



# Financial Summary Report

From: 09/05/2014 To: 30/05/2014

Prakruti Sinha, Paul Mathema, Sam Beedell, Ankita Gangotra

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## 1. Declaration

I, as financial representative of the coordinator of this project and in line with the obligations as stated in the Business Plan declare that:

The attached periodic financial report represents an accurate description of the work carried out in this project for this reporting period;

The project:

- ☒ Has fully achieved its objectives and technical goals for the period
- ☐ Has achieved most of its objectives and technical goals for the period with relatively minor deviations
- ☐ Has failed to achieve critical objectives and/or is not at all on schedule

The financial statements which are being submitted as part of this report are in line with the actual work carried out and are consistent with the report on the resources used for the project (section 8) and if applicable with the certificate on financial statement.

All Group members have declared to verify their status through meeting and timesheets. Any changes have been reported under section 6 (Project Management) in accordance with the Business Plan.

Name of Financial representative: Prakruti Sinha

Date: \_\_28\_\_ / \_\_05\_\_ / \_\_2014\_\_

Signature of Financial representative: P.S

Name of Financial representative: Sam Beedell

Date: \_\_28\_\_ / \_\_05\_\_ / \_\_2014\_\_

Signature of Financial representative: S.B

### 3. Publishable Summary

Spoon is a custom software developer providing new, innovative and useful food-based software solutions. Our company will produce a product under the name of 'e-Cook', which is an interactive cookbook software for students that can display recipes with text, video and audio instructions. The processing power of modern consumer technology is able to compile all of this functionality into a single software product, the user interface will represent the simple and simplicity that cooking for yourself should represent.

By fully understanding the client and the market expectations, we aim to provide novel products with real consumer value.

Company Logo:



Company Product Logo:



### 4. Project Management

The Project Manager (Ankita Gangotra), the Deputy Project Manager (Max Holland) and Documentation Manager (James Oatey) are in-charge of the entire management of the project.

The Project Manager is responsible for taking an overseeing role in the company and the primary point of contact between the investors, other groups and the team members. She ensures the smooth running of the project so that deliverables are delivered on time.

The Deputy Project Manager is responsible for the Quality Assurance in the company so that the deliverables meet a certain standard.

The Documentation Manager is responsible for the editing, reviewing and handing in of documents alongside being responsible for taking minutes and writing specific documentation.

## 4.1 Summary of Group Activities during the Period

### 4.1.1 Management Tasks

The primary management task is to ensure that the deliverables are quality assured and met on time. The management team sets internal deadlines and makes sure every team member follows a project plan to guarantee this. Amongst other tasks of the management team are organising meetings, writing agendas, signing timesheets, approving managers' weekly reports and ensuring optimal use of the employees' qualifications.

### 4.1.2 Problems/Issues

The only issue faced since the last report was that due to exams and other deadlines, a lot of members could not put in the prerequisite number of hours per week.

### 4.1.3 Changes and solutions to problems/issues

The issue mentioned above had been foreseen and contingency plans were in place to combat disruptions in iteration 6 progress.

### 4.1.4 Project Meetings

So far the company has held 29 meetings, with the entire member present. The days for the meetings in the summer term have been fixed per week as-

- Tuesday: 13.00-14.00 hrs. [1 hour]

The sub-teams also have weekly meetings the frequency of which can vary from one to three times a week.

### 4.1.5 Project Planning & Status

The project plan is primarily based on deliverable deadlines. To that some of the internal deadlines have been added along with weekly tasks every team member should aim to finish. So far the company is adhering to the project plan and all the deliverables have been delivered before/on time. New additions to the plan have been discussed above.

Since the last report, Iteration 5 was completed on 19<sup>th</sup> May, 2014 and the project is currently on Iteration 6, which mainly consists of the finishing touches and bug fixes for eCook, as part of the development process.

The team is also currently planning and making the HTML tour, sales presentation and making sure all the deliverables are in place for the final hand-in on 12<sup>th</sup> June, 2014.

#### 4.1.6 Impact of Possible Deviations

It is extremely important for the team to finish software iterations on time. If the software iterations are not met on time, this could result in running over budget or missing deliverable deadlines. The current iteration is running as per plan and on time.

