

General Certificate of Education
June 2007
Advanced Subsidiary Examination

APPLIED BUSINESS
Unit 3 Financial Planning and Monitoring

BS03/PM



Background Material and Pre-release Research Tasks

To be distributed to candidates no sooner than Monday 26 March 2007

NOTICE TO CANDIDATES

You will be given **one** copy of this Background Material and Pre-release Research Tasks for use during your preparation for the examination, which you may annotate as you wish, but which you will **not** be allowed to take into the examination.

The Background Material and Pre-release Research Tasks will be repeated within the question paper for use in the examination.

You are advised to carry out your own research using this Background Material and Pre-release Research Tasks. It is the business concepts and ideas raised by the Background Material and Pre-release Research Tasks which should be researched.

Your teacher is encouraged to give assistance and advice as required.

Jam Tomorrow

Martyn Ltd is one of Britain's oldest manufacturers of jams, marmalade and honey (together called sweet spreads). The company was founded in 1896 and is one of three remaining British producers of these products; in 1950 there were about 40 British manufacturers of sweet spreads. It employs 250 people in its factory in Dundee in Scotland on a large site where much land is unused.

Martyn Ltd is a family owned private limited company. It is a medium-sized business with a turnover of £35 million and pre-tax profits of £3.37 million in 2006–07. The Board of Directors comprises Fiona Martyn, her father (as Chairman), her two brothers and three non-family directors. Until now, the company has been self-financed and has not invited investment from outsiders. Fiona estimates that the company cannot raise more than £3 million for investment from internal sources.

The company needs to make decisions about its future. Fiona realises that the market for traditional sweet spreads is declining. "People don't eat as much jam and marmalade as in the past; they avoid high sugar foods. Our market is in two parts. About 60% of our sales are cheaper ranges of sweet spreads sold to supermarkets often as 'own brands'. This is a low profit margin market. The remainder of our sales are for high quality, traditional sweet spreads for which we charge premium prices. Unfortunately, this market is shrinking, and rivals such as *Baxter's* and *Wilkin & Sons* make it highly competitive."

The changes in the sweet spreads market offer *Martyn Ltd* opportunities. Some segments of the market are growing.

- Honey is becoming more popular, especially when sold in squeezable tubes; the company's sales of this product rose by 42% between 2006 and 2007.
- The 'healthy' low sugar sector is enjoying growth in sales of 10–15% per year.
- Finally, the organic jam market is showing early signs of popularity.

Fiona wants to introduce a new range of products using the *Martyn* brand name to attract diet conscious consumers with above average incomes. She has made a proposal to the Board of Directors that the company should launch the 'Active' range – a series of products which are low sugar and/or organic. The company would buy a large farm with organic status near to its Dundee factory which would supply about 60% of its organic fruit. Purchasing the farm would require an investment of £5 million. Fiona proposes that a further £2.4 million should be spent on a marketing campaign for the new 'Active' range.

Fiona is keen to launch the 'Active' range, but realises that a variety of information resources (such as information on customers and financial forecasts) will be required to make a decision. The company's directors have agreed to meet in two weeks' time to make the decision on whether to invest in the farm and the 'Active' range.

Pre-examination Research Tasks

- (a) Research the possible sources of finance that are available to the directors of *Martyn Ltd* to finance the new project.
- (b) Research the factors that an external investor would consider before deciding whether to invest in a private limited company.

END OF BACKGROUND MATERIAL AND PRE-RELEASE RESEARCH TASKS