

Tot income 521.3

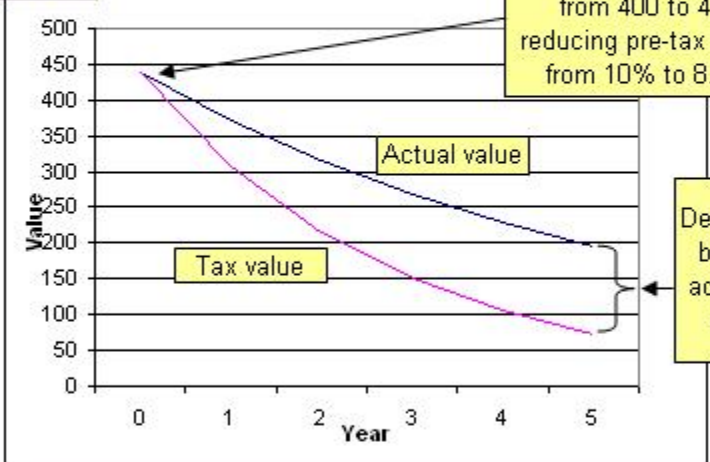
Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn
0	439			439		-439	439	
1	0	105	-66	373	39	105	307	-132
2	0	89	-56	317	33	89	215	-92
3	0	76	-48	269	28	76	150	-64
4	0	64	-40	229	24	64	105	-45
5	-195	55	-34	195	20	249	74	-32

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 8.9% 8.88% Pre-tax return

Asset price increase from 400 to 439 reducing pre-tax return from 10% to 8.9%

Benchmark		Tax Treatment	
Year	Tax	Cash Flow	Tax
0	0	-439	-439
1	18	86	-13
2	16	73	-1
3	13	62	5
4	11	53	9
5	10	240	68



Depreciation balancing adjustment on sale

Post-tax 68 4.70% 68 5.30%

Benchmark: Tax at 47% on net receipts plus annual change in value reduces 8.9% pre-tax return by 47% to 4.7%

Selected tax treatment: Tax at 47% on net receipts plus 30% tax depreciation (plus balancing adjustment on sale) produces after-tax return of 5.3%.

Tax savings in Years 1 & 2 from writing off annual excess of tax depreciation over net receipts against other income

DEPRECIATING ASSET: CASH FLOWS AND TAX TREATMENT AFTER PRICE EFFECTS