9.0 Financial Plan

Tables attached:

- Sales Forecast
- Start-up Budget
- Annual Profit Budget
- Profit and Loss Statement (2 years projected)
- Annual Cash Flow Budget
- Balance Sheet (2 years projected)
- Break-Even Analysis
- Financial Analysis

9.1 Start-Up Budget

The start-up budget is estimated at $ 209,810 broken up into 'one off' costs of $187,300 and monthly expenses in advance of $ 22,510. Included in the 'one off' costs is goodwill valued at $120,000 and plant and equipment of $ 50,000. The start-up budget is shown in Figure 3 below.

Figure 3 Start-up budget

Start- Up Budget

MONTHLY EXPENSES	Projected Monthly Expenses	Cash needed to Start	% of Total
Salary of owner-manager	$8,000	$8,000	3.8%
All other salaries and wages	$7,000	$7,000	3.3%
Rent/lease	$2,200	$2,200	1.0%
Advertising & promotion	$200	$200	0.1%
Delivery expense			
Supplies (stock-in-trade)	$3,100	$3,100	1.5%
Telephone	$300	$300	0.1%
Other utilities (electricity, gas etc)	$500	$500	0.2%
Insurance			
Consumables	$300	$300	0.1%
Interest	$460	$460	0.2%
Maintenance	$200	$200	0.1%
Legal and Professional costs	$250	$250	0.1%
Miscellaneous			
Subtotal	**$22,510**	**$22,510**	**10.7%**
One Off' Costs			
Fixtures and Equipment		$50,000	23.8%
Fitout			
Installation charges			
Starting Inventory		$3,000	1.4%
Deposits for utilities (electricity, gas etc)		$400	0.2%
Legal and professional fees		$2,750	1.3%
Registrations, licenses and permits		$1,000	0.5%
Advertising and promotion for opening		$550	0.3%
Cash		$5,000	2.4%
Other		$124,600	59.4%
Subtotal		**$187,300**	**89.3%**
Other includes goodwill, rent in advance & insurance			
TOTAL ESTIMATED START-UP CAPITAL		**$209,810**	**100.0%**

The Start-up budget is to be funded by way of equity injection of $104,905 by the owners and a loan over two years from the bank. The bank loan will be repaid out of the business' strong cash flow. If cash flow is reduced for any reason, Brendan and Margaret have personal financial resources to more than adequately cover the loan repayment. A Mortgage Debenture over the business is being offered as collateral along with the Directors personal guarantees.

9.2 Annual Profit Budget

The projected profit for the first year of operation is $109,869, with the second year projected at $131,175. These projections have been based on the Annual Profit Budget (copy attached).

Financial Highlights over the 2-year period are summarised in the figures below.

Figure 4 Year 1 financial highlights

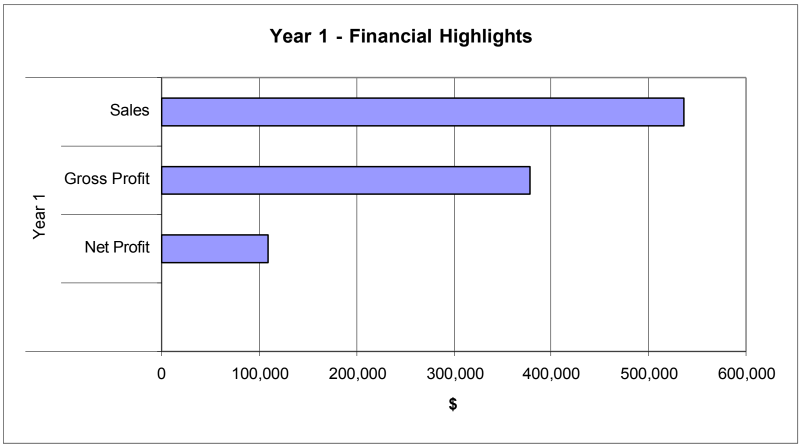
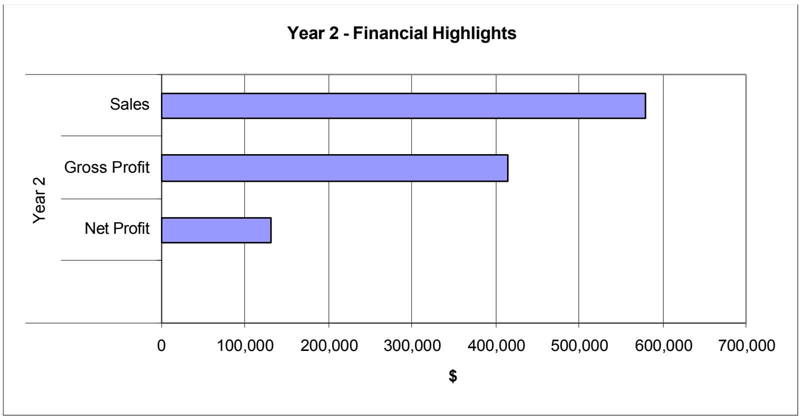


