

2013

Business Plan of soft drinks manufacturing and sales enterprise




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III. Summary

3.1. Brief Overview

The business plan is intended to present a creation project of financially viable enterprise on the soft refreshing drinks market in the Republic of YYY.

Soft refreshing drinks include lemonade and family member of “coke”, ice tea and mineral sparkling or still water.

Project promoters, who are

The products will enter the market of YYY under the

The main product competitive advantages will be:

- naturalness, natural origin of the main ingredients composing raw materials, absence of harmful chemical additives in their structure;
- high quality of the natural, environmentally friendly water extracted from artesian wells, acquired by the “XXX” company near the city of NNN;
- positive image of a well-known MMM brand: all over the world the MMM food and in particular drinks –

Due to the high income together with metropolis and oil-extracting area population income growth rates, YYY is more and more subject to world consumer trends, and represents a sales market with a high potential. On the other hand, competent regulatory activity of the republican government provides favorable conditions for business creation and development.

Soft drinks market of YYY is highly competitive, however there are no lemonades made of natural raw materials at the mid-end. The project promoters believe that the products of “XXX Limited” company will manage to occupy its own niche, and the future enterprise will be effective due to sufficient advertising investments.

The required volume of financing is Euro.

Efficiency index	
Discounted Payback Period - DPB, months	
Average Rate of Return - ARR, %	
Net Present Value – NPV, Euro	
Profitability Index - PI	
Internal Rate of Return - IRR, %	
Modified Internal Rate of Return - MIRR, %	

Integral index calculation period is 69 months.

Analyzing efficiency index, it is possible to draw a conclusion that the offered investment is considered to be effective. This is evidenced by the following:

-

3.2. Overview on Project Promoters

Both initiator and owner of the project is private Joint Stock Company “XXX Limited”. At its initial stage implementation of the project will be carried out in close cooperation with the “UUU *” company, and CEO of “UUU” multicorporation, F N, acts as promoter of this project too. Information on CEO of “UUU” multicorporation is presented in Section 8.1.3. Information on “The Strategic Partner”, and products manufactured by “UUU” is stated in Section 4.1. “Products: Introduction”.

The private Joint Stock Company “XXX Limited” was created in Great Britain on In this connection, the Registrar of corporate affairs in England and Wales in the Cardiff Companies House granted the corresponding registration certificate on the basis of the British Law “On the Companies of 2006”. This certificate confers to the “XXX Limited” company the status of the private company with limited number of stocks and registered office situated in England and Wales.

“XXX Limited” office is located at the following address:

3.3. Product Offering

All products will be issued under the brand of “UUU” in compliance with the available range:

- lemonades;
- mineral sparkling or still water;
- sparkling drinks with “coke” fragrance (starting from the second production year);
- ice sparkling or still tea (starting from the second production year).

3.4. Mission, Aims, Main Objectives

The Project mission is to create a modern manufacturing enterprise and to offer a natural product of the highest quality to YYY population. More and more people understand how it is important to limit synthetic additives in food, but only the European food industry manages to meet these requirements. In YYY the MMM lemonades with natural fragrances is an import product, so that only small part of the population can afford it.

Having placed its manufacturing site in the market place, i.e. YYY, the company will be able to propose an alternative to import products at lower price, so that to attract a large number of consumers to the product, having broken a stereotype “the natural – means expensive and rare”.

Aims:

- To create a profitable enterprise in YYY market of soft drinks with production capacity of ** million litres a year, and with payback achievement period of *-*,* years;
- To fix the leading positions in this segment, to create a qualitative image of the brand, to increase popularity of the brand among the population of YYY (to enter into top-** according to the level of consumers’ awareness of the brand by the end of planning period);
- To expand sales from geographical point of view (sale across all YYY) and target groups;
- To receive net profit in amount of *,* million Euros in * years that will provide further increase of enterprise production capacity, geographical expansion of the brand promotion, product export access.

Objectives:

- To obtain due financing;
- To sign a contract with “Thermo-Pack” company on equipment supply and assembling works;
- To select raw materials and containers supplier;

- To arrange manufacturing area;
- To design, approve and construct of technological, auxiliary and administrative rooms, as well as manufacturing infrastructure;
- To control equipment assembling;
- To purchase office equipment and production stock;
- To develop a design of labels akin to MMM analogue, to develop a corporate style and a site;
- To recruit appropriate staff ;
- To develop job descriptions, rules of procedure, business processes, as well as regulatory documents valid for business relationship with raw materials suppliers and buyers;
- To implement a QC system used at MMM plant to the new manufacturing plant;
- To search potential buyers, to conclude preliminary agreements;
- To release a pilot batch;
- To analyze this pilot batch, to adjust equipment;
- To start a continuous production, and reach a normal capacity;
- To promote the brand;
- To diversify the products by means of ice tea and “coke” family member;
- To come to a planned level of profitability;
- To accomplish break-even point.

IV.Products

4.1. Introduction

For today “UUU” range of soft drinks includes 9 types of lemonades, 4 types of the sweet sparkling drinks, 6 types of ice tea and fragrances. A group of scientists from “UUU” laboratory has been fabricating natural fruit fragrances from natural raw materials since 1998. They are used in production of soft drinks. Fragrances which are made from natural raw materials, represent a natural and environmentally friendly product which is characterized by exclusive flavour. The following MMM fruits are used as raw materials: peach, orange, raspberry, pear, cherry, estragon (tarragon), feijoa, lemon, grapes, quince. Substances constituting a part of fragrances, and consisting of fruits’ infusions and essential oils, contain all biologically active agents available in fruits, namely a large amount of vitamins.

“UUU” products have been exported since 1998. The main markets of export are CIS countries: Russia, Ukraine, Azerbaijan, Armenia, Uzbekistan, YYY.

One may buy “UUU” beer and lemonades in the USA, Greece, Cyprus, Germany, Austria, Great Britain, Ireland – in only 16 countries of the world. The export geography of “UUU” is being constantly extended.

The company’s products picked up numerous national and international awards. They are listed below:

-

4.2. Products

It is expected that the future enterprise will release 4 types of products: lemonades, sparkling soft drinks with “Coke” fragrance, ice tea and mineral water without any impurities. First year the production range will be limited by lemonade and mineral water. Second manufacturing year when due level of consumers’ awareness of the brand is reached, the product line will be extended by means of the rest product types.

“UUU” lemonades

“UUU” lemonades are the leader of production range. It embodies all “UUU” production competitive advantages to the fullest extent, and the company’s promotional strategy will be developed with it being the axis.

.....

Production range:

.....

“UUU” ice tea

Production range:

-

“UUU” sparkling drinks with “Coke” fragrances

Production range:

.....

Mineral water

.....

V. Market and Field Research

5.1. Use of the Product

Lemonades on natural flavours are a group of aerated soft drinks. Demand for this product occurs in the following cases:

- to quench one’s thirst;
- as the goodies;
- in catering.

Children and young people are the main consumers of aerated beverages. The Institute of Public Policy Solutions (YYY) conducted a study among **** people in ** cities (** regional centers, in) at the period of * up to ** June, **** This study showed that during the summer-time **, % of all respondents preferred to quench their thirst with aerated drinks including lemonade. Herewith, it was **, % of young people aged **-** who chose sparkling drinks excluding lemonade. However, this figure reduced up to *. % among people by age ** (Source: The Institute of Public Policy Solutions).

Although lemonade is also a sweet carbonated drink, its demand does not necessarily strictly obey the distribution statistics. Lemonade is a much more traditional drink for the population of the former USSR countries than different analogues of “Coke”, since different types have been produced in the USSR from **** onwards.

Also, it would be wrong to argue that buying fizzy drinks is exclusively for youth and children. There are two situations where the buyers are adults:

- carbonated drinks are bought by parents for children as sweet treats or to quench their thirst;
- carbonated drinks in the form of the traditional flavours of lemonade (fizzy drinks, tarragon, Pinocchio, etc.) are bought by adults who had grown up in the Soviet Union. For example, in June ****, the “Tikhvinsky lemonade factory “Lagidze Waters”, producing a natural lemonade syrups, became the official supplier of the Kremlin (Source: <http://.....>).

Thus, total demand for aerated beverages depends on the core group of end-users – young people and children, but in most cases the choice of a particular product on the shelf depends on economically active population. Therefore, when considering the market potential, first of all, one needs to pay attention to the range of children and youth aged *-**, and selecting target groups within the promotion strategy, one should also take into account the band of **-* years old.

The demand for natural lemonade among the adult population has its own characteristics that play its role in determining target groups of customers. They are discussed in Item *.*. Common characteristics are:

- growth in demand in the summer, and fall in the winter periods;
- heavy reliance on the financial well-being of customers that is connected with the fact that soft drinks are not the articles of prime necessity.

5.2. Demographic Analysis

5.2.1. YYY

To determine the market potential of YYY it is necessary to consider the demographics of the Republic from the point of view of a core group of end-users aged *-** years, as well as to assess the dynamics of population income.

After the collapse of the Soviet Union, there has been a substantial exodus of YYY citizens. From **** to ****, the number of left YYY citizens exceeded arrival one. Maximum outflow was observed in **** and was nearly *.* million people. Since ****, there has been a positive migration balance. This means that the number of arrivals in YYY is greater than the number of

departures from it. The migration balance since **** to **** years amounted to about *** thousand people. Natural increase as well as migration gain, affecting the population, having decreased until ****, and having reached the lowest value, began to increase since ****. In ****, it was about *** thousand people and * million respectively. *** *** persons in the period from **** to **** (Source:).

Population growth in the period from **** to **** had great pace, and mainly due to natural increase (Source:):

YYY demographic rates							
	****	****	****	****	****	****	****
Population, beginning of the year, people	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
including:							
urban population	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
rural population	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
Born	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
For people ****	**,*	**,*	**,*	**,*	**,*	**,*	**,*
Died, people	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
For people ****	**,*	**,*	**,*	**,*	**,*	**,*	**,*
Natural increase of population, people	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
Migration, in total, people							
arrivals	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
quits	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)	*** ***)
Migration balance	** ***)	** ***)	** ***)	** ***)	** ***)	** ***)	** ***)

As can be seen from the table, for a period of * years from **** to ****, the population increased by **,**%, natural growth composed *.**%, natural growth rate increased by *,** times.

