

**A BUSINESS PLAN FOR:
PRODIGY CONCRETE HOUSE**

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DEPARTMENT: POLITICAL SCIENCE

REGISTRATION NUMBER: 2014/195564

COURSE TITLE: ENTREPRENEURSHIP DEVELOPMENT

COURSE CODE: CEDR 342

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DATE: JULY, 2017

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1.0 Executive Summary

The Prodigy Concrete House ("PCH") will be a moderately priced 'Open Space' complex that will offer the exclusive service of concrete making, sales of Sand, sales of cement, etc.

The Concrete complex will be family owned and operated by Chukwu Gerard. .

The Wrights will be leasing a 3,400 square foot space located at West Roads Shopping Center, an existing retail center located in Benbrook, a suburb in Fort Worth, Texas. The site was previously leased as an Italian Restaurant. Although the location was previously

utilized as a restaurant, the former tenant removed the majority of the furniture, fixtures and equipment which will need to be replaced. The location will also require some additional renovation to update the lavatories and increase table space in the dining area.

The décor will feature wood accented chairs with blue and white checked table cloths. Dinner style tables will be surrounded by wooden chairs with comfortable seating cushions.

Sales projections assume 1700 customers per week resulting in weekly sales of just over \$19,777, or \$1,028,000 annually. This equates to around \$302 per square foot in sales annually which positions THR as a highly desirable concept for ownership in a table service market where

\$200 to \$325 per square foot is considered moderately profitable and therefore a good investment. Total startup costs will be \$363,000 of which will be provided by the Chief Executive Officer from his already existing Cement sales business.

1.1 Business Objectives

The primary objectives of the business plan for the Concrete Complex are below:

- To be the premier standard concrete making company.
- To provide quality and long lasting concretes that will be an example for many.
- To restore the livelihood of builders that have been long lost due to the fallibility of already existing concretes.
- To create a trend in the building industry by changing the regular shape patterns of concretes.

1.2 Mission Statement

Our Mission is to provide a unique and durable living and working experience. We will strive to achieve this goal by: 1) by providing a variety of concrete types (with pocket-friendly prices) incorporating a full mixture of the required materials, and 2) we will be mindful of the wellbeing of our customers and staff— treating each and every one with dignity and respect – just like we would like to be treated!

1.3 Guiding Principles

1. Being Mindful of our Customers and our Staff

Coinciding with our family values, we will treat both our customers and staff in a manner in which we ourselves would want to be treated (or better!)

2. Gratitude

“An attitude of gratitude” shown to our customers, employees and vendors – because without their input, service, labor and time, our business would not be here without them!

3. Our Service

Provide the warm and friendly service expected from a professional concrete company; creating an informal, comfortable environment which will make the customers satisfied and want to return again and again.

1.4 Keys to Success

- Repeat business: Every customer who comes in once should want to return, and recommend us. Word-of-mouth marketing is a powerful ally.
- Hire top notch concrete mixers and offer training to keep each concrete mixer on top of his/her game, and pay top wages to ensure they stay with us.
- Location: Convenience is essential to us; we need to be close to our market because we are not trying to get people to travel to reach us.

2.0 Company Description

The proposed location for The Prodigy Concrete House ("PCH") is at Orba Road, Nsukka, Enugu state. The concrete complex will be wholly owned and operated by Chukwu Gerard. The concrete complex will produce a variety of classic concretes from 'plainly potted' concretes to 'mosaic' concretes and 'embossed' concretes.

The concrete complex will be open 7 days a week with hours as follows:

| | |
|-----------|---------------------|
| Monday | 06:00 am – 9:00 pm |
| Tuesday | 06:00 am – 9:00 pm |
| Wednesday | 06:00 am – 9:00 pm |
| Thursday | 06:00 am – 9:00 pm |
| Friday | 06:00 am – 10:00 pm |
| Saturday | 06:00 am – 10:00 pm |
| Sunday | 12:00 pm– 5:00 pm |

2.1 Ownership

The restaurant will be owned by Chukwu Gerard. Gerard has a 4-year experience in concrete mixing as he worked at RCC for 2 years before his admission to University of Nigeria, Nsukka, to study Political science. Also, at the age of 15, he was invited to Dangote Cement factory at Abuja to serve as the site instructor. At RCC, he was the Concrete Plant Mixing manager. He acquired certificates also, from trainings sponsored by the aforementioned companies.

