
Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|--------------|---------------|---------------|
| Sales | \$ 9,500,000 | \$ 11,000,000 | \$ 12,000,000 |
| Government taxes collected | (2,042,600) | (2,365,000) | (2,580,000) |
| Net Sales | 7,457,400 | 8,635,000 | 9,420,000 |
| Cost of sales | 4,417,600 | 5,115,000 | 5,580,000 |
| Gross profit | 3,039,800 | 3,520,000 | 3,840,000 |
| Administrative and general | 120,000 | 123,600 | 127,200 |
| Advertising | 240,000 | 247,200 | 254,400 |
| Bank charges | 30,000 | 31,200 | 32,400 |
| Rent | 840,000 | 840,000 | 840,000 |
| Training | 60,000 | 62,400 | 62,400 |
| Utilities | 120,000 | 123,600 | 127,200 |
| Wages and benefits | 1,624,800 | 1,674,000 | 1,724,400 |
| | 3,034,800 | 3,102,000 | 3,168,000 |
| Earnings before interest, depreciation and income taxes | 5,000 | 418,000 | 672,000 |
| Depreciation and amortization | 260,000 | 260,000 | 260,000 |
| Interest | | | |
| Operating | 3,900 | 26,400 | 18,700 |
| Term loan | 104,200 | 81,400 | 58,300 |
| Earnings before income taxes | (363,100) | 50,200 | 335,000 |
| Income taxes | - | - | 6,100 |
| Net earnings | \$ (363,100) | \$ 50,200 | \$ 328,900 |
| Retained earnings, beginning of year | \$ - | \$ (363,100) | \$ (312,900) |
| Net earnings | (363,100) | 50,200 | 328,900 |
| Retained earnings, end of year | \$ (363,100) | \$ (312,900) | \$ 16,000 |

See accompanying notes to the financial projections.

Wine Council of Ontario
Projected Balance Sheets
(Unaudited -See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 120,000 | \$ - | \$ - | \$ - |
| Prepaid deposits | 60,000 | 60,000 | 60,000 | 60,000 |
| Inventories | 200,000 | 200,000 | 200,000 | 200,000 |
| | <u>380,000</u> | <u>260,000</u> | <u>260,000</u> | <u>260,000</u> |
| Equipment | 2,350,000 | 2,090,000 | 1,830,000 | 1,570,000 |
| | <u>\$ 2,730,000</u> | <u>\$ 2,350,000</u> | <u>\$ 2,090,000</u> | <u>\$ 1,830,000</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 263,600 | \$ 434,400 | \$ 145,400 |
| Payables and accruals | 200,000 | 200,000 | 25,000 | 25,000 |
| Term loan | 1,530,000 | 1,249,500 | 943,500 | 637,500 |
| Income taxes payable | - | - | - | 6,100 |
| | <u>1,730,000</u> | <u>1,713,100</u> | <u>1,402,900</u> | <u>814,000</u> |
| Shareholders' Equity | | | | |
| Capital stock | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Retained earnings | 0 | (363,100) | (312,900) | 16,000 |
| | <u>1,000,000</u> | <u>636,900</u> | <u>687,100</u> | <u>1,016,000</u> |
| | <u>\$ 2,730,000</u> | <u>\$ 2,350,000</u> | <u>\$ 2,090,000</u> | <u>\$ 1,830,000</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|--------------|--------------|-------------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (363,100) | \$ 50,200 | \$ 328,900 |
| Depreciation and amortization | 260,000 | 260,000 | 260,000 |
| | (103,100) | 310,200 | 588,900 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | (175,000) | 0 |
| Income taxes payable | 0 | 0 | 6,100 |
| | (103,100) | 135,200 | 595,000 |
| Financing | | | |
| Payment on term debt | (280,500) | (306,000) | (306,000) |
| Issuance of term debt | 1,530,000 | | |
| Issuance of shares | 1,000,000 | | |
| | 2,249,500 | (306,000) | (306,000) |
| Investing | | | |
| Purchase of leaseholds and equipment | (2,350,000) | | |
| | (2,350,000) | 0 | 0 |
| Net increase (decrease) in cash | (203,600) | (170,800) | 289,000 |
| Cash and cash equivalents | | | |
| Beginning of year | | (203,600) | (374,400) |
| End of year | \$ (203,600) | \$ (374,400) | \$ (85,400) |
| Interest paid | \$ 108,100 | \$ 107,800 | \$ 77,000 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

The accompanying projection has been prepared using assumptions that, to the best of Wine Council's knowledge and belief, reflect the business' expected financial position, results of operations and cash flow for the projection period.

This financial projection reflects the Council's judgement, based on circumstances as at September 18, 2007, the date of the financial projection, that reflect the planned courses of action of the business for a three year period of possible operations together with the hypotheses that assume a set of economic conditions or courses of action which, in the judgement of management are consistent with the business' intended course of action and represent plausible circumstances but are not necessarily the most probable.

Some hypotheses and assumptions, although reasonable and plausible at the time, may not materialize and unanticipated events and circumstances may occur subsequent to the date of this financial projection. Therefore the actual results achieved during the projection period will vary from the financial projection and the variations may be material.

This financial projection has been prepared solely for the purpose of providing information to assess the potential feasibility for the creation of Wine Retail stores under the assumptions presented. Readers are cautioned that these financial projections may not be appropriate for other purposes

The Council has prepared these projections under a variety of operating models.

