

Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn	Tot income
0	1000			1000		-1000	1000		610.5
1	0	0	100	1100	100	0	1000	0	Foreign tax
2	0	0	110	1210	110	0	1000	0	122.1
3	0	0	121	1331	121	0	1000	0	
4	0	0	133	1464	133	0	1000	0	
5	-1611	0	146	1611	146	1611	1000	0	

Tax value remains at original cost

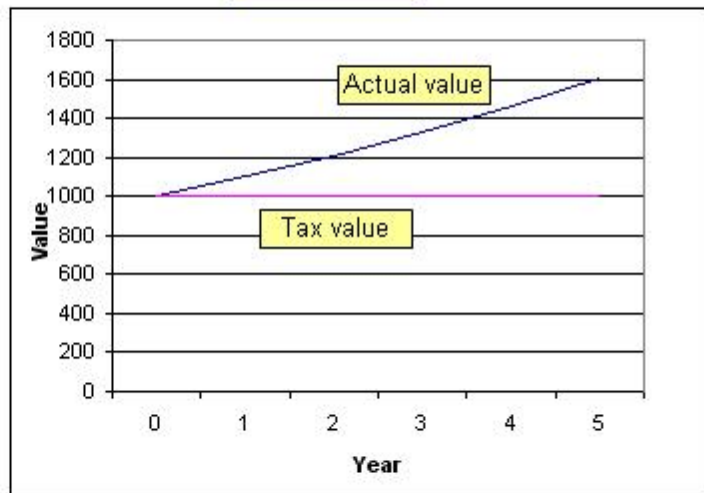
Pre-tax

Actual value increasing at 10%

10.00%

Pre-tax return

Year	Benchmark		Tax Treatment	
	Tax	Cash Flow	Tax	Cash Flow
0	0	-1000		-1000
1	20	-20	0	0
2	22	-22	0	0
3	24	-24	0	0
4	27	-27	0	0
5	29	1581	122	1488
Post-tax	122	8.00%	122	8.28%



**Benchmark:** For direct investor, tax at 20% on annual change in value reduces 10% pre-tax return by 20% to 8.0%

**Selected tax treatment:** For direct investor, tax at 20% on full amount of capital gain realised in Year 5 produces after-tax return of 8.3%. For IntCo, realised gain added to tax assessment in Year 5.

## APPRECIATING ASSET HELD BY INTCO