

# Horticultural Business Plan Example

A specific example has been developed for each of the six rural business categories. These examples are provided to give the user guidance in the type and format of information to include into a business plan. Be aware that the examples are to be viewed as select sample information only. Note that the information contained in the examples may date quickly and should not be used as a source of information in itself.

# Flowers for All

## Business Plan For The Establishment And Operation Of A Cut Flower Greenhouse Operation

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March 199\_

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## ***Executive Summary***

This business plan outlines the plan to establish and operate a 4,000 square metre cut flower greenhouse operation, producing and selling quality roses, alstroemeria and freesia through the United Flower Growers' (UFG) Auction Market and to retail flower shops and walk-in customers.

The business will operate as a partnership under the business name of Flowers for All. The business will include Kate and Lee Anderson as partners each owning 50% of the business.

The required financing and sources include:

- \$850,000 is required to establish and operate the business:

  - \$385,000 for buildings and improvements,

  - \$50,000 for land

  - \$365,000 for equipment,

  - \$50,000 as operating capital.

  - \$500,000 will be invested as equity capital by the owners.

  - \$350,000 will be required as borrowed capital secured by first mortgage and chattel security as well as assignment of accounts receivable.

Timing of the project will be full establishment of the greenhouse within 10 months from the approval of funding by lending agencies.

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## ***Business Description***

### ***Mission Statement***

To establish and operate a cut flower greenhouse operation producing and selling quality roses, alstroemeria and freesia to contract buyers, auction, customer walk-ins and retail flower shops.

# Business Activities and Targets

## Marketing

- Establish a reputation in the floriculture industry for premium quality cut flowers
- Target Prices: Roses — \$0.55 per stem; Freesia — \$2.40 per bunch; Alstroemeria — \$3.00 per bunch
- Expand retail and auction sales by 5% per year.

## Production

- Obtain optimal yields through recruiting and training skilled workers, and by using a computerized climate control system, artificial lights, CO<sub>2</sub>, and mist.
- Yields: Roses: — 210 stems per m<sup>2</sup>; Freesia — 28 bunches per m<sup>2</sup>; Alstroemeria — 36 bunches per m<sup>2</sup>
- Reduce environmental problems by recycling irrigation water and fertilizer and using biological controls and IPM.

## Labour

- Establish a safe working environment through training programs and supervision
- Productive work force with low turnover, through careful selection and screening, training programs, regular performance reviews, and related management activities.

## Financial

- Establish a profitable business with a positive net income within two years; finance annual operating expenses from retained earnings within three years.
- Reduce cash flow requirements by financing buildings and land over a 15 year term; pay out mortgage within 8 years.

## Projected Income and Net Worth

Item	Year One	Year Two	Year Three
Revenue	201,000	271,000	314,000
Net Income	(10,538)	37,691	66,918
Net Worth	452,000	448,000	475,000

Source: BCMAFF · Preparing a Business Plan: A Guide for Agricultural Producers, Greenhouse Floriculture Example

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## ***Business Background***

Flowers for All is a new business. The business has no assets at this time. All assets involved in this venture are presently held by owners Kate and Lee Anderson. The owners have worked in the floriculture industry for over 7 years. Kate has 8 years experience in the auction and retail sales area of floriculture. Lee has 6 years of floriculture production and marketing experience working for Flowers by K LW, a major greenhouse operation in the Rose Valley area.

After studying the historical and future trends of production and demand for flowers (specifically quality roses, alstroemeria and freesia) for the past year, the owners see the opportunity to establish a floriculture greenhouse to meet the future demand. Demand for flowers is expected to increase by 25% in B.C. and by 15% in Canada over the next 2 to 5 years. These trends are based upon extensive industry association and individual market research. See appendix for reports and quotes.

The strength of this new venture is the management experience of the owners in the production and marketing aspect of the floriculture business. Kate has established an extensive network of buyer contacts over the past years. Lee has gained top knowledge of the production and technology techniques important in the greenhouse business. This extensive industry experience has been supported by previous employers and business contact.

