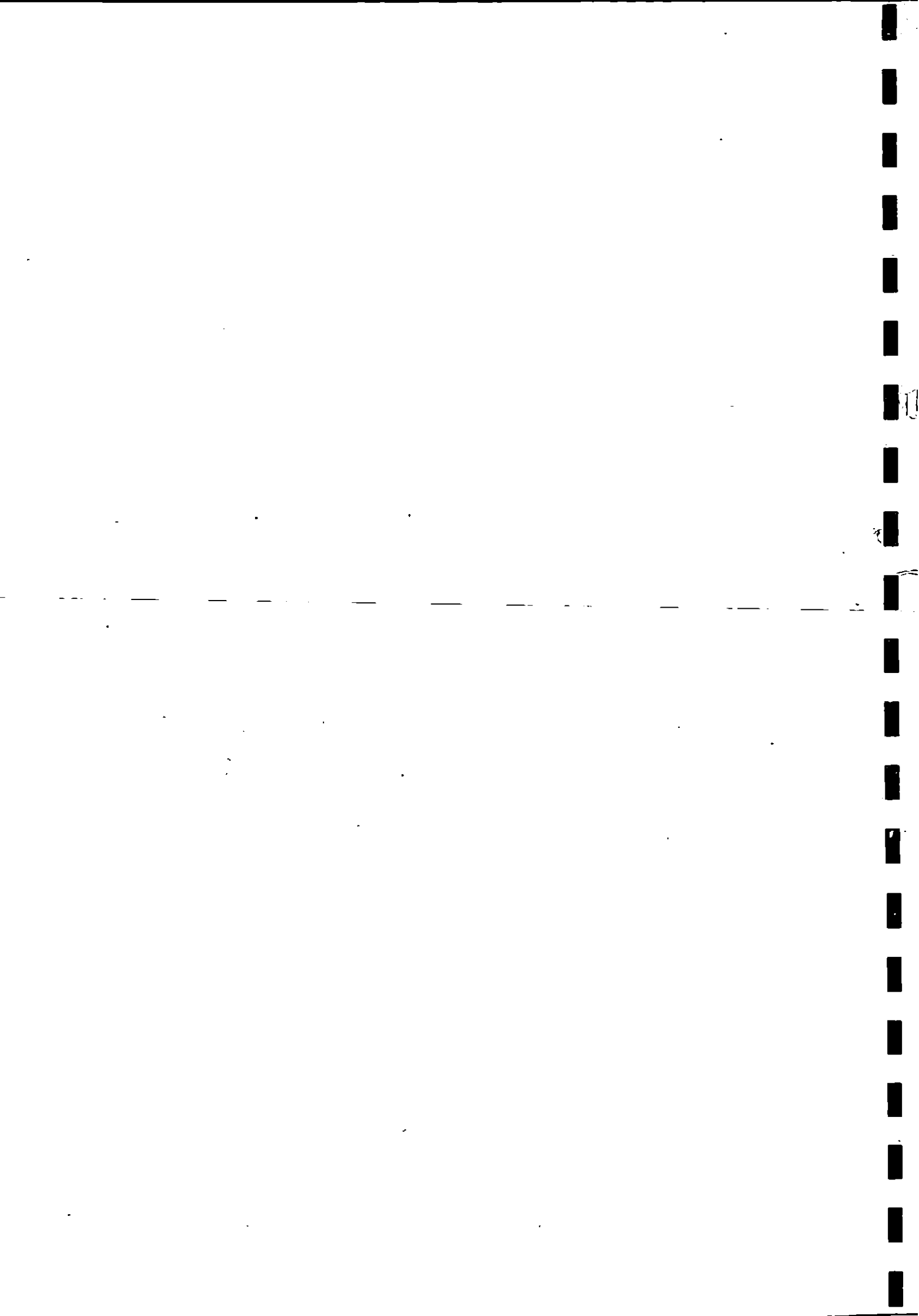


REHAB COMMERCIAL ENTERPRISES

BUSINESS PLAN

1994 - 2003





REHAB COMMERCIAL ENTERPRISES

BUSINESS PLAN

1994-2003

Presented by: Rehabilitation Institute

November, 1993

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REHAB COMMERCIAL ENTERPRISES

EXECUTIVE SUMMARY

- * The Rehabilitation Institute provides a livelihood for 3,100 people in more than 42 locations throughout Ireland. 630 persons are employed by the Rehabilitation Institute, 1,600 persons with disabilities are in full time training, while a further 800 persons with disabilities have completed their training and are awaiting full time employment. The Institute currently operates many small commercial enterprises as a bases for its vocational training services and work activation programmes.

- * The Institute plans to build on its existing commercial base to develop a major commercial enterprise employing 2,000 people in a range of approximately 20 businesses. This employment will be evenly split between able bodied and disabled workers, providing up to 1,000 jobs for those currently unemployed and a further 1,000 jobs for those disabled people who are fully trained but unable to secure open employment. This plan will commence in 1994 with Phase 1 and will be fully developed over a 10 year period, reaching completion in 2003.

- * Phase 1 of this plan is set out in this document and is based on exploiting the potential of six existing businesses already developed within the Rehabilitation Institute, between 1994 and 1996. During this period it is planned to double sales turnover to create 240 additional jobs, together with securing an existing 60 jobs. The six businesses are:
 - Rehab Electronics Manufacturing
 - Galway Corrugated Cases
 - Rehab Recycling Services
 - Hats of Ireland
 - Precision Workwear Manufacturing
 - Greenhills Food Company

* Putting Phase 1 of this plan in place will help address the unemployment problem and as a consequence reduce the cost of social welfare payments by creating 85 jobs for able bodied workers, and 155 jobs for disabled workers. This is in addition to securing 60 existing jobs already extant across the six businesses.

To put this first phase of its plan in place, The Rehabilitation Institute will require funding under three headings:

- An ongoing employment grant of £7,400 for disabled workers to offset the cost of lower productivity, estimated at 35% on average and in replacement of existing Disabled Persons Maintenance Allowance now paid to these individuals.
- A once off employment grant of £15,000 for each additional able bodied worker employed.
- Capital grants to meet the cost of the investment programme proposed for the next 3 years, estimated at £1.2 million. Investment beyond 1996 will be funded from the surplus generated within these businesses.

SUMMARY OF FUNDING REQUIRED FOR PHASE 1 OF

REHAB COMMERCIAL ENTERPRISES 1994-1996

	<u>1994</u> £,000	<u>1995</u> £,000	<u>1996</u> £,000
Disabled Employment Grants	£848	£1,126	£1,243
Able Persons Employment Grants	£480	£494	£334
Capital Grants	£846	£225	£135

* The above funding requirement will be offset by the cost of current social welfare and Department of Health payments, paid to both disabled and able bodied workers on the live register. It will provide the necessary supports to allow the businesses reach commercial viability and to sustain longterm employment among both able bodied and disabled workers.

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- * The second, third and fourth Phases of this plan will require similar levels of funding and will be prepared over the 10 year period of the plan, 1994-2003. At its full point of development the scheme will provide 1,000 jobs for able bodied persons and an additional 1,000 jobs for persons with disabilities at a subsidy of £7,400 p.a. (1994 values). This compares very favourably with Government funding requirements of Remploy, UK of £9,395 in 1993 and Samhall, Sweden of £12,886 in 1991/1992, for support of each disabled worker in a commercial enterprise.

- * This plan, to provide jobs for the unemployed matched by jobs for persons with disabilities, will provide a truly integrated work environment and an effective manufacturing response to the markets within which each business will operate. The businesses which comprise Phase 1 of this plan are all well positioned within their markets to fully exploit their commercial potential given appropriate funding supports and to provide longterm and viable employment for those involved.

CHAPTER 1

INTRODUCTION

1.1 Background - The Rehabilitation Institute

The Rehabilitation Institute is a company limited by guarantee with no share capital. It is the major voluntary organisation engaged in vocational training for people with disabilities and special needs in the Republic of Ireland. The Institute was founded in 1949 and now operates in over 40 locations nationwide, providing training for 2,411 trainees with special needs. In undertaking its wide range of activities, the Institute employs 545 people full time and 108 people part time.

The mission of the Institute has been to enhance the social and economic independence of people with special needs in Ireland. The principle means of achieving the mission are:

- * The provision of high quality vocational training, development and allied services with the goal of open employment.
- * The creation of small and medium enterprises to provide work places.
- * The promotion of social participation, integration and equal opportunities.

The Institute has met these objectives very successfully. Its method of rehabilitation is being used a role model by other European Rehabilitation Organisations.

1.2 Rehab Commercial Enterprises

This document presents phase 1 of the Rehabilitation Institute's plan to develop a major commercial enterprise designed to employ 2,000 persons. This enterprise will have as its foundation, the Rehabilitation Institute's existing businesses and will involve the employment of approximately 1,000 persons with disability and an equal number, (1,000) of able bodied people, a majority of whom are currently unemployed. This commercial company will be a distinct subsidiary of the Rehabilitation Institute and will comprise approximately 20 businesses spread widely throughout the 26 counties of Ireland. These businesses will be developed and will reach their full employment potential over the next ten years. The current document outlines the plan for the first six of these businesses which will be developed commercially between 1994 and 1996. During this period, these businesses will provide the first 300 jobs of the 2,000 jobs proposed.

All of the individual commercial enterprises proposed will draw their founding business proposition from the existing commercial trading activities of the Rehabilitation Institute. They will draw on an existing body of expertise in the areas of manufacturing, product development, marketing, sales and general management. They will significantly develop and enhance an already established manufacturing environment which currently integrates the disabled and able-bodied worker, productively and efficiently. The Rehabilitation Institute has a customer base which numbers in excess of 1,000 customers within Ireland and in European, United States and Far East Markets. The businesses which provide the basis of Phase 1 of this development and those earmarked for future entry into Rehab's commercial company are strongly export focused or are major suppliers to indigenous and multi-national industries, which are themselves significant exporters.

It is proposed that the 20 businesses, employing 2,000 persons, will comprise a new commercial company within the Rehabilitation Institute and will have a distinct management structure.

The businesses will operate on a strict commercial basis and will be fully accountable. During their first three years however, the businesses will require a level of revenue and capital funding in order to establish ongoing viability and maintenance of employment levels. In the longer term, financial support for the employment of the disabled work force for these businesses will also be required. The specifics of this financial support are outlined in Part 3 of this report.

The table over shows the development of Rehab Commercial Enterprises over the next ten years, starting with six enterprises, but growing to a total of 20 by the end of the plan period with a total labour force of 2,000.

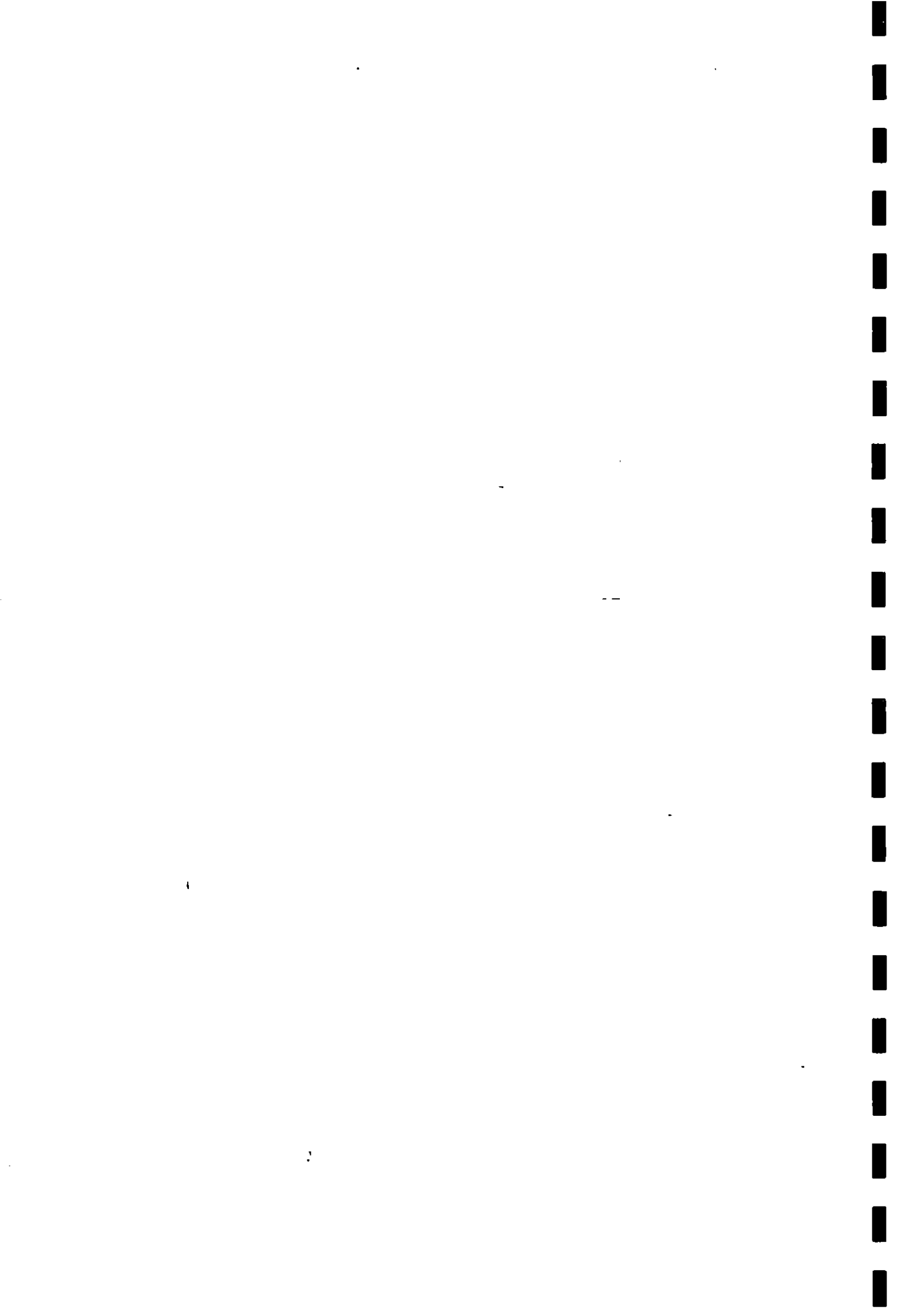
REHAB COMMERCIAL ENTERPRISES

4 PHASE – 10 YEAR BUSINESS PLAN

	PHASE 1	PHASE 2			PHASE 3			PHASE 4			
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	TOTAL
BUSINESS FOR DEVELOPMENT	<i>CORRUGATED RECYCLING WORKWEAR ELECTRONICS FOOD HEADWEAR</i>	Turnkey Services X 3 (2 Dublin – Ballyfermot, Bray, Galway)	Turnkey Services Screenprint	Promotional Products Turnkey Services x 2 (Kildare & Cork)	Spectrum Toys	New Business Precision Workwear Manufacturing (2nd Plant)	Turnkey Services (Limerick)	New Business		New Business	
NO. OF BUSINESS INTRODUCTIONS	6	3	2	3	1	2	1	1		1	20
EMPLOYMENT BY YEAR 3 OF BUSINESS	300	180	60	180	40	80	60	50		50	1,000
EMPLOYMENT BY 2003	700	360	120	360	80	160	100	70		50	2,000

1.3 This Report

This report is set out in 4 parts. Following this introduction, Chapter 2 sets out the strategy for the first phase of Rehab Commercial Enterprises. This is followed in Chapter 3 with an analysis of the capital and revenue funding implications of Phase 1. The detailed plans for the six individual businesses are set out in the final part of this report (Chapter 4).



