

BUSINESS PLAN: KL REMODELLING, LTD.

Geographic Expansion Proposal

Prepared for **KL Remodelling, Ltd.**
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EXECUTIVE SUMMARY

Business Plan Objective

Increase sales by 30% by 2011, primarily by expanding the sales territory into Ontario.

KL Remodelling, Ltd.'s objective is to increase sales by 30% over the next three years (2008 – 2011). This growth will be realized primarily via expansion to Ontario. Of the 30% growth, the company's aim is to have 10% come from the Quebec market (where 95% of sales are currently concentrated) and 20% to come from territorial expansion to Ontario.

Business Background

KL Remodelling, Ltd.—which is privately owned by its two founders, Frederic K and Yves L—manufactures top-end exterior wood products. The company's product portfolio includes lathe and mill-worked wood posts, rungs, tongue-and-groove boards, post-caps, hand-rails, etc. The products are made of pine, cedar, and treated wood, and are considered to be of "superior" quality vis-à-vis the competition.

Project Financing

- **Additional production area:** \$325,000
- **New equipment purchase:** \$90,000
- **Total investment required:** \$415,000
- **Total bank financing required:** \$364,500 (the remainder of required funds will come from company accruals)

Management / Advisors

- **Frederic K, President.** 50% ownership. 37 years old. 10 years experience as a contractor. Main responsibilities: marketing, sales, accounting, and finance.
- **Yves L, Vice-President.** 50% ownership. 38 years old. 10 years experience as a contractor. Main responsibilities: purchasing and overall production management, HR.

Risk Assessment and Contingency Plan

While more space must be acquired and equipment must be purchased in order to meet the company's growth targets, the high margins afforded by the product portfolio, and the viable option to resell the space and the equipment if required mean that the risk of the expansion is relatively modest.

Current Financial Institution

Name:	Bank ABC
Branch:	Montreal
Transit Number:	123 45678 901
Address:	123 Main Avenue
City:	Montreal
Province:	QC
Postal Code:	A1A 1A1
Telephone :	514-123-4567
Fax :	514-123-4567
Contact :	Branch Manager

OVERVIEW & BUSINESS PROPOSAL

Business Plan Objective

Increase sales by 30% by 2011, primarily by expanding the sales territory into Ontario.

KL Remodelling, Ltd.'s objective is to increase sales by 30% over the next three years (2008 – 2011). This growth will be realized primarily via expansion to Ontario. Of the 30% growth, the company's aim is to have 10% come from the Quebec market (where 95% of sales are currently concentrated) and 20% to come from territorial expansion to Ontario.

Business Description

KL Remodelling, Ltd. is a manufacturer of wood-based products for exterior residential and commercial construction, primarily for stand-alone structures such as fences, porches, terraces, etc. About 60% of the company's products are sold to contractors in housing and condo construction, and another 25% is sold to local wholesalers either as a "no-name" product or under the brand name "KLR Outdoor Products." The remaining 15% is sold directly to retail stores. The products are considered to be of superior quality, and sell at a 5-10% price premium over the industry average.

Organizational Background

KL Remodelling, Ltd., was founded in 1996, as a partnership between Frederic K and Yves L, two childhood friends. The business began modestly, selling its products to home renovation contractors. In 1998, a condo construction contractor saw a fence that the business had made, was impressed with the workmanship, and placed a large order. The business grew steadily from that point forward, and by 2000 the company had developed strong relationships with several of Montreal's large building contractor companies.

General Company Information

The following is general information regarding the company:

Legal Name: KL Remodelling, Ltd.
Trading Name: KL Remodelling, Ltd.
Owners: Frederic K and Yves L

Business Address: 456 ABC Street
Montreal, QC
A1A 1A1

Phone Number: (514) 123-4567
Fax: (514) 123-4567

The Industry

The outdoor construction industry is a mature industry which grew an average rate of 3% per year between 1997 and 2007, slowing slightly between 2007 and 2008 (from 3.5% to 3.1%). The growth phase was due in part to the rapid pace of Quebec housing construction in the mid-1990s, and similarly, the slowdown is in part due to the current slowdown in house and condo construction.

The outdoor construction industry tends to follow fluctuations in new home construction and repair. In the last 10 years, the industry had been introducing more value-added products to take advantage of the “do-it-yourself” segment, which is willing to pay more for greater ease of installation.

