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Economic and Business Consulting, Investment & Capital Raising

XXX Ltd. Business Plan



July 2008

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A. Executive Summary

1. The purpose of the Business Plan

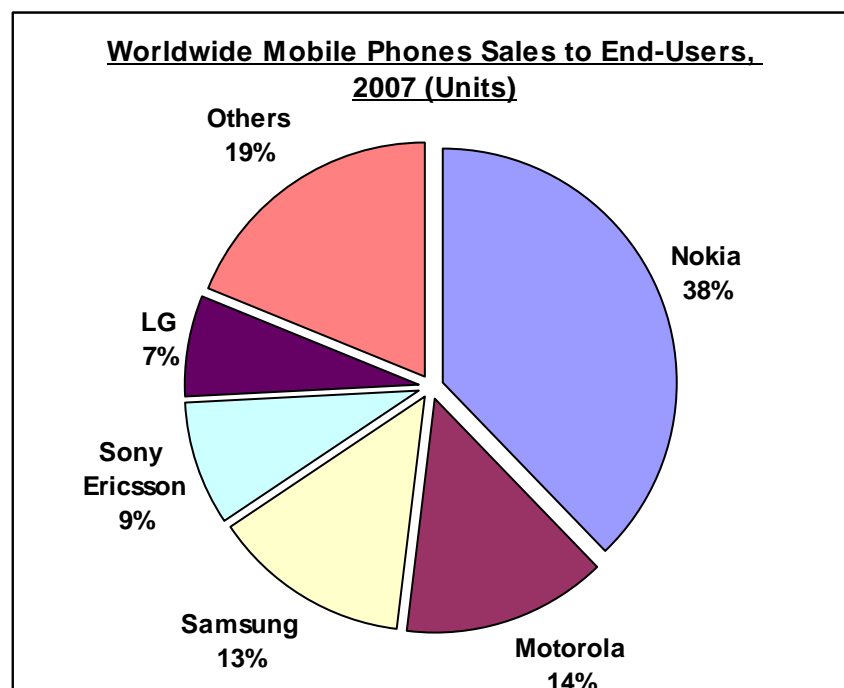
We were asked by XXX Ltd. to prepare a business plan that would reflect in a fair way its expected business potential and the likelihood of the expected derived economical results of its business activity.

For the preparation of this business plan we used information and data forwarded to us by the company manager; information we have gathered by personal communication with the company manager; and the information we have collected independently from various sources regarding the business environment and the players in the market (all sources of information are stated in the business plan).

All this data was used to characterize a comprehensive business and economic method in order to define sales forecast we find likely (within the limitations of future estimates) for definition and derivation of the company's financial forecasts. This was done while critically revising the data that was used as the basis for the business plan, as detailed in the business plan below.

2. The Market

Worldwide sales of mobile phones to end users surpassed 1.15B units in 2007, a 16 % increase from 2006 sales, when sales totaled 990M units. The chart below presents mobile phones distribution of manufacturers in 2007:



According to the figures from European Union's in-house statistical office, most European countries have mobile phone subscription penetration rates higher than that of the population. The largest growth markets in the world today are India, China and the African countries, where penetration is still low. However, in the next years these markets are expected to total 70% of the global mobile devices market.

An average price for a handset with advanced features amounts to about 100 pounds in the UK (about \$200). However, in underdeveloped countries, such as African countries, there is demand for simple and cheap phones (Ultra Low Cost Handsets) with an average price around 40 dollar.

The operation of mobile phones distribution channels involves direct channels, such as authorized distributors of the handsets manufacturers, and indirect channels such as independent vendors. The reason that the indirect market exists is since there are high price differentials for the same devices in different countries. This price differential allows the phones to be resold in the more expensive markets at a profit.

The indirect market forms a kind of arbitrage which forces prices down and provides name brand mobile phones at a lower price to the consumer. Although it may undermine the manufacturer's distribution arrangements and its ability to control quality in the distribution process, manufacturers do not usually oppose the indirect market as it helps them to increase sales. About 60% of mobile phones sales come through direct channels and about 40% through indirect channels.

A big part of the trade in the indirect channel is conducted mainly from the Internet site GSM Exchange (<http://www.gsmexchange.com>), an international trading platform, and similar sites, whose goal is to help the vendors and distributors in this market.

3. The Company

The purpose of the chapter (see Chapter C) is to introduce the company and its key personnel. XXX Ltd., which is being established in the UK, is engaged in the indirect mobile phones market – it buys, sells and distributes mobile phones and original accessories. It ships worldwide and has contacts that extend to all corners of the world.

The company will work in cooperation with an existing company XXX Ltd., based in Cyprus, where xxx is a minor partner. XXX Ltd. is also engaged in the mobile phones industry.

XXX Ltd. is based on the knowledge and the experience of xxx in the mobile phones industry.

The operation the UK is expected to include four workers:

- xxx , manager,
- Sales and purchases agent,
- Logistic manager,
- Administrative manager.

4. Business Strategy

The purpose of the chapter (see Chapter D) is to introduce the business and the business concept in a complete and comprehensive form. The chapter lists all advantages and disadvantages of the company in a coherent manner and advises on the derived business strategy.

Among the many advantages of the company there are the following:

1. The company manager, xxx, is well known in the market and has a good reputation. He has extensive experience in the field of wholesale and retail trade of mobile phones.
2. The company has the ability to buy, sell and ship around the globe; it has contacts that extend to all corners of the world.
3. The mobile phones market is a highly active market, mobile phones are now considered a necessity, trade is conducted in all parts of the globe, and the demand for mobile phones is rising.