#### 4.2 Information on Co-ordination Activities during the Period

The Graphics Module was purchase from Group 1 was approved. Have also received confirmation of acceptance of Video Module from Group 1.

#### 4.3 Work Breakdown Structure

Attached and can be seen in the email containing Microsoft project.

#### 4.4 Critical Path Analysis

Attached and can be seen in the email containing Microsoft project.

### 5. Deliverables and Milestones Tables

#### 5.1 Deliverables

| No. | Name                      | Lead Member                                                  | Date       | Delivered? | Comments |
|-----|---------------------------|--------------------------------------------------------------|------------|------------|----------|
| 1.  | Group Tender Presentation | Project Manager,<br>Software Manager,<br>Dep Finance Manager | 20-02-2014 | Yes        | -        |

#### 5.2 Milestones

| Deliverable                     | Producer                                                    | Recipient                                                      | Due Date                      | Status   |
|---------------------------------|-------------------------------------------------------------|----------------------------------------------------------------|-------------------------------|----------|
| <b>Spring Term</b>              |                                                             |                                                                |                               |          |
| Functional Specification        | Docs Manager,<br>Project Team                               | Supervisor,<br>Project Team<br>Managers                        | 28-01-2014<br>[Tuesday Wk-4]  | Complete |
| QA Manual                       | Deputy Project<br>Manager, Docs<br>Manager, Project<br>Team | All company<br>personnel,<br>Supervisor                        | 03-02-2014<br>[Monday Wk-5]   | Complete |
| Financial<br>Business Plan      | Finance Team,<br>Sales and Marketing<br>Manager             | Financial<br>Backer (AEW),<br>Client (SJP),<br>Project Manager | 07-02-2014<br>[Friday Wk-5]   | Complete |
| Project Wide<br>Standards       | Other Groups,<br>Docs Manager                               | Project Team                                                   | 13-02-2014<br>[Thursday Wk-6] | Complete |
| Group<br>Tender<br>Presentation | Docs Manager,<br>Project Team                               | Financial<br>Backer (AEW),<br>Client (SJP),<br>Supervisor      | 20-02-2014<br>[Thursday Wk-7] | Complete |
| Financial<br>Report 1           | Finance Team                                                | Financial<br>Backer (AEW)                                      | 21-02-2014<br>[Friday Wk-7]   | Complete |

|                                                                                  |                                                     |                                                        |                            |                        |
|----------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------|----------------------------|------------------------|
| Contracts Agreement                                                              | Project Manager, Dep. Project Manager, Docs Manager | Supervisor, Client (SJP)                               | 25-02-2014 [Tuesday Wk-8]  | Complete               |
| Financial Report 2                                                               | Finance Team                                        | Financial Backer (AEW)                                 | 07-03-2014 [Friday Wk-9]   | Complete               |
| First Iteration Complete                                                         | Software Team, Project Team                         | Supervisor                                             | 14-03-2014 [Friday Wk-10]  | Complete               |
| Final Test and Integration Plan                                                  | Software Team                                       | Client (SJP)                                           | 14-03-2014 [Friday Wk-10]  | Complete               |
| <b>Summer Term</b>                                                               |                                                     |                                                        |                            |                        |
| Financial Report 3                                                               | Finance Team                                        | Financial Backer (AEW)                                 | 09-05-2014 [Friday Wk-3]   | Complete               |
| Financial Summary Report                                                         | Finance Team                                        | Financial Backer (AEW)                                 | 30-05-2014 [Friday Wk-6]   | Complete               |
| Demonstrations and Sales Presentations                                           | Sales & Marketing Manager, Project Team             | Client (SJP)                                           | 09-06-2014 [Monday Wk-8]   | In Progress            |
| Final hand-in of all deliverables                                                | Project Team                                        | Client (SJP), Financial Backer (AEW)                   | 12-06-2014 [Thursday Wk-8] | In Progress            |
| <b>Internal Deliverables</b>                                                     |                                                     |                                                        |                            |                        |
| Project Plan                                                                     | Project Manager                                     | Team Managers, Project Team                            | Every 2 weeks              | Up-to-date and ongoing |
| QA Auditing, Metrics and progress report in the form of Managers' Weekly Reports | Project Team                                        | Project Manager                                        | Every Week                 | Up-to-date and ongoing |
| Timesheets                                                                       | Project Team                                        | Finance Manager, Project Manager, Dep. Project Manager | Every Week                 | Up-to-date and ongoing |
| Meeting agenda                                                                   | Project Manager                                     | Team Managers, Project Team                            | Prior to meeting           | Up-to-date and ongoing |
| Meeting minutes                                                                  | Docs Manager                                        | Project Manager, Dep. Project Manager, Project Team    | After meeting              | Up-to-date and ongoing |

