

Research and a business plan for:

*Auto body, Mechanical & Electrical
Repairs and Servicing*

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١. EXECUTIVE SUMMARY

Purpose

This document sets out Zhelwan bakr's (BSc Mechanical Engineering; HND) proposal to open an integrated auto body, electrical and mechanical repairs' center in Sulaimaniyah, Kurdistan. The principle purpose is to provide information to the Kurdistan Regional Government to enable them to provide guidance and consider Mr. Zhelwan 's request for land to build on to bring the business to fruition.

Land requirements

If approved, it is anticipated land of ٧,٥٠٠ square meters will be allocated in an industrial area ideally situated within ٥ kilometers of residential neighborhoods.

Investment

Funds in the region of \$١,٧٤٣,٠٠٠ will be invested in buildings; equipment; other start-up costs; and working capital.

Benefits

Shareholders' investment in the center will benefit the local economy utilizing state-of-the-art technology to deliver effective services to local people and organizations. The latest equipment combined with harnessing European-Quality Standards will ensure the center's environmental impact is reduced and provide a platform to create employment for local people.

Center stage will be a pioneering program: **Apprenticeship/Trainee scheme** administrated by European-trained engineers to train local people as engineers. The scheme will provide training, monitoring, evaluation and apprising of staff **performance to ensure the region is equipped with a pool of highly-trained mechanical/electrical engineers**. In time, the best of these engineers will themselves train others to secure continuity and rollover to the next generation of engineers.

Underpinning the business's strategy is close collaboration with insurance companies with the overall aim of improving road-safety standards. Mr. Zhelwan will:

- ❖ Continue to liaise with insurance companies about the potential introduction/availability of vehicle insurance;
- ❖ Encourage them to create awareness of road safety via own media coverage;
- ❖ Offer to produce accident reports for them and the authorities-indentifying the cause of accidents, repairs required and cost of same.

Last but not least, Mr. Zhelwan, already a successful entrepreneur in Europe, possesses the knowledge, skills and experience to ensure the business in Sulaimaniyah is sustainable and profitable. Taxes on profits generated will benefit Government investment and expenditure in Kurdistan.

Financial Forecasts

In the first year of trading the business anticipated in the region of \$٦٠٠,٠٠٠ and net profit of \$٦٠,٠٠٠ increasing to \$٩٥٠,٠٠٠ (sales) and ٤٣٨٠,٠٠٠ NET PROFIT IN YEAR ٢.

Importantly, cash flow remains positive throughout the period with forecast closing balance in other centers in Kurdistan depending upon market requirements.

The Business

The business, headed by Mr. Bakr supported by a team of ٣٧ staff, will provide auto-body, electrical and mechanical repairs, servicing, and "Modern Test" inspections for all makes and models of vehicles. Other services will include vehicle recovery; 'fast-tires' change; and periphery services such as collection and delivery of vehicles for VIP customers; and valeting.

The center proposes to offer generally lower prices than comparable local garages that still enable the business to generate sufficient profit levels. They will be able to maintain 'price cutting' by buying imported parts at competitive prices, utilizing technology, not common to many of their competitors. This is underpinned by economies that will be realized from the scale of the operation setting them apart from many of their competitors.

Mr. Zhelwan's underlying approach to marketing is developing relationships with customers particularly those in preferential-customer segments (Government; companies; public sector). This approach will ensure the center benefits from repeat business and recommendation arising from an excellent reputation. Notwithstanding significant promotional activity (multi-media) is planned to create awareness of the center as well as a pre-launch opens day Government VIPs and company directors.

All things being equal, given the concentration of vehicle ownership and the predicted growth in the number of vehicles using Sulaimaniyah roads, demand for the center's services appear promising. Favorable market conditions coupled with Mr. Zhelwan 's proven business acumen arguably create a winning formula to launch and grow a successful business in Kurdistan.

