

Chef's Meat Business Plan

Executive Summary

Overview

Chef's Meat, is a specialty butcher shop to be launched in the coming months in Guildford Town Centre (GTC). It will sell a wide menu of meats to customers including all shoppers in GTC and restaurants around Surrey, Delta, White Rock, Langley, New Westminister, and Coquitlam, etc.. This store will be located at the area of Cobs Bread and Kin's Farm, which is a perfect location for a meat store, and this area will be a one-stop shopping for customers' daily foods. Additionally, Chef's Meat will be establishing an online ordering website to accept wholesale order from restaurants.

The Company

Chef's Meat is established as a limited liability company with 50% ownership by Andrew Huang and 50% ownership by Nina Chi, who are experienced retail food-service managers and currently own Sweet Factory in GTC. Encouraged by Mr. Wing Cho, who had been the successful owner of Guildford Meat Store for over 20 years in GTC, Nina and Andrew decide to re-open this meat store in the new location. Wing will work for the store for the first 6 months. During the 6 months, Wing will train us everything about how to manage the meat store.

Products and Service

Chef's Meat will sell pork, beef, poultry, lamb, fish, dairy products and some other food. The products will be purchased from the shoppers of GTC and restaurants in Lower Mainland, who place wholesale order online and delivered by us. The sales staff will offer suggestions of substitutions or help customers fulfill their purchases in order to make sure all customers leave satisfied.

The Market

Canada's red meat industry includes beef and veal, pork, lamb and mutton, goat, rabbit, horse, as well as venison and bison. The red meat industry had annual shipments worth \$19.4 billion in 2015.

Surrey is one of the fastest growing cities in Canada, and the fastest growing city in Metro Vancouver. Starting 2006, the number of inhabitants in Surrey was 394,976, a 13.6% expansion from 2001. The number of inhabitants in the city has been fast growing every year with less number of deaths and high birth rates. The population of Surrey from the year 2012 - 2016, has been an increase of 57,194 during the 5 years. Therefore, it has been seen that every year the

population increases by 11,438. The population growth rate of Surrey is increasing at a faster rate as compared to other cities in Canada. The population of the city has been pretty rapid with a high rate of births as compared to deaths. Additionally, the number of immigrants getting inside the city has been increasing in numbers. The projected population of Surrey is 528,194 and it is expected to touch 1 Million in the coming years.

Competition

Competitors for Chef's Meat will be grocery stores, Wal-Mart, Superstore, Save on Food, T&T, etc., but in GTC there is no any store who sells meats besides Wal-Mart.

Chef's Meat will hire Wing for at least 6 month, who is the former owner of GTC Meat Shop, he brings with him existing relationships with the best suppliers of meat as well as an understanding of the craft of butchering, and all his 20-year existing customer resources.

Financial Considerations

Funding for the launch of the business will be provided primarily from a family, wife Nina Chi and husband Andrew Huang. They will contribute \$260,000 from their savings to launch the business. The remainder of financing will be made up from their Line Credit \$60,000.

The business will reach positive net profit before depreciation in its third month of operation, allowing for expedited repayment of its loan obligations from the second year, as well as for dividends to be paid to the owners.

In 2013, revenue of the former meat shop in GTC was around \$700,000, from Statistics Canada meat retail prices in 2017 have been growing up by at least 10% comparing to 2013, the annual sales are expected to grow at lease by 15% since the new meat shop has much more traffics comparing to the former meat shop.

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Food and other selected items, average retail prices (Prices)

	Unit	March 2013	March 2014	March 2015	March 2016	March 2017
\$						
Canada						
Round steak	1 kg	14.29	15.73	18.57	19.70	17.70
Sirloin steak	1 kg	17.69	19.54	21.86	24.58	22.57
Prime rib roast	1 kg	23.89	25.30	28.78	32.21	31.58
Blade roast	1 kg	11.82	13.59	15.66	17.21	16.19
Stewing beef	1 kg	11.10	12.88	15.99	16.95	15.70
Ground beef, regular	1 kg	9.43	10.44	12.43	13.11	12.21
Pork chops	1 kg	10.75	11.24	12.97	13.00	11.86
Chicken	1 kg	7.17	7.01	7.42	7.52	7.17

