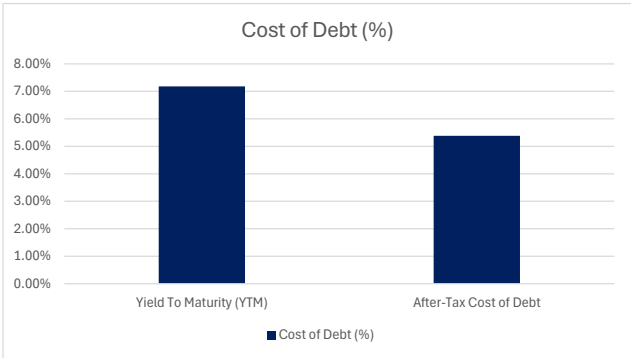
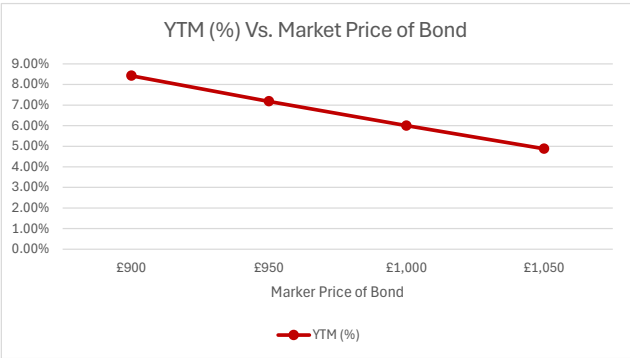


Company Data Table	
Item	Value
Face Value of Bond (FV)	£1,000
Current Market Price of Bond (PV)	£950
Annual Coupon Payment (C)	£60
Years to Maturity (t)	5
Corporate Tax Rate	25%

Cost of Debt Calculation Table			
Method	Formula	Calculation	Cost of Debt (%)
Yield To Maturity (YTM)	$(C + ((FV - PV) / t)) / ((FV + PV) / 2)$	$(£60 + ((£1,000 - £950) / 5) / ((£1,000 + £950) / 2)$	7.18%
After-Tax Cost of Debt	$YTM * (1 - \text{Corporate Tax Rate})$	$7.18\% * (1 - 25\%)$	5.38%

Sensitivity Analysis Table		
Market Price of Bond	YTM (%)	After-Tax Cost of Debt (%)
£900	8.42%	6.32%
£950	7.18%	5.38%
£1,000	6.00%	4.50%
£1,050	4.88%	3.66%



SilverStone's current cost of debt is approximately 7.18% before tax and 5.38% after applying a 25% corporate tax rate. As the bond price rises, both the before-tax and after-tax costs of debt fall. The interest tax shield reduces the effective cost of debt by multiplying the before-tax yield by one minus the corporate tax rate, making debt financing more attractive compared with equity. A lower after-tax cost of debt brings down SilverStone's weighted average cost of capital and enables more projects to exceed the hurdle rate, although excessive leverage should be avoided to minimise default risk and expensive equity financing.