Competitive Environment

KL Remodelling, Ltd. is very well placed in its overall competitive environment. The company is an established niche supplier and is thus well poised for future expansion.

CUSTOMERS – MEDIUM PRESSURE

- Many retail customers
- Few housing contractor customers
- Pressures on pricing

SUBSTITUTES – MEDIUM PRESSURE

- Many functional substitutes (metal, plastic)
- Few aesthetic substitutes for wood
- Few substitutes at quality range

COMPETITIVE RIVALRY – MEDIUM PRESSURE

- Many competitors in product category
However...
- Few competitors in quality range

SUPPLIERS – LOW PRESSURE

- Raw materials are commodities
- Readily available in Canada and US
- Short supply lead time

BARRIERS TO ENTRY – HIGH PRESSURE

- Non-specialized machines
- Standard labour requirements for product category
However...
- Quality standard demands experienced operators

Government

There are no government regulations which directly affect the industry.

Market Segment

In the last 5 years, the outdoor construction industry has seen a rapid increase in the volume of pre-fab pieces (rungs, posts, etc). While metal and plastic pre-fab pieces have grown in popularity as of late, wood-based pre-fab products still dominate, mostly due to their aesthetic value and of higher quality image.

Products & Services

KL Remodelling, Ltd. manufactures high-end pre-fab products for the exterior self-standing construction. The products include wood posts, rungs, tongue-and-groove boards, post-caps, hand-rails, and other top-end exterior wood products.

Pricing and Distribution

KL Remodelling, Ltd.'s products are considered high-end, and retail for approximately 5%-10% above the average selling price of other similar products.

Distribution to building contractors is done on an order-by-order basis, and the product is shipped directly to the customer. Wholesale customers are serviced directly by KL Remodelling, Ltd. as well, via stock-replenishment agreements and direct orders. The product is shipped directly to the wholesalers' warehouses.

Competitive Advantage

KL Remodelling, Ltd.'s main competitive advantage is its high quality of workmanship and its high level of customer support with wholesalers.

Due to its smaller size vis-à-vis its competitors, KL Remodelling, Ltd. also has the advantage of flexibility. The company is able to customize its products using customers' specifications, or even verbal suggestions, and is also able to meet short turnaround times for rush orders—a significant benefit in the wholesale home renovation industry.

Key Customers

85% of KL Remodelling, Ltd.'s revenue is generated by 5 key customers. The top three customers are building contractors.

List of Key Customers

	Name/Address	Terms	Product/Service	% of Sales
1	Scarpini Contracting 9918 St-Francis St-Leonard, Quebec	75 days	Building construction	60%
2	Construction Guy Etienne 6 rue de Bleury Québec, Québec	45 days	Building construction	
3	Fine Housing Ltd. 111-43 Somerled Ave. Concord, Ontario	60 days	Building construction	
4	Davenport, Ltd. 26 West Hill Kirkland, Québec	30 days	Wholesaler	25%
5	Richmond Wholesale. 987 Richmond Ajax, Ontario	30 days	Wholesaler	

Note: the remaining 15% of sales is generated by 40+ retail customers (local retailers).

Key Suppliers

All products are made with high quality stock pine, cedar, and treated wood. The materials are available in-stock from many suppliers, allowing the company to be relatively free of lead time constraints. The top three suppliers are the following:

List of Key Suppliers

	Name/Address	Terms	Product/Service
1	Tanguay et Fils 2006 Lapointe Jonquière, Québec	60 days	Pre-cut lumber
2	Feldman Lumber 23 Fairview Road Scarborough, Ontario	30 days	Pre-cut lumber
3	Finition Bois AAA 4373 Boul. Germain Laval, Quebec	45 days	Wood finishing

Key Action Areas for the Business Proposal

The key areas that will be impacted by KL Remodelling, Ltd.'s expansion plans are the following:

- **Marketing.** Market-specific collateral for Ontario.
- **Sales.** Expanding the sales force, training, and managing it remotely.
- **Operations.** Expansion into a larger space in order to meet the growth-target production requirements, purchase of additional machines in order to meet demand, hiring of additional employees to operate the new machines.
- **Human Resources.** Training and benefits costs associated with the new hires.
- **Finance.** Secure a loan to finance the plant expansion and the start-up costs associated with the expansion (sales salaries in the first months when productivity is low, printing of marketing collateral, purchase of machines, etc).