CHAPTER 2

REHAB COMMERCIAL ENTERPRISES

PHASE 1: DEVELOPMENT

2.1 Phase 1 - Rehab Commercial Enterprises

The Phase 1 stage of Rehab Commercial Enterprises will consist of six business units:

- Rehab Electronics Manufacturing
- Galway Corrugated Cases
- Rehab Recycling Services
- Hats of Ireland
- Precision Workwear Manufacturing
- Greenhills Food Company

These six businesses have been under development for the past five years. At the end of 1992 total investment in the six business units amounted to £3.9 million in land, buildings and equipment and total sales in 1992 were £3.4 million. A total of 66 are employed, of which 10 are disabled persons with a minimum of 35% productivity. In addition to this level of employment there are 131 disabled persons who have now completed their training and are awaiting employment.

A brief description of each business follows:

Rehab Electronics Manufacturing (REM)

This company specialises in long standard runs of products and sub-assemblies which require routine manual and automatic assembly techniques. Located in the Raheen Industrial Estate outside Limerick City, the company has a turnover of IR£394,000 and currently provides employment for a work force of 6, together with 24 disabled persons who have now completed their training and are awaiting employment.

Galway Corrugated Cases

The Rehabilitation Institute has been involved in the conversion of corrugated sheets into corrugated boxes since the early eighties. This company has recently added turnkey assembly services to its product portfolio. The company currently employs 16 able and 4 disabled staff. In addition to this, 32 disabled persons have now completed their training and are awaiting employment. Total sales for 1993 are estimated at IR£3.3 million. The company has an important trading relationship with Smurfit Corrugated Cases, who are a major supplier of raw materials.

Rehab Recycling Services

Rehab Recycling Services offers a glass recycling service through a bottle bank network in most urban centres around Ireland. The glass is collected and processed into Cullet (crushed glass) in one of two processing centres in Dublin and Cork, for the Irish Glass Bottle company. Eight able bodied persons are employed between the Dublin and Cork plants. A further 24 disabled persons have now completed their training and are awaiting employment. During 1992, Rehab collected over 6,000 tonnes of glass through 130 bottle banks, sourcing primarily from the household network. This business also incorporates a paper recycling unit which provides a confidential shredding service to the private and state sector operating primarily in the Dublin area.

Hats of Ireland

Hats of Ireland, which is based in Castlebar, manufactures and markets a range of headwear and accessories for both the home and export markets. The company manufactures a diverse range of products comprising 22 styles, the two major brands being "Hats of Ireland" and "Foxhunter". Current full time employment is 21, including 6 people with disabilities with a minimum of 35% productivity. The company also operates a training line of disabled people. Total sales in 1992 amounted to IR£630,000 with 35% of sales occurring in export markets. France is the largest export market, representing 39% of export sales with the UK market representing 23%.

Precision Workwear Manufacturing

The Rehabilitation Institute has a licence agreement with Du Pont to be the sole converter in Ireland of its Tyvek material. The company currently manufactures Tyvek garments in three locations around Ireland. The company has a turnover of IR£247,000, representing 50% of the total market for this specialist protective clothing. PWM currently employs 8 people in three different manufacturing locations in Ireland. There are also 28 disabled persons who have now completed their training and are awaiting employment. It is proposed to consolidate this business in one manufacturing location at Navan. In addition, this business will produce other specialist workwear garments from non-Du Pont fabrics, designed to meet individual customer requirements. These sectors currently account for £230,000 turnover.

Greenhills Food Company

Greenhills Food Company, Tallaght, specialises in the production of high quality preserves, jams and marmalades both with and without a liquor ingredient. Greenhills's turnover in 1993 will be IR£260,000. The company currently employs 3 able bodied people. There are a further 16 disabled persons who have now completed their training and are awaiting employment. This company has been particularly successful in developing export sales which now account for 62% of sales turnover.

2.2 Turnover

Rehab Commercial Enterprises is established as a major national supplier to many high tech companies and service operations in Ireland. In addition, the many branded products within this enterprise are strongly focused on export markets. Sales for the six business units within Rehab Commercial Enterprises is forecast at IR£5.589 million for 1993. Sales are broken down by division as follows:

Rehab Commercial Enterprises - Turnover 1990-1993

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u> (Forecast)
	£,000	£,000	£,000	£,000
REM	1,416	1,561	557	394
Galway	972	925	1,225	3,300
Recycling	153	314	393	552
Hats	616	613	644	621
PWM	393	367	370	477
Greenhills	229	175	203	245
Total	3,779	3,954	3,392	5,589

The overall picture is one of good performance which is particularly commendable, given difficult trading conditions over the last few years. Galway Corrugated Cases has been particularly successful in boosting turnover and employment opportunities during 1993. By contrast, the strength of performance is somewhat obscured by the change in the REM business from a former position where all parts were purchased to the current position where components are supplied by customers. Two of the businesses have enjoyed considerable success in developing export markets. Hats of Ireland export 35% of output, while Greenhills exports more than 60% of its output. The other four businesses are, by their nature, focused on the domestic market, though the customers of these businesses are significant exporters.

2.3 Employment

Some 66 persons are employed at present, comprising 56 able bodied and 10 disabled persons, i.e. with a minimum of 35% productivity. In addition to this number employed, there are an additional 131 disabled persons who have completed their training and are awaiting employment.

Rehab Commercial Enterprises - Employment 1992

	<u>Able-Bodied</u>	<u>Disabled</u>	<u>Post- Training</u>
REM	6	-	24
Galway	16	4	32
Recycling	8	-	24
Hats	15	6	7
PWM	8	-	28
Greenhills	3	-	16
<hr/>			
Total	56	10	131
<hr/>			

2.4 Objectives of Rehab Commercial Enterprises

Within the context of the overall mission of Rehab enhancing the social and economic independence of people with special needs in the Republic of Ireland, the objective of Phase 1 of Rehab Commercial Enterprises is:

- To increase sales from £5.6 million to more than £11 million by 1996 through market development, both domestic and export, through product development and through increasing production capabilities.
- To increase employment from 66 to 306 by 1996

Planned Outcome 1994-1996

	<u>Sales</u> <u>£,000</u>	<u>Employment</u> <u>Able</u>	<u>Employment</u> <u>Disabled</u>	<u>Total</u>
1994	7,479	88	121	209
1995	9,400	120	154	274
1996	11,230	141	165	306

Having achieved the above sales and employment targets in Phase 1, the longer term objective is to sustain the growth in sales and employment by adding new business units into Rehab Commercial Enterprises in order to achieve a total employment of 2,000. This is set out in the 10 year, 4 phase Business Plan in Chapter 1.

2.5 Product/Market Strategy

The product/market strategy for each business has been developed based on the opportunities identified in the market and the capabilities of the business. The development strategy is designed to build on the excellent platform which has been achieved to date and exploit the skills and expertise which exists in the businesses.

Rehab Electronics Manufacturing

REM will grow its business by concentrating on a clearly defined target market. A two prong strategy for growth is proposed; (a) expand the client base in the Surface Mounted Technology segment and (b) expand the Cable Harness Sub-Assembly client base and create a Pan European network. Sales are forecast to grow to IR£1,600,000 by 1996 and employment to 60. It is important for REM to grow at this stage, as the trend in the sub-assembly market is for a decreasing number of large, highly integrated suppliers. Therefore it is REM's intention to position the company within this group and build on the reputation established as being an efficient and competitive supplier in the sub-assembly market.

Galway Corrugated Cases

At present, Galway Corrugated has achieved breakeven through the addition of specialised turnkey assembly services to its portfolio. The sales objectives for the three years to 1996 show an increase over the three year period from £3.3 million in 1993 to £5 million in 1996. This will be achieved by maintaining position in the Hi-Tech and Pharmaceutical sectors, expanding in the Food sector and building on the relationship with Smurfit Corrugated Cases. Product and Service Development involve expansion into a broader range of packaging services to its existing customer base, i.e. providing a turnkey assembly service where Galway Corrugated supplies corrugated and other materials and the labour required for specialist assembly of same.

Rehab Recycling Services

Rehab, in association with the Irish Glass Bottle Co., have formulated a 3 year development strategy to increase the return of recyclable glass processed through the Cork and Dublin plants. The key objectives of this strategy are to; continue Rehab's expansion of its recycling base to a wider geographic area focusing on the key population centres; increase the level of recycling in existing areas of activity and; increase awareness and usage of the service by means of an education and promotional programme. Significant progress has already been made by Rehab in extending its service on a national basis. It is proposed to increase the number of banks nationwide to 350 by 1996 which will result in a near doubling of the tonnage handled. In addition, this business provides a paper recycling service based on confidential shredding for private and state businesses. Rehab Recycling Services also propose to expand into the recycling of other products.

Hats of Ireland

The main objectives for Hats of Ireland over the next three years will be; market penetration on the Domestic Market; Market Development, particularly in export markets and; Product Development and Extension; particularly in the accessory market. Sales are forecast to increase to IR£1.3 million by 1996, from current levels of IR£621,000. Employment levels will have to increase from 19 to 31 to allow this growth to be achieved.

Precision Workwear Manufacturing

The company wishes to build sales levels from current levels of IR£477,000 to £1,000,000 by 1996. This will mean further penetration of existing markets, new market development and growth through exporting. Employment levels will reach 31 by 1996.

PWM is currently manufacturing in three different locations. Due to the need for economies of scale and the need to improve productivity, it is proposed that PWM will manufacture the entire Tyvek range of garments under one roof in Navan. This development will enable PWM to improve its manufacturing operations and secure ISO 9000 certification. The spare capacity left by the move from the other locations can be used to meet demand from other market sectors, i.e., conventional workwear where Rehab is already a significant manufacturer.

PWM will also manufacture other specialist workwear garments designed to meet the broader needs of the work and training environment. This will include corporate leisurewear and other customised garments.

Greenhills

The primary objectives for development of Greenhills over the next three years are; increase output by the end of 1994 to full capacity through greater market penetration of existing products and broadening of the product range and; increase production capability by improving productivity and efficiency.

The sales forecasts entail a major expansion of sales over the three year period to £1,500,000. This will necessitate an increase in production capacity through upgrading of plant and increased productivity and efficiency. Employment over the period will increase to 38 in order to meet proposed growth. The positioning strategy will be to maintain the current profile of differentiation through price, packaging and product quality and maintain the high levels of service offered to the customer. In addition, joint manufacturing arrangements are currently being developed. Realisation of the full potential of this business will require an aggressive, market led product development programme which will be incorporated into the capital and employment requirements of this business.

2.6 Outcomes

Turnover

The combined sales forecasts of the six divisions for the three years to 1996 are as follows:

Rehab Commercial Enterprises Forecast Turnover £'000

	1993 £,000	1994 £,000	1995 £,000	1996 £,000
REM	394	800	1,200	1,600
Galway	3,300	4,000	4,500	5,000
Recycling	552	629	850	1,000
Hats	621	850	1,000	1,130
PWM	477	600	800	1,000
Greenhills	245	600	1,050	1,500
	5,589	7,479	9,400	11,230

Total sales for Rehab Commercial Enterprises are forecast to increase from IR£5.6 million in 1993 to over £11 million in 1996.

Employment

In order to achieve the proposed growth, it will be necessary to increase employment from current levels of 66 to 306 by 1996.

Rehab Commercial Enterprises: Employment Forecast 1994-1996

	1994		1995		1996		Total
	Abled	Disabled	Abled	Disabled	Abled	Disabled	
REM	10	15	20	20	30	30	60
Galway	21	36	26	41	31	46	77
Recycling	14	24	20	28	22	30	52
Hats	20	18	25	23	25	23	48
PWM	17	8	19	10	19	12	31
Greenhills	6	20	10	22	14	24	38
Total	88	121	120	144	141	165	306

The majority of employment growth will occur in 1994. This increase is most striking in the case of disabled employees, i.e. persons with a minimum of 35% productivity. Many of these will come from former Rehab trainees who are no longer eligible for E.S.F. support as they have completed training. Many of these trainees are not suited to open employment but require a sheltered employment which allows them to develop to their full potential.

Capital Investment

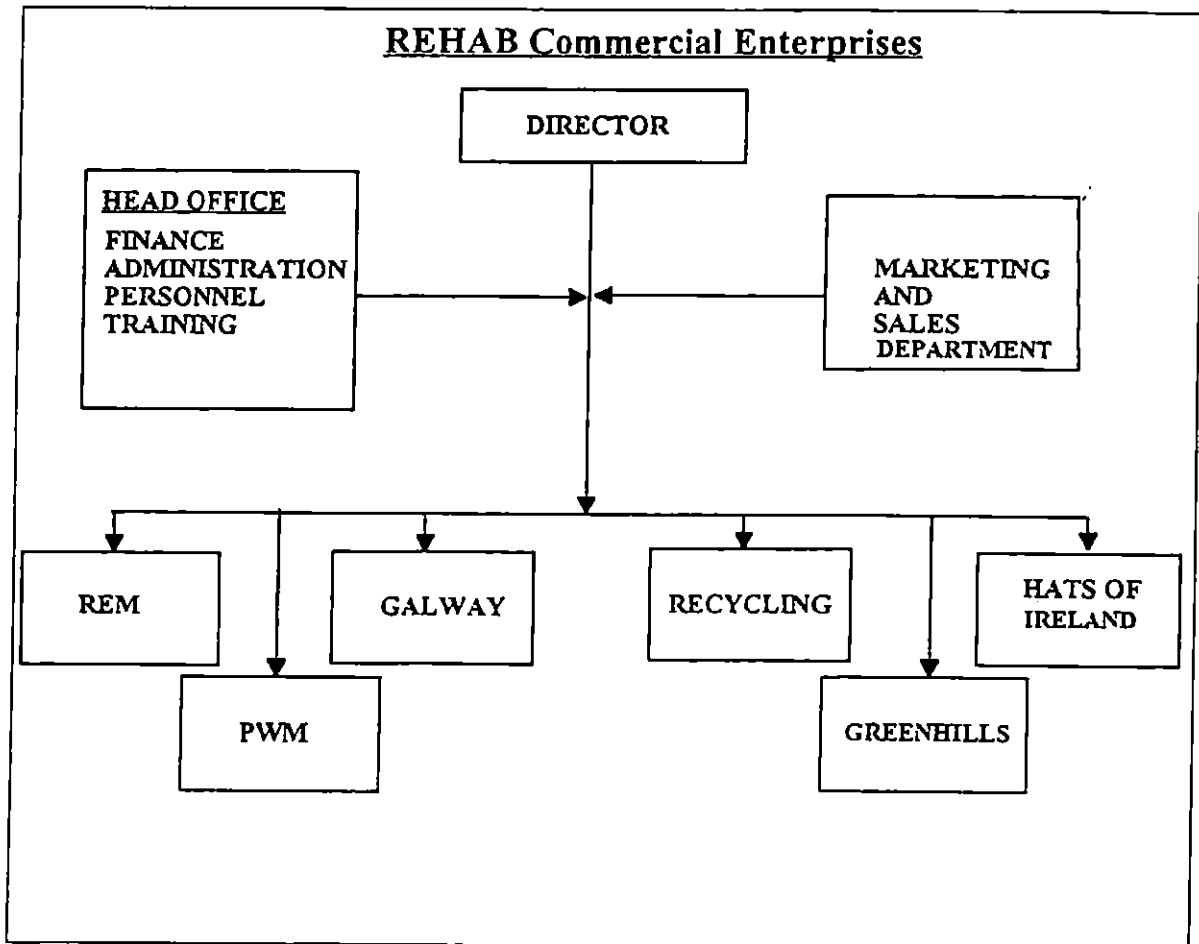
The total investment over Phase 1 of the plan period amounts to £1,206,000.

