

| Year | Investment | Net Receipts | Change in Value | Value | Income | Cash Flow | Tax Value | Tax Deprecn |
|------|------------|--------------|-----------------|-------|--------|-----------|-----------|-------------|
| 0    | 1000       |              |                 | 1000  |        | -1000     | 1000      |             |
| 1    | 0          | 250          | -150            | 850   | 100    | 250       | 850       | -150        |
| 2    | 0          | 213          | -128            | 723   | 85     | 213       | 723       | -128        |
| 3    | 0          | 181          | -108            | 614   | 72     | 181       | 614       | -108        |
| 4    | 0          | 154          | -92             | 522   | 61     | 154       | 522       | -92         |
| 5    | -444       | 131          | -78             | 444   | 52     | 574       | 444       | -78         |

Tax value matches actual value year by year as 15% reducing balance depreciation mirrors 15% pa reduction in actual value

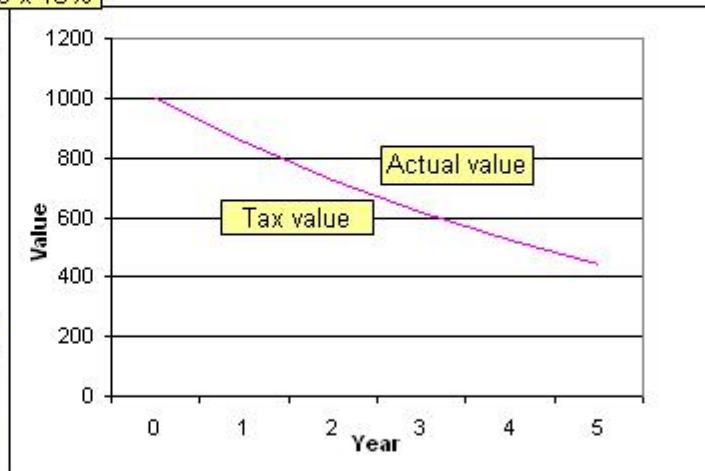
|         |                               |                          |                        |        |                |
|---------|-------------------------------|--------------------------|------------------------|--------|----------------|
| Pre-tax | Net receipts declining at 15% | Income less net receipts | Start year value x 10% | 10.00% | Pre-tax return |
|---------|-------------------------------|--------------------------|------------------------|--------|----------------|

| Year | Benchmark |           | Tax Treatment |           |
|------|-----------|-----------|---------------|-----------|
|      | Tax       | Cash Flow | Tax           | Cash Flow |
| 0    | 0         | -1000     |               | -1000     |
| 1    | 47        | 203       | 47            | 203       |
| 2    | 40        | 173       | 40            | 173       |
| 3    | 34        | 147       | 34            | 147       |
| 4    | 29        | 125       | 29            | 125       |
| 5    | 25        | 550       | 25            | 550       |

|          |     |       |     |       |
|----------|-----|-------|-----|-------|
| Post-tax | 174 | 5.30% | 174 | 5.30% |
|----------|-----|-------|-----|-------|

**Benchmark:** Tax at 47% on net receipts plus annual change in value reduces 10% pre-tax return by 47% to 5.3%

**Selected tax treatment:** Tax at 47% on net receipts plus tax depreciation (no balancing adjustment on sale) produces after-tax return of 5.3%.



### DEPRECIATING ASSET: TAX DEPRECIATION MATCHING VALUE DECLINE