STRATEGIC RISK ANALYSIS

Key Risk Factors for the Proposed Expansion

The major risk factors linked to the proposed expansion (in order of risk level) are as follows:

1. Hiring and motivating a competent salesperson to achieve the growth target
2. Effectively ramping up operations to meet the new demands
3. Success of the current product portfolio in Ontario

KL Remodelling, Ltd. feels that the greatest risk lies with managing a remote sales person, which would be a new challenge for the company.

Risk Factors Related to Market Trends

While construction growth in general is expected to slow, the popularity of pre-fab pieces is expected to increase. This trend is particularly present in the exterior residential and commercial construction market. Almost three quarters of Canadian home-owners have engaged in some kind of renovation activity in the last 3 years, and an increasingly large number of those renovation activities were done by “do-it-yourself” home-owners. This particular segment values quality and workmanship, and is expected to increase their spend of exterior residential and commercial construction pre-fab products over the next 4-5 years.

There are two main market-related risk factors for KL Remodelling, Ltd:

- **Building market trends.** While the firm’s target segments (retail and contractors) is set to grow modestly over the next 3 years, they are still vulnerable to sudden market events which may affect construction demand.
- **Raw material prices.** KL Remodelling, Ltd.’s raw products are semi-finished wood products with limited value-added processes. However, the company is sensitive to the price of raw lumber, which increased 2.6% between 2005 and 2006 (latest figures). Currently the company is able to absorb these increases with their annual rate-ups, but a sudden jolt in lumber prices could have a negative effect on the company’s profits.

S.W.O.T Analysis

STRENGTHS

- Quality reputation
- Flexibility
- Close customer relationship

WEAKNESSES

- Size: few economies of scale as of 2008
- Top-of-the-line pricing which is much higher than big-box stores such as Home Depot
- Inexperience outside of the Quebec market

OPPORTUNITIES

- Increasing market for outdoor value-added construction products
- Many untapped markets (i.e.: Western Canada and Eastern USA)
- Cost reductions: higher economies of scale to be had through expansion

THREATS

- Construction market could be experiencing a cyclical slow-down over the next 1-3 years which might have a negative effect—albeit to a lesser extent—on the pre-fab market
- Competitors could improve their quality to target KL Remodelling, Ltd.'s niche
- Building contractors could decrease their quality expectations in favour of lower prices if a decreasing market size puts downward pressure on home prices

The Competition

RETAIL MARKET

Big box renovation stores such as RONA and Home Depot—who provide lower-grade products under their own brands—are the main retail competition. KL Remodelling, Ltd. has analyzed the possibility of entering the big box chain market in the past, but that market's pressure on supplier prices has made it an unattractive proposition thus far. The suppliers for the big box stores are the same as those for the building contractors (see next section).

CONTRACTOR MARKET

The primary competition for the contractor market is found in the USA, where two large wholesalers—Advantage Wood and Metal, and DBCK Furnishings—are significant exporters to Canada. These two competitors make similar, but less elaborately designed products, and of a lower workmanship standard than KL Remodelling, Ltd. Furthermore, they are less flexible than KL Remodelling, Ltd. as regards turnaround time and customization because of their larger size.

COMPETITORS' STRENGTHS AND WEAKNESSES

The major strengths of KL Remodelling, Ltd.'s competitors are the lower prices that they are able to provide to their customers due to their economies of scale. However, this makes it difficult for them to offer customization or short turnarounds—two things that KL Remodelling, Ltd. is able to provide because of its smaller size, and its ability to absorb the costs of greater customer service due to their higher margins. KL Remodelling, Ltd. feels that its larger competitors are unlikely to enter its niche because of the requirement to create a separate “fast-turnaround-shop” which would likely have to operate separately from their regular operations.

