

BUSINESS PLAN – VIBE ENTERTAINMENT LIMITED

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Summary

Blast is a hi-fi loudspeaker manufacturing business. Founded by Kinza Anjum and Sandeep Benning in 2007. Kinza and Sandeep both are studying a business degree, whereas Kinza has more knowledge in the finance side of the business where as Sandeep has more practical knowledge in louder speakers and design.

They have designed and sold several units to clubs and Dj's over the UK, such as sound of ministry and time and envy, two known clubs in London. Kinza and Sandeep are now are hoping to expand and open a manufacturing company within the west midlands. It will purchase an industrial unit, machinery and delivery vehicles. Total cost of assets will be £219,000. The owners are contributing £125,000 of capital and the business seeks a further £110,000 from the bank. £50,000 via the mortgage of the premises. £20,000 of the business loan for machinery, £40,000 by overdraft for working capital purposes.

THE BUSINESS AND ITS OBJECTIVES

Name: vibe entertainments limited

Address: unit 21
Lawden road
Bordesley
Birmingham
B10 0AB

Legal status: Private limited company

Share holders: Kinza Anjum 50%
Sandeep Benning 50%

Business: Hi-Fi Loudspeaker Manufacture

Start Date: 1st January 2007

Mission Statement:

Vibe Entertainments will become a leading manufacture of quality loudspeaker systems and become a household name.

Short Term objectives:

With in the first 12 months of trading Vibe Entertainments will:

- Produce and sell 4800 units (pairs) of loudspeakers
- Achieve sales turnover of £480,000
- Achieve a pre tax profit of over £45000
- Supply for over 50 major hi-fi retailers though out the UK
- Take 10% of UK's markets in similar units

Long term objectives:

With in the first 3yrs of trading vibe entertainments will:

- Increase the product lines to 6 loudspeaker models
- Increase annual turnover to £1,000,000
- Establish sales through agents in the EU, US and Japan

PERSONAL PLAN

It's important for vibe entertainments to employ the right type of people as it's important to determining factor of the success of a business.

Key personnel

Name	Age	Qualifications	Position	Annual Salary
Kinza Anjum	19	Avce Business	Finance Director Company secretary - Responsible for Finance and Administration	£16,000
Sandeep Benning	20	Avce Business	Managing Director - responsible for Production sales and R&D	£16,000

Other Personnel

Job description	Number	Expected weekly wage
Production line workers	3	£175
Despatch driver	1	£150
Part time packer	1	£50
Clerical assistant	1	£150

MARKETING PLAN

Product

Vibe entertainments 'presence' loudspeakers (sold in pairs):

- matched pairs in high density chipboard laminate with moulded fascia
- attractive modern styling
- two colour way- black ash and light oak finish
- price £100 per pair (excluding VAT)

The product specification and price have been arrived at following market research among existing customers:

- questionnaire sent with products and mailings
- customers comments made during telephone conversations

The Market

- domestic use, supplied by hi-fi retailers and mail order houses
- total UK sales in 2005 £45m for similar units
- expanding market (10% in 2005) especially B, B1 and C2 social groupings
- Further growth in market forecast 7% p.a. to 2006 stimulated by demand from consumers for home and entertainment systems.

Vibe entertainments realistically expect to take 10% of the UK's market in 2007.

The Competitors

Major names in the market are BEF, Rosedale, Session, M&W who take 80% of the current total UK sales. Their weaknesses are:

- staid image
- high unit price – average of £115 for similar units
- slow delivery

We can gain market share by

- a bright modern image
- price cut in to £100 per unit
- rapid delivery to suppliers
- response after sales service

We also have the advantage of being a small company which is able to offer a more personal service to our customers.

Promotion

Promotion is by way of:

- monthly advertising of the hi-fi magazines
- mail shots to existing suppliers (quarterly from January 2007)
- purchase of product related mailing list (January)
- Sandeep visiting retailers and mail orders to houses
- Sending the speakers for review to the hi-fi magazines

Distribution and sales

Distribution of the speaker units is in sealed cartons direct to hi-fi retailers and mail order outlets. No wholesalers are involved.

Vibe entertainment is purchasing a van for local and urgent deliveries, it also has a contract with a carrier spread direct which offer a 24hr a 3day delivery service within the UK

Marketing Budget

In the first 12 months the marketing budget has been estimated at £12000 this will cover

- Advertising costs in magazines
- Mailing
- Purchased or the sales and purchasing of the mailing list
- Postage related to mailing list

In addition £1800 has been budgeted for posting and delivery costs

Sales projection

Expected turnover for the first 12 months, based on the sales of 4,800 units: £48000

Sales break even figures:

$\frac{£145,275 \text{ (total overheads)}}{42\% \text{ (gross profit margin \%)}} \times 100 = £345,892$

Sales of units needed for breakeven = 3,459

Vibe entertainments are confident of achieving this level of sales (72% of annual projected sales) in view of the existing good name of the speakers and the current demand shown in the order books.