٧. BACKGROUND

٧.١ Zhelwan Bakr BSc Mechanical Engineering; HND

Zhelwan Bakr is multi-lingual speaking ^٤ languages; he is a member of the alumni community of the University of Technology, Baghdad since graduating in ١٩٩٣ with a degree in 'Mechanical engineering'. He has many years' sector experience initially developed in Kurdistan before moving to London, UK. In ١٩٩٩.

At the outset, in the UK, Mr. Zhelwan worked as a mechanic in a garage for four years. In this role he furthered his knowledge, skills and experience of auto-body, electrical and mechanical repairs utilizing computer-based diagnostic software as well as developed skill in customer services, sales and estimating. He continued his formal training too achieving relevant qualifications including a HND in mechanical engineering and NVQs. He also trained to test vehicles for road worthiness (MOTs^١) to stringent European standards. In the UK regulated by VOSA^٢.

This experience paved the way for Mr. Zhelwan to start his own business in ٢٠٠٤. First he operated as a sole trader^٣ incorporating the business^٤ (Kazhee Ltd) in ٢٠٠٧.

٧.٢ Kazhee Ltd

Kazhee Ltd, based in Park Royal, Europe's largest industrial area, offers a full complement of garage services to both consumers and business and is also an approved MOT testing station. As part of this process, Zhelwan Bakr completed VOSA's management course. He remains conscious of the need to keep his own and his employees' skills up-to-date and possesses a keen interest in developing future generations of auto-mechanical engineers.

In the years of trading Kazhee Ltd has gone from strength to strength despite the UK returning to recession (٢٠١٢) creating difficult trading conditions. This arguably bears testimony to Mr. Zhelwan's business acumen making him the ideal candidate to launch, run and grow a successful business in Kurdistan with his team.

^١. MOT: a mandatory, annual test for vehicles over ٣ years' old to test their road worthiness and exhaust emissions.

^٢. VOSA: Vehicle and Operator Services Agency – an agency within the UK's Department of Transport.

^٣. Sole trader: a legal-trading status in the UK enabling an unincorporated business to trade.

^٤. To incorporate (i.e. set up a company) the business is registered with Companies House.

۳. PRODUCTS AND SERVICES

The business will provide auto-body, electrical and mechanical repairs, servicing and 'Modern test' inspections for all makes (e.g. USA: European: Japanese) and models of vehicles.

The work is concerned with the mechanical, electrical and body components of vehicles.

For all business activities the center will utilize the latest equipment meeting European Standards.

Details of state-of-the-art equipment will be provided under separate cover.

Examples:

- ❖ Roller brake tester
- ❖ Emission analyzers
- ❖ Wheel-alignment equipment
- ❖ Diagnostic-machines
- ❖ ECUs (electronic control units)

۳.۱ Mechanical and electrical repairs

Mechanical and electrical repairs will involve utilizing industry-bespoke technology by way of diagnostic software to expediently pinpoint faults.



This system provides repairs information and suggested labor time enabling the center to provide customers with reliable estimates and cost savings. Notably, customers are not for technicians' time to try and unravel some of the more complex problems that arise.

۳.۲ Auto-body repairs

Auto-body repairs typically arise as a result of accidents; though sometimes from vandalism; general wear-and-tear; or because of corrosion.

The work is concerned with exterior components and body of vehicles and involves renovating vehicles; replacing parts; panel beating; and painting replaced panels to match the colour of the vehicle.

۳.۳ Other services

The center will also provide other services including vehicle recovery; 'fast-tires' change; and periphery services such as collection and delivery of vehicles (free-of-charge) for VIP customers; and vehicle valeting.

The majority of services will be delivered at the center's premises.

4 VISION

Mr. Zhelwan 's vision is to open a further branch in Sulaimaniyah; and up to two branches in Erbil and Dhok, respectively, subject to market requirements.

