



**Enterprise Greater Moncton**  
**Entreprise Grand Moncton**

DIEPPE MONCTON RIVERVIEW

*Business First. | Les affaires d'abord.*

# ***THE BUSINESS PLAN***

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## **The Business Plan Serves:**

- To test the economic viability of the project
- To prepare the entrepreneur to start, purchase or expand a business
- As a tool to obtain financing or raise capital
- As a management tool (helps the individual to focus in a logical and organized manner on the future growth of his or her business)
- As a control tool that permits the monitoring and assessment of progress versus set goals

# PART 1 – DETAILS OF A BUSINESS PLAN

## 1.0 DESCRIPTION OF THE PROPOSED BUSINESS (OR EXPANSION)

### 1.1 Description of the project

In this section, you should explain your proposed business idea or expansion plan. This would include the type of business, general area where it will operate, brief description of the products/services that you will offer, number of employees, a list of your start-up costs and any other information which will help the reader understand what you are trying to accomplish

### 1.2 History of the business (if existing business)

If the business is an existing operation, you should explain its evolution over the years. How and when it was started?  
Has it grown in terms of sales, employees, physical facilities?

## 2.0 MANAGEMENT

### 2.1 Employee profile

A description of the proposed proprietor(s) and staff member(s) should be included. Who are they? What strengths do they bring to the business in terms of experience, expertise, education, etc. Resumes should be included in appendices (if they are available). A description of each position in the business should be included with their respective roles and responsibilities.

### 2.2 Projected employment levels

A projection of future employment should be made. You should start thinking about the particular skills that your employees will need to help the business prosper and grow.

	Opening	After 1 year	After 3 years
Full-time			
Part-time			

### 2.3 Structure

#### a) Partnership Agreement

If the legal entity of the business is a partnership or group of shareholders, an agreement should be signed by all parties. Such an agreement would cover:

- If one individual decides to leave the business, how much notice should he/she give?
- Will his/her shares be offered to the rest of the group before outsiders?
- How will the assets and debts be divided?
- Who will be responsible for what (specific tasks)?
- Any other relevant facts that should be included

#### b) *Key Person Life Insurance*

What coverage do the owners have?

- c) *Succession Planning*  
What plans have been made in the event of death, illness or retirement of the owner / key manager?
- d) *Professional Advisors*  
Do you have professional advisors such as lawyers, accountants or consultants? If so, please name them.

### **3.0 MARKETING PLAN**

#### **3.1 Products and services**

Explain in detail what products and/or services you will be offering.  
What will be your hours of operation?

#### **3.2 Market potential**

This section would include information on the marketplace in relation to your industry or particular product or services.  
Explain the market potential and conditions.  
Sources of information should also be identified.

#### **3.3 Target market**

Who will be your clientele?  
Explain who they are and also justify the sales objectives you have projected in the PRO FORMA INCOME STATEMENT.  
Explain all assumptions.

#### **3.4 Advertising**

Describe how you will sell your products and/or services to your targeted clientele.  
How will you reach them?  
Explain the different means.  
How much will this cost you?  
Do a monthly advertising budget.

#### **3.5 Competition**

Who are your competitors?  
Do they offer the same products or services that you do?  
What are their strengths and weaknesses? What are yours?  
What advantages will you have?  
How will you be different?

#### **3.6 Prices**

Explain your pricing strategy.  
What will be your mark-up on merchandise?  
How much will you charge for service? What will your prices include?  
Example: warranties, taxes, etc.

## **4.0 PRODUCTION (IF APPLICABLE)**

### **4.1 Location**

You should explain what makes your location suitable for your particular business (proximity to markets, suppliers, transportation, labour, etc..).  
Is there adequate parking?  
How about exit/entry?  
Is the location visible? Elaborate.

### **4.2 Facilities**

Describe your facilities: are they owned or leased? If leased, what are the terms? Will renovations be required? If so, include quotes in appendices. Also attach a floor plan or sketch of the premises if available.

### **4.3 Materials/ supplies**

Who are your suppliers?  
Can supplies be obtained from more than one source?  
What are your terms of payment?  
Are your supplies perishable?  
Do you have adequate storage facilities?  
Do you have a buying policy?

### **4.4 Set-up**

Do you need special environmental, municipal or other government approvals?  
How long will it take to acquire the facilities, equipment, and personnel to start operations?

