



Master Budget

2020



This Annual budget has been prepared to facilitate Scaters planning decisions.
It shows the amount of funding set aside for capital projects for the coming year.

Budget Committee

PHIL KELLY: SALES MANAGER (SALES)

**PAUL CROLLA: PLANT/PRODUCTION MANAGER
(PRODUCTION)**

DEAN SMITH: PURCHASING MANAGER (PROCUREMENT)

REBECCA MORGAN: ACCOUNTS MANAGER (ACCOUNTS)

PAUL JOYCE: MD (OFFICE AND SUPPORT)

MARK LEWIS: WAREHOUSE MANAGER (WAREHOUSE)

**DAVID SMITH: OFFICE MANAGER (OFFICE AND
SUPPORT)**



Budget Committee Meeting Agenda

Meeting Date:

1. Presentation of Strategy and Budget (To Be Confirmed)
2. Discussion of Master Budget (ALL)
3. Agree Budget (ALL)
4. Outline Capital Investment Proposals (To Be Confirmed)
5. Discuss other business improvement initiatives (ALL)
6. Agree date, time and venue for project presentations
7. AOB

Summary

Pay Bill	£1,026,770	Retained Profits	£624,682
Cost of Goods	£2,728,992	Income	£4,254,527
Expenses	£118,353		
Total Costs	£3,874,115		

Capital Budget Max **£1,005,095**

Notes:

1. The forecast Pay Bill includes ALL costs associated with salaries (and includes employer national insurance and pension contributions)
2. The "Resale Products Costs" is the estimated cost of all production and resale related procurement costs from suppliers but excludes other costs such as stationary, utilities etc.
3. The Total costs includes ALL liabilities likely to fall due in the next financial year.

DEPARTMENTAL BUDGETS

Marketing:	£37,521
Sales:	£92,601
Warehouse:	£102,314
Production:	£143,123
Accounts:	£72,394
Procurement:	£31,509
Office:	£219,099
HR:	£37,521
IT:	£92,357
R and D:	£46,906
Exports:	£65,179

Income

Sales Budget



SalesBudget (Income)