5 MISSION STATEMENT

“Providing fast, friendly, cost-effective and reliable services locally”

6 OBJECTIVES

6.1 Pre-launch:

- Consult with the Kurdistan Regional Government
- Prepare detailed project plan post-government guidance/approval re land
- Appoint contractor/s and project manager
- Construct premises
- Order equipment
- Install equipment
- Test equipment
- Assist European staff to relocate
- Test operations, systems and procedures involving all staff
- Continue to consult with insurance companies
- Implement pre-launch marketing plan

6.2 First 12 months of trading:

- Iron out any teething problems across functional perspectives (HR; finance; marketing; operations; ITC)
- Implement robust marketing plans
- Collaborate with insurance companies with the aim of assisting to improve road-safety standards
- Deliver first-class customer services
- Launch apprenticeship scheme and employ 12 apprentices/trainees
- Implement the apprenticeship scheme
- Maintain positive cash flow
- Achieve sales turnover of \$ 700,000
- Achieve net profit \$ 70,000

6.3 Medium Term (12 months to 3 years):

- Consolidate improvements achieved
- Evaluate the feasibility of opening further branches and/or franchising
- Devise and implement new business and marketing plans
- Maintain positive cash flow
- Increase sales turnover to \$ 900,000 (year 2)
- Increase net profit to at least \$ 380,000 (year 2)
- Reduce break-even point as a percentage of sales to 60-65% (year 2)
- Employ additional staff including apprentices (year 3)
- Open second branch depending upon the outcome of the aforementioned evaluation

6. The main thrust of this plan provides an overview for year 1 plus financials for the first two years of trading.

✓ **MARKETING**

✓.1 **Foreword**

In no small part one reason for the success of Kazhee Ltd, despite the double-dip recession, is trade was generated by adopting a relational approach to marketing thus developing relationships with, and repeat business from, customers.

Customers include Mr. Zhelwan 's connections within the Iraqi community living in the UK, public-sector workers (e.g. staff of the General Middlesex Hospital), managers of blue-chip companies and professional drivers for example chauffeurs.

✓.2 **Market**

✓.2.1 **Customer Segment**

The underlying approach (relational marketing) identified above will be adopted in Sulaimaniyah to ensure the integrated vehicle service and repair center benefits from repeat business and recommendation arising from an excellent reputation.

The center intends to place special emphasis on targeting the customer segments shown in table 1.

Table 1. Preferential-Customer Segments

| Segment |
|----------------------------------|
| Government (Government vehicles) |
| Companies (company vehicles) |
| Public-sector workers |
| Chauffeurs |

Customers are likely to be drivers of vehicles from sports cars to mini buses.

This is in keeping with Mr. Zhelwan 's experience which transcends repairing, servicing and testing road worthiness of all types and sizes of vehicles including ambulances.

✓.2.1.1 **Payment terms:**

Credit may be given to companies; and is likely to be offered to buyers within Government departments (30 days). All other customers will pay on collection.

✓.2.2 **Competitive environment**

The vehicle repairs and servicing market in Sulaimaniyah is fragmented and relatively mature thus there are many garages and individuals competing in the marketplace.

However, competitors providing integrated services for auto-body, mechanical and electrical repairs are much more concentrated and tend to be specialists focusing on a particular brand of vehicle (e.g. Rover). This differs from Mr. Zhelwan 's plan to create a 'one-stop shop' delivering services for a wide range of vehicles.

Further, a number of local competitors are not utilizing the same diagnostic technology the center will use. To repeat, this system provides repair information and suggested labor time enabling the center to provide customers with reliable estimates and cost saving and accurately pinpoint faults. So confident is Mr. Zhelwan in his business's ability to pinpoint faults the center will boast a

unique selling proposition: “Don’t pay if we cannot solve the problem”¹.

¹. Terms and conditions will apply.

Demand

Given the concentration of vehicle ownership and the predicted growth in the number of vehicles using Sulaimaniyah roads there should be ample demand for the center's services. Going forward, demand for an additional center in Sulaimaniyah and similar centers in Erbil and Dhook appear promising.