According to the current data as of January *, ****, the total population of YYY is ** million *** thousand people (Source:).

.....

Demographic hole, formed as a result of a birth rate decline in the mid-to-late ****s, gradually shifts from the range of end consumers *-** years. It is well seen on the graphic material of the

.....

Age composition (Source:):

Population according to age scale as of the beginning of the year, as % of the total number				
Age	****	****	****	****
_	*,**%	*,**%	**,**%	**,**%
_	*,**%	*,**%	*,**%	*,**%
_	**,**%	**,**%	**,**%	**,**%
_	*,**%	*,**%	*,**%	*,**%
_	*,**%	*,**%	*,**%	*,**%
_	**,**%	**,**%	**,**%	*,**%
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_	*,**%	*,**%	*,**%	*,**%
_	*,**%	*,**%	*,**%	*,**%
_	*,**%	*,**%	*,**%	*,**%

Thus, the range of *-** years, including the target group of end-users, is **.**% per cent of the population and will increase for at least * years.

Thanks to the income from mineral exports, the standard of living of the YYY population is the highest in the region. Per capita GDP (Source:):

.....

Comparison of average salaries in the region (Source –):

.....

Real money income grows at an average rate of *,**% per year over the last six years. Particularly important is the reduction of the population proportion with low income because of the fact that lemonade is not the article of daily necessity (Source:):

Index	****	****	****	****	****	****	****
The proportion of the population with	**,*	**,*	**,*	**,*	*,*	*,*	*,*

income below the subsistence minimum, %							
The proportion of the population with income below the cost of a nutritious food basket, %	*,*	*,*	*,*	*,*	*,*	*,*	*,*
Household income (used for consumption), with an average per capita income, tenge	* **	** ***	** ***	** ***	** ***	** ***	** ***
Index of the real income, %	***,*	***,*	***,*	***,*	**,*	***,*	***,*

Conclusion:

- YYY is the most promising market in
- YYY market has growth potential due to natural population growth.
- YYY market keeps increasing due to growth of the population income, in particular, of the least secure parts of it.

5.2.2. NNN

NNN is an industrial town situated in the Centre of the eastern part of YYY near the administrative center of the

.....

On its economic specificity NNN city is a major industrial center with well-developed infrastructure. There are * ** operating enterprises, with their basic amount concentrated in construction (**), trade (**), manufacturing industry (**), mining (*), transport and communication domain (**), electricity, gas and water production (*), agriculture (*), and others (**).

As of January *, ***, **, % of regional industrial production including **% of flat-rolled products, **, % of ferrous pipes, **, % of thermal energy, **, % of electrical power, **, % of coal, **% of cement, fall to the share owned by NNN city.

In ****, the industrial enterprises of the city of NNN produced goods (works, services) in the current prices of enterprises (including small businesses, subsidiary industries, household sector) to ***.* billion tenge. The actual volume index totaled **, % to the one received in the corresponding period of the last year.

Structure of NNN industrial production is represented by the following industries: metallurgy and metal processing, chemical industry, food industry, electric power industry, manufacture of other non-metallic mineral products.

Enterprises ensuring the vital activity of the city and

The city has a well-developed infrastructure. The length of the city highways is *** km, including roads with asphaltic covering (*** km), and unpaved roads (** km).

Passenger traffic in the town of NNN is performed in ** regular city bus routes, * minibus routes, and * tram routes.

The housing stock consists of * *** residential high-rise buildings, and * *** individual ones”.

Dynamics of the NNN major socio-economic indicators (Source:):

Dynamics of the major socio-economic indicators, ****_****					
Indicator	****	****	****	****	*****)
Population (at the end of the year), ‘*** people ^{*)}	***	***,*	***,*	***,*	***
- migration balance, people	_* ***	***	* ***	* ***	_**
Natural population growth, people	_* ***	_***	**	***	***
Number of collegers, people	* ***	* ***	* ***	* ***	* ***
Industrial production volume (in the sector of non-financial corporations), mln. tenge	** ***	*** ***	*** ***	*** ***	*** ***
The physical investment volume index of the previous year from the comparable prices, %	***	***	**,*	***	**,*
The regional industrial production volume ratio, %	**,*	**,*	**,*	**,*	**,*
The average monthly salary, tenge ^{*)}	** ***	** ***	** ***	** ***	** ***
Index of nominal wage to the previous year	***,*	***,*	***,*	***,*	**,*
Real wage index to the previous year	***,*	***,*	***,*	***,*	**
Agricultural production (all types of farms):	****,*	****,*	****,*	****,*	****,*
Fixed capital investment, mln. tenge	...	** ***	** ***	** ***	** ***
Housing construction investment, thousand tenge	...	*** ***	* *** ***	* *** ***	* *** ***
Commissioning of the usable	* ***	** ***	** ***	** ***	** ***

floor space of dwelling houses, m [*]					
Volume of entrepreneurial works, mln. tenge ^{*)}	...	* ***,**	** ***,**	** ***,**	** **
Retail trade turnover, mln. tenge	* **	** **	** **	** **	** **
The number of registered legal entities at the end of the year, units	* **	* **	* **	* **	* **

*) - data for **** are not recalculated from **** census, the population for ****_**** is amended in accordance with census of ****.

*) - for large and medium-sized enterprises, small businesses, and not engaged in business.

*) - for the period of ****-**** and related to organizations with the main activity “Construction”.

*) - operational data.

Conclusion:

- NNN, initially developed as an industrial center, is an easy-to-use environment for creating manufacturing units: there is a well-established infrastructure and transportation system;
- The industry of the city is actively growing, the volume of fixed capital investment in **** totaled *.* billion tenge, or ***,% to the year of ****. The index of the physical investment volum is ***,% (Source: NNN Akimat information portal <http://www.NNN-akimat.kz>). This demonstrates favourable conditions for production development in the city;
- The city population is growing steadily, as well as the number of college students, that allows relying on the city population as on the staff source.

5.3. Business Competition

5.3.1. *Competitive landscape*

Project initiators conducted an Internet analysis of the enterprises producing lemonades on the territory of YYY. Almost all concerned companies have distribution network throughout the country. Otherwise, they specify their distribution region.

.....

5.4. SWOT – analysis

INTERNAL FACTORS	EXTERNAL FACTORS
<p>STRONG POINTS</p> <ul style="list-style-type: none"> • partnership with “UUU ****”: assistance in enterprise planning, providing the company with the experts consultancy service during the equipment installation works, and pilot batch; • professional experience and impeccable reputation of “UUU” – natural flavours of the highest quality; • flavours delivery from “UUU” company at prime cost; • positive image of MMM goods all over the world; • a wide range of flavours; • production line flexibility, ability to promptly adapt to consumer preferences; • no need to elaborate the recipe and manufacturing process before manufacturing start-up, there is a simple and time-tested recipe of lemonades; • the advantageous geographical location of the plant in the eastern part of the Republic, the proximity of Astana, which is the capital and the second city in the country by volume of retail trade turnover and contribution to GDP of the economic trade sector among regions and major cities after the city of Almaty; • NNN is an industrial city, a convenient place for production set-up; • There are two wells with natural water at the production site; • modern high-tech bottling and packaging lines manufactured by Packaging equipment plant “Thermo-Pack” (Ukraine); • a full range of services from equipment supplier, including not only design and manufacture of packaging machines, but also their installation, start-up and adjustment works, as well as further support and maintenance. 	<p>POSSIBILITIES</p> <ul style="list-style-type: none"> • absence of MMM lemonades on YYY market at competitive price - free segment; • the growth of YYY population, the prospect of a prolonged growth of end-users’ group due to natural population growth; • growth YYY population income, reduction of the poor people proportion being not able to afford such frills as natural lemonade; • YYY consumer market development of the world's trend to strive at using natural products due to higher population income in the major cities and industrial regions; • manufacture of soft drinks does not require licensing in YYY; • soft drinks do not require mandatory certification.
<p>WEAK POINTS</p> <ul style="list-style-type: none"> • a new player on the market; • lack of opportunities to diversify suppliers of raw materials (flavours); • significant investment in fixed assets, primarily in construction and equipment; 	<p>THREATS</p> <ul style="list-style-type: none"> • reduced demand of the lemonade, as of a product that is not the article of prime necessities in case of economic crisis; • a number of environmental

<ul style="list-style-type: none"> • substantial investment to brand promotion at the initial stage of business development; • planning period turnover is not large enough to own delivery system in retail points, as it is done by Coca-Cola and PepsiCo. 	<p>problems in Karagandinskaya oblast' which is industrial region: threat for the natural waters obtained from wells to be pollution. *</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------

- * According to the ecological bulletin on the Environmental State

Taking into consideration the factors described in the SWOT-analysis, one needs to select the following main strategic directions of development:

- further consolidation of the strategic partnership with “UUU *” and maximum use of its potential: the active promotion of MMM brand, naturalness as a main competitive advantage;
- the concentration of efforts on promotion of the lemonade as a production line flagship at the initial stage ;
- creation of a marketing department, primarily with a view to operational output adjustments related to separate kinds of lemonade, basing on polls, tastings and sales data;
- sales direction in the major cities of the surrounding areas, that is at the initial stage of business development.
- Consideration of production capacity further increase option within the plant design by installing additional lines, as well as responsible care in technical control of the manufacturing process, in particular, water quality control (discussed in Section 8.7 “Risks”).

VI. Target Markets

6.1. Target Consumers

Selection of target segments, that is groups of potential buyers, is dictated by the following considerations:

- maximum use of the MMM brand image;
- the relevance of lemonade's natural origin ingredients as a competitive advantage for consumer;
- degree of familiarity with an assortment of traditional flavours, popular since the times of the USSR.