Figure 5 Year 2 financial highlights



Gross Margin is calculated at 71% for Year 1 and 71.5% for Year 2. Net Profit Margin (Before Tax) is calculated at 20.5%. for Year 1 and 22.6% for Year 2.

The business is quite profitable and margins are sustainable over the medium to longer term.

9.3 Cash Flow Forecast

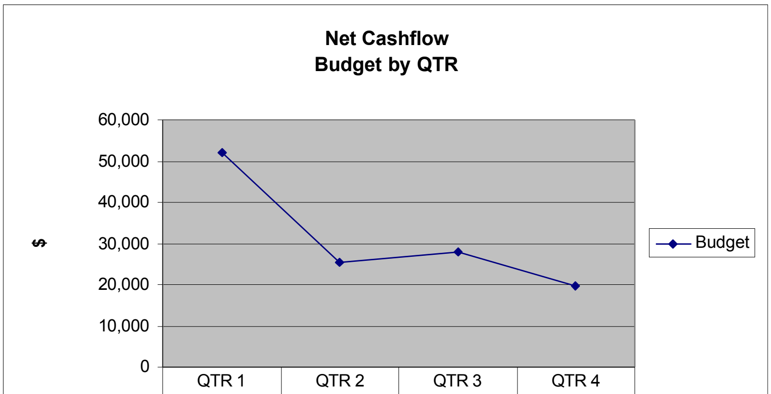
The Cash Flow Forecast projects a very healthy cash surplus on trading for each month with the end-of-year 'cash from operations' calculated at $105,847 and an ending cash balance of $145,657.

Brendan has negotiated very favourable credit terms of 30 days from all suppliers for the first 12 months, although in most cases these arrangements are not in writing. If all suppliers reduced their terms to 7 days cash flow for two trading months, the peak cash shortfall would be approximately $1,200 for about 2 months.

Brendan and Margaret have significant liquid assets to call upon should this eventuate.

On the figures provided and the arrangements negotiated, the business has a strong and positive cash flow. Figure 6 below shows the projected cash-flow by quarter.

Figure 6 Projected cash flow by quarter



	QTR 1	QTR 2	QTR 3	QTR 4
Budget	52,187	25,402	27,947	19,681

9.4 Balance Sheet

The opening Balance Sheet shows an equity position of $104,905 growing to $214,774 at the end of Year 1 and to $345,949 at the end of Year 2. By the end of Year 2 the business will be clear of any debt and be 'cashed up' to take advantage of further opportunities in the market place.