2020

ID	Product Code	Product Name	New Price	Qty to sell	Forecast Revenue	%TS
1	004-00001	First Aider (minor)	£33.80	2212	£74,772	1.8
3	010-00003	Nut150	£7.42	4286	£31,782	0.7
4	010-00004	Trucks	£34.86	2571	£89,624	2.1
5	010-00005	SKATEBOARD WAX	£16.50	1840	£30,356	0.7
6	002-00006	Black Helmet	£42.14	1786	£75,269	1.8
7	002-00007	Skateboard WHEELS Blank	£18.62	2287	£42,585	1.0
8	008-00008	Pro Tec Helmet	£64.70	1301	£84,178	2.0
14	002-00014	Truck Assemblies	£39.54	1863	£73,663	1.7
<u>17</u>	006-00017	Pro Skate	£90.37	2267	£204,860	4.8
19	001-00019	Mini First Aider	£33.08	1204	£39,826	0.9
20	002-00020	Silver Helmet	£109.43	1819	£199,052	4.7
21	001-00021	Ultimate Sports First Aid Kit	£75.57	1902	£143,727	3.4
34	004-00034	Rapid Response Kit	£23.51	3232	£75,991	1.8
40	007-00040	Forest green Skate - Skateb	£28.06	3648	£102,360	2.4
<u>41</u>	006-00041	Scater Clothing	£25.60	1536	£39,314	0.9
43	004-00043	First Aid comprehensive kit	£34.69	2349	£81,477	1.9
48	010-00048	Trucks, Wheels	£38.10	4238	£161,488	3.8
51	002-00051	JESUS FISH SKATEBOAR	£22.43	2446	£54,860	1.3
52	001-00052	Skater cool	£48.71	2639	£128,545	3.0
56	001-00056	Board Blank	£164.93	1874	£309,075	7.3
57	001-00057	Pre-drilled Riser Pad	£12.54	4758	£59,686	1.4
65	008-00065	Multicoloured Helmet	£36.14	1992	£71,994	1.7
66	008-00066	Bell Santa Cruz Aftersupper	£62.46	1320	£82,444	1.9
72	005-00072	Protec ACE Skateboard Hel	£50.60	2478	£125,394	2.9
74	002-00074	Grip Tape	£9.37	4010	£37,562	0.9
77	010-00077	Bolt100	£11.62	2981	£34,625	0.8
80	002-00080	Moose 7ply Canadian Maple	£23.36	2941	£68,716	1.6
81	003-00081	One Person / Travel Kit First	£22.88	1445	£33,064	0.8
82	001-00082	Skateboard T-shirt	£21.35	2525	£53,912	1.3
83	009-00083	BLANKS SKATEBOARD DE	£70.56	1499	£105,764	2.5
85	001-00085	First Aid Add On Kit	£23.94	2265	£54,213	1.3
86	001-00086	PREMIUM SPORTS TEAM	£67.07	1846	£123,806	2.9
87	007-00087	Active MAX First Aid Kit	£34.08	2150	£73,277	1.7
<u>88</u>	006-00088	Scaters FLIP	£89.74	2427	£217,808	5.1
<u>89</u>	006-00089	Extreme Board	£92.12	1913	£176,219	4.1
<u>90</u>	006-00090	Scaters Stunt	£56.24	2324	£130,703	3.1
<u>91</u>	006-00091	Entry level Skateboard	£56.91	2166	£123,271	2.9
<u>92</u>	006-00092	Fast and Furious	£54.29	2944	£159,844	3.8
<u>93</u>	006-00093	The Dutch Monster	£90.47	2243	£202,920	4.8
<u>94</u>	006-00094	Scaters Elite	£74.03	794	£58,781	1.4
95	007-00095	Club Arizona	£28.76	2265	£65,134	1.5
96	007-00096	Stunts	£28.13	2426	£68,242	1.6
97	001-00097	Orange Simpsons skateboar	£26.91	1527	£41,087	1.0
98	001-00098	Single Blank Board	£12.75	3392	£43,259	1.0
Notes:						
An underlined ID field		Total (Annual)Sales (TS)			£4,254,527	
indicates a Scaters		Total (Monthly)Sales			£354,544	
Manufactured product						

Cost of ALL Goods Sold (see detail section)



Cost Of (All) Goods

2020

ID	Product Code	Product Name	Qty to sell	Budget (Cost)	Qty (parts)	Parts (Cost)	Cost (Total)
1	004-00001	First Aider (minor)	2212	£62,880			£62,880
3	010-00003	Nut150	4286	£6,761	17078	£25,617	£32,378
4	010-00004	Trucks	2571	£102,614			£102,614
5	010-00005	SKATEBOARD WAX	1840	£6,733			£6,733
6	002-00006	Black Helmet	1786	£44,081			£44,081
7	002-00007	Skateboard WHEELS Blank	2287	£14,967			£14,967
8	008-00008	Pro Tec Helmet	1301	£56,820			£56,820
14	002-00014	Truck Assemblies	1863	£48,284			£48,284
19	001-00019	Mini First Aider	1204	£17,119			£17,119
20	002-00020	Silver Helmet	1819	£148,048			£148,048
21	001-00021	Ultimate Sports First Aid Kit	1902	£113,240			£113,240
34	004-00034	Rapid Response Kit	3232	£41,717			£41,717
40	007-00040	Forest green Skate - Skateb	3648	£94,516			£94,516
43	004-00043	First Aid comprehensive kit	2349	£44,790			£44,790
48	010-00048	Trucks, Wheels	4238	£144,352	17078	£351,124	£495,475
51	002-00051	JESUS FISH SKATEBOAR	2446	£24,268			£24,268
52	001-00052	Skater cool	2639	£82,643			£82,643
56	001-00056	Board Blank	1874	£239,228			£239,228
57	001-00057	Pre-drilled Riser Pad	4758	£24,655	17078	£85,390	£110,045
65	008-00065	Multicoloured Helmet	1992	£49,999			£49,999
66	008-00066	Bell Santa Cruz Aftersupper	1320	£57,989			£57,989
72	005-00072	Protec ACE Skateboard Hel	2478	£146,682			£146,682
74	002-00074	Grip Tape	4010	£10,773	17078	£42,695	£53,468
77	010-00077	Bolt100	2981	£9,347			£9,347
80	002-00080	Moose 7ply Canadian Maple	2941	£67,860			£67,860
81	003-00081	One Person / Travel Kit First	1445	£10,080			£10,080
82	001-00082	Skateboard T-shirt	2525	£32,960			£32,960
83	009-00083	BLANKS SKATEBOARD DE	1499	£68,530			£68,530
85	001-00085	First Aid Add On Kit	2265	£25,173			£25,173
86	001-00086	PREMIUM SPORTS TEAM	1846	£190,371			£190,371
87	007-00087	Active MAX First Aid Kit	2150	£47,820			£47,820
95	007-00095	Club Arizona	2265	£39,564			£39,564
96	007-00096	Stunts	2426	£36,420			£36,420
97	001-00097	Orange Simpsons skateboar	1527	£22,232			£22,232
98	001-00098	Single Blank Board	3392	£14,660	17078	£68,312	£82,972