۷.۲.۳ Suppliers

The business will utilize local suppliers for oil/lubricants, tires and sundries. Parts, including branded-vehicle parts, and filters will be from Germany and other parts of Europe. This will ensure the center stock materials to permit it to meet demand and deliver first-class 'Quality' services efficiently and cost effectively.

۷.۲.۳.۱ Payment terms

Credit is anticipated from local suppliers; though imports will generally need to be paid in advance of delivery.

۷.۳ SWOT Analysis

| STRENGTHS | OPPORTUNITIES |
|--|--|
| <ul style="list-style-type: none"> • Mr. Zhelwan 's knowledge , experience and skills of sector and running a similar business successfully • Mr. Zhelwan 's personal knowledge & experience of his homeland in Kurdistan • Mr. Zhelwan 's language skills • Mr. Zhelwan 's ability to motivate staff • Experience of working on all types of vehicles including ambulances • Availability of finance for investment and to support cash flow • Pool of European-trained staff ready to relocate to Iraq • Purpose-built operation utilizing the latest technology • Competitive prices • Ability to communicate effectively with customers winning their trust • Capacity to deliver on promises and repair vehicles • Competence • Capability of growing own talent in-house (Apprenticeship scheme refers) | <ul style="list-style-type: none"> • Availability of parts etc. to import • Proven demand for services offered by sector in private and public spheres • Consumers' aspirations to drive better cars • Consumers' demand for imported vehicles • Demographic below driving age ensuring future drivers/cars on the road • Local people looking for work including young ideally suited to apprenticeships • Legal requirements: The Modern Test • Poor condition of roads • High number of accidents • Government's concern to improve road safety • Government's interest in reducing emissions damaging the environment • Economy growing • Relative political and economic stability of the region |
| WEAKNESSES | THREATS |
| <ul style="list-style-type: none"> • Start-up business | <ul style="list-style-type: none"> • No insurance available for businesses • Location of land might not be ideally situated • Drivers/organizations do not benefit from insurance to pay for accident repairs etc. • A majority of people are not cash rich • Financial markets do not offer loans (excepting mortgages) or credit cards limiting funds for ' have now, pay later' purchases • Routine servicing of vehicles is not the norm • Existing competitions and new entrants • Political and economic stability |

٧.٣.١ SWOT Discussion

The strengths identified in SWOT analysis above go a long way to mitigating risks from the stated weaknesses; and allowing the business to capitalize on the many opportunities presented in Sulaimaniyah and surrounding regions.

However, a significant threat to the investment is the fact business insurance is not available to insure the premises, stock, good will etc. against out of the blue occurrences e.g. fire. Though, as this is the same for all businesses operating in Iraq it does not place the center at a trading disadvantage; and Mr. Zhelwan will use his knowledge of health and safety issues to safeguard the business as far as this is possible.

That said, all things been equal, the odds appear stacked in favor the business succeeding:

- ❖ The business sector is well established and provides services which, at one time or another, vehicle owners must use. In a country where the majority of people are reliant on their cars for transport circumstances dictate they spend money on repairs – *essential repairs at a minimum.*
- ❖ Given consumers' penchant for new vehicles and the desire to 'keep up with the Joneses' they will be encouraged to utilize the center's services to keep their vehicles in good condition.
- ❖ Economic growth will gradually improve the incomes of more consumers enabling them to prioritize routine service and safety checks to prevent some accidents i.e. those arising from vehicle failure rather than driver error. *A bonus for the environment too as serviced (i.e. well-maintained) vehicle release less harmful emissions.*

As highlighted in the SWOT analysis improving road safety and reducing emissions are in keeping with aims of the Kurdistan Regional Government.

- ❖ Going forward, it is possible vehicle insurance may be introduced potentially boosting sales for the center. To reiterate Mr. Zhelwan is actively consulting insurance companies with the intention of working with them with the overall aim of improving road safety for all road users.