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## ***Business Structure***

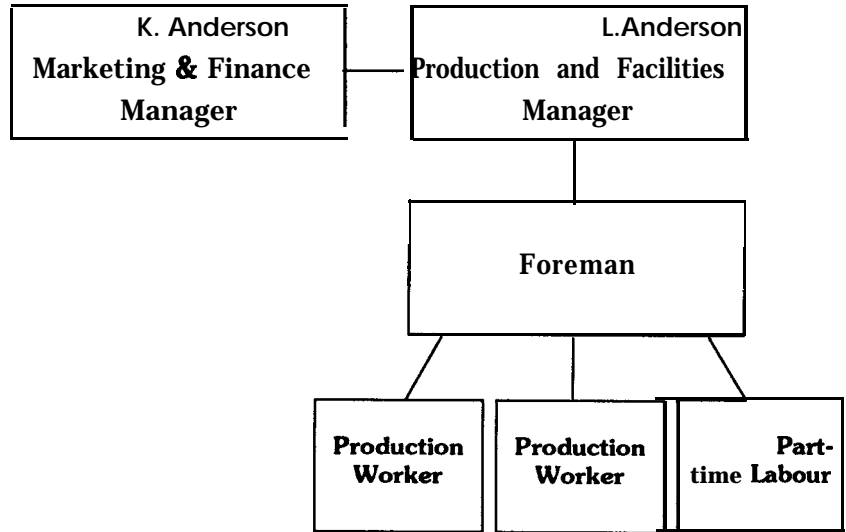
The business will operate as a partnership under the business name of Flowers for All. The business will include Kate and Lee Anderson as partners each owning 50% of the business. The business will operate as a partnership for ease of tax reporting, ease of transferring assets, and control regarding business decisions.

<b>Partnership/Owners</b>	<b>Share of Business</b>
Kate Anderson	50%
Lee Anderson	50%

<b>Registrations and Permits</b>	<b>Date Issued</b>	<b>Number</b>
Business License	Jan 19__	88855522
Partnership Agreement Registration	Pending	
Development Permit	Pending	
Environmental License	Pending	
Registration of Business Name	Jan 19__	
Worker's Compensation Board	Pending	
GST Registration	Jan 19__	

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## **Organization Chart**



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## ***Management Organization Team***

The business will operate as a partnership under the business name of Flowers for All. The business will include Kate and Lee Anderson as partners each owning 50% of the business.

<b>Name</b>	<b>Percent of Business Owned</b>	<b>Management Role</b>
Kate Anderson	50 %	Owner/Marketing and Finance Manager
Lee Anderson	50 %	Owner/Production and Facilities Manager

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## **Owners**

Owners are a husband and wife team which have considerable experience in the greenhouse floriculture area. The owners have worked in the floriculture industry for over 7 years. Kate has 8 years experience in the auction and retail sales area of floriculture. Lee has 6 years of floriculture production and marketing experience working for Flowers by K LW, a major greenhouse operation in the Rose Valley area.

<b>Name</b>	<b>Percent of Business Owned</b>	<b>Management Role</b>
Kate Anderson	50 %	Owner Marketing and Finance Manager Human Resources Manager
Lee Anderson	50 %	Owner Production and Facilities Manager

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## ***Business Advisors***

<b>Name</b>	<b>Address</b>	<b>Role</b>
Jane Green	121 Brown Street Rose Valley, B.C. V6T 4T4 PH: 604-555-1212	Lawyer
Jack Simpson	131 Brown Street Rose Valley, B.C. V6T 4T4 PH: 604-555-1414	Accountant
Ann Thompson	Department of Horticultural Sciences 111 University Road Rose Valley , B.C. V6Z 1D1 PH: 604-666-4545	Horticultural Advisor

All advisors are hired on a “as-needed” basis with market rate regarding wages paid for all services.

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## ***Marketing Plan***

### ***Product Description***

The business owners will focus on the production of high quality roses, alstroemeria and freesia. Cuttings will be sourced from the University and highest quality industry sources to ensure vigor of product.

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## ***Research & Development Activities***

The business owners will strive to keep up to date with the newest of varieties of roses, alstroemeria and freesia. Also, Lee Anderson will continue to keep on top of new greenhouse equipment technology and facility adaptation by attending courses and through regular contact with industry and government experts.

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## **Market Research and Analysis**

### **Industry Analysis**

Statistics Canada estimates the farm-gate sales of the Canadian greenhouse industry in 1993, at \$633 million.

