

Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn
0	400			400		-400	400	
1	0	100	-60	340	40	100	280	-120
2	0	85	-51	289	34	85	196	-84
3	0	72	-43	246	29	72	137	-59
4	0	61	-37	209	25	61	96	-41
5	-177	52	-31	177	21	230	67	-29

Tax value declines at 30% (reducing balance depreciation) compared to 15% pa reduction in actual value

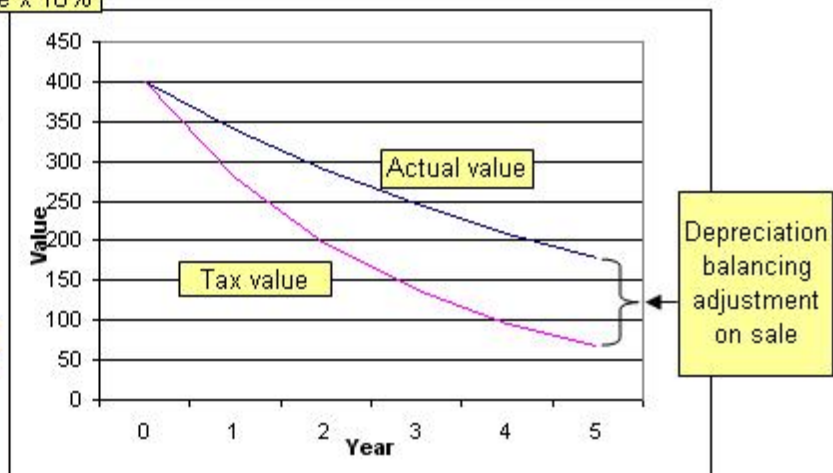
Pre-tax	Net receipts declining at 15%	Income less net receipts	Start year value x 10%	10.00%	Pre-tax return
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Year	Benchmark		Tax Treatment	
	Tax	Cash Flow	Tax	Cash Flow
0	0	-400		-400
1	19	81	-9	109
2	16	69	0	85
3	14	59	6	66
4	12	50	10	52
5	10	220	63	167

Post-tax	70	5.30%	70	5.96%
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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 30% tax depreciation (plus balancing adjustment on sale) produces after-tax return of 6.0%.



DEPRECIATING ASSET: CASH FLOWS AND TAX TREATMENT