With the high turnover of help for startup concrete companies, we will rely on family to fill in where required until we are off the ground and making a profit.

2.2 Legal Form

PCH will be organized as a Limited Liability Company, with Chukwu Gerard as the Chief Executive Officer. PCH is registered in Nigeria with Corporate Affairs Commission with its RC Number as: 872019.

2.3 Start-Up Summary

The cost to open the restaurant is #363,000. The majority of the expenses are in equipment purchase totaling #250,000. The location requires some build-out and renovation totaling #250,000 and will require approximately 30 days to complete. The Prodigy Concrete House will sub-contract the work themselves.

The start-up cost will be fully funded by the Chief Executive Officer (Chukwu Gerard). The owner's source of funds is a combination of liquid assets and marketable securities, primarily from his existing Cement sales business.

2.4 Location and Facilities

The proposed location for the 3,400 square foot concrete complex is at Orba road, Nsukka, Enugu state.

3.0 Services

3.1 Daily Operations and Production

PCH will be open 7 days a week for a constant morning to Night service. Gerard will write the schedules. The schedules will be written in a manner that will allow the ability to increase or decrease hourly labor according to sales volume in order to maintain a consistent labor cost control.

Proper labeling and rotation techniques, accompanied by ample storage facilities will ensure that high quality prepared product will be sufficiently available to meet the demands during peak business hours. Replenishment and ongoing preparation will continue during off peak business hours.

Gerard Chukwu will be responsible for ordering, receiving and maintaining sufficient inventory to meet production demands.

Mr. Gerard will rely on operational checklists to verify that each work shift has been properly prepared for and to insure the operational standards are followed before, during and after work shifts.

The complex layout, including the reception, and waiting room has been designed for efficiency and flexibility to accommodate the fluctuation in customer traffic and peak sales periods.

Upon arrival, customers will be greeted immediately by the customer attendant and directed to the reception. Product orders will be taken and guests would be provided with light refreshments if they approve of it. Once the customer's order is taken, the order will automatically be printed to a requisition printer in the reception. The receptionist will use the printed ticket to keep track of orders placed and directs the customer to the production unit.

The production unit has been designed to be operated by a minimum staff of 5 and a maximum of 6 concrete mixers which includes the Head of the production Unit. This design allows line staffing to be adjusted to the business volume. Shift changes for all staff will involve cleanup, restocking and preparation. All monies will be settled at the end of each shift. The closing shift will involve designated closing duties that will leave the complex clean and fully prepared for the next day.

3.2 Competitive Comparison

The Nigerian concrete industry includes about 500 restaurants with combined annual revenue of about #400 billion. Major companies include Gwanza International which owns Plus one concretes and Onyeije's blocks, Exclusive concrete; Brands (Omo Iyabeji, Okonkwo & Sons, Chidex Limited); and Moham's concretes (Tdurbs, Amaka blocks). The industry is highly fragmented: the 50 largest companies hold just 20 percent of the market.

There are no Local competitors around the proposed site for the Concrete Complex.

3.3 Suppliers

Because of his years of experience combined with his existing Cement sales business, Chukwu Gerard have established relationships with qualified suppliers. These suppliers can provide reasonably priced products, delivered according to the schedule.

3.4 Management Controls

Chukwu Gerard will practice sound management procedures in order to control costs, insure quality of product and provide friendly customer service. The following systems will be used by management:

Order Guide: The complex will use an item specific order guide to track order history and maintain designated levels of product in inventory.

Weekly Inventory: Management will conduct a weekly inventory to determine valuation for use in the preparation of weekly profit and loss reports.

Daily Inventory Tracking: Daily inventory will be taken on specific items. Movement will be compared to sales data to ensure designated products have been properly accounted for.

3.5 Administrative Systems

With a limited staff, it is crucial that the Chukwu Gerard remains current with daily cash outlay. The purchase of a POS system will immensely help him with these daily administrative reports:

Daily Cash Control. Sales and receipts recorded by the POS system will be compared to actual cash and credit card deposits on a daily basis. Acceptable over/short amounts will be limited to #1,500 per day. Discrepancies greater than #1,500 will prompt management to conduct an immediate audit to account for the difference. Monthly totals will be compared to actual P&L statements for accuracy. Cash, debit card and credit card receipts will be deposited in a deposit.