Investment Programme £,000

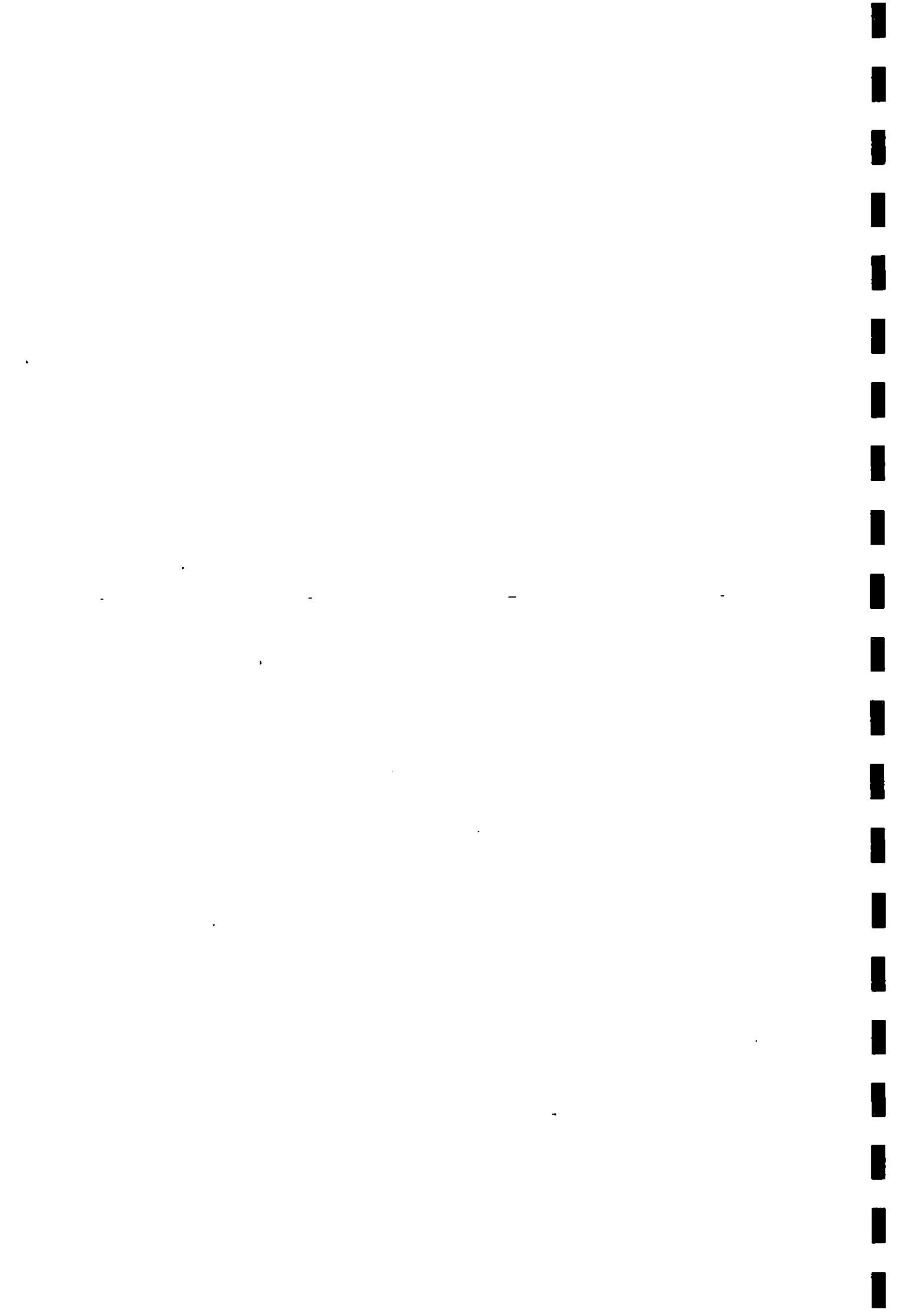
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Total</u>
REM	85	15	Nil	100
Galway	150	35	35	220
Recycling	270	80	80	430
Hats	75	20	Nil	95
PWM	125	10	Nil	135
Greenhills	<u>141</u>	<u>65</u>	<u>20</u>	<u>226</u>
Total	846	225	135	1,206

2.7 Organisation Structure

Rehab Commercial Enterprises will operate as a separate division within the Institute. Each of the business Units will have a manager who will be responsible for all aspects of production in their unit and will report directly to the Director of the Division. The marketing and selling function will be undertaken by the Marketing and Sales Departments, except in the Case of Galway Corrugated Cases and Rehab Recycling Services. Both of these companies have their own sales function.



While initially financial, personnel and administrative inputs will be provided by Head Office, it is proposed that these will, in time, be developed within the Division as it grows in terms of sales and employment.



CHAPTER 3

THE FUNDING OF REHAB COMMERCIAL ENTERPRISES

3.1 The Funding Need

The Rehabilitation Institute's plan to develop Rehab Commercial Enterprises into a significant employer of both able bodied and disabled people seeks to exploit and build on the track record of the six existing businesses. This cannot be achieved, however, without grant support. This grant support takes three forms:

- Ongoing revenue support for disabled employees
- Revenue support for able bodied employees in the start-up period
- Capital grants to fund the investment programme

These grants are necessary in order to create new jobs for the able bodied and to support the long term employment of disabled persons. The level of Government support required by other countries for sheltered employment is significantly higher than that requested by Rehab Commercial Enterprises.

Government Support of Sheltered Employment

(per Person per Annum)

Samhall Group (Sweden)	1990/91:	£11,903
	1991/92:	£12,886
Remploy (U.K.)	1992:	£8,886
	1993:	£9,395
Rehab	1994:	£7,400

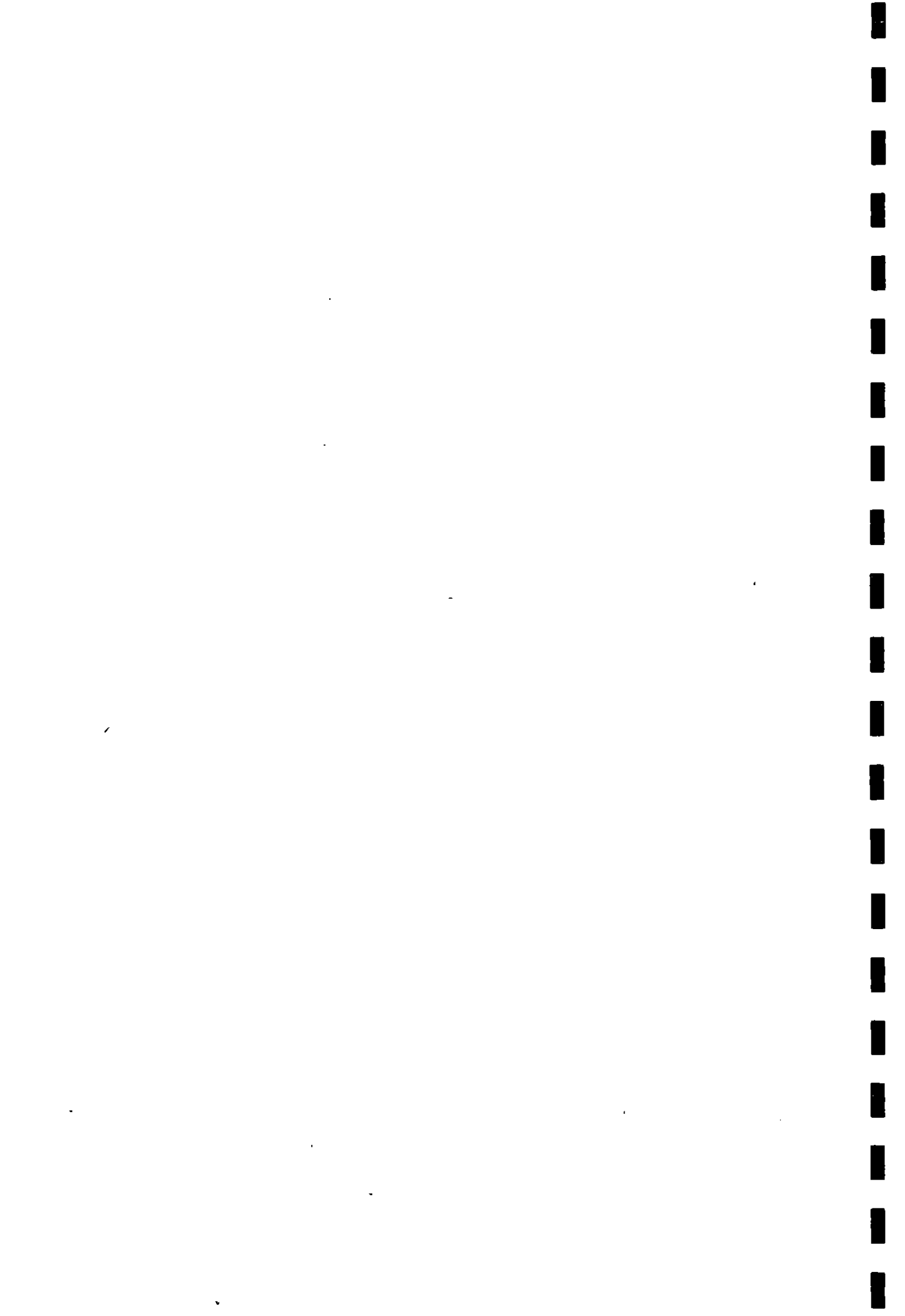
3.2 Support for Disabled Employees

The Rehabilitation Institute receives training grants from the European Social Fund (E.S.F.), which funds training for disabled persons for a maximum period of 5 years. Many of the trainees are equipped for open employment as a result of this training. The Indecon/Price Waterhouse study shows the success of training in terms of both job placement and job retention. (A summary of this report is contained in Appendix 1).

There are however, a significant number of trainees who, at the end of 5 years, are still not suited to open employment. The challenge is to develop an employment opportunity which will enable these disabled people to use their potential, while recognising that they can never fully achieve the productivity level of able bodied workers. To offset this cost, it is proposed that an employment grant of £7,400 per annum is provided for each disabled person employed in Rehab commercial Enterprises. This support will be necessary on an ongoing basis. The level of support is significantly less than that offered by the Swedish and U.K. governments towards the cost of sheltered employment. Furthermore, the net cost to government will be reduced by the saving of the amount currently given as maintenance allowance for disabled persons, i.e. D.P.M.A. of £59.20 per week (£3,078 p.a.) or R.M.A. of £73.30 per week (£3,811 p.a.). The net cost will therefore be in the region of £4,000 p.a., a cost which is further offset by the 'matching' employment of an able bodied person.

3.3 Support for Able Bodied Employees

In the case of the additional able bodied employees, a once off grant of £15,000 is required. This level of support is necessary in order to assist the individual business units in the first year of their employment. The creation of these jobs will have a significant impact on reducing government expenditure on unemployment benefit (£55.60 per week and P.R.S.I.). This saving, together with the payment of P.A.Y.E., will result in a four year payback for the Government of its grant.



3.4 Capital Grants for the Investment Programme

The investment programme for the six businesses will require a total investment of £1,206,000 over 3 years and will result in the creation of 240 additional jobs. This amounts to an investment of £5,000 per job.

Capital Requirements

1994	£846,000
1995	£225,000
1996	£135,000

Capital grants for all of this investment is required. Future capital investment will be funded from the surplus which is generated by the businesses.

3.5 Consolidated Income Statement of Rehab Commercial Enterprises

The following table sets out the summary income statement for the period 1994-1996 based on:

- (i) an employment grant of £7,400 per annum per disabled employee in 1993 prices, with a 3% increase each year;
- (ii) a once off employment grant per able bodied employee of £15,000 with a 3% increase each year.

The detailed income statements are set out in Appendix 2.

**REHAB COMMERCIAL ENTERPRISES
CONSOLIDATED INCOME STATEMENT £'000**

	<u>1994</u>	<u>1995</u>	<u>1996</u>
Sales	7,479	9,400	11,230
Cost of Sales	4,812	5,972	7,119
Gross Margin	(2,667)	(3,428)	(4,111)
Total Overheads	4,206	4,978	5,422
Operating Loss/(Profit)	1,538	1,550	1,312
Amortisation of Capital Grants	(122)	(145)	(158)
Grants re Disabled Employees	(848)	(1,126)	(1,243)
Deficit/(Surplus)	568	279	(89)
Grants re Additional Able Bodied Employees	(480)	(494)	(334)
Net Deficit/(Surplus)	88	(215)	(423)
Breakeven Sales	7,770	8,782	9,955

The above consolidated income statement shows that, with the support of the once-off grants for able bodied workers and the ongoing support for disabled workers, that Rehab Commercial Enterprises make a surplus and are thus able to internally generate the necessary funds to invest in future capital.

