

Blank Undo		INFRASTRUCTURE COMPANY										
Year		0	1	2	3	4	5	6	7	8	9	10
Pre-tax												
Value net assets		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	1997
Net receipts		0	0	0	0	0	220	226	234	242	252	262
Cash flow		-1000	0	0	0	0	44	47	50	54	58	2259
Pre-tax return %	IRR Clr		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0
10% pa pre-tax return												
Post-tax												
Tax value		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	1997
Change in tax value			100	110	121	133	-73	-70	-66	-63	-60	-57
Balancing adjustmt							0	0	0	0	0	0
CGT bal adj							0	0	0	0	0	0
Post-tax cash flow		-1000	-30	-33	-36	-40	0	0	0	0	0	2197
Acc tax paid			30	63	99	139	183	230	280	334	392	453
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0
Extra capital contributed												
Company's 10% pre-tax return becomes 7% with annual economic income taxed												

Asset value (includes bank a/c)

Includes interest earned from retentions in 10% bank a/c

Tax value = value

No depreciation balancing adjustment as tax value = asset value

SHAREHOLDERS												
Retain entity/sell (0/1)			0	0	0	0	0	0	0	0	0	0
Retain/distribute			0	0	0	0	0	0	0	0	0	1
Value (share)		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	0
Tax value (share)		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	0
Franked div int (share)			70	77	85	93	102	110	117	126	134	144
Unfrank div int (share)			0	0	0	0	0	0	0	0	0	0
Return of cap (share)		-1000	0	0	0	0	0	0	0	0	0	1139
Tax paid			17	19	21	23	25	27	28	30	33	35
CGT base	Shareholders taxed at 47%		0	0	0	0	0	0	0	0	0	0
CGT			0	0	0	0	0	0	0	0	0	0
Post-tax cash flow		-1000	-47	-52	-57	-63	-25	-27	-28	-30	-33	2162
Post-tax return			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return(sales)	Delete											5.30%
Acc overall i/tax paid			47	99	156	218	287	361	439	524	614	710

Shares never sold

No cash distributed until liquidation

10% pa pre-tax becomes the 'benchmark' 5.3% pa return post-tax as infrastructure asset's annual economic income taxed at 47% in the year it arises

With no distributions before liquidation, \$1139 of cash on liquidation returns the original \$1000 capital contributed plus the \$139 extra capital contributed in Years 1 to 4 to cover company tax on accrued gains. Shareholders pay tax at 47% each year on grossed-up 'franked' dividends (ie taxable income=economic income) less franking credits regardless of distributions.

Extra tax revenue beyond \$583 because of cash retained in 10% bank account

INFRASTRUCTURE COMPANY: FULL INTEGRATION (INCLUDING IMPUTATION) WITH NO SALES OF SHARES AND NO DISTRIBUTIONS EACH YEAR