The challenge will be to ensure the center achieves and maintain sufficient market share to proposer. This will be achieved by creating awareness of the center (*a significant part of the marketing budget is set aside for this purpose*), targeting preferential-customer segments, educating drivers on road safety and the importance of vehicle maintenance, using promotional tools to encourage sales backed up by excellent customer service and ensuring repeat business and referrals.

٧.٤ Promotion

Repeat business and recommendation will be important source of new sales.

٧.٤.١ Pre-launch

Awareness of the center will be created by advertising hoardings in-and-around the center; point-of-sale materials; advertising on the radio; and personal invitations to an open day delivered to Government Departments and selected decision makers within companies.

٧.٤.٢ Launch

In advance of opening to the public the center will host an open day for decision makers aforementioned and other VIPs to enable them to visit the operation and meet the team. Mr. Zhelwan will invite the Kurdistan Regional Government to kindly select one of their officials to formally open the business. (Publicity in local press, radio and TV is anticipated).

٧.٤.٣ Marketing going forward

Within the first month of operations the center will:

- ❖ Advertise on TV and distribute leaflets to local neighborhoods;
- ❖ Distribute leaflets and posters to public-sector buildings and hotels.

Advertising will incorporate 'special-opening offers'

During months ٢-٤, the center will set up loyalty schemes of benefit to preferential-customer segments (Government; companies; public-sector workers).

Months ٥-٦, the center will utilize various media including radio to educate people about the potential of routine servicing and safety checks to save lives. A degree of editorial coverage is likely.

Beyond the first ٦ months the main promotional activity will involve:

- ❖ Development of the loyalty schemes – as part of this, the center will deliver service reminders;
- ❖ Re-visiting public-sector buildings and hotels with new posters and leaflets;
- ❖ Face-to-face appointments with decision makers in the Government and companies;
- ❖ Direct marketing (e.g. hand-delivered mail) to named individuals within Government; and companies;
- ❖ Leafleting: targeting vehicles parked in nearby industrial estates; car parks; and residential areas;
- ❖ Periodic advertising in various media.

٨. MANAGEMENT AND STAFFING

The business will be headed by Zhelwan bakr. He will be ultimately accountable for all key-management issues including strategic direction and finance. Additionally, Mr. Zhelwan will, by appointment, visit decision makers in Government Departments; and companies with a view to developing sales for the center. As required, he will also deliver frontline services.

Mr. Zhelwan will be assisted by a team of ٣٧ (please see Table ٧.) including two administrators responsible for finance and other administrative tasks.

Mr. Zhelwan will handle the day-to-day management of frontline activity with the assistance of two senior members of staff. However, any key decisions will remain Mr. Zhelwan's responsibility.

Moving forward, the center will employ its first apprentices/trainees within the opening months and implement its pioneering **Apprenticeship/Trainee Scheme**. The programme will be administrated by European-trained engineers to train local people as engineers. The scheme will provide training, monitoring, evaluation and apprising of staff performance to ensure the region is equipped with a pool of highly-trained mechanical/electrical engineers. In time, the best of these engineers will themselves train others to secure continuity and rollover to the next generation of engineers.

Table ٧. Personnel; Role

| Name or Job title | Number of staff | Main Areas of Responsibility |
|--|-----------------|---|
| Zhelwan Bakir | | Strategy; all aspect of running the business including health & safety; managing staff; marketing; customer service; plus auto-mechanical and body repairs. |
| Administrators | ٢ | Day-to-day finance and administration |
| Receptionists | ٢ | Customer service; office duties |
| Center supervisors/ Mechanical engineer | ٢ | Auto-mechanical/body repairs etc.; estimating; customer service; and supervising staff |
| Mechanics | ٤ | Mechanical repairs and servicing; changing tires |
| Electrical mechanic | ٢ | Electrical repairs and servicing |
| Junior electrical mechanics | ٨ | Assist electrical mechanics |
| Panel beaters | ٥ | Panel beating |
| Body technicians | ٢ | Body repairs |
| Paint work technicians | ٤ | Spraying bodywork |
| Apprentices | ٦ | Apprentices will be employed for all departments |