DIVISIONAL PLANS FOR

REHAB COMMERCIAL ENTERPRISES

Rehab Electronics Manufacturing (REM)

CURRENT BUSINESS

Background

Rehab Electronics Manufacturing specialises in long standard runs of products and sub-assemblies which require routine manual and automatic assembly techniques. Located in the Raheen Industrial Estate outside Limerick City (Floor area of 4,000 sq.m.), REM was established in 1991, emerging from the electronics training unit within the Rehab centre in Raheen. This location is an ideal base from which to service the Electronics industry, in particular the Midwest Region. It now has a turnover of £394,000. In addition to the six able bodied persons employed, there are a further 24 disabled persons who have completed their training and are now available for employment. This business has serviced major sub-contracts for Braun (Ireland) Ltd. in the past and is currently negotiating other contracts with companies in the multinational sector.

The Market

The Irish contract Printed Circuit Board (PCB) assembly market was valued at £114 million in 1992. Forty per cent of this (IR£45 million) was placed locally in Ireland. The remainder was sourced from either corporate vendors or sourced in another country for corporate reasons. According to the IDA Electronics Linkage Team, the overall market is not expected to increase in 1993, but will grow from 1994 onwards. The overall European sub-contract market was worth £1.3 billion in 1990 and is expected to grow to IR£2.3 billion by 1995 (average growth of 12% p.a.). The component market is the second largest segment of the electronics industry behind the computer and office equipment segment.

These trends will result in the sub-assembly market in Ireland growing at a fast pace. Original Equipment Manufacturers (OEM's) are outsourcing more of their value added work and are reducing the number of suppliers for any one item. Quality and reliability of supply are becoming as important as price in the purchase consideration, while logistics and product handling are being treated as an integral part of the cost price. Competition from the Far East countries in the PCB assembly market remains high, but flexibility in response times to rapid market changes makes delivery equal in importance to price for Irish OEM's.

One product trend which may offer opportunities to Rehab is to move from Through-hole PCB Assembly (THP) to Surface Mount Assembly (SMT). Current trends indicate that hybrid technology is developing, consisting of a mixture of THP and SMT. Another product development is the linkage of Cable Harness assembly to PCB assembly, whereby sub-suppliers offer OEM's a completed, finished product.

The major players in the Irish sub-assembly sector are SCI, Neltronic and Hormanns:

- **SCI:** Based in Fermoy, Co. Cork, floor area of 4,900 sq.m. Employs 450 people and specialises in THP/SMT assembly. Main markets are Europe and USA.
- **Neltronic:** Based in Ennis, Co. Clare, floor area of 1,115 sq.m. Employs 45 people and specialises in higher level assembly, THP and SMT assembly and cable harness assembly. Main market is Europe.
- **Hormann Electronics:** Based in Blackrock, Co. Cork, floor area of 3,200 sq.m. Employs 150 people and specialises in fully automated THP/SMT assembly. Main markets are Europe and the USA.

Existing Strategy

REM positions itself as an efficient and competitive niche supplier within the complex electronics market. Growth has been achieved by targeting high profile companies within the immediate catchment area (e.g. Dell Computers) and other locations such as Braun in Carlow. REM currently provides sub-assembly services in the following areas of expertise:

- Pre-production of Component Forming
- Switch and Power Assembly
- PCB Assembly
- Wave soldering for static sensitive boards
- Provision of specialised custom support services
- Cable Harness Manufacture
- Material Sourcing
- Surface Mount, Board Repair

FUTURE STRATEGY

Given REM's track record since 1991 and the changing trends in the sub-assembly market, REM have decided to develop their business by concentrating on a clearly defined target market. REM needs to grow to achieve economies of scale. Therefore, with these issues in mind, a two phase strategy for growth is proposed:

Phase 1 - Expand the Client Base in THP/SMT

REM will target companies who require THP, SMT and the THP/SMT hybrid sub-assembly technologies. The companies will be involved in the manufacture and supply of:

- Automotive Components
- Telecommunications Equipment
- Consumer Electronics
- Electronic Components
- Computers

Phase 2 - Expand the Cable Harness Sub-Assembly Client Base - Create a Pan European Network

In this phase, REM will target companies specifically involved in Harness Assembly, satisfying the need for the linkage of PCB to cable. With an extended product such as this, the cable harness assemblers are in a stronger position to provide a complete assembly to the end user. REM have already joined forces with a number of European cable harness assemblers on a joint venture basis, in order to capitalise on this opportunity.

Positioning

It is important for REM to grow at this stage as the trend in the sub-assembly market is for a decreasing number of large, highly integrated suppliers. Therefore it is REM's intention to position itself within the group and build on the reputation which has been established as an efficient and competitive supplier in the sub-assembly market. Sales are expected to grow rapidly over the three years with this strategy.

Rehab Electronics Manufacturing - Sales Forecast

1993 (Expected)	£394,000
1994	£800,000
1995	£1,200,000
1996	£1,600,000

MARKETING PLAN

The electronics industry is currently turbulent but it is expected to settle down and continued growth is expected in the future. The marketing objectives are:

- Develop stronger relationships with existing clients. This means maintaining and developing quality in both manufacturing and service.
- Develop the client base in target markets. A marketing initiative has already been put in place.
- Develop the PCB to Cable Market.
- Develop the Pan European Network.

A Marketing programme has already been established to achieve these objectives. High profile companies in the two target markets have already been contacted to ascertain their willingness to sub-contract to REM. There appears to be considerable interest within the computer manufacturers and telecommunications segments of the market for these services. However, interest is not quite as high in the consumer electronics and electronic components segments.

PRODUCT PLAN

The key activities which will be taking place in terms of product development are:

- Working closely with clients to identify their needs, in particular with relation to SMT technology and
- Developing the product/service mix between PCB and Cable Harness technology.

Capital expenditure will be necessary to allow this to happen and this is detailed in the Manufacturing Plan over.

MANUFACTURING PLAN

To achieve the level of planned output and to service the proposed markets, capital expenditure will be necessary to:

- Upgrade the capability to undertake SMT and
- Increase capacity.

REM, in association with leading SMT consultants, AMT Ireland, put forward a plan for the capital investment which is necessary to ensure proposed growth. The plan entails investing in SMT machinery, soldering equipment, cable harness machinery, test units and computers. A summary analysis of capital requirements per annum is given below.

Investment Schedule

	<u>1994</u>	<u>1995</u>
SMT Line Requirements	£33,200	
Soldering Machinery	£25,200	
Cable Harness	£17,000	£6,000
Test Verification	£11,500	
Computer		£9,000
	-----	-----
Total	£85,000	£15,000
	-----	-----

The total level of investment required is £100,000, most of which is required in 1994.



MANPOWER PLAN

A summary of the employment position for the plan period is set out below:

	<u>1993</u>	<u>1994</u>	<u>1996</u>	<u>1996</u>
Able Bodied	6	10	20	30
Disabled	-	15	30	30
Total in Full Employment	6	25	50	60

REM intends to increase its workforce from the current level, 6, to a total of 60 over the next three years. This latter figure is evenly split between able and disabled workers. Disabled workers have a minimum standard of 35% productivity.

COMPETITIVE ADVANTAGE

Despite the problems related to working with a disabled workforce, REM has proven itself to be an efficient and competitive supplier in the sub-assembly market. Its competitive advantages for the future include the following:

- REM's geographic location is ideal for servicing the domestic and export market.
- A proven track record in sub-assembly.
- The establishment of a European network of sub-assemblers provides a unique niche market and an opportunity for growth.

FINANCIAL OUTCOME

Capital investment requirements for the three years to 1996 amount to IR£100,000. The expected financial outcome is set out in the following table:

REM - Forecast Profit/Loss Statement

	1994	1995	1996
	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
Sales	(800)	(1,200)	(1,600)
Cost of Sales	600	900	1,200
Gross Margin	(200)	(300)	(400)
Total Overheads	468	708	829
Operating Loss (Profit)	268	408	429
Amortisation of Capital Grants	(8.5)	(10)	(10)
Grants re Disabled Employees	(114)	(232)	(240)
Deficit/(Surplus)	145	166	179
Grants re Additional Able Bodied Employees	(60)	(155)	(159)
Net Deficit/(Surplus)	85	11	20
Breakeven Sales	1,140	1,245	1,681

Galway Corrugated Cases

CURRENT BUSINESS

Background

The Rehabilitation Institute has been involved in the conversion of corrugated sheets into corrugated boxes since the early eighties. Galway corrugated Cases operates from 32,000 sq.ft of factory space, which includes warehousing and office/administration space. The company currently employs a total of 20 employees, of which 4 are disabled. It also provides work places for a further 32 disabled persons who have completed their training and are awaiting employment. Total sales for 1993 are estimated at IR£1.57 million, a sixty four per cent increase on 1990 levels, a very significant advance given difficult trading conditions. The company has enjoyed a strong trading relationship with Smurfit Corrugated.

The company has equipped according to market requirements. The factory unit houses six semi-automatic machines for the manufacture of short run orders. This equipment bank is capable of producing both die cut and regular creased cartons and of providing basic printing requirements. During a 1988/89 investment programme, two large machines capable of producing higher volume and higher quality product were introduced to the manufacturing floor and this capacity was balanced with additional machinery on the closing front, i.e. automatic gluing and stapling equipment. However, additional support equipment will be necessary if the unit is to remain competitive in its industry sector.

The Market

The corrugated business is an expanding sector, largely driven by the growth in export sales of both indigenous and multi national sectors. The overall corrugated market in Ireland is valued at IR £110 million or 130,000 tonnes. The market is serviced by a number of major integrated manufacturers and by a secondary group of sheet plant manufacturers, of which Galway Corrugated Cases is one. These sheet plant manufacturers purchase in corrugated cardboard from the integrated manufacturers. The major integrated manufacturers are Smurfit, Reed, Union Camp and Fitz Pack. The combined market share of these four companies is 85 per cent. Major competitors among sheet plants are Lem Pack and Connaught Packaging, a subsidiary of Smurfit.

The corrugated box industry has become increasingly sophisticated over recent years. Apart from being a product protector, outer packaging is now frequently used as a marketing tool, bearing a high quality print and projecting brand images. Corrugated packaging is also an important source of information for warehousing or retail selling, with bar codes and other technical information dictating the flow of goods through the distribution chain. In addition, companies are also seeking additional packaging services from their suppliers and Galway Corrugated turnkey facilities can be easily customised to these requirements.

The value of raw materials is approximately 70 per cent of the end selling price and product differentiation between suppliers is made primarily on the basis of quality of manufacturing and quality of overall service. This emphasis on quality has resulted in many companies achieving ISO 9000 certification and also moving towards world class manufacturing standards.

Existing Strategy

Galway Corrugated Cases has concentrated its efforts in the past on the hi-tech segment of the multinational industry with a focus on the computer and telecommunications sectors as well as the pharmaceutical sector. This market 'in Ireland' is valued at £12 million with most product ultimately exported. As is the norm in the industry the Company operates Kan Ban systems, Just-in-Time and "Ship to Stock" requirements. In 1991, the company was awarded the Quality Mark and is currently preparing an application for ISO 9002. Galway Corrugated Cases is responsible for all aspects of its own operations. As well as the purchase of raw materials, sales to customers and the manufacture of goods, the company is responsible for warehousing on behalf of customers and transportation to customers.

FUTURE STRATEGY

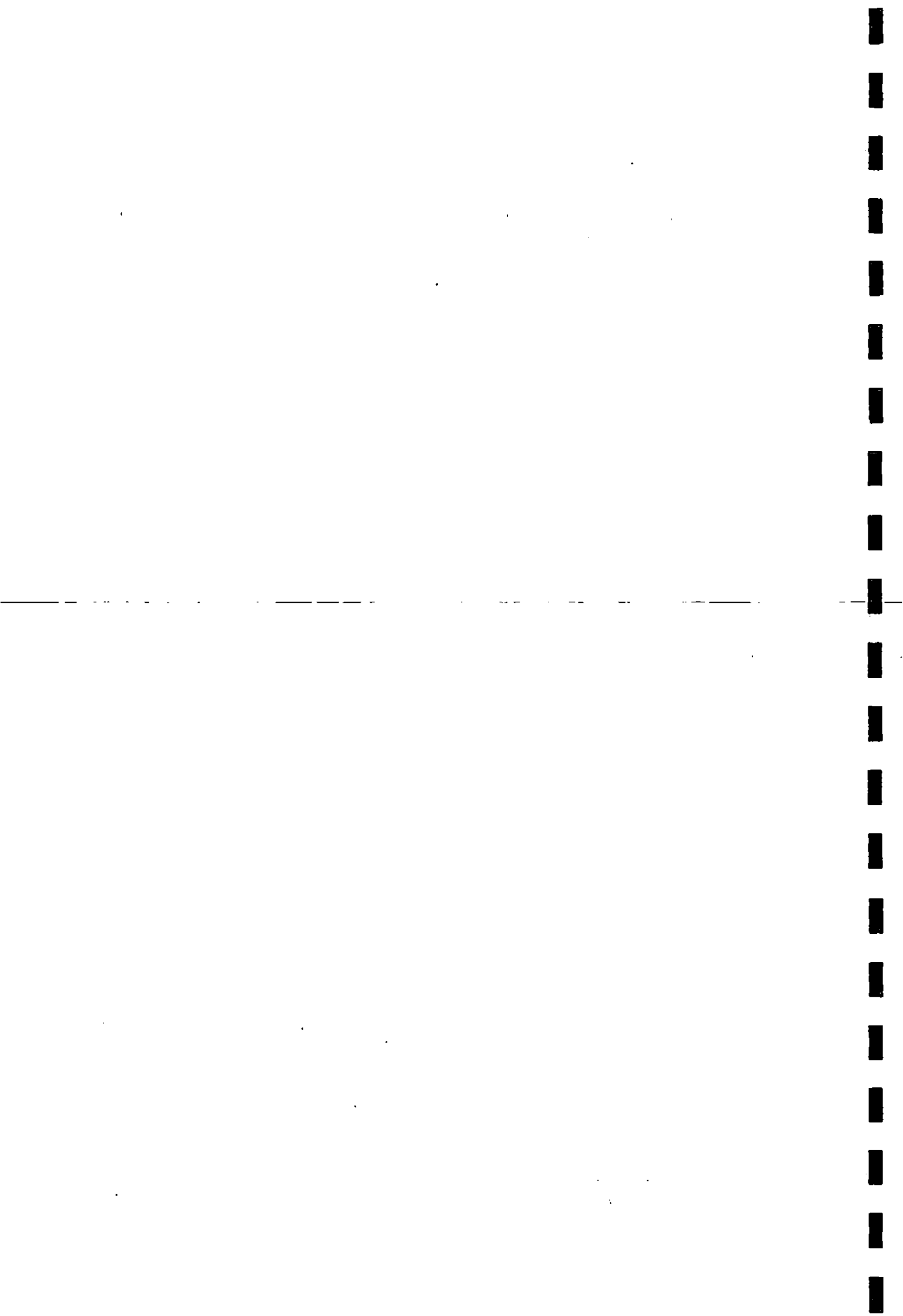
At present, Galway Corrugated is breaking even when its corrugated and turnkey assembly services are combined. Current market estimates suggest that this level of business can be maintained and further developed. However, achievement of longterm viability and full employment potential will be dependent on appropriate support for both employment and investment.

