

Sources	Amount (£' million)	cost	Weight	Cost * weight
Loan @ 10%	1369.2	0.1	0.406387273	0.040638727
Retained earnings	2000	0.15	0.593612727	0.089041909
	3369.2		1	0.129680636

weighted average cost of capital 12.96806364

Year	Cash flow (£ ' million)	Disocunt rate (10%)	Present Value of cash flow (£' million)
1	1125	0.909	1022.625
2	235	0.826	194.11
3	458	0.751	343.958
4	1000	0.683	683
5	200	0.621	124.2
6	236	0.564	133.104
7	1452	0.513	744.876
8	1233	0.466	574.578
9	896	0.424	379.904
10	900	0.385	346.5
Present value of cash inflow			<b>4546.855</b>
Lesss: Present value of cash outflow			3369.2
<b>Net present value</b>			<b>1177.655</b>