Therefore, Chef's Meat's revenue is expected to reach at least \$850,000 in first year. Net Profit before depreciation will reach \$39,300. Please see details as follows:

SALES, COST & PROFIT PLAN	YEAR1	YEAR2	YEAR3
ANNUAL SALES	850,000	950,000	1,050,000
Gross margin (based on 36% margin rate)	306,000	342,000	378,000
Rent	108,000	108,000	108,000
Staff Payroll	90,000	98,000	104,000
Owner Payroll	50,000	50,000	50,000
Banking & Point of Sale Service	5,000	5,500	6,000
Insurance	2,000	2,000	2,000
Work Safe BC Premiums	3,500	3,500	3,500
Health Inspection & Business licence	1,000	1,000	1,000
Telephone and Internet	1,200	1,200	1,200
Electricity fee	6,000	6,000	6,000
TOTAL COST	266,700	275,200	281,200
NET PROFIT (Before Depreciation)	39,300	66,800	96,800

Objectives

Chef's Meat will measure its success by its ability to achieve the following objectives:

- A. Build sales to \$850,000 annually within first year, \$950,000 within second year, \$1,050,000 within third year
- B. In first year, receive 95% of sales through walk-up traffic and 5% of sales through advance orders, either by phone or Internet.
- C. In third year, receive 85% of sales through walk-up traffic and 15% of sales through advance orders, either by phone or Internet.
- D. Become profitable by the first year of operation.

Mission

Chef's Meat is a specialty butcher shop which seeks to serve the highest quality meats, cut to customer specifications, and become the foremost specialty meats provider in the Lower Mainland Area.

Keys to Success

Chef's Meat must follow these principles in order to achieve success in its market:

- A. Maintain high quality standards for its suppliers and continuously monitor this quality.
- B. Preserve meats in optimal conditions to maintain freshness while in the store.
- C. Maintain excellence in the skill of butchering meats through hiring, training, and supervision of staff.
- D. Listen carefully to customer needs and respond with custom-cut products, whether in person, over the phone, or through Internet orders.

Start-up Summary

The following summary table shows the projected start-up costs over the two months prior to the store's opening.

Start-up expenses for Chef's Meat include construction of store, construction of walk-in freezer and cooler, and the normal legal expenses for consultation and permitting, store insurance, one month's rent, the development of a website with e-commerce capabilities to take orders and sell meats directly.

Inventory on-hand at any given time must be low as all meats, must be kept extremely fresh and so will be ordered on a weekly basis or even more often.

Other current assets include table meat and bone saw, meat grinder, knives, cleavers, protective clothing, retail scale, cash register, etc..

Long-term assets include meat refrigerated display cases, wall glass door freezer and cooler display, central island freezer and cooler, other display shelves, etc.

A significant amount of cash is required to fund the first year of operations until the business reaches break-even.

START-UP REQUIREMENTS	
START-UP EXPENSES	
Store Construction	130,000
Legal	7,000
Insurance	2,000
Rent	9,000
Website Development	2,000
TOTAL START-UP EXPENSES	150,000
START-UP ASSETS	
Cash Required	5,000
Start-up Inventory	40,000
Other Current Assets	15,000
Long-term Assets	150,000
TOTAL START-UP ASSETS	210,000
TOTAL REQUIREMENTS	360,000

Products

In order for one-stop shopping for customers, Chef's Meat will provide 70% meat products, 5% poultry product, 5% fish product, 10% dairy & cheese products, 2% pizza, 2% juicy and 6% other food products on a regular basis.

The products will be purchased from suppliers within a 100-mile radius of the store to have minimal impact on the environment through trucking costs and to maintain product freshness. Products will be purchased as whole animals and butchered in the store by trained butchers. They will be sold while fresh. While products may be replenished within a few days, there is the possibility of certain items running out because of high sales and going out of stock until new shipments may arise. The sales staff will offer suggestions of substitutions or help customers fulfill their orders through special orders in order to make sure all customers leave satisfied.