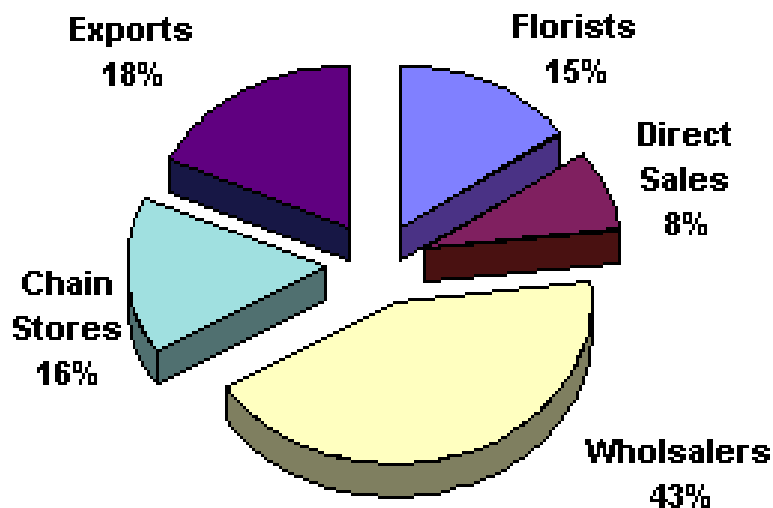
Figure 1

<b>Province</b>	<b>Sales 1994 (\$millions)</b>	<b>Size 1994 (ha plastics and glass)</b>
Nova Scotia	19.5	24
New Brunswick	10.2	11
Quebec	81.4	220
Ontario	318.4	423
Manitoba	13.1	15
Saskatchewan	7.9	11
Alberta	37.2	60
British Columbia	141.4	185
Total	633.2	953

Source: The Canadian Greenhouse Industry : Statistics Canada, Catalogue 22-202, 1994

### **Market Channels**

**Figure 2. BC Floriculture Sales**



Source: BCMAFF <http://www.agf.gov.bc.ca/agric/hortweb/florind.htm#structure>

## **Industry Trends and Issues**

- Over 50 % of all B.C. flowers are sold through the United Flower Growers Auction. Auctions are conducted as follows: prices start above the expected selling price and fall as the clock runs until the first buyer using an electronic key pad stops the clock.
- Demand for cut flowers is expected to trend upward at 20 percent in B.C. and 15% in Canada based on industry reports.
- Cut flower prices fluctuate with seasonal availability as well as quality and colour. Flowers grown in lower mainland compete with those grown in Holland, New Zealand, California, South America and Eastern Canada. International competition will continue to set the market prices and standards.
- There are currently 200 greenhouse growers in B.C. producing 800,000 sq. metres of flowers in glass and plastic facilities. Currently 15 greenhouses of the cut flowers grown in lower mainland.
- A high level of expertise is required for successful production management. Managers need to keep up to date with modern facilities, production techniques and variety updates.
- New growers require a large amount of capital for startup creating the need for high leverage and riskier debt situations.
- BC's close proximity to the Pacific Rim should allow these markets to become strong customers. However, they are difficult markets to penetrate due to volume and quality demands, and nontariff barriers.
- Mild B.C. weather (mild) (Fraser Valley) allows lower heating costs and a natural competitive advantage.
- Pesticide registration is a concern in a competitive sense as due to small Canadian market some pesticide firms do not push for Canadian registration and thus United States and Europe have several new effective pesticides which are not registered in Canada.
- BC land costs are high creating difficulty for expansion and cost competitiveness with other Canada and U.S. producers.
- Skilled labour in the floriculture is difficult to find making middle management positions hard to fill
- Historically, research has not focused on the floriculture industry
  
- Environmental issues are of increasing concern throughout B.C. and the Fraser Valley. This issue is a strong concern for municipalities, growers and others involved in the industry.

## Target Market

Customer	Targets	Barriers	Strategies
Auction buyers	top 25% UFG daily & annual average prices, \$294,000 sales	well established local & international competition	good selection & mix of colors, high quality flowers, develop new lines, attractive packaging, increase off-season production.
Wholesale:	20% premium above auction price, \$110,000 in sales, 5% annual sales growth	well established local & international competition, seasonally depressed prices;	prompt service, promotion, customer contact, custom packaging, good selection of colors, high quality product
Cash and Carry	100% premium above auction prices, \$40,000 in sales, 5% annual sales	local & international competition, price competition & seasonally	friendly service, attractive displays & packaging, good color mix, advertising, price, good selection

Source: BCMAFF · Preparing a Business Plan: A Guide for Agricultural Producers, Greenhouse Floriculture Example

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## ***Competitive Analysis***

<b>Name of Company</b>	<b>Percent of Market</b>	<b>Products</b>	<b>Level of sales (CDN \$ million)</b>	<b>Target Market /Method of Sale</b>	<b>Competitive Advantage</b>
Jane's Flowers	10	freesia	1,000,000	private contract, walk-in	Newly established business
Greenhouse Flowers Galore	25	roses freesia and several other flowers	3,000,000	Auction, private contract	Mass produced, poor quality low price
Joe's Roses	10	Roses	1,000,000	Select flower shops	High quality and high price
Flowers by K LW	35	roses, alstroemeria and freesia	4,000,000	Auction, private contract	Good location and sales contacts Large number of buyers for product
5 other smaller units	10	miscellaneous	1,000,000	Flower shop contracts and walk-in	Hobby producers of small high quality amount to local flower shops and walk-in customers

