

Ring Co has in issue ordinary shares with a nominal value of \$0.25 per share. These shares are traded on an efficient capital market. It is now 20X6 and the company has just paid a dividend of \$0.450 per share. Recent dividends of the company are as follows:

Year	20X6	20X5	20X4	20X3	20X2
Dividend per share	\$0.450	\$0.428	\$0.408	\$0.389	\$0.370

Ring Co also has in issue loan notes which are redeemable in seven years' time at their nominal value of \$100 per loan note and which pay interest of 6% per year.

The finance director of Ring Co wishes to determine the value of the company.

Ring Co has a cost of equity of 10% per year and a before-tax cost of debt of 4% per year. The company pays corporation tax of 25% per year.

Using the dividend growth model, what is the market value of each ordinary share?

- A \$8.59
- B \$9.00
- C \$9.45
- D \$7.77