Beef		
Ground Beef Ground Chuck Ground Chuck Patties Chuck Roast Shoulder Roast Prime Rib Roast Beef Rump Roast Beef Ribeye Beef Short Ribs Beef Chuck Steak Beef Cube Steak Beef Flank Steak T-Bone Steak	Sirloin Steak Filet Mignon with Bacon New York Strip Porterhouse T-Bone Steak Beef Stew Meat Beef Tongue Beef Heart Beef Liver Beef Ox Tails Beef Brisket Bacon and Cheddar Burger Jalapeno and Cheese Burger Portabella Mushroom Burger	Round Steak Blue Cheese Burger Cajun Burger Onion and Cheddar Burger Fresh Shish-ka-bob London Broil Flat Iron Steak Beef Ribs Bone In Chuck Roast Tri Tip Beef Back Ribs Semi Boneless Ribeye Steak
Pork		
Pork Loin Roast Pork Shoulder Roast Pork Shoulder Steak Pork Chops Pork Boneless Chops Bacon Wrapped Pork Loin Chops Pork Loin Tenderloin Pork Breaded Tenderloin	Pork fresh side Pork Cutlet Pork Country Style Ribs Spare Ribs Baby Back Ribs Pork Neck Bones Pork Hocks Pork Heart Pork Tongue	Pork Liver Lard Thick Cut Chops Thick Cut Pork Steaks Butterfly Pork Chops Smoked Ham Shank Boneless Sirloin Chops BBQ Pulled Pork, Homemade smoked Ham Shank
Lamb		
Lamb Chops Leg of Lamb	Lamb Shanks Lamb Stew	

Smoked Meats		
Smoked Ham Steak Smoked Jowl Smoked Whole Turkey Smoked Bacon Smoked Mettwurst	Smoked Chops Our Own Peppered Summer Sausage Smoked Ham Smoked Turkey Breast	Smoked Whole Chicken Smoked Pepper Bacon Smoked Pepper Bacon Our Own Summer Sausage Our Own Sweet Bologna
Poultry		
Chicken Kiev	Chicken Cordon Bleu	
Cutlet	Kebab	
Fish		
turkeys		
Sausages		
Brats Cajun Brats Pineapple Brats Pork Link Sausage Boudin Sausage Bacon Cheddar Brats Bockwurst Garlic Onion Sausage Polish Sausage, Fresh/Smoked Wieners, Old Fashioned skin-on Sauerkraut & Cheddar Brats Portobello & Swiss Cheese Brats	Sun Dried Tomato & Basil Sweet Italian Sausage Parmesan Romano Italian Sausage Pork Sausage (Bulk, Patties, Link & Rope) Ham Loaf Apple and Cinnamon Sausage Beer Cheddar Brats Jalapeno & Cheese Brats Pepper & Onion Italian Sausage Rope Sausage	Italian Sausage Chorizo Sausage piercing hot brats Pizza Brats Hot Italian Sausage Brat Patties Andouille Sausage Seasoned Pork Patties Maple Sausage (Bulk & Links) Sage Sausage Swedish Potato Sausage
Cheese		
Milk		
Juicy		
Flour Product		
Pizza		
Etc.		

Market Analysis Summary

It's been a turbulent few years for the North American meat industry, especially beef and pork. Droughts and harsh winter temperatures have sent prices for beef cattle soaring. Meanwhile, the pork sector has been pummeled by higher feed costs, an outbreak of porcine epidemic diarrhea virus (PED), and a resulting jump in the price of live hogs. These events in turn put serious pressure on beef and pork processors. In fact, when Toronto's last remaining abattoir went bankrupt, it said it could no longer pay its bills due to the climbing cost of live animals. The American Meat Institute provides the following statistics about the American meat industry.

It's no surprise either that the price increases have made themselves felt at the grocery checkout. According to the 2014 University of Guelph Food Price Report, meat accounted for the biggest food price rise in Canada last year – up 12.4 per cent compared with 2.8 per cent for food overall.