1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$1,000,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

Cost of sales includes

| | |
|--------------------------|---------------|
| Cost of wine to retailer | <u>46.50%</u> |
|--------------------------|---------------|

Government taxes include:

| | |
|-------------------------------|---------------|
| Provincial retail sales tax | 12.00% |
| Federal GST | 6.00% |
| AGCO Levy | 2.00% |
| Bottle levy/environmental fee | <u>1.50%</u> |
| | <u>21.50%</u> |

- F. Projected capital costs and expenses include the following considerations
Projected expenses are over a ten store operation with the following averages

| | |
|--|---------------------------|
| Average store area | 1,400 square feet |
| Leasehold allowance | \$ 150.00 per square foot |
| Rental cost includes taxes and common area | \$ 60.00 per square foot |
| Equipment costs per store | \$ 25,000.00 |

Labor costs are based upon the following assumptions

| | |
|-----------------------------|-----------|
| Weekly store hours | 73 |
| Average staff coverage | 2.00 |
| Store manager salary | \$ 42,000 |
| Average hourly wage - other | \$ 14.00 |
| Benefit costs | 15.00% |

Store managers are assumed to spend 24 hours per week in staff coverage time.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.

Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|-------------|-------------|-------------|
| Gross Sales | \$ 700,000 | \$ 800,000 | \$ 900,000 |
| Government taxes collected | (150,200) | (172,400) | (193,800) |
| Net Sales | 549,800 | 627,600 | 706,200 |
| Cost of sales | 325,200 | 372,400 | 418,800 |
| Gross profit | 224,600 | 255,200 | 287,400 |
| Administrative and general | 12,000 | 12,000 | 12,000 |
| Advertising | 24,000 | 25,200 | 26,400 |
| Bank charges | 6,000 | 6,000 | 6,000 |
| Rent | 50,400 | 50,400 | 50,400 |
| Training | 6,000 | 6,000 | 6,000 |
| Utilities | 9,600 | 9,600 | 9,600 |
| Wages and benefits | 120,000 | 123,600 | 127,200 |
| | 228,000 | 232,800 | 237,600 |
| Earnings before interest, depreciation and income taxes | (3,400) | 22,400 | 49,800 |
| Depreciation and amortization | 17,500 | 17,500 | 17,500 |
| Interest | | | |
| Operating | 600 | 1,900 | 1,400 |
| Term loan | 6,800 | 5,300 | 3,800 |
| Earnings before income taxes | (28,300) | (2,300) | 27,100 |
| Income taxes | - | - | - |
| Net earnings | \$ (28,300) | \$ (2,300) | \$ 27,100 |
| Retained earnings, beginning of year | \$ - | \$ (28,300) | \$ (30,600) |
| Net earnings | (28,300) | (2,300) | 27,100 |
| Retained earnings, end of year | \$ (28,300) | \$ (30,600) | \$ (3,500) |

See accompanying notes to the financial projections.

Wine Council of Ontario
Projected Balance Sheets
(Unaudited -See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 3,000 | \$ - | \$ - | \$ - |
| Prepaid deposits | 7,000 | 7,000 | 7,000 | 7,000 |
| Inventories | 25,000 | 25,000 | 25,000 | 25,000 |
| | <u>35,000</u> | <u>32,000</u> | <u>32,000</u> | <u>32,000</u> |
| Equipment | 150,000 | 132,500 | 115,000 | 97,500 |
| | <u>\$ 185,000</u> | <u>\$ 164,500</u> | <u>\$ 147,000</u> | <u>\$ 129,500</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 26,500 | \$ 31,700 | \$ 7,500 |
| Payables and accruals | 25,000 | 25,000 | 25,000 | 25,000 |
| Term loan | 100,000 | 81,300 | 60,900 | 40,500 |
| Income taxes payable | - | - | - | - |
| | <u>125,000</u> | <u>132,800</u> | <u>117,600</u> | <u>73,000</u> |
| Shareholders' Equity | | | | |
| Capital stock | 60,000 | 60,000 | 60,000 | 60,000 |
| Retained earnings | 0 | (28,300) | (30,600) | (3,500) |
| | <u>60,000</u> | <u>31,700</u> | <u>29,400</u> | <u>56,500</u> |
| | <u>\$ 185,000</u> | <u>\$ 164,500</u> | <u>\$ 147,000</u> | <u>\$ 129,500</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|-------------|-------------|-----------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (28,300) | \$ (2,300) | \$ 27,100 |
| Depreciation and amortization | 17,500 | 17,500 | 17,500 |
| | (10,800) | 15,200 | 44,600 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | 0 | 0 |
| Income taxes payable | 0 | 0 | 0 |
| | (10,800) | 15,200 | 44,600 |
| Financing | | | |
| Payment on term debt | (18,700) | (20,400) | (20,400) |
| Issuance of term debt | 100,000 | | |
| Issuance of shares | 60,000 | | |
| | 141,300 | (20,400) | (20,400) |
| Investing | | | |
| Purchase of leaseholds and equipment | (150,000) | | |
| | (150,000) | 0 | 0 |
| Net increase (decrease) in cash | (19,500) | (5,200) | 24,200 |
| Cash and cash equivalents | | | |
| Beginning of year | | (19,500) | (24,700) |
| End of year | \$ (19,500) | \$ (24,700) | \$ (500) |
| Interest paid | \$ 7,400 | \$ 7,200 | \$ 5,200 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

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Some hypotheses and assumptions, although reasonable and plausible at the time, may not materialize and unanticipated events and circumstances may occur subsequent to the date of this financial projection. Therefore the actual results achieved during the projection period will vary from the financial projection and the variations may be material.

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The Council has prepared these projections under a variety of operating models.