The main strategic objectives for the next three years are:

- Increase turnover to IR£5 million by 1996.
- Maintain position in Hi-tech and Pharmaceutical areas.
- Market development. The Food Sector is seen as a major area for growth for the company.
- Product Development/Differentiation. The focus will be on expanding into a broader range of packaging services.
- Relationship Marketing. The business will work closely with key clients in terms of product development and service/quality needs. This is necessary to create a mutual dependence between the company and its main clients.
- Building on relationship with Smurfits; this business relationship will remain important in terms of reaching economies of scale and building on existing reputation.

The sales objectives show an increase over the three year period from IR£3.3 million in 1993 to IR£5 million in 1996.

<u>Year</u>	<u>Sales Forecast</u>
	£,000
Current (Forecast)	3,300
1994	4,000
1995	4,500
1996	5,000



MARKETING PLAN

The marketing objectives for the period will be to expand in traditional markets, i.e., the Hi-Tech and Medical sectors and also into other market sectors, in particular the food industry market. It is envisaged that food and other areas will increase in importance by 1996. Expansion will occur in those markets as follows:

Year	Hi-Tech/Medical %	Food %	Other %	Total Sales IR£,000
1994	(82%)	(12%)	(6%)	4,000
1995	(82%)	(12%)	(6%)	4,500
1996	(79%)	(14%)	(7%)	5,000

PRODUCT PLAN

The key activities that the company aim to undertake are:

- Working closely with customers to identify their needs and developing new products/services to satisfy these needs.
- Developing quality products. The focus here will be on removing waste in the products to cater for environmental pressure. Also, the quality of print will be enhanced. This will allow for movement into the display packaging sector and will increase our possibilities in the Food/FMCG segments.
- Expansion of the product range in particular by offering a wider range of services to existing clients, in particular turnkey assembly and packaging services.

MANUFACTURING PLAN

The focus will be on building on quality manufacturing and service. Total Quality Management (TQM) will become a pre-requisite in order to compete in the industry. This will require continuance of the Quality Mark status and achieving higher levels of flexibility and consistency in product quality. This, combined with higher levels of service and administration, is crucial in meeting client demands. The achievement of ISO 9002 will also be an important part of the manufacturing plan.

As already mentioned, it is crucial that the company achieves a turnover of IR£5 million by 1996. Achievement of this level of sales will be dependent on capital investment in finishing equipment and in the overall manufacturing environment. An outline of capital requirements is detailed in the table below. The investment will include updating the printing capability and investing in stacking machines and a shrink wrapper.

INVESTMENT PLAN 1994 - 1996

1994	£150,000
1995	£35,000
1996	£35,000

	£220,000

MANPOWER PLAN

	<u>1994</u>	<u>1995</u>	<u>1996</u>
Able	21	26	31
Disabled	36	41	46

Total	57	67	77

The achievement of these sales plans will require an expansion of the workforce at the plant from the current level of employment of 20 to 77 by the end of plan period. This will involve deployment of persons in a variety of roles including operations, quality control, administration and logistics.

COMPETITIVE ADVANTAGE

Galway Corrugated Cases has built a strong business reputation over the years, based on four key factors:

- **Concentration on Niche Markets:** The company has focused on the high-tech and health care sectors, both of which have enjoyed higher than average growth over recent years.
- **Trading Relationship with Smurfit:** This has allowed the company create economies of scale and accelerate its learning curve for large volume business.
- **Niche Producer:** This is not a market where only the large players can survive; it is one where the individualised service level and high quality of product and service achievable by the small firm can often provide a real competitive position.
- **Track Record and Goodwill:** The company's links with the Rehab name and reputation have benefitted the company.
- **Excellent Customer Relationship:** This applies in particular with the high-tech industrial base in the Galway area.

FINANCIAL OUTCOME

The pro-forma profit and loss account for the three year period to 1996 is as follows:

Galway Corrugated - Forecast Profit/Loss Statement

	1994 <u>£,000</u>	1995 <u>£,000</u>	1996 <u>£,000</u>
Sales	(4,000)	(4,500)	(5,000)
Cost of Sales	2,980	3,315	3,650
Gross Margin	(1,020)	(1,185)	(1,350)
Total Overheads	1,276	1,376	1,445
Operating Loss/(Profit)	256	191	95
Amortisation of Capital Grants	(15)	(18)	(22)
Grants re Disabled Employees	(244)	(290)	(337)
Deficit/(Surplus)	(3)	(118)	(264)
Grants re Additional Able Bodied Employees	(75)	(77)	(80)
Net Deficit/(Surplus)	(78)	(195)	(344)
Breakeven Sales	3,699	3,749	3,726

Rehab Recycling Services

CURRENT BUSINESS

Background

Rehab Recycling Services offers a glass recycling service through a bottle bank network in most urban centres around Ireland and a document disposal and paper recycling service in the Dublin area. The Glass Recycling service expanded nationally during 1993 from a focus on Dublin and Cork Counties. The glass is collected and processed into cullet (crushed glass) for the Irish Glass Bottle Company. The Rehabilitation Institute has been operating glass recycling services in Cork since 1984 and in Dublin since 1987 and the processing of all of the glass collected is still based in these locations. Eight able-bodied personnel are employed in total between the Dublin and Cork plants. There are, in addition, 24 disabled persons who have completed their training and are available for employment. The combined annual processing capability of the two plants is 60,000 tonnes, enough to process all the glass passing through both the household and pub/catering sectors in Ireland. Document disposal services have been operating in Dublin for six years and all paper waste is sent to Central Waste Ltd. for recycling.

Since 1984, Rehab Recycling Services have collected 32,000 tonnes of glass. Growth has been significant since the inception of the system. During 1992 alone, Rehab collected over 6,000 tonnes of glass through its bottle bank network of 130 sites, sourcing primarily from the household sector. This is equivalent to 19 per cent of the total glass available for recycling through the household sector in Ireland.

It is estimated that Ireland's rate of recycling of glass containers in 1992 was 29 per cent, a 26 per cent increase on 1991 levels. This is still low in terms of 1991 European average of 41.5 per cent, even allowing for the lower density of population in Ireland. In 1992, the Netherlands and Germany had the highest recycling rates in Europe at 70 per cent and 63 per cent respectively. The UK and Greece were the only countries to have lower rates than Ireland's level of 23 per cent (21% and 22% respectively).

The Dutch glass recycling industry is the most developed in Europe. The Central Government, industry and recyclers of glass work closely towards agreed recycling targets (80% by 1995, 100% by 2000). They intend to achieve this by increasing the number of bottle banks from 15,000 in 1992 to 25,000 in 1995. This is equivalent to increasing per capita penetration from 1 bottle bank per 1,000 inhabitants to 1 per 600. Current Irish levels are 1 per 10,500 in areas serviced.

The Market

In 1993 the total volume of glass available for recycling nationally is 70,000 tonnes. The principle industries which generate the glass are the Wine & spirit Industry (35%), Food Manufacturers (23%), Breweries (19%), Soft Drink Bottlers (17.5%). Forty five per cent, or 31,500 tonnes of this total volume is accounted for by the household sector, which is the key sector for Rehab Recycling Services. In servicing this segment it operates on the 'bring' principle, i.e. the householder brings the glass to the local bottle bank.

Market Trends

There are a number of factors which are combining to give a greater focus on recycling, thereby increasing the demand for the service:

- Impending EC legislation on packaging, setting minimum recycling rates of 60%, will have a profound impact on the level of recycling being undertaken all over Europe. This will be accompanied by a National Waste Bill, expected to come before the Dail by end 1993.
- The positive public response to existing glass recycling activities undertaken by Rehab Recycling Services.
- Approaches that have been made by both Local Authorities and community based organisations, requesting Rehab Recycling Services to move into other geographical areas.
- The positive and stable market conditions in relation to the sale of cullet to the Irish Glass Bottle Company. (Reduced energy consumption and reduced raw material import requirements.)
- Low recovery rates compared with the rest of the EC.

Existing Strategy of Rehab Recycling Services

The strategy over the last few years has been to build up the bottle bank network in Dublin and Cork Counties and to increase awareness of the network among the public through promotion, which is crucial for growth. In the past 12 months, Rehab Recycling Services has expanded its area of operation with the objective of offering national coverage. In developing this business the company works closely with a number of strategic partners:

- **The Irish Glass Bottle Company:** Rehab has worked closely with Irish Glass over the years to develop the recycling market. Irish Glass provides technical, capital and promotional support through funding and direct assistance, in addition to a stable market for processed cullet.
- **The Department of the Environment:** The Department has provided specific capital funding and formulates policy to increase recycling levels.
- **Local Authorities:** They provide revenue funding for bottle bank site operations, in addition to the provision of high profile public sites for bottle banks.
- **Retailers:** They provide suitable bottle bank sites and funding towards promotional activities.
- **Industry Representatives:** They provide assistance and funding through joint venture recycling development programmes. Included here are The Wine & Spirit Association of Ireland and The Soft Drinks and Beer Bottlers Association.

Document Disposal and Paper Recycling services have been focused on the corporate sector with collection and shredding services provided to the financial and insurance services. Development of this customer base is already underway as production facilities have been streamlined to give greater capacity in the Dublin processing plant. The strategic focus of this business has been to provide an excellent confidential shredding service and thus insulate itself from the instability of waste paper prices. Further expansion into the disposal of other information storage materials and the maintenance of longterm storage systems is already underway.

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FUTURE STRATEGY

Rehab Recycling Services, in association with the Irish Glass Bottle Co., have formulated a three year development strategy to increase the returns of recyclable glass processed through the Cork and Dublin plants. The scheme will cover all regions in Ireland and will concentrate primarily on the household sector. It is also proposed to equip the transport operation in Dublin with its own equipment and staff. This will not only result in a more efficient operation but will also ensure a greater level of direct control.

The key objectives of this strategy are to:

- **Expand Rehab's recycling base to a wider geographic area focusing on the key population centres.**
- **Increase the level of recycling in existing areas of activity.**
- **Increase awareness and usage of the service by means of an education and promotional programme.**

This will increase the volume of glass going through the Dublin and Cork centres. Projected coverage and tonnage forecasts to 1996 are given below:

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Number of Bottle Banks	219	265	307	350
Tonnage	9,500	11,569	14,214	16,200

It is proposed by 1996 to increase the number of banks nationwide to 350, from 1992 levels of 130. This will mean a near trebling of tonnage by 1996 to in excess of 16,000 tonnes.

It is proposed to expand the document disposal services two-fold over the same period. These developments will be led by further examination of new technologies in the information storage area.

PROMOTIONAL PLAN

Promotional activity for glass recycling is an essential element in educating potential users about the benefits of glass recycling and instructing them in the proper use of bottle banks. It is particularly effective in high glass usage periods, for example Christmas, where many new users are introduced to the "habit" of glass recycling. In addition to current promotional activities, it is intended to step up the campaign by undertaking the following:

- **It is intended to mark the installation of bottle banks in each new area through local launches, to be followed up by radio advertising and mailshots. Key usage periods will be signalled by local radio advertising and newspaper publicity campaigns.**
- **The schools video campaign, where possible, will be backed up by a visit to the schools of a Rehab representative.**
- **Contact will be established and maintained with community and Resident Associations.**
- **General advertising will include advertising in the "Independent Directory". Outdoor advertising on billboard sites, bus shelters and buses will be a regular feature of the promotional programme.**
- **National school competitions will be introduced to highlight the awareness campaign.**

All of these activities will be funded by a cross section of sponsors, including the Beverage sector, Retailers and representatives of the other relevant sectors.

The confidential nature of document disposal services requires a one-to-one "sell" and the negotiation of major contracts, typically on an annual basis. This will be conducted by experienced personnel from the document disposal unit of Rehab Recycling Services.

PRODUCT PLAN

Rehab will achieve growth objectives as follows:

- **Increase the number of sites** in existing areas and in new regions. The number of sites will increase over the three year period as follows:

<u>Year</u>	<u>Number of Sites</u>	<u>Tonnage</u>
1993	219	6,000
1994	265	8,980
1995	307	11,956
1996	350	14,214

- **Product Innovations:** In terms of product development, the testing of the "Wheelie Bin" system in inner Cork City may prove to be a solution, effecting increasing concentration where prime 'bring' sites are not readily available. This system will also facilitate the collection of glass from the on-licence and hotel trade. If it proves to be as successful as it has been in several UK boroughs, the scheme may be extended to other inner city areas around Ireland.
- **Move to New Materials:** It is proposed to extend the range of product handled by Rehab Recycling Services to include products such as cans and other materials/products suitable to recycling.

MANUFACTURING PLAN

It is proposed to continue to process all the recycled glass at the existing plants as movement into new regions would not warrant the capital expenditure of opening new plants. Both the Cork and Dublin plants have recently been upgraded, involving capital expenditure of almost IR£500,000, in order to increase the quality and quantity of cullet processed. Capital investment in bottle banks (excluding other investment requirements) will be required over the three year period. It is also proposed to take over the transportation of glass in the Dublin region in 1994. This will entail purchasing the necessary equipment but will result in an improved efficiency in the operation of the service.

Schedule of Capital Investment 1994-1996

	£
1994	270,000
1995	80,000
1996	80,000

MANPOWER PLAN

It is envisaged that employment within Rehab Recycling Services will increase from the current level of 8 to 52 over the plan period:

<u>Position</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Able	8	14	20	22
Disabled	-	24	28	30
Total	8	38	48	52

In addition to direct employment in Rehab Recycling Services, the business is responsible for creating indirect employment through its sub-contracting of haulage services. The collection of glass from bottle banks involves approximately six contract haulage firms and is estimated to provide full time employment for up to 12 full time drivers and support staff. While Rehab Recycling Services will take over this activity in the Dublin area in 1994, it will continue to use sub-contractors in other regions.

COMPETITIVE ADVANTAGE

The proposed growth in activities to a National level is ambitious, a doubling of tonnage levels within a three year period. However, Rehab Recycling Services possesses certain competitive advantages that should make the targets achievable:

- A processing capacity of 60,000 tonnes between Dublin and Cork. The available capacity can cater for all glass passing through the Household and Pub/ Catering sectors.
- Relationships with Local Authorities and Community Groups. In addition to current relations Rehab has been approached by other authorities with a view to moving into their geographic locations.
- Positive public response to existing glass recycling activities being undertaken by Rehab.
- Existing diversity of markets through document disposal services and ability to move into new product markets.