Demand for alternative sources of protein is being driven by Canada's changing immigration patterns, and by restaurant chefs on the lookout for different tastes and textures that meats such as bison, rabbit and goat can provide. For example, goat meat consumption has risen steadily in North America for more than a decade, according to the Canadian Meat Goat Association (CMGA). In Canada, the number of goats has more than doubled since 1991. Goat, or chevon, is the most widely eaten red meat in the world, and is a key source of meat protein in regions that supply many of Canada's new immigrants, such as the Middle East, South and Central America, Southeast Asia, China and the Caribbean. Chevon is also healthy. USDA data shows it as having fewer calories, less fat and less cholesterol than beef, lamb, pork, venison or chicken. Although goat meat is available mainly in specialty shops and farmers' markets at the moment, there's real potential for growth, a CMGA spokesperson says.

Large and small processors and retail chains are also making the most of rising consumer interest in how their food is produced to create a variety of "free-from" lines. McLean Meats, for example, specializes in packaged deli meats and snacks it positions as "clean and lean" (produced without preservatives, nitrites or GMOs) and sourced primarily from Canadian animals that have been raised naturally and humanely. "Many of our customers have food allergies, food sensitivities or dietary restrictions," explains Neilson. "But another segment is looking at where and how the animals were raised. For these customers, it's important to know that the animals have not been confined in cages or gestation crates and that they've been raised without antibiotics."

As the meat sector experiences a turnaround, companies looking to innovate have a number of opportunities to explore. With protein trending upwards, this may be the time to clearly position meat as the nutritional powerhouse that it is. "The research is there," says Davidson.

“Meat is a high-quality food and part of a balanced diet.” Meat is sold through retail establishments including restaurants, grocery stores, and butcher shops. Independent butcher shops have decreased in number over the last ten years, as sales of meat have fallen slightly and moved increasingly to grocery stores and big box retailers. However, this has created an opportunity for specialty butcher shops in markets which provide only basic options through these larger retailers.

Market Segmentation

Chef's Meat potential customers are all the current shoppers in GTC and families around Surrey, which are divided into the following groups as shown in the market analysis table:

High-Income Households: Annual household income of over \$100,000 (80% of which consist of two adults).

Medium-Income Households: Annual household income of \$50,000 to \$100,000 (50% of which consist of two adults and 50% of which consist of one adult).

Restaurants: Upscale restaurants in a 50km radius of GTC.

Target Market Segment Strategy

Market segmentation for Chef's Meat is based on the specific market opportunity in GTC and neighboring towns. While low-income households are perfectly content with purchasing the meat options at local grocery stores and big box retailers, households with a greater level of disposable income are interested in expanding their options for home cooked meats. Furthermore, these customers entertain in their homes to a greater extent than low-income households and prefer to offer high-quality or rarer meat options at these events.

It is expected that customers from neighboring towns will be more likely to travel to GTC, if they have higher levels of disposable income to allow for the time and gas expense of this travel. For this reason, high-income households will be targeted at first in all current shoppers of GTC and families from neighboring towns.

Upscale restaurants seek high-quality specialty meats at wholesale prices. Chef's Meat will sell in bulk to restaurants at a substantial discount from retail prices, while still allowing for margin. Restaurants will be required to order in advance to allow for specialty orders of meats and not deplete the products available at the retail location for immediate purchase.

Industry Analysis

The Canadian Meat Institute provides the following analysis:

"The meat industry is unique because it relies on live animals as its raw materials. Within livestock production, there is a classic, livestock price cycle. Prices rise and fall as producers raise more animals in response to high prices or low supply, and then cease producing when livestock inventories become high and prices fall. At the low points in the livestock price cycle, some livestock producers have called for reviews of meat packing industry structure to determine if the structure may be causing a price decline. Each review has found that industry structure is not to blame for livestock prices. Rather, the basic laws of supply and demand most often are the cause."

Elsewhere, researchers find a wave of consolidation occurring in the meat industry since the 1990s, spurred by the growth of several major grocery chains such as Wal-Mart.