1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$60,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

| | |
|-------------------------------|---------------|
| Cost of sales includes | |
| Cost of wine to retailer | <u>46.50%</u> |
| Government taxes include: | |
| Provincial retail sales tax | 12.00% |
| Federal GST | 6.00% |
| AGCO Levy | 2.00% |
| Bottle levy/environmental fee | <u>1.50%</u> |
| | <u>21.50%</u> |

- F. Projected capital costs and expenses include the following considerations

| | |
|--|---------------------------|
| Store area | 1,250 square feet |
| Leasehold allowance | \$ 100.00 per square foot |
| Rental cost includes taxes and common area | \$ 40.00 per square foot |
| Equipment costs | \$ 25,000.00 |

Labor costs are based upon the assumption that the owner operators family staffs the store for annual compensation of \$120,000.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.

Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|-------------|-------------|--------------|
| Gross Sales | \$ 750,000 | \$ 900,000 | \$ 1,000,000 |
| Government taxes collected | (161,200) | (193,800) | (215,000) |
| Net Sales | 588,800 | 706,200 | 785,000 |
| Cost of sales | 348,800 | 418,800 | 465,000 |
| Gross profit | 240,000 | 287,400 | 320,000 |
| Administrative and general | 12,000 | 12,000 | 12,000 |
| Advertising | 24,000 | 25,200 | 26,400 |
| Bank charges | 6,000 | 6,000 | 6,000 |
| Rent | 75,000 | 75,600 | 75,600 |
| Training | 6,000 | 6,000 | 6,000 |
| Utilities | 9,600 | 9,600 | 9,600 |
| Wages and benefits | 120,000 | 123,600 | 127,200 |
| | 252,600 | 258,000 | 262,800 |
| Earnings before interest, depreciation and income taxes | (12,600) | 29,400 | 57,200 |
| Depreciation and amortization | 17,500 | 17,500 | 17,500 |
| Interest | | | |
| Operating | 800 | 2,400 | 1,200 |
| Term loan | 6,800 | 5,300 | 3,800 |
| Earnings before income taxes | (37,700) | 4,200 | 34,700 |
| Income taxes | - | - | 400 |
| Net earnings | \$ (37,700) | \$ 4,200 | \$ 34,300 |
| Retained earnings, beginning of year | \$ - | \$ (37,700) | \$ (33,500) |
| Net earnings | (37,700) | 4,200 | 34,300 |
| Retained earnings, end of year | \$ (37,700) | \$ (33,500) | \$ 800 |

See accompanying notes to the financial projections.

Wine Council of Ontario
Projected Balance Sheets
(Unaudited - See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 3,000 | \$ - | \$ - | \$ - |
| Prepaid deposits | 7,000 | 7,000 | 7,000 | 7,000 |
| Inventories | 25,000 | 25,000 | 25,000 | 25,000 |
| | 35,000 | 32,000 | 32,000 | 32,000 |
| Equipment | 150,000 | 132,500 | 115,000 | 97,500 |
| | <u>\$ 185,000</u> | <u>\$ 164,500</u> | <u>\$ 147,000</u> | <u>\$ 129,500</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 35,900 | \$ 34,600 | \$ 2,800 |
| Payables and accruals | 25,000 | 25,000 | 25,000 | 25,000 |
| Term loan | 100,000 | 81,300 | 60,900 | 40,500 |
| Income taxes payable | - | - | - | 400 |
| | 125,000 | 142,200 | 120,500 | 68,700 |
| Shareholders' Equity | | | | |
| Capital stock | 60,000 | 60,000 | 60,000 | 60,000 |
| Retained earnings | 0 | (37,700) | (33,500) | 800 |
| | 60,000 | 22,300 | 26,500 | 60,800 |
| | <u>\$ 185,000</u> | <u>\$ 164,500</u> | <u>\$ 147,000</u> | <u>\$ 129,500</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|-------------|-------------|-----------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (37,700) | \$ 4,200 | \$ 34,300 |
| Depreciation and amortization | 17,500 | 17,500 | 17,500 |
| | (20,200) | 21,700 | 51,800 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | 0 | 0 |
| Income taxes payable | 0 | 0 | 400 |
| | (20,200) | 21,700 | 52,200 |
| Financing | | | |
| Payment on term debt | (18,700) | (20,400) | (20,400) |
| Issuance of term debt | 100,000 | | |
| Issuance of shares | 60,000 | | |
| | 141,300 | (20,400) | (20,400) |
| Investing | | | |
| Purchase of leaseholds and equipment | (150,000) | | |
| | (150,000) | 0 | 0 |
| Net increase (decrease) in cash | (28,900) | 1,300 | 31,800 |
| Cash and cash equivalents | | | |
| Beginning of year | | (28,900) | (27,600) |
| End of year | \$ (28,900) | \$ (27,600) | \$ 4,200 |
| Interest paid | \$ 7,600 | \$ 7,700 | \$ 5,000 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

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1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$60,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

| | |
|-------------------------------|---------------|
| Cost of sales includes | |
| Cost of wine to retailer | <u>46.50%</u> |
| Government taxes include: | |
| Provincial retail sales tax | 12.00% |
| Federal GST | 6.00% |
| AGCO Levy | 2.00% |
| Bottle levy/environmental fee | <u>1.50%</u> |
| | <u>21.50%</u> |

- F. Projected capital costs and expenses include the following considerations

| | |
|---------------------|---------------------------|
| Store area | 1,250 square feet |
| Leasehold allowance | \$ 100.00 per square foot |
| Rental cost | \$ 60.00 per square foot |
| Equipment costs | \$ 25,000.00 |

Labor costs are based upon the assumption that the owner operators family staffs the store for annual compensation of \$120,000.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.

Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|--------------|--------------|--------------|
| Gross Sales | \$ 1,200,000 | \$ 1,450,000 | \$ 1,650,000 |
| Government taxes collected | (257,600) | (311,400) | (355,000) |
| Net Sales | 942,400 | 1,138,600 | 1,295,000 |
| Cost of sales | 557,600 | 673,800 | 767,400 |
| Gross profit | 384,800 | 464,800 | 527,600 |
| Administrative and general | 24,000 | 25,200 | 26,400 |
| Advertising | 36,000 | 37,200 | 38,400 |
| Bank charges | 6,000 | 6,000 | 6,000 |
| Rent | 180,000 | 180,000 | 180,000 |
| Training | 6,000 | 6,000 | 6,000 |
| Utilities | 9,600 | 9,600 | 9,600 |
| Wages and benefits | 150,000 | 154,800 | 159,600 |
| | 411,600 | 418,800 | 426,000 |
| Earnings before interest, depreciation and income taxes | (26,800) | 46,000 | 101,600 |
| Depreciation and amortization | 26,900 | 26,900 | 26,900 |
| Interest | | | |
| Operating | 1,300 | 3,600 | 1,900 |
| Term loan | 10,800 | 8,400 | 6,000 |
| Earnings before income taxes | (65,800) | 7,100 | 66,800 |
| Income taxes | - | - | 2,100 |
| Net earnings | \$ (65,800) | \$ 7,100 | \$ 64,700 |
| Retained earnings, beginning of year | \$ - | \$ (65,800) | \$ (58,700) |
| Net earnings | (65,800) | 7,100 | 64,700 |
| Retained earnings, end of year | \$ (65,800) | \$ (58,700) | \$ 6,000 |

See accompanying notes to the financial projections.

Wine Council of Ontario
Projected Balance Sheets
(Unaudited -See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 9,000 | \$ - | \$ - | \$ 3,300 |
| Prepaid deposits | 7,000 | 7,000 | 7,000 | 7,000 |
| Inventories | 25,000 | 25,000 | 25,000 | 25,000 |
| | 41,000 | 32,000 | 32,000 | 35,300 |
| Equipment | 244,000 | 217,100 | 190,200 | 163,300 |
| | <u>\$ 285,000</u> | <u>\$ 249,100</u> | <u>\$ 222,200</u> | <u>\$ 198,600</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 59,600 | \$ 58,000 | \$ - |
| Payables and accruals | 25,000 | 25,000 | 25,000 | 25,000 |
| Term loan | 160,000 | 130,300 | 97,900 | 65,500 |
| Income taxes payable | - | - | - | 2,100 |
| | 185,000 | 214,900 | 180,900 | 92,600 |
| Shareholders' Equity | | | | |
| Capital stock | 100,000 | 100,000 | 100,000 | 100,000 |
| Retained earnings | 0 | (65,800) | (58,700) | 6,000 |
| | 100,000 | 34,200 | 41,300 | 106,000 |
| | <u>\$ 285,000</u> | <u>\$ 249,100</u> | <u>\$ 222,200</u> | <u>\$ 198,600</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|-------------|-------------|-----------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (65,800) | \$ 7,100 | \$ 64,700 |
| Depreciation and amortization | 26,900 | 26,900 | 26,900 |
| | (38,900) | 34,000 | 91,600 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | 0 | 0 |
| Income taxes payable | 0 | 0 | 2,100 |
| | (38,900) | 34,000 | 93,700 |
| Financing | | | |
| Payment on term debt | (29,700) | (32,400) | (32,400) |
| Issuance of term debt | 160,000 | | |
| Issuance of shares | 100,000 | | |
| | 230,300 | (32,400) | (32,400) |
| Investing | | | |
| Purchase of leaseholds and equipment | (244,000) | | |
| | (244,000) | 0 | 0 |
| Net increase (decrease) in cash | (52,600) | 1,600 | 61,300 |
| Cash and cash equivalents | | | |
| Beginning of year | | (52,600) | (51,000) |
| End of year | \$ (52,600) | \$ (51,000) | \$ 10,300 |
| Interest paid | \$ 12,100 | \$ 12,000 | \$ 7,900 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

The accompanying projection has been prepared using assumptions that, to the best of Wine Council's knowledge and belief, reflect the business' expected financial position, results of operations and cash flow for the projection period.

This financial projection reflects the Council's judgement, based on circumstances as at September 18, 2007, the date of the financial projection, that reflect the planned courses of action of the business for a three year period of possible operations together with the hypotheses that assume a set of economic conditions or courses of action which, in the judgement of management are consistent with the business' intended course of action and represent plausible circumstances but are not necessarily the most probable.

Some hypotheses and assumptions, although reasonable and plausible at the time, may not materialize and unanticipated events and circumstances may occur subsequent to the date of this financial projection. Therefore the actual results achieved during the projection period will vary from the financial projection and the variations may be material.

This financial projection has been prepared solely for the purpose of providing information to assess the potential feasibility for the creation of Wine Retail stores under the assumptions presented. Readers are cautioned that these financial projections may not be appropriate for other purposes

The Council has prepared these projections under a variety of operating models.