Weekly Prime Cost Report. Chukwu Gerard will prepare a weekly report that shows the gross profit margin after cost of goods sold and labor cost has been deducted from the sales revenue. The prime cost for this type of restaurant is expected to range from 60% to 65%. Proper control of the prime cost is the single most effective measure of management's ability to operate the restaurant.

Purchasing Records/Payables. A part time bookkeeper will process and record invoices and credits daily. Reports detailing cash expenditures, payments by check, and accounts payable transactions will be readily available. Check disbursements will be prepared by the bookkeeper. Check signing authority for the general operating account will be given to the Chief Executive Officer.

Payroll Processing. Payroll checks will be issued bi-monthly. Chukwu Gerard will run reports from the time & attendance system, make necessary adjustments, and prepare for transfer to the payroll system. Payroll will be processed by a payroll processing service.

3.6 Future Services

PCH has future plans to provide building services for office use, home use and other building types desiring our exclusive products. This could potentially become a large portion of gross sales.

4.0 Market Analysis

The concrete making industry is a large and diverse business: Concrete-industry sales are forecast to reach #580.1 million in 2010 – an increase of 2.5 percent over 2009. Restaurant-industry sales are projected to total #604 billion in 2011.

The Nigerian concrete industry includes about 500 restaurants with combined annual revenue of about #400 billion. Major companies include Gwanza International which owns Plus one concretes and Onyeije's blocks, Exclusive concrete; Brands (Omo Iyabeji, Okonkwo & Sons, Chidex Limited); and Moham's concretes (Tdurbs, Amaka blocks). The industry is highly fragmented: the 50 largest companies hold just 20 percent of the market.

4.1 Industry Analysis

4.1.1 Market Size

The Nigerian concrete industry includes about 500 restaurants with combined annual revenue of about #400 billion.

4.1.2 Industry Participants

Major participants include Major companies include Gwanza International which owns Plus one concretes and Onyeije's blocks, Exclusive concrete; Brands (Omo Iyabeji, Okonkwo & Sons, Chidex Limited); and Moham's concretes (Tdurbs, Amaka blocks).

4.1.3 Main Competitors

There are no Local competitors around the proposed site for the Concrete Complex.

4.1.4 Market Segments

PCH will appeal to a broad base of consumers in both the residential and business community. The location selected for PCH was chosen primarily to appeal to the growing number of households in the area.

The suburb of Orba road located in Nsukka, ENU has a population of over 2,000 according to the 2011 Nigerian Census Report. The residential population in the immediate area is comprised of a mixture of single family and multi-family housing. The median household income is #363,000,000 for 2010 and estimated to be #1,000,000,000 for 2015. (Nigerian Census).

Major employers include University of Nigeria and Banks.

4.2 Market Tests

For the past 3 years, Gerard have been selling cements part-time. His cement brand is very popular with living housebuilders. More often than not, gets asked to open a cement factory so that patrons can return again and again.

Through Constant Contact (an online marketing program) the CEO has stayed in touch with his customers, and has been asked to return to supply cements to different contractors.

Gerard already has a customer base through cement selling business. These customers will be the first to be contacted when he announce the grand opening of the brick and mortar Concrete complex.

4.3 Target Market Segment Strategy

Chukwu Gerard selected the subject area for his company primarily because of its location to the very busy intersection of Ogige market. The company site located in a retail strip center is located on "going home" side of Ogige market.

4.3.1 **Market Needs**

Orba road is in great need of a Concrete production complex. This section of Nsukka is commonly referred to as “ebee mmadu no” The selection of finished concrete supply is vast however; the area is limited on its concrete choices.

4.3.2 **Market Trends**

The trend in Nsukka is the regular sales of outdated and substandard. Most times, the concretes disembark before they arrive at their places of being used.

4.3.3 **Market Growth**

Enugu consumer spending on services, an indicator of concrete sales, rose 1.8 percent in November 2011 compared to the same month in 2010. The average Nigerian retail price for diesel and regular gas, which influences discretionary consumer spending on eating out, rose 13.1 percent and 9.3 percent respectively in the week ending January 16, 2012, compared to the same week in 2011.