## 6. Explanation of the Use of Resources

The Company's challenge still remains to ensure delivery of work priorities to satisfy the eCook project requirements whilst managing the available resources. To date most of the necessary resources has been available with no major disruptions. Current payments as at weekending 31/05/14 are for a period of three weeks.

### Space Rentals

Total rent to be paid for the allocated space of 1400 sq ft. @£23.5 per sq. ft. per year. Periods of payment are weeks 4, 7 and 10 of each term including vacations in-between.

### Utilities

Utilities are charged at £50.00 per week and payments are to be made in weeks 6 and 10 for each term.

### IT infrastructure

Use of these utilities has a charge of £100.00 per week and payments are to be made in weeks 6 and 10 for each term.

### Security

Third party service providers for the storage and backup of company documents, project source code weekly subscriptions of £2.50.

The following is the estimated Company Utilities Expenditures for the budget period for this project, based on the full implementation of all charges and assumptions as outlined as given each area of usage.

### 6.1 Table of Resources

| Table of Resources, subcontracting and other major direct cost items for the group members for the period |                   |            |                                                                       |
|-----------------------------------------------------------------------------------------------------------|-------------------|------------|-----------------------------------------------------------------------|
| Area of Usage                                                                                             | Item Description  | Amount (£) | Explanation/ Comments                                                 |
| Storage for documents and code                                                                            | Server            | 7.50       | Payments for weeks 4 to Week 6 (Summer term) at £2.50 per week rental |
| 1400sq. ft.                                                                                               | Space Rental      | 1898.08    | Payments for weeks to Week 6 (Summer term)                            |
| N/A                                                                                                       | IT infrastructure | 300.00     | Payments for weeks to Week 6 (Summer term)                            |
| N/A                                                                                                       | Utilities         | 150.00     | Payments for weeks to Week 6 (Summer term)                            |



## 7. Financial Statements – Summary of Financial Report

The management section of the financial report now includes the current progress of Spoon, this includes activities undertaken by each team and all deliverables to date. The business plan has been updated with the current weekly costs evoked from labour and the table of resources is up to date with overhead expenditure.

### 7.1 Profile

- Company Name: Spoon;
- Project: E-Cook, Interactive cookbook software;
- Primary market: University students.

### 7.2 Project

- Project duration: 25 weeks
- Program contains 5 modules (text, images, graphics, audio and video)
- 3 modules made by Spoon; 2 from an outside company.

### 7.3 Resources

- Resources: Staff (10), Office space, Photographer, Chef, Server.
- Overhead: Utilities (Including server cost and insurance costs)

### 7.4 Finance

See attached for more detailed business plan.

- Total Overhead cost considering factors stated above comes to: £19,417.50
- Labour costs were made considering the variable distribution of workload relative to the deliverables due. Projected labour cost comes to: £25,396.00
- Projected labour cost will be compared with actual labour cost as the project progresses
- A thorough breakdown is shown in the attached business plan
- Total start-up cost is the sum of the total overhead cost and labour cost; totalling to £44786.50
- Contracts to be drawn up in coming weeks.
  - Contract details so far-
  - 25% upon placement
  - 50% on handover
  - 25% on acceptance

The company plans on selling modules.

Module price considerations:

Overhead recovery rate: £9.56/hr.; using the equation:

$$\text{Overhead recovery rate, £/ hr} = \frac{\text{Total Overhead Cost}}{\text{Labour work hours}}$$

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Labour rate: £12.50/hr.

Estimated 5 weeks of work per module.

The minimum amount of money we can make from sales of modules will be a sum of the overhead recovery rate over the time period for which the module is worked on and the labour cost over the same time period. At the price, no profit is made and will be used to determine the base amount for which we will sell our modules.