## **5.0 BUSINESS ENVIRONMENT (IF APPLICABLE)**

### **5.1 Regulations & government policy**

Do you need permits and licenses to operate?  
What government policies and regulations directly impact your business?

### **5.2 Patents, trademarks and commercial licenses**

Do patents and trademarks play a role in your business?  
Do you have licensing arrangements with other businesses?

### **5.3 Technology**

How does technology affect your business?  
Is technology changing the way you do business, if so, how?

### **5.4 Social factors/trends**

Does your business success depend on trends or fashions?  
What major social issues affect your business?

## **6.0 ENVIRONMENTAL CONCERNS (IF APPLICABLE)**

Explain every aspect of your business that will have an impact on the environment.

### **6.1 Land and buildings**

How long have you owned the site?  
What was the prior use of the site?

### **6.2 Materials**

Describe any hazardous materials used on the site.  
How are these materials stored/handled?

### **6.3 Process**

Describe any process which involves hazardous materials: How are dangerous materials normally disposed of?  
Are there any possible health hazards to employees?

### **6.4 Regulations**

What environmental regulations apply to your type of products or business?

## **7.0 PROJECTED FINANCIAL STATEMENTS**

This section should include (for every year forecasted): Opening and Closing Balance Sheets; Yearly Income Statement; Monthly Cash Flow Statement; and Notes to Pro Forma Financial Statements (which would include details on inventory levels; loans and financing; breakdown of salaries; depreciation; and all other assumptions that were used)

## **8.0 APPENDICES (IF APPLICABLE)**

This section would include all necessary information that is either too long or technical to include in the body of the plan. For example, historical financial statements, related business studies, pictures of products, quotes on construction/renovations, floor plan diagrams, etc...

## PART 2 - EXAMPLE OF A BUSINESS PLAN

*EXAMPLE OF COVER PAGE*

### **BUSINESS PLAN**

### **RIVERSIDE WIDGET LTD.**

BROWN RIVER, NB

Presented By:

**Mr. Stanley Ashcotte and Ms. Maria Thomlinson**

**P. O. Box 200**

**Brown River, NB**

Telephone: (111) 111-1111

Fax: (111) 111-1112

August 31, 1999

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## 1.0 DESCRIPTION OF THE PROPOSED BUSINESS

Mr. Stanley Ashcotte and Ms. Maria Thomlinson propose to open a retail outlet that would specialize in the sales and service of widgets. They would carry the entire WEDGCO line of products that are manufactured in Canada by XXX Industries Ltd.

Riverside Widget Ltd. would be located on Main Street in BROWN RIVER, NB. The location, in the business district, is very good for retail because of good access/exit potential for vehicle traffic combined with ample parking in front. The area also has a very high volume of pedestrian traffic because of the proximity of numerous large employers.

At the beginning, two full-time positions and one part-time position will be created. The partners are targeting January 1st, 2000 as the opening date in order to take advantage of the spring construction season.

<u>PROGRAM</u>		<u>FINANCING</u>	
Working Capital	\$2,000	Bank Loan	\$12,000
Inventory	\$5,000		
Store Equipment	\$2,500		
Leasehold Improvements	\$1,500	Owner's Investment	\$4,000
Truck	\$5,000		
	<u>\$16,000</u>		<u>\$16,000</u>

*NOTE: The owner's investment will be in the form of \$2,000 cash and \$2,000 in store equipment.*

## 2.0 MANAGEMENT

### 2.1 Employee Profile

#### **Co-Owner: Mr. Stanley Ashcotte**

Mr. Ashcotte has been in the widget industry for the past eleven years. After graduating in Widget Engineering from the local Community College, Mr. Ashcotte went to work for Maritime Widget in their technical support department. He progressed from junior technician to department head. This has allowed him to become very knowledgeable of the widget industry and more particularly, the local market. His strong technical skills will allow the business to offer unparalleled service to all commercial and residential users.

His prime responsibility in the business will be to look after new product introduction, technical product training of staff and to manage the service department. As co-owner of the business, he will also take an active role in the long term planning of the business.

#### **Co-Owner: Ms. Maria Thomlinson**

Ms. Thomlinson started working in retail sales upon graduation from high school. She was assistant manager of the local hardware store. She has taken many night courses and attended workshops in order to become more knowledgeable in her industry.

Ms. Thomlinson will be responsible for the day to day operations of the store and also the overall management of the business. She will also participate in long term planning.