1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$100,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

Cost of sales includes

| | |
|--------------------------|---------------|
| Cost of wine to retailer | <u>46.50%</u> |
|--------------------------|---------------|

Government taxes include:

| | |
|-----------------------------|--------|
| Provincial retail sales tax | 12.00% |
|-----------------------------|--------|

| | |
|-------------|-------|
| Federal GST | 6.00% |
|-------------|-------|

| | |
|-----------|-------|
| AGCO Levy | 2.00% |
|-----------|-------|

| | |
|-------------------------------|--------------|
| Bottle levy/environmental fee | <u>1.50%</u> |
|-------------------------------|--------------|

| | |
|--|---------------|
| | <u>21.50%</u> |
|--|---------------|

- F. Projected capital costs and expenses include the following considerations

| | |
|------------|-------------------|
| Store area | 1,250 square feet |
|------------|-------------------|

| | |
|---------------------|---------------------------|
| Leasehold allowance | \$ 175.00 per square foot |
|---------------------|---------------------------|

| | |
|--|---------------------------|
| Rental cost includes taxes and common area | \$ 144.00 per square foot |
|--|---------------------------|

| | |
|-----------------|--------------|
| Equipment costs | \$ 25,000.00 |
|-----------------|--------------|

Labor costs are based upon the assumption that the owner operators family staffs the store for annual compensation of \$150,000.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.

Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|-------------|--------------|--------------|
| Sales | \$ 950,000 | \$ 1,075,000 | \$ 1,200,000 |
| Government taxes collected | (203,800) | (231,200) | (257,600) |
| Net Sales | 746,200 | 843,800 | 942,400 |
| Cost of sales | 461,200 | 521,200 | 582,400 |
| Gross profit | 285,000 | 322,600 | 360,000 |
| Administrative and general | 12,000 | 12,000 | 12,000 |
| Advertising | 18,000 | 18,000 | 18,000 |
| Bank charges | 6,000 | 6,000 | 6,000 |
| Rent | 60,000 | 60,000 | 60,000 |
| Training | 6,000 | 6,000 | 6,000 |
| Utilities | 12,000 | 12,000 | 12,000 |
| Wages and benefits | 171,600 | 176,400 | 181,200 |
| | 285,600 | 290,400 | 295,200 |
| Earnings before interest, depreciation and income taxes | (600) | 32,200 | 64,800 |
| Depreciation and amortization | 20,000 | 20,000 | 20,000 |
| Interest | | | |
| Operating | 500 | 1,200 | 300 |
| Term loan | 7,600 | 5,900 | 4,300 |
| Earnings before income taxes | (28,700) | 5,100 | 40,200 |
| Income taxes | - | - | 3,800 |
| Net earnings | \$ (28,700) | \$ 5,100 | \$ 36,400 |
| Retained earnings, beginning of year | \$ - | \$ (28,700) | \$ (23,600) |
| Net earnings | (28,700) | 5,100 | 36,400 |
| Retained earnings, end of year | \$ (28,700) | \$ (23,600) | \$ 12,800 |

See accompanying notes to the financial projections.

Wine Council of Ontario
Projected Balance Sheets
(Unaudited -See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 3,000 | \$ - | \$ - | \$ 16,600 |
| Prepaid deposits | 7,000 | 7,000 | 7,000 | 7,000 |
| Inventories | 25,000 | 25,000 | 25,000 | 25,000 |
| | <u>35,000</u> | <u>32,000</u> | <u>32,000</u> | <u>48,600</u> |
| Equipment | 175,000 | 155,000 | 135,000 | 115,000 |
| | <u>\$ 210,000</u> | <u>\$ 187,000</u> | <u>\$ 167,000</u> | <u>\$ 163,600</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 25,500 | \$ 22,000 | \$ - |
| Payables and accruals | - | - | - | - |
| Term loan | 110,000 | 90,200 | 68,600 | 47,000 |
| Income taxes payable | - | - | - | 3,800 |
| | <u>110,000</u> | <u>115,700</u> | <u>90,600</u> | <u>50,800</u> |
| Shareholders' Equity | | | | |
| Capital stock | 100,000 | 100,000 | 100,000 | 100,000 |
| Retained earnings | 0 | (28,700) | (23,600) | 12,800 |
| | <u>100,000</u> | <u>71,300</u> | <u>76,400</u> | <u>112,800</u> |
| | <u>\$ 210,000</u> | <u>\$ 187,000</u> | <u>\$ 167,000</u> | <u>\$ 163,600</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|-------------|-----------|-----------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (28,700) | \$ 5,100 | \$ 36,400 |
| Depreciation and amortization | 20,000 | 20,000 | 20,000 |
| | (8,700) | 25,100 | 56,400 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | 0 | 0 |
| Income taxes payable | 0 | 0 | 3,800 |
| | (8,700) | 25,100 | 60,200 |
| Financing | | | |
| Payment on term debt | (19,800) | (21,600) | (21,600) |
| Issuance of term debt | 110,000 | | |
| Issuance of shares | 100,000 | | |
| | 190,200 | (21,600) | (21,600) |
| Investing | | | |
| Purchase of leaseholds and equipment | (175,000) | | |
| | (175,000) | 0 | 0 |
| Net increase (decrease) in cash | 6,500 | 3,500 | 38,600 |
| Cash and cash equivalents | | | |
| Beginning of year | | 6,500 | 10,000 |
| End of year | \$ 6,500 | \$ 10,000 | \$ 48,600 |
| Interest paid | \$ 8,100 | \$ 7,100 | \$ 4,600 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

The accompanying projection has been prepared using assumptions that, to the best of Wine Council's knowledge and belief, reflect the business' expected financial position, results of operations and cash flow for the projection period.