PEST ANALYSIS

A PEST analysis is also sometimes called STEP, STEEP or PESTLE analysis. It looks at the external business environment. Pest stands for:

Political
Economic
Social
Technological

These are all elements that may have an effect on our future business.

Political factors – can have a direct impact on the way the business operates. Political factors also include issues that affect your product line. The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. You may need to consider issues such as:

How stable the political environment is

Will government policy influence laws that regulate or tax your business

What is the government's position on marketing ethics

What is the government's policy on the economy

Does the government have a view on culture and religion

Influences might include:

- Change in tax structure
- Privatization
- Trade union
- Changes in availability of raw materials
- Duties and levies
- Regulatory constraints, such as labeling, quality, safety

Economic factors – include current financial forces on your target market.

Influenced by □ domestic economic policies

□ World economic trends

□ Growth

□ Inflation

□ Consumption patterns

□ Income distribution

Influences might include:

- Inflation
- Unemployment
- Energy prices
- Price volatility (could suddenly change)

Social factors - include changes in social trends, fads, or demographic groups as they affect your target market and its current opinions. This could include changes in shopping habits, such as the increase in online shopping or the super-mall trend. It could also

include the aging of your current target market, or the population increases in the over-50 group.

Factors might include:

- Consumer lifestyles
- Environmental issues
- Demographical issues
- Education
- Immigration
- Religion

Technology factors - include everything that affects your product, its market, or information-gathering efforts of your market that come as a result of changes in technology.

Factors might include:

- New technological process
- Energy saving techniques
- New materials/substitutes for existing materials
- Better equipment
- New product development

Political <ul style="list-style-type: none">○ Change in Tax may cause people to spend less○ Regulatory constraints, such as labeling, quality, safety○ Privatization	Economic <ul style="list-style-type: none">○ Inflation○ Interest rates
Social <ul style="list-style-type: none">○ Consumer lifestyles○ Up to date – people prefer the latest trends	Technological <ul style="list-style-type: none">○ Bar code scanners○ New product development○ Energy saving techniques

PRODUCTION PLAN

Vibe entertainment will manufacture pair of 'Presence' speaker units in a power saw and welding production line set up in their freehold premises. Three production line workers will produce 400 pairs of speakers per month.

The units will be packed on site in double- walled cartons with high-density moulded filling pads.

The units will be dispatched from the premises either in the company van or collected by carrier.

The business will be administered from the premises by the two directors and clerical assistant. An office will be set up on the premises.

All health and safety at work conditions will be met.

Premises

Freehold factory

Vibe entertainment limited will operate from:

Unit 21
Lawden road
Bordesley
Birmingham
B10 0AB

Freehold premises of 2,500 square feet

Purchase price £125,000

Professional valuation £127,000 (November 2006)

Business rates £2,900 p.a

No mortgage currently outstanding

Financed by capital and proposed £50,000 bank commercial mortgage

Machinery

Production Line

Vibe entertainment will purchase power saws and other production machinery:

Cost: £45,000

Expected life: 5yrs (20% straight line depreciation)

Financing: from capital

Vehicle

Vibe entertainment will purchase a delivery van:

Cost: £12,500

Expected life: 4yrs (25% straight line depreciation)

Financing: from capital

Raw materials**Speakers units**

Vibe entertainment purchase high quality bextrene cone individual speaker units for building into the 'presence' cabinets

Supplier is R&T of Cambridge.

Cost of the individual units is £20 (£40 per pair)

At present terms are cash, but from February 2007 terms will be 30 days credit.

Speaker cabinets

Vibe entertainments purchase high quality chipboard laminates, internal bracing and filling from two suppliers.

Total cost of materials per pair of speakers is £20

At present terms are cash, but from February 2007 terms will be 30 days credit.

Total materials cost per pair of speakers: £60

Average stock to be held is £10,000

Labour costs

The total annual labour budget is £43,750, calculated on the basis of employing the following for a 50 week year:

3 production line workers @ £175 per week

1 part time packer @ £50 per week

1 despatch driver @ £150 per week

1 clerical assistant @ £150 per week

QUALITY POLICY

Strict quality control procedures are at present in operation for materials purchased and for finish products in respect of physical finish and sound reproduction.

Quality assurance includes a benchmarking exercise against BEF Plc and regular team meetings. Vibe entertainments are at present investigating its overall systems with a view to application for Quality Assurance registration through BS EN ISO 9000 in 2006.

