



Jesmond Bikes

A Business Plan For a Newcastle Based Bicycle Rental Service

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1.0 Executive Summary

This document outlines the nature of the business, the start-up objectives, strategies and initial cash flows of Jesmond Bikes.

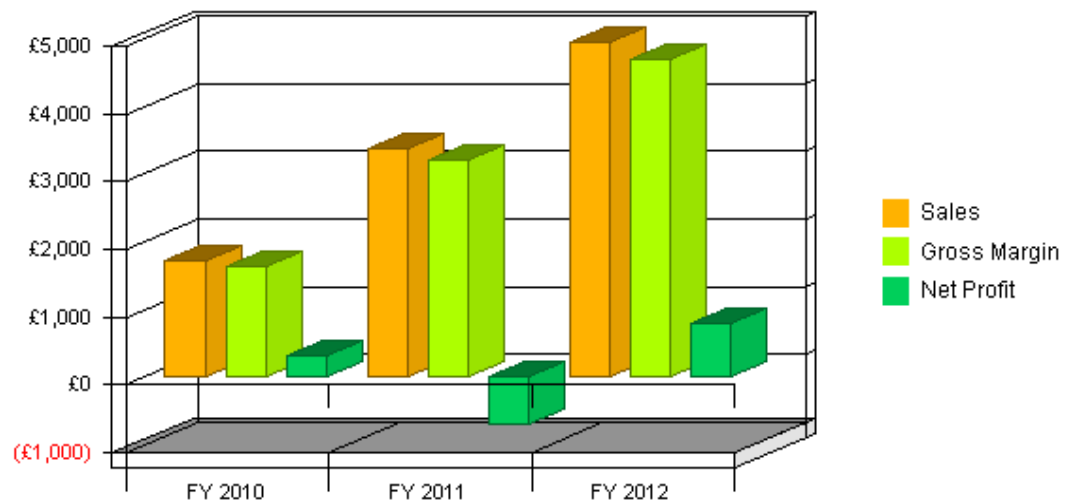
Jesmond Bikes is a student run partnership which will be an environmentally friendly company providing bicycle rentals for students in Jesmond and at Newcastle and Northumbria Universities. The service offered is simple; a student will be able to rent a bike for personal use on a term to term and month to month basis. We aim to expand not just geographically into other UK cities, but demographically to the local residents market as well. There are over 40,000 students in Newcastle with one of the most popular areas being, our target location, Jesmond. In Jesmond existing competition is unexistent, however within Newcastle we have identified 3 comparable services which are listed later.

Our emphasis is on providing an efficient, environmentally sound service to students while still being great value for money. We hope to decrease student's usage rates of cars as the preferred form of transport to and from university. This will potentially decrease congestion in Jesmond and with the recent announcement of the parking restrictions we feel there is a real opportunity for a bike rental business. We will make hiring of bikes hassle free and cheaper than other alternative forms of transport. The intention is for students to utilise the current bike storage racks provided by the university on campus securing the bikes using the bikes locks we will provide for an additional fee.

Our main costs will be obtaining the bikes however, we have an agreement with Recyke y'bike which can be seen in the appendix and our liability insurance which will be £450 for the first 9 months.

The purpose of this plan is to provide a guide and reference for starting and running the business

Highlights



1.1 Mission

To provide our customers with a safe, good value and reliable bicycle rental service. To offer a service which is environmentally friendly, whilst offering consistent service to customers. To achieve this we will establish a long last and reliable relationship with customers and suppliers.

1.2 Keys to Success

Our success will depend on whether we can

1. Identify the target market
2. Provide bike rentals at competitive prices compared to other forms of transport such as cars, metro & bus
3. Offer a reliable, convenient and hassle free service
4. Create an city wide environmentally friendly brand, which can then be as a building point for services in other cities
5. Take advantage of technology to be able to communicate with our customers and to reduce operating costs

The success of similar services in Amsterdam and other european locations has shown that there is a large market for bike rentals which is growing bigger and bigger as people become more environmentally aware. Over half of all Dutch traffic movements are by bicycle, there is plenty of money to be made even if we can only capture a small percent of that in newcastle. Newcastle has 1000's of students, living in a small area, who walk to university everyday and our success will come from targeting this group.

1.3 Objectives

Be ready to start operating at the beginning of April

March

- 25 bikes purchased and checked over by our mechanic to ensure safe for rental and have the bikes sprayed in our colour
- To have bike locks to cover all bikes
- To have all promotional activities in place (flying, adverts in Courier and Uni-X magazine, and flyers in the freshers packs for September 2009)
- To have been given the G.B.I (Grant for Business Investment) grant for which we are eligible
- Have a bank account set up
- Fully registered for National insurance section four.
- To be set up in our premises owned by Mr Robson

April

- Within the first week website up and running correctly, all technical issues resolved
- Rent half of our initial 25 bike stock
- Continue with promotional activities, increasing our rental volume
- Organize advertising on the website in order to provide a secondary revenue stream
- Have bikes returned for the Easter break

4 Months

- During term brake evaluate the initial launch, looking at figures in terms of interest on the website
- Continue to establish long term advertising arrangements with local businesses, bars around Jesmond etc
- Carry out maintenance and repair work

6 Months

- End of the term start collecting the bike
- Research methods for advertising on the bikes themselves
- Prepare for increased demand in new term starting september

12 Months

- If there is enough demand purchase a further 25 bikes from Recyke y'bike

24 Months+

- Collect cash dividend if situation is favorable
- Think about expanding into other UK cities

2.0 Company Summary

Jesmond Bikes will offer a new service to students in and around Jesmond who do not wish to purchase their own bikes. Our competitive advantage over other forms of transport is cost, our service will be much cheaper than the Metro or running a car as well a quicker and more convenient than walking.

Jesmond Bikes aims to operate a successful student bike hire company promoting environmentally friendly transport and exercise whilst having a service that is simple and easy to use. Jesmond Bikes aims to utilize I.C.T technology in order to reach customers effectively and automate as many administrative processes as possible; reducing costs on staff and advertising passing this directly onto the customer.

Initially Newcastle University and Northumbria students will be our main markets, however, Jesmond Bikes will not be strictly limited to the student populous. Potentially after a couple of years of successful operation it may be viable to spread to other cities. With some minor adjustments to the website and the possibility to franchise to other cities, Jesmond Bikes could easily spread; as the operational processes are relatively simple.

2.1 Company Ownership

Jesmond Bikes will be a Partnership based in Newcastle with 4 equal partners: Ben Reeves; Oliver Robson; Thomas Rowlands and James Starkey who have all agreed to a partnership agreement.

We have chosen a partnership because of the easy formation and lower administration costs than forming a limited company. The disadvantage of a partnership is that we have no protection for the name and if we needed securing outside funding could be more difficult.

2.2 Company Locations and Facilities

Oli Robson, our financial director, has an existing location available in central Jesmond which he has agreed to provide free of charge. From this location our Bikes and tools will be stored and customers will pick up and return their bikes. As we are not forming a limited company so a registered residence is not required.

3.0 Products and Services

Our Primary service will be bicycle rentals within Newcastle. Income from this source is listed as "Bike Rentals" on the sales forecast.

Our Secondary service will be bicycle repair, bike locks, bike helmets to our existing customers. Income from this source is classified under "Bike Locks" on the sales forecast

3.1 Our Industry

There are many bike rental schemes around the country, however, none that are specific to students. Many of them use e-commerce and e-business systems to operate making them very simple for the customer to use. Although there is an initial capital outlay to actually purchase equipment such as bikes we feel that there is a serious gap in the market that can be exploited.

We feel the geographic nature of Newcastle (being quite uneven) is an advantage to us as Jesmond Bikes will be operated around the top end of town which is mainly flat and on the same level. Jesmond Bikes are also offering a different service to existing competition; a long term loan where the bike is kept for months on end rather than a couple of hours. They are also not aiming at the student populous and they don't use any form of I.C.T to run their business which we feel will make us easy and efficient to use.

Taking a general view of Jesmond Bikes our income will be seasonal, our major income will be at the start of the term when the bikes get rented out. This is a perfect time to start our renting period as it is when students have more money as loans are coming in and pay from holiday jobs is still available. However our low season will be over the university holidays when the majority of the students return home for the entirety of the holiday; however this will also be important over hauls and repairs to be made on the bikes. On this note it is worth mentioning that because of the popularity of the bicycle spare parts are cheap and plentiful so repairs will not be a costly exercise.

3.2 Competitive Comparison

One of the reasons we believe our business will be viable is there is currently little existing competition in the market. However there are some existing services which are comparable:

Newcastle Central Station

left luggage office has two mountain bikes for hire @ £10 per day with £50 deposit. Bookable in advance. No idea what quality. Tel: 0191 233 1616. Open: Mon-Sat 08.00-20.00, Sun 09.00-20.00.

BlackSheep Bikes

Typical charges are £12 a day for a mountain or touring bike or £17 a day for a tandem. Can meet you off the ferry or bring bikes to your holiday accommodation. There would be an extra charge for this and for extras such as luggage racks or child seats - ring or email for a price. Lots of choice of bikes, though advance booking is advised: www.blacksheepbikes.co.uk

Newburn Leisure Centre

Explore the Tyne Valley on excellent routes, flat and virtually traffic free. Junior, ladies and adults mountain bikes. Hire 1.5 hrs @ £4.00 (with Citycard discount £3.60 and £2.40), half day hire £8.00, full day £16.00. Tandem and special needs bikes: hire 1.5 hrs @ £4.50 (with Citycard discount £4.05 & £2.70). Special rates for group bookings. Need two items of identification for hire - passport, driving licence and/or credit card.

Grange Rd, Newburn Newcastle Upon Tyne, NE15 8ND

Our service is also comparable, although not competing due to geographics with

MakBikes, Amsterdam

A simple bicycle with pedalbrake starts at Euro 4,25 / day upon a 7 day rental. For 24 hours, the rentals are a bit more expensive (Euro 8,50 for 24 hours, Euro 6,50 upon 2 days) - the formula is simple: the longer you keep it, the cheaper is the price per day! MacBike also sells quality bicycle locks and waterproof coats.