This financial projection reflects the Council's judgement, based on circumstances as at September 18, 2007, the date of the financial projection, that reflect the planned courses of action of the business for a three year period of possible operations together with the hypotheses that assume a set of economic conditions or courses of action which, in the judgement of management are consistent with the business' intended course of action and represent plausible circumstances but are not necessarily the most probable.

Some hypotheses and assumptions, although reasonable and plausible at the time, may not materialize and unanticipated events and circumstances may occur subsequent to the date of this financial projection. Therefore the actual results achieved during the projection period will vary from the financial projection and the variations may be material.

This financial projection has been prepared solely for the purpose of providing information to assess the potential feasibility for the creation of Wine Retail stores under the assumptions presented. Readers are cautioned that these financial projections may not be appropriate for other purposes

The Council has prepared these projections under a variety of operating models.

1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$100,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

| | |
|-------------------------------|---------------|
| Cost of sales includes | |
| Cost of wine to retailer | <u>48.50%</u> |
| Government taxes include: | |
| Provincial retail sales tax | 12.00% |
| Federal GST | 6.00% |
| AGCO Levy | 2.00% |
| Bottle levy/environmental fee | <u>1.50%</u> |
| | <u>21.50%</u> |

- F. Projected capital costs and expenses include the following considerations
Projected expenses are over a ten store operation with the following averages

| | |
|--|---------------------------|
| Average store area | 1,500 square feet |
| Leasehold allowance | \$ 100.00 per square foot |
| Rental cost includes taxes and common area | \$ 40.00 per square foot |
| Equipment costs per store | \$ 25,000.00 |
| Labor costs are based upon the following assumptions | |
| Weekly store hours | 73 |
| Average staff coverage | 2.00 |
| Store manager salary | \$ 60,000 |
| Average hourly wage - other | \$ 14.00 |
| Benefit costs | 15.00% |

Store managers are assumed to spend 24 hours per week in staff coverage time.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.

Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited - See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|--------------|--------------|--------------|
| Sales | \$ 1,050,000 | \$ 1,150,000 | \$ 1,275,000 |
| Government taxes collected | (226,200) | (247,400) | (273,800) |
| Net Sales | 823,800 | 902,600 | 1,001,200 |
| Cost of sales | 508,800 | 557,600 | 618,600 |
| Gross profit | 315,000 | 345,000 | 382,600 |
| Administrative and general | 12,000 | 12,000 | 12,000 |
| Advertising | 18,000 | 18,000 | 18,000 |
| Bank charges | 6,000 | 6,000 | 6,000 |
| Rent | 90,000 | 90,000 | 90,000 |
| Training | 6,000 | 6,000 | 6,000 |
| Utilities | 12,000 | 12,000 | 12,000 |
| Wages and benefits | 171,600 | 176,400 | 181,200 |
| | 315,600 | 320,400 | 325,200 |
| Earnings before interest, depreciation and income taxes | (600) | 24,600 | 57,400 |
| Depreciation and amortization | 20,000 | 20,000 | 20,000 |
| Interest | | | |
| Operating | 500 | 1,500 | 1,000 |
| Term loan | 7,600 | 5,900 | 4,300 |
| Earnings before income taxes | (28,700) | (2,800) | 32,100 |
| Income taxes | - | - | 300 |
| Net earnings | \$ (28,700) | \$ (2,800) | \$ 31,800 |
| Retained earnings, beginning of year | \$ - | \$ (28,700) | \$ (31,500) |
| Net earnings | (28,700) | (2,800) | 31,800 |
| Retained earnings, end of year | \$ (28,700) | \$ (31,500) | \$ 300 |

See accompanying notes to the financial projections.

Wine Council of Ontario
Projected Balance Sheets
(Unaudited - See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 3,000 | \$ - | \$ - | \$ 600 |
| Prepaid deposits | 7,000 | 7,000 | 7,000 | 7,000 |
| Inventories | 25,000 | 25,000 | 25,000 | 25,000 |
| | <u>35,000</u> | <u>32,000</u> | <u>32,000</u> | <u>32,600</u> |
| Equipment | 175,000 | 155,000 | 135,000 | 115,000 |
| | <u>\$ 210,000</u> | <u>\$ 187,000</u> | <u>\$ 167,000</u> | <u>\$ 147,600</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 25,500 | \$ 29,900 | \$ - |
| Payables and accruals | - | - | - | - |
| Term loan | 110,000 | 90,200 | 68,600 | 47,000 |
| Income taxes payable | - | - | - | 300 |
| | <u>110,000</u> | <u>115,700</u> | <u>98,500</u> | <u>47,300</u> |
| Shareholders' Equity | | | | |
| Capital stock | 100,000 | 100,000 | 100,000 | 100,000 |
| Retained earnings | 0 | (28,700) | (31,500) | 300 |
| | <u>100,000</u> | <u>71,300</u> | <u>68,500</u> | <u>100,300</u> |
| | <u>\$ 210,000</u> | <u>\$ 187,000</u> | <u>\$ 167,000</u> | <u>\$ 147,600</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|-------------|------------|-----------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (28,700) | \$ (2,800) | \$ 31,800 |
| Depreciation and amortization | 20,000 | 20,000 | 20,000 |
| | (8,700) | 17,200 | 51,800 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | 0 | 0 |
| Income taxes payable | 0 | 0 | 300 |
| | (8,700) | 17,200 | 52,100 |
| Financing | | | |
| Payment on term debt | (19,800) | (21,600) | (21,600) |
| Issuance of term debt | 110,000 | | |
| Issuance of shares | 100,000 | | |
| | 190,200 | (21,600) | (21,600) |
| Investing | | | |
| Purchase of leaseholds and equipment | (175,000) | | |
| | (175,000) | 0 | 0 |
| Net increase (decrease) in cash | 6,500 | (4,400) | 30,500 |
| Cash and cash equivalents | | | |
| Beginning of year | | 6,500 | 2,100 |
| End of year | \$ 6,500 | \$ 2,100 | \$ 32,600 |
| Interest paid | \$ 8,100 | \$ 7,400 | \$ 5,300 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

The accompanying projection has been prepared using assumptions that, to the best of Wine Council's knowledge and belief, reflect the business' expected financial position, results of operations and cash flow for the projection period.