Several independent natural lemonade demand determinants will influence the formation of target consumer groups:

1. Desire to consume organic foods. It is explained by the following:
 - material well-being of the buyer when, on the one hand, he/she can afford choosing food, first of all, by their quality but not price, and, on the other hand, paying more attention to his/her health and health of his/her family;
 - living in the city, and as a result, being dissatisfied with ecological conditions and having intention to reduce negative man-made impact on himself/herself and his/her family;
 - fashion on natural products, coming from the more developed countries.
2. Fatigue from the aggressive marketing of such market giants as Coca-Cola and PepsiCo, reduced confidence in their products. Such tendencies are manifested primarily in middle-aged and older buyers;
3. Surfeit of mass market standard range of products, desire to try something new but not something” too promoted;
4. Craving for something exclusive. MMM lemonades are poorly represented on the market of YYY and are relatively exotic products.

The first target group will be children and young people. In this context, the target group does not necessarily represent direct buyers of the product; it is a group of people, which the product promotion will be oriented to. It’s characteristics:

- * - ** years old;
- living with parents or relatives;
- good family environment;
- parents’ income level is middle or higher (* *** Euro per year for adult family member);
- residents of medium-sized and large cities (from *** thousand people).

Consumer preferences of youth are formed primarily by advertising, so the upper borderline of the age range is limited basing on the tactics of avoiding competition with Coca-Cola and Pepsi, with their huge advertising budget and promoting their products primarily at young people.

The second target group includes parents of children and teenagers from the first target group, and already represents direct buyers of the product:

- ** (*+**) – ** (**+**) years old;

- have children;
- residents of medium-sized and large cities (from *** thousand people);
- income level is middle or higher (* *** Euro per year for adult family member).

The latter target group consists of middle-aged and older people, spent all or part of their childhood while USSR (**-** years old). It is expected that the target group will take *-**% of sales, however, its character should be taken into account in the promotion strategy. An additional argument is that all decisions on public tenders for the product supply will to a far greater degree depend on this target group members.

The number of the *-** years age group was * *** *** people or **, **% of the total population at the beginning of the year ****. Compared to the year **** this group fell by **, ** percent as the top of its range has demographic hole of the late ** 's. However, by the production start-up that is by the end of ****, this group will increase to *** *** people more or **, **% due to a significant birth rates' increase observed since the beginning of the **** 's and will be equal to:

$$x = [* *** *** - *** *(born in ****) - *** *(born in ****)]** , ***(amendment to the indicative mortality rate within the group) + (*** *(born in ****) + *** *(born in ****))** , ***(amendment to the indicative mortality rate within the group) = * *** *** people.$$

Taking into account that that urban population proportion in YYY is **, **%, the main target group will compose * *** *** people, and this group will grow at least at **, **% per year until at least ****.

Secondary group of consumers of **-** years old also promises positive dynamics. The urban population in the age group **-** years old was * *** *** persons at the beginning of the year ****, it increase at *** *** people if compared with the year ****, and will continue to grow until at least the year ****.

Thus, while maintaining a positive dynamics of YYY's economy and further growth of population income, the market capacity for the company will increase approximately **% per year just due to natural population growth.

6.2. Geographic Target Market

6.2.1. Analysis of the economic situation in YYY

YYY is a developing industrial state, the economical basis of which is the export of mineral products (Source:): *in percentage*

.....

To date, some *** oil and gas fields were discovered on the territory of the country. YYY has nearly a quarter of the world's uranium reserves and is ranked first in the world by reserves of barite and tungsten, it possesses second place by reserves of chromite, phosphorite and uranium, it is third-largest by reserves of copper, lead and zinc, the fourth largest by reserves of molybdenum, the sixth-largest by reserves of gold, and eighth-largest by reserves of iron ore. (Source:)

Positive dynamics of the ... economy is confirmed by the data of the statistical bulletin № ** (***) dated December, **** issued by the Ministry of Finance of the Republic of YYY (.....):

Indicator	****	****	****	As of December *st, ****
GDP, bln. tenge	** **,*	** **,*	** **,*
In% to corresponding period of the previous year	***,*	***,*	***,*
Industrial output, bln. tenge	* **,*	*****,*	*****,*	** **,*
in% to corresponding period of the previous year	***,*	***,*	***,*	***,*
Revenues in the State budget, bln. tenge	* **,*	* **,*	* **,*	* **,*
as % of GDP	**,*	**,*	**,*
Expenditures from the State budget, bln. tenge	* **,*	* **,*	* **,*	* **,*
as % of GDP	**,*	**,*	**,*
The consumer price index for December of the previous year, in%	***,*	***,*	***,*	***,*
The period average of the corresponding period of the previous year,%	***,*	***,*	***,*	***,*
Average monthly nominal earnings of *	** **	** **	** **	** **

employee, tenge				
in% to corresponding period of the previous year	***,*	***,*	***,*	***,*

Dynamics and structure of the State budget are presented in diagrams (Source:):

.....

In the ranking of the competitiveness issued by the business school IMD World Competitiveness Scoreboard ****, YYY is ranked ** out of **, (up to * positions compared to ****) overtaking countries such as Italy, Spain, India, Turkey, Russia. (Source: IMD World Competitiveness Yearbook **** <http://www.imd.org>):

.....

The following information is taken from “Vedomosti” materials (Source:):

“Fitch Agency upgraded the long-term rating of YYY on one step to ..., “stable” estimate. Analyst say that a higher rating reflects, in particular, the low level of government debt, strong growth prospects, steps to a healthier banking system. “Growth prospects and sovereign balance forecast outweigh the risks in the financial sector”, said Fitch analyst Charles Seville. The country's debt level is **%, nd position in the Group of countries with a rating of, and th - among the strongest rated sovereigns. Accumulated in the National Fund of YYY (...) assets provide a growing margin of economy in the event of adverse economic shocks, says Fitch: net foreign assets will reach **% of GDP by the end of ****, against **% at the end of ****. According to the Agency, YYY's economy will show growth of more than % in ****, against *,% , but the increase in ****-**** will take place thanks to the oil and mining sectors, which continued to increase their production output. Domestic demand is strong thanks to rising salaries and moderate inflation, said Fitch. According to the Agency, the country's budget surplus will be about * % in ****, with an average price of oil barrel at \$ ***. Even with the drop in price to \$ ** the budget will remain in surplus, according to Fitch. The Agency estimated that oil revenues provide half of budget revenues and ** % of export earnings.

In November **** the Parliament of YYY approved the draft budget for ****-****, which is pegged to oil price of \$ ** per barrel. The Government intends to halve the budget deficit by the end of **** — up to *,% of GDP, and reduce social expenditure to *-***% compared to **%

in ****. The budget has the benchmark of GDP growth at * % in ****, *,*% in ****, and *,*% in ****. These rates are real, according to the Economist Intelligence: growth will support the development of the minefield and good dynamics of the agricultural sector against a back-drop of high world prices for the products of the industry.

Among the vulnerabilities of YYY — a high proportion (**%) of unsecured loans. This is a record among ** developing economies under Fitch rating. Today banks have created reserves equal to **% of loans: “While the level of capital adequacy is **,*, the banking system is able to absorb the losses.” The Agency doesn’t predict any deterioration of the situation:

“It is unlikely that the government will upload new large-scale resources to the bank sector beyond *-*% of GDP, having been provided since ****. Slowing down lending from **% GDP in **** to **% in **** will not have a major impact on the economy since the extractive sector of the economy is little dependent on bank financing” (unquote), according to Fitch.

These data, as well as demographic analysis in Section *.* , characterize YYY as a market with high potential and low level of macroeconomic risks, as a whole. However, demographic and economic characteristics of individual regions of the country vary considerably.

.....

6.2.2. Comparison of areas

The production facility will be placed in NNN which is an industrial satellite town of the

6.3. Price Setting

The basic concept of the price policy is:

1. Lower cost value is formed by ROR method. The top cost value is formed basing on the monitoring of competitors ' prices above average when product positioning is taken into consideration;
2. Deferment of payment for large parties (from * *** liters) per month;
3. Using discounts (up to *%) with the purpose to encourage ongoing wholesale customers.

Prices of competitors

Internet review showed that middle price on drinks like Coke (except products of Coca-Cola and PepsiCo) corresponds to the price for lemonade. Retail competitors' pricelist for lemonade is:

Product	Price, Euro				
	*,*1 glass	*,*1 PET	*1 PET	*,*1 PET	*1 PET
		*,**	*,**	*,**	*,**
	,			*,*	
	*,**			*,**	*,**
		,			
	,				
	*,**				
	*,**				
			*,**	*,*	

Average market prices for mineral water (excluding imported) and ice tea are:

Product	Price, Euro			
	*,*1 PET	*1 PET	*,*1 PET	*1 PET
Water	*,**	*,**	*,**	*,**
Tea	*,**		*,**	

The price for the products to wholesalers is based on competitors' prices, taking into consideration the premium brand image and natural ingredients:

Name	Recommended retail price, EUR					Price for wholesale buyers, EUR				
	*,*1 glass	*,*1 PET	*1 PET	*,*1 PET	*1 PET	*,*1 glass	*,*1 PET	*1 PET	*,*1 PET	*1 PET
Lemonade	*,***		*,***	*,***	*,***	*,***		*,***	*,***	*,***
Coke	*,***		*,***	*,***	*,***	*,***		*,***	*,***	*,***
Tea		*,***		*,***			*,***		*,***	
Water			*,***	*,***	*,***			*,***	*,***	*,***

VII. Advertising and Promotion Strategies

7.1. Promotion Strategy

It is clear that achieving good brand knowledge among buyers is extremely costly task. Either network marketing or promotion through the Internet electronic media don't fit such type of product as lemonade, so the only way is to use remain traditional media advertising which is the most expensive promotion form.