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## ***Political, Legal and Regulatory Factors***

Factor of Concern	Response
NAFTA and GATT agreements	Little effect on the floriculture industry with exception of some increase of low cost imports in the roses sector Be aware of timing and issues
Environmental regulations regarding waste management	Include waste management facilities in strategies in development plan Keep communication open with municipalities and town enforcement agencies
Immigration policy limited hiring of skilled European managers	Strong training efforts Strong employee policies to encourage long term employees
Pesticide application certificate	Take courses on application Apply for required permits in a timely fashion
Municipal ground coverage application limits expansion of greenhouse area	Ensure land base adequate to allow future expansion

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## ***Marketing Activities***

### ***Product Strategy***

The business owners will focus on the production of high quality roses, alstroemeria and freesia. Cuttings will be sourced from the University and highest quality industry sources to ensure vigor of product.

Owners will guarantee the delivery of fresh cut and high quality product by using adequate shipping and transport channels. A full guarantee will cover all products with the usual industry standards and limitations.

Owners will focus on product service to customers by guaranteeing timely and full supply of all contracted amounts.

## Pricing

<b>Historic Prices</b>				
	1986	1987	1988	1989
Cut Rose (per stem)	\$0.46	\$0.51	\$0.55	\$0.56
Freesia (10 stems per bunch)	\$2.40	\$2.00	\$2.10	\$2.40
Alstroemeria (6.5 stems per bunch)	\$4.29	\$4.44	\$3.69	\$2.93

<b>Cut Roses</b> (based on 210 stems/m <sup>2</sup> )				
Customer	Price per stem	Direct cost per stem	Gross margin per stem	Gross margin per m <sup>2</sup>
Auction	\$0.55	\$0.30	\$0.25	\$52.50
Wholesale	0.66	0.24	0.42	88.20
Cash&Carry	1.20	0.22	0.98	205.80

<b>Freesia</b> (based on 36 bunches per m <sup>2</sup> )				
Customer	Price per bunch	Direct costs per bunch	Gross margin per bunch	Gross margin per m <sup>2</sup>
Auction	\$2.40	\$1.38	\$1.02	\$37.00
Wholesale	2.88	1.28	1.60	58.00
Cash&Carry	4.80	1.12	3.68	1132.00

<b>Alstroemeria</b> (based on 27.7 bunches per m <sup>2</sup> )				
Customer	Price per bunch	Direct costs per bunch	Gross margin per bunch	Gross margin per m <sup>2</sup>
Auction	\$3.00	\$1.00	\$2.00	\$55.00
Wholesale	4.00	0.92	3.08	85.00
Cash&Carry	6.00	0.90	5.10	141.00

## Distribution Strategy

Customer	Targets	Barriers	Strategies
Auction buyers	top 25% UFG daily & annual average prices, \$294,000 sales	well established local & international competition	good selection & mix of colors, high quality flowers, develop new lines, attractive packaging, increase off-season production.
Wholesale:	20% premium above auction price, \$110,000 in sales, 5% annual sales growth	well established local & international competition, seasonally depressed prices;	prompt service, promotion, customer contact, custom packaging, good selection of colors, high quality product
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*Promotion and Advertising*

<b>Method of Promotion</b>	<b>Target Customer</b>	<b>Year One (\$'s)</b>	<b>Year Two (\$'s)</b>	<b>Year Three (\$'s)</b>
Trade Show Booth	Wholesale & retail buyers	350	350	350
Direct mailout/brochures	Wholesale & retail buyers	250		
Packaging/sleeves	Wholesale & retail buyers; cash & carry customers	1200	1200	1200
Local radio station interview: How to <i>keep cut flowers looking fresh longer</i>	Cash & carry customers	n/c	n/c	n/c
Samples, donated products to annual flower arrangement competitions	Wholesale & retail buyers	n/c	n/c	n/c
Community newspaper ads; signs; displays	Cash & carry customers	150	100	100
Direct contact, in-person visits; phone follow-up to targeted buyers	Wholesale & retail buyers	250	150	150
<b>Total</b>		2200	<b>1800</b>	<b>1800</b>