This financial projection reflects the Council's judgement, based on circumstances as at September 18, 2007, the date of the financial projection, that reflect the planned courses of action of the business for a three year period of possible operations together with the hypotheses that assume a set of economic conditions or courses of action which, in the judgement of management are consistent with the business' intended course of action and represent plausible circumstances but are not necessarily the most probable.

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The Council has prepared these projections under a variety of operating models.

1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$100,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

| | |
|-------------------------------|---------------|
| Cost of sales includes | |
| Cost of wine to retailer | <u>48.50%</u> |
| Government taxes include: | |
| Provincial retail sales tax | 12.00% |
| Federal GST | 6.00% |
| AGCO Levy | 2.00% |
| Bottle levy/environmental fee | <u>1.50%</u> |
| | <u>21.50%</u> |

- F. Projected capital costs and expenses include the following considerations
Projected expenses are over a ten store operation with the following averages

| | |
|--|---------------------------|
| Average store area | 1,500 square feet |
| Leasehold allowance | \$ 100.00 per square foot |
| Rental cost includes taxes and common area | \$ 60.00 per square foot |
| Equipment costs per store | \$ 25,000.00 |
| Labor costs are based upon the following assumptions | |
| Weekly store hours | 73 |
| Average staff coverage | 2.00 |
| Store manager salary | \$ 60,000 |
| Average hourly wage - other | \$ 14.00 |
| Benefit costs | 15.00% |

Store managers are assumed to spend 24 hours per week in staff coverage time.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.

Wine Council of Ontario**Projected Statements of Earnings and Retained Earnings**

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--|--------------|--------------|--------------|
| Sales | \$ 1,500,000 | \$ 1,750,000 | \$ 2,000,000 |
| Government taxes collected | (322,600) | (376,200) | (430,000) |
| Net Sales | 1,177,400 | 1,373,800 | 1,570,000 |
| Cost of sales | 727,600 | 848,800 | 970,000 |
| Gross profit | 449,800 | 525,000 | 600,000 |
| Administrative and general | 24,000 | 25,200 | 26,400 |
| Advertising | 24,000 | 25,200 | 26,400 |
| Bank charges | 6,000 | 6,000 | 6,000 |
| Rent | 216,000 | 216,000 | 216,000 |
| Training | 12,000 | 12,000 | 12,000 |
| Utilities | 12,000 | 12,000 | 12,000 |
| Wages and benefits | 171,600 | 176,400 | 181,200 |
| | 465,600 | 472,800 | 480,000 |
| Earnings before interest, depreciation and income taxes | (15,800) | 52,200 | 120,000 |
| Depreciation and amortization | 31,300 | 31,300 | 31,300 |
| Interest | | | |
| Operating | 1,100 | 3,600 | 1,400 |
| Term loan | 12,900 | 9,900 | 7,100 |
| Earnings before income taxes | (61,100) | 7,400 | 80,200 |
| Income taxes | - | - | 7,500 |
| Net earnings | \$ (61,100) | \$ 7,400 | \$ 72,700 |
| Retained earnings, beginning of year | \$ - | \$ (61,100) | \$ (53,700) |
| Net earnings | (61,100) | 7,400 | 72,700 |
| Retained earnings, end of year | \$ (61,100) | \$ (53,700) | \$ 19,000 |

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Balance Sheets

(Unaudited -See Notice to Reader)

| | Opening | Year 1 | Year 2 | Year 3 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 10,000 | \$ - | \$ - | \$ 18,400 |
| Prepaid deposits | 7,000 | 7,000 | 7,000 | 7,000 |
| Inventories | 25,000 | 25,000 | 25,000 | 25,000 |
| | 42,000 | 32,000 | 32,000 | 50,400 |
| Equipment | 288,000 | 256,700 | 225,400 | 194,100 |
| | <u>\$ 330,000</u> | <u>\$ 288,700</u> | <u>\$ 257,400</u> | <u>\$ 244,500</u> |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | \$ - | \$ 55,000 | \$ 54,700 | \$ - |
| Payables and accruals | - | - | - | - |
| Term loan | 190,000 | 154,800 | 116,400 | 78,000 |
| Income taxes payable | - | - | - | 7,500 |
| | 190,000 | 209,800 | 171,100 | 85,500 |
| Shareholders' Equity | | | | |
| Capital stock | 140,000 | 140,000 | 140,000 | 140,000 |
| Retained earnings | 0 | (61,100) | (53,700) | 19,000 |
| | 140,000 | 78,900 | 86,300 | 159,000 |
| | <u>\$ 330,000</u> | <u>\$ 288,700</u> | <u>\$ 257,400</u> | <u>\$ 244,500</u> |

Approved by:

_____ Director

_____ Director

See accompanying notes to the financial projections.