Notes:

- Includes ScaterBoys Manufactured product (parts)
- Supplier costs considered only i.e. excludes labour costs and shipping charges

Total Cost of (All) Goods

£2,721,312

Costs (Monthly)

£226,776

Detail section (1) Cost of Resale Goods Budget



Cost Of (Resale) Goods

2020

ID	Product Code	Product Name	Cost Price	Qty to sell	Budget (Cost)
1	004-00001	First Aider (minor)	£15.00	2212	£62,880
3	010-00003	Nut150	£1.50	4286	£6,761
4	010-00004	Trucks	£16.50	2571	£102,614
5	010-00005	SKATEBOARD WAX	£3.01	1840	£6,733
6	002-00006	Black Helmet	£18.75	1786	£44,081
7	002-00007	Skateboard WHEELS Blank	£5.75	2287	£14,967
8	008-00008	Pro Tec Helmet	£30.00	1301	£56,820
14	002-00014	Truck Assemblies	£17.44	1863	£48,284
19	001-00019	Mini First Aider	£9.50	1204	£17,119
20	002-00020	Silver Helmet	£60.75	1819	£148,048
21	001-00021	Ultimate Sports First Aid Kit	£40.00	1902	£113,240
34	004-00034	Rapid Response Kit	£10.50	3232	£41,717
40	007-00040	Forest green Skate - Skateb	£13.80	3648	£94,516
43	004-00043	First Aid comprehensive kit	£15.90	2349	£44,790
48	010-00048	Trucks, Wheels	£20.56	4238	£144,352
51	002-00051	JESUS FISH SKATEBOAR	£8.50	2446	£24,268
52	001-00052	Skater cool	£25.25	2639	£82,643
56	001-00056	Board Blank	£95.50	1874	£239,228
57	001-00057	Pre-drilled Riser Pad	£5.00	4758	£24,655
65	008-00065	Multicoloured Helmet	£15.79	1992	£49,999
66	008-00066	Bell Santa Cruz Aftersupper	£28.75	1320	£57,989
72	005-00072	Protec ACE Skateboard Hel	£26.10	2478	£146,682
74	002-00074	Grip Tape	£2.50	4010	£10,773
77	010-00077	Bolt100	£2.75	2981	£9,347
80	002-00080	Moose 7ply Canadian Maple	£10.00	2941	£67,860
81	003-00081	One Person / Travel Kit First	£5.00	1445	£10,080
82	001-00082	Skateboard T-shirt	£8.00	2525	£32,960
83	009-00083	BLANKS SKATEBOARD DE	£35.00	1499	£68,530
85	001-00085	First Aid Add On Kit	£9.00	2265	£25,173
86	001-00086	PREMIUM SPORTS TEAM	£34.50	1846	£190,371
87	007-00087	Active MAX First Aid Kit	£15.00	2150	£47,820
95	007-00095	Club Arizona	£12.00	2265	£39,564
96	007-00096	Stunts	£12.00	2426	£36,420
97	001-00097	Orange Simpsons skateboar	£8.00	1527	£22,232
98	001-00098	Single Blank Board	£4.00	3392	£14,660