5.0 **Marketing Strategy and Implementation**

PCH will also remain current with current industry marketing trends. In addition to a website with our menu, map and driving directions, we will also have a Facebook page and utilize other social media such as Twitter, Instagram, and YouTube. We will team up with Groupon and Yelp. We will offer a loyalty club and birthday club which recent reports indicate increases earnings as much as 15%.

5.1.1 **Strengths**

- Prime location with easy access from Interstate 30
- Exceptional staff with the can do attitude. Combined 5 years in the restaurant industry
- Because owner has an experience, he already has established a customer market and approved vendors
- Due to our small size, we believe we can provide exceptional quality by hand selecting our market specials when compared to our larger corporate competitors
- The same concept holds true in our staffing requirements, by hand selecting our employees we will strive to offer unsurpassed service when compared to our larger competitors

5.1.2 **Weaknesses**

- Recruiting and retaining quality employees
- Tight margins will allow little wiggle room for error

5.1.3 Opportunities

- Little barriers to entry allows for immediate business opportunities
- Offer additional house building services

5.1.4 Threats

- Building/maintaining sales volume
- Supermarkets and convenience stores
 - Customers that believe that made in Nigeria products are quality products.

5.2 Strategy Pyramid

Strategy: Be the Orba road's premier concrete supplier in Customer Satisfaction.

Tactics: First create awareness-- our signage on the front of the entrance gate will bring Customers to us and once inside, we will immediately acknowledge the customer with the warmest and most sincere greeting and begin the service process anticipating repeat customers.

Programs: Provide employee training on customer service and retention; offer ongoing training programs for employees keeping them current on industry trends. Keep track of employee's progress through performance reviews and offer employees incentives attracting and retaining customers. Employ Mystery Shoppers. Employ the use of surveys both at the table and online.

5.3 Unique Selling Proposition (USP)

PCH will be able to offer quality concretes for a reasonable price. Because of our current expertise with vendors, and our excellent credit, we can negotiate better credit terms than say someone brand new starting a concrete making company. Finally we will keep our prices in check by meticulous monitoring of our controllable expenses – keeping close eye on our Prime Cost Report and Inventory. By initially employing family members who will work for lower and reduced wages, for example, we can further reduce our controllable expenses.

5.4 Competitive Edge

PCH's competitive edge is in its people. We truly believe that your business is not only as good as your products (concretes) but the quality of your staff as well. Our staff is a reflection of us. Initially, we intend to employ our family members who will work for lower and reduced wages. Our long term goal is to hire team members that are truly hand selected and have the same honest to goodness family values we do. And unlike our big chain competitors, because of our lean size, we can turn on a

dime when economically pushed and make changes quickly allowing us to be proactive. (Whereas our corporate competitors have to adhere more closely to their company policies thus impeding their reaction time)

5.5 Marketing Strategy and Positioning

We realize the success of PCH will have to be achieved by doing more than producing and distributing great concretes, and providing friendly service. We will utilize a marketing plan to build customer traffic. At PCH, we will continually strive to win more customers by being proactive rather than reactive in our marketing efforts and stay current with popular industry trends.

We will achieve these goals by using the following:

- Database: We will begin our campaign by marketing to our existing database of customers. We will email fliers announcing our grand opening. We will continually update our database by providing a fishbowl for business cards in the lobby and offer a weekly or monthly drawing.
- Our concrete company team will also be active in the local community and we plan to take an active role by participating, sponsoring, and donating to local churches, sports clubs or teams in the market area.
- We will also strive to develop rapport with local builders as a quick, reliable brand choice. In the future, we plan on establishing a marketing campaign to call on the local business in the market area, deliver samples, and encourage them to consider our concrete company as the concrete company of choice for their next building erection.

5.5.1 Positioning Statement

PCH will be the premier concrete supplying company. We will offer reasonably priced concretes, in a warm, relaxed and comfortable setting. We are open 7 days a week and unlike our chain competitors, our servers won't try to be your best friend or rush you through your concrete. Our name says it all "*Exotic concretes - - honest to exclusiveness supplied to you by honest to goodness people!*"

5.5.2 Pricing Strategy

At PCH, cost accounting is important, since the profitability of single concretes can vary significantly and will initially determine the cost of the items. We will take advantage of our excellent credit terms with our suppliers and will also update our menu to take advantage of seasonality for example in local produce items. We will also closely monitor the Prime Cost Report which focuses on the controllable expenses of Cost of Goods Sold and Labor. As a new start-up we can currently control employee cost by hiring family members who will work for low and reduced wages.

