

7. Financial Plan

a. Cost of Project and Means of Finance

Description	Existing		Proposed		Total	
	Equity	Borrowed	Equity	Borrowed	Equity	Borrowed
Land	200 000	500 000	300 000	600 000	500 000	1 100 000
Building	400 000	600 000	450 000	700 000	850 000	1 300 000
Machinery & Equipment	300 000	300 000	400 000	400 000	700 000	700 000
Furniture & Fittings	50 000	25 000	60 000	30 000	110 000	55 000
Motor Vehicle	150 000	200 000	180 000	220 000	330 000	420 000
Other Equipment	100 000	50 000	120 000	60 000	220 000	110 000
Sub Total	1 200 000	1 675 000	1 510 000	2 010 000	2 710 000	3 685 000
Permanent working capital	300 000	200 000	350 000	250 000	650 000	450 000
Contingencies	100 000	50 000	120 000	60 000	220 000	110 000
Grand total	1 600 000	1 925 000	1 980 000	2 320 000	3 580 000	4 245 000

b. Cost of Project and Means of Finance

Description	Existing		Proposed		Total	
	Amount	%	Amount	%	Amount	%
Equity	1 600 000	45.39%	1 980 000	46.04%	3 580 000	45.75%
Borrowed	1 925 000	54.6%	2 320 000	53.95%	4 245 000	54.24%
Total	3 525 000	100%	4 300 000	100%	7 825 000	100%

c. Permanent Working Capital Computation

Item	No of	Raw material	Fixed and Variable	Total
Raw material	30	300 000		
Work in Progress	15	150 000	50 000	200 000
Finished goods	15	100 000	30 000	130 000
Debtors	45	250 000	80 000	330 000
Gross working capital requirement		800 000	160 000	660 000
(Less) creditors	30	150 000	50 000	200 000
Net working capital requirement		650 000	110 000	460 000

d. Projected Profit and Loss Account

	Note	Year 01	Year 02	Year 03
1. Sales		1 500 000	1 800 000	2 200 000
2. Cost of Sales		600 000	720 000	880 000
<i>(-) Less (1 - 2)</i>				
3. Gross Profit		900 000	1 080 000	1 320 000
4. Admin Cost		200 000	220 000	240 000
5. Marketing & Distribution Cost		150 000	170 000	190 000
<i>(-) Less [3 - (4+5)]</i>				
6. Profit before interest & depreciation		1 250 000	1 470 000	1 750 000
7. Interest Expenses		40 000	45 000	50 000
8. Depreciation		60 000	65 000	70 000
<i>(-) Less [6 - (7+8)]</i>				
9. Profit before tax		1 150 000	1 360 000	1 630 000
10. Income Tax		20 000	22 000	24 000
<i>(-) Less (9 - 10)</i>				
Net Profit		1 130 000	1 338 000	1 606 000

Projected Cash Flow

Description	Mont h 01	Mont h 02	Mont h 03	Mont h 04	Mont h 05	Mont h 06	Mont h 07	Mont h 08	Mont h 09	Mont h 10	Mont h 11	Mont h 12	Total - Y1	Total - Y2	Total - Y3
RECEIPTS															
Sales	125 000	135 000	145 000	155 000	165 000	175 000	185 000	195 000	205 000	215 000	225 000	235 000	2 175 000	2 520 000	2 925 000
Loan Funds	50 000												50 000		
Sub Total (a)	175 000	135 000	145 000	155 000	165 000	175 000	185 000	195 000	205 000	215 000	225 000	235 000	2 225 000	2 520 000	2 925 000
PAYMENTS															
Purchases	40 000	45 000	50 000	55 000	60 000	65 000	70 000	75 000	80 000	85 000	90 000	95 000	700 000	820 000	970 000
Raw Material	15 000	17 000	18 000	20 000	22 000	24 000	26 000	28 000	30 000	32 000	34 000	36 000	261 000	302 000	352 000
Wages	30 000	32 000	34 000	36 000	38 000	40 000	42 000	44 000	46 000	48 000	50 000	52 000	414 000	480 000	560 000
Fuel	5 000	5 500	6 000	6 500	7 000	7 500	8 000	8 500	9 000	9 500	10 000	10 500	77 500	90 000	105 500
Electricity	3 000	3 200	3 400	3 600	3 800	4 000	4 200	4 400	4 600	4 800	5 000	5 200	39 000	45 600	53 200
Water	1 500	1 600	1 700	1 800	1 900	2 000	2 100	2 200	2 300	2 400	2 500	2 600	19 500	22 800	26 600
Packing Material	8 000	8 500	9 000	9 500	10 000	10 500	11 000	11 500	12 000	12 500	13 000	13 500	102 000	119 000	139 000
Transport	12 000	13 000	14 000	15 000	16 000	17 000	18 000	19 000	20 000	21 000	22 000	23 000	177 000	206 000	240 000
Rent	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	96 000	112 000	132 000