In general, "consumers are eagerly buying more conveniently prepared food products of consistent quality, despite the sluggish growth of overall food spending" write researchers Barkema, Drabenstott and Novack, "...and nearly 40 percent of the consumer's food dollar is spent in restaurants and other eating establishments".

Despite, and in fact because of these changes, there is a growing need for sales of specialty meats to the niche market who can afford and desire them, as they are no longer served well by grocery stores and large retailers.

Competition and Buying Patterns

Competitors for Chef's Meat fall into the following categories:

Grocery Stores

Big box retailers (Wal-Mart, Save on Food, Superstore and Costco)

Butcher shops (Fraser View Meats, Clancy's Meat and M&M food Market)

Grocery stores provide basic meat options at relatively low prices. They are chosen by customers interested in buying meat along with all of their grocery and food needs, and not traveling far from their home. These customers will sacrifice some quality and options for price and convenience.

Big box retailers serve clients interested in the lowest price and able to sacrifice some convenience (longer waits and longer travel times) for the lowest price. They offer meats of the same range of options and quality as grocery stores.

Strategy and Implementation Summary

To implement its plan, Chef's Meat will attempt to:

Establish store in the area of Kin's Farm and Cob's Bread in GTC by signing a lease.

Begin by targeting medium and high-income shoppers of GTC, especially customers who shop in Kin's Farm and Cob's bread, and business customers (upscale restaurants).

Business customers and retail customers will be grown as separate revenue streams, but will reinforce each other.

Marketing Strategy

The marketing strategy of Chef's Meat is to establish anticipation of the store's opening in the GTC so that it can hit the ground running with retail sales immediately upon launch. To that end, the following tactics will be used:

- a. Direct mail of flyers to a select list of 5,000 high income households.
- b. Launch of the website in anticipation of opening.
- c. Yellow Pages listing.

After opening, the following tactics will be used going forward:

- a. Direct mail to additional households with higher incomes.
- b. Search engine marketing via local Google ads.
- c. Email newsletter describing developments in meat offerings to business customers and certain households.

Sales Strategy

The sales strategy for the business includes both retail sales and business sales strategies.

Customers will be greeted with a standard greeting and served to meet their satisfaction with the greatest care taken to provide quick service to walk-in customers.

Retail sales will be based on the marketing of the store and its location, explained in the marketing plan section. At an operational level, orders will be taken in person by clerks working the floor of the store (two on duty at any given time), or by the office clerk over the phone or Internet. Orders for specific cuts will be transmitted from these clerks to the butchers on duty

who will prepare the cuts. They will be packaged, priced, and prepared for sale by the floor clerks.

The business sales strategy relies on prospecting by Andrew Huang and Nina Chi to establish sales to restaurants. They will research, contact, and present to these businesses, drawing on their past sales experience. As owner of the business, they will work to maximize this revenue stream to increase profits.

Sales Forecast

Retail sales will be the greatest driver of sales growth and represents the best margins for the business, with a 100% markup over cost. Special orders are more expensive to provide, but will provide a vital line of business that will encourage high-income customers to use the store.

Products sold to businesses will be sold at lower rates, but costs will also be reduced through bulk ordering and the ease of working with businesses in an ongoing way. The cost of sales to businesses will be 65% as well. This category, including restaurant sales, will also represent a large portion of sales. The presence of the store and the brand name it establishes will allow restaurants to advertise the fact that they purchase their meats from Chef's Meat without any fear, as customers will see it as a mark of quality.

SALES FORECAST	YEAR1	YEAR2	YEAR3
SALES			
Retail Regular Sales	790,000	800,000	850,000
Retail Special Sales	30,000	50,000	70,000
Restaurant Sales	30,000	100,000	130,000
TOTAL SALES	850,000	950,000	1050,000
DIRECT COST OF SALES			
Retail Meats & Other Products	503,500	505,500	535,500
Special Order Meats	19,500	32,500	45,500
Business Meats	21,000	70,000	91,000
SUBTOTAL DIRECT COST OF SALES	544,000	608,000	672,000

Milestones

Andrew Huang will manage all marketing and sales activities. As mentioned earlier, the business's website must be completed months before opening to provide information for those who see flyers and ads prior to the launch.