Notes:

1. Excludes ScaterBoys Manufactured products
2. Supplier costs considered only i.e. excludes labour costs and shipping charges

Total Cost of (Resale) Goods

£2,148,175

Costs (Monthly)

£179,015

Detail section (2) Cost of Goods (parts) Budget



2020

Cost Of (Parts) Goods - Details

ID	Product Name	Target Qty to sell	ResourceDays	Part	Qty Part per product	Total Qty
17	Pro Skate	2267	79			
				Nut150	1	2267
				Trucks, Wheels	1	2267
				Pre-drilled Riser Pad	1	2267
				Grip Tape	1	2267
				Single Blank Board	1	2267
41	Scater Clothing	1536	107			
				Scaters T Shirt Black	1	1536
88	Scaters FLIP	2427	87			
				Nut150	1	2427
				Trucks, Wheels	1	2427
				Pre-drilled Riser Pad	1	2427
				Grip Tape	1	2427
				Single Blank Board	1	2427
89	Extreme Board	1913	68			
				Nut150	1	1913
				Trucks, Wheels	1	1913
				Pre-drilled Riser Pad	1	1913
				Grip Tape	1	1913
				Single Blank Board	1	1913
90	Scaters Stunt	2324	166			
				Nut150	1	2324
				Trucks, Wheels	1	2324
				Pre-drilled Riser Pad	1	2324
				Grip Tape	1	2324
				Single Blank Board	1	2324
91	Entry level Skateboard	2166	77			
				Nut150	1	2166
				Trucks, Wheels	1	2166
				Pre-drilled Riser Pad	1	2166
				Grip Tape	1	2166
				Single Blank Board	1	2166
92	Fast and Furious	2944	103			
				Nut150	1	2944
				Trucks, Wheels	1	2944
				Pre-drilled Riser Pad	1	2944
				Grip Tape	1	2944
				Single Blank Board	1	2944
93	The Dutch Monster	2243	155			
				Nut150	1	2243
				Trucks, Wheels	1	2243
				Pre-drilled Riser Pad	1	2243
				Grip Tape	1	2243
				Single Blank Board	1	2243
94	Scaters Elite	794	27			
				Nut150	1	794
				Trucks, Wheels	1	794
				Pre-drilled Riser Pad	1	794
				Grip Tape	1	794
				Single Blank Board	1	794

Notes:

1. ScaterBoys Manufactured products Only

Product (Part)	Total Qty Forecast	Forecast Cost
Nut150	17078	£25,617
Trucks, Wheels	17078	£351,124
Pre-drilled Riser Pad	17078	£85,390
Grip Tape	17078	£42,695
Single Blank Board	17078	£68,312
Scaters T Shirt Black	1536	£7,680
Total Cost of (Parts) Goods		£580,818
Costs (Monthly)		£48,401

Notes:

- a. Includes ALL forecast sales (resale and Manufactured)
 b. Product related costs reported only (labour costs reported separately)
 c. Excludes expenses and Labour costs

a. Total Sales	£4,254,527
b. Total Costs	£2,728,992
c. Total Income	£1,525,535

Expenses**Expense Budget****2020****Expense (Budget - non capital)**

Account Number	Account Name	Total W/drawals (Last Year)	Budget Amount
0011	Leasehold Property	£50,400	£51,408
0040	Furniture and Fixtures	£450	£459
5003	Packaging	£13,550	£13,821
6201	Advertising	£2,250	£2,295
6203	P.R. (Literature & Brochu	£1,275	£1,301
6900	Miscellaneous Expenses	£10	£10
7008	Recruitment Expenses	£750	£765
7102	Water Rates	£3,400	£3,468
7200	Electricity	£5,530	£5,641
7301	Repairs and Servicing	£249	£254
7400	Travelling	£78	£80
7402	Hotels	£250	£255
7403	U.K. Entertainment	£170	£173
7406	Subsistence	£115	£117
7501	Postage and Carriage	£16,000	£16,320
7502	Telephone	£5,064	£5,165
7504	Office Stationery	£971	£990
7600	Legal Fees	£575	£587
7602	Consultancy Fees	£3,000	£3,060
7801	Cleaning	£4,800	£4,896
8202	Clothing Costs	£225	£230
8203	Training Costs	£500	£510
8204	Insurance	£3,000	£3,060
8205	Refreshments	£146	£149

Expense (Budget Capital)

Account Number	Account Name	Total W/drawals (Last Year)	Budget Amount
0020	Plant and Machinery	£5,150	£5,253
5004	Computer Software	£1,650	£1,683
5005	Computer Hardware	£8,500	£8,670

***note 1: The expenses listed above refer to expenditure on buying, creating or improving a business asset kept to earn future profits. Examples of capital expenditure include the cost of buying business premises, machinery, computers, fixtures and furniture etc.**

Total Operating Expenses	£112,757	£115,013
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Total Expenses	£118,353
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Net Income	£1,407,182
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Budget: Annexe 1 (Schedule of Capital Investment Projects)

Capital budgeting (or investment appraisal) at Scaters is the planning process used to determine whether the organization's long term investments (e.g. new machinery and technology, research development projects and investments in people etc) are worth pursuing. It is budget for major capital, or investment, expenditures

Budget: Annexe 2 (Scaters Strategy)

Mission

Profitable growth through superior customer service, innovation, quality and commitment. Our goal is to be the leader in every market we serve, to the benefit of our customers and our shareholders.

Relative importance of sources of Competitive Advantage

Cost Advantage	8	High
Differentiation Advantage	5	Medium
Responsiveness Advantage	9	High

Domestic Market Importance	7	High
International Market Importance	4	Medium

Business Model

Segments Served	B2B
Channels	Direct Sales Force, Partner stores
Customer Relationships	Personal assistance
Revenue Stream	Asset Sale
Key Physical Resources	Warehouse Production
Key Human Resources	MD Purchasing Manager
Key Production Activities	Assembly
Key Sales Activities	Quotes
Key Warehouse Activities	Pick, Pack and Ship Goods inbound receipt Staging parts for Assembly
Key Partnerships	Suppliers, Intermediaries

Strategic Targets

	Current	Target
Revenue (Income)	£4,985,868	£5,484,454
Customers (Business)	29	50
Avg Spend Per Customer	£166,196	£182,815
Sales Orders	1386	1,525
Market Share(%)	5%	6%
Product Range	46	100
Profit (%)	46.11%	60.72%
Costs	£2,530,811	£2,783,892

Budget: Annexe 2.1 (Scaters Analysis)

Political

Performance may be influenced by the local legislative and political conditions in the UK and other countries in which the company sells or operates.

Globalisation and the opening up of markets has provided opportunities for expansion and growth (in terms of the customer base and volume of sales). Instability created by Brexit is creating uncertainty in demand.

Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.

Economic

Economic factors are of concern, because they are likely to influence demand, costs, prices and profits. One of the most influential factors on the economy is high unemployment levels, which decreases the effective demand for many goods, adversely affecting the demand required to produce such goods.

These economic factors are largely outside the control of the company, but their effects on performance and the marketing mix can be profound. Although international business is still growing, and is expected to contribute greater amounts to profits over the next few years, the company is still highly dependent on the UK market. Hence, the company would be badly affected by any slowdown in the UK market and are exposed to market concentration risks.