Module Price equation:

$$M_B = T_M \cdot (OH + LR \cdot NS)$$

$M_B$  = Module price for breakeven

$OH$  = Overhead recovery rate

$T_M$  = Time spent working on one module

$LR$  = Labour rate

$NS$  = No. of staff

Amount of money made for breakeven: £10,092.00

## 7.5 Actual Vs. Planned Expenditure

The business plan reflects how accurate our projections for the summer term have been, all but one actual labour cost is more than our projection which therefore contributes towards our overspend during Easter. Many members have had busy weeks with other priorities and therefore influenced their labour costs that week, on the other hand some member have had very free weeks and have picked up more hours work. This has not followed our predicted trend as we assumed that certain managers would work more than others due to impending deadlines. The daily coding labs were put in place to ensure the product is completed on-time and also allow time for members to complete their hours but this has been difficult to adhere too with the additional pressure of exams.

Overall our projections totalled to £22,443.5 up to week 6 of the summer term, the actual total is £23,865 so we are currently £1,421.50 over the projection. This will affect the amount we must charge for this product when it is finished to ensure we can pay back our loan amount including the APR interest rate. This conclusion must not be overlooked and people must still adhere to working to correct amount through the compulsory daily labs to avoid going into further debt.

Another way of saving monies?

## 7.6 Cash Flow Report

A Balance Sheet and Income Statement has been provided to show all Assets/Liabilities and Net income due to total revenue and expenses over periodic

sections (Spring, Easter and Summer). These two spread sheets show the financial condition of the business and clearly states the total profit/loss of the company.

**Balance Sheet** - As a company we have no fixed assets so our business is currently worth nothing. Our main liability is the loan received from Tony Ward to help establish our company and cover Labour and Overheads, this is subject to an interest rate of 16.86% APR. The company rents the buildings required to complete this project. Extra equipment is not essential unless member want to use their personal laptop PCs to continue coding wherever they choose, the company does not provide anything extra. Our company is exempt from tax liabilities because our group members are self-employed and we are not trading for a full year.

**Income Statement** – Our total sales revenue during the summer period consisted of the selling of two javafx modules (video and image) to external companies. Furthermore we had to purchase two modules (graphics and audio). In total each transaction cost £5,500 and resulted in our company breaking even while outsourcing. Our second revenue source is from the loan received at the start of the spring and summer period. Due to the overlapping period into Easter, labour payments must be delayed until the start of the summer period as we would be £2,065.90 short. This loan is subject to 16.86% APR, to find the total interest owed for a period less than 12 months we must follow this equation:

$$\text{Interest Owed} = \left( \text{Loan amount} \times \frac{\text{APR rate}}{100} \right) \times \frac{\text{period}}{\text{period units per year}}$$

Where our period is in weeks therefore the total units per year is 52.

Remaining payments have all been accounted for and the expenses is currently £3,456.55 less than our total revenue which means we are clear from debt until we encounter the final payments of rent, IT, utilities and labour. Our projected total amount for production cost is £49,093.18 including 16.86% APR for the remaining 2 weeks (£136.18). Advertising, depreciation and marketing development are factors that must be considered for future but is not necessary to reflect on our production progress.

## 7.7 Pricing the Final Product

Upon completion of the product we gain an important asset including functional audio, video, graphics, text and image modules that can be outsourced to external companies. Our company is aiming to gain an investor to sustain Spoon through the marketing and distribution of our final product, this shareholders equity will have to be accounted for when deciding on a profit margin percentage. This external funding also allows us to develop the company and product to generate a greater revenue.

Marketing surveys concluded that 22/22 people would pay £2 for the final product, 16/22 people would pay £3, 11/22 would pay £5.50, 5/22 would pay £7 and 2/22 would pay £9.99. This resulted in this table below depicting the total sales to break-even with the total production cost and marketing costs of £59,093.18 where the production is dependent on direct (aforementioned overheads) and variable (labour) costs.