#### **Sales Clerk**

One part-time employee will be hired to work in the business. This individual will be given general training so that he or she can fill in for the owners during evenings and

weekends. The person will need strong interpersonal skills and a minimum of Grade 12 education.

## 2.2 Projected Employment Levels

The following table is a projection of future employment needs of the business

	Opening	Dec. 31st, 2000	Dec. 31st, 2002
Full-time	2	2	4
Part-time	1	1	2

## 2.3 Structure

**Partnership Agreement:** A partnership agreement has been drafted by their lawyer and signed by both partners. A copy should be included in appendix to this document. Here are some highlights of the agreement:

\* The ownership is shared equally 50/50.

If one partner decides to leave the business, he/she will give the other owner 6 months notice.

He/she will also offer for sale his/her half of the business to the other founding partner, where he/she shall have 60 days to act upon this information.

\* In the event of a separation, all assets and debts shall be divided in half.

**Key Person Life Insurance:** Both partners have taken out life insurance in the amount of \$8,000. If one dies, his/her share of the debts will automatically be paid.

**Succession Planning:** Since this is a partnership, there would be natural succession should one of the owners become ill or die. Both partners are relatively young, and both will learn each others tasks in order to minimize any disruptions that may arise.

## 3.0 MARKETING PLAN

### 3.1 Products and Services

The proposed business will sell & service the entire line of WEDGCO widgets. This line includes basic widgets that are very affordable as well as high performance electronically controlled widgets.

The service department will service product sold plus a number of other lines that are available in the area. Mr. Ashcotte will be responsible for the management of service and will have an assistant working with him part-time.

Business hours are proposed as follows:

-Monday through Thursday 8:00 a.m. to 5:30 p.m.

-Friday 8:00 a.m. to 8:00 p.m.

-Saturday 9:00 a.m. to 1:30 p.m.

### **3.2 Market Potential**

The total annual widget sales in the province are approximately \$2,000,000. After many informal conversations with people in the industry, it is estimated that approximately 40% of those sales are done in and around BROWN RIVER. This would mean sales in the area of roughly \$800,000 per year.

There are already three establishments selling widgets in BROWN RIVER. It is forecasted that the new company will garner 10% of the market during its first year and 15% during the second. This means that forecasted sales will be \$80,000 and \$120,000 respectively.

### **3.3 Target Market**

The target market of the proposed business will be all users of widget products. Currently, the market is divided between two categories of users: residential and commercial. Sales are divided equally between each category.

Commercial users include local construction companies and contractors which specialize in the installation of widgets while residential users are mostly do-it-yourselfers.

Since the nearest community is 70 kms away, Riverside Widget will not be targeting customers outside the immediate area.

### **3.4 Advertising**

Advertising for the new business will be done through several means. A comprehensive newspaper campaign will be carried out during the first six months with ads placed in the local Gazette every Saturday. Also, flyers will be distributed throughout the downtown core every two months.

Business cards and letterhead will be prepared with the intent to send information on a regular basis to all area contractors. In addition, the owners would like to attend the local home improvement show which is held every year (month of May).

After investigation, an estimated cost was attached to every item:

Newspaper ads:	\$150/ad or \$600/month
Flyers:	\$100/1000 flyers
Business cards & Letterheads:	\$60 for cards and \$100 for letterheads
Local show:	\$250 for booth rental

The following is a monthly breakdown of proposed advertising expenditures:

Month	Newspaper	Flyers	Bus. Cards & Letterheads	Bus. Shows	Total
January	\$600	\$0	\$160	\$0	\$760
February	\$600	\$100	\$0	\$0	\$700
March	\$600	\$0	\$0	\$0	\$600
April	\$600	\$100	\$0	\$0	\$700
May	\$600	\$0	\$0	\$250	\$850
June	\$600	\$100	\$0	\$0	\$700
July	\$0	\$0	\$0	\$0	\$0
August	\$0	\$100	\$0	\$0	\$100
September	\$0	\$0	\$0	\$0	\$0
October	\$0	\$100	\$0	\$0	\$100
November	\$0	\$0	\$0	\$0	\$0
December	\$0	\$100	\$0	\$0	\$100
	\$3,600	\$600	\$160	\$250	\$4,610

### 3.5 Competition

There are presently three establishments selling widgets in Brown River. Two of these, Competitor A and Competitor B, sell hardware & construction materials to the general public and contractors. Competitor C is a large construction materials wholesaler that only sells to contractors.