RESOURCES REQUIREMENTS

Resources required

Item	Cost (£)
Freehold premises	125,000
Production machinery	45,000
Office equipment	12,500
Vehicle	12,500
Material and working capital	<u>40,000</u>
TOTAL	<u>235,000</u>

Financial requirements

Item	Finance (£)	
Freehold premises	50,000	commercial
mortgages		
Production machinery	20,000	business loan
Stock/working capital	40,000	overdraft
TOTAL FINANCE REQUIRED	110,000	

CONTRIBUTION FROM OWN RESOURCES	<u>125,000</u>
TOTAL	<u>235,000</u>

Commercial mortgage with annual repayments of capital and interest requested

Business loan with first year interest only repayments requested

Assets available for security

Security	Value (£)	
Freehold premises	127,500	(valuation Nov.2006)
Other fixed assets	70,000	(at cost)

Name of business: Vibe Entertainment limited

Period: January – December 2007

	Jan £	Feb. £	March £	April £	May £	June £	July £	August £	Sep £	Oct £	Nov £	Dec £	TOTAL £
RECEIPTS													
cash sales													
cash from debtors		47000	47000	47000	47000	47000	47000	47000	47000	47000	47000	47000	517000
capital	125000												125000
loans	70000												70000
interest													0
TOTAL RECEIPTS	195000	47000	47000	47000	47000	47000	47000	47000	47000	47000	47000	47000	712000
PAYMENTS													
	28200												28200
credit purchases			28200	28200	28200	28200	28200	28200	28200	28200	28200	28200	282000
capital items	195000												195000
wages	7645	7645	7645	7645	7645	7645	7645	7645	7645	7645	7645	7645	19750
rent/rates			290	290	290	290	290	290	290	290	290	290	2900
insurance	1500												1500
service	200	200	200	200	200	200	200	200	200	200	200	200	2400
telephone				300			300			300			900
VAT				7000			7000			7000			21000
vehicle expenses	200	200	200	200	200	200	200	200	200	200	200	200	2400
stationary	50	50	50	50	50	50	50	50	50	50	50	50	600
postage	150	150	150	150	150	150	150	150	150	150	150	150	1800
bank charge			150			150			150			7000	600
interest			500									2000	7500
loans repayments													2000
advertising	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
package	500	500	500	500	500	500	500	500	500	500	500	500	6000
													0
													0
TOTAL PAYMENTS	234445	9745	38885	45535	38235	38385	45535	38235	38385	45535	38235	47395	658550

PROJECTED TRADING AND PROFIT AND LOSS ACCOUNT OF VIBE ENTERTAINMENT
LIMITED FOR THE YEAR ENDING 31ST DEC 2007

	£	£
SALES		480000
PURCHASES	288000	
LESS CLOSING STOCK	<u>10000</u>	
COST OF GOOD SOLD		<u>27800</u>
GROSS PROFIT		202000
WAGES	43750	
DIRECTOR SALERY	48000	
RATES	2900	
INSUREANCE	1500	
SERVICES	2400	
TELEPHONE	1200	
VEHCLIE EXPENCES	2400	
STATIONARY	600	
POSTAGE	1800	
ADVERTISING	12000	
PACKING	6000	
BANK CHARGES	600	
INTERST	7500	
DEPRECIATION	<u>14625</u>	
		145275
NET PROFIT		56725
ALL FIGURES EXCLUDE VAT		

PROJECTED OPENING BLANACE SHEET OF VIBE ENTERTAINMENT LIMITEDAS AT 1ST
JANUARY 2007

	COST	DEP'N	NET
	£	£	£
FIXED ASSESTS			
PREMISES	125000	0	125000
MACHINERY	45000	0	45000
VEHICLE	12500	0	12500
OFFICE EQUIPTMENT	12500	0	12500
	195000	0	195000
CURRENT ASSESTS			
STOCK		24000	
LESS CURRENT LIABILITES		<u>24000*</u>	
OVERDRAFT			
WORKING CAPITAL			<u>0</u>
			195000
LESS LONG TERM LIABILITIES			70000
BANK LOANS			
NET ASSETS			<u>125000</u>
FINANCED BY			
AUTHORISED SHARED CAPITAL			
125,000 ORDINARY SHARE OF £1 EACH FULLY PAID			<u>125000</u>
ISSUED CAPITAL SHARE			
125000 ORDINARY SHARE OF £1 EACH FULLY PAID			<u>125,000</u>