## 7.7.1 Product Pricing Methodology

| Product Pricing Methodology |       | sales to break even | predicted sales ratio | predicted sales at price | extra sales |          |          |          |
|-----------------------------|-------|---------------------|-----------------------|--------------------------|-------------|----------|----------|----------|
| product cost                | £2    | 29546.59            | 1.00                  | 29546.59                 | 0.00        |          |          |          |
|                             | £3    | 19697.73            | 0.73                  | 14325.62                 | 5372.11     |          |          |          |
|                             | £5.50 | 10744.21            | 0.50                  | 5372.11                  | 5372.11     |          |          |          |
|                             | £7    | 8441.88             | 0.23                  | 1918.61                  | 6523.27     |          |          |          |
|                             | £10   | 5915.23             | 0.09                  | 537.75                   | 5377.48     |          |          |          |
|                             |       |                     |                       |                          |             |          |          |          |
|                             |       |                     |                       | £2                       | £3          | £5.50    | £7       | £9.99    |
|                             |       |                     | total sales           | 29546.59                 | 19697.73    | 10744.21 | 8441.88  | 5915.23  |
|                             |       |                     |                       |                          |             |          |          |          |
|                             |       |                     |                       | sales to breakeven       |             |          |          |          |
|                             |       | revenue             | total money           | £2                       | £3          | £5.50    | £7       | £9.99    |
| profit margin               | 2%    | £1,181.86           | £60,275.04            | 30137.52                 | 20091.68    | 10959.10 | 8610.72  | 6033.54  |
|                             | 5%    | £2,954.66           | £62,047.84            | 31023.92                 | 20682.61    | 11281.42 | 8863.98  | 6210.99  |
|                             | 10%   | £5,909.32           | £65,002.49            | 32501.25                 | 21667.50    | 11818.64 | 9286.07  | 6506.76  |
|                             | 20%   | £11,818.64          | £70,911.81            | 35455.91                 | 23637.27    | 12893.06 | 10130.26 | 7098.28  |
|                             |       |                     |                       |                          |             |          |          |          |
|                             |       |                     |                       |                          |             |          |          |          |
|                             |       |                     | total sales + profit  | £2                       | £3          | £5.50    | £7       | £9.99    |
|                             |       |                     | 2%                    | 30137.52                 | 25571.23    | 16438.65 | 15264.46 | 11518.57 |
|                             |       |                     | 5%                    | 31023.92                 | 26323.32    | 16922.14 | 15713.41 | 11857.35 |
|                             |       |                     | 10%                   | 32501.25                 | 27576.82    | 17727.95 | 16461.67 | 12421.99 |
|                             |       |                     | 20%                   | 35455.91                 | 30083.80    | 19339.59 | 17958.19 | 13551.26 |

The methodology to work out a feasible sales price and volume to break even and with a profit margin can be worked out using our survey results as a reference of elasticity relevant to eCook.

### 7.7.1 Product Price

Comparing to current competitors we can see a range of products with similar functionality will sell from free to £30, this can be narrowed down the competition to strong competitors in terms of advertisement and additional functionality that create a niche in the market. The remaining products still start free but is only a 'LITE' version so can be excluded, the resulting product prices are £99, £2.99, £4.99, £8 and £30 where the majority are less than £10.

Overall the final product price will be £5.50 as this was the average price from our survey results (excluding extremities) and lies underneath the competitors range. This means 20042 copies of eCook must be sold if we choose to take a 20% profit margin to pay for the marketing costs and ensure the shareholders equity is met. We must sell 114 additional copies of eCook to overcome the interest gained during development, then it will the loan interest value will increase by £632.25 per month until we have money income.

Our product will return enough revenue to payback the loan within a year if we choose to sell the product at £5.50 and sell to at least 2% of students, there are approximately 1million students in the UK (Ref: <http://www.hesa.ac.uk/content/view/1897/239/>) which results in 20,000 copies guaranteed to be sold. Students are our first target audience because we have prioritised the loan re-payment which requires an initial burst of revenue. Students are most likely to benefit from the initial product and are most accessible because they live in dense residential homes, usually on campus, that can easily be influenced through appealing marketing techniques and help from student unions. Other sales will be made through social media networks and the fact we aren't purely aiming promotion at students, this drives our estimated sales to 20,500 for the first year which will grow as we advance. The target audience will eventually broaden when the product and company develops enough to compete with larger companies.