FINANCIAL OUTCOME

What follows is a summary of the Pro Forma Profit and Loss Accounts to the year 1996.

Rehab Recycling Services - Forecast Profit/Loss Statement

	1994 <u>£,000</u>	1995 <u>£,000</u>	1996 <u>£,000</u>
Sales	(629)	(850)	(1,000)
Cost of Sales	31	43	50
Gross Margin	(598)	(808)	(950)
Total Overheads	991	1,151	1,242
Operating Loss/(Profit)	393	344	292
Amortisation of Capital Grants	(65)	(73)	(81)
Grants re Disabled Employees	(183)	(219)	(241)
Deficit/(Surplus)	145	52	(30)
Grants re Additional Able Bodied Employees	(90)	(93)	(32)
Net Deficit/(Surplus)	55	(41)	(62)
Breakeven Sales	687	807	980

The total level of capital investment over the plan period will be £430,000.

Hats of Ireland

CURRENT BUSINESS

Background

Hats of Ireland manufactures and markets a range of headwear and accessories for both the home and export markets. The company itself has been in existence since the 1940's and has been in Rehab ownership since 1982. Current full time employment is 19, four of whom are people with disabilities. The company also operates a training line of 7 disabled people, pursuing certified courses in Needle Trade multi skills. A weaving unit producing raw material has been integrated into operations to control supply and substitute imports. The production and weaving units are based in the Rehab training centre in Castlebar, Co. Mayo and cover a floor area of 8,400 sq.ft. The company also sub-contracts a substantial amount of work to Mizen Head Enterprises in Cork.

The company manufactures a diverse range of products comprising 22 styles, the two major brands being "Hats of Ireland" and "Foxhunter". Total sales in 1992 amounted to IR£623,000, sixty five per cent of which was on the home market. The domestic market is serviced by its own sales force. The principal customers in the domestic market are Roches Stores, Dunnes Stores and Aer Rianta. France is the largest export market, representing 39 per cent of export sales with the UK market representing 23 per cent. Overseas markets are serviced by an agency structure.

The Market

The Irish market for hats, caps and accessories is estimated to be worth in excess of IR£4 million. The market is divided into two main segments, the mainstream headwear market for the indigenous customer and the tourist market. The market requirements of each sector vary by product design, price positioning and market supports. Hats of Ireland is the major player with an estimated 30/35 per cent share of the market. The largest competitor is O'Gormans (25 per cent). J. Richards, Hanna's and Millars share approximately 15 per cent, while the remainder comprises imports, mainly from the U.K. (Failsworth, Myers and Christies).

The UK market is valued at IR£18 million with Hats of Ireland holding less than 1 per cent of this. Headwear sales in the UK are dominated by the large multiple retailers, Marks & Spencers, BHS, etc. The market has been depressed and very competitive for the last few years but it is forecast that opportunities will arise in the multiple and specialist retail sectors over the next few years. The US market is valued in excess of IR£400 million and Irish exports command a very small share of this market.

Existing Strategy

The current strategy is to grow through product and market development and increasing manufacturing and administration efficiency. One of the current strengths in the company is that Hats of Ireland and Foxhunter are established brand names and accepted as quality products in the market place. The fabric is predominantly tweed, exclusively of Irish origin, complemented by waxed cottons, corduroy, lambswool, treated cotton, cashmere and linen. Hats and caps are low value product lines and there is need for continuous research and development with emphasis on design and professional fabric selection.

In 1989, the company invested in excess of IR£80,000 in new plant and equipment. This was necessary to keep pace with new technology and greater production efficiencies. Computer facilities for stock control, debtors, creditors, multiple currencies and payroll were also installed. In order to cater for increased demand, the company has developed substantial linkages with Mizen Head Enterprises in Cork, which produce 16,000/17,000 units for Hats of Ireland. Hats of Ireland also produce IR£40,000 worth of goods under contract for J. Healy Ltd., Foxford Woolen Mills and Millars of Clifden.

Apart from its traditional markets, Hats of Ireland have made substantial inroads into the French and Italian Markets in recent times. The Italian market accounted for IR£60,000 sales in 1993, and it is hoped that sales here will double by 1994. The main export markets in 1992 were:

France	£80,000
U.K.	£48,000
U.S.	£37,000
Germany	£10,000
Others	£31,000
Total	£206,000

FUTURE STRATEGY

The main objectives for Hats of Ireland over the next three years will be:

- **Market Penetration: on the domestic market**
- **Market Development: particularly in export markets**
- **Product Development and Extension: particularly in the accessory market**

Sales projections (below) for hats, tweed and accessories in 1994 show an increase of 29 per cent on 1993 levels. This is considered to be manageable in light of investment to date in addition to the continued support of product design, a streamlined production facility and effective marketing. Sales projections for the three years to 1996 are as follows:

Year	£
1993	621,000
1994	850,000
1995	1,000,000
1996	1,130,000

MARKETING PLAN

The actions necessary to achieve the proposed strategy include the following:

- **Secure Access through New Agents:** The principle focus for the duration of the plan will be an aggressive promotion on export markets. A new agent has been appointed in Italy with six sub agents. Two agents are now operating in France with four in the UK and one in the US. The international buying houses in London will be the focus of attention for further penetration of the US and Japanese market.
- **Develop Other Markets:** Other markets will be developed pending investigation of market potential, distribution and retail structures, competitor profiles and design requirements. Marketing support including brochure development, agent support and promotional activity will be undertaken.

- **Enhance the Range to meet the Needs of the Markets:** Market trends dictate that the company needs to extend its range of products (see product plan for details).
- **Invest in Design/Training:** Considerable expenditure will have to be undertaken in design, marketing, training of operatives, as well as Management Development.

An outline of the necessary marketing investment is given below:

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Total</u>
	£	£	£	£
Design	5,000	7,500	10,000	22,500
Marketing	5,000	8,000	12,000	25,000
Training	7,000	7,000	7,000	21,000
Mgmt Development	5,000	2,500		7,500
Total	22,000	25,000	29,000	76,000

PRODUCT PLAN

In order to meet the needs of the market place, the range of products will have to be enhanced. This means extending and developing conventional styles and adding new styles where market research shows a need. Major opportunities exist in exploiting our established brand names in headwear to create growth in other areas such as the accessories market. Complementary accessories to the existing range include waistcoats, scarves, belts, carry bags, ties, socks and skirts. Development of an extended product range is already underway and is being conducted in line with direct feedback from agents in overseas markets.

MANUFACTURING PLAN

To cater for increased manufacturing output, the company will require investment in new sewing machines, pressing facilities and tie turner. This investment will also facilitate greater economies of scale. The linkages which have been created with Mizen Head Enterprises will be maintained over the period. The capital investment required over the three year period is IR£95,000 and is broken down as follows:

<u>Year</u>	<u>£</u>
1994	75,000
1995	20,000
1996	Nil

MANPOWER PLAN

	<u>Current</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Able	15	20	25	25
Disabled	6	18	23	23
Total	21	38	48	48

As outlined above, it is proposed to increase the work force from 19 to 31, an increase of 12 over the three period to 1996. The marketing strategy for this company and its increased sales will call for greater efficiencies in the utilisation of resources and in the training of existing staff and new personnel.

COMPETITIVE ADVANTAGE

Hats of Ireland has built up an impressive record both on the domestic market and on export markets. The company continues to produce a quality product at the right price and this is evidenced by increased market share in domestic and overseas markets during the last three years. The competitive advantages which will help the company in its next stage of growth are as follows:

- **Established Brand Names:** Hats of Ireland and Foxhunter are now established brand names and accepted as quality products in the market place. In addition, the linkage with REHAB creates much goodwill for the enterprise.
- **Weaving Unit:** The strategy of integrating Shackelton Tweeds into the Rehab product has proved very successful and has given the company control over its specialised tweeds requirements, in addition to a 'unique selling proposition'.
- **Commitment to Investment:** The company's re-investment in new plant and equipment and its attention to design and new product development puts it in a strong position for the years ahead.

FINANCIAL OUTCOME

A summary Profit and Loss Account for the three years to 1996 follows:

Hats of Ireland - Forecast Profit/Loss Statement

	1994 <u>£,000</u>	1995 <u>£,000</u>	1996 <u>£,000</u>
Sales	(850)	(1,000)	(1,130)
Cost of Sales	391	460	519
Gross Margin	(459)	(540)	(610)
Total Overheads	557	666	691
Operating Loss/(Profit)	98	126	81
Amortisation of Capital Grants	(8)	(10)	(10)
Grants re Disabled Employees	(92)	(133)	(137)
Deficit/(Surplus)	(2)	(16)	(65)
Grants re Additional Able Bodied Employees	(75)	(77)	-
Net Deficit/(Surplus)	(77)	(93)	(65)
Breakeven Sales	708	827	1,010

Precision Workwear Manufacturing

CURRENT BUSINESS

Background

Precision Workwear Manufacturing (PWM) has a licence agreement with Du Pont as the sole converter in Ireland of its Tyvek material into specialist protective workwear. The company currently manufactures Tyvek garments in three locations around Ireland. The company commenced business in 1982 with sales of IR£20,000. This grew to IR£330,000 in 1992 representing 50% of the total market. PWM currently employs 8 people in three different locations in Ireland. There are also 28 disabled in this operation who have completed training and are available for employment.

Tyvek is Du Pont's registered trademark for 100% high-grade spunbound polyethylene sheets. Tyvek is light, thin and flexible, abrasion resistant and chemically inert. The material "breaths" but also provides a barrier against liquids, dust and fibres. Tyvek can be dyed, tinted and printed. The barrier proof protective clothing market is a highly specialist sector of the workwear market.

The Rehabilitation Institute is a manufacturer of other specialist and customised workwear garments. The manufacture of all these garments will form part of the total business of PWM.

The Market

The market for Tyvek type protective clothing in Ireland is valued at IR£720,000 or 342,000 units. PWM currently holds just less than 50% of the Irish market. As the company is the sole converter of Tyvek in Ireland, competition comes from UK converters such as Kappler, CCA and Helman/Bay City. They are serviced by Irish distributors as follows:

<u>UK Converters</u>	<u>Irish Distributors</u>	<u>Estimated Sales In Ireland</u>
Kappler	Westex	£150,000
CCA	Total Safety	£50,000
Helman/Bay City	JP Davies	£50,000

Increased competition in the domestic market in the future can be expected from other UK converters such as Kimberly Clarke and Don & Low. The market is expected to grow by at least 10 per cent over the next five years. A key driver of change in the market place is current EC legislation on Personal Protective equipment which is now transposed into law. The Safety, Health and Welfare at Work Act has helped increase the awareness for the need for protective clothing. As a result of these developments, the market for protective clothing will enjoy significant growth.

Existing Strategy

The Tyvek product is currently converted at three different locations around Ireland. This creates problems in terms of diseconomies of scale and inefficiency. To effectively exploit the opportunity offered by the Tyvek licence, PWM has decided to consolidate its operation in one location. This will enable the company to standardise its procedures and move quickly to secure ISO 9000 Certification. In addition PWM will add a number of other specialist and customised lines to its total business.

PWM's finished product is handled by two main distributors, M.A. Healy (45%) and Genweld (55%). The company's relationship with Du Pont is very strong and this multi national is heavily committed to providing marketing and promotional back-up, R & D, technical back-up and education seminars for end users. PWM is also engaged in tendering for state and semi-state contracts and in direct negotiations with the corporate sector for customised workwear garments.

FUTURE STRATEGY

Given the company's success in building up a strong business record, its strengths in manufacturing and its strong linkages with Du Pont, a sales turnover of £1,000,000 will be achieved by 1996. This will entail:

- **Market Penetration in Existing Markets:** This will be fuelled by environmental legislation, increasing awareness of the need for protective clothing in traditional markets.
- **New Market Development:** Again, new segments of the market require protective clothing in order to comply with this legislation.
- **Achieving a Lower Cost Structure:** This will be achieved by relocation to Navan through economies of consolidation of manufacturing resources.

PWM is currently manufacturing in three different locations. Due to the need for economies of scale and the need to improve productivity it is proposed that PWM will manufacture the entire range of garments under one roof in Navan. The existing workforce and the facilities at other locations will be switched to the production of conventional workwear.

MARKETING PLAN

The main marketing objectives for PWM over the next three years are as follows:

Increase Market share in existing markets, i.e. Pharmaceutical, Chemical and Electronic Industries. PWM will continue to market a range of protective clothing products and promotional apparel to these segments with a view to increasing its client base. Du Pont is committed to increasing its market share and will provide the company with marketing, promotional and technical back-up in order to achieve this.

Market Development: The company aims to exploit the opportunities that exist due to environmental legislation. Markets which are affected by this include the Agricultural sector, "Dirty" Industries and Public Utilities i.e. ESB, Telecom, Bord na Mona. This will be achieved in association with Du Pont.

Export Market Development: Our strategy will be to access the European and Scandinavian markets through associate European companies who provide sheltered employment in these countries.

PRODUCT PLAN

The sales objectives will also be achieved by developing the range of styles of Tyvek products for the market place. This will involve working closely with customers to identify their needs and manufacturing customised products. In addition, the new product development facilities of the Du Pont organisation will be tapped to provide new product initiatives for PWM's existing customer base. As the product can be dyed, tinted and printed, an opportunity exists in the promotional apparel sector as well as the workwear market. Further research will be undertaken to assess the potential of this market.

MANUFACTURING PLAN

PWM will be relocated in a modern, purpose built factory in Navan with a floor space of 8,000 sq.ft. This will include a storage and stock control area, together with cutting and production facilities which will be equipped with machines specially adapted for this product. Special quality inspection, packaging and dispatch areas will be included in preparation for ISO 9000 certification. Total capital expenditure will amount to £135,000.

1994	£125,000
1995	£10,000
1996	Nil

The crucial parts of the investment will be the purchase of a cutting table and auto cutting machine and knife, sewing machines and computers, all required in Year 1 of the plan. This major investment programme will allow the company to achieve target sales levels and reach an economic scale of production.

MANPOWER PLAN

<u>Position</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Able	8	16	19	19
Disabled		9	10	12
Total	8	25	29	31

In order to cater for proposed growth, PWM intends to grow its workforce from 8 in 1993, to 31 by 1996.

COMPETITIVE ADVANTAGE

PWM's competitive advantages are as follows:

- PWM is sole licensed converter of Tyvek in Ireland. This provides the company with a direct association with Du Pont and its marketing, technical and R & D back-up.
- PWM offer the only Irish manufactured product to the market.
- The goodwill that Rehab has generated for its work with people with special needs. Rehab has strong linkages with a number of companies throughout Mainland Europe and Scandinavia. Access to these markets provides considerable opportunities for growth.

