

Annex 2

TRICS Limited
Business Plan 2014

June 2014



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1. Executive Summary

TRICS Limited will be established to operate, manage and to fully exploit the commercial potential of a transport trip rate database (TRICS), upon the transfer of Intellectual Property Rights (IPR), the associated trademark and website domain from a consortium of six local authorities, and a managed exit from the current service provider.

The Company will provide a direct service to the transport planning and property development customer community by;

- Maintaining a comprehensive trip rate database
- Maintaining the professional and technical reputation of the database to secure the continued recommendation of the Department for Transport
- The promotion of research into trip generation and transport related issues

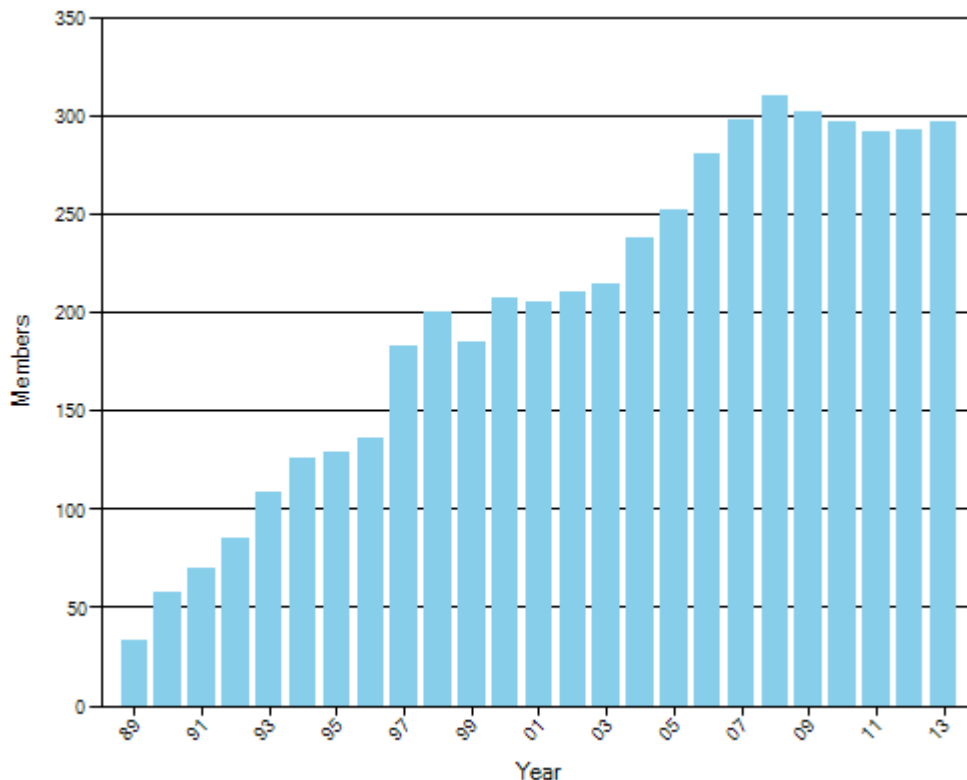
The Company will exploit the commercial potential of the database and the established reputation of the brand by;

- The development and marketing of the product to reach new customers both within the existing UK market and in worldwide locations where the market and nature of travel is similar, for example in New Zealand and Australia.
- The company will consider the business case for the continued development of a Travel Plan monitoring product that will run in parallel with the main database and which will be marketed to Travel Plan Officers within Local Authorities, private companies and transport consultants.

2. The TRICS Product

The database was established in 1989 and originally named “Trip Rate Information Computer System”, the product quickly became known by its acronym TRICS. The database was established by a consortium of County Councils consisting of Hampshire, Dorset, East Sussex, Kent, Berkshire, Surrey and West Sussex. Berkshire left the consortium in 1996 and in accordance with the Memorandum of Understanding signed by each consortium member has no further claim upon the database.

The database has been developed over the years by the consortium and to incorporate data previously held within separate databases created by other public sector organisations