### 7.8 Cash Flow Forecast

Using the Cash Flow Forecast spread sheet (attached), we can estimate our projected sales based on our target sales. It takes us 2 months to prepare for distribution so we are ready to hit to fresh students in September 2014 , we aim to sell 5125 per quarter if all contributing factors remain the same.

After the first quarter, we are able to pay back some of our loan thus decreasing the interest rate. The remaining loan drops to £28,971.15 with an interest value of £1,628.18 payable at the end of the second quarter, by the end of the third quarter (June 2015) our loan is fully repaid and we have a gross profit of £25640.12. After the first year of projected sales years we will make £53,827.62.00 profit minus the shareholders equity.

A summary of the cash flow forecast for the entire development process and the next 2 years has been written into a Profit/Loss Statement as seen below. This takes every total expense and total revenue into account to give us a net profit of £150,183.12.

### 7.8.1 Profit/Loss Statement

|                      |             |
|----------------------|-------------|
| <b>Sales Revenue</b> | £242,412.50 |
|                      |             |
| <b>Cost of Sales</b> |             |
| Physical Promotion   | £5,000.00   |
| Social Media         | £6,666.67   |
| Web Adverts          | £5,833.33   |
| Other                | £2,500.00   |
| Modules              | £5,500.00   |
|                      |             |
| <b>Gross Profit</b>  | £216,912.50 |
|                      |             |
| <b>Overheads</b>     |             |
| Labour               | £28,939.50  |
| Rent                 | £15,817.50  |
| IT Infrastructure    | £2,550.00   |
| Modules              | £5,500.00   |
| Loan Interest        | £13,922.38  |
|                      |             |
| <b>Net Profit</b>    | £150,183.12 |

### 7.9 Critical Analysis

Over the allocated 26 week period, our business has developed greatly and gained experience through long-term planning and collective decisions. Financially, our company was strict on deadlines to prevent any overspend on overheads and to ensure all members completed their timesheets on time so we can balance the cash. Keeping clear documentation of all money transactions is essential for maintaining a big project, this allows the company to reflect on performance and expenditure, consequently highlighting areas of improvement. Careful consideration of unpredictable mistakes is expected and a method to overcome the problem must be quickly decided to avoid liquidation.

- *Key influential factors*
- *Capital Resources*
- *Positive/Negative trends*
- *Effect of inflation and significant uncertainties*

To improve the company setting rewarded goals to increase motivation can bring out higher levels of performance in talented employees. Monitoring trends over a longer periods of time can help settle overhead costs by refining our resources to the essential.

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Regardless of this our company worked very well as a team and will continue to progress in the coming years.

We have plans to develop the product once we have established a solid interest so as to make the product into an android or iOS application for smartphones and tablets, this will increase sales dramatically... Financial Issues?

- *We will be subject to tax liabilities is we function for a year?*

## 8. Appendix 1

- GANTT Chart and PERT Chart attached in the email submission
- Business plan document attached in the email submission
- Balance Sheet & Income Statement attached in the email submission
- Cash Flow forecast up until September 2016 attach in the email submission

## 7.7.1 Product Pricing Methodology

| Product Pricing Methodology |       | sales to break even | predicted sales ratio | predicted sales at price | extra sales |          |          |          |
|-----------------------------|-------|---------------------|-----------------------|--------------------------|-------------|----------|----------|----------|
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|                             |       |                     |                       |                          |             |          |          |          |
|                             |       |                     |                       |                          |             |          |          |          |
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|                             |       |                     | 20%                   | 35455.91                 | 30083.80    | 19339.59 | 17958.19 | 13551.26 |



The methodology to work out a feasible sales price and volume to break even and with a profit margin can be worked out using our survey results as a reference of elasticity relevant to eCook.

### 7.7.1 Product Price

Comparing to current competitors we can see a range of products with similar functionality will sell from free to £30, this can be narrowed down the competition to strong competitors in terms of advertisement and additional functionality that create a niche in the market. The remaining products still start free but is only a 'LITE' version so can be excluded, the resulting product prices are £99, £2.99, £4.99, £8 and £30 where the majority are less than £10.