5.5.3 Promotion and Advertising Strategy

- **Location-** The Company will be located at the edge of Orba road that is connected to the popular Ogige market in Nsukka.
- **Word of Mouth** – We already have a database of existing cement sales customers and will rely heavily on this method to attract and grow new business.
- **Direct Mail** - Bulk mailing either directly to potential customers or by including a postcard in a value-pack-type mailing.
- **Event Marketing** -We plan on joining our local chamber of commerce and utilizing their networking services for our grand opening.

5.5.4 Website

- We will stay current with industry trends and have a webpage, Facebook page, Instagram page and YouTube account and Twitter site. Our menu, map, and hours of operation will be easily accessed. In the future we may consider fax or email orders as well a phone application.

5.5.5 Marketing Programs

- Our initial marketing campaign will consist of contacting our databases clients and notifying them of our grand opening. We will seek the use of a local mailing service program to assist us in the implementation of the campaign
- Ongoing- we will meticulously keep our database current and use the Constant Contact program

5.6 Sales Strategy

Customer service is of the utmost importance. Customer surveys estimate that only 1 in 20 customers that have a problem in a restaurant will tell management about it. It will be our goal to provide an above standard product combined with superior customer service. Training programs will include teaching materials to train our employees about service attitudes, customer perception and how to handle guest complaints. Chukwu Gerard will conduct periodic staff meetings intended to review policy, increase guest satisfaction and to keep a general line of communication between staff and management. All guest complaints will be acknowledged by the staff and referred to management. Programs will be in place for all types of guest complaints. More serious complaints will be documented and kept on file. Customer feedback will be accomplished by customer surveys or the use of mystery shoppers.

5.6.1 Sales Forecast

We are expecting a conservative 5% increase in sales revenues annually over the next 3 years. The growth is adjusted for inflation. With the addition of catering revenues, sales will increase by 12.93% in Year 2 and 6.02% in Year 3.

The following table shows expected Sales Forecast for the next 3 years:

Table 5.6.1 Annual Sales Forecast

| Annual Sales Forecast | Year 1 | Year 2 | Year 3 |
|------------------------------|------------|------------|------------|
| Sales | | | |
| Cement and concrete Revenues | | | #1,133,835 |
| | #1,028,422 | #1,079,843 | |
| Additional Revenues | #0 | #81,600 | #102,000 |
| Total Sales | #1,028,422 | #1,161,443 | #1,235,835 |
| Controllable Costs | | | |
| COGS | #402,113 | #414,176 | #426,602 |
| Payroll | #269,987 | #323,057 | #340,027 |
| Total Prime Cost | #672,100 | #737,234 | #766,628 |
| Controllable Profit | #356,322 | #424,209 | #469,207 |

5.6.2 Sales Programs

We will encourage our employees to grow our customer base and provide incentives and regular bonuses to employees for referrals and repeat customers. These initiatives are still in the planning stages as we gear up to hire and staff. They will play an active role in our employee culture.

It is also anticipated that as we grow our catering business, along with our concrete business group, we will hire a sales director to facilitate this portion of the business. The sales director will be compensated similarly to their national peers (national Concrete Association)

5.7 Legal

Initially we will be formed a Limited Liability Company: Prodigy Concrete House Ltd. Over time, the CEO plans to form a Public Liability Company.

5.8 Milestones

Our initial milestones are as follows:

Table 5.8 Milestones

| Milestone | Date |
|--|----------|
| Sign Lease with Nsukka Shopping Center Association | 02/01/xx |
| Complete interlock | 03/01/xx |
| Complete Convenience room | 03/01/xx |
| Hire Back Staff | 03/01/xx |
| Hire Front Staff | 03/01/xx |
| Secure a Point of Sale System | 04/01/xx |
| Secure Lending for Initial Start-Up, Working Capital and Cash Flow | 04/01/xx |

5.9 Exit Strategy

Disposal of mixing equipment, and furniture, and fixtures would occur at auction. The additional assets such as the staff's uniforms, could be sold at auction or on e-bay.

