

## Appendix 2

### Economic value added

The following details have been gathered for the 20X5 EVA™ calculation:

1. The operating profit of Arkaig was \$3,175m. This includes a depreciation charge of \$1,780m.
2. Amortisation charges of \$95m in the year have been incurred.
3. The corporation tax rate is 25%. Tax of \$694m was paid in the year.
4. The company has spent \$90m this year and each year for the previous 10 years on long-term brand building.
5. The economic depreciation for the year is estimated to be \$1,907m.
6. This year and each year for the previous 10 years, economic depreciation has included a \$10m write-down of the value of brand building.
7. Research and development expenditure of \$705m was incurred in the period leading to an economic asset of \$4,233m at the year end.
8. Interest paid in the period was \$213m.
9. Capital employed during the period (from the statement of financial position):

	\$m
Opening	19,404
Change in period	977
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Closing	20,381
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10. Costs of capital:

Equity	12·0%
Debt (pre-tax)	3·8%

11. Gearing: 45% debt/(equity + debt)