3.3 Future Products and Services

Expanding Our Current Product

In the long term view, Jesmond Bikes will look at acquiring more bikes, providing our initial offering in Newcastle is successful we will expand into other UK cities such as York, Manchester and Leeds. potentially another 25 bikes could be obtained for rental. However for this to become a possibility Jesmond Bikes must be well promoted; during the 'freshers' week a full marketing campaign will take place, aimed at every year group. This will be done through flyer, advertising in the student paper and using a local student magazine; this will hopefully raise awareness to Jesmond Bikes.

Future Products

In the future we will explore the possibility of offering new related services such as:

- **Segway Rental** - Segway is a popular electronic personal transport system which offers similar short distance environmentally friendly travel as bikes. Although issues of cost will have to be addressed
- **Bicycle Training** - At a small additional cost we can offer to train customers on how to ride safely and maintain their bike. Such a service could possibly lower our liability insurance
- **Bicycle Trips** - Local guided bicycle trips, a chance to meet new people with similar interests and explore the local countryside
- **Our own Branded bikes** - If we can reach the quantity of bikes where it becomes economical to buy custom bikes wholesale we can have these bikes branded with our own logo/color, further increasing our brand value

4.0 Market Analysis Summary

Newcastle is a thriving Metropolitan City based in the north of England. Predicted through using the Nationwide 2001 Census and the Current University population statistics the available market could be as high as 65,000. However due to lack of available information is it not clear whether Students were included as Residents in this census, so there could possibly some overlap with the numbers. Regardless our market is large and growing every year.

4.1 Market Segmentation

As shown in the analysis table our market can be divided into 3 segments:

- Newcastle University Students
- Northumbria University Students
- Jesmond Residents

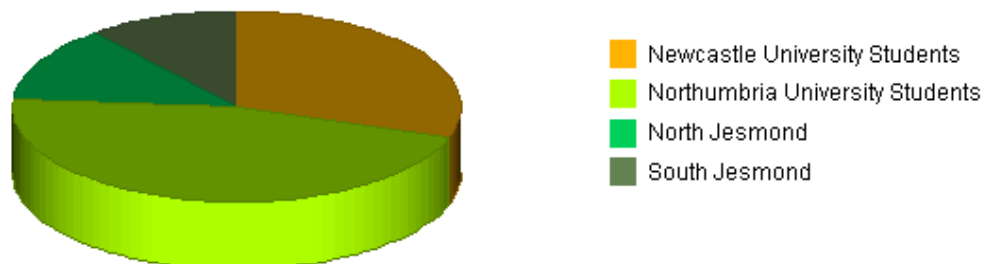
Jesmond residents can be further divided into North/South Jesmond. Also another segment which is not included in the analysis is Residents further a field on the outskirts or centre of Newcastle. This was not included because although the population is huge the market is widely spread, difficult to target and possibly too far away to be convenient for customers, also we have not considered competition within these areas.

Our main demographic will be teenage/early 20 year old middle-class students however our product is largely agnostic of gender, age etc. Therefore the targeting of this demographic will be largely a consequence of the locations we will advertise, rather than deliberately targeting this bracket.

Table: Market Analysis

Market Analysis		2009	2010	2011	2012	2013	CAGR
Potential Customers	Growth						
Newcastle University Students	5%	19,700	20,685	21,719	22,805	23,945	5.00%
Northumbria University Students	8%	29,850	32,089	34,496	37,083	39,864	7.50%
North Jesmond	15%	8,387	9,645	11,092	12,756	14,669	15.00%
South Jesmond	15%	7,090	8,154	9,377	10,784	12,402	15.00%
Total	8.73%	65,027	70,573	76,684	83,428	90,880	8.73%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

Newcastle University students

Chosen as our primary market because the concentration of students in our target area is high and generally Newcastle students tend to have more disposable income than Northumbria Students, particularly the Student's parents who are likely to rent a bike on their sons/daughters behalf. The location of this segment is largely concentrated in North & South Jesmond, but the University itself and the Nightclubs/Bars in Newcastle City Centre are also areas of focus. First Year Student accommodation such as Castle Leazes, Henderson Halls & Richardson road will also be a target. However focus will be on Distributing flyers and notices within the areas listed above, more detail can be found in the marketing plan.

Northumbria University Students

Our Secondary market, more spread out than Newcastle University Students. Although the segment is larger than Newcastle due to the location on the Northumbria Accommodation, which is not ideal for cycling into the City Centre and the distance of some students from our base of operations the segment will be targeted secondly. The main locations for this segment are "Quay Point", Camden court, the Northumbria Students Union & Library and various other areas around Newcastle.

Local Residents

Our third priority due to being the most difficult to target. A wide variety of wealth, age, ethnicity are included in this category and they don't tend to visit particular areas such as the University students do. However areas such as Supermarkets, Petrol stations, Metro Station & Bus Stops are possible places to target this segment.

4.2.1 Market Growth

There is no doubt that the Green products market is growing in the UK and world wide. A recent study quoted:

"Consumers expect to double their spending on green products and services in the next year ... The survey also found that consumer perceptions of green continue to change according to various collective definitions and contribute directly to buying decisions. In early research, for example, consumers indicated a close association of the color green with environmentally-friendly products. As products and awareness have increased in sophistication, perceptions have steadily shifted to equating green to saving money and caring for self and society in 2006. Today, the Green Brands Survey finds that consumers perceive green as a direct and positive reflection of their social status, in addition to recognizing its broader value to society and the world."

Even with the global economic slow down we expect the market to continue growing and the population to continue to rise within our target areas.

4.2.2 Market Research

Why?

We believe that there is a niche within the market; we carried out market research to confirm this and to better understand our target market. The only effective way to gather this information is to talk to our target market. By collecting data in this way we will have the information to create a service tailored to our target market; it will also re-establish that there is a market for the service we are offering.

How?

We decided to conduct our own primary research through the most effective way, a questionnaire in

order to survey students. We conducted this survey through online and on the University Campuses. Using the free online service surveymonkey.com we distributed an electronic survey to all Newcastle and Northumbria students emails. For physical questionnaires we choose the University Campus because our target market is most prevalent in these areas. We gathered our information in this way as we feel primary data will be much more useful to our company than secondary data. Our method of selecting students for market research was random, so we think the results are not biased. In total we received 75 responses from students from across the university campus and online. We undertook market research into whether or not any of our expansion plans e.g. into leisure, are viable once the company has begun to become profitable.

By collecting data in this way we have the information to create a service tailored to our target market; it will also re-establish whether there is a market for the service.

However we have not discounted secondary data completely, we have looked into previously collected data by others in our market as it would be foolish and narrow minded not to (More details can be seen in pricing strategy).

Results

(For an example questionnaire, graphs and raw data see appendix)

Q1 Would the lay out and terrain of Newcastle prevent you from renting a bike?

The question of the terrain of Newcastle was first brought to our attention via a meeting with the council who felt it may be a problem, mainly due to the hilly nature of the quayside (see appendix 2.2). However it seems that an overwhelming number of students are unconcerned by this probably due to the fact that we do not envisage students will be using the bikes for much more than simply traveling between university and Jesmond. However, it was an essential question to ask as the council pointed out it had been the flaw in many companies who have attempted similar things to ourselves.

Q2 How interested would you be in renting a bicycle in Newcastle?

This question was scored based on the cumulative total of the answers the respondents gave. 1 point for not at all interested, 2 Points for slightly interested and 3 points for very interested.

The results of this question seem very promising with over 75% of people surveyed ticking "very interested" for at least one category. With 75% of students feeling there is a gap in the market we should very easily be able to rent out the 25 bikes we are initially attempting to rent.

This question was key to the structure of the pricing plan, it revealed that over 85% of students would prefer the rental plan on a term by term basis as opposed to monthly or yearly. In the comments the major reason for not wanting the rental on a yearly basis was the hassle of either storing or transporting the bike when the student was at home over the holiday period.

Q3 How do you currently travel to university?

The results show that a large proportion of people could benefit from the service we are offering, almost a quarter of people travel by metro which we are very price competitive with. Over 40% of people surveyed travelled by foot, this is a market that we could target through a small advertising campaign as a popular reason for not being interested in this was that they did not want the hassle or the cost of buying a bike. However round the university campus there are cycle lanes. People traveling by car may be attracted by the green aspect of our business or simply due to cost savings, of those who said they travelled by car 75% noted that petrol costs and parking were too high for them to continue traveling this way.

Q4 How much would you be willing to pay for bike rental per term?

The majority of respondents thought a price of between £30 and £40 was reasonable

Q5 How much would you be willing to pay for bike rental per Month?

The highest majority of respondents answered this question, showing it the preferred payment plan. The results were wide spread between £5-£10

Q6 How much would you be willing to pay for bike rental per day?

This question was designed to give us a general idea on the prices people would be willing to pay for a days rental of a bike in order for us to devise a pricing strategy even if we later decided not to do daily rental. As expected not many respondents answered this question as per day pricing is simply not economical in the long run, even at £1/day.

Q7 What method of payment would you prefer?

The majority of respondents preferred Online Credit Card, with few opting for cash.

Analysis

However, as with any research some negatives were identified, this is not a problem as it allows us to solve any issues before the launch of Jesmond Bikes. In general we found that most students felt there was a gap in the market that could be filled with the facility we are offering. This will be highlighted in the marketing questionnaire analysis later on.

Whilst this preliminary research has been positive and reassuring we will conduct further research on any other expansions that may be undertaken in the future, e.g. moving into the leisure side of the industry as well as improvements on the current aspects of the business.

4.2.3 Market Needs

From our market research and own experience we have identified to most important market needs:

- **Convenience**
- **Price** - Cheaper the better, Competing with free walking.
- **Hassle Free** - Long rental duration where customers can forget that the bike is a rental in between.
- **Reliability**

We feel Jesmond Bikes rental service can fulfil these market needs.

5.0 Web Plan Summary

An integral part of our strategy is to have a website up and running from day one, which will be developed by Ben reeves (operations director)

The main sections will be:

- News
- Special offers
- Sign up, account management and payments
- Route information & basic cycle guides
- Lastly FAQ, Terms and conditions & contact information.

News & Special offers

Is fairly self explanatory, if/when we receive media exposure links will be posted here as well.

The Sign up form

Will consist of the standard questions you would expect name, address, contact info etc. All information gained will not be passed onto any third party and will be kept strictly confidential under the data protection act. It will also include a field where users can upload a photocopy of their driving license and a utility bill to prove residence at the correct address. However this is optional and they can choose to bring this information with them in person to the depot. Also optional will be a setting up an online payment subscription which will be handled through PayPal, otherwise it will be handled at the depot with cash or credit card.