*Target and Future Sales*

<b>Sales Forecasts for Next Three Years (\$000)</b>									
	<b>Optimistic</b>			<b>Pessimistic</b>			<b>Most Likely</b>		
	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>
Auction	150	203	235	116	157	<b>182</b>	137	185	214
Wholesale	50	67	78	39	52	<b>60</b>	45	61	71
Gash & Carry	21	28	32	16	22	<b>25</b>	19	25	30
Total Sdes	221	298	345	<b>171</b>	<b>230</b>	<b>267</b>	<b>201</b>	<b>271</b>	<b>315</b>

Source: BCMAFF · Preparing a Business Plan: A Guide for Agricultural Producers, Greenhouse Floriculture Example

*Production Plan  
Land and Buildings*

Location:	Chilliwack	
Description:	Cut flower greenhouse operation	
Size:	4000 square metres	
Owned or leased:	Owned	
Buildings and improvements:	Greenhouse	\$270,000
	Cooler and packing area	\$115,000
	TOTAL	\$385,000
Land:	\$50,000	

## Equipment

Description	cost
1. Heating and climate control	\$142,500
2. Irrigation system	10,000
3. Recycling system	16,000
4. Lighting system	90,000
5. CO <sub>2</sub> emitters	12,000
6. Highpressure mist	40,000
7. Auxiliary power (power take off)	2,000
8. Spray equipment	3,500
9. Scales, meters and tools	4,500
10. Rototiller, netting and bulb digger	9,500
11. Tractor	15,000
12. Truck	20,000

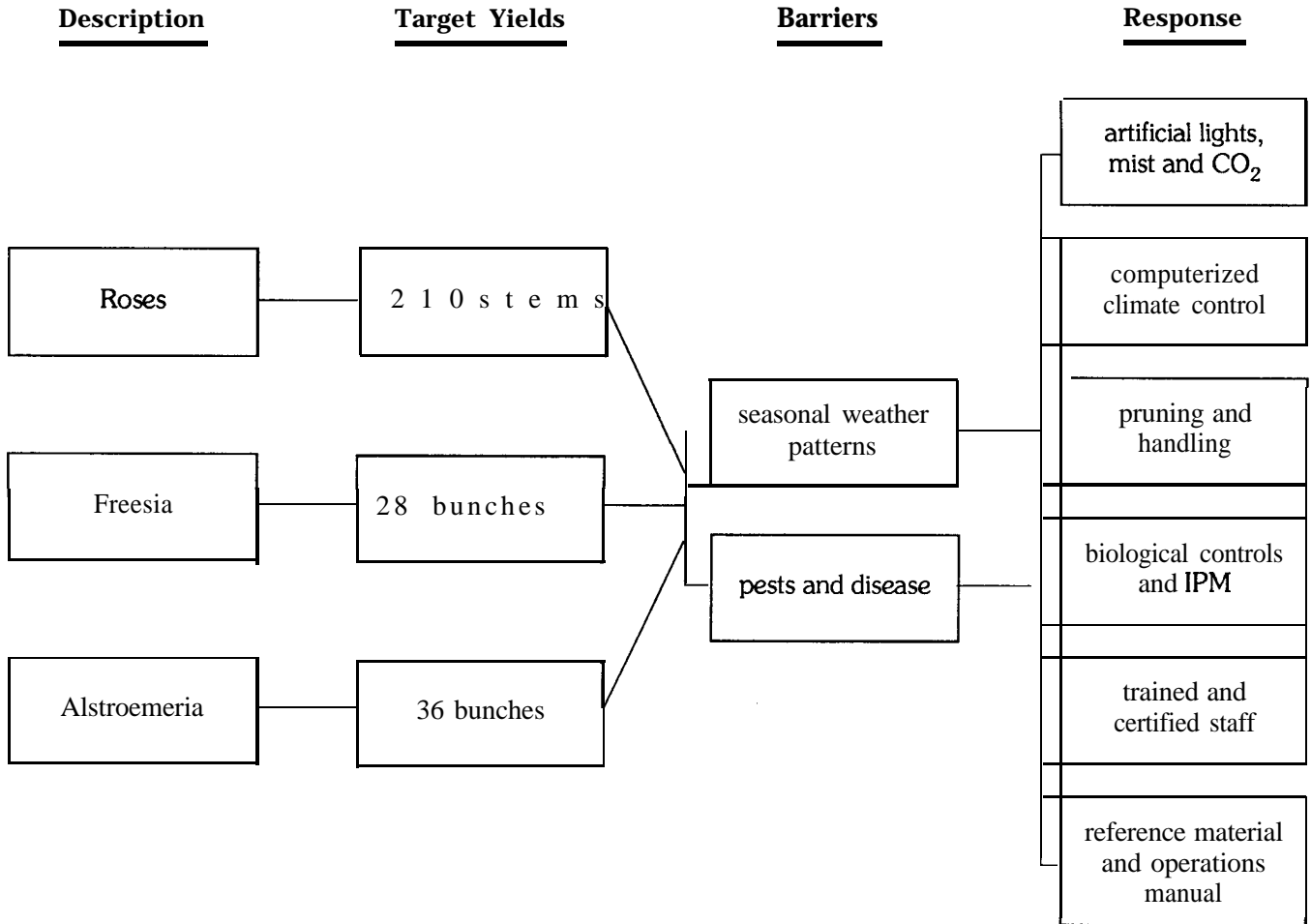
Source: BCMAFF · Preparing a Business Plan: A Guide for Agricultural Producers, Greenhouse Floriculture Ex