In these circumstances, because promotion of the “XXX UUU” brand is initially challenging, it is advisable not to spray the advertising budgets for promoting the entire product range and stick to a proven strategy to release the most popular product to the market, to send all advertising means to its promotion, and only when the necessary level of knowledge among buyers is achieved, to expand brand production line. Then the “flagship” product will “bring along” the rest products, and the promotion will not require such sizable charges.

7.1.1. Advertising

A dual purpose is to be served by advertising materials: to please both children and their parents. Advertising should evoke the following:

- interest and enthusiasm in children;
- belief in adults that lemonade “XXX UUU” will be useful for them and their children;
- association with Soviet lemonades in the older generation.

On the basis of these considerations, one should use the following images in advertising:

- MMM nature, mountains, mountainous coast of Georgia, which is particularly interesting-looking in the eyes of a child who grew up in YYY, where the most of the country is desert (**%), semi-desert (**%) and steppe (**%) (Source: the official site of the YYY President <http://www.akorda.kz>);
- maturing and ripe fruits, process of their transformation into lemonade, rendered by computer graphics, or by play of actors, manually collecting fruits and then preparing lemonade themselves, (which is in fact close to reality: MMM fruits production is processed manually);
- images of elderly MMM gardeners;
- image of a storybook character – “Mascot”, who must please children. The example can be seen in the following video – MMM advertising of “UUU” lemonade: ;
- images of family and family feast. An example of this video – The example can be seen in the following video – MMM advertising of “UUU” lemonade:[_](#).

Before choosing such product as lemonade, a buyer pays much attention to his/her impression from packaging and labels. Back in the early **’s, Pepsi company has launched an advertising campaign, which released the results of a blind tasting, where people were asked to choose between Pepsi and Coca-Cola, and most people chose Pepsi. The cups with Pepsi were marked with the letter “M”, and cups with Coca-Cola with the letter “Q”. Coca-Cola company held a re-

taliatory tests by filling both cups with Coca-Cola, and people again had chosen drink from the cup with the letter “M”. Thus, they proved that people chose Pepsi, not because of the taste, but because they liked the letter “M” looked like (Source.....). Therefore, one should carefully choose Design Bureau, which would be able to develop a label with quality fonts and graphics. In this case it might be possible to consider the option of cooperation with a foreign company.

7.1.2. Sale of Products

At the initial stage of production it is planned to market with medium and large traders in the target regions. Delivery of goods to the warehouse will be carried out by the company's buyers.

A kind of exponential discount system will be introduced to stimulate permanent heavy buyers.

In purpose of the marketing it is planned to generate a Sales Department, consisting of a Head of the Sales Department and Sales Managers. These officers will seek new customers, make up customer base and serve with existing customers.

It also supposed to hire a Commercial Director, who will promote the company in all kinds of products supply tenders, as well as to look for distributors.

7.2. Advertising Vehicle

7.2.1. Advertising in Media

Whereas the size of the target audience is up to * million people, the major part of the advertising budget should be devoted to TV ads. Television allows not only to cover up to **% of the audience, but also to achieve the desired level of confidence in the brand. In the view of most people, qualitative promotional video on the Federal channel is an attribute of respectable company, which products you can trust in.

Choice of TV as the main media is supported by data on the distribution of the Russian soft drinks manufacturers’ advertising budgets between different media (Source:):

..

Media advertising costs distribution in the market of soft drinks in **** (Source:):

.....

Since it is initially planned to market in a number of priority areas of the Republic, commercials should be placed on regional channels in the regions concerned, and on federal channels, further limiting to only federal channels.

Outdoor advertising is pretty expensive affair, but it has some advantages:

- it is possible to focus on a particular market segment depending on the location of the billboard;
- big billboard implies prestigious advertising, it gives the impression of advertiser's gravity;
- despite fleeting exposure, a billboard can be thoroughly examined, if desired. Since this is usually a repeated contact, the likelihood of bringing information to the potential customer is quite high;
- mass character of this advertising type is an opportunity to focus on demand generation.

7.2.2. Other means of promotion

Other promotion efforts will be carried out with the assistance of the PR-Agency on a permanent basis:

1. PR-actions in hypermarkets;
2. Trays with company branding, free tasting drinks, demonstration of ingredients which the lemonade is made of various processing stages: from being fruit to becoming finished substance;
3. PR-actions on mass events;
4. Involvement of Mascot-dressed actors, contests, handing out bottles of lemonade;
5. PR-actions at sporting events (youth sport);
6. The sponsorship, prizes from the company;
7. Lotteries within advertising campaigns;
8. Free tours for schoolchildren studying in Karagandinskaya Oblast' to the production site with degustation activities and handing out souvenirs;
9. Showroom organisation at the manufacturing site;

10. Ceremonial opening of the production site, presentation;
11. Participation in different industry-related events: exhibitions, fairs.

7.2.3. Marketing budget

Expenses on advertising in the media and PR-actions are defined by expert method:

Marketing budget, thousand Euro						
Period	****			****		
	III	IV	I	II	III	IV
Development and updating of a site in accordance with PR-actions		*	*,*	*,*	*,*	*,*
Development of firm style	**		**			
Creation of packaging design	*		*			
Copyright and creation of graphic materials	**		**		**	
Advertising on TV		***	***	***	***	**
Outdoor advertising		*,**	*,**	*,**	**,*	*,*
Books, Periodicals & Polygraphy		**				
PR-actions in hypermarkets				**	***	
PR-actions on mass events				**,*	**,*	
PR-actions at sporting events				*,*	**,*	
Free site tours				**,**	**,*	
Ceremonial opening of the production site, presentation			*			
Exhibitions				**	**	**
Prize drawings				**	**	**
Total	**	***,**	***,**	***,*	***,*	***,*

Marketing budget, thousand Euro							
Period	****				****	****	****
	I	II	III	IV			
Development and updating of a site in accordance with PR-actions	*,*	*,*	*,*	*,*	*,*	*,*	*,*
Development of firm style							
Creation of packaging design							
Copyright and creation of graphic materials	**		**		**	**	**
Advertising on TV	***	***	***	***	***	***	***
Outdoor advertising	**,*	**,*	**,*	**,*	**,*	**,*	**,*
Books, Periodicals & Polygraphy	**		**		**	**	**
PR-actions in hypermarkets		**	***		***	***	***
PR-actions on mass events		**,*	**,*		**	**	**
PR-actions at sporting events		*,*	**,*		**	**	**

Free site tours		**,**	**,*		**	**	**
Ceremonial opening of the production site, presentation							
Exhibitions	**	**	**	**	***	***	***
Prize drawings		**	**	**	**	**	**
Total	***,*	***,**	***,*	***,*	***,*	***,*	***,*

7.3. Sales Forecast

Estimation of soft drinks market volume is made on the basis of data provided by the

Volume of mineral waters and other non-alcoholic drinks production in the Republic in **** amounted to *** ** thousand Euro. **, % of which are sold on the domestic market. That is, the amount of products manufactured in YYY and carried out on the internal market is the following:

$$x = *** ** \text{ thousand Euro } * *, ** = *** ** \text{ thousand Euro}$$

The share of imports in the total volume of mineral waters and other non-alcoholic beverages sold on the domestic market, is *, %. Thus, the YYY volume of the mineral water and other soft drinks market is the following:

$$x = *** ** \text{ thousand Euro } * [+(*, **/*, **)] = *** ** \text{ thousand Euro}$$

Beverage market growth in YYY amounted to **% per year on average over the past three years. When calculating the projected market share it is proposed to proceed from a cautious forecast on the market growth of **% per year.

The project initiators believe that with sufficient investment in sales promotion, the company will take *, **% of the market share in the third quarter of ****, providing the production starts in January ****. Further product expansion in January **** will increase sales volume by **%, and by the third quarter of **** will take *, **% of the market. Exit at full design capacity is expected in the third quarter of ****.

The sales plan curve will be distinguished by a moderate growth at the initial stage defined by the time required sales establishment. It also reflects seasonal fluctuations of demand. Demand for non-alcoholic beverages has strongly pronounced seasonal prevalence. In Russia, the demand for soft drinks grows to *-**% in the summer time (Source:). Taking into account that summer in YYY is hot and dry across-the-board (Source:), one should anticipate a

jump in demand as of the top limit of the Russian amplitude, that is **%. Fluctuations in demand particularly with regard to mineral water is even more significant: about **% monthly growth in the summer is observed (Source:).

Sales in monetary terms is calculated basing on the weighted average price of product in the amount of *l with cost of in *,**** Euro for the year ****, and *, **** Euro for the year **** in terms of output volume by-range distribution (it is discussed in item *.*). This distribution can be adjusted during operation of the company in accordance with the requirements of the market. Indicators of the sales volume in monetary terms do not include adjustments for consumer price indices.

Period (quarter)	****				****				****				****				****			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Sales volume per month, thous. litres,	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****
Capacity loading efficiency,%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%	**%
Sales volume, thous. Euro	***	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****	****
Market volume (quarter), million Euro	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Market share,%	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**

.....

VIII. Management

8.1. Organization and Key Staff

The company assumes the following allocation of duties and responsibilities (key personnel):

1. CEO / Managing Director
 - organization of the enterprise operation in accordance with the regulatory instruments and contractual obligations;
 - interaction with suppliers, customers, authorities, partners;
 - development of strategy;
 - collection of information about the market, participation in industry-related events, reporting of information and possible management decisions to the founders;
 - HR policy.
2. Commercial Director
 - relationship with distributors, the search for new ones;
 - participation in industry-related events – exhibitions, fairs, etc.;
 - planning of advertising campaigns, cooperation with advertising and PR Agencies;
 - participation in tenders for potential product suppliers.
3. Financial Director
 - enterprise budgeting;
 - monitoring the financial state of the company;
 - working capital management;
 - investment decisions.
4. Head of Sales Department
 - organization of sales system: data base development, determination of its operation procedure, definition of objectives for each subordinate officer;
 - selection of sales managers, making personnel decisions.
5. Deputy General Director for production
 - production line management in accordance with the production plan;
 - maintenance and repair works planning;
 - managing technical personnel.
6. Marketing analyst
 - monitoring of market trends, competition;
 - collection of sales data, decision-making on production range;

- interaction with the advertising and PR Agencies.