The user will also be required to choose a username and password which they can use to login to the account centre. Basic functions will be available from here specifically for that user: such as checking active subscriptions, seeing when bikes are due back and reporting bike problems (so we can order any parts ASAP).

Nearby route information & basic cycle guides

The recent introduction by the cycling training board has introduced national standards for training. We will put these on the website and recommend users to look through them. Although not essential will be provided for two reasons. More content will improve our search engine ranking providing free source of advertising. Also Ads (Google AdSense) can be displayed alongside the guides providing a small but reliable source of income.

The FAQ

Will built up over time using the common questions emailed to us and should save us time having to re-answer them for new customers. The contact information will include a map, directions, address, direct email & contact form.

5.1 Website Marketing Strategy

The website will primarily be marketed by references on Brochures and Flyers distributed around Newcastle. However online advertising will also be used including Search engine optimization, Facebook group, Google Adwords and Adbrite.com

5.2 Development Requirements

The website will be designed for functionality and ease of use. The front-end of site will be written in XHTML 1.0 & CSS 2.0 supporting all browsers IE 6 or better. AJAX techniques will be employed where appropriate using JQuery as the basic framework. The backend will be written in PHP, using MySQL as the database, due to their rapid development speed and widely available hosting.

6.0 Operations Strategy and Implementation Summary

We plan to use as much technology as possible in our operations to reduce the long term running costs and simplify our daily tasks.

The Website

The website shall be created and maintained by Ben Reeves, the operations manager, and will require a few days offline per year for maintenance. Otherwise the administration can be conducted during opening hours as orders are received.

SMS text Service

Our market research and personal experience has shown that one of the most popular ways for our target market to purchase is through sms texting. So in order to reach our customer base as effectively as possible we are going to setup an sms texting service to attract clients. SMS messages will be received and processed automatically by our system. We have opted for a pay per text scheme, rather than the alternative subscription payment system. While our usage volume is low initially this should mean lower costs than a flat rate subscription.

Payment Processing

The decision to handle credit card payments with PayPal is due to its ease of setup, which requires no expensive deposits, or yearly contracts as traditional banks require. However there are three disadvantages to using this provider: The process of payment cannot be customized and looks unprofessional when a user has to navigate off away our webpage to make a purchase; Refunds and Subscriptions can be requested at anytime by the customer which is handled automatically by their system. If a refund is processed unfairly we will have to seek out the individual and demand repayment, which maybe difficult to procure. Also likewise if a subscription is cancelled without our consent the bike needs to be collected ASAP, we can't ensure that the subscription is always cancelled after the bike is returned; The final disadvantage is the high processing fees, although the setup costs are low the % of sales is 3.4% per transaction which is high compared to other services. However as mentioned it's significantly cheaper and easier to setup than a merchant account and means we don't have to worry about our website security and potentially leaking customer data. As demand rises we can begin to start thinking about using a merchant service.

Bicycle Repair

Mr Reeves, who has recently become a licensed bicycle engineer will be in sole charge of maintaining the bicycles to a legally acceptable level. Bikes can be repaired on location, ideally quick enough for the customer to wait at the depot or return in a few hours.

The Depot Operations

The bikes will be stored at a rented location in a central location to our target market i.e. in Jesmond. The reason for this is customers will be required to pick their bikes up instead of a delivery service and hence if they should not be required to travel far.

During opening hours (7:00-20:00) someone will be on duty in the warehouse to collect payments, deal with returns, repair damaged bikes and keep the bikes safe. At night the depot will be locked and secured and returns will not be possible.

Payments at the depot will be handled with cash only as credit card processing on the site will be too expensive initially. We explored the possibility of having a PC connected to the internet where customers would be able to make PayPal payments. However there are security concerns with this and it's much safer to require customers to make payments on their own computers.

Repairs and damaged bikes will be taken care of for free if the damage is deemed accidental or due to a fault with the bike. However if damage has been done deliberately the customer's subscription will be cancelled and their deposit kept. One of the advantages of using Recycle y'bike is there is little risk of significant loss or money from a deliberately vandalized bike. The customer will then go on our blacklist and we will not hire them another bike. If the bike can't be repaired in less than 10mins or the customer

does not want to wait it can be swapped for another if they so wish (assuming we have another in stock).

A Typical Rental Process

- The customer will first become aware of the product through flyers, brochures, and word of mouth or less likely an online search engine.

The initial contact will then be with the website and a good first impression is needed. When the customer has sampled the relevant information he will then choose to make an order.

- The order will be received either through the website, sms texting or at the depot itself. The preferred method of order from our point of view will be the website as it requires the least manual processing. When an order is received confirmation will be given instantly, from which the customer will be notified where they can pick up the bike, what time and that they need ID of some kind.
- When the customer arrives at the depot their name & address will be taken which will be checked in our computer for a corresponding record of payment. The customer's ID (or utility bill) will then be checked.

Once the staff member at the depot is happy with the customer's details he will fit the customer with a suitable bike. Advice will be given on maintaining the bike and instructions given for when the bike needs to be returned. The customer is then free to leave with the bike.

- If the customer has a problem with the bike he returns to the depot for a repair or replacement. Otherwise it is the customer's responsibility to return the bike on time, otherwise a late fee will be charged.

Late Fees and Refunds

Our small customer service requirements will be handled by the operations manager (Ben Reeves). A late fee of £2.50/day will be charged for customers who fail to return a bike on time. If the customer has failed to return the bike after a week a member of staff will locate their address to remind them. If they still refuse to return the bike legal action may be taken, however this should be a last resort.

Refunds will be available for the customers not happy with the service. The value of the remaining paid rental time will be refunded -2.5% processing fee.

6.1 SWOT Analysis

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses Jesmond Bikes must address. It also allows us to examine the opportunities presented to Jesmond Bikes as well as potential threats.

6.1.1 Strengths

- Four experienced and knowledgeable founders, in particular who have experience work in student related businesses
- Clear vision of the target market needs
- An environmentally friendly and cheap source of bicycles from Recyke y'bike
- Proven successful in many European cities, such as Amsterdam
- Possibility for future expansion in other UK cities
- A clear strategy for the use of electronic technology to cheaply and efficiently reach our target market segments.
- In house experts on the Internet and bike maintenance
- Own premises in Jesmond
- Low carbon foot print
- Supporting council and charity projects

6.1.2 Weaknesses

- High cost of physical goods (bicycles), requiring a large investment from directors
- High cost of insurance, subject to the possibility of increasing if we did claim due to an accident
- Competition from metro and buses

6.1.3 Opportunities

- Increased environmental awareness leading to increasing demand for services like ours
- Possible partnerships with city councils for more wide spread bicycle distribution

6.1.4 Threats

- Global recession leading to decreased spending on transport
- Emerging local competition, the first mover advantage will not last forever
- Possible competition from a government (council) funded service

6.2 Marketing Strategy

6.2.1 Positioning Statement

For Students who need cost effective transport, a better solution than walking, Jesmond Bikes provides a hassle free and environmentally friendly solution. Unlike other recreational transport providers our services is catered to students needs by offering term based payments.

6.2.2 Pricing Strategy

Our pricing strategy is to be the cost leader when compared to other forms of transport

- The Metro - Metro gold card **£12/Year for residence** of Tyne & Wear and **£29.50/Month for students**
- Cars - Breakdown of typical car running costs:

Monthly car loan repayments: £0.00
Monthly road tax: £9.17
Monthly insurance: £20.83
Monthly breakdown cover: £3.14
Monthly petrol: £36.46
Monthly service/parts: £18.50
The **cost per month for running your car is: £88.10**

- Bus - For Students the **annual ticket costs £499**. Term tickets are also available and cost £189.
- Existing Rental Competition - **£8-£16/day**

Considering this strategy we also took into account several factors when pricing:

- Walking is free, while our service cannot be cheaper than this we need to be competitive
- Overseas successful pricing strategy - Generally charge around Euro 5/day or Euro 30 per Month
- Students are a low disposable income bracket, mainly funded by student loans or parents

- Our Market research
- Previous experience with the student market

After evaluating these factors Jesmond Bikes has decided to charge clients:

£7.50 per month or £34.99 per academic year

Bike Locks and Helmets will be an additional £2/month

The hiring periods are as follows:

Christmas term:	1st October - 24th December
Easter term:	1st Jan - 24th March
Summer term:	1st April - 23rd June

Renting will only be available on a month to month basis initially. The reason for this is to use the summer term as a pilot test to iron out any potential issues which may arise before the start of the next academic year in september. The academic year pricing plan will go live at the start of academic year 2010.

No credit days will be given, payment will be required on the day of purchase either through online banking payment using the PayPal service or cash. A £25 deposit will be kept until the safe return of the bike which will be stored in a separate bank account especially for deposits in order for that money not to be used and to allow interest to be accrued. However the payment can be taken upon the initial booking of the bike online.

6.2.3 Promotion Strategy

Once the business has been launched we will look into other forms of advertising for our company in order to facilitate any expansion. The kinds of advertising we will be looking at are things such as online advertising in terms of adverts on our website or facebook groups in order to generate awareness. Facebook is an ideal tool for us to utilise given that we are targeting and nearly every student uses the networking site, and it is free. Other advertising may include advertising on the bikes them selves and taking out adverts in the university paper and Newcastle union.

We have also order business cards for the business, we have asked local bars, restaurants and shops around Jesmond to place our cards in their businesses. Bar Blanc, Spy Bar, and Bar Berlese have given us permission to leave our business cards on the ends of their bar, we feel this a great way to reach students as these are very popular student locations. We are still waiting to hear from Scallenis, Franchescas and Deans Deli.

The local population will be targeted through adverts in supermarkets, the metro station and the bus stop.

To advertise for Jesmond Bikes, the firm will have a free page in the Uni X magazine due to Oliver Robson's business connections within their firm. Further advertising in The Courier University newspaper will provide further exposure for Jesmond Bikes at no extra cost.

6.2.4 Distribution Strategy

Our distribution strategy is initially very clear. We will focus on the Jesmond, Newcastle area, the advantage of this from a distribution point of view is because we all live in this location. By year 3 we will begin looking at distributing in other UK cities.

6.3 Sales Strategy

Our predicted sales forecast relies on us successfully targeting and marketing to our chosen market segments. Providing this is successful each member of our team is adept at making one-on-one sales, particularly with students as we are ex-students ourselves. However we believe that sales can be secured most easily by offering ease of purchase.

- SMS texting
- Online Credit Card
- Cash at the Depot

We believe that by offering a variety of payment methods and payment plans closing the final sale ("closing the deal") will be easy.

6.3.1 Sales Forecast

We believe this is a realistic goal as we have taken into account all possible costs and made allowances for any errors.

The First Year In Detail

On launch in April we expect the uptake to be slow because it's Easter holidays, this is not necessarily a bad thing because it will allow us to iron out our operations and get things running smoothly. In May when term starts again we expect sales to begin rising rapidly, especially as it's the start of summer a time when people are more likely to want to cycle. In May and June we expect to be nearing full capacity of 25 bikes rented per month. However when term finishes we expect demand to drop until term restarts again in September. But although it's the winter months due to increased brand awareness demand will continue to rise until we're then again at full capacity in March (at which time 12 months has passed and we will purchase another 25 bikes. We expect about half our bicycle rental customers to hire a lock as well.

Onward and Upward

We expect what we believe to be a reasonable 10% average growth per month during the first year. In the second year we predict our sales will increase by 77% and then a further 44% the following year.

- **By 2010** we expect to be renting all of our initial stock of 25 Bikes by the end of the Year.
- **By 2011** we expect to be about 75% of our 50 bikes throughout the year
- **By 2012** we expect to be renting out all our bikes throughout the year

The driving force behind our growth will be the increased brand awareness, increasing environmental awareness and increased population growth in our target area.

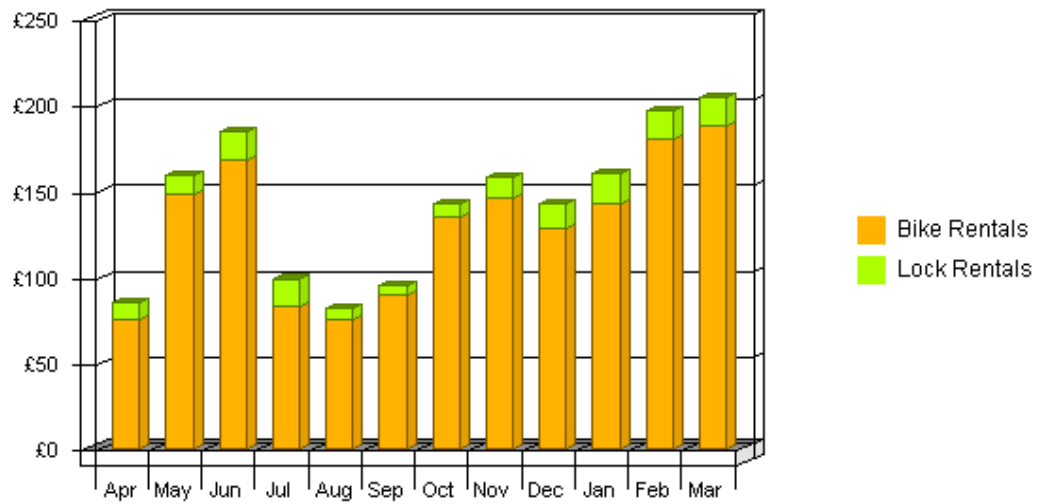
Direct Cost of Sales

Because our business is renting we don't have any direct costs such as Raw materials, but Damage to bicycles and locks can be attributed as a direct cost because it is a consequence of providing this service. We have predicted that 5% of our Sales will be lost due to damaged bikes and locks (This does not include general depreciation).

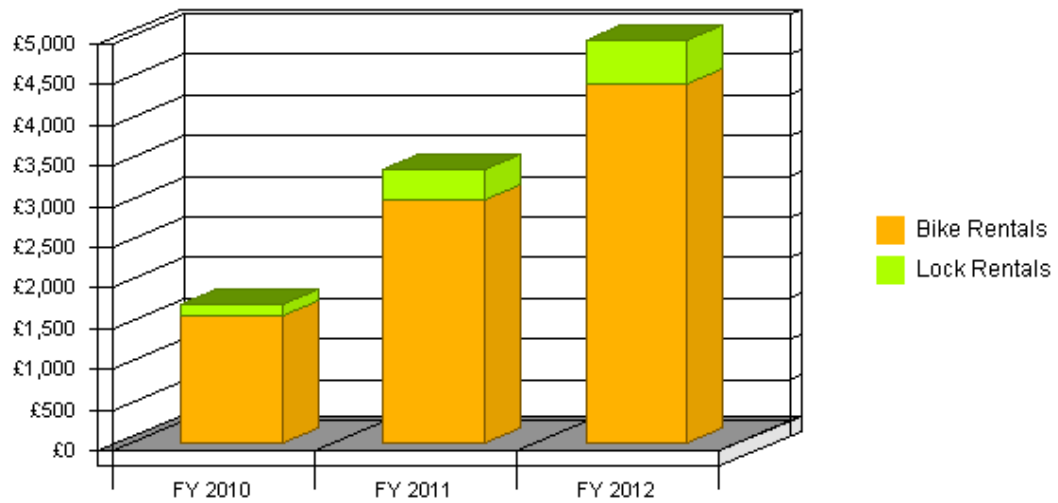
Table: Sales Forecast

Sales Forecast			
	FY 2010	FY 2011	FY 2012
Unit Sales			
Bike Rentals	208	400	590
Lock Rentals	76	180	260
Total Unit Sales	283	580	850
Unit Prices			
Bike Rentals	£7.50	£7.50	£7.50
Lock Rentals	£2.00	£2.00	£2.00
Sales			
Bike Rentals	£1,557	£3,000	£4,425
Lock Rentals	£151	£360	£520
Total Sales	£1,708	£3,360	£4,945
Direct Unit Costs			
Bike Rentals	£0.38	£0.38	£0.38
Lock Rentals	£0.10	£0.10	£0.10
Direct Cost of Sales			
Bike Rentals	£78	£150	£221
Lock Rentals	£8	£18	£26
Subtotal Direct Cost of Sales	£85	£168	£247

Sales Monthly



Sales by Year



6.4 Strategic Alliances

The fate of Jesmond Bikes is not dependant on another company, we believe this is a good thing. However forming long term partnerships with the Newcastle City council, Newcastle University and Local shopping outlets will benefit our business. The council has the resources to install new bicycle racks at prime locations for our target markets, e.g. the South Jesmond Metro and Newcastle Library. With permission of the council arrangements can me made to store bikes at these locations for even easier pickup and drop off by customers. By forming alliances with the university itself and local shopping outlets we can hopefully secure free or cheap locations to distribute flyers and brochures.

An agreement with letting agents could also be beneficially, whereby bikes are rented as part of the accommodation lease. However, we will explore this in the future.

7.0 Management Summary

James Starkey	Managing Director
Oliver Robson	Financial Manager
Ben Reeves	Operations Manager
Thomas Rowlands	Marketing Manager

Management Legal Aspects:

Jesmond bikes will operate as a partnership.

An important aspect of operating as a hire company is the terms and conditions of use which will be verified by a solicitor. These are explicitly written and are available to view in the appendix; they will also be a copy on the website so that every user is aware of them and must agree to them during registration. Additionally a liability waiver (available in appendix) signed or agreed to by the user will give protection to Jesmond bikes in the event of an accident. However Jesmond bikes will be insured for such an event as a liability waiver is not a full proof method of protection. Insurance will also be used to protect Jesmond Bikes; the bikes from theft and damage and personal liability insurance in the event that an accident occurs. This is likely to be one of Jesmond Bike's biggest outlays as the insurance will have to cover the bikes where ever they are, as the security of the users storage cannot be guaranteed even though all bikes will be supplied with a portable lock. In addition on the website there will be a best practice section, advising users on the best ways to behave and use the bike and its accessories.

The law regarding health and safety must be considered by Jesmond bikes however under the Pedal bicycle safety regulations 2003 in the supply of goods and services act and the consumer protection act. As Jesmond bikes will be using second hand bikes there is no requirement to meet the new standards of maintenance. However to safe guard the user and Jesmond Bikes each bike will be checked by a trained mechanic from Rcykce y'bike when purchased and by Jesmond Bikes own trained mechanic before it gets rented out. Additionally a risk assessment of the use of the bikes either by customers or by Jesmond Bikes will be covered in order that every foreseeable incident is accounted for.

In terms of premises Jesmond Bikes will use the a property owned by one of the directors, Oliver Robson has given full permission for his garage to be used as a lock up for the bikes; this has the result of there been no issues with breech of tenancy agreements as Mr O Robson owns the property. The office on the property will be used as the main administration hub however due to the design of the website the administration could be carried out from any computer online with the correct passwords.

Currently the only employees will be the directors, Oliver Robson, Ben Reeves, Thomas Rowlands and James Starkey. There will be a contract of expressed terms relating to each member and their role in the firm, including how much of the business they own in relation to any finance they injected into the firm. The contract with its terms can be found in the appendix.

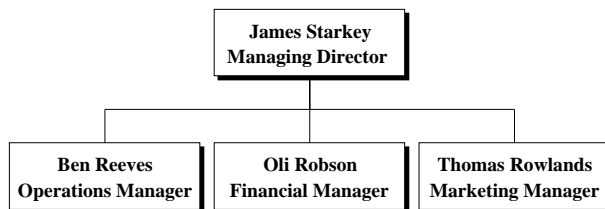
7.1 Organizational Structure

It has been decided that Jesmond Bikes will not be selling shares. Jesmond Bikes will be owned by the 4 directors each with an equal share of 25%. Jesmond Bikes will operate as a partnership. At this early stage of production, the directors of Jesmond Bikes have unanimously agreed to, for the good of the firm, earn only on a commission basis, and will not hire any further employees until the business has shown profit and expansion.

Although each partner has an equal share James Starkey has been chosen as the managing director and will have deciding rule should any problems arise which can't be solved democratically. We believe this is important to avoid squabbling which we can't resolve.

In order to better manage cash, an action that required over £200 of the firms capital requires the agreement of at least 3 of the 4 firm's directors to proceed.

Organizational Chart



7.2 Management Team

James Starkey

Has been chosen for this role for several reasons. The first of these reasons being that James has a background of responsibility; in running his own companies; The Stripped Down Bedding Company and G@dget_13. Secondly James is an extremely organized person who rarely takes his eye off the ball. His eye for detail and commitment to the job in hand further bolsters the reasoning behind this appointment.