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## **Materials and Supplies**

Description	Annual Requirement	Total Cost (\$)	Supplier	Order Lead Time
Rock wool slabs	300	1,000	R.W. Supplies	12 weeks
Nutrients	1100 kg	3,200	T.P. Grower Supply	8 weeks
Rooted cuttings	1000	1,500	California Roses	24 weeks

# Production Strategies



Source: BCMAFF · Preparing a Business Plan: A Guide for Agricultural Producers, Greenhouse Floriculture Example



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## ***Environmental Assessment and Safety Plan***

An environmental assessment plan for the operation has been completed using resources such as the municipality, the city and local Ministry of agriculture specialists. The owner are aware of the issues of federal and provincial legislation that passes the responsibility for clean up of environmental hazards to the owners of a property. Also, relevant permits, licenses, health and safety requirements, environmental approvals, rodent safety controls, water quality controls, and soil conservation required when operating, constructing or expanding the unit has been followed.

Farm safety is a major concern for the operation. The Andersons and the employees all take courses from the local health unit in the area of emergency skills and safety precautions. As well, they make an effort to be complete safety checks of the machinery handling, and the operations at key times in the production cycle following guidelines defined through the provincial and national farm safety initiatives.

Copies of the required licenses and permits are provided in the appendices.

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## ***Political, Legal and Community Aspects of Production***

The owners have:

- researched and complied with the municipal regulation limiting coverage of land by greenhouse
- applied for facilities development permits
- applied for environmental permits related to the land development
- applied for a business license
- communicated with the municipal and town council the plans to develop the greenhouse
- complied with waste management regulations



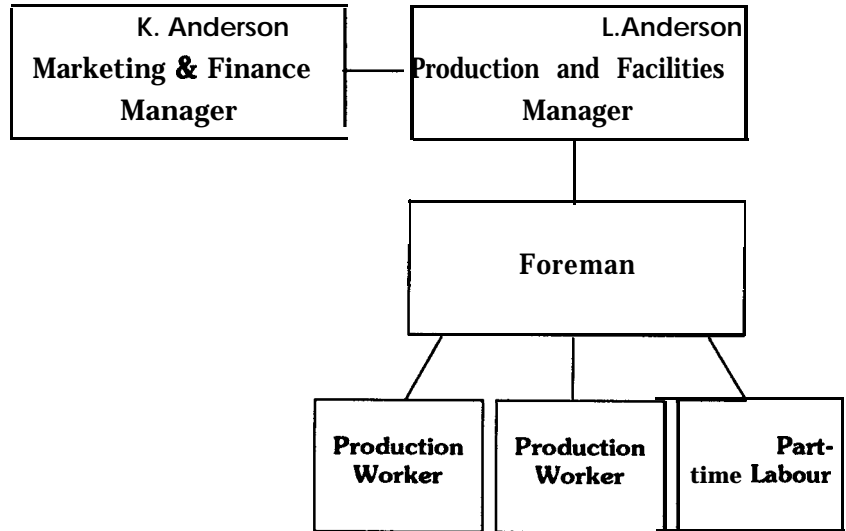
# Human Resources **Plan** Employee Plan -

Job Title	Functions
Owner/marketing and business manager	company management, sales management, promotion and market development, bookkeeping, cost accounting, billing, coordinating and developing business plan
Owner/production and facilities manager	company management, production management, supervising workers, worker training, scheduling and coordinating repairs and maintenance, <b>upgrading</b> and developing facilities
Foreman	supervision of cultural and harvest practices; shipping and handling; general maintenance
Production workers (2)	cultural and harvest practices e.g. pruning, transplanting, harvesting, watering harvesting, pruning, transplanting
for Agricultural labour	