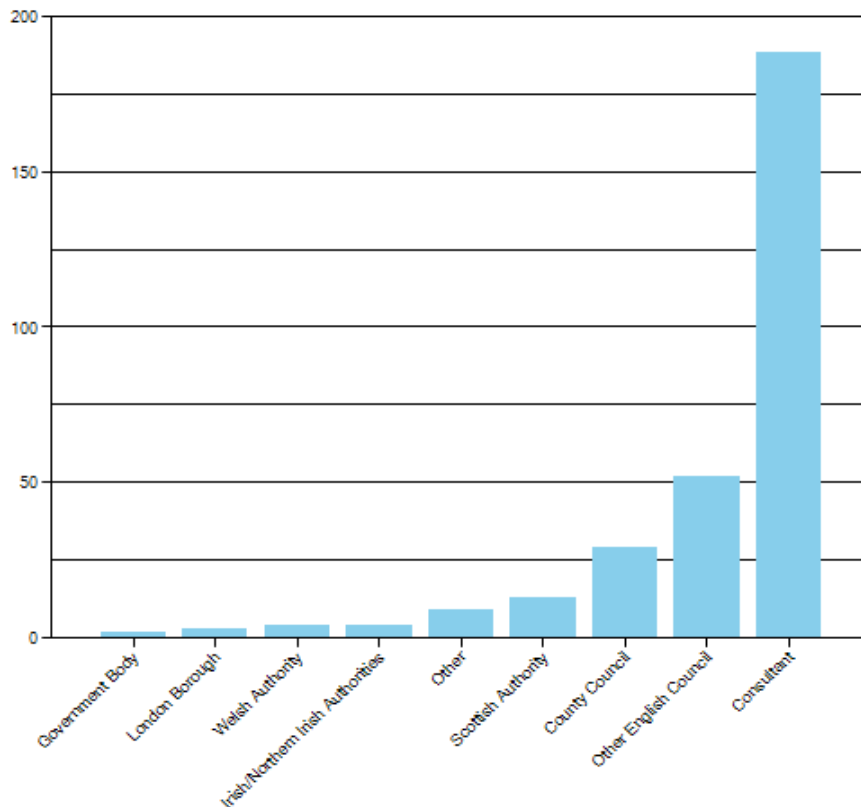


TRICS is the now the UK and Ireland’s only nationally recognised system of trip generation analysis, containing over 6,600 directional transport surveys at over 100 types of development. The database is recognised in national planning policy and is cited by the Department of Transport in its good practice guide on transport assessments. The product is widely used by the transportation planning profession and has been given due weight by Inspectors at Planning Inquiries.

Survey data consists of vehicular “level one” trip data, multi-modal “level two” data – including cyclists, pedestrians, public transport users – and “level three” data which incorporates data contained within Travel Plans.

Data is collected through a combination of automated and interview surveys which are planned according to individual site circumstances. There is a continual re-investment in the quality of the data through an annual data collection programme which covers the whole of the UK and Ireland across 17 defined regions and is guided by the requirements of the TRICS licence holders. The TRICS website is visited by up to 25 separate users each working day. Website logins and

searches are monitored in order to highlight demand for data and inform future data collection programming.



Sales income is generated by the following services;

Licence Fees: Users pay an annual licence fee to gain full access the database. A pricing structure is in place to suit the customer's requirements, with an escalation in the fee from a single user option, single location multiple users through to multiple users, multiple locations. The database is currently sold to 292 customers who primarily come from the public sector highway and planning authorities and from private sector transport consultants working on behalf of property developers. There is a potential risk with this pricing structure if there is consolidation within the planning consultancy industry and therefore this will be reviewed by the Company.

Bureau Service: A bureau service is provided for customers who do not buy a licence and have an occasional requirement to access the data. The price of the service is determined by the nature of the request.

Travel Plan Monitoring: A separate fee is payable for customised Travel Plan monitoring and reporting. This product is currently still in the development phase, but has growth potential as planning policy guidance states that a travel plan must be submitted alongside any planning application that has significant transport implications. This service is priced according to site and travel plan specifics.

3. Market Analysis

The TRICS database is the only database of its kind that provides the data and analytical capability that covers the whole of the United Kingdom; it is thought to be the largest database of its kind worldwide.

The database is widely used by the transportation planning profession – with market penetration of approximately 60% of the potential UK public sector market and 66% of the UK Transport Consultancy market. Market research is undertaken with the existing customer base, for example at the annual User Group meeting, from the use of questionnaires and interactive sessions.

The product is dominant within its core market which has high barriers to entry for competitors, for example a competitor product would take 8 years to develop a comparable product with the same depth of data. The TRICS product pricing could therefore be increased without eroding market share. There is more competition in the emerging market for Travel Planning particularly from “iTRACE” which charges significantly higher prices.

The UK market can be developed further by increasing brand awareness beyond transport professionals into associated markets in planning, regeneration and architecture. The product is currently offered to the market with a free-user trial of one-month access to the on-line version of the system and this has proved to be successful in attracting new customers.

Outside of the UK, the product will be developed and marketed to reach new customers in worldwide locations where the market and nature of travel is similar, for example currently 14% of the public sector market in Ireland accesses the product. The market in the Australasia region is similar to that of the UK being made up of Transport Planning Authorities and Transport Planning Consultancies. There are limited competitors in this market and therefore this region provides significant potential for growth.