Among the disadvantages there are the following:

1. The company is considered medium/small in comparison to many of its competitors.
2. The market is prone to criminal activity, such as stealth and frauds.
3. The competition in the field is fierce.

The company will take advantage of its relative strengths and use them as a lever for its business and marketing development.

The company sees the good reputation of its manager, xxx, as one of its major assets. The company will continue to build its own reputation, in order to make itself eminent in the market that has a large number of small and unknown trades and where there is risk of fraud, in order to provide its customers a risk-free alternative.

The company will also strive to develop business contacts with traders from developing countries where the demand for mobile phones is growing, such as China, India, and African countries.

The company will take full advantage of xxx's abilities in the areas of deals closing and quick shipping in order to create a large number of loyal customers, including distributors, traders and retailers.

The company will take advantage of xxx's extensive experience in wholesaler and retail sales of mobile phones as a marketing lever in penetration to new markets.

5. Financial Forecast

The company activity involves purchasing of a stock of mobile phones in one country and selling them in another country. The profit from a deal ranges from 4% to 6% of the revenues, after all costs have been paid.

Table 1 presents the sales, profit and cash flow forecast of the company. In the five years of activity, the company expects to execute about 490 transactions (about 100 transactions a year in average). The company revenues are expected to amount to about 35M and the gross profit to about 2M.

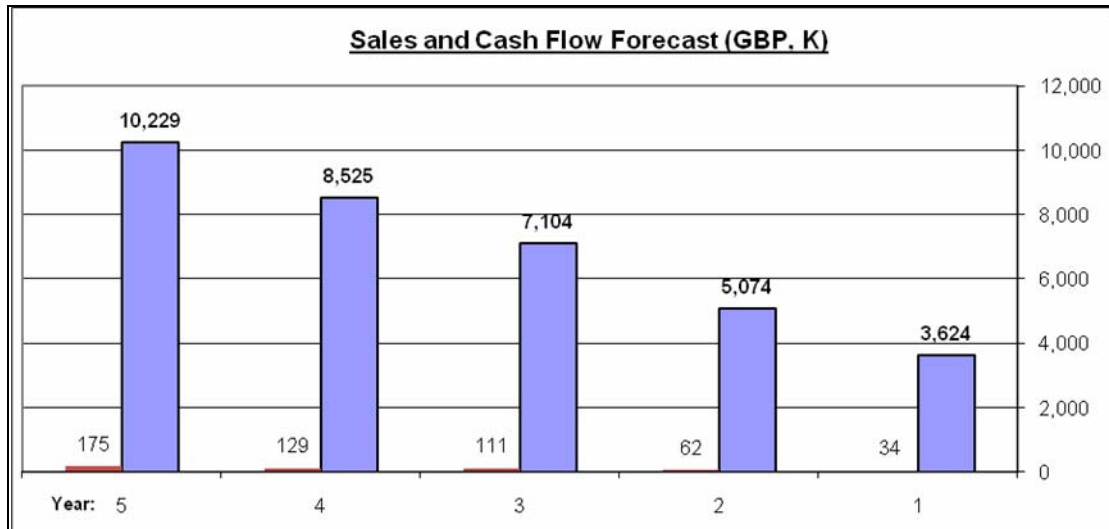
After deduction of operation expenses, the operating profit is expected to reach 710K in the five years period.

Table 1: Transactions, Sales, Profit and Cash Flow Forecast (GBP K, before VAT)							
Year	1	2	3	4	5	Total	Percent
Number of transactions	51	71	100	120	144	486	
Revenues	3,624	5,074	7,104	8,525	10,229	34,556	100.0%
<u>Gross margin</u>	<u>3,420</u>	<u>4,787</u>	<u>6,702</u>	<u>8,043</u>	<u>9,651</u>	<u>32,604</u>	<u>94.4%</u>
Gross profit	205	287	401	482	578	1,952	5.6%
<u>Operating expenses</u>	<u>157</u>	<u>200</u>	<u>247</u>	<u>302</u>	<u>335</u>	<u>1,240</u>	<u>3.6%</u>
Profit/Cash flow before taxes	48	86	155	180	243	712	2.1%
Profit/Cash flow after taxes	34	62	111	129	175	513	1.5%

Corporation tax that is levied in the UK on profits made by companies and on profits of permanent establishments of non-UK resident companies is 28%. The corporate tax totals about 200K in the five years of the forecast.

Since the company has no financing costs and no substantial depreciation, the profit is identical to the cash flow. The profit / cash flow after taxes total 510K in the five years of the forecast.

The chart below presents the sales and the cash flow forecast of the company. The sales rise from about 3.6M in the first year to about 10.2M in the fifth year. The cash flow rises from 34K in the first year to about 175K in the fifth year.



6. General Remarks

All figures in this business plan are given in pounds, before VAT and in fixed prices, unless stated differently. In case of discrepancies between the information in tables and charts and the information in the text, information in tables and charts should be taken as the correct one.

This business plan includes certain estimates and other forward-looking statements, such as statements about anticipated operating and financial performance, etc. These statements are subject to uncertainties that could cause actual future performance to differ materially. The company disclaims any obligation to update or revise any forward-looking statement based on the occurrence of future events, receipt of new information or otherwise.