6.0 Organization and Management

6.1 Organizational Structure

PCH expects to hire 19 employees. Chukwu Gerard will personally select each candidate. He has adopted an effective interview process designed to staff the restaurant with highly qualified people for each position. Each applicant will be rated and evaluated according to a pre-defined set of standards designed for each position. Background checks will be utilized for designated positions. Recruiting efforts will always center on referrals.

6.2 Management Team

The company will be owned by Chukwu Gerard for the time being.

6.3 Management Team Gaps

Initially, Chukwu Gerard will fill in many of the management gaps. Over time, they have plans to hire a sales director, a general manager, and heads of units.

To meet the gaps associated in payroll, inventory management, and cost accounting, Chukwu Gerard will purchase have considered a POS (point of sale system) that it simplifies communications between the receptionist and the production unit staff.

Orders go through the computer, directly to the production unit printer. Another benefit of a POS program is that it can track everything. Because the POS system acts as a time clock, it can also help prepare payroll – which will save some money in the bookkeeping department. Along with the daily operations of running concrete making company, a POS system can organize profit and loss statement and sales tax.

6.4 Personnel Plan

Table 6.4 Personnel Plan

| Annual Sales Forecast | Year 1 | Year 2 | Year 3 |
|---------------------------|-----------------|-----------------|-----------------|
| Owner / General Manager | #0 | #0 | #0 |
| Asst. Manager / Cashier | #25,872 | #26,648 | #27,448 |
| Line mixers | #38,304 | #39,453 | #40,637 |
| Prep mixers | #60,480 | #62,294 | #64,163 |
| Attendants / Cashiers | #46,848 | #48,253 | #49,701 |
| Equipment washers | #24,024 | #24,745 | #25,487 |
| Bookkeeper (p/t) | #8,640 | #8,899 | #9,166 |
| Sales Agent | #0 | #20,000 | #20,600 |
| Concrete mixing Employees | #0 | #18,432 | #23,731 |
| Total | #204,168 | #248,725 | #260,933 |

7.0 Financial Plan

The following sections outline our financial plan:

- Required Cost of Start-Up
- Profit and Loss
- Cash Flow
- Balance Sheet
- Financial Ratios
- Hourly Labor Costs
- Weekly Sales Projections

7.1 Start-Up Costs

Total start up costs will be #363,000 which will be fully funded by the CEO.

Table 7.2 Start-Up Costs

| Start-Up Expenses | Amount |
|--------------------------------|----------|
| Graphic Logo and Name Creation | #1,000 |
| Permits + Lease Deposit | #1,200 |
| Contingency | #10,000 |
| Outdoor Sign | #3,000 |
| Building Improvements | #50,000 |
| Working Capital | #172,500 |

| | |
|--------------------------------------|-----------------|
| Pre Opening Expenses | #14,800 |
| Total Start-Up Expenses | #252,500 |
| Start-Up Assets | |
| Artwork | #800 |
| Walk In Stoner | #8,000 |
| Commercial washer | #7,000 |
| Steel fronts (2) | #6,000 |
| Stainless Steel Cold Station | #3,000 |
| 20 quart sand refiner | #900 |
| Raps Maker with Storage Bin | #4,000 |
| Main mixing tank | #45,900 |
| 20 wood round / oval tables | #20,000 |
| Wheel barrow (2) | #5,000 |
| Mechanical inkads | #1,000 |
| Head pans (2) | #1,200 |
| Trowels | #2,000 |
| Fireproof Safe | #500 |
| Cash register + POS System | #4,000 |
| Ofc PC | #1,200 |
| Total Start-Up Assets | #110,500 |
| Total Required Start-Up Costs | #363,000 |

7.2 Source and Use of Funds

Total start-up costs are estimated to be #363,000. The majority of the costs are associated with the mixing equipment, inventory and furniture and furnishings for the reception. Total costs for these items are reported to be #110,500. The costs are associated with build out and renovation of the complex to provide updated plumbing and creating additional space in the reception area by removing a non-supporting wall: #50,000. Additional start up expenses are in the form of working capital and contingency #182,500.