8.1.1. Staff schedule

Project initiators performed wage measurement on the basis of proposals in network job-hunting resources around the Karagandinskaya Oblast'. Bonus payment is provided for the purpose of material stimulation of the staff. Sales department officers' salary also includes some percent from the personal (in case of sales managers) or total sales volume per month in addition to their salary.

Position	Qty, people*	Wage, Euro	Bonus, per month	Wage total, Euro	Education (diploma, experience)
Management					
CEO / Managing Director	*	*****	***	*****	Higher education, work experience in management positions in manufacturing company from ** years
Commercial Director	*	*****	*, ** % from sales	*****	Higher economic education, position-related experience in a manufacturing company from * years
Financial Director	*	*****	***	*****	Higher economic education, position-related experience in a manufacturing company from * years
Ch. Accountant	*	*****	***	*****	Higher education, professional accountant certificate, work experience in a manufacturing company of not less than * years
Accountant	*	***	**	***	
Lawyer	*	***	***	*****	Degree in Law, experience of serving the interests of industrial enterprises
Office Manager	*	***		***	
Subtotal	*	*		*****	
Manufacturing Department					
Deputy General Director for production	*	*****	***	*****	Higher technical education, work experience in the food processing industry, work experience in food production plant from ** years
Process Engineer	*	***	***	*****	Higher technical education, work experience in the food processing industry, position-

					related experience from * years
Chief mechanic	*	***	***	*****	Higher technical education, position-related experience from * years
Purchase Manager	*	***	***	***	Degree in Economics, knowledge of *C, experience from * years
Warehouse manager	*	***	***	***	Knowledge of *C, experience from * years
Storekeeper	*	***		***	
Staff serving the production line and additional units	**	***	***	*****	Secondary technical education, work experience in such equipment
Quality Control Engineer	*	***	***	*****	Higher technical education, experience from * years
Driver	*	***	**	*****	
Car Mechanic	*	***	**	*****	Secondary technical education
Handymen	*	***	**	*****	
Security Service	*	***		*****	
Cleaning manager	*	***		*****	
Subtotal	**			*****	
Sales and marketing					
Head of Sales Department	*	***	*,** % of the sales volume	***	Degree in economics, position-related experience not less than * years
Marketing analyst	*	***	***	***	Degree in economics, position-related experience not less than * years
Sales Manager	*	***	*,** % of the sales volume	***	Higher economic education
Logistic Manager	*	***	***	***	Technical secondary school, more than ** years
Subtotal	*	*		*****	
Just over a month	**			*****	

* Staffing schedule is prepared for the enterprise operation mode at full design capacity. First year the enterprise operation is expected to be in * shift, hiring additional personnel and transition to work in * shifts is planned starting from ***** (it is also incorporated into economic models).

8.1.2. Product distribution

Product lots will be delivered by the company only to wholesalers' warehouses. To do this, there will be a transport park located at the site, which will consist of trucks, garage and car workshop.

According to the project initiators' estimate, the enterprise will need the following vehicles to ensure due delivery of products in its first operation year:

Name of transport vehicle	Load-Carrying Capacity	Average length of haul	Number, pcs	Cost, Euro
Haul truck-trailer Shaanxi SX****NT****	**	***	*	*****
Lorry Hyundai hd ***	**	***	*	*****
Lorry Foton BJ ****	*	***	*	*****
Semi-trailer Shmitz s**	**		*	*****

This transport park is just for the first operational year of the enterprise. By the third quarter of ****, the company will purchase * trailers more with carrying capacity of ** tons in order to transport goods over long distances. Maintenance of the vehicle park, located at the manufacturing site, will require the following:

Name	Cost, Euro
Construction of the garage from the foam blocks, $S = *** \text{ m}^*$.	*****
Creation of the car workshop on the territory of the above mentioned garage	*****
Spare parts, per month	*****
Complex repair of equipment by external forces, per month	*****
Fuels and lubricants, per ton of production	*

Orders will be carried out by the sales department. Sales managers will be assigned to serve the needs of customers, to operate with the documents and complete the orders for the stock.

The orders will be taken in the following manner:

- by telephone;
- through site;
- via e-mail to sales department.

The following staff will be occupied in distribution process:

Position	Number, people	Responsibilities	Salary, Euro	Bonus
Sales Manager	*	- to search clients; - to work with customer base; - to serve the needs of existing customers; - to receive orders; - to pick the orders to the *C warehouse.	***	*,** % of sales volume
Head of Sales Department	*	- to organize sales: base development, determination of its operation procedure, definition of objectives for each subordinate officer; - to select sales managers, to make personnel decisions.	***	*,** % of sales volume
Logistic Manager	*	- to manage transport park capacity; - to control shipments.	***	*** Euro
Driver	*	- to deliver product lots; - to perform minor repair of equipment.	***	** Euro
Car Mechanic	*	- to perform repair and maintenance of equipment.	***	** Euro
Handymen	*	- to assist in the repair and maintenance of equipment.	***	** Euro

8.1.3. Strategic Partner

The foundation for future business will be a strategic partnership with the company “UUU *”, whose experience will help production and planning adjustment.

The “UUU” company is a multi-field national business group, which holds a successful position not only in the food-processing and manufacturing industries, but also in tourism, timber processing, as well as other sectors of the MMM economy.

President of the group, one of the initiators of this project is

8.1.4. Other sources of professional support (outsourcing):

- Design Studio:
 - creation of packaging design;
 - development of firm style;
 - development, promotion and support of the Internet site;
 - copyright and creation of graphic materials for posting on the advertising area, company's transport, presentation items, etc.;
 - creation of exhibition and fairground booths' design.
- Advertising Agency:
 - creating commercials for TV.
- PR-Agency:
 - holding presentations and tastings at retail points;
 - carrying out of advertising actions with prize drawing;
 - carrying out of advertising actions within public events (festivals, folk festivals, Christmas celebrations, sporting events, etc.).
- Legal Service or firms that specialize in assisting during the registration of property rights in local authorities, working with the land status, as well as approval of capital construction or reconstruction design documents.

8.1.5. YYY as an environment for business development

The Republic of YYY exists in a moderately favourable regulatory climate, position in the ranking of Doing Business (prepared by the World Bank) is *th out of ** in the “Europe-Central Asia” region. (Source:). Score is determined by such parameters as company registration, obtained building permits, connection to the power supply system, registration of property, credits, investors' protection, taxation, international trade, enforcement of contracts, resolution of financial insolvency.

Legislative authorities of YYY issued the International Financial Reporting Standards (hereinafter referred to as IFRS) and International Standards on Auditing (hereinafter referred to as ISA). There are conditions provided for the spread of IFRS and ISA on the territory of the Republic of YYY. On the basis of the contract with the Committee Fund of International Financial Reporting Standards (the United Kingdom), translation and dissemination of IAS in the State language is now in process.

The smallest percentage of targeted country transfers' failure which is *,**% of allocated funds, is a positive feature of the

8.1.6. Information on the legal aspects of doing business in YYY

(Source:) :

1. Legislation governing the creation of companies, includes the following:
 - The Civil Code of the Republic of YYY (General part) dated December **, ****, with amendments and supplements;
 - Law of the Republic of YYY "On companies with limited liability and additional liability companies" *, with amendments and supplements;
 - Law of the Republic of YYY "On joint-stock societies", with changes and additions;
 - Law of the Republic of YYY "On State registration of legal entities and registration of branches and representative offices", with amendments and supplements;
2. Legislation governing the acquisition of real estate in YYY, is represented by the following Acts:
 - The Civil Code of the Republic of YYY (General part) dated December **, ****, with amendments and supplements;
 - The Land Code of the Republic of YYY, with amendments and additions;
 - Law of the Republic of YYY "On State registration of rights to real estate and transactions with it", with amendments and additions.
3. State registration

The right to property, the right of land use for a period of not less than one year, the right to lease for a term of not less than one year are subject to state registration in a registry.

Terms of State registration of immovable property or rights to it depend on the type of the object being registered. For example, the procedure of State registration of objects of uninhabited appointment takes five working days or, in the case of an expedited registration, - one working day.

Amount of payment for State registration of transactions varies depending on the type of real property and the copyright owner, as well as the registration urgency. For example, the tax rate for accelerated registration of rights to non-residential building for legal entities is *** Euro as of ****.

4. Taxation:

Income of foreign companies doing business in YYY through a permanent establishment, is subject to corporate income tax (CIT) at a rate of ** per cent. In addition to CIT, the net income of legal entities – non-residents carrying out their activities in YYY through a permanent establishment, is taxable at the rate of ** per cent.

- Taxation of legal entities of YYY:

YYY legal entities are subject to the following basic taxes: CIT (rate – ** per cent), value added tax (rate – ** per cent), individual income tax (rate – ** per cent), social tax (rate – ** per cent), property tax (rate – *,* per cent), land tax (rate depends on the category of land), and vehicle tax (rate depends on the type of vehicle and engine size).

- Conventions for the avoidance of double taxation are:

YYY has existing agreements (conventions) for the avoidance of double taxation with ** States, including Member States of the European Union, the United States of America, China, India and the countries of CIS.

5. Investment incentives

- The main legislation for investment promotion is the Law of the Republic of YYY “On investments”, as amended and supplemented.

- The Government of the Republic of YYY provides preferential treatment in regard to investment in the agricultural and industrial sectors of the economy. Investors in these sectors are exempt from customs duties on import of equipment, they are also provided with land, buildings, machinery, equipment, vehicles and manufacturing facilities on a complimentary basis. Favourable investment regime may be used only by ... companies and only for certain types of investments.