Source: BCMAFF · Preparing a Business Plan: A Guide

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## **Organization Chart**



## Labour and Training Goals

Target	Barrier	Planned Response	Measurement
Employee safety - an accident-free workplace	Knowledge; working conditions	Training; employee manual; awareness and supervision	100 accident-free days
High productivity	Work habits, knowledge, attitude, experience	Attention to employee concerns; regular performance reviews; <b>training</b> opportunities; job design; staff hiring management style	210 roses/m <sup>2</sup> ; 28 bunches Freesia; 36 bunches <b>Alstroemeria</b>
Low staff turnover ratio	Demand for skilled workers by other firms	Attention to employee concerns; regular performance reviews; staff hiring and <b>training</b> opportunities;	Tenure > 2 years

Source: BCMAFF · Preparing a Business Plan: A Guide for Agricultural Producers, Greenhouse Floriculture Example

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## ***Financial Plan***

### ***Funds Requested And Their Uses***

The Andersons plan to establish and operate a 4,000 square metre cut flower greenhouse operation, producing and selling quality roses, alstroemeria and freesia through the United Flower Growers' (UFG) Auction Market and to retail flower shops and walk-in customers.

The required financing and sources include:

- \$850,000 is required to establish and operate the business:

  - \$385,000 for buildings and improvements,

  - \$50,000 for land

  - \$365,000 for equipment,

  - \$50,000 as operating capital.

  - \$500,000 will be invested as equity capital by the owners.

  - \$350,000 will be required as borrowed capital secured by first mortgage and chattel security as well as assignment of accounts receivable.

## Income Statement

Period from \_\_\_\_\_,19\_\_ to \_\_\_\_\_,19\_\_

	Year One	Year Two	Year Three
<b>Income (from sales)</b>			
Auction	136,594	184,538	<b>213,750</b>
Wholesale	45,372	61,046	<b>70,616</b>
Cash and carry	18,713	25,455	<b>29,550</b>
a) <b>Total Income (from sales)</b>	<b>200,679</b>	271,039	313,916
<b>Expenses</b>			
Plants, fertilizer, pest control	52,360	27,710	28,460
Natural gas & electricity	25,280	27,500	27,500
Repairs, maintenance, transportation	13,445	13,700	13,600
Marketing Commission	17,267	21,913	21,913
<b>Labour</b>	39,463	49,055	49,055
Materials	3,510	4,770	4,770
Property taxes, licences,	1,800	2,200	2,200
Legal, accounting, office	4,500	2,200	2,200
Insurance	3,500	3,500	3,500
Advertising & promotion	2,200	1,800	1,800
Operating interest	3,900	800	700
Term loan interest	42,000	48,200	46,300
b) <b>Total Expenses</b>	<b>209,225</b>	203,348	201,998
c) <b>Excess Income Over Cash Expenses (a-b)</b>	<b>-8,546</b>	67,691	111,918
<b>Adjustments</b>			
d) <b>Less Depreciation</b>	<b>37,000</b>	55,000	55,000
e) <b>Ending Inventory</b>	<b>35,000</b>	60,000	70,000
f) <b>Beginning Inventory</b>		35,000	60,000
g) <b>Inventory change (+or-) (e-f)</b>	<b>35,000</b>	25,000	10,000
h) <b>Net Farm Income (c-d+g)</b>	<b>-10,546</b>	37,691	66,918

# Cash Flow Chart Example

Projected Cash Flow from _____, to _____, 19__														
Quarter	Yr 1 Total				Yr 2 Total				Yr 3 Total					
	1	2	3	4	1	2	3	4	1	2	3	4		
<b>Cash Inflow (\$,000)</b>														
<b>Sales</b>	201	50	70	81	271	54	73	81	63	<b>314</b>	<b>63</b>	<b>85</b>	<b>94</b>	<b>72</b>
<b>Total Cash Income</b>	201	50	70	81	271	54	73	81	63	<b>314</b>	<b>63</b>	<b>85</b>	<b>94</b>	<b>72</b>
Accts Received	350	200	150											
Loans Received														
Capital Sales	500	400	100											
Personal Contributions	1,051	600	300	70	81	271	54	73	81	63	314	63	85	94
<b>Total Cash Inflow</b>														
<b>Cash Outflow</b>														
Cash Expenses	209	71	44	44	50	203	52	50	51	151	51	50	50	51
Term Loan Principal	7			7	20				20	60				60
Accounts Paid	800	500	300											
Capital Purchases	30	7	8	7	40		7	8	18	33	7	8	7	18
Living Expenses and Income Tax	1,046	578	352	51	65	263	59	58	57	244	58	58	57	129
<b>Total Cash Outflow</b>														
Cash Surplus or Deficit		22	(52)	19	16	(5)	15	24	(26)	5	27	37	(57)	
Opening Cash Balance			22	(30)	(11)	4	(0)	15	39	13	18	45	82	
Closing Balance		22	(30)	(11)	5	(0)	15	39	13	18	45	82	25	