Table 7.2 Source and Use of Funds

| Source and Use of Funds | |
|----------------------------------|-----------------|
| Sources of Funds | |
| Owners' and investments | #363,000 |
| Total Source of Funds | #363,000 |
| Use of Funds | |
| Buildings/real estate | # - |
| Leasehold improvements | # 50,000 |
| Capital equipment | #110,500 |
| Location/administration expenses | # 14,800 |
| Opening inventory | # - |
| Advertising/promotional expenses | # 4,000 |
| Other expenses | # 1,200 |
| Contingency fund | # 10,000 |
| Working capital | #172,500 |
| Total Use of Funds | #363,000 |

7.3 Projections

7.3.1 Projected Profit and Loss

The profit and loss demonstrates modest increases in revenues over the three expected years with adjustments for inflation.

Table 7.3.1 Pro Forma Profit and Loss

| Pro Forma Profit and Loss | Year 1 | Year 2 | Year 3 |
|----------------------------------|---------------|---------------|---------------|
| Income | | | |
| Sales | #1,028,422 | #1,161,443 | #1,235,835 |
| Cost of Goods Sold | (#402,113) | (#414,176) | (#426,602) |
| Gross Profit | #626,309 | #747,267 | #809,234 |

| Expenses | | | |
|----------------------|----------|----------|----------|
| Accounting / Legal | #12,000 | #12,360 | #12,731 |
| Bad Debts | #25,711 | #26,482 | #27,276 |
| Shrinkage | #90,000 | #92,700 | #95,481 |
| Credit Card Fees | #20,568 | #21,185 | #21,821 |
| Insurance | #75,000 | #77,250 | #79,568 |
| Miscellaneous | #44,112 | #45,435 | #46,798 |
| Payroll Taxes | #0 | #0 | #0 |
| Permits and Licenses | #7,356 | #7,577 | #7,804 |
| Rent | #68,000 | #70,040 | #72,141 |
| Salaries | #12,341 | #12,711 | #13,093 |
| Wages | #269,987 | #323,057 | #340,027 |
| Total Expenses | #625,075 | #688,798 | #716,739 |
| Net Profit | #1,234 | #58,469 | #92,494 |

7.3.2 Projected Cash Flow

The statement of cash flow shows the incoming and outgoing cash of the business.

Table 7.5.2 Pro Forma Cash Flow

| Pro Forma Cash Flow | Year 1 | Year 2 | Year 3 |
|-------------------------------|------------|------------|------------|
| Cash Received | | | |
| Cash from Operations | #148,101 | #30,995 | #11,402 |
| Cash Sales | #1,028,422 | #1,161,443 | #1,235,835 |
| Cash from Receivables | #0 | #0 | |
| Subtotal Cash from Operations | #1,176,523 | #1,192,438 | #1,247,237 |
| Additional Cash Received | #189,000 | | |
| Sales Tax | | | |
| Owners Investment | #174,000 | | |
| Subtotal Cash Received | #1,539,523 | #1,192,438 | #1,247,237 |
| Expenditures | | | |
| Expenditures from Operations | #765,113 | #414,176 | #426,602 |
| Cash Spent | #710,176 | #731,481 | #753,426 |
| Bills Paid | | | |
| Subtotal Spent on Operations | #1,475,289 | | #1,145,658 |
| Additional Cash Spent | #1,180,028 | | |
| Sales Tax | | | |

| | | | |
|--------------------------------|------------|------------|------------|
| Loan Payment | #33,240 | #35,378 | #37,654 |
| Subtotal Additional Cash Spent | #33,240 | #35,378 | #37,654 |
| Subtotal Expenditures | #1,508,529 | #1,181,036 | #1,217,681 |
| Net Cash Flow | #30,994 | #11,402 | #29,556 |
| Cash Balance | #30,994 | #42,397 | #71,953 |