8.1.7. Costs of legal and financial preparation of the Project

According to the Project Initiators, the total amount of expenses for legal training, preliminary expertise, assessment and consultation will amount to *** ** Euro.

Costs for the services of law firms in the process of purchasing property and approval of construction design will amount to ** ** Euro.

Source of project financing is a loan in the form of financial leasing provided to purchase equipment for the plant, as well as to replenish circulating assets of the enterprises. It will amount to * million Euro. An additional source of financing is own funds of the Project Initiators in amount of ** *** Euro, backing the project in the period prior to obtaining this loan.

Loan terms:

- interest rate of *% per annum, calculated and payable quarterly;
- loan insurance fees for *,*% of the amount of the credit line per year;
- payment of the financial company's interchange rate, which is *% a lump sum from each tranche of loan funds;
- flow of funds in three tranches over * months, the first - **%, the second - **%, the third – **%;
- early payment of debt starts from June ****, paying equal share quarterly;
- crediting term - * years.

8.1.8. Current costs

In the period from the beginning of the project until the end of the office equipping in the workplace, it will be required to rent a small office. According to the Project Initiators, this and other ongoing costs will be the following:

Cost name	The amount of Euro per month
Office consumables	***
Internet	**
Telephony	***
Office rent	***
Spare parts for trucks	** ***
Complex repair of equipment by external forces per month	** ***
Insurance premiums on borrowing	** ***
Software updating and maintenance	***, **

8.2. Constant Consumption Assets

According to the information received by the Project Initiators, the product cost structure looks like the following:

Name	Price for * bottle, Euro
------	--------------------------

	*,*J	*J	*,*J	*J
I. Raw materials and other stores				
Sugar	*,*****	*,*****	*,*****	*,*****
Natural flavour	*,*****	*,*****	*,*****	*,*****
Sodium benzoate (stabilizer)	*,*****	*,*****	*,*****	*,*****
CO*	*,*****	*,*****	*,*****	*,*****
Citric acid	*,*****	*,*****	*,*****	*,*****
Glass bottle *,*	*,*****			
Aluminium cap with thread for *, * 1 bottle	*,**			
PET capsule				
PET capsule for *.* 1 bottles (**-**-**g)		*,***		
PET capsule for *.* 1 bottles (**-**-**,*g)			*,***	
PET capsule for *.* 1 bottles (**-**-**,*g)				*,***
Label				
Label for *, * 1 bottle	*,***			
Label for *,* 1 bottle		*,***		
Label for *,* 1 bottle			*,***	
Label for *,* 1 bottle				*,***
Plastic threaded cap for PET-bottles		*,**	*,**	*,**
Water	*,*****	*,*****	*,*****	*,*****
Cardboard pallets for packaging of ** bottles	*,*****	*,*****	*,*****	*,*****
Shrink film for packing bottles				
Shrink film for wrapping bottles *, * 1 in carton trays	*,*****			
Shrink film for wrapping bottles *, * 1 in carton trays		*,*****		
Shrink film for wrapping bottles *, * 1 in carton trays			*,*****	
Shrink film for wrapping bottles *, * 1 in carton trays				*,*****
Detergents and disinfectants	*,*****	*,*****	*,*****	*,*****
Fees for trademark *	*,*****	*,*****	*,*****	*,*****
Total	*,**	*,**	*,**	*,**

* In accordance with the license agreement with the “UUU *” company, “XXX Ltd.” company agrees to pay *,***** Euro for each bottle as a deduction for the brand.

In accordance with the above stated table, the cost value for each product is:

Product	*,*1 glass	*,*1 PET	*1 PET	*,*1 PET	*1 PET
Lemonade	*,***		*,***	*,***	*,***
Coke	*,***		*,***	*,***	*,***
Tea		*,***		*,***	
Water			*,***	*,***	*,***

Weighted average cost of * litre of product is *.***** Euro in ****, and *.***** Euro in ****-****. It is determined on the basis of distribution of output range in bottles, proposed by the Project Initiators:

Product	Container	Share of production in ****, in bottles	Share of production in ****-****, in bottles	Cost value, Euro
Lemonade, including:	*,*II glass	**%	**%	*,***
	*II PET	**%	**%	*,***
	*,*II PET	**%	*%	*,***
	*II PET	*%	*%	*,***
Coke, including:	*,*II glass		*,**%	*,***
	*II PET		*,**%	*,***
	*,*II PET		*,**%	*,***
	*II PET		*,**%	*,***
Tea, including:	*,* PET		**,**%	*,***
	, PET		*,**%	*,***
Water, including:	*II PET	**,**%	*,**%	*,***
	*,*II PET	*,**%	*,**%	*,***
	*II PET	*,**%	*,**%	*,***

Thus, in accordance with the sales plan, the cost of raw materials in Euro will amount to:

Expenditures	****				****	****-****, per year
	I	II	III	IV		
Raw materials	*****	*****	*****	*****	*****	*****

The following costs changing in proportion to the production volume, are also charged to the cost values of product within the economic model:

Expenditures	****				****	****-****, per year
	I	II	III	IV		
Electrical power	****	****	****	****	*****	*****
Coal	***	***	***	***	****	****
Fuels and lubricants	****	****	****	****	*****	*****

8.3. Preproduction Costs

8.3.1. Manufacturing area

According to data received by the Project Initiators, the required total land area is *,**** hectares.

The plant will be a separate building. The building consists of the following five blocks, m*:

- manufacturing block - ***
- laboratory block - **
- storage zone - ***
- garage - ***
- administrative office - ***
- two wells – **

8.3.2. *Layout and Sketch of the Manufacturing plant*

According to the Project Initiators, capital costs for land acquisition and construction works will be the following:

Name	Cost, thousand Euro
Acquisition of land with wells (*.**** hectares) and existing buildings	***
Reconstruction of the existing building into a warehouse	***
Construction of a manufacturing building (*** m [*] , height is * m.)	* ***
Construction of the office building (*** m [*] , *-storey)	***
Construction of the laboratories (*** m [*] , * story)	***
Construction of the garage from the foam blocks on * machines	***

8.3.3. *Sources of water*

There are two wells in the production area. They serve as water sources for being used as raw materials and other production needs. Capacity of each well is ** *** litres per day.

In April ****, the Chief Directorate of the State Sanitary and Epidemiologic supervision following the Project Initiators' request conducted a study of water samples on sanitary-chemical indicators, including the salts of heavy metals, microbiological research, research on residual pesticides and water radioactivity.

None of the indicators selected for the water trial did not exceed the level determined by GOST, and the representatives of the supervisory authorities concluded that “the selected samples of water meet the requirements of SP, item *** “Requirements for water sources, drinking water, amenity use of water objects” dated ****.*.**.

State tariff for the use of sources is *,*** Euro per **** litres.

8.3.4. *Equipment*

The supplier of the manufacturing line is packing equipment plant

Capital costs on technological equipment:

Cost rates of production line elements are indicated by reference to “Thermo-Pack” quotation, when the cost rates of the rest equipment have been determined on the basis of the requests to potential suppliers.

Name/Designation	Cost, Euro
Production line	
Pneumo-molding aggregate APF-**** with press tool *,* 1	*** **
Additional press tool for molding bottles	* **
Compressor station for APF -****	** **
Liquid cooling system for APF -****	** **
Container reloader with with preform (option)	* **
Filling machine MR-**, * C (triblock-rinser, filling, capping)	*** **
Stopper feeder	* **
additional set of changeover to MR for PET	* **
additional set of changeover to MR for glass	* **
Capping machine station for crown twist cap with stopper feeder (Italy)	** **
Labelling machine MPPE-****A (polypropylene)	** **
additional snap kit κ MPPE-****A (_ 1) forchange to another bottle type	* **
The automatic packing machine UMT-****AL.**	** **
Pallet-wrapping machine “Kokon” P *,*	* **
Pneumatic conveyor (from blowing to filling)	** **
Conveyor system:	** **
lubrication system (option)	* **
intellectual system of moving bottles (option)	* **
Laser printer (for date taping)	** **
Depalletizer DP-**	** **
Labelling machine for paper labels	** **
Automatic saturator-mixer (with active de-aeration, for juice products)	** **
Blending facility (for sugared drinks)	*** **
CIP washing station	** **
Water treatment system	** **
Refrigeration facility for products	** **
Start-up and adjustment works	** **
Delivery	** **
Total	* ** **
Heat Power Engineering	
Transformer - *** kW - * pcs.	*****
Boiler house - * boilers	*****
Other equipment	
Internal plant transport - electric cars *,* ton - * pcs.	*****
Equipment for repair workshop	*****
Instruments and glassware for laboratories	*****

Truck transport	
Subtotal	* ** * ** *

Capital costs on office equipment

The cost of office equipment and furniture is based on offers in Internet online catalogues:

Equipment	Cost, Euro	Q-ty	Cost, Euro
PC	***	**	****
Network Laser Printer A*	**	*	**
Inkjet MFP A*	***	*	***
Network adapter	**	**	***
Telephone set	*	**	***
Mobile phone	**	*	**
Line filter	**	*	**
Network router	**	*	**
City telephone number	***	*	***
Regional telephone number	***	*	***
Furniture	****	*	****
Plumbing equipment	***	*	***
Subtotal			*****

8.3.5. Investment plan

.....