MILESTONES		
Milestone	Start Date	End Date
Website Development	July 1, 2017	September 30, 2017
Design Flyers and Ads	October 1, 2017	October 31, 2017
Direct Mail Campaign	November 1, 2017	N/A
Newspaper Ad Campaign	November 1, 2017	December 31, 2017
Search Engine Marketing	November 1, 2017	N/A

Management Summary

The management of Chef's Meat will consist of Andrew Huang and Nina Chi.

Andrew Huang, CEO, will manage sales, marketing, finances for the business, and relationships with all suppliers. This will include managing all marketing programs, and being the liaison to the website developer and accountant for the business.

Nina Chi, COO, will design the store's floor plan, order and all equipment purchases, establish operations procedures, train butchering staff and operations staff.

Three employees will initially include one full-time sales/operations clerk, one full-time assistant butcher and one part-time experienced butcher.

Personnel Plan

The personnel forecast reflects modest raises for all staff each year. The CEO and COO will be primarily compensated through profits. It is expected that lower-level staff may turn over, but the positions will be systematized to an extent that this does not disrupt the business.

PERSONNEL PLAN	YEAR1	YEAR2	YEAR3
CEO	25,000	25,000	25,000
COO	25,000	25,000	25,000
Experienced Butcher(Part time)	18,000	22,000	24,000
Assistant Butcher	36,000	38,000	40,000
Sales & Operations Staff	36,000	38,000	40,000
TOTAL PAYROLL	140,000	148,000	154,000

Financial Plan

Funding for the launch of the business will be provided primarily by equity from the two partners. Each will contribute in equal share from their savings to launch the business.

The remainder of financing will be made up in temporary credit card debt taken on by the two founders and accounts payable from delayed payments on start-up costs.

The business seeks a business loan to finance the purchase of the equipment needed.

START-UP FUNDING	
Start-up Expenses to Fund	150,000
Start-up Assets to Fund	210,000
TOTAL START-UP FUNDING REQUIRED	360,000
ASSETS	
Non cash Assets from Start-up	205,000
Cash Assets from Start-up	5,000
Additional Cash Raised	0
Cash Balance on Starting Date	5,000
TOTAL ASSETS	210,000

LIABILITIES & CAPITAL	
LIABILITIES	
Current Borrowing	0
Long-term Liabilities (Line credit of Andrew & Nina)	60,000
Accounts Payable (Outstanding Bills)	0
TOTAL LIABILITIES	60,000
CAPITAL	
Planned Investment	
Andrew Huang	130,000
Nina Chi	130,000
Additional Investment Required	40,000
TOTAL PLANNED INVESTMENT	300,000
Loss at Start-up (Start-up Expense)	(150,000)
TOTAL CAPITAL	150,000
TOTAL LIABILITIES & CAPITAL	210,000
Total Funding	360,000

Important Assumptions

Interest rates and the tax rate reflect the current economic environment that Chef's Meat will operate within.

Break-even Analysis

Due to the monthly break even in sales, overall company break even is expected in the third month of operation.

BREAK-EVEN ANALYSIS	
Monthly Revenue Break-even	60,347
Assumptions:	
Average Percent Variable Cost	64%
Estimated Monthly Fixed Cost	21,725

Projected Profit and Loss

Additional direct cost of sales reflects the costs of packaging, credit card transaction fees, and other direct costs of the meat preparation and order fulfillment processes. Gross margins are based on the industry markup for butchered meats.

Marketing expenses will be higher in the first year to announce the opening of the firm and will drop after that. Most expenses will show small increases each year as the business will remain in the same location over the first three years. Profit will rise sharply over the first three years as sales are spread over these relatively stable expenses and more customer source.