7.3.3 Projected Balance Sheet

Table 7.5.3 Pro Forma Balance Sheet

| Pro Forma Balance Sheet | Year 1 | Year 2 | Year 3 |
|--------------------------------|----------|----------|----------|
| Assets | | | |
| Current Assets | | | |
| Cash | #63,000 | #66,150 | #71,111 |
| Accounts Receivable | #25,000 | #26,250 | #28,219 |
| Inventory | #14,000 | #14,700 | #15,803 |
| Other Current Assets | #129,500 | #135,975 | #146,173 |
| Total Current Assets | #231,500 | #243,075 | #261,306 |
| Long Term Assets | | | |
| Long Term Assets | #144,500 | #151,725 | #163,104 |
| Accumulated Depreciation | #0 | #0 | #0 |
| Total Long Term Assets | #268,500 | #281,925 | #303,069 |
| Total Assets | #363,000 | #525,000 | #564,375 |
| Liabilities and Capital | | | |
| Current Liabilities | | | |
| Accounts Payable | #29,000 | #30,450 | #32,734 |
| Current Borrowing | #1,500 | #1,575 | #1,693 |
| Other Current Liabilities | #28,500 | #29,925 | #32,169 |
| Subtotal Current Liabilities | #59,000 | #66,596 | #0 |
| Long Term Liabilities | #189,000 | #198,450 | #213,334 |
| Total Liabilities | #277,000 | #290,850 | #312,664 |
| Paid In / Invested Capital | #223,000 | #234,150 | #251,711 |

| Retained Earnings | | | | |
|-------------------------------|----------|----------|----------|--|
| Earnings | | | | |
| Total Capital | #223,000 | #234,150 | #251,711 | |
| Total Liabilities and Capital | #363,000 | #525,000 | #564,375 | |
| Net Worth | #223,000 | #234,150 | #251,711 | |

7.4 Business Ratios

Table 7.4 Ratio Analysis

| Ratio Analysis | Year 1 | Year 2 | Year 3 | Industry Profile |
|----------------------------------|--------|--------|--------|------------------|
| Financial Ratios | | | | |
| Quick Ratio | 1.49 | 1.49 | 1.49 | 1.06 |
| Current Ratio | 3.92 | 3.92 | 3.92 | 1.46 |
| Current Liabilities to Net Worth | 0.26 | 0.26 | 0.26 | 0.40 |
| Current Liabilities to Inventory | 4.21 | 4.21 | 4.21 | 5.85 |
| Total Liabilities to Net Worth | 1.24 | 1.24 | 1.24 | 1.24 |
| Fixed Assets to Net Worth | 1.20 | 1.20 | 1.20 | 1.11 |
| Collection Period | | | | |
| Inventory Turnover | 28.7 | 28.2 | 27.0 | 29.44 |
| Assets to Sales | 48.6% | 45.2% | 45.7% | 49.1% |
| Working Capital to Sales | 16.8% | 15.6% | 15.8% | 14.0% |
| Accounts Payable to Sales | 2.8% | 2.6% | 2.6% | 2.8% |
| Return on Sales | 0.1% | 5.0% | 7.5% | 1.0% |
| Return on Assets | 0.2% | 11.1% | 16.4% | 2.1% |
| Return on Equity | 0.6% | 25.0% | 36.7% | 4.7% |
| Interest Coverage | 0.8 | 7.6 | 15.5 | 1.66 |
| Income Statement | | | | |
| Gross Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Gross Profit | 60.9% | 64.3% | 65.5% | 56.0% |
| Operating Income | 0.1% | 5.0% | 7.5% | 2.1% |
| Net Profit After Tax | | | | |
| Balance Sheet | | | | |
| Cash | 12.6% | 12.6% | 12.6% | 12.6% |
| Accounts Receivable | 5.0% | 5.0% | 5.0% | 5.0% |
| Inventory | 2.8% | 2.8% | 2.8% | 3.0% |
| Total Current Assets | 46.3% | 46.3% | 46.3% | 49.5% |

| | | | | |
|-----------------------------|--------|--------|--------|--------|
| Total Fixed Assets | 28.9% | 28.9% | 28.9% | 25.7% |
| Other Non-Current Assets | 24.8% | 24.8% | 24.8% | 24.8% |
| Total Assets | 100.0% | 100.0% | 100.0% | 100.0% |
| Accounts Payable | 5.8% | 5.8% | 5.8% | 5.8% |
| Total Current Liabilities | 0.0% | 0.0% | 0.0% | 17.6% |
| Total Long Term Liabilities | 37.8% | 37.8% | 37.8% | 37.8% |
| Net Worth | 44.6% | 44.6% | 44.6% | 44.6% |