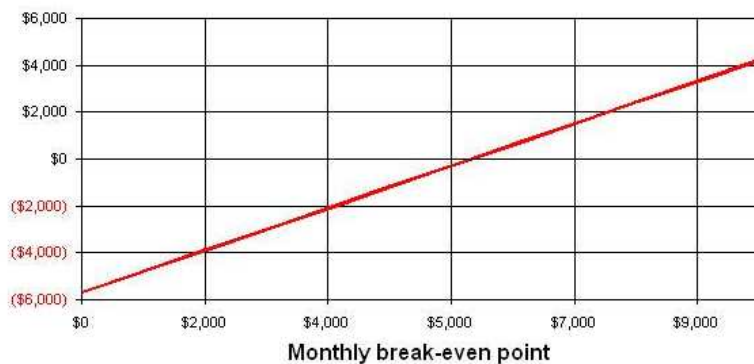


Many different businesses have different goals that they have set to be targeted. My main goal is to be a profitable business. The business will not have to wait long for clients to learn about it since the stylists will already have an existing client base after it has been opened for a little while

Break-even Analysis

The break-even analysis shows that my business has a good balance of fixed costs and sufficient sales strength to remain healthy for now and for a long period of time to come. My break-even point is only 126 clients a month. This was derived by using average revenue of £45 per client, and fixed costs of £5,691. Products sales were not included in this figure.



Break-even point = where line intersects with 0

Break-even Analysis:	
Monthly Units Break-even	126
Monthly Revenue Break-even	£5,691
Assumptions:	
Average Per-Unit Revenue	£45.00
Average Per-Unit Variable Cost	£0.00
Estimated Monthly Fixed Cost	£5,691

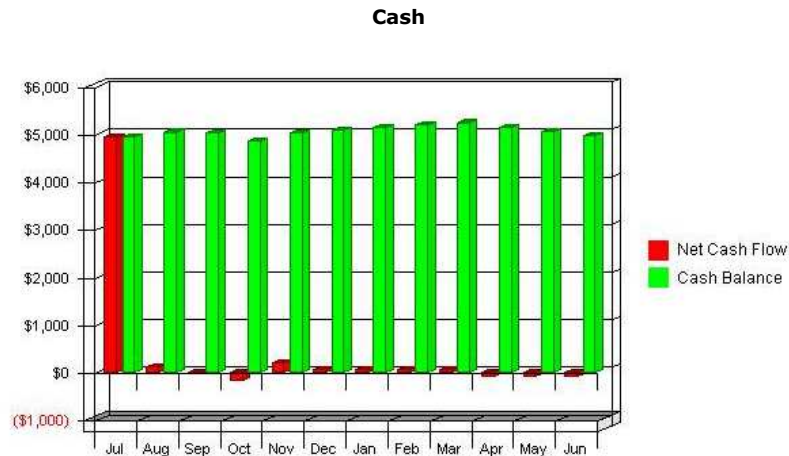
Expected profit and loss.

I expect an income of £172,800 at the end of the first year of business. It should increase to more than £262,340 by the third year, as the reputation of the salon, its stylists and services become apparent to the general public. Second year revenues also anticipate the addition of one new stylist.

Pro Forma Profit and Loss			
	FY 1997	FY 1998	FY 1999
Sales	3172,800	£228,122	£262,340
Direct Cost of Sales	£0	£0	£0
Other	£0	£0	£0
	-----	-----	-----
Total Cost of Sales	30	\$0	\$0
Gross Margin	£172,800	£228,122	£262,340
Gross Margin %	100.00%	100.00%	100.00%
Expenses:			
Payroll	£86,800	£107,520	£123,876
Sales and Marketing and			
Other Expenses	£36,440	£49,840	£55,240
Depreciation	£8,146	£8,146	£8,146
Leased Equipment	£0	£0	£0
Utilities	£4,200	£4,200	£4,200
Insurance	£1,200	£1,200	£1,200
Rent	£22,740	£22,740	£22,740
Other	£0	£0	£0
Payroll Taxes	£8,680	£10,752	£12,388

Other	£0	£0	£0
	-----	-----	-----
Total Operating Expenses	£168,206	£204,398	£227,790
Profit Before Interest and Taxes	£4,594	£23,724	£34,550
Interest Expense	£0	£0	£0
Taxes Incurred	£1,300	£6,643	£9,732
Net Profit	£3,294	£17,081	£24,819
Net Profit/Sales	1.91%	7.49%	9.46%

I expect to manage cash flow over the next three years simply by the growth of the cash flow of the business. The business will generate more than enough cash flow to cover all of its expenses.



Cash Flow			
	FY 1997	FY 1998	FY 1999

Cash Received			
Cash from Operations:			

Cash Sales	£172,800	£228,122	£262,340
Cash from Receivables	\$0	\$0	\$0

Subtotal Cash from Operations	£172,800	£228,122	£262,340
-------------------------------	----------	----------	----------

Additional Cash Received			
--------------------------	--	--	--

Sales Tax, VAT, HST/GST Received	£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 Cash Received	£172,800	£228,122	3262,340

Expenditures	FY 1997	FY 1998	FY 1999
Expenditures from Operations:			
Cash Spending	£0	£0	£0
Payment of Accounts Payable	£155,847	£201,325	£228,670
Subtotal Spent on Operations	£155,847	£201,325	£228,670

Additional Cash Spent			
Sales Tax, VAT, HST/GST 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	£12,000	£12,000	£12,000
Purchase Other Current Assets	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0
Dividends	£0	£0	£0
Subtotal Cash Spent	£167,847	£213,325	£240,670
Net Cash Flow	£4,953	£14,797	£21,670

Cash Balance	£4,953	£19,750	£41,420
--------------	--------	---------	---------

6.4 Projected Balance Sheet

[\[back to top\]](#)

As shown in the balance sheet, we expect a healthy growth in net worth, from approximately £1,491 in year one to £43,448 by the end of year three. This should assure me from being debt free and able to spend more on improving or expanding my business.