Oliver Robson

Oliver was praised in the 2008 Young Enterprise challenge for the thoroughness with the accounts, in addition to this his experience at Accenture is invaluable in helping to make financial decisions. He brings organizational skill to Jesmond Bikes with his ability to ensure jobs are correctly done. Once again Oliver has a background in I.T and will be a useful asset in maintaining the website and ensuring the administrative side of Jesmond Bikes runs smoothly. In acknowledgement of this Oliver will be the finance director and the secretary for Jesmond Bikes.

Ben Reeves

Ben is an extremely valuable asset to the team having set up many of his own internet based companies in the past. He set up his own online business veoda.com which he sold in 2005. Ben has also worked as a freelance web designer and has built up an impressive portfolio of websites. This means we will be able to set up our website with minimum costs. Ben has worked as a mechanic for Chevin Cycles; a leading independent bike retailer in Yorkshire. Here, in addition to sales Ben built customer bikes and serviced bikes for some demanding users. With the above in mind Ben will assume the role of I.T director as he is certainly well qualified, in addition he will be appointed head mechanic in charge of signing the bikes out of the work shop.

Thomas Rowlands

Has previous experience in this role, as the marketing director for STRIP Tom liaised with clients and advertisers to promote the business. Tom has completed the Young Enterprise challenge twice now; in one case he won the North Yorkshire business plan challenge. With this knowledge Tom has been indispensable in the formation of Jesmond Bikes. Tom is also very capable with the computers, although lacking the expertise of Ben; the day to day running will cause no problems for Tom.

7.3 Personnel Plan

To try and keep costs to a minimum we are not planning to hire any extra personnel for the first 3 years. However as we continue to expand we will no doubt need extra help, but that is beyond this initial plan.

8.0 Financial Plan

Dividends

Only once the firm starts making a profit will the directors start to take some of the income for themselves. Dividends have not been included in the financial data, but will be considered for 2012 onwards. As a result at this stage, timesheets or similar are not necessary as hourly wages are not being paid to directors.

Tax & VAT

VAT is covered in the price that is charged to the customer for the hiring of the bike.

For at least the first two years, the firm will not be making enough profit over the lowest tax bracket and therefore will be paying no tax.

8.1 Start-up Summary

Start-Up expenses are costs which must be paid before we begin operation

Start-Up Expenses: Liability Insurance

A large expense, which is required by law when operating a service such as this is insurance. Jesmond Bikes will take out an extensive policy covering their liability insurance. Cycleguard offered the best price at £2 per bike per month which covers Jesmond Bikes for up to £1M. Requiring a 9 month contract totaling a £450 non-re fundable investment initially and then paid monthly thereafter (Details can be seen in profit & loss)

Start-Up Expenses: Bike Locks

The "Bike locks" expense includes helmets, pumps and bike locks which will be rented alongside our primary product of bicycles. They are included as an expense because they have low resale value so cannot be considered a fixed asset. However in reality some value maybe procured if they did need to be resold.

Start-Up Expenses: Website

The website cost includes one off licenses for hosting software "cpanel", "whm", "php zend engine" as well as a small fee for Ben Reeves who will be creating the site. The website also includes an operating cost of £20/month which is listed in profit & loss

Start-Up Expenses: Virtual Mobile Number

A virtual mobile number is a dedicated high capacity phone number capable of receiving many messages per second and relaying them via HTTP POST to our server for processing. The cost is annual

Start-Up assets are assets which we want to have in the bank at the starting month of operation

Start-Up Assets: Long Term Assets

Bicycles are considered long term assets because they have a resale value for many years after purchase. Initially we will be purchasing 25 bikes at £60 each totaling an expense of £1500.

The bikes will be purchased from a firm called Rcykce y'bike is which deal in refurbished 2nd hand bikes. A long standing agreement between the two firms will allow Jesmond Bikes to purchase the bikes a discounted rate, on the understanding that all their bikes will be purchased from the firm. The agreement can be found in the appendix.

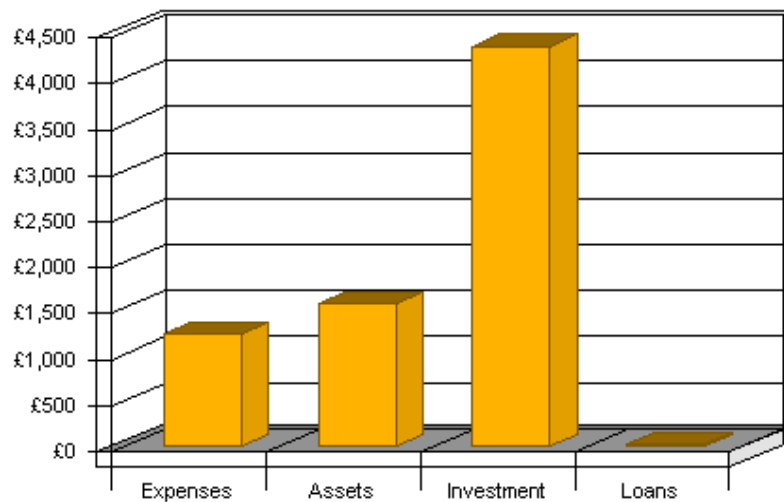
Start-Up Assets: Other Current Assets

We will be purchasing a tool box for £49.95

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Liability Insurance	£450
Stationery etc.	£35
Website	£187
Virtual Mobile Number	£300
Bike Locks	£248
Total Start-up Expenses	£1,220
Start-up Assets	
Cash Required	£0
Other Current Assets	£50
Long-term Assets	£1,500
Total Assets	£1,550
Total Requirements	£2,770

Start-up



8.2 Start-up Funding

Sources of finance

All 4 directors have agreed to invest up to £1000 in year 1 on a non-repayable basis. Further to this, Finance could be obtained from a business link grant; Jesmond bikes would be eligible for a G.B.I (Grant for Business Investment), this would cover between 10 to 15% of the startup cost; of which none of the grant is repayable (assuming the terms are adhered to). The grant is for the acquisition of assets or buildings; the grant goes to firms working in areas of regeneration; such as the north east and that has a positive effect on the local environment. Assuming 15% will be granted to Jesmond Bikes, this amounts to £344.93

Over Funding

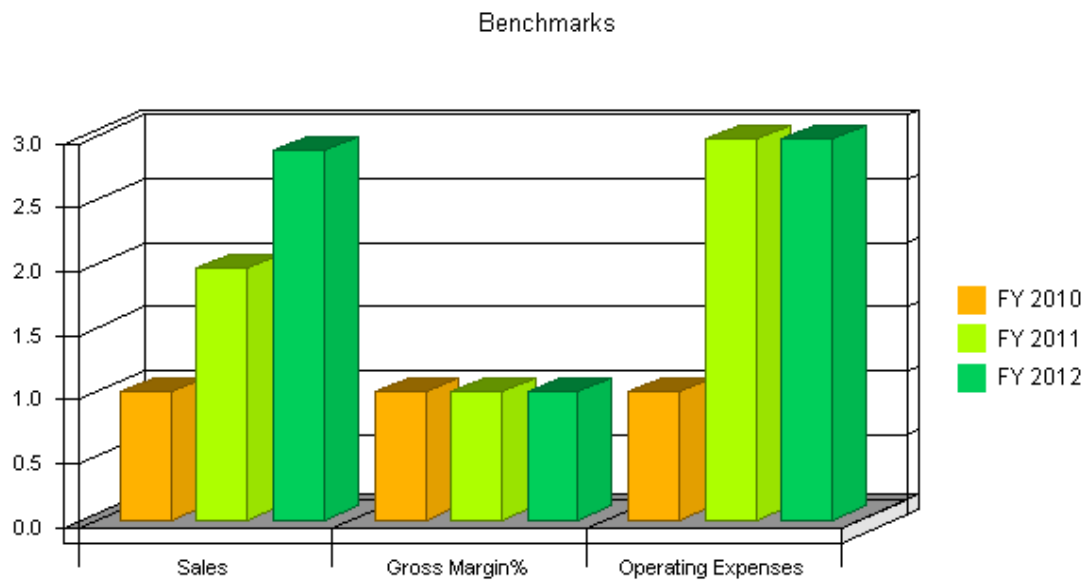
Our initial investment totals £4,350 however to become operational we have calculated an investment of only £2,815. We have done this for two reasons: to provide an investment buffer for poor performance and possible negative gross profit during the first years; providing our initial launch is successful we plan to purchase another 25 bikes the following year which can be done without requiring more investment.

A financial contingency plan within the firm demands that the 4 directors all have access to at least £1000 each at all times and must have the ability to transfer all £1000 if need be in times of emergency. This gives Jesmond Bikes a financial contingency plan of a minimum of £4000.

Table: Start-up Funding

<hr/> Start-up Funding <hr/>	
Start-up Expenses to Fund	£1,220
Start-up Assets to Fund	£1,550
Total Funding Required	£2,770
<hr/> Assets <hr/>	
Non-cash Assets from Start-up	£1,550
Cash Requirements from Start-up	£0
Additional Cash Raised	£1,595
Cash Balance on Starting Date	£1,595
Total Assets	£3,145
<hr/> Liabilities and Capital <hr/>	
Liabilities	
Current Borrowing	£0
Long-term Liabilities	£0
Accounts Payable (Outstanding Bills)	£20
Other Current Liabilities (interest-free)	£0
Total Liabilities	£20
<hr/> Capital <hr/>	
Planned Investment	
Directors	£4,000
Investor	344.93
Additional Investment Requirement	£0
Total Planned Investment	£4,345
Loss at Start-up (Start-up Expenses)	(£1,220)
Total Capital	£3,125
<hr/> Total Capital and Liabilities	
	£3,145
<hr/> Total Funding	
	£4,365

8.3 Key Financial Indicators



8.4 Break-even Analysis

Using the break even analysis formula:

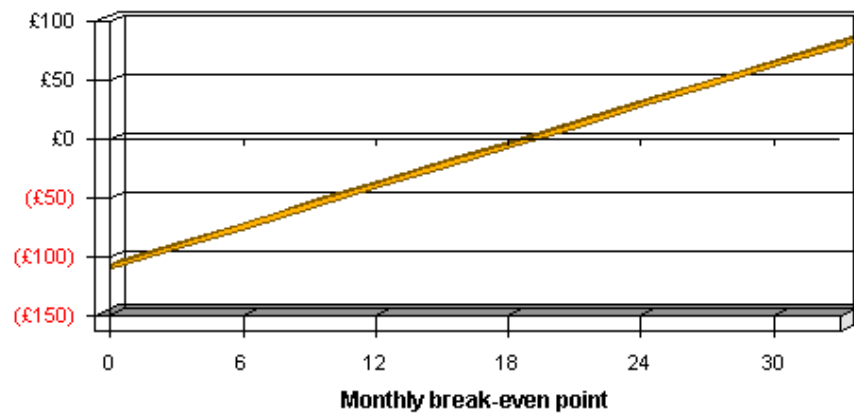
$$\frac{F.C}{S.P - V. C}$$

We have calculated we need to rent at least 24 bikes a month to break even.

Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	19
Monthly Revenue Break-even	£115
Assumptions:	
Average Per-Unit Revenue	£6.04
Average Per-Unit Variable Cost	£0.30
Estimated Monthly Fixed Cost	£109

Break-even Analysis



Break-even point = where line intersects with 0

8.5 Projected Profit and Loss

Expenses: Marketing/Promotion

1000 A5 flyers will be purchased (for £35) every 6 months which then be distributed for £10/month over the course of 5 months. An additional £10/month is allocated for advertising the website online through Google's AdSense and other services.

Expenses: Insurance

Payment will begin when our initial 9 month investment expires. During our first year when we only have 25 bikes the cost totals £25/month, however when we purchase a further 25 bikes this cost doubles to £1200 annually.

Expenses: Virtual Mobile Number

The first year has been paid from our initial start-up costs, the second and third year requires £300 annual payment

Expenses: Website

The website hosting is charged at £20/month

Expenses: Bike Transport

£20 per annum has been allocated to renting a van to transport the bikes from Rcykce y'bike to our depot:

Expenses: SMS Texting & Phone Bill

A variable cost based on demand for these services. Initial cost is estimated to be £5/month each increasing by 2% each month

Expenses: Depreciation

Depreciation has been estimated to be 1% of our stock value each year. Depreciation for the second year is calculated by the adding the 1% value of the new 25 bikes (£1500) + the closing value of our

stock (minus last years depreciation) (£1320) times by 12 = £338.4

Deprecation for the third year: $((£3000 - £338.4) / 100) * 12 = £319.4$

This does not include direct damage by customers which is attributed as a direct cost of sale.

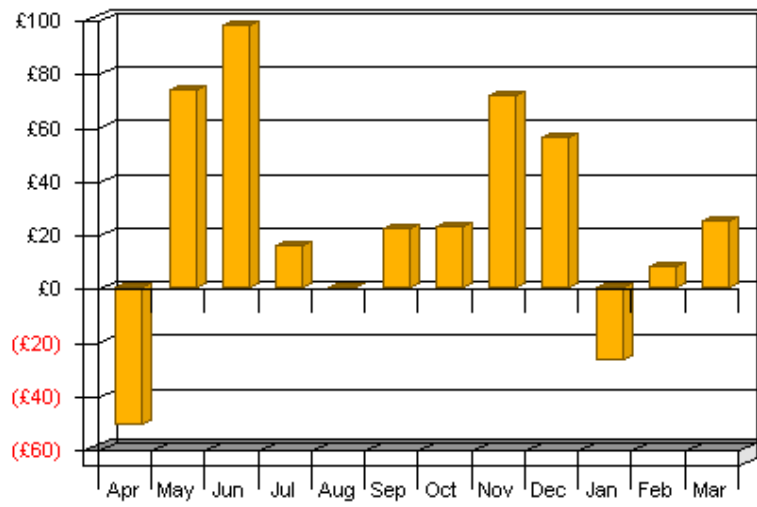
Analysis

As expected during the first year our net profit will be negative, this is common of start-up companies. The loss in the second year can be attributed to the cost of by new bikes for further expansion, then in the third year a profit is made.

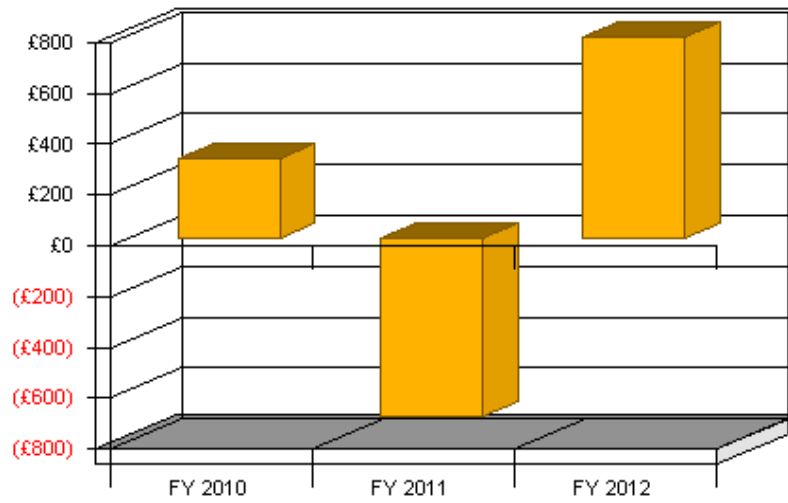
Table: Profit and Loss

Pro Forma Profit and Loss			
	FY 2010	FY 2011	FY 2012
Sales	£1,708	£3,360	£4,945
Direct Costs of Goods	£85	£168	£247
Depreciation Payroll	£0	£0	£0
Other Costs of Goods	£0	£0	£0
	-----	-----	-----
Cost of Goods Sold	£85	£168	£247
Gross Margin	£1,623	£3,192	£4,698
Gross Margin %	95.00%	95.00%	95.00%
Operating Expenses			
Sales and Marketing Expenses			
Sales and Marketing Payroll	£0	£0	£0
PayPal Fees	£120	£120	£120
SMS Texting	£67	£80	£100
Website	£240	£240	£240
Bike Transport	£20	£20	£20
	-----	-----	-----
Total Sales and Marketing Expenses	£447	£460	£480
Sales and Marketing %	26.17%	13.69%	9.71%
General and Administrative Expenses			
General and Administrative Payroll	£0	£0	£0
Marketing/Promotion	£290	£290	£290
Depreciation	£180	£338	£319
Mobile Phone Bill	£67	£80	£90
Heating/Lighting	£24	£24	£24
Virtual Mobile Number	£0	£300	£300
	£150	£1,200	£1,200
	-----	-----	-----
Total General and Administrative Expenses	£711	£2,232	£2,223
General and Administrative %	41.63%	66.44%	44.96%
Other Expenses:			
Other Payroll	£0	£0	£0
Insurance	£150	£1,200	£1,200
Other Expenses	£0	£0	£0
	-----	-----	-----
Total Other Expenses	£150	£1,200	£1,200
Other %	8.78%	35.71%	24.27%
	-----	-----	-----
Total Operating Expenses	£1,308	£3,892	£3,903
Profit Before Interest and Taxes	£315	(£700)	£794
EBITDA	£495	(£362)	£1,114
Interest Expense	£0	£0	£0
Taxes Incurred	£0	£0	£0
Net Profit	£315	(£700)	£794
Net Profit/Sales	18.42%	-20.85%	16.06%

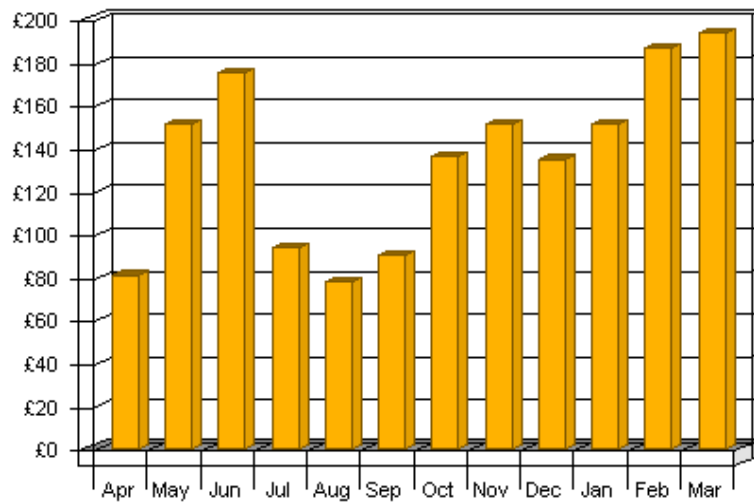
Profit Monthly



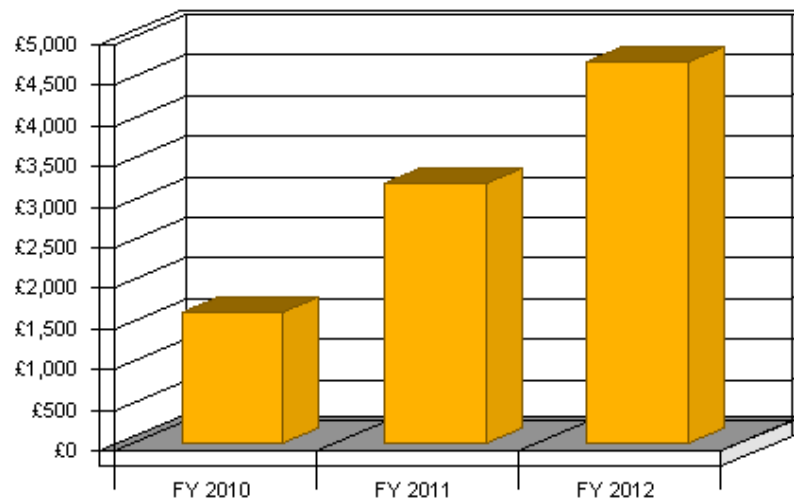
Profit Yearly



Gross Margin Monthly



Gross Margin Yearly



8.6 Projected Cash Flow

Negative Cash Balance

The bank has agreed to give Jesmond Bikes an overdraft of £3000 which will cover any negative balance we may experience, most likely in the second year, although we have no written confirmation of this.

Website Advertising

Website advertising is listed as sales of other current assets on the balance sheet. Advertising on the website will be handled through Google AdSense, which pays everytime a user clicks on one of the paid links. Even though we expect a large volume of clicks as our website becomes more popular each click is only £0.05 received, creating a small but reliable revenue stream to support our cash flow position.

