

Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn
0	1000			1000		-1000	1000	
1	0	0	100	1100	100	0	1000	0
2	0	0	110	1210	110	0	1000	0
3	0	303	-182	1029	121	303	850	-150
4	0	257	-154	874	103	257	723	-128
5	-743	219	-131	743	87	962	614	-108

Tax value declines at 15% pa (reducing balance depreciation) from year of first receipts

Value increases as the delay before accessing first net receipts in Year 3 shortens - then declines at 15% pa

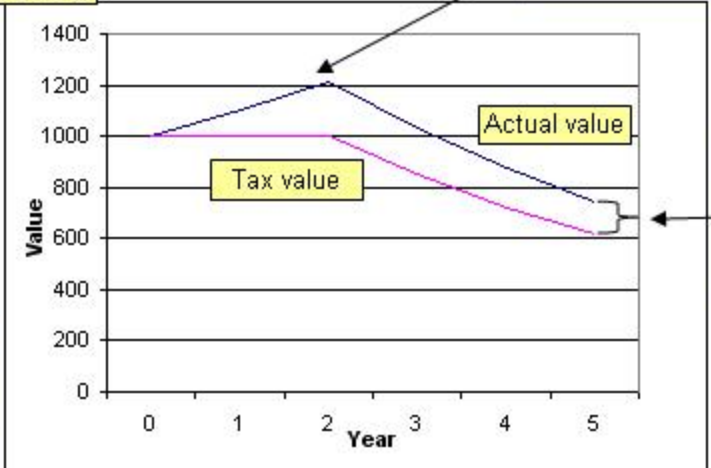
Pre-tax Income less net receipts Start year value x 10% 10.00% Pre-tax return

Year	Benchmark		Tax Treatment	
	Tax	Cash Flow	Tax	Cash Flow
0	0	-1000		-1000
1	47	-47	0	0
2	52	-52	0	0
3	57	246	72	231
4	48	209	61	196
5	41	921	112	849

Post-tax 245 5.30% 245 5.61%

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 15% tax depreciation (plus balancing adjustment on sale) produces after-tax return of 5.6%.



Depreciation balancing adjustment on sale

JIM'S APPLE TREES WITH 15% WRITE-OFF FROM YEAR OF FIRST RECEIPTS