FINANCIAL OUTCOME

PWM currently incurs a net revenue deficit, primarily caused by the inefficiencies of manufacturing in three locations and to diseconomies of scale due to undertrading. However, with the necessary capital injection and employment assistance, this production can be reserved and create 23 jobs in the process. A summary profit and loss account for the three years to 1996 is given below:

PWM - Forecast Profit/Loss Statement

	1994 <u>£,000</u>	1995 <u>£,000</u>	1996 <u>£,000</u>
Sales	(600)	(800)	(1,000)
Cost of Sales	390	520	650
Gross Margin	(210)	(280)	(350)
Total Overheads	435	488	524
Operating Loss/(Profit)	225	208	174
Amortisation of Capital Grants	(13)	(14)	(14)
Grants re Disabled Employees	(61)	(78)	(96)
Deficit/(Surplus)	151	115	65
Grants re Additional Able Bodied Employees	(135)	(31)	-
Net Deficit/(Surplus)	16	85	65
Breakeven Sales	647	1,043	1,185

Greenhills Food Company

CURRENT BUSINESS

Background

Greenhills Food Company specialises in the production of high quality preserves, jams and marmalades. As well as own label products, the unit also produces for a number of customers including Marks & Spencer - Europe, Bewley's, Fragrances of Ireland, McLoughlins and Margetts. The company has developed a significant export business and has identified real opportunity for growth.

The company's turnover in 1993 is forecast at IR£245,000. The company currently employs 2 able bodied people. There are, in addition, 16 disabled persons who have completed training and are available for employment. In 1992, the "Harrisons of Dublin" range of preserves was introduced. The range won first prize at "Food Ex 1991" for both Best New Product and Best Irish Product. Greenhills is located within Rehab's Tallaght Centre and occupies approximately 9,000 sq.ft. of the centre's 32,000 sq.ft.

The Market

The Irish market for sweet spreads/preserves is worth approximately IR£17 million. The market can be divided into mainstream and premium sub-segments. Greenhills operate in the premium end of the preserves market, worth an estimated IR£2m-IR£2.5 million in 1992. The mainstream segment is estimated at IR£12.5 to IR£14 million and is dominated by own label. The premium market for jams and preserves is growing. This market can be divided into three sections:

		<u>Estimated Percentage</u>
Luxury	- High Fruit Content	50%
Healthy	- Reduced Sugar	25%
Home-Made	- Cottage Based Producers	25%

		100%

The Harrisons of Dublin preserves range operates in the luxury and healthy end of the market. This market is currently subject to the following favourable trends:

- **Increasing Maturity of Population:** The Harrisons of Dublin range is targeted at the adult market in contrast to mainstream producers who target younger age groups. The market for luxury preserves is increasing in size and is becoming more sophisticated.
- **Expenditure on "Treat" items is Increasing:** There is an increasing demand for indulgence products, particularly luxury food items.
- **A Desire for Superior Quality among Consumers:** There is a definite trend in the premium sector towards exclusive products. Superior quality is demanded in terms of ingredients and packaging.
- **Retailers' Desire for more differentiated products:** Supermarket multiples in particular are increasing their offerings of premium quality goods in a bid to differentiate from competition.
- **Broadened Distribution:** Specialty food outlets continue to have a special role for our premium preserves. Recent developments include the growth in demand from catering sources for miniature sizes and also growth in the hamper market.
- **Pack Design is a Key Communications Tool.** For small brands such as Harrisons, packaging plays an extremely important role in getting the product noticed.

Competitive Profile

In the premium segment, competition and positioning is based on a number of factors including price, packaging and product quality. Greenhills is the major Irish player in the premium market with its range of products. Its main competitors include a number of Irish "Cottage" producers including Ownabee Homes Preserves, Cork.

The major players/retailers of own label in the mainstream market are Dunnes Stores, Quinnsworth, Musgrave's Red Label, Super Value and Spar. The market leaders in the branded mainstream segment are Chivers and Nestle (Fruitfields). Competition is primarily based on price in this segment.

Existing Strategy

Growth over the last few years has been accomplished primarily through product and channel development. The focus has been on both range development, by increasing the range of preserves on offer and market development, by supplying new customers (e.g. agreed recipes with Marks & Spencer and Bewleys). New markets include the hamper market and the catering market for miniature sizes (e.g. hotels, restaurants, airlines, etc.). In store promotion and marketing have played an important role for the Harrisons of Dublin range. Some 62% of the output of Greenhills produce is exported, primarily to France.

During 1993, Greenhills expanded its range of products under the "Harrisons" label to include the first Irish made range of low sugar/high fruit jams and marmalades. These products were launched to the retail trade in Autumn 1993.

FUTURE STRATEGY

The primary objectives for development of Greenhills over the next three years are as follows:

- Increase output by the end of 1994 to full capacity with:
 - Greater market penetration of existing products.
 - A continued and aggressive development of the product range.
- Increase production capability by improving productivity and efficiency, mainly by upgrading the 227/340 g line.

The forecast sales target figures to 1996 are outlined below:

Sales Forecast 1994 - 1996

<u>Year</u>	<u>Sales IR£,000</u>
1994	600
1995	1,050
1996	1,500

The sales forecasts entail a six-fold increase in sales over the three year period to £1,500,000. This will necessitate an increase in production capacity through upgrading and increased productivity and efficiency.

In addition, the company will set up a 'pilot' test kitchen in its Tallaght plant and employ a food technologist with specific responsibility for new product development. This product development strategy will necessarily extend beyond the scope of the preserves market.

The positioning strategy will be to maintain the current profile of differentiation through price, packaging and product quality and maintain the high levels of service offered to the customer. Greenhills will continue to compete in the premium segment of the market in addition to providing customised recipes for specialist retailers.

MARKETING PLAN

The company is well positioned to take advantage of the favourable market trends. The marketing objectives to meet the proposed increase in sales to £1,500,000 by 1996 will be to:

- **Increase Market Penetration of Existing Products.**
- **Broaden the Product Range.**
- **Increase the Customer Base**

This will be achieved through marketing efforts, in particular:

- Employing a full time sales/marketing assistant to manage the marketing programme.
- Employing a full time food technologist and setting up test kitchen.
- Launching new products.
- Increasing above the line communications to our target market.
- Increasing below the line communications. This would involve increased effort in in-store sales promotions, joint promotions with complementary products, sales promotion competitions in co-operation with leading retailers and possible price-off campaigns to stimulate growth.

- Research into changing consumer needs to fuel the new product development process.

PRODUCT PLAN

In order to meet proposed output increases it will be necessary to:

- **Increase Market Penetration among the Existing Product Range:** This will include a broadening of the own label client base and increased market distribution for the branded products. In product terms this will necessitate an increase in production capability for the larger 227/340g line.
- **A Broadening of the Existing Product Range:** This will include an increase in the variety of fruit preserves available. Market research will guide this new product development process.
- **Product Development:** It is proposed to enter new segments of the preserves market including non sugar based products.

MANUFACTURING PLAN

A primary objective of the three year plan is to increase production capability through improvement in productivity and efficiency. The existing mixing pans and production lines were installed in 1988 to cater mainly for mini jar production. This now represents only 15 per cent of total output. It will be necessary to upgrade the 227/340g line in order to cope with the increased production requirements.

A number of methods of improving productivity and efficiency have been identified. The capital investment requirements to achieve this include the purchase of a new conveyor belt, a fully automatic labelling machine and new assembling machinery. This will require an investment of £141,000 in 1994 with an additional investment of £65,000 in 1995 and £20,000 in 1996. Thus the total capital investment involved is £226,000.

MANPOWER PLAN

In order to achieve the above objectives, total employment will grow to 38 by 1996:

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Able	3	6	10	14
Disabled	-	20	22	24
<hr/>				
Total	3	26	32	38
<hr/>				

COMPETITIVE ADVANTAGE

Greenhills Food Company has built up certain competitive advantages since 1988 that will allow the company to meet its development targets.

- **Established Brand Name/Integrity:** The company has build a strong reputation for quality production and marketing. Because of the link to the Rehabilitation Institute, customers are more than willing to do business with the company.
- **Position in Premium Market:** The Company offers a range of differentiated products and is well positioned in a growing market.
- **Economies of Scale:** Greenhills production levels compared to cottage producers puts it in a very strong position, particularly in the multiples market.
- **Success in Export Markets:** The company has successfully developed its export business. One of its principal export customers is Marks & Spencers.

FINANCIAL OUTCOME

The total capital investment needed over the three year period to 1996 will be IR£225,000 with sales growing to £1,500,000 by 1996.

The projected Profit and Loss Account for the three years is as follows:

Greenhills Food Company - Forecast Profit/Loss Statement

	<u>1994</u> <u>£,000</u>	<u>1995</u> <u>£,000</u>	<u>1996</u> <u>£,000</u>
Sales	(600)	(1,050)	(1,500)
Cost of Sales	420	735	1,050
Gross Margin	(180)	(315)	(450)
Total Overheads	479	588	691
Operating Loss/(Profit)	299	273	241
Amortisation of Capital Grants	(14)	(21)	(23)
Grants re Disabled Employees	(153)	(173)	(193)
Deficit/(Surplus)	132	80	25
Grants re Additional Able Bodied Employees	(45)	(62)	(64)
Net Deficit/(Surplus)	87	18	(39)
Breakeven Sales	889	1,110	1,372

APPENDICES

**Appendix 1: Executive Summary of "Study of Economic
Impact of the Rehabilitation Institute"
(INDECON) Price Waterhouse**

Appendix 2: Profit and Loss Accounts 1994-1996

APPENDIX 1

EXECUTIVE SUMMARY

Background

This report represents an independent evaluation of the economic implications of the activities of the Rehabilitation Institute. The Rehabilitation Institute is the major organisation providing vocational rehabilitation services for people with disabilities in Ireland. It is a private voluntary organisation and has the legal status of a Company limited by guarantee. The objective of the Rehabilitation Institute is the provision of high quality vocational training and development, allied services and the creation of business ventures for people with special needs.

Overview

The analysis in this report suggests that the economic benefits of Rehab activities can be classified under the following three areas:

- economic benefits arising from commercial output of Rehab activities,
- improved employment prospects for Rehab trainees,
- contribution to increased output arising from increased productivity of Rehab trainees post training.

Economic Benefits from Commercial Output of Rehab Activities

One of the important economic benefits from Rehab activities arises from the commercial output produced. This contributes to gross national product in the same way as other wealth creating activities in the manufacturing, international services and domestic services sectors. An indication of the significance of the commercial output activities of Rehab activities can be seen from data on sales which in 1990 amounted to £11.9 million. The sales figures overestimate the economic contribution of Rehab commercial activities and in this report an analysis of Irish economy expenditure was undertaken. Irish economy expenditures represent the amount of total expenditure of an activity which are retained in the Irish economy. In the case of Rehab Irish economy expenditures in 1990 were estimated to be £9.1 million. Furthermore, this amount is geographically dispersed around the country.

Improved Employment Prospects for Rehab Trainees

A key element of the economic benefits of Rehab activities is the extent to which the training increases the employment prospects for trainees. The research in this report indicates an encouraging improvement in employment prospects for trainees. Only approximately 10% of trainees surveyed were employed in the six months prior to training and nearly 71% secured employment since training and over 54% are currently employed. While some trainees may have improved their employment prospects without training, given the nature of Rehab activities, the remarkable improvement in employment prospects for trainees is largely due to Rehab.



Contribution to Increased Output

One of the potential benefits of Rehab activities is the contribution to increased national output arising from the increased productivity of Rehab trainees post training. Many Rehab trainees were not contributing anything to output prior to training due to unemployment and their improved employment experience represents a direct contribution to increased output. A measure of the contribution of increased output can be seen from data on the income experience of trainees. The average improvement in income between pre-training and current employment for Rehab trainees surveyed was 118.6%.

Increased Individual Welfare of Trainees

It is important not to lose sight of one of the primary objectives and benefits of Rehab activities namely the improved individual welfare of trainees. This in many ways represents the most important benefit of Rehab activities. The greater independence and quality of life for Rehab trainees and their families cannot be quantified in economic terms but despite the significant economic benefits of Rehab activities this remains possibly the principal benefit of Rehab. This of course may have economic as well as social implications such as reduced dependence on health services etc. which are not considered in this report.

Exchequer Implications

The overall economic benefits of Rehab activities represents the key issue in any national evaluation of Rehab. It is however also useful to consider the exchequer implications of Rehab activities even though this is a distribution issue. The gross exchequer costs of Rehab activities which emanate largely from the eight Health Boards and the Department of Health were adjusted to take account of savings in disability payments during training and in post training period, as well as PRSI and income tax contributions from Rehab employees. The results suggest that Rehab activities represent a direct net contribution to the Exchequer. This analysis refers to direct exchequer costs only or the gross costs to the Irish taxpayer and does not include EC funds. EC funds have alternative uses in the Irish economy and are part of "public" costs, although they are not part of exchequer flows. The Institute because of its eligible activities provides the basis for claim on the European Social Funds.

Conclusion

In summary, the analysis in this study indicates that Rehab activities have a significant economic benefit which should not be neglected in evaluations of the work of the Institute. In terms of the position re the Irish taxpayer, Rehab activities represent a direct net contribution.



