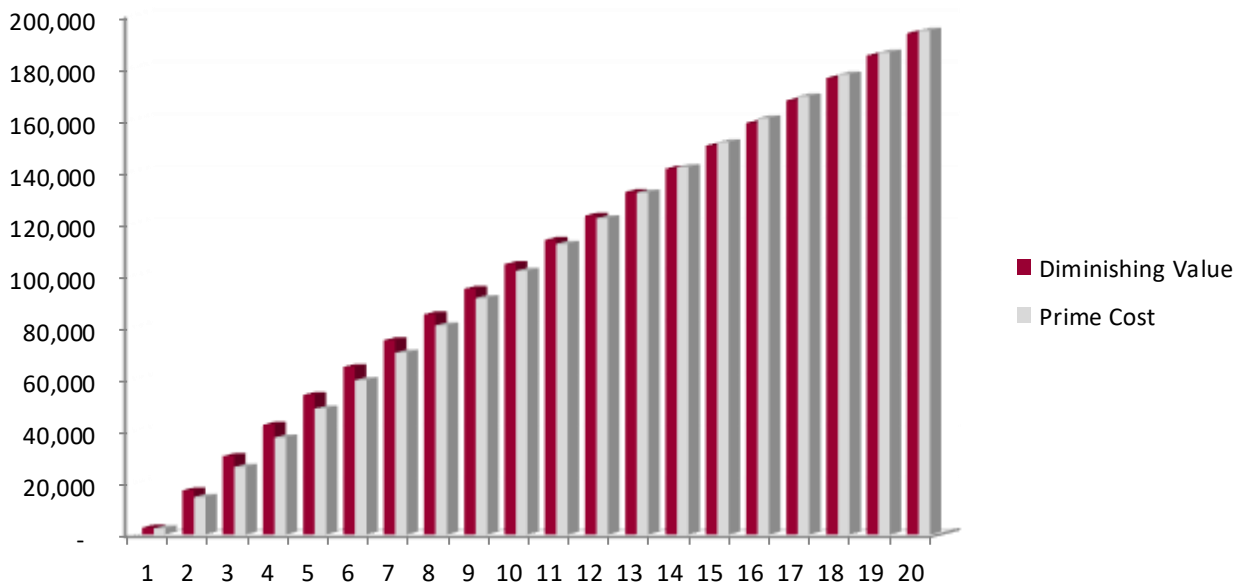
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

7. Comparison Graphs

20 YEAR COMPARISON GRAPH



20 YEAR CUMULATIVE GRAPH



Advantages of using diminishing value method over prime cost method, as can be seen in the 20 year comparison graph, diminishing value method has higher deductions in the first few years. Prime cost method has lower deductions over the first few years, but around the 5-6 year mark starts to give higher deductions and in later years. However cumulatively they equal out at about the 10 year mark. It comes down to whether you want the higher deductions in the first few years or the more evenly spread out deductions approach.

8. Capital Expenditure Analysed

Construction Details	
Contract Date	22 May 2018
Handover Date	13 May 2019

Expenditure Analysed	
Construction Cost	\$369,993
Total Expenditure Analysed	\$369,993

Historical Construction Details	
Construction Start Date	22 May 2018
Construction Completion Date	13 May 2019
Historical Construction Cost (Advised)*	\$369,993

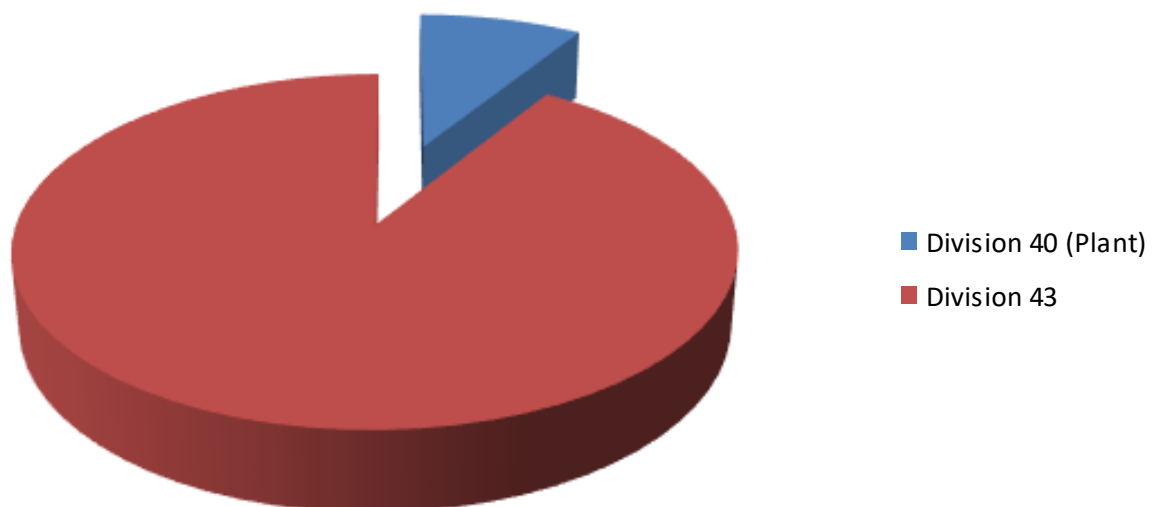
9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:	
Division 40 (Plant)	\$32,827
Division 43	\$337,166
Total Expenditure Analysed	\$369,993

