

Mull and Iona Community Trust

Financial assumptions

Construction of the hydro scheme is due to commence in April 2014 and is expected to be fully operational by December 2014.

Income

Income is based on an annual electricity generation of 1,136 MWH and is derived as follows:

Category	Unit price	Credit terms
Feed in Tariff (generation tariff)	12.48p	60 days
Power Purchase Agreement	5.5p	90 days

The Feed in Tariff and Power Purchase Agreement unit price is expected to increase by inflation (estimated to be 3%) per annum.

All income is assumed to be standard rated for VAT purposes.

Direct costs

Maintenance and service costs are assumed to be 3% of total income and payable within 30 days. All costs are assumed to be standard rated for VAT purposes.

Operations and admin costs

For the first year of operation (FY16), the following costs will be incurred:

Category	£
Rent	12,810
Insurance	6,360
Repairs	6,360
Equipment hire	1,320
Accountancy	1,920
Legal	3,240

All costs will rise by 3% each year and are payable within 30 days.

In addition, contingency costs of 2.5% have been estimated.

Bank interest

Interest is charged at 4% on any overdrawn balance.

Depreciation

Depreciation is charged at the following rates:

Water intake Weir	2% straight line
Pipelines	2% straight line
Powerhouse and roads	2% straight line
M & E plant	2% straight line
Design and management	2% straight line

Corporation tax

No corporation tax will be paid as all profits will be gift aided to a local charity.

Fixed assets

The following additions will take place

	FY14	FY15	FY16	FY17	FY18-FY33
Water intake Weir	-	48,000	-	-	-
Pipelines	-	200,000	-	-	-
Powerhouses and roads	-	129,000	-	-	-
M & E plant	-	400,000	-	-	-
Design and management	128,000	-	-	-	-

The design and management expenditure will be paid within 30 days of purchase. The other assets will be paid in equal instalments from April 2014 to December 2014.

VAT

The VAT liability will be paid in the months of January, April, July and October.

Repairs and maintenance fund

A repair and maintenance fund of 10% of pre-tax profits will be retained by the business.

Share buy-back

The share buy-back will take place from FY17 to FY28.