The Company will evaluate the appropriate approach to expanding the reach of the product beyond the current customer base. There are a number of potential areas to explore, both within the UK and abroad. A new focus will be brought to these activities following the creation of the company and each opportunity will be thoroughly analysed and researched before committing to marketing spend or further product development.

4. Company Structure and Governance

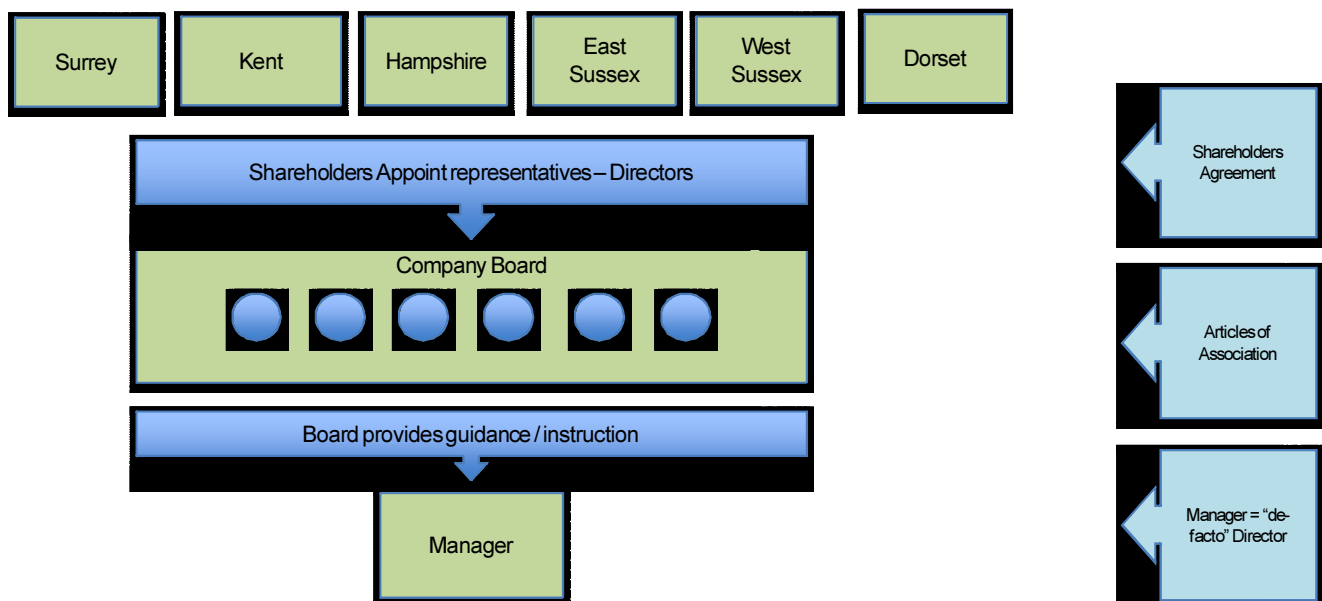
4.1 Share Capital

The company will initially issue, subject to financial and legal due-diligence, ordinary share capital of 2,250 shares at £100 nominal value, total shareholder capital of £225,000. The six members of the current consortium; Dorset County Council, East Sussex County Council, Hampshire County Council, Kent County Council, Surrey County Council and West Sussex County Council, will each subscribe for 375 shares.

4.2 Governance

Each shareholder will have the option to appoint a Director to the Board of the Company to represent their interest. The relationship between the shareholders will be undertaken in accordance with terms set out in a Shareholders Agreement. The outline heads of terms for the Shareholders Agreement is appended to the Business Plan as Annex 1 to the Cabinet report.

The Directors of the company will be responsible for decisions regarding the strategy and operation of the company, subject to the legally reserved matters outlined in the Articles of Association for the company (appended in heads of terms form to the Business Plan as Annex 1 to the Cabinet Report).



The Directors appointed by each shareholder will appoint a manager to provide the day-to-day operational oversight for the company, manage the employees and to implement the agreed strategy. The appointed manager will become a director of the board in order to formally recognise the role and to avoid being otherwise deemed to be a “de-facto” director of the company. Overall therefore the company will up to 7 Directors.

The Directors will be authorised to proceed with all necessary expenditure in pursuit of the objectives of the business and as described in the Annual Business Plan. The Directors will

establish an authorisation threshold structure to determine the levels at which a decision can be made by a single director or where unanimous consent will be required.

The Directors will provide the shareholders with an annual business plan and year-end audited accounts. The Directors will determine an appropriate annual dividend payment, assuming that the company is in a financial position to do so, with the dividend being set so as to satisfy the shareholders reasonable expectation of a dividend based upon the performance of the company and ensuring that only funds required for the growth of the company and identified as being required in the annual business plan are retained.

The Directors will be required to act with due skill and care in their field of professional expertise and to take proper legal, financial and tax advice in order to make appropriate decisions; having appropriately considered the level of risk and liabilities involved in the decision-making process.