٩. PREMISES & OPERATIONS

٩.١ Location & premises

The business is likely to be situated in an industrial area in Sulaimaniyah. Occupation of the premises (٢,٥٠٠ m^٢) will be via a long lease ideally with provision to renew. The precise size and terms will be decided by Kurdistan Regional Government. The premises, to be purpose-built, will consist of four main areas; reception; body shop; garage; and storage. There will be off-street space/parking for ٦٠ vehicles plus. Each of the main division (body shop; garage) will be able to work on ٤-٦ cars, respectively, simultaneously with space to house c. ٣٠ vehicles overnight. Design of the premises will allow for expansion in the future.

9.2 Hours and capacity

The center will operate Saturdays to Thursdays from 8:00 AM – 6:00 PM. Hours can be extended if there is sufficient work which will improve capacity when necessary.

Typically the range of labor time required for:

- ❖ Mechanical repairs is between 30 minutes to one week (e.g. reconditioning an engine or gear box);
- ❖ Electrical repairs: 30 minutes to 3 days;
- ❖ Modern tests: 1 hour;
- ❖ Servicing: 1.5 – 2 hours;
- ❖ Body repairs: minimum 1.5 days to 4-6 weeks (e.g. where a car was 'rolled' in an accident);
- ❖ Changing tires: 30 minute to 1 hour.

Capacity appears sufficient for sales levels forecast with scope to grow exponentially.

9.3 IT/ICT^v

Aside from the diagnostic software used in the workshop, previously described; the business will use IT for general word processing and producing invoices etc.; and ICT for a) email communications with customers and suppliers; b) research.

The business will also set up a website providing information for customers.

9.4 Insurances

Mr. Zhelwan is looking into whether or not insurance is available if the business is set up as a subsidiary of Kazhee Ltd.

9.5 Legal aspects

At the time of writing, the structure of the business is not determined. Mr. Zhelwan will seek guidance from the Kurdistan Regional Government to decide whether the business should be set up as a stand-alone company in Kurdistan or as a subsidiary of Kazhee Ltd.

Import duties and other taxes, to be advised, will be paid.

Any other legal aspects that apply will be adhered to.

9.6 Maintenance of equipment

Measures will be taken to ensure equipment is properly maintained. Suppliers' agreements will be in place to assist with this task.

9.7 Stock

Stock (parts; filters) will be imported in bulk realizing cost saving for the center. This will assist them to maintain competitive prices.

The high levels of inventory planned (stock to the value \$ 100,000) will ensure customers are not inconvenienced by delays waiting for parts.

Stock will be replenished at quarterly intervals in the line with stock used to deliver services in the preceding period.

^v IT: Information Technology for example computers.

ICT: Information Communications Technology for example the internet

10. FINANCIAL PERFORMANCE FORECAST

Table 10. Summary of financial Forecasts

| | Forecast: Year 1 of business \$ | Forecast: Year +2 of business \$ |
|------------------------------------|---------------------------------|----------------------------------|
| Sales | 700,000 | 900,000 |
| Gross profit | 400,000 | 700,000 |
| Gross profit Margin percentage (%) | 70 | 70 |
| Overheads | 300,000 | 300,000 |
| Net profit | 100,000 | 400,000 |
| Break-even point | 270,000 | 270,000 |
| Break-even as % of sales | 80 | 80 |
| Payroll costs | 200,000 | 200,000 |
| Number of employees | 30 | 30 |

Notes to Table 10.

- ❖ Figures rounded up/down to nearest thousand, as applicable
- ❖ In year 1 overheads are forecast to reduce. This is because marketing spend will not need to be as high in year 1 to achieve results forecast.