Figure 7 Projected opening balance sheet and year-end balance sheet

Balance Sheet	Industry Average %	Opening Balance Sheet	%	Year 1	%
Assets					
Current Assets					
Cash at Hand and Bank		$ 39,810	18.97%	$ 131,107	44.48%
Trade Debtors				$ 2,040	0.69%
Inventory Value				$ 1,200	0.41%
Short Term Investments					
All other current					
Total Current Assets		*$ 39,810*	*18.97%*	*$ 134,347*	*45.58%*
Fixed Assets					
Land & Building at Cost					
Plant & Equipment at Cost		$ 50,000	23.83%	$ 50,000	16.96%
Motor Vehicles at Cost					
Leasehold Improvements at Cost					
Less Provision for Depreciation				$ 9,600	3.26%
Total Fixed Assets		$ 50,000	23.83%	$ 40,400	20.22%
Intangible Assets					
Goodwill		$ 120,000	57.19%	$ 120,000	40.71%
Other					
Total Intangible Assets		$ 120,000	57.19%	$ 120,000	40.71%
Total Assets		***$ 209,810***	***100.00%***	***$ 294,747***	***106.51%***
Liabilities					
Current Liabilities					
Bank Overdraft					
Short Term Loans					
Trade Creditors				$ 14,600	18.26%
All other current				$ 10,822	13.53%
Total Current Liabilities		*$ -*		*$ 25,422*	*31.79%*
Non-Current Liabilities					
Proprietors Loans					
Secured Loans		$ 104,905	100.00%	$ 54,553	68.21%
Other Loans					
Total Non-Current Liabilities		$ 104,905		$ 54,553	
Total Liabilities		***$ 104,905***	***100.00%***	***$ 79,975***	***100.00%***
Net Assets		***$ 104,905***		***$ 214,772***	
Represented by:					
Opening Balance - Owners Equity				$ 104,905	
Add Capital injected		$ 104,905			
Plus Profits				$ 109,869	
Less Capital Draws/Dividends					
TOTAL PROPRIETORSHIP		***$ 104,905***		***$ 214,774***	

9.5 Break-Even Analysis

The Break-Even point has been calculated at 4138 transactions at an average selling price of $7.46. This equates to a contribution margin of $6.38 per transaction and a Break-even sales point of $30,869 per month. The projected level of sales for each month is well above the Break-even level (approximately 30% above).

Figure 8 Break-even analysis

9.6 Financial Analysis

The Return on Owners Equity calculated on the projected end of year financial performance and position indicates a return on investment of 51.2%. Return on Total Assets is calculated at 37.3%. Gross Profit Margin over the period is estimated at 71% with the Net profit Margin estimated at 20.5%.

Figure 9 Financial ratio analysis

Ratio Analysis	Opening Balance Sheet	Year 1
Current Ratio	-	528.5%
Acid Test (Quick Ratio)	-	523.7%
Inventory Turnover	-	132
Debt / Total Assets	50.0%	27.1%
Debt / Net Worth	100.0%	37.2%
Return on Equity	51.2%	51.2%
Return on Total Assets		37.3%
Days Sales Outstanding	-	1
Gross Margin	-	70.6%
Net Margin	-	20.5%

The above ratios indicate a very solid financial performance over the period.

The Current Ratio and the Quick Ratio (Acid Test) are both very high reflecting the fact that the business has a very strong and positive cash flow. This is due to sales being predominantly cash, whilst purchases are bought on largely on 30 day terms. Liquidity is sound.

The business also enjoys a sound financial position with the Debt to Equity ratio calculated at 37.2% and Debt to Total Assets at 27.1%.

Assumptions

Average sale price $7.46 per transaction
Average cost $2.20 per transaction
Sales transactions range from 5900 per month to 7500 in peak period
Historical gross profit margin of 70% will hold.
Seasonal fluctuations – Christmas and New Year are peak periods of sales activity (build up from November, the after New Year slow to February)
The business operates on a cash basis for reporting and paying tax.
PAYG (withholding) is remitted monthly on the Instalment Activity Sheet (IAS), with GST remitted quarterly in arrears on the Business Activity Statement (BAS).