Wine Council of Ontario

Projected Statements of Cash Flow

(Unaudited -See Notice to Reader)

| Year Ending | Year 1 | Year 2 | Year 3 |
|--------------------------------------|-------------|-------------|-----------|
| Cash derived from (applied to) | | | |
| Operating | | | |
| Net earnings | \$ (61,100) | \$ 7,400 | \$ 72,700 |
| Depreciation and amortization | 31,300 | 31,300 | 31,300 |
| | (29,800) | 38,700 | 104,000 |
| Changes in non-cash working capital | | | |
| Inventories | 0 | 0 | 0 |
| Payables and accruals | 0 | 0 | 0 |
| Income taxes payable | 0 | 0 | 7,500 |
| | (29,800) | 38,700 | 111,500 |
| Financing | | | |
| Payment on term debt | (35,200) | (38,400) | (38,400) |
| Issuance of term debt | 190,000 | | |
| Issuance of shares | 140,000 | | |
| | 294,800 | (38,400) | (38,400) |
| Investing | | | |
| Purchase of leaseholds and equipment | (288,000) | | |
| | (288,000) | 0 | 0 |
| Net increase (decrease) in cash | (23,000) | 300 | 73,100 |
| Cash and cash equivalents | | | |
| Beginning of year | | (23,000) | (22,700) |
| End of year | \$ (23,000) | \$ (22,700) | \$ 50,400 |
| Interest paid | \$ 14,000 | \$ 13,500 | \$ 8,500 |
| Income taxes paid | \$ - | \$ - | \$ - |

See accompanying notes to the financial projections.

Wine Council of Ontario

Notes to the Financial Projection

(Unaudited -See Notice to Reader)

The accompanying projection has been prepared using assumptions that, to the best of Wine Council's knowledge and belief, reflect the business' expected financial position, results of operations and cash flow for the projection period.

This financial projection reflects the Council's judgement, based on circumstances as at September 18, 2007, the date of the financial projection, that reflect the planned courses of action of the business for a three year period of possible operations together with the hypotheses that assume a set of economic conditions or courses of action which, in the judgement of management are consistent with the business' intended course of action and represent plausible circumstances but are not necessarily the most probable.

Some hypotheses and assumptions, although reasonable and plausible at the time, may not materialize and unanticipated events and circumstances may occur subsequent to the date of this financial projection. Therefore the actual results achieved during the projection period will vary from the financial projection and the variations may be material.

This financial projection has been prepared solely for the purpose of providing information to assess the potential feasibility for the creation of Wine Retail stores under the assumptions presented. Readers are cautioned that these financial projections may not be appropriate for other purposes

The Council has prepared these projections under a variety of operating models.

1. Summary of significant accounting policies

Inventory

Inventories are valued at the lower of cost and net realizable value.

Depreciation and amortization

Capital assets are stated at cost less accumulated depreciation.

| Asset | Basis | Rate |
|--------------|---------------|-------------|
| Equipment | Straight line | 20% |
| Leaseholds | Straight line | 10% |

2. Summary of significant assumptions

- A. This financial projection covers a three year period from commencement of operations. No actual results are incorporated into this financial projection.
- B. The receipt of a line of bank financing that will be sufficient to finance ongoing operations.

Wine Council of Ontario
Notes to the Financial Projection
(Unaudited -See Notice to Reader)

2. Summary of significant assumptions (continued)

- C. The receipt of capital stock investments from shareholders of \$140,000.
- D. The approval of Provincial Government departments as required to allow for the operation of the proposed retail stores.
- E. The following assumptions were made concerning sales and gross profit contributions

Sales revenue represents the gross selling price of the wine net of bottle deposits collected

Cost of sales includes

| | |
|--------------------------|---------------|
| Cost of wine to retailer | <u>48.50%</u> |
|--------------------------|---------------|

Government taxes include:

| | |
|-----------------------------|--------|
| Provincial retail sales tax | 12.00% |
|-----------------------------|--------|

| | |
|-------------|-------|
| Federal GST | 6.00% |
|-------------|-------|

| | |
|-----------|-------|
| AGCO Levy | 2.00% |
|-----------|-------|

| | |
|-------------------------------|--------------|
| Bottle levy/environmental fee | <u>1.50%</u> |
|-------------------------------|--------------|

| | |
|--|---------------|
| | <u>21.50%</u> |
|--|---------------|

- F. Projected capital costs and expenses include the following considerations

Projected expenses are over a ten store operation with the following averages

| | |
|--------------------|-------------------|
| Average store area | 1,500 square feet |
|--------------------|-------------------|

| | |
|---------------------|---------------------------|
| Leasehold allowance | \$ 175.00 per square foot |
|---------------------|---------------------------|

| | |
|--|---------------------------|
| Rental cost includes taxes and common area | \$ 144.00 per square foot |
|--|---------------------------|

| | |
|---------------------------|--------------|
| Equipment costs per store | \$ 25,000.00 |
|---------------------------|--------------|

Labor costs are based upon the following assumptions

| | |
|--------------------|----|
| Weekly store hours | 73 |
|--------------------|----|

| | |
|------------------------|------|
| Average staff coverage | 2.00 |
|------------------------|------|

| | |
|----------------------|-----------|
| Store manager salary | \$ 60,000 |
|----------------------|-----------|

| | |
|-----------------------------|----------|
| Average hourly wage - other | \$ 14.00 |
|-----------------------------|----------|

| | |
|---------------|--------|
| Benefit costs | 15.00% |
|---------------|--------|

Store managers are assumed to spend 24 hours per week in staff coverage time.

- G. Projected sales and expenses represent management's best estimates an inflation allowance of 3% has been made.