Riverside Widget's main strength will be the specialization in Widgets, and service to both new and existing products. On the other hand, they will have to be very aggressive in order to keep up with the other two established competitors.

The co-owners are confident that their advertising campaign will allow them to reach the target market and achieve projected revenues.

### 3.6 Prices

The average mark-up on products will be approximately 45% on cost. This is standard in the industry and will make WEDGCO products very competitive.

These prices include a two-year, no deductible warranty on all new purchases.

## **4.0 PRODUCTION**

### **4.1 Location**

The proposed business would be located at 100 Main Street in the business district block. This location has a very high volume of traffic, both pedestrian and vehicular. The site is easily accessible by vehicle and has ample parking in the front.

### **4.2 Facilities**

The building in question is the old BINGO retail outlet. It has over 6,000 sq. ft. of retail space with a combined storage / service area of 2,000 sq. ft on the first floor. The service department can also be accessed from the rear through Back Street. Minor renovations will be required. It is estimated that \$1500 will cover these expenditures (painting & carpentry) (A copy of estimates should be appended to this document).

### **4.3 Materials / Supplies**

The complete line of WEDGCO widgets will be sold at Riverside Widget. These are manufactured and distributed in Canada by XXX Industries Ltd. XXX Industries Ltd. will be the sole supplier and net terms of 30 days have been negotiated.

### **4.4 Set-up**

The owners are targeting January 1st, 2000 as their opening day. Their goal is to get most of the administrative start-up tasks (business name registration, tax numbers, permits, financing, etc.) completed by November 30, 1999. This in turn would allow one month getting the premises ready and the business up and running.

## **5.0 BUSINESS ENVIRONMENT**

### **5.1 Regulations & Government Policy**

Retail operations in the Brown River area do not require any special permits to operate.

### **5.2 Technology**

Technology does have an impact on this type of business. Many of our competitors have computerized inventory systems, which gives them an advantage; it allows them to keep their inventory costs under control and to quickly spot the models that sell the most. This facilitates the customizing of the inventory and permits them to stock in greater quantities the best selling models.

## **6.0 ENVIRONMENTAL CONCERNS**

The site in question, which will be leased, was previously a retail outlet for an electronic store. No environmentally sensitive materials will be used. All leftover materials that can be reused will be recycled.

The business will be returning to the manufacturer all damaged or inoperable widgets. The proposed business will have no adverse effects on the environment, as it is non-manufacturing.

**RIVERSIDE WIDGETS  
PRO FORMA BALANCE SHEETS**

	Opening 01/01/2000	Closing 12/31/2000	Closing 12/31/2001
<b>ASSETS</b>			
Working capital	\$4,000	\$4,232	\$22,464
Inventory (4)	\$3,000	\$3,000	\$3,000
Store equipment (2)	\$2,500	\$2,000	\$1,600
Leasehold improvements (2)	\$1,500	\$1,425	\$1,353
Vehicle (2)	\$5,000	\$3,500	\$2,450
TOTAL	\$16,000	\$14,157	\$30,867
<b>LIABILITIES</b>			
Bank loan (1)	\$12,000	\$9,959	\$7,747
<b>EQUITY</b>			
Owner's investment	\$4,000	\$4,000	\$4,000
Net income (loss)	\$0	\$198	\$19,120
TOTAL	\$16,000	\$14,157	\$30,867

The accompanying notes are an integral part of these pro forma financial statements.

**RIVERSIDE WIDGETS  
PRO FORMA INCOME STATEMENT  
FOR THE YEARS ENDING DECEMBER 31st, 2000, 2001**

	Dec. 31, 2000	Dec. 31, 2001
<b>REVENUES</b>	<u>\$80,000</u>	<u>\$120,000</u>
<b>COST OF GOODS SOLD:</b>		
Beginning inventory (4)	\$3,000	\$3,000
Plus: Purchases (5)	\$44,000	\$66,000
Less: Ending inventory (4)	\$3,000	\$3,000
	<u>\$44,000</u>	<u>\$66,000</u>
<b>GROSS PROFIT</b>	\$36,000	\$54,000
<b>EXPENDITURES:</b>		
Rent	\$3,000	\$3,000
Wages & benefits (3)	\$21,780	\$21,780
Telephone	\$600	\$600
Electricity	\$300	\$300
Heating	\$600	\$600
Snow removal	\$550	\$550
Miscellaneous	\$300	\$300
Legal/accounting	\$1,100	\$1,100
Advertising	\$4,610	\$4,610
Interest - loan (1)	\$887	\$716
Depreciation (2)	\$2,075	\$1,522
	<u>\$35,802</u>	<u>\$35,078</u>
<b>NET PROFIT (LOSS)</b>	<u>\$198</u>	<u>\$18,922</u>

The accompanying notes are an integral part of these pro forma financial statements.