IX. Financial Analysis

9.1. Cost Value of Sold Goods

Cost of goods sold by periods, in Euro for * ** pcs:

Period	****				****				****				****	****
Name	I	II	III	IV	I	II	III	IV	I	II	III	IV	****	****
Lemonade *,*1 glass	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Lemonade *1 PET	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Lemonade *,*1 PET	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Lemonade *1 PET	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Coke *,*1 glass					***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price					**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Coke *1 PET					***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price					**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Coke *,*1 PET					***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price					**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Coke *1 PET					***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price					**,**	**,**%	**,**%	**,**%	**,**%	**,**%	**,**%	**,**%	**,**%	**,**%
Tea *,* PET					***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price					**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Tea *,* PET					***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**	***,**
in % of the price					**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**

Water *1 PET	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Water *,*1 PET	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
Water *1 PET	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**
in % of the price	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**	**,**

9.2. Break-even Analysis

Break-even analysis shows good stability of the planned business with seasonal adjustment. Projected sales volume starting from the third quarter of ****, is significantly higher than the amount at which the enterprise ceases to be profitable:

Break-even analysis - Break-even point (pcs)

Unit	****				****				****			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Company	****	****	****	****	****	****	****	****	****	****	****	****

Unit	****				****			
	I	II	III	IV	I	II	III	IV
Company	****	****	****	****	****	****	****	****

Financial safety margin in absolute terms is high enough since the third quarter of ****, but reduces in autumn and winter time:

Break-even analysis - Financial safety margin (thousand Euro)

Unit	****				****				****			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Company	X	X	*** **	*** **	*** **	* **	* **	* **	* **	* **	* **	* **

Unit	****				****			
	I	II	III	IV	I	II	III	IV
Company	* **	* **	* **	* **	* **	* **	* **	* **

Safety factor in relative terms:

Break-even analysis - Financial safety margin (%)

Unit	****				****				****				****			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Company	X	X	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *	**,* *

This means that there is no threat of bankruptcy even if the company does not comply with a plan.

9.3. Quantitative Analysis

The project is highly sensitive to exceeding the implementation plan in the first three quarters of ****, and moderately sensitive in the rest periods. The operating leverage calculated below, shows how many times increases profit while increase of the sales volume:

Operating leverage (time)

Unit	****				****				****				****				****			
	I	II	III	I	II	III	IV	I	II	III	IV	IV	I	II	III	IV	I	II	III	IV
Company	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**

Break-even point dynamics in quantitative terms is similar to that in the money terms showed in paragraph *.*:

Break-even point (pcs)

Unit	****				****				****				****				****			
	I	II	III	I	II	III	IV	I	II	III	IV	IV	I	II	III	IV	I	II	III	IV
Company	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**	*,**

Project financial indicators:

Index	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****
Current ratio (CR), %		***	***	***	***	***	***	***	**
Quick ratio (QR), %		***	***	***	***	***	***	**	**
Net working capital (NWC), Euro	****	****	****	****	****	****	****	****	- ****
Stock turnover (ST)				**	**	**	**	**	**
Creditors turnover ratio (CPR)				**	**	**	**	**	**
Net capital turnover (NCT)				*	*	**	**	***	-**
Fixed assets turnover (FAT)				*	*	*	*	*	*
Total assets turnover (TAT)				*	*	*	*	*	*
Total liabilities/assets (TD/TA), %	***	***	***	***	***	***	***	***	**
Long-term liabilities/total assets (LTD/TA), %	***	**	**	**	**	**	**	**	**
Long-term liabilities/fixed assets (LTD/FA), %	***	***	***	***	***	***	***	***	**
Times interest earning ratio (TIE), time		-*	-*	-*	*	*	*	*	**
Gross profit margin (GPM), %				**	**	**	**	**	**
Operating profit margin (OPM), %				-**	-*	**	**	**	**
Net profit margin (NPM), %				-**	-*	**	**	**	**
Return of current assets (RCA), %	-***	-**	-**	-**	-**	**	**	**	***
Return of fixed assets (RFA), %	-***	-**	-**	-**	-*	**	**	**	**
Return on investment (ROI), %	-***	-**	-**	-*	-*	**	**	**	**

Index	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	****	****
Current ratio (CR), %	**	**	**	**	**	**	**	**
Quick ratio (QR), %	**	**	**	**	**	**	**	**
Net working capital (NWC), Euro	_*** **	_*** **	_*** **	_*** **	_*** **	** **	** **	** **
Stock turnover (ST)	**	**	**	**	**	**	**	**
Creditors turnover ratio (CPR)	**	**	**	**	**	**	**	**
Net capital turnover (NCT)	_**	_**	_**	_**	_**	**	**	*
Fixed assets turnover (FAT)	*	*	*	*	*	*	*	*
Total assets turnover (TAT)	*	*	*	*	*	*	*	*
Total liabilities/assets (TD/TA), %	**	**	**	**	**	**	**	*
Long-term liabilities/total assets (LTD/TA), %	**	**	**	**	**	**	*	
Long-term liabilities/fixed assets (LTD/FA), %	**	**	**	**	**	**	*	
Times interest earning ratio (TIE), time	**	**	**	**	**	**	**	**
Gross profit margin (GPM), %	**	**	**	**	**	**	**	**
Operating profit margin (OPM), %	**	**	**	**	**	**	**	**
Net profit margin (NPM), %	**	**	**	**	**	**	**	**
Return of current assets (RCA), %	***	***	***	***	***	***	***	**
Return of fixed assets (RFA), %	**	**	**	**	**	**	**	**
Return on investment (ROI), %	**	**	**	**	**	**	**	**

Liquidity indicators characterize the company's ability to meet the claims of short-term debt holders. Recommended values are urgent liquidity ratio: *,* – *, current liquidity ratio: – *-*. As can be seen from the table, the solvency of the company is beyond any doubt throughout the whole planning period.

Net working capital takes significant positive value by the end of the planning period. This means not only good financial stability of the future business, but also free cash appearance by the end of the period, and this cash may be directed to establishment of other businesses.

The planned business demonstrates good return on assets and investments. Profitability ratios published in the table show good profitability of the new company.

9.4. Gains and Losses

Euro	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****
Gross sales				****	****	****	****	****	****
Net sales				****	****	****	****	****	****
Materials and components				****	****	****	****	****	****
Total direct costs				****	****	****	****	****	****
Gross profit				****	****	****	****	****	****
Estate tax	****	****	****	****	****	****	****	****	****
Administrative costs	****	****	****	****	****	****	****	****	****
Production costs				****	****	****	****	****	****
Marketing costs		****	****	****	****	****	****	****	****
Salaries of administrative staff	****	****	****	****	****	****	****	****	****
Salary of manufacturing staff		****	****	****	****	****	****	****	****
Salary of marketing staff			****	****	****	****	****	****	****
Total fixed costs	****	****	****	****	****	****	****	****	****
Depreciation		****	****	****	****	****	****	****	****
Interest on loans		****	****	****	****	****	****	****	****
Total non-production costs		****	****	****	****	****	****	****	****
Other costs	****	****	****						
Loss brought forward				****	****	****	****	****	****

Profit before tax payments	_*** **	_*** **	_*** **	_*** **	_*** **	*** **	*** **	*** **	*** **
Taxable profit						** **	** **	** **	** **
Profit tax						** **	** **	** **	** **
Net profit	_*** **	_*** **	_*** **	_*** **	_*** **	*** **	*** **	*** **	*** **
Euro									
		*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	****	****
Gross sales									
Net sales		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Materials and components		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Total direct costs		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Gross profit		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Estate tax		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Administrative costs		** **	** **	** **	** **	** **	** **	** **	** **
Production costs		* **	* **	* **	* **	* **	* **	* **	* **
Marketing costs		** **	** **	** **	** **	** **	** **	** **	** **
Salaries of administrative staff		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Salary of manufacturing staff		** **	** **	** **	** **	** **	** **	** **	** **
Salary of marketing staff		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Total fixed costs		** **	** **	** **	** **	** **	** **	** **	** **
Depreciation		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Interest on loans		** **	** **	** **	** **	** **	** **	** **	** **
Total non-production costs		** **	** **	** **	** **	** **	** **	** **	** **
Other costs		** **	** **	** **	** **	** **	** **	** **	** **
Loss brought forward									
Profit before tax payments		** **	** **	** **	** **	** **	** **	** **	** **
Taxable profit		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Profit tax		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Net profit		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **
Euro		*** **	*** **	*** **	*** **	*** **	*** **	*** **	*** **

As can be seen from the above table, the company starts to show operating profitability in the third quarter of the first sale year.

9.5. Cash Flow

Euro	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****
Sales income				*** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **
Costs for materials and components				*** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **
Total direct costs				*** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **
Total costs	** ** **	*** ** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **
Personnel costs	** ** **	** ** **	* ** ** **	** ** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **
Total fixed costs	** ** **	*** ** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **
Taxes	* ** **	* ** **	* ** ** **	** ** **	* ** ** **	* ** **	* ** ** **	*** **	* ** ** **
Cash flow from operating activities	_** ** **	_** ** **	_** ** **	** ** **	* ** ** **	*** **	* ** ** **	*** **	* ** ** **
Costs of assets acquisition	*** ** **	* ** ** **	* ** ** **						*** ** **
Other costs of the preparatory period	*** ** **	** ** **	*** **						
Cash flow from investment activities	_** ** **	_** ** **	_** ** **						_** ** **
Own (share) capital	** ** **								
Loans	* ** ** **	* ** ** **							
Loan repayment					*** ** **	*** ** **	*** ** **	*** ** **	*** ** **
Payment of interest on loans		** ** **	* ** ** **	** ** **	* ** ** **	** ** **	* ** ** **	** ** **	* ** ** **
Payment of dividends									*** ** **
Cash flow from financial activities	* ** ** **	* ** ** **	_** ** **	_** ** **	_** ** **	_** ** **	_** ** **	_** ** **	_** ** **
Cash balance at the beginning of period		* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **
Cash balance at the end of period	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **	* ** ** **

Euro	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****Г.	*quar. ****	****	****
Sales income								
Costs for materials and components	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Total direct costs	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Total costs	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Personnel costs	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Total fixed costs	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Taxes	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Cash flow from operating activities	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Costs of assets acquisition	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Other costs of the preparatory period								
Cash flow from investment activities								
Own (share) capital								
Loans								
Loan repayment								
Payment of interest on loans	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Payment of dividends	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Cash flow from financial activities	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Cash balance at the beginning of period	_ * * * * *	_ * * * * *	_ * * * * *	_ * * * * *	_ * * * * *	_ * * * * *	_ * * * * *	_ * * * * *
Cash balance at the end of period	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *
Euro	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *	* * * * *

Free cash is reduced within the first seven project quarters and, upon completion of the investment phase and the break-even point, begins to accumulate: in the third quarter of **** approaching the size of the summer turnover.