Sales Tax, VAT Paid Out

The cost here is not actually tax, but 3% of the Gross Sales Cash which is due to the processing fee charged by paypal when receiving payments.

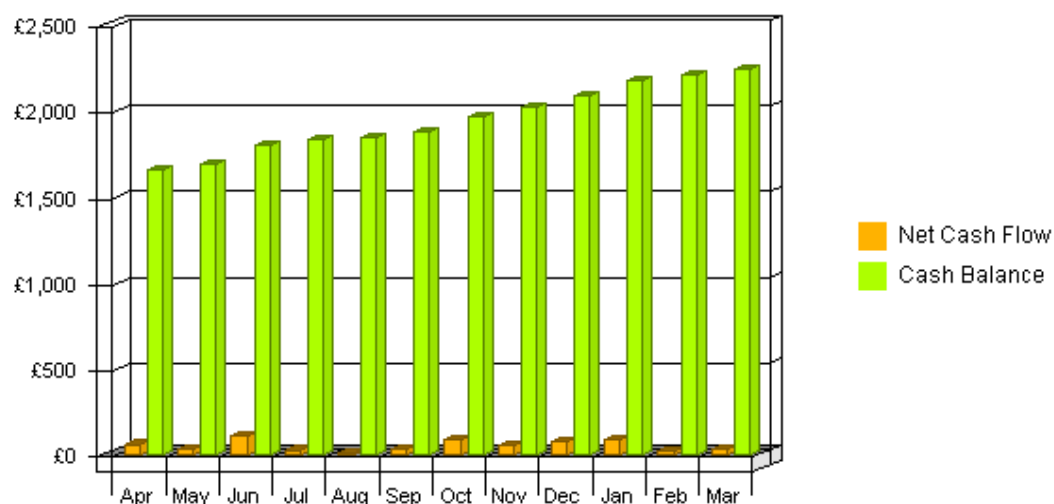
Possible cause for Variation

Although we have tried to keep our predicted cash flow as accurate as possible, due to the pricing of our products (either monthly or term based payments) it show a more favourable situation than in real life. In the sales forecast we have taken all sales to be paid on a more profitable month to month basis, however a % of sales are likely to be term to term which could cause a greater negative balance in our cash flow. However we don't believe this to be a great problem and have contingency funding outlined in the "start-up funding" section.

Table: Cash Flow

Pro Forma Cash Flow	FY 2010	FY 2011	FY 2012
Cash Received			
Cash from Operations			
Cash Sales	£1,708	£3,360	£4,945
Subtotal Cash from Operations	£1,708	£3,360	£4,945
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	£0	£0	£0
New Current Borrowing	£0	£0	£0
New Other Liabilities (interest-free)	£0	£0	£0
New Long-term Liabilities	£0	£0	£0
Sales of Other Current Assets	£64	£120	£180
Sales of Long-term Assets	£0	£0	£0
New Investment Received	£0	£0	£0
Subtotal Cash Received	£1,772	£3,480	£5,125
Expenditures			
Expenditures from Operations			
Cash Spending	£0	£0	£0
Bill Payments	£1,074	£3,575	£3,822
Subtotal Spent on Operations	£1,074	£3,575	£3,822
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	£51	£101	£148
Principal Repayment of Current Borrowing	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0
Long-term Liabilities Principal Repayment	£0	£0	£0
Purchase Other Current Assets	£0	£0	£0
Purchase Long-term Assets	£0	£1,500	£0
Dividends	£0	£0	£0
Subtotal Cash Spent	£1,126	£5,176	£3,971
Net Cash Flow	£647	(£1,696)	£1,154
Cash Balance	£2,242	£546	£1,701

Cash



8.7 Projected Balance Sheet

Table: Balance Sheet

Pro Forma Balance Sheet			
	FY 2010	FY 2011	FY 2012
Assets			
Current Assets			
Cash	£2,242	£546	£1,701
Other Current Assets	(£14)	(£134)	(£314)
Total Current Assets	£2,228	£412	£1,386
Long-term Assets			
Long-term Assets	£1,500	£3,000	£3,000
Accumulated Depreciation	£180	£518	£838
Total Long-term Assets	£1,320	£2,482	£2,162
Total Assets	£3,548	£2,894	£3,549
Liabilities and Capital			
Current Liabilities			
Accounts Payable	£159	£306	£315
Current Borrowing	£0	£0	£0
Other Current Liabilities	(£51)	(£152)	(£300)
Subtotal Current Liabilities	£108	£154	£15
Long-term Liabilities	£0	£0	£0
Total Liabilities	£108	£154	£15
Paid-in Capital	£4,345	£4,345	£4,345
Retained Earnings	(£1,220)	(£905)	(£1,605)
Earnings	£315	(£700)	£794
Total Capital	£3,440	£2,740	£3,534
Total Liabilities and Capital	£3,548	£2,894	£3,549
Net Worth	£3,440	£2,740	£3,534

8.8 Business Ratios

Table: Ratios

Ratio Analysis	FY 2010	FY 2011	FY 2012	Industry Profile
Sales Growth	0.00%	96.70%	47.17%	7.62%
Percent of Total Assets				
Other Current Assets	-0.40%	-4.64%	-8.85%	51.72%
Total Current Assets	62.80%	14.24%	39.07%	79.92%
Long-term Assets	37.20%	85.76%	60.93%	20.08%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	3.04%	5.32%	0.41%	32.03%
Long-term Liabilities	0.00%	0.00%	0.00%	15.15%
Total Liabilities	3.04%	5.32%	0.41%	47.18%
Net Worth	96.96%	94.68%	99.59%	52.82%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	95.00%	95.00%	95.00%	100.00%
Selling, General & Administrative Expenses	76.58%	115.85%	78.94%	77.18%
Advertising Expenses	7.02%	3.57%	2.43%	1.62%
Profit Before Interest and Taxes	18.42%	-20.85%	16.06%	2.19%
Main Ratios				
Current	20.64	2.68	95.61	1.73
Quick	20.64	2.68	95.61	1.35
Total Debt to Total Assets	3.04%	5.32%	0.41%	51.03%
Pre-tax Return on Net Worth	9.15%	-25.56%	22.48%	6.57%
Pre-tax Return on Assets	8.87%	-24.21%	22.39%	13.41%
Additional Ratios				
	FY 2010	FY 2011	FY 2012	
Net Profit Margin	18.42%	-20.85%	16.06%	n.a
Return on Equity	9.15%	-25.56%	22.48%	n.a
Activity Ratios				
Accounts Payable Turnover	7.62	12.17	12.17	n.a
Payment Days	28	23	30	n.a
Total Asset Turnover	0.48	1.16	1.39	n.a
Debt Ratios				
Debt to Net Worth	0.03	0.06	0.00	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	£2,120	£258	£1,372	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	2.08	0.86	0.72	n.a
Current Debt/Total Assets	3%	5%	0%	n.a
Acid Test	20.64	2.68	95.61	n.a
Sales/Net Worth	0.50	1.23	1.40	n.a
Dividend Payout	0.00	0.00	0.00	n.a

8.9 Valuation

By considering future sales data by the year 2012 we have calculated that hypothetically our business will be worth £10,000, which if we were to sell would provide a good return for the partners £4000 joint investment.

Table: Investment Analysis

Investment Analysis	Start	FY 2010	FY 2011	FY 2012
Initial Investment				
Investment	£4,345	£0	£0	£0
Dividends	£0	£0	£0	£0
Ending Valuation	£0	£0	£0	£3,500
Combination as Income Stream	(£4,345)	£0	£0	£3,500
Percent Equity Acquired	35%			
Net Present Value (NPV)	(£1,559)			
Internal Rate of Return (IRR)	-7%			
Assumptions				
Discount Rate	10.00%			
Valuation Earnings Multiple		10	10	10
Valuation Sales Multiple		2	2	2
Investment (calculated)	£4,345	£0	£0	£0
Dividends		£0	£0	£0
Calculated Earnings-based Valuation		£0	£0	£10,000
Calculated Sales-based Valuation		£0	£10,000	£10,000
Calculated Average Valuation		£0	£5,000	£10,000

8.10 Important Assumptions

The financial plan depends on some important assumptions including factors beyond our control. The figures are outlined in the following table, the key underlying assumptions are:

- We assume of course that there are no unforeseen changes in technology to make products immediately obsolete.
- We assume access to equity capital and financing sufficient to maintain our financial plan as shown in the tables.
- We continue to operate in the tax free bracket (for the first 3 years)

Table: General Assumptions

General Assumptions	FY 2010	FY 2011	FY 2012
Plan Month	1	2	3
Current Interest Rate	0.50%	0.50%	0.50%
Long-term Interest Rate	2.00%	2.00%	2.00%
Tax Rate	0.00%	0.00%	0.00%
Population Growth	0.05%	0.05%	0.05%

Appendix

Table: Sales Forecast

Sales Forecast													
	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	
Unit Sales													
Bike Rentals	0%	10	20	22	11	10	12	18	19	17	19	24	25
Lock Rentals	0%	5	5	8	8	3	2	4	6	7	8	8	9
Total Unit Sales		15	25	31	19	13	14	22	26	24	27	32	34
Unit Prices													
Bike Rentals		£7.50	£7.50	£7.50	£7.50	£7.50	£7.50	£7.50	£7.50	£7.50	£7.50	£7.50	£7.50
Lock Rentals		£2.00	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00
Sales													
Bike Rentals		£75	£148	£168	£83	£75	£90	£135	£146	£128	£143	£180	£188
Lock Rentals		£10	£11	£17	£16	£7	£5	£8	£12	£15	£17	£17	£17
Total Sales		£85	£159	£184	£98	£82	£95	£143	£158	£142	£159	£197	£205
Direct Unit Costs													
Bike Rentals	5.00%	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38
Lock Rentals	5.00%	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Direct Cost of Sales													
Bike Rentals		£4	£7	£8	£4	£4	£5	£7	£7	£6	£7	£9	£9
Lock Rentals		£1	£1	£1	£1	£0	£0	£0	£1	£1	£1	£1	£1
Subtotal Direct Cost of Sales		£4	£8	£9	£5	£4	£5	£7	£8	£7	£8	£10	£10