**RIVERSIDE WIDGETS**  
**PRO FORMA MONTHLY CASH FLOW STATEMENT FOR THE YEAR ENDING DECEMBER 31st, 2000**

<b>RECEIPTS:</b>	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Sales	\$2,000	\$4,000	\$5,000	\$7,000	\$8,500	\$10,000	\$10,000	\$8,000	\$8,500	\$6,500	\$6,000	\$4,500	\$80,000
Owner's investment	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,000
Bank loan	\$12,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,000
	\$18,000	\$4,000	\$5,000	\$7,000	\$8,500	\$10,000	\$10,000	\$8,000	\$8,500	\$6,500	\$6,000	\$4,500	\$96,000
<b>DISBURSEMENTS:</b>													
A - Asset Acquisition:													
Initial inventory (4)	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000
Store equipment (2)	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
Leasehold improv. (2)	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500
Vehicle (2)	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000
B - Operating expend:													
Inventory (4)(5)	\$1,100	\$2,200	\$2,750	\$3,850	\$4,675	\$5,500	\$5,500	\$4,400	\$4,675	\$3,575	\$3,300	\$2,475	\$44,000
Rent	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$3,000
Wages & benefits (3)	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$21,780
Telephone	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Electricity	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
Heating	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Snow removal	\$100	\$100	\$100	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$100	\$100	\$550
Miscellaneous	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
Legal/accounting	\$300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$800	\$1,100
Advertising	\$760	\$700	\$600	\$700	\$850	\$700	\$0	\$100	\$0	\$100	\$0	\$100	\$4,610
Interest - loan (1)	\$80	\$79	\$78	\$77	\$76	\$74	\$73	\$72	\$71	\$70	\$69	\$68	\$887
Principal - loan (1)	\$164	\$165	\$166	\$167	\$168	\$170	\$171	\$172	\$173	\$174	\$175	\$176	\$2,041
	\$16,719	\$5,459	\$5,909	\$7,059	\$7,984	\$8,659	\$7,959	\$6,959	\$7,134	\$6,134	\$5,859	\$5,934	\$91,768
<b>NET CASH</b>													
Surplus (Deficit)	\$1,281	(\$1,459)	(\$909)	(\$59)	\$516	\$1,341	\$2,041	\$1,041	\$1,366	\$366	\$141	(\$1,434)	\$4,232
Cumulative total	\$1,281	(\$178)	(\$1,087)	(\$1,146)	(\$630)	\$711	\$2,752	\$3,793	\$5,159	\$5,525	\$5,666	\$4,232	

The accompanying notes are an integral part of these pro forma financial statements.

**RIVERSIDE WIDGETS**  
**PRO FORMA MONTHLY CASH FLOW STATEMENT FOR THE YEAR ENDING DECEMBER 31st, 2001**

<b>RECEIPTS:</b>	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Sales	\$4,000	\$7,000	\$8,000	\$11,000	\$15,000	\$14,000	\$13,000	\$13,000	\$11,000	\$9,500	\$8,500	\$6,000	\$120,000
Cash - end year 1	\$4,232	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,232
	\$8,232	\$7,000	\$8,000	\$11,000	\$15,000	\$14,000	\$13,000	\$13,000	\$11,000	\$9,500	\$8,500	\$6,000	\$124,232
<b>DISBURSEMENTS:</b>													
<b>A- Asset Acquisition:</b>													
Initial inventory (4)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Store equipment (2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leasehold improv. (2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle (2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>B - Operating expend.</b>													
Inventory (4)(5)	\$2,200	\$3,850	\$4,400	\$6,050	\$8,250	\$7,700	\$7,150	\$7,150	\$6,050	\$5,225	\$4,675	\$3,300	\$66,000
Rent	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$3,000
Wages & benefits (3)	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$21,780
Telephone	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Electricity	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
Heating	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Snow removal	\$100	\$100	\$100	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$100	\$100	\$550
Miscellaneous	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
Legal/accounting	\$300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$800	\$1,100
Advertising	\$760	\$700	\$600	\$700	\$850	\$700	\$0	\$100	\$0	\$100	\$0	\$100	\$4,610
Interest - loan (1)	\$66	\$65	\$64	\$63	\$62	\$60	\$59	\$58	\$57	\$55	\$54	\$53	\$716
Principal - loan (1)	\$178	\$179	\$180	\$181	\$182	\$184	\$185	\$186	\$187	\$189	\$190	\$191	\$2,212
	\$5,819	\$7,109	\$7,559	\$9,259	\$11,559	\$10,859	\$9,609	\$9,709	\$8,509	\$7,784	\$7,234	\$6,759	\$101,768
<b>NET CASH</b>													
Surplus (Deficit)	\$2,413	(\$109)	\$441	\$1,741	\$3,441	\$3,141	\$3,391	\$3,291	\$2,491	\$1,716	\$1,266	(\$759)	\$22,464
Cumulative total	\$2,413	\$2,304	\$2,745	\$4,486	\$7,927	\$11,068	\$14,459	\$17,750	\$20,241	\$21,957	\$23,223	\$22,464	

