

Centre 4

Year	Net cash flow (£)	Cumulative cash flow (£)
0	(200,000)	(200,000)
1	60,000	(140,000)
2	60,000	(80,000)
3	60,000	(20,000)
4	60,000	40,000
5	60,000	100,000

Payback between year 3 and 4

£60,000 = £5000 per month Paid back £20,000 into year 4
12

£20000 = 4 months
£5000

Payback = 3 years and 4 months

b) Supernotant

Year	Cash Flow (£)	Discount factor	Present Value (£)
0	(200,000)	1.00	(200,000)
1	20,000	0.9091	18,182
2	40,000	0.8264	33,056
3	60,000	0.7513	45,078
4	60,000	0.6830	40,980
5	60,000	0.6210	37,260

Total cash flow = year (1+2+3+4+5) = £174,556

NPV = Total cash flow - Initial investment
= 174,556 - 200,000
= ~~400~~ - £25,444