BALANCE SHEET OF VIBE ENTERTAINMENT LIMITED AS AT 31ST DECEMBER 2007

	COST	DEP'N	NET
	£	£	£
FIXED ASSESTS			
PREMISES	125000	0	125000
MACHINERY	45000	9000	36000
VEHICLE	12500	3125	9375
OFFICE EQUIPTMENT	12500	14625	<u>180375</u>
CURRENT ASSESTS			
STOCK		10000	
DEBTORS		40000	
BANK		<u>53450</u>	
		103450	
LESS CURRENT LIABILITES			
CREDITORS		34100	
WORKING CAPITAL			<u>69350</u>
			249725
LESS LONG TERM LIABILITIES			
BANK LOANS			68000
NET ASSETS			181725
FINANCED BY			
AUTHORISED SHARED CAPITAL			
125,000 ORDINARY SHARE OF £1 EACH FULLY PAID			125000
ISSUED CAPITAL SHARE			
125000 ORDINARY SHARE OF £1 EACH FULLY PAID			125000
			<u>56725</u>
			<u>181725</u>

INCOME STATEMENT FOR VIBE ENTERTAINMENTS FOR YEAR ENDING
DECEMBER 2007

	£	£
sales		48000
less cost of goods sold	10000	
purchases	288000	
		<u>240000</u>
gross profit		192000
less expenses		
salaries	52375	
rates	2900	
office expenses	12500	
depreciation	<u>14625</u>	
		<u>108500</u>
net profit		<u>83500</u>

MONITORING AND EVALUATING RESULTS

Sales

Sales figures will be critical in the first year of trading. Sales figures will be reported to the directors on a weekly basis for discussion. The monthly sales budget will be completed promptly and any variances investigated and action taken accordingly.

Competitors' sales and national trends will be monitored and market share calculations for vibe entertainment completed six monthly.

Cash flow forecast

Monthly figures will be recorded and compared with forecast figures and inspected by the directors.

If the results fluctuate significantly the situation will be investigated and the forecast redrafted.

The cash flow forecast will be spreadsheet based.

Operating budget

An operating budget will be set up on a computer spreadsheet.

Monthly figures will also be extracted from the computer system and compared with the projected monthly equivalent from the forecast.

Year to date, figures will also be calculated and compared with the forecast. The directors will investigate significant adverse and positive trends and take action accordingly.

All monitored figures will be supplied to a lender on request.

Performance indicators

Figures will be taken from the forecast financial statements on the computer to calculate:

- Gross profit percentage
- Net profit percentage
- Return on capital employed
- Current ratio (as %)
- Liquid ratio (as %)

FORECAST INCOME STATEMENT FOR YEARS TWO AND THREE

	£	£
sales		83500
less cost of goods sold	10000	
purchases	288000	
		<u>240000</u>
gross profit		156500
less expenses		
salaries	52375	
rates	2900	
office expenses	12500	
deprecation	<u>14625</u>	
		<u>108500</u>
net profit		<u>48000</u>

	£	£
sales		48000
less cost of goods sold	10000	
purchases	288000	
		<u>240000</u>
gross profit		192000
less expenses		
salaries	52375	
rates	2900	
office expenses	12500	
deprecation	<u>14625</u>	
		<u>108500</u>
net profit		<u>83500</u>

FORECASTE BLANCE SHEET FOR YEAR TWO AND THREE

	COST £	DEP'N £	NET £
FIXED ASSESTS			
PREMISES	125000	0	125000
MACHINERY	45000	18000	27000
VEHICLE	12500	6250	6250
OFFICE EQUIPMENT	12500	14625	<u>180375</u>
CURRENT ASSESTS			
STOCK		10000	
DEBTORS		40000	
BANK		<u>0</u>	
		50000	
LESS CURRENT LIABILITES			
CREDITORS		34100	
WORKING CAPITAL			<u>15900</u>
			164475
LESS LONG TERM LIABILITIES			
BANK LOANS			68000
NET ASSETS			96475
FINANCED BY			
AUTHORISED SHARED CAPITAL			
125,000 ORDINARY SHARE OF £1 EACH FULLY PAID			125000
ISSUED CAPITAL SHARE			
125000 ORDINARY SHARE OF £1 EACH FULLY PAID			125000
			<u>28525</u>
			<u>96475</u>

	COST £	DEP'N £	NET £
FIXED ASSESTS			
PREMISES	125000	0	125000
MACHINERY	45000	27000	18000
VEHICLE	12500	9375	3125
OFFICE EQUIPMENT	12500	14625	<u>180375</u>
CURRENT ASSESTS			
STOCK		20000	
DEBTORS		40000	
BANK		<u>0</u>	
		60000	
LESS CURRENT LIABILITES			

CREDITORS	34100
WORKING CAPITAL	<u>25900</u>
	154475
LESS LONG TERM LIABILITIES	
BANK LOANS	68000
NET ASSETS	-128575
FINANCED BY	
AUTHORISED SHARED CAPITAL	
125,000 ORDINARY SHARE OF £1 EACH FULLY PAID	125000
ISSUED CAPITAL SHARE	
125000 ORDINARY SHARE OF £1 EACH FULLY PAID	125000
	<u>-253575</u>
	<u>-128572</u>

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