The accompanying notes are an integral part of these pro forma financial statements.

## NOTES TO PRO FORMA FINANCIAL STATEMENTS

### 1 - DETAILS OF LOAN

		<b>Interest rate:</b>				
		<b>Length of loan:</b>				
		<b>8.00%</b>				
		<b>5 years</b>				
Month		Payment	Interest	Principal	Balance	
					\$12,000	
January	2000	\$244	\$80	\$164	\$11,836	
February	2000	\$244	\$79	\$165	\$11,671	
March	2000	\$244	\$78	\$166	\$11,505	
April	2000	\$244	\$77	\$167	\$11,338	
May	2000	\$244	\$76	\$168	\$11,170	
June	2000	\$244	\$74	\$170	\$11,000	
July	2000	\$244	\$73	\$171	\$10,829	
August	2000	\$244	\$72	\$172	\$10,657	
September	2000	\$244	\$71	\$173	\$10,484	
October	2000	\$244	\$70	\$174	\$10,310	
November	2000	\$244	\$69	\$175	\$10,135	
December	2000	\$244	\$68	\$176	\$9,959	
		<u>\$2,928</u>	<u>\$887</u>	<u>\$2,041</u>		
January	2001	\$244	\$66	\$178	\$9,781	
February	2001	\$244	\$65	\$179	\$9,602	
March	2001	\$244	\$64	\$180	\$9,422	
April	2001	\$244	\$63	\$181	\$9,241	
May	2001	\$244	\$62	\$182	\$9,059	
June	2001	\$244	\$60	\$184	\$8,875	
July	2001	\$244	\$59	\$185	\$8,690	
August	2001	\$244	\$58	\$186	\$8,504	
September	2001	\$244	\$57	\$187	\$8,317	
October	2001	\$244	\$55	\$189	\$8,128	
November	2001	\$244	\$54	\$190	\$7,938	
December	2001	\$244	\$53	\$191	\$7,747	
		<u>\$2,928</u>	<u>\$716</u>	<u>\$2,212</u>		

## 2 - DETAILS OF DEPRECIATION

Depreciation is recorded using the declining balance method with the following rates:

Store equipment	20%
Leasehold improvements	5%
Vehicle	30%

	Equipment	Leasehold improvements	Vehicle	Total
Cost, as of January 1st, 2000	\$2,500	\$1,500	\$5,000	\$9,000
Less: Depreciation (Year 1)	\$500	\$75	\$1,500	\$2,075
Net Book Value, as at December 31, 2000	\$2,000	\$1,425	\$3,500	\$6,925
Less: Depreciation (Year 2)	\$400	\$72	\$1,050	\$1,522
Net Book Value, as at December 31, 2001	\$1,600	\$1,353	\$2,450	\$5,403

## 3 - SALARIES & BENEFITS

	MONTHLY PAY
Mr. Stanley Ashcotte	\$700
Ms. Maria Thomlinson	\$700
Part-time help	\$250
	<hr/>
	\$1,650
Plus: 10% benefits	\$165
Total	<hr/> <hr/>
	\$1,815

## 4 - INVENTORY

The opening inventory level will be \$3,000. It is assumed that every item sold will be replaced immediately (i.e. inventory levels will stay at \$3,000 continuously).

## 5 - COST OF GOODS

The average mark-up on products will be 45%. This is the norm for the industry. The cost of goods sold is 55%.