In 2016, Britain and Germany were the fastest growing economies in the G7. But in 2017 Britain has fallen to the bottom of the table as growth in other countries has picked up, while growth in the UK has slowed. Growth in 2016 was stronger than the OBR and other forecasters were expecting at the start of the year, with little sign of any immediate post-Brexit slowdown. But the OBR predicts growth will slow in 2017 and 2018 as businesses delay investment plans and household incomes start to be squeezed by rising inflation.

The vast majority of economists expect the decision to leave the EU to hit growth in the medium to longer term.

Social

UK's population is shrinking and ageing (Kelly and Ashwin 2013). Impact of population shrinking on UK could lead to shortage of labour in the market place and rising expenses in services like medical services, education services. Eventually government will have to cut down on benefits and pension, or increase tax to provide to pay higher contributions and health insurance.

The trend of rising expenses is affecting UK's shoppers buying behaviour, and affecting their nature and forcing them to compromising on quality.

In addition, the focus is now towards; the own-label share of the business mix, the supply chain and other operational improvements, which can drive costs out of the business. National retailers are increasingly reticent to take on new suppliers .

The type of goods and services demanded by consumers is a function of their social conditioning and their consequent attitudes and beliefs. Consumers are becoming more and more aware of health issues, and their attitudes towards food are constantly changing.

Technological

Consumers need more convenient and high tech experience while shopping and technology plays a vital role in enhancing user experience and cost effective.

The internet plays an increasingly important role. Therefore, retailers need to

attract new customers via e-commerce or the web2.0 (blogs and community networks). Smart phones and tablets have become integral part of our life mobile app's should be created for customers. A further trend is "green" IT.

Technology is a major macro-environmental variable which has influenced the development of many of the Scaters products. The new technologies benefit both customers and the company: customer satisfaction rises because goods are readily available, services can become more personalised and shopping more convenient. Scaters utilise the following technologies:

Wireless devices
Electronic shelf labelling
BarCode readers
Database (Scaters System)

Legal

The presence of powerful competitors with established brands creates a threat of intense price wars and strong requirements for product differentiation. The government's policies for monopoly controls and reduction of buyers' power can limit entry to this sector with such controls as license requirements and limits on access to raw materials.

Ecological

In 2003, there has been increased pressure on many companies and managers to acknowledge their responsibility to society, and act in a way which benefits society overall.

Strengths

Founder and CEO actively involved, Skilled and committed team, professional endorsements, industry expert contacts, manufacturing partnerships, marketing partnerships, low lease rate, expandable building space, location, some Vertical integration, Quality products, Excellent sales staff with strong knowledge of existing products, Good relationship with customers, Good internal communications

Weaknesses

Reliance on small number of customers, The retail sector is very price sensitive, dependent upon suppliers for products/ pricing, reliant on retail (intermediary) distribution channels, narrow range of products, Does not Sell directly to consumers, Management team has not worked together for long period, Limited global experience

Opportunities

Expanding market, New product development, international markets, business to consumer - especially through eCommerce, consumer desire for one-stop shop, Scope for innovation in existing market

Threats

The risks that Brexit may pose in terms of international trade. The main trade barriers facing British businesses at the moment include a lack of knowledge and market intelligence and overseas regulation and legislation. Brexit isn't a typical trade [agreement] negotiation. The aim is to try to maintain the current level of openness and freedom to trade as much as possible, and avoid disruption. This disruption could include the application of tariffs, more paperwork, and longer delivery time for customers. Beyond Europe, there's a potential challenge from existing EU trade agreements with non-EU countries to which UK businesses currently have access. There's no legal clarity on whether, or how easily, the UK can continue to apply existing trade preferences once they have left the EU. A period where they suddenly no longer apply and documentation requirements change – even temporarily – is a potential concern.

