

# Reconciliation of economic profit

## Reconciliation of economic profit

Economic profit for 2004 was £1.9bn. The cumulative total of £5.3bn was generated for the preceding goal period, 2000-2003.

For the new goal period cycle, 2004-2007, the first year of the new goal cycle generated economic profit of £1.9bn.

The 2000-2004 breakdown of economic profit performance is shown below and its reconciliation to profit after tax and minority interests.

	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Profit after tax and minority interests	3,268	2,744	2,230	2,446	2,445
Goodwill amortisation	299	265	254	229	51
Tax credit on goodwill	(11)	(7)	(5)	(5)	–
Goodwill relating to associated undertakings	7	7	1	–	–
Goodwill on disposals	–	–	10	–	–
Profit after tax and minority interests excluding goodwill amortisation	3,563	3,009	2,490	2,670	2,496
Gain/(loss) on disposal recognised in the statement of total recognised gains and losses	13	(4)	206	–	–
	3,576	3,005	2,696	2,670	2,496
Average shareholders' funds including average historical goodwill	18,237	17,019	15,800	14,514	10,117
Post-tax cost of equity	9.5%	9.5%	9.5%	10.5%	11.0%
Cost of average shareholders' funds including average historical goodwill	(1,691)	(1,575)	(1,458)	(1,441)	(1,094)
Economic profit	1,885	1,430	1,238	1,229	1,402

The difference between the average shareholders' funds (excluding minority interests) and that reported above represents cumulative goodwill amortisation charged and goodwill previously written off to reserves.

The cost of average shareholders' funds includes a charge for purchased goodwill. A post-tax cost of equity of 8.5% has been used for goodwill associated with the acquisition of Woolwich plc. A post-tax cost of equity of 9.5% (2003: 9.5%, 2002: 9.5%, 2001: 10.5%) has been used for all other goodwill.