Appendix

Table: Profit and Loss

Pro Forma Profit and Loss												
	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Sales	£85	£159	£184	£98	£82	£95	£143	£158	£142	£159	£197	£205
Direct Costs of Goods	£4	£8	£9	£5	£4	£5	£7	£8	£7	£8	£10	£10
Depreciation Payroll	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs of Goods	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Cost of Goods Sold	£4	£8	£9	£5	£4	£5	£7	£8	£7	£8	£10	£10
Gross Margin	£81	£151	£175	£94	£78	£90	£136	£151	£135	£151	£187	£194
Gross Margin %	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%
Operating Expenses												
Sales and Marketing Expenses												
Sales and Marketing Payroll	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
PayPal Fees	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10
SMS Texting	£5	£5	£5	£5	£5	£6	£6	£6	£6	£6	£6	£6
Website	£20	£20	£20	£20	£20	£20	£20	£20	£20	£20	£20	£20
Bike Transport	£20	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Sales and Marketing Expenses	£55	£35	£35	£35	£35	£36	£36	£36	£36	£36	£36	£36
Sales and Marketing %	64.71%	22.12%	19.09%	35.86%	43.30%	37.44%	24.83%	22.55%	25.20%	22.56%	18.35%	17.70%
General and Administrative Expenses												
General and Administrative Payroll	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Marketing/Promotion	£55	£20	£20	£20	£20	£10	£55	£20	£20	£20	£20	£10
Depreciation	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15
Mobile Phone Bill	£5	£5	£5	£5	£5	£6	£6	£6	£6	£6	£6	£6
Heating/Lighting	£2	£2	£2	£2	£2	£2	£2	£2	£2	£2	£2	£2
Virtual Mobile Number	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£0	£0	£0	£0	£0	£0	£0	£0	£0	£50	£50	£50
Total General and Administrative Expenses	£77	£42	£42	£42	£42	£33	£78	£43	£43	£93	£93	£83
General and Administrative %	90.59%	26.53%	22.89%	42.96%	51.86%	34.28%	54.11%	26.97%	30.12%	58.30%	47.33%	40.67%
Other Expenses:												
Other Payroll	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Insurance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£50	£50	£50
Other Expenses	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Other Expenses	£0	£0	£0	£0	£0	£0	£0	£0	£0	£50	£50	£50
Other %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	31.35%	25.42%	24.44%
Total Operating Expenses	£132	£77	£77	£78	£78	£68	£113	£78	£79	£179	£179	£169
Profit Before Interest and Taxes	(£51)	£74	£98	£16	(£0)	£22	£23	£72	£56	(£27)	£8	£25
EBITDA	(£36)	£89	£113	£31	£15	£37	£38	£87	£71	(£12)	£23	£40
Interest Expense	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Taxes Incurred	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Net Profit	(£51)	£74	£98	£16	(£0)	£22	£23	£72	£56	(£27)	£8	£25
Net Profit/Sales	-60.29%	46.35%	53.02%	16.18%	-0.16%	23.29%	16.06%	45.48%	39.67%	-17.22%	3.89%	12.19%

Appendix

Table: Cash Flow

Pro Forma Cash Flow	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Cash Received												
Cash from Operations												
Cash Sales	£85	£159	£184	£98	£82	£95	£143	£158	£142	£159	£197	£205
Subtotal Cash from Operations	£85	£159	£184	£98	£82	£95	£143	£158	£142	£159	£197	£205
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Current Borrowing		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Other Liabilities (interest-free)		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Long-term Liabilities		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Other Current Assets		£3	£3	£4	£4	£4	£5	£5	£6	£6	£7	£8
Sales of Long-term Assets		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Investment Received		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Received	£88	£162	£188	£102	£86	£100	£149	£164	£149	£167	£204	£213
Expenditures												
Expenditures from Operations												
Cash Spending	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Bill Payments	£24	£120	£70	£71	£68	£67	£59	£104	£71	£74	£172	£174
Subtotal Spent on Operations	£24	£120	£70	£71	£68	£67	£59	£104	£71	£74	£172	£174
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	£3	£5	£6	£3	£2	£3	£4	£5	£4	£5	£6	£6
Principal Repayment of Current Borrowing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Long-term Liabilities Principal Repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Dividends	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Spent	£27	£124	£76	£74	£70	£69	£64	£109	£76	£79	£178	£180
Net Cash Flow	£61	£38	£112	£28	£16	£30	£85	£55	£73	£88	£27	£33
Cash Balance	£1,657	£1,695	£1,807	£1,835	£1,851	£1,881	£1,966	£2,022	£2,095	£2,182	£2,209	£2,242

Appendix

Table: Balance Sheet

Pro Forma Balance Sheet													
Assets	Starting Balances												
	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	
Current Assets													
Cash	£1,595	£1,657	£1,695	£1,807	£1,835	£1,851	£1,881	£1,966	£2,022	£2,095	£2,182	£2,209	£2,242
Other Current Assets	£50	£47	£44	£40	£36	£32	£27	£22	£16	£9	£2	(£6)	(£14)
Total Current Assets	£1,645	£1,704	£1,738	£1,847	£1,871	£1,883	£1,908	£1,988	£2,037	£2,104	£2,185	£2,203	£2,228
Long-term Assets													
Long-term Assets	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500	£1,500
Accumulated Depreciation	£0	£15	£30	£45	£60	£75	£90	£105	£120	£135	£150	£165	£180
Total Long-term Assets	£1,500	£1,485	£1,470	£1,455	£1,440	£1,425	£1,410	£1,395	£1,380	£1,365	£1,350	£1,335	£1,320
Total Assets	£3,145	£3,189	£3,208	£3,302	£3,311	£3,308	£3,318	£3,383	£3,417	£3,469	£3,535	£3,538	£3,548
Liabilities and Capital													
Current Liabilities													
Accounts Payable	£20	£117	£68	£69	£65	£65	£56	£102	£69	£68	£166	£168	£159
Current Borrowing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Current Liabilities	£0	(£3)	(£7)	(£13)	(£16)	(£18)	(£21)	(£25)	(£30)	(£34)	(£39)	(£45)	(£51)
Subtotal Current Liabilities	£20	£115	£60	£56	£49	£46	£35	£77	£39	£34	£127	£123	£108
Long-term Liabilities													
Long-term Liabilities	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Liabilities	£20	£115	£60	£56	£49	£46	£35	£77	£39	£34	£127	£123	£108
Capital													
Paid-in Capital	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345	£4,345
Retained Earnings	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)	(£1,220)
Earnings	£0	(£51)	£22	£120	£136	£136	£158	£181	£253	£310	£282	£290	£315
Total Capital	£3,125	£3,074	£3,148	£3,246	£3,261	£3,261	£3,283	£3,306	£3,379	£3,435	£3,408	£3,415	£3,440
Total Liabilities and Capital	£3,145	£3,189	£3,208	£3,302	£3,311	£3,308	£3,318	£3,383	£3,417	£3,469	£3,535	£3,538	£3,548
Net Worth	£3,125	£3,074	£3,148	£3,246	£3,261	£3,261	£3,283	£3,306	£3,379	£3,435	£3,408	£3,415	£3,440

Appendix

Terms & Conditions

The bicycle is provided fit for use when the handover occurs; brakes, gears and the chain must be in a functioning condition. Tyres must be inflated with a suitable and safe amount of pressure on them, additionally reflectors must be fitted. However if there is discrepancy involving the bicycle mention it during the hand over, if completely unsatisfied with the bicycle provided then the option to request another bicycle is available. Once satisfied Jesmond Bikes Ltd and the user sign the sign off sheet regarding the state of the bike and to show a transfer of keeper.

If payment was not received at time of booking online then before the bicycle leaves the premises payment including the deposit must be made; the deposit of £25 will be refunded upon return of the bicycle. Deposit will be not refunded in the following circumstances:

- Bike is damaged beyond repair,
- Bike is returned missing parts,
- Negligence in the care of the bicycle is apparent
- Any other damage that is beyond daily wear and tear,
- If the mechanic at the time believes there is good cause to keep the deposit; in this instance a meeting involving at least 50% of the directors must be called to make a full and proper decision.

The rates of hire are as follows £7.50 per month or £34.99 per academic year (1st October – 23rd June) per bike hired.

However Jesmond Bikes Ltd reserves the right to increase prices or the rental dates without prior notice.

Once the bicycle is in the care of the customer it is their responsibility for basic maintenance such as oiling the chain however , any faults or issues must be reported immediately in order for a speedy resolution. If the customer feels they would like the bicycle servicing during their rental period Jesmond Bikes Ltd is more than willing to carry this out at no cost. If the bicycle needs replacing or repairing Jesmond Bikes Ltd are happy to oblige causing the customer as little disruption as is possible.

Appendix

Directors Agreement

As a director of Jesmond Bikes I have committed £..... relating to my ownership of% of Jesmond Bikes. I also agree profits shall be divided in relation to my ownership of the firm. I will always act in the best interests of the firm and agree that for any decision resulting in the spending of over £200 a ¾ majority of the directors must agree.

I shall be responsible for the following activities:

And must fulfil these duties until a time when to continue to fulfil them will be counter productive for Jesmond Bikes

Appendix

Limited Liability Wavier

By agreeing to this document I accept that whilst using this bicycle provided by Jesmond Bikes Ltd that I use it at my own risk and that Jesmond Bikes Ltd cannot be held responsible for any accident that I may incur whilst using one of their bicycles.

Signed..... Date.....

Appendix

Recyke y'bike Agreement

Unit 2
Railway Arch
Hannington Street
Byker
Newcastle Upon Tyne
NE6 1JT

1st February 2009
James Starkey
39 Osborne Avenue
Jesmond
Newcastle Upon Tyne
NE2 1JS

Dear Mr. Starkey

Following our meeting concerning Recyke y'bike supplying Jesmond Bikes with fully refurbished bikes, we are able to do this at the agreed price of £ 60 per unit. Recyke y'bike also agrees to buy the bikes back off Jesmond Bikes, should Jesmond Bikes wish to dispose of them. This is under the condition that the bikes are fully serviceable. The bikes will be purchased at half their original purchase price from Recyke y'bike. In order for this agreement to take place; Jesmond Bikes must agree to purchase their bike solely from Recyke y'bike, doing otherwise invalidates the agreement.
We look forward to working with you.

Yours Sincerely
Paul Vincent

Appendix

Objective Milestones