**Statement of Assets,  
Liabilities and  
Owner's Equity**

	Year one	Year two	Year three
<b>Assets</b>			
<b>CURRENT ASSETS</b>			
Cash	5,000	13,000	25,000
Accounts Receivable	7,000	10,000	12,000
Inventory	35,000	60,000	70,000
<b>a) Total Current Assets</b>	<b>47,000</b>	<b>83,000</b>	<b>107,000</b>

<b>INTERMEDIATE ASSETS</b>			
<b>b) Total intermediate</b>			

<b>FIXED ASSETS</b>			
Buildings and Equipment			
c) cost	800,000	800,000	<b>800,000</b>
d) Less accumulated CCA/depreciation	<b>37,000</b>	<b>92,000</b>	<b>147,000</b>
<b>e) Total Fixed (c-d)</b>	<b>1763,000</b>	<b>708,000</b>	<b>653,000</b>
<b>f) Total Assets (a+b+e)</b>	<b>810,000</b>	<b>791,000</b>	<b>760,000</b>

**Liabilities and Equity**

<b>CURRENT LIABILITIES</b>			
Operating Loan	1,000		
Accounts Payable	14,000	10,000	12,000
<b>g) Total Current Liabilities</b>	<b>15,000</b>	<b>10,000</b>	<b>12,000</b>

<b>INTERMEDIATE (1-10 YR)</b>			
<b>h) Total Intermediate Liabilities</b>			

<b>LONG TERM (&gt; 10 YR)</b>			
<b>Mortgage</b>	<b>1343,000</b>	<b>1333,000</b>	<b>273,000</b>
<b>i) Total Long Term Liabilities</b>	<b>343,000</b>	<b>333,000</b>	<b>273,000</b>
<b>j) Total Liabilities (g+h+i)</b>	<b>358,000</b>	<b>343,000</b>	<b>285,000</b>

k) **Owners' Equity (f-j)**      452,000    448,000    475,000

**TOTAL LIABILITIES AND EQUITY**    810,000    791,000    760,000  
(j+k)

## Loan Summary

Loan Schedule		Year One								
	Amount Owing	Interest Rate	Payment Frequency	Annual Payment	Principal	Interest	Source/lender	Security Provided	Term Years	Amortized (A) Non-Amortized (N)
<b>Existing Loans</b>										
Operating Loans										
Intermediate Loans										
Long term Loans										
Total										
<b>New Loans</b>										
Short Term Loans										
Operating Loan	50,000	Prime +1%	NA					Assignment of Receivables and Inventory		
Intermediate Loans										
long term Loans										
Buildings	300,000	13	Annual	46,410	6,210	39,000	Bank	1st Mortgage	15	A
Land	50,000	13	Annual	7,735	1,235	6,500	Bank	1st Mortgage	20	A
Total				54,145	7,445	45,500				

## Financial performance Indicators

Financial Ratios (Formula)	Year one	Year two	Year three	Bench-mark
<b>Profitability Ratios</b>				
Return on Equity (%) $\frac{\text{net income} \times 100}{\text{total equity}}$	neg	4.3%	14%	> term deposits
Return on Investment (%) $\frac{\text{net income} + \text{paid interest}}{\text{total investment}} \times 100$	n/a	8.7%	14.3%	> interest on term loans
<b>Risk Ratios</b>				
Current Ratio $\frac{\text{current assets}}{\text{current liabilities}}$	2.8	7.1	9.3	> 2
Debt to Equity Ratio $\frac{\text{total liabilities}}{\text{owners' equity}}$	.78	.71	.66	< or = to .7
Interest Coverage Ratio $\frac{\text{net income} + \text{interest}}{\text{interest expense}}$	neg.	1.4	2.4	positive
Debt Servicing Ratio (%) $\frac{\text{annual payments} \times 100}{\text{total revenue}}$	22%	22%	19%	< or = to 30%
<b>Growth Ratios</b>				
Sales Growth (%) $\frac{\text{sales increase} \times 100}{\text{previous sales}}$	n/a	34.8%	15.8%	positive
Equity Growth (%) $\frac{\text{equity increase} \times 100}{\text{previous year's equity}}$	(8.2)%	2%	9.4%	positive



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## ***Appendices***

The following is included in the appendices:

- Lee Anderson resume and references
- Kate Anderson resume and references
- Full disclosure of all assets and liabilities by Lee Anderson and Kate Anderson
- Partnership Agreements
- Industry Reports