9.6. Enterprise Balance Sheet

Euro	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****
Cash	*****	*****	*****	*****	*****	*****	*****	*****	*****
Raw materials and component parts				*****	*****	*****	*****	*****	*****
Short-term prepaid expenses	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total current assets	*****	*****	*****	*****	*****	*****	*****	*****	*****
Property, plant and equipment (fixed assets)	*****	*****	*****	*****	*****	*****	*****	*****	*****
Accumulated depreciation		****	*****	*****	*****	*****	*****	*****	*****
Residual value of fixed assets:	*****	*****	*****	*****	*****	*****	*****	*****	*****
Land	*****	*****	*****	*****	*****	*****	*****	*****	*****
Buildings and facilities			*****	*****	*****	*****	*****	*****	*****
Equipment		*****	*****	*****	*****	*****	*****	*****	*****
Investment in fixed assets		*****							
TOTAL ASSET	*****	*****	*****	*****	*****	*****	*****	*****	*****
Deferred tax payments									
Short-term loans		*****	*****	*****	*****	*****	*****	*****	*****
Accounts payable				*****	*****	*****	*****	*****	*****
Total short-term liabilities		*****	*****	*****	*****	*****	*****	*****	*****
Long-term borrowings	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ordinary shares	*****	*****	*****	*****	*****	*****	*****	*****	*****
Capital contributed in excess of par value	_*****	_*****	_*****	_*****	_*****	_*****	_*****	_*****	_*****
Reserve funds									*****
Retained earnings	_*****	_*****	_*****	_*****	_*****	_*****	_*****	_*****	
Total shareholders' equity	_*****	_*****	_*****	_*****	_*****	_*****	_*****	*****	*****
TOTAL LIABILITY	*****	*****	*****	*****	*****	*****	*****	*****	*****

Euro	*quar. ****	*kquar. ****	*quar. ****	*quar. ****	*quar. ****	*quar. ****	****	****
Cash	*****	*****	*****	*****	*****	*****	*****	*****
Raw materials and component parts	*****	*****	*****	*****	*****	*****	*****	*****
Short-term prepaid expenses	*****	*****	*****	*****	*****	*****	*****	*****
Total current assets	*****	*****	*****	*****	*****	*****	*****	*****
Property, plant and equipment (fixed assets)	*****	*****	*****	*****	*****	*****	*****	*****
Accumulated depreciation	*****	*****	*****	*****	*****	*****	*****	*****
Residual value of fixed assets:	*****	*****	*****	*****	*****	*****	*****	*****
Land	*****	*****	*****	*****	*****	*****	*****	*****
Buildings and facilities	*****	*****	*****	*****	*****	*****	*****	*****
Equipment	*****	*****	*****	*****	*****	*****	*****	*****
Investment in fixed assets								
TOTAL ASSET	*****	*****	*****	*****	*****	*****	*****	*****
Deferred tax payments	*****	*****	*****	*****	*****	*****	*****	*****
Short-term loans	*****	*****	*****	*****	*****	*****	*****	
Accounts payable	*****	*****	*****	*****	*****	*****	*****	*****
Total short-term liabilities	*****	*****	*****	*****	*****	*****	*****	*****
Long-term borrowings	*****	*****	*****	*****	*****	*****		
Ordinary shares	*****	*****	*****	*****	*****	*****	*****	*****
Capital contributed in excess of par value	*****	*****	*****	*****	*****	*****	*****	*****
Reserve funds	*****	*****	*****	*****	*****	*****	*****	*****
Retained earnings								
Total shareholders' equity	*****	*****	*****	*****	*****	*****	*****	*****
TOTAL LIABILITY	*****	*****	*****	*****	*****	*****	*****	*****

Total shareholders ' equity of the planned business begins to accumulate from the *-th quarter of sales and increases at the significant pace up to the end of the planning period.

9.7. Risks

This section is to discuss the most significant risks associated with the activities of the future enterprise.

Organizational and Managerial Risks

1. Risk of failure to meet the construction deadlines for infrastructure as well as manufacturing, administrative and auxiliary premises.

This risk should be recognized as the most important in the first phase of the project. The delay in construction completion may bring very substantial losses to the company. This includes interest on loans, depreciation of money due to inflation, payment of workers' downtime, short-received profit from production capability utilization, increased proportion of fixed costs in the cost value, taxes, etc. Construction delays may occur both because of the construction company's negligence, and because of some external factors, first of all, because of delays in receiving of building development approval in RK governmental authorities.

Therefore, the following is required in order to minimize this risk:

- to choose the construction company with careful approach, to monitor its history on the subject of unfinished projects, court trials, etc.;
- to implicit a clear detailed construction schedule in the contract, as well as system of significant fines for construction deadlines disruption due to a fault of building company;
- to lead the construction approval process by the company itself, not by the construction company; in this case, to take advantage of local law firms, specializing in the subject;
- for Project Initiators - to monitor continually the construction progress, to take organizational decisions promptly in order to avoid possible delays.

2. The risk of late delivery, or delivery, or delivery of out-of-order equipment.

This situation causes the same losses as construction delays. Therefore, one should recognize that this risk is also essential.

Article * of the contract on equipment supply with "Thermo-Pack" contains the conditions of parties' liability, in accordance with which the supplier shall pay a penalty equal to *,**% of the advance payment amount (**% of the product value) for each day of delivery delay (item *.*).

Also “in case of equipment or its structural units’ defects or malfunctions, , as well as detection of hidden defects or breakdowns in operation within the warranty period, the Supplier is obliged to eliminate or replace them at its own expense within ** working days”, as it is stated in paragraph *.* of this contract. However, the responsibility for the failure of this item is not specified in the contract.

Also, the contract does not provide any supplier’s liability for the delay of start-up and adjustment works.

On the other hand, the contract includes a number of conditions when the supplier is exempted from liability for damage to equipment due to the fault of the buyer, and the buyer is obliged to timely ensure conditions to perform start-up works (that is, to provide appropriate quantity of packaging materials, labels, shrink film, connection of electric power and pressure systems to the equipment).

The following is required in order to minimize this risk:

- to include items, establishing liability for untimely troubleshooting service and delay of start-up works, in the contract with the “Thermo-Pack” company;
 - to include the same conditions of liability in all equipment supply contracts (laboratory, office, industrial equipment);
 - for the Head of the enterprise - to ensure necessary conditions for the timely implementation of the production line commissioning.
3. The risk of failure to comply with the sales plan.
 4. The following is required in order to minimize this risk:
 - to employ the competent sales manager with experience in this post from * years and more, who will be able to get the system of cooperation with clients up and running, using modern CRM software and train sales managers;
 - to introduce material stimulation for employees of the Sales Department and commercial director in the form of percentage of sales.
 5. Loss of equipment due to major force.

To compensate this risk, it is planned the following:

- to take appropriate safety measures for equipment,

- to insure the equipment. Insurance cost is included in the financial plan. Insurance amount received will offset the losses suffered by the property owners.

Risks associated with production process

1. Risk of equipment damage during operation.

“Thermo-Pack” company is released from liability under the guarantee in case of:

- failure to comply storage conditions, technical requirements for Equipment location and operation;
- Buyer’s improper actions, use of equipment for purposes other than that intended, non-compliance with the Equipment operating instructions;
- failure to comply with the required maintenance, non-compliance with the terms of Technical Service;
- interference in the Equipment repair process of persons not authorized by the Seller;
- damage to Equipment caused by the Equipment ingestion of foreign objects, substances or liquids;
- failure of consumables.

Thus, the following is required in order to minimize this risk:

- to develop job descriptions for employees, including:
 - equipment service manuals,
 - ban on the equipment operation not according to instructions,
 - prohibition of unauthorized equipment repairs and hardware setup,
 - ban on the use of damaged or outdated consumables or raw materials;
 - to purchase only quality consumables;
 - to perform after-sales and technical service on time;
 - to introduce bonus-and-penalty system for production staff, when fines for failure to observe the instructions and safety precautions are deducted from quarterly bonuses.
2. Risk of work-related injuries.

Measures to minimize this risk are dealt with in article *.

Environmental risk

There are a number of environmental problems in the future production area, related to soil and water pollution by industrial waste (listed in item *.*). The region is also characterized by a high concentration of industrial enterprises, which means possibility of exacerbating these problems. These factors create a risk of contamination of the natural sources of water used in production.

The brand image is the most important asset of the company, so any poisoning incidents related to the product will cause serious blow to business development.

It is obvious that it is impossible to minimize the risk of environment contamination, however, the following measures should be taken to exclude ingress of harmful substances into the product:

- to organize chemical laboratory on the territory of the manufacturing facility for ongoing analysis of water samples taken from wells;
- to monitor local environmental reports;
- to consider possibility to establish a cleaning system if needed, in the design of water supply system.

Financial risk

Financial risk, above all, is associated with the possibility of delayed payments from buyers, as well as seasonal fluctuations in product demand. The following is required in order to minimize this risk:

- to direct marketing primarily to large wholesalers;
- to stipulate responsibility for the delay of payment in all product supply contracts;
- to employ a financial director, who will schedule the enterprise budgets;
- to specify seasonal fluctuations of production capacity in dealings with the staff and suppliers of raw materials.

Macroeconomic risk

It must be recognized that the economic risks exist and are connected primarily with the fact that the demand for lemonade, which is not a product of prime necessity, is suffering particularly badly in case of population income falls.

As it is shown in item *.* , the forecast of YYY's economy is positive, however, like any open economic system, it is influenced by global processes. Therefore, positive expectations do not preclude the need to constantly monitor the current situation and to take measures to prevent losses in the event of its deterioration.