Imitation products, competition (especially through pricing), modest funding, Irrational competitor pricing, Competitor speed, Supplier power, Cyclic behaviour of industry, Competitors have similar/ same product(s), Downturn in economy may mean people are spending less

Competitive Environment:

Threat (Substitution)

There is a huge threat of substitute products: General substitution is able to reduce demand for a particular product, as there is a threat of consumers switching to the alternatives Porter M. (1980).

Threat (New Entrant)

There is a medium to high threat of new entrants: In the SkateBoard manufacturing industry, this is generally a medium threat. Factors to examine for this threat include all barriers to entry such as upfront capital requirements (it costs around £200,000 to set up a skateboard manufacturing facility), brand equity (a new firm may have none), ability to distribute the product

Power (Suppliers)

Suppliers do not have much bargaining power: In the Skateboard industry this refers to all the suppliers of parts and finished products. Many suppliers are small firms who rely on the intermediaries and assemblers. So this force can be a small one.

Power (Customers)

The bargaining power of buyers/customers is high: Porter theorized that the more products that become standardized or undifferentiated, the lower the switching cost, and hence, more power is yielded to buyers Porter M. (1980).

Rivalry

There is a significant amount of rivalry among competitors: Companies in this industry are engaged in fairly fierce competition. Tit-for-tat price slashes, ad campaigns, and product developments keep them on the edge of innovation and profitability. Margins are low and pressure between rivals is high.

Concentration Ratio

40%

HHI

13%

Market Growth

5%

Budget: Annexe 3 (Scaters Budget Processes)

Figure 1: Master Budget Process

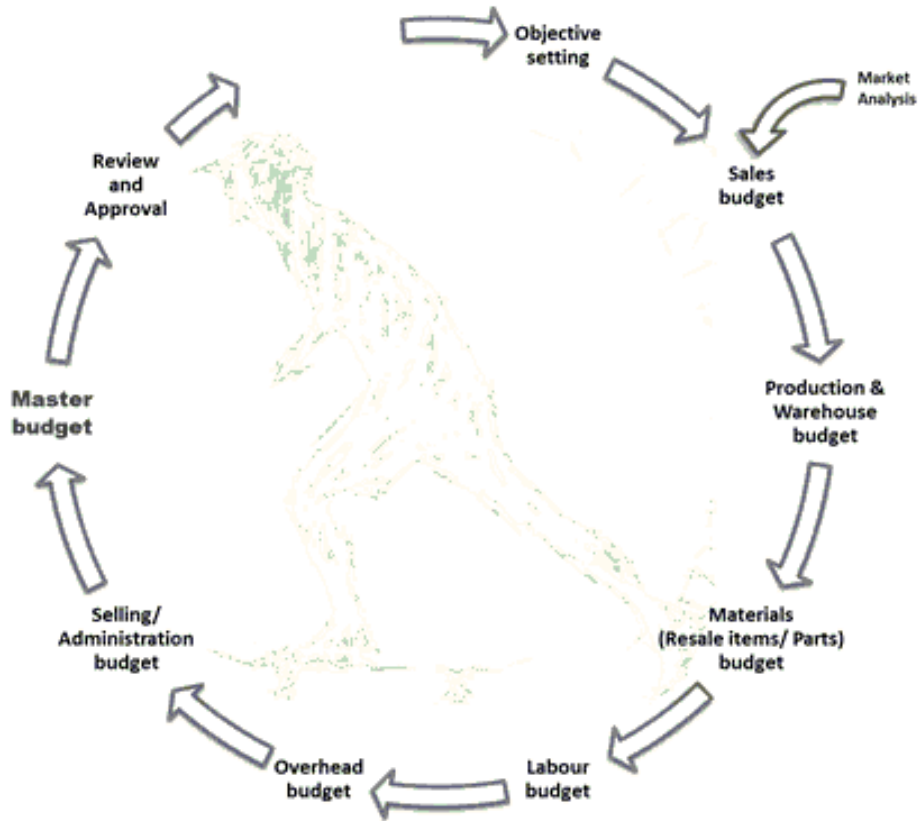


Figure 2: Budgeting for investment in projects