Overall the final product price will be £5.50 as this was the average price from our survey results (excluding extremities) and lies underneath the competitors range. This means 20042 copies of eCook must be sold if we choose to take a 20% profit margin to pay for the marketing costs and ensure the shareholders equity is met. We must sell 114 additional copies of eCook to overcome the interest gained during development, then it will the loan interest value will increase by £632.25 per month until we have money income.

Our product will return enough revenue to payback the loan within a year if we choose to sell the product at £5.50 and sell to at least 2% of students, there are approximately 1million students in the UK (Ref: <http://www.hesa.ac.uk/content/view/1897/239/>) which results in 20,000 copies guaranteed to be sold. Students are our first target audience because we have prioritised the loan re-payment which requires an initial burst of revenue. Students are most likely to benefit from the initial product and are most accessible because they live in dense residential homes, usually on campus, that can easily be influenced through appealing marketing techniques and help from student unions. Other sales will be made through social media networks and the fact we aren't purely aiming promotion at students, this drives our estimated sales to 20,500 for the first year which will grow as we advance. The target audience will eventually broaden when the product and company develops enough to compete with larger companies.

### 7.8 Cash Flow Forecast

Using the Cash Flow Forecast spread sheet (attached), we can estimate our projected sales based on our target sales. It takes us 2 months to prepare for distribution so we are ready to hit to fresh students in September 2014 , we aim to sell 5125 per quarter if all contributing factors remain the same.

After the first quarter, we are able to pay back some of our loan thus decreasing the interest rate. The remaining loan drops to £28,971.15 with an interest value of £1,628.18 payable at the end of the second quarter, by the end of the third quarter (June 2015) our loan is fully repaid and we have a gross profit of £25640.12. After the first year of projected sales years we will make £53,827.62.00 profit minus the shareholders equity.

A summary of the cash flow forecast for the entire development process and the next 2 years has been written into a Profit/Loss Statement as seen below. This takes every total expense and total revenue into account to give us a net profit of £150,183.12.

### 7.8.1 Profit/Loss Statement

|                      |             |
|----------------------|-------------|
| <b>Sales Revenue</b> | £242,412.50 |
|                      |             |
| <b>Cost of Sales</b> |             |
| Physical Promotion   | £5,000.00   |
| Social Media         | £6,666.67   |
| Web Adverts          | £5,833.33   |
| Other                | £2,500.00   |
| Modules              | £5,500.00   |
|                      |             |
| <b>Gross Profit</b>  | £216,912.50 |
|                      |             |
| <b>Overheads</b>     |             |
| Labour               | £28,939.50  |
| Rent                 | £15,817.50  |
| IT Infrastructure    | £2,550.00   |
| Modules              | £5,500.00   |
| Loan Interest        | £13,922.38  |
|                      |             |
| <b>Net Profit</b>    | £150,183.12 |

### 7.9 Critical Analysis

Over the allocated 26 week period, our business has developed greatly and gained experience through long-term planning and collective decisions. Financially, our company was strict on deadlines to prevent any overspend on overheads and to ensure all members completed their timesheets on time so we can balance the cash. Keeping clear documentation of all money transactions is essential for maintaining a big project, this allows the company to reflect on performance and expenditure, consequently highlighting areas of improvement. Careful consideration of unpredictable mistakes is expected and a method to overcome the problem must be quickly decided to avoid liquidation.

- *Key influential factors*
- *Capital Resources*
- *Positive/Negative trends*
- *Effect of inflation and significant uncertainties*

To improve the company setting rewarded goals to increase motivation can bring out higher levels of performance in talented employees. Monitoring trends over a longer periods of time can help settle overhead costs by refining our resources to the essential.

Spoon Ltd.

Regardless of this our company worked very well as a team and will continue to progress in the coming years.

We have plans to develop the product once we have established a solid interest so as to make the product into an android or iOS application for smartphones and tablets, this will increase sales dramatically... Financial Issues?

- *We will be subject to tax liabilities is we function for a year?*

## 8. Appendix 1

- GANTT Chart and PERT Chart attached in the email submission
- Business plan document attached in the email submission
- Balance Sheet & Income Statement attached in the email submission
- Cash Flow forecast up until September 2016 attach in the email submission