5. Management, Company Administration and Support

The Directors of the company will be responsible for decisions regarding the strategy and operation of the company, subject to the legally reserved matters outlined in the Articles of Association. The Directors will receive no remuneration other than the reimbursement of reasonably and necessarily incurred expenses.

The Directors will employ staff, including a manager to implement the strategy on their behalf and manage the day-to-day operation, and will engage appropriate contractors, advisors and service providers to undertake the approved activities of the company.

The Company will be required to comply with the 2006 Transfer of Undertakings (Protection of Employment) Regulations (TUPE), and will therefore employ staff expected to transfer from the existing supplier relationship. The full details of the employees will not be known until notice has been given to the existing supplier and the required information is provided, this applies in terms of salary, terms & conditions of employment and specific roles & responsibilities. The business plan assumes that 3 employees, including the key System Manager post, will be subject to TUPE protection.

The initial employees of the company will be as follows;

Manager (Managing Director):	1 FTE	New Role
Systems Manager	1 FTE	TUPE employee
Systems & Administration	2 FTE	TUPE employee

The financial plan also allows for the cost of a further 0.5 FTE post in relation to client relationship management and marketing activity. This post will not be immediately recruited pending full evaluation of roles and responsibilities once trading commences. The Directors will evaluate whether this post is required in the longer term or whether to buy occasional marketing consultancy advice.

As noted above, full information regarding the roles of the current staff is not yet available, and therefore contingency sums have been included within the financial plan for further third-party services to be purchased where applicable, for example in relation to day-to-day accounting activities.

In order to facilitate the TUPE transfer, the employees who are currently based in London, will be based at the offices of Surrey County Council in Kingston Upon Thames. Surrey County Council will make an appropriate charge to the company for the rent of office space and associated services and will put in place the required contractual and licence agreement. For practical reasons, this may also extend to some day-to-day IT provision, for example in terms of network and telephony.

Further services may be provided by the one or more of the shareholders to the Company, for example in relation to transport research expertise, secretarial support for the Board meetings or professional services such as finance and legal advice. Where this is the case the council concerned will make an appropriate charge to the company for any services provided, ensuring that the full cost of the activity is recovered and that there is no subsidy in the arrangement.

The company will be required to prepare annual financial statements, to be filed at Companies House 9 months following the end of the accounting period and will require an external audit.

6. Financial Analysis

The forecast profit and loss statement (table 1) for the company has been developed based upon information available from the current supplier. The financial estimates are subject to change as a result of the due-diligence that will be performed upon notice of exit from the current supplier and receipt of requested information.

The estimated financial statements have been prepared using a prudent approach, assuming no growth in sales and are inclusive of contingency sums. The estimates cover the first two years of trading in order to demonstrate the expected profit once the initial set-up costs have been incurred.

The Directors will be responsible for fully evaluating the results of the company against these initial estimates and for preparing an updated business plan which will fully incorporate the plans to achieve the growth of the business as soon as practical to do so.

Table 1) Estimated Profit & Loss

Profit & Loss	£000s Year 1	£000s Year 2
Sales	1,035	1,035
Employees	-220	-220
Data Collection fees	-205	-205
Software Designer	-80	-80
Travel Plan product development	-22	-22
Research	-30	-30
Data Hosting	-10	-10
Marketing	-22	-22
Company Administration	-82	-82
Depreciation	-6	-6
Contingency	-30	-30
Initial Set-up costs	-95	
Total Costs	-802	-707
Profit Before Tax	233	328
Tax estimate	-51	-72
Profit After Tax	182	256

The initial costs of preparing to commence trade and all necessary arrangements have been estimated to be £95,000 revenue expenditure (table 2) and £30,000 capital expenditure (table 3), with the capital expenditure required in order to purchase and develop a customer records management interface which will not transfer upon the exit from the existing supplier.

Table 2) One-off costs to commence trade: Revenue

Revenue	£000s
Legal Advice	35.0
Financial Advice	10.0
TUPE Management	5.0
Project Management	7.5
Shareholders Due Diligence	15.0
Employee IT provision	2.5
Accounting Package and set-up	5.0
Contingency	15.0
Total	95.0

Table 3) One-off costs to commence trade: Capital

Capital	£000's
Management System	30.0
Total	30.0

The equity required from the shareholders has been calculated with reference to these total preparation costs plus cash equivalent to three months of business essential expenditure. The total equity provided is in line with the estimated pre-tax profit in the first year of trading.

A full cash flow analysis has not been possible to compute at this stage as this will rely heavily upon customer licence sales information not yet available from the existing supplier. In addition to the equity funds available, the company will further ensure that the banking relationship put in place includes provision for an overdraft facility should this be required.