PROFIT & LOSS (MONTHLY)								
	M1	M2	M3	M4	M5	M6	M7	M8
SALES	55,000	60,000	65,000	70,000	75,000	77,000	78,000	78,000
COST OF SALES								
Direct Cost of Sales	35,200	38,400	41,600	44,800	48,000	49,280	49,920	49,920
Other Cost of Sales	0	0	0	0	0	0	0	0
Total Cost of Sales	35,200	38,400	41,600	44,800	48,000	49,280	49,920	49,920
Gross Margin	19,800	21,600	23,400	25,200	27,000	27,720	28,080	28,080
Gross Margin %	36%	36%	36%	36%	36%	36%	36%	36%
OPERATING EXPENSES								
Rent	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Staff Payroll	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
CEO & COO Payroll	4,166	4,166	4,166	4,166	4,166	4,166	4,166	4,166
Banking & Point of Sale Service	416	416	416	416	416	416	416	416
Insurance	167	167	167	167	167	167	167	167
Work Safe BC Premiums	292	292	292	292	292	292	292	292
Health Inspection & Business licence	83	83	83	83	83	83	83	83
Telephone and Internet	100	100	100	100	100	100	100	100
Electricity Fee	500	500	500	500	500	500	500	500
Total Operating Expenses	22,224	22,224	22,224	22,224	22,224	22,224	22,224	22,224
Net Profit (Before Depreciation)	(2,424)	(624)	1,176	2,976	4,776	5,496	5,856	5,856

PROFIT & LOSS (ANNUALLY)			
	YEAR1	YEAR2	YEAR3
SALES	850,000	950,000	1,050,000
COST OF SALES			
Direct Cost of Sales	544,000	608,000	672,000
Other Cost of Sales	0	0	0
Total Cost of Sales	544,000	608,000	672,000
Gross Margin	306,000	342,000	378,000
Gross Margin %	36%	36%	36%
OPERATING EXPENSES			
Rent	108,000	108,000	108,000
Staff Payroll	90,000	98,000	104,000
CEO & COO Payroll	50,000	50,000	50,000
Banking & Point of Sale Service	5,000	5,500	6,000
Insurance	2,000	2,000	2,000
Work Safe BC Premiums	3,500	3,500	3,500
Health Inspection & Business licence	1,000	1,000	1,000
Telephone and Internet	1,200	1,200	1,200
Electricity Fee	6,000	6,000	6,000
Depreciation (Based on 10-year lease)	29,000	29,000	29,000
Total Operating Expenses	295,700	304,200	310,200
Profit Before Interest	10,300	37,800	67,800
Interest Expense	2,000	2,000	2,000
Net Profit	8,300	35,800	65,800
Net Profit %	1%	3.77%	6.27%

Projected Cash Flow

The business will pay back its long-term loan over the first three years of operation.

Cash on hand will allow for dividends to be paid to the partners in the second and third years of operation.

CASH FLOW SHEET			
CASH RECEIVED	YEAR1	YEAR2	YEAR3
Cash From Operations			
Cash Sales	850,000	950,000	1,050,000
Total Cash From Operations	850,000	950,000	1,050,000
Additional Cash Received			
Sales Tax(GST+PST)	0	0	0
New Current Borrowing	0	0	0
New Other Liabilities (interest-free)	0	0	0
New Long-term Liabilities	0	0	0
Sales of Other Current Assets	0	0	0
Sales of Long-term Assets	0	0	0
New Investment Received	0	0	0
Subtotal Additional Cash Received	0	0	0
Subtotal Cash Received	850,000	950,000	1,050,000
EXPENDITURES	YEAR1	YEAR2	YEAR3
Expenditures from Operations			
Cash Spending	0	0	0
Bill Payments	810,700	883,200	953,200
Subtotal Spent on Operations	810,700	883,200	953,200
Additional Cash Spent			
Sales Tax (GST+PST) Paid Out	0	0	0
Principal Repayment of Current Borrowing	0	0	0
Other Liabilities Principal Repayment	0	0	0

Long-term Liabilities Principal Repayment	20,000	20,000	20,000
Purchase Other Current Assets	0	0	0
Purchase Long-term Assets	0	0	0
Dividends	0	30,000	50,000
Subtotal Additional Cash Spent	20,000	50,000	70,000
Subtotal Cash Spent	830,700	933,200	1,023,200
Net Cash Flow	19,300	16,800	26,800
Cash Balance	24,300	41,100	67,900