Sub Total (b)	102 500	133 800	154 100	155 400	166 700	178 000	189 300	200 600	211 900	223 200	234 500	245 800	1 886 000	2 197 400	2 578 300
Surplus/ Deficit (a) - (b) = (c)	72 500	1 200	(9 100)	(400)	(1700)	(3000)	(14 300)	(5 600)	(6 900)	(8 200)	(9 500)	(10 800)	339 000	322 600	346 700
Balance Carried Forward (d)	72 500	73 700	64 600	64 200	62 500	59 500	45 200	39 600	32 700	24 500	15 000	4 200	339 000	661 600	1 008 300
Cumulative Balance (c) + (d) = (e)	145 000	74 200	55 500	63 800	60 800	56 500	30 900	34 000	25 800	16 300	5500	(6600)	678 000	984 200	1 355 000
Loans Repayments (f)						25 000		25 000					50 000		
Balance Brought Forward (e) - (f)	145 000	74 200	55 500	63 800	60 800	31 000	30 000	9 000	25 800	16 300	5500	(6600)	628 000	984 200	1 355 000

Projected Ratios

Ratio	Year 01	Year 02	Year 03
Gross profit ratio - (Gross Profit / Sales) *100	60%	60%	60%
Net profit ratio (Net Profit / Sales) *100	75.33%	74.33%	73%
Return on Investment (ROI) - (Net Profit / Investment) *100	7.79%	18.03%	28.99%

8. Risk Management

Type of Risk	Method of Risk Management
Market Risk	Diversify product offerings to reduce dependence on a single product. Keep a close watch on market trends and adapt quickly to changing consumer preferences.
Supply Chain Risk	Maintain relationships with multiple suppliers for avocados to ensure a consistent supply. Establish contingency plans for any disruptions in the supply chain.
Quality Control Risk	Implement strict quality control measures in the production process. Regularly test and monitor product quality to meet industry standards.
Financial Risk	Maintain a healthy cash reserve to cover unexpected expenses. Consider hedging strategies for fluctuations in avocado prices.

9. Key Assumptions

Key assumptions are fundamental factors or variables that a business anticipates will remain constant or reasonably predictable during the planning period. They serve as a foundation for financial projections and business planning.

- Sales Growth:** Assuming a steady increase in sales over the next three years based on market research and product demand.
- Avocado Supply:** Assuming a consistent and reliable supply of avocados from trusted suppliers.
- Production Costs:** Assuming production costs remain relatively stable, factoring in potential fluctuations in ingredient prices and labor costs.
- Market Trends:** Assuming that the trends favoring healthier and sustainable eating habits continue, driving demand for avocado-based products.
- Regulatory Compliance:** Assuming that the company will maintain compliance with all relevant food safety and labeling regulations.
- Consumer Preferences:** Assuming that consumers will continue to show interest in plant-based and sustainable food products.

7. **Marketing and Advertising Effectiveness:** Assuming that marketing and advertising efforts will yield the expected results in terms of brand visibility and customer acquisition.
8. **Environmental Sustainability:** Assuming that the company's commitment to sustainability will resonate with environmentally conscious consumers.
9. **Operational Efficiency:** Assuming that the production process will run efficiently with minimal downtime or operational issues.
10. **Debt Financing:** Assuming that any borrowed funds will be available as planned and that interest rates remain within the projected range.