APPENDIX 2

YEAR	CONSOLIDATED		
	1994	1995	1996
SALES	(7,479,400)	(9,400,000)	(11,230,000)
MATERIALS	4,812,470	5,972,500	7,119,800
GROSS MARGIN	<u>(2,666,930)</u>	<u>(3,427,500)</u>	<u>(4,110,200)</u>
% MARGIN	36%	36%	37%
PAYROLL COSTS	2,093,886	2,636,490	2,955,197
EMPLOYEE BENEFITS	157,822	199,941	223,907
INSURANCE	23,158	29,160	32,684
TRAVEL & ACCOM	21,312	23,547	25,188
VEHICLE COSTS	72,125	76,354	79,854
FREIGHT OUTWARDS	350,300	436,480	520,234
BAD DEBTS	40,900	61,100	81,260
RENT & RATES	270,919	270,919	270,919
LIGHT, HEAT & POWER	96,750	126,637	153,640
MAINTENANCE OF PREMISES	50,020	51,521	53,066
MAINTENANCE OF PLANT	87,072	89,684	92,375
LEASE HIRE OF PLANT	303,031	276,276	181,374
GENERAL INSURANCE	12,944	13,332	13,732
DEPRECIATION	103,007	125,507	141,457
ADVERTISING AND PROMOTIONS	245,424	253,005	260,814
AUDIT FEES	15,000	15,000	15,000
PROFESSIONAL FEES	94,657	97,497	100,422
POSTAGE	11,803	15,163	18,624
STATIONERY	30,300	38,217	45,957
TELEPHONE	62,100	77,006	90,186
BANK INTEREST	63,196	65,092	67,045
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	<u>4,205,724</u>	<u>4,977,927</u>	<u>5,422,936</u>
OPERAT LOSS/PROFIT	<u>1,538,794</u>	<u>1,550,427</u>	<u>1,312,736</u>
AMORTISATION OF CAPITAL GRANTS	(122,303)	(144,803)	(158,303)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLED	(848,329)	(1,125,984)	(1,243,831)
DEFICIT/(SURPLUS)	<u>568,163</u>	<u>279,640</u>	<u>(89,398)</u>
CAPITAL GRANTS RE ABLE BODIED	<u>(480,000)</u>	<u>(494,400)</u>	<u>(334,194)</u>
NET REVENUE DEFICIT/(SURPLUS) AFTER GRANTS	<u>88,163</u>	<u>(214,760)</u>	<u>(423,592)</u>
BREAK EVEN POINT SALES	<u>7,770,234</u>	<u>8,782,690</u>	<u>9,955,205</u>

REHAB ELECTRONIC MANUFACTURING

YEAR	1994	1995	1996
SALES	(800,000)	(1,200,000)	(1,600,000)
MATERIALS	600,000	900,000	1,200,000
GROSS MARGIN	<u>(200,000)</u>	<u>(300,000)</u>	<u>(400,000)</u>
% MARGIN	25%	25%	25%
PAYROLL COSTS	274,411	473,708	564,345
EMPLOYEE BENEFITS	21,953	37,897	45,148
INSURANCE	3,035	5,239	6,242
TRAVEL & ACCOM	3,800	4,446	4,891
VEHICLE COSTS	4,920	5,756	6,332
FREIGHT OUTWARDS	12,400	18,600	26,040
BAD DEBTS	16,000	24,000	32,000
RENT & RATES	15,000	15,000	15,000
LIGHT, HEAT & POWER	7,000	10,500	14,700
MAINTENANCE OF PREMISES	5,200	5,356	5,517
MAINTENANCE OF PLANT	4,300	4,429	4,562
LEASE HIRE OF PLANT	20,539	20,539	19,177
GENERAL INSURANCE	1,500	1,545	1,591
DEPRECIATION	10,000	11,500	11,500
ADVERTISING AND PROMOTIONS	40,000	41,200	42,436
AUDIT FEES	2,500	2,500	2,500
PROFESSIONAL FEES	0	0	0
POSTAGE	515	530	546
STATIONERY	6,400	6,592	6,790
TELEPHONE	11,200	11,536	11,882
BANK INTEREST	7,520	7,746	7,978
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	<u>468,192</u>	<u>708,619</u>	<u>829,176</u>
OPERAT LOSS/PROFIT	<u>268,192</u>	<u>408,619</u>	<u>429,176</u>
AMORTISATION OF CAPITAL GRANTS	(8,500)	(10,000)	(10,000)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLED	(114,639)	(232,717)	(239,699)
DEFICIT/(SURPLUS)	<u>145,053</u>	<u>165,902</u>	<u>179,478</u>
CAPITAL GRANTS RE ABLE BODIED	(60,000)	(154,500)	(159,140)
NET REVENUE DEFICIT/(SURPLUS) AFTER GRANTS	<u>85,053</u>	<u>11,402</u>	<u>20,338</u>
BREAK EVEN POINT SALES	<u>1,140,213</u>	<u>1,245,609</u>	<u>1,681,350</u>

GALWAY CORRUGATED CASES

YEAR	1994	1995	1996
SALES	(4,000,000)	(4,500,000)	(5,000,000)
MATERIALS	2,980,000	3,315,000	3,650,000
GROSS MARGIN	<u>(1,020,000)</u>	<u>(1,185,000)</u>	<u>(1,350,000)</u>
% MARGIN	26%	26%	27%
PAYROLL COSTS	576,737	653,484	744,565
EMPLOYEE BENEFITS	36,450	41,300	47,056
INSURANCE	6,379	7,228	8,235
TRAVEL & ACCOM	5,562	5,729	5,901
VEHICLE COSTS	23,470	24,174	24,899
FREIGHT OUTWARDS	120,000	125,000	150,000
BAD DEBTS	10,000	12,500	15,000
RENT & RATES	100,000	100,000	100,000
LIGHT, HEAT & POWER	28,750	35,937	43,125
MAINTENANCE OF PREMISES	10,954	11,283	11,621
MAINTENANCE OF PLANT	34,302	35,331	36,391
LEASE HIRE OF PLANT	153,128	141,744	65,248
GENERAL INSURANCE	2,294	2,363	2,434
DEPRECIATION	16,407	19,907	23,407
ADVERTISING AND PROMOTIONS	12,721	13,102	13,495
AUDIT FEES	2,500	2,500	2,500
PROFESSIONAL FEES	94,657	97,497	100,422
POSTAGE	1,288	1,326	1,366
STATIONERY	6,500	7,775	9,025
TELEPHONE	23,500	26,500	28,750
BANK INTREST	10,708	11,029	11,360
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	<u>1,276,305</u>	<u>1,375,708</u>	<u>1,444,799</u>
OPERAT LOSS/PROFIT	<u>256,305</u>	<u>190,708</u>	<u>94,799</u>
AMORTISATION OF CAPITAL GRANTS	(15,000)	(18,500)	(22,000)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLED	(244,563)	(290,113)	(337,029)
DEFICIT/(SURPLUS)	<u>(3,258)</u>	<u>(117,904)</u>	<u>(264,230)</u>
CAPITAL GRANTS RE ABLE BODIED	(75,000)	(77,250)	(79,570)
NET REVENUE DEFICIT/(SURPLUS) AFTER GRANTS	<u>(78,258)</u>	<u>(195,154)</u>	<u>(343,800)</u>
BREAK EVEN POINT SALES	<u>3,699,007</u>	<u>3,749,407</u>	<u>3,726,666</u>

REHAB RECYCLING SERVICES

YEAR	1994	1995	1996
SALES	(629,400)	(850,000)	(1,000,000)
MATERIALS	31,470	42,500	50,000
GROSS MARGIN	----- (597,930) -----	----- (807,500) -----	----- (950,000) -----
% MARGIN	95%	95%	95%
PAYROLL COSTS	374,935	462,609	507,058
EMPLOYEE BENEFITS	29,995	37,009	40,565
INSURANCE	4,147	5,116	5,608
TRAVEL & ACCOM	1,150	1,185	1,220
VEHICLE COSTS	29,395	30,277	31,185
FREIGHT OUTWARDS	180,000	243,000	285,050
BAD DEBTS	0	0	0
RENT & RATES	75,000	75,000	75,000
LIGHT, HEAT & POWER	17,500	19,600	21,952
MAINTENANCE OF PREMISES	20,200	20,806	21,430
MAINTENANCE OF PLANT	27,500	28,325	29,175
LEASE HIRE OF PLANT	118,954	105,679	90,557
GENERAL INSURANCE	3,900	4,017	4,138
DEPRECIATION	72,703	80,703	88,703
ADVERTISING AND PROMOTIONS	25,000	27,100	29,263
AUDIT FEES	2,500	2,500	2,500
PROFESSIONAL FEES	0	0	0
POSTAGE	200	206	212
STATIONERY	1,000	1,050	1,103
TELEPHONE	5,400	5,670	5,954
BANK INTREST	1,551	1,598	1,645
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	----- 991,030 -----	----- 1,151,449 -----	----- 1,242,317 -----
OPERAT LOSS/PROFIT	----- 393,100 -----	----- 343,949 -----	----- 292,317 -----
AMORTISATION OF CAPITAL GRANTS	(64,703)	(72,703)	(80,703)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLE	(183,422)	(219,495)	(241,365)
DEFICIT/(SURPLUS)	----- 144,975 -----	----- 51,751 -----	----- (29,751) -----
CAPITAL GRANTS RE ABLE BODIED	(90,000)	(92,700)	(31,828)
NET REVENUE DEFICIT/(SURPLUS) AFTER GRANTS	----- 54,975 -----	----- (40,949) -----	----- (61,579) -----
BREAK EVEN POINT SALES	----- 687,268 -----	----- 806,895 -----	----- 980,443 -----

HATS OF IRELAND

YEAR	1994	1995	1996
SALES	(850,000)	(1,000,000)	(1,130,000)
MATERIALS	391,000	460,000	519,800
GROSS MARGIN	(459,000)	(540,000)	(610,200)
% MARGIN	54%	54%	54%
PAYROLL COSTS	342,251	428,945	441,813
EMPLOYEE BENEFITS	27,380	34,316	35,345
INSURANCE	3,785	4,744	4,886
TRAVEL & ACCOM	3,800	4,446	4,891
VEHICLE COSTS	4,920	5,756	6,332
FREIGHT OUTWARDS	4,900	5,880	6,644
BAD DEBTS	1,700	2,000	2,260
RENT & RATES	30,000	30,000	30,000
LIGHT, HEAT & POWER	10,500	12,600	14,238
MAINTENANCE OF PREMISES	2,500	2,575	2,652
MAINTENANCE OF PLANT	6,500	6,695	6,896
LEASE HIRE OF PLANT	326	0	0
GENERAL INSURANCE	2,250	2,318	2,387
DEPRECIATION	7,500	9,500	9,500
ADVERTISING AND PROMOTIONS	55,000	56,650	58,350
AUDIT FEES	2,500	2,500	2,500
PROFESSIONAL FEES	0	0	0
POSTAGE	8,000	10,200	12,500
STATIONERY	6,800	8,000	9,040
TELEPHONE	5,200	7,400	8,600
BANK INTREST	30,765	31,688	32,639
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	556,578	666,212	691,473
OPERAT LOSS/PROFIT	97,578	126,212	81,273
AMORTISATION OF CAPITAL GRANTS	(7,500)	(9,500)	(9,500)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLE	(91,711)	(132,675)	(136,655)
DEFICIT/(SURPLUS)	(1,633)	(15,964)	(64,882)
CAPITAL GRANTS RE ABLE BODIED	(75,000)	(77,250)	0
NET REVENUE DEFICIT/(SURPLUS) AFTER GRANTS	(76,633)	(93,214)	(64,882)
BREAK EVEN POINT SALES	708,087	827,381	1,009,848

PRECISION WORKWEAR MANUFACTURING

YEAR	1994	1995	1996
SALES	(600,000)	(800,000)	(1,000,000)
MATERIALS	390,000	520,000	650,000
GROSS MARGIN	----- (210,000) -----	----- (280,000) -----	----- (350,000) -----
% MARGIN	35%	35%	35%
PAYROLL COSTS	278,861	317,797	342,616
EMPLOYEE BENEFITS	22,309	25,424	27,409
INSURANCE	3,084	3,515	3,789
TRAVEL & ACCOM	3,200	3,296	3,395
VEHICLE COSTS	4,500	4,635	4,774
FREIGHT OUTWARDS	17,000	20,000	22,500
BAD DEBTS	1,200	1,600	2,000
RENT & RATES	24,000	24,000	24,000
LIGHT, HEAT & POWER	6,000	7,500	9,000
MAINTENANCE OF PREMISES	6,500	6,695	6,896
MAINTENANCE OF PLANT	9,000	9,270	9,548
LEASE HIRE OF PLANT	2,724	954	0
GENERAL INSURANCE	1,750	1,803	1,857
DEPRECIATION	15,000	16,000	16,000
ADVERTISING AND PROMOTIONS	20,000	20,600	21,218
AUDIT FEES	2,500	2,500	2,500
PROFESSIONAL FEES	0	0	0
POSTAGE	600	800	1,000
STATIONERY	4,800	6,400	8,000
TELEPHONE	8,400	11,200	14,000
BANK INTEREST	3,514	3,619	3,728
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	----- 434,942 -----	----- 487,608 -----	----- 524,230 -----
OPERAT LOSS/PROFIT	224,942	207,608	174,230
AMORTISATION OF CAPITAL GRANTS	(12,500)	(13,500)	(13,500)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLE	(61,141)	(78,260)	(95,893)
DEFICIT/(SURPLUS)	----- 151,301 -----	----- 115,847 -----	----- 64,837 -----
CAPITAL GRANTS RE ABLE BODIED	(135,000)	(30,900)	0
NET REVENUE DEFICIT/ (SURPLUS) AFTER GRANTS	----- 16,301 -----	----- 84,947 -----	----- 64,837 -----
BREAK EVEN POINT SALES	----- 646,576 -----	----- 1,042,707 -----	----- 1,185,249 -----

GREENHILLS FOOD COMPANY
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YEAR	1994	1995	1996
SALES	(600,000)	(1,050,000)	(1,500,000)
MATERIALS	420,000	735,000	1,050,000
GROSS MARGIN	<u>(180,000)</u>	<u>(315,000)</u>	<u>(450,000)</u>
% MARGIN	30%	30%	30%
PAYROLL COSTS	246,690	299,946	354,800
EMPLOYEE BENEFITS	19,735	23,996	28,384
INSURANCE	2,728	3,317	3,924
TRAVEL & ACCOM	3,800	4,446	4,891
VEHICLE COSTS	4,920	5,756	6,332
FREIGHT OUTWARDS	16,000	24,000	30,000
BAD DEBTS	12,000	21,000	30,000
RENT & RATES	26,919	26,919	26,919
LIGHT, HEAT & POWER	27,000	40,500	50,625
MAINTENANCE OF PREMISES	4,666	4,806	4,950
MAINTENANCE OF PLANT	5,470	5,634	5,803
LEASE HIRE OF PLANT	7,360	7,360	6,392
GENERAL INSURANCE	1,250	1,288	1,326
DEPRECIATION	19,100	25,600	30,050
ADVERTISING AND PROMOTIONS	55,000	56,650	58,350
AUDIT FEES	2,500	2,500	2,500
PROFESSIONAL FEES	0	0	0
POSTAGE	1,200	2,100	3,000
STATIONERY	4,800	8,400	12,000
TELEPHONE	8,400	14,700	21,000
BANK INTEREST	9,138	9,412	9,695
H.O. ALLOCATIONS	0	0	0
TOTAL OVERHEADS	<u>478,677</u>	<u>588,330</u>	<u>690,940</u>
OPERAT LOSS/PROFIT	<u>298,677</u>	<u>273,330</u>	<u>240,940</u>
AMORTISATION OF CAPITAL GRANTS	(14,100)	(20,600)	(22,600)
GRANTS RE: ADDITIONAL EMPLOYEES DISABLED	(152,852)	(172,723)	(193,190)
DEFICIT/(SURPLUS)	<u>131,725</u>	<u>80,007</u>	<u>25,151</u>
CAPITAL GRANTS RE ABLE BODIED	(45,000)	(61,800)	(63,656)
NET REVENUE DEFICIT/ (SURPLUS) AFTER GRANTS	<u>86,725</u>	<u>18,207</u>	<u>(38,505)</u>
BREAK EVEN POINT SALES	<u>889,083</u>	<u>1,110,691</u>	<u>1,371,649</u>