Notes

* The historical construction has been calculated and the eligible qualifying expenditure for the purposes of calculating the Division 43 deductions capital works has been taken from this total by excluding the plant (Division 40) and any non eligible expenditure items

** Balance of capital expenditure comprises the apportionment of all capital works which are ineligible for depreciation or capital allowances



10. Diminishing Value Depreciation Schedule

Assets Generally	Diminishing Value Rate	Install Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Division 40 - Plant and Equipment													
Blinds Residential	20.00%	13-May-19	1,617	43	315	252	202	302	189	118	74	46	29
Ceiling Fans	40.00%	13-May-19	1,287	68	488	274	171	107	67	42	26	16	10
Fire control assets													
Detection & alarm systems, detectors	18.75%	13-May-19	440	83	134	84	52	33	20	13	8	5	3
Floor coverings (removable without damage)													
Carpets	20.00%	13-May-19	3,935	103	766	613	490	392	314	251	201	301	188
Floating timber	13.33%	13-May-19	15,000	263	1,965	1,703	1,476	1,279	1,109	961	833	722	625
Furniture	15.00%	13-May-19	4,895	97	720	612	520	442	376	319	271	231	196
Furniture	18.75%	13-May-19	1,662	312	506	316	198	124	77	48	30	19	12
Hot water systems (excluding piping)													
Gas or electric	16.67%	13-May-19	1,178	26	192	360	225	141	88	55	34	21	13
Kitchen assets													
Cooktops	18.75%	13-May-19	443	83	135	84	53	33	21	13	8	5	3
Dishwashers	18.75%	13-May-19	611	115	186	116	73	45	28	18	11	7	4
Ovens	18.75%	13-May-19	585	110	178	111	70	44	27	17	11	7	4
Rangehoods	18.75%	13-May-19	456	86	139	87	54	34	21	13	8	5	3
Lights													
Fittings (excluding hardwired)	40.00%	13-May-19	523	28	186	116	73	45	28	18	11	7	4
\$300 items	100.00%	13-May-19	195	195									
Pooled Plant Total				787	1,465	1,550	969	908	567	355	222	440	275
Effective Life Plant Total				821	4,446	3,180	2,688	2,114	1,798	1,531	1,305	952	822
Total Division 40			32,827	1,608	5,910	4,730	3,657	3,021	2,365	1,886	1,527	1,392	1,096
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2019	2.50%	13-May-19	323,724	1,064	8,093	8,093	8,093	8,093	8,093	8,093	8,093	8,093	8,093
Structural Improvements - Completed 2019	2.50%	13-May-19	13,442	44	336	336	336	336	336	336	336	336	336
Total Division 43			337,166	1,108	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429
Total Depreciation			369,993	2,716	14,339	13,159	12,086	11,450	10,794	10,315	9,956	9,821	9,525