Competitor Strength and Weaknesses Summary

Competitor	Strengths	Weaknesses
Retail: Big Box Stores	<ul style="list-style-type: none"> → High volume traffic → Present in most urban areas → Low prices 	<ul style="list-style-type: none"> → “One-size-fits-all” product range → Average quality
Housing Contractors: US Commercial Producers	<ul style="list-style-type: none"> → High volume production → Low prices 	<ul style="list-style-type: none"> → Inflexible manufacturing lead-time → Fixed product range with no possibility of customization → Average quality

MARKETING AND SALES PLAN

Key Business Proposal Impacts: Marketing and Sales

Because of the success KL Remodelling, Ltd. has enjoyed in Quebec, the marketing and sales strategy for the business proposal consists of replicating the Quebec model in the Ontario market. The following are the key action areas for this endeavour:

- Development of marketing and sales collateral for the Ontario market
- Development of stand-alone displays for the Ontario retail market
- Hiring of and training of a sales representative for Ontario who will be remotely managed from Montreal

Marketing Strategy

KL Remodelling, Ltd.'s marketing strategy follows a two-pronged approach: one set of marketing activities is geared to the retail business, and the other is geared to the contractor segment. In both cases, the marketing message is the same: quality and flexibility is pushed over lower costs and ordinary quality.

In the case of the retail segment, marketing has focused on encouraging new "small box" retail stores to carry KL Remodelling, Ltd. products, and developing point-of-sale displays and promotional literature. Marketing to contractors has relied more heavily on relationship marketing, specifically: sales calls, samples, and sales-leave-behind promotional literature.

Pricing and Distribution

Pricing for both wholesale customers and contractors is approximately 5%-10% higher than the average price that those customers would pay for similar exterior residential construction products. This pricing strategy has been effective in the past, and KL Remodelling, Ltd. believes that it would also work well in Ontario because of that market's similarities to the Quebec market.

Advertising and Promotion

Marketing communication for the contractor market is done through sales collateral which focuses primarily on technical data such as material, durability, workmanship, etc. Marketing communication for the retail industry focuses on point-of-sale displays and promotional literature, which is unusual, because wood-based products for exterior residential construction are typically not sold under a brand name. In the case of KL Remodelling, Ltd., the company's premium prices have allowed it to stand out in this way. The point-of-sale displays are typically small posters which push the company's competitive advantage of quality and workmanship, while the brochures repeat this image but also contain a "how to" section which shows potential clients the best way to install their purchase—a strategy which has helped the company build customer loyalty.

Customer Service Policy

Retail customer service is done by store management, which in turn contacts KL Remodelling, Ltd. if required. In cases where KL Remodelling, Ltd.'s assistance is needed, service is provided by sales reps, who will coordinate with the production team to deliver replacement material if required. Customer service for the contractor and wholesale segment is directly managed by the sales force, which prides itself on having a close, "first-name basis" relationship with its clients. As with retail, reps will coordinate with the production team to help address any issues. The closeness of the customer-salesperson relationship in the contractor segment is such that customers will often suggest product improvements directly to reps, who then communicate it to the production team.

Sales Strategy

Because 60% of KL Remodelling, Ltd.'s clients are contractors, the sales process is heavily geared towards developing relationships. Two members of the sales force deal exclusively with building contractors and are assigned specific clients. The relationship in this case mostly revolves around the customer's product needs, the timing of shipments, and the negotiation of volume discounts. Sales reps also routinely visit customers' work sites in order to get a better understanding of how KL Remodelling, Ltd.'s products will be used. The purchase process (and negotiation) for building contractors can take several weeks.

The third salesperson deals with the wholesalers, and the retail stores. While the sales process here is still relationship-based, the higher volume of clients means that the level of service is less personalized—but certainly no less effective. With these clients, marketing collateral tends to play a bigger role, and reps will mail (or personally deliver) this collateral along with product samples. KL Remodelling, Ltd., tries to assign reps to specific clients, but because the purchase decision can be relatively quick (often a few days), clients tend to be more concerned with immediate service than by being served by a specific rep. Generally speaking, the sales process for wholesalers and retailers tends to be phone-based.

The above sales philosophy will be replicated in the Ontario market. The only major difference would be the remote management of a sales rep. Currently, reps spend approximately 75% of their time on the road. For Ontario rep, this number would be 75% on the road and 25% working from home, since there are no plans to rent office space nor to hire a sales manager. The current sales manager has managed remote sales teams in the past at other organizations, and the management is confident that he will be able to effectively manage the new Ontario rep from Montreal.

OPERATIONS PLAN

Key Business Proposal Impacts: Operations

From an operational standpoint, the main impacts of the proposed expansion will be:

1. Expanding the current facility
2. Purchasing new machines in order to increase production
3. Hiring operators for the new machines

EXPANDING THE CURRENT FACