Bike powered cinema

How this financial project appraisal is a key determinant to assess the profitability of the project delivered by Small World Theatre, a registered charity for the local community ?

Possible commission offered by West and Wales Housing to deliver an outdoor cinema event on 4 estates.

Opportunity to involve the residents to create a short film about their estate and screen it before a family movie. Each short film would be combined and screened during the next event : to be repeated each year.

The alternative would be to use an already owned generator to deliver outdoors cinema, having a negative impact on the ecological objective of the project.

What does the project bring to the registered charity?

- New service in line with the theatre's environmental ethos and credentials
- Environmental improvement to a service usually delivered using a generator
- Potential market in 3 counties: 9 housing associations with varied portfolio sizes, with commonly a minimum of 20 estates across Wales
- Opportunity to expend the project to other environments, for example festivals
- Additional revenue stream/profits (commissioned puppetry, room hire, shows and classes)

Other benefits to value

- ☐ <u>Social</u>: bringing communities together and giving them visibility
- ☐ <u>Ecological</u>: using human power as a renewable source of energy
- ☐ <u>Healthy</u>: no added emissions for the spectators of each screening
- ☐ <u>Technological</u>: friction generator / hub (frictionless) generator

Cost of project

<u>Fixed costs</u>: max. £4,000

- ☐ Purchase / engineer of equipment

<u>Running costs:</u> under £2,000 the first year (4 screenings) and under £6,000 when 18 screenings

- ☐ Transport
- ☐ Staffing and volunteers compensation
- ☐ Administration and Marketing
- ☐ Licensing

Timeline for implementation - What is the full lifespan of the project?

5 year project running only 4 months per year (April, May, September, October)

- ☐ October: funding application with Ffilm Cymru Wales or Fund for Wales the following years
- ☐ December: crowdfunding the project / liaise with housing associations to create short films
- ☐ January to March: source bikes and generators to engineer the setup and test it (trial & error) or maintenance and setup improvement the following years / editing of the residents' short films
- ☐ April to October: organise weather dependent events (maximum 2 per week) / evaluation and monitoring
- ☐ September to October: advertise the project to increase the number of screenings by 50%

What considerations must be taken?

- ☐ Off-site project: staffing issues
- ☐ Requires training
- ☐ Legal requirements that apply to public events
- ☐ Copyright restrictions and intellectual property rights
- ☐ Road transport to different estates will void carbon neutrality of the bike powered cinema project
- ☐ Off-site project: no support at hand (emergency kit?)
- ☐ Storage

What is the rational of your business?

- ☐ Payback in less than 2 years
- ☐ Positive NPV from a WACC of 15% : based on inflation, plus margin
- ☐ IRR greater than 15% : risk of costs spiralling out of control on the first bike
- ☐ Possibility to ration the project : more or less bikes
- ☐ Accounting Rate of Return : residual value of bikes and generators (£50/unit)

Model the project

Scenario analysis to be used as benchmark:

- ☐ Volume of sales
- ☐ Effect on cost price
- ☐ Selling price

	Cost 4x £1000/unit Selling price £1000/unit Sales plus 50% annually	Cost 3x £1500/unit Selling price £900/unit Sales plus 30% annually	Cost 3x £1250/unit Selling price £800/unit Sales plus 40% annually
PP	1 year 6 months	1 year 11 months	2 years 1 month
NPV	£13,237	£6,491	£6,526
PI	4.8	2.7	3
BCR	3.8	1.7	2
IRR	94%	60%	63%
AP	£5,639	£2,986	£3,015
ARR	269%	128%	155%

What are your options for funding the project?

- ☐ Grant funding first to test the market using the Film Exhibitor Fund covering 75% of the costs (from Ffilm Cymru Wales), particularly the selling price (no capital expenditure)
- ☐ Retained profits to fund this project at least partly which can be supported by a Fund for Wales grant of up to £2,000 per year for 3 years.
- ☐ Possibly for crowdfunding from local communities via Localgiving with optional external match funding

Conclusion and recommendations

The project is viable but it needs:

- ☐ Benchmarks to monitor the profitability, helped by deposit asked
- ☐ Benchmarks to manage risks
- ☐ Benchmarks to warn of negative profits and stop the project, terms to be applied

Limits of grants and implications of crowdfunding