11. Prime Cost Depreciation Schedule

Assets Generally		Prime Cost											
Division 40 - Plant and Equipment	Rate	Install Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Blinds Residential	10.00%	13-May-19	1,617	21	162	162	162	162	162	162	162	162	162
Ceiling Fans	20.00%	13-May-19	1,287	34	257	257	257	257	225				
Fire control assets													
Detection & alarm systems, detectors	18.75%	13-May-19	440	83	134	84	52	33	20	13	8	5	3
Floor coverings (removable without damage)													
Carpets	10.00%	13-May-19	3,935	52	394	394	394	394	394	394	394	394	394
Floating timber	6.67%	13-May-19	15,000	132	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Furniture	7.50%	13-May-19	4,895	48	367	367	367	367	367	367	367	367	367
Furniture	18.75%	13-May-19	1,662	312	506	316	198	124	77	48	30	19	12
Hot water systems (excluding piping)													
Gas or electric	8.33%	13-May-19	1,178	13	98	98	98	98	98	98	98	98	98
Kitchen assets													
Cooktops	18.75%	13-May-19	443	83	135	84	53	33	21	13	8	5	3
Dishwashers	18.75%	13-May-19	611	115	186	116	73	45	28	18	11	7	4
Ovens	18.75%	13-May-19	585	110	178	111	70	44	27	17	11	7	4
Rangehoods	18.75%	13-May-19	456	86	139	87	54	34	21	13	8	5	3
Lights													
Fittings (excluding hardwired)	20.00%	13-May-19	523	14	105	105	105	105	89				
\$300 items	100.00%	13-May-19	195	195									
Pooled Plant Total				787	1,279	799	500	312	195	122	76	48	30
Effective Life Plant Total				508	2,383	2,383	2,383	2,383	2,335	2,021	2,021	2,021	2,021
Total Division 40			32,827	1,295	3,662	3,182	2,883	2,695	2,531	2,143	2,097	2,069	2,051
Division 43 - Capital Works Allowance													
	Rate	Install Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Building Works - Completed 2019	2.50%	13-May-19	323,724	1,064	8,093	8,093	8,093	8,093	8,093	8,093	8,093	8,093	8,093
Structural Improvements - Completed 2019	2.50%	13-May-19	13,442	44	336	336	336	336	336	336	336	336	336
Total Division 43			337,166	1,108	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429
Total Depreciation			369,993	2,403	12,091	11,611	11,312	11,124	10,960	10,572	10,526	10,498	10,480

12. Division 43 Capital Works Schedule

The table below outlines the amount of Division 43 building write-off available for this property. The building write-off is claimed over forty years from the construction date of the works completed and is the remaining value after plant and equipment has been taken out.

Qualifying Building Allowance

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Building Works - Completed 2019	22 May 18 to 13 May 19	323,724	2.50%	8,093	323,724
Sub-total		323,724		8,093	323,724

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2019	22 May 18 to 13 May 19	13,442	2.50%	336	13,442
Sub-total		13,442		336	13,442
Totals		337,166		8,429	337,166

The table below demonstrates the various property types and the depreciation rates for Capital expenditure deductions. Eligibility is based on the date of construction commencement.

	Today - 27 Feb 92	26 Feb 92 - 16 Sept 87	15 Sept 87 - 18 Jul 85	17 Jul 85 - 22 Aug 84	21 Aug 84 - 20 Jul 82	19 Jul 82 - 21 Aug 79
Traveller Accommodation	4%	2.5%	4%	4%	2.5%	2.5%
Non Residential	2.5%	2.5%	4%	4%	2.5%	N/A
Manufacturing	4%	2.5%	4%	4%	2.5%	N/A
Residential	2.5%	2.5%	4%	N/A	N/A	N/A
Structural Improvement	2.5%	N/A	N/A	N/A	N/A	N/A

13. Definition of Terms

Adjusted Value	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
Balancing Adjustment	The balancing adjustment amount is the difference between the termination value and the adjustable value of a depreciating asset at the time of a balancing adjustment event.
Decline in Value	Deductions for the cost of a depreciating asset are based on the decline in value between any two dates. This report includes both methods of the decline in value of a depreciating asset; the prime cost method and diminishing value method.
Depreciating Assets	Assets with limited effective life that are reasonably expected to decline in value.
Diminishing Value Method	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
Effective Life	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
Immediate WriteOff	A depreciating asset which costs less than \$300 can be immediately written off at 100% of the total cost. This is only available where the asset is not part of a set e.g. table and chairs.
Installed Costs	This is the total cost of installing the asset inclusive of fees and labour etc.
Low Value Pool	Low cost assets which have a value between \$300 and \$1000. These assets are depreciated at 18.75% in the first year and 37.5% in each subsequent years.
Low Cost Asset	A depreciable asset with an installed cost of less than \$1000.
Low Value Asset	A depreciable asset that has an adjusted value of less than \$1000.
Non Eligible	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
Prime Cost Method	This is a method of calculating depreciation using a constant opening cost base often referred to as the "Straight Line" method.

14. Contact Details

COMPANY DETAILS	
Company Name	Koste Pty Ltd
Postal Address	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
Office Number	1300 669 400
Office Email	info@koste.com.au

15. Disclaimer

This report has been prepared for the exclusive use of the parties named within this report, Koste Pty Ltd does not accept any contractual, tortious or other form of liability for any consequences that may arise from any other person acting upon or using this valuation.