Pro Forma Balance Sheet

Assets

Current Assets	FY 1997	FY 1998	FY 1999
Cash	\$4,953	\$19,750	\$41,420
Other Current Assets	\$600	\$600	\$600
Total Current Assets	\$5,553	\$20,350	\$42,020
Long-term Assets			
Long-term Assets	\$59,500	\$59,500	\$59,500
Accumulated Depreciation	\$8,146	\$16,292	\$24,438
Total Long-term Assets	\$51,354	\$43,208	\$35,062
Total Assets	\$56,907	\$63,558	\$77,082

Liabilities and Capital

Current Liabilities	FY 1997	FY 1998	FY 1999
Accounts Payable	\$5,512	\$7,082	\$7,788
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$5,512	\$7,082	\$7,788
Long-term Liabilities			
Long-term Liabilities	\$49,917	\$37,917	\$25,917
Total Liabilities	\$55,429	\$44,999	\$33,705

Paid-in Capital	\$0	\$0	\$0
Retained Earnings	(\$1,817)	\$1,477	\$18,559
Earnings	\$3,294	\$17,081	\$24,819
Total Capital	\$1,477	\$18,559	\$43,377
Total Liabilities and Capital	\$56,907	\$63,558	\$77,082
Net Worth	\$1,477	\$18,559	\$43,377

Business ratios for the years plan are shown below. Industry profile ratios are based on the Standard Industrial Classification (SIC), Beauty Shops, are shown for comparison.

Ratio Analysis				
	FY 1997	FY 1998	FY 1999	Industry Profile

Sales Growth	0.00%	32.02%	15.00%	7.50%
--------------	-------	--------	--------	-------

Percent of Total Assets				
-------------------------	--	--	--	--

Accounts Receivable	0.00%	0.00%	0.00%	11.60%
---------------------	-------	-------	-------	--------

Inventory	0.00%	0.00%	0.00%	4.70%
-----------	-------	-------	-------	-------

Other Current Assets	1.05%	0.94%	0.78%	36.10%
----------------------	-------	-------	-------	--------

Total Current Assets	9.76%	32.02%	54.51%	52.40%
----------------------	-------	--------	--------	--------

Long-term Assets	90.24%	67.98%	45.49%	47.60%
------------------	--------	--------	--------	--------

Total Assets	100.00%	100.00%	100.00%	100.00%
--------------	---------	---------	---------	---------

Current Liabilities	9.69%	11.14%	10.10%	31.90%
---------------------	-------	--------	--------	--------

Long-term Liabilities	87.72%	59.66%	33.62%	26.80%
-----------------------	--------	--------	--------	--------

Total Liabilities	97.40%	70.80%	43.73%	58.70%
-------------------	--------	--------	--------	--------

Net Worth	2.60%	29.20%	56.27%	41.30%
-----------	-------	--------	--------	--------

Percent of Sales				
------------------	--	--	--	--

Sales	100.00%	100.00%	100.00%	100.00%
-------	---------	---------	---------	---------

Gross Margin	100.00%	100.00%	100.00%	0.00%
--------------	---------	---------	---------	-------

Selling, General & Administrative Expenses	98.09%	92.51%	90.52%	73.40%
--	--------	--------	--------	--------

Advertising Expenses	2.08%	1.67%	1.60%	2.50%
----------------------	-------	-------	-------	-------

Profit Before Interest and Taxes	2.66%	10.40%	13.17%	3.20%
-------------------------------------	-------	--------	--------	-------

Main Ratios				
Current	1.01	2.87	5.40	1.79
Quick	1.01	2.87	5.40	1.34
Total Debt to Total Assets	97.40%	70.80%	43.73%	58.70%
Pre-tax Return on Net Worth	310.94%	127.83%	79.65%	5.20%
Pre-tax Return on Assets	8.07%	37.33%	44.82%	12.50%

Additional Ratios	FY 1997	FY 1998	FY 1999	
Net Profit Margin	1.91%	7.49%	9.46%	n.a
Return on Equity	222.98%	92.04%	57.22%	n.a

Activity Ratios				
Accounts Receivable Turnover	0.00	0.00	0.00	n.a
Collection Days	0	0	0	n.a
Inventory Turnover	0.00	0.00	0.00	n.a
Accounts Payable Turnover	29.27	28.65	29.45	n.a
Payment Days	11	11	12	n.a
Total Asset Turnover	3.04	3.59	3.40	n.a

Debt Ratios				
Debt to Net Worth	37.52	2.42	0.78	n.a
Current Liab. to Liab.	0.10	0.16	0.23	n.a

Liquidity Ratios				
Net Working Capital	\$40	\$13,268	\$34,232	n.a
Interest Coverage	0.00	0.00	0.00	n.a

Additional Ratios				
Assets to Sales	0.33	0.28	0.29	n.a
Current Debt/Total Assets	10%	11%	10%	n.a
Acid Test	1.01	2.87	5.40	n.a
Sales/Net Worth	116.96	12.29	6.05	n.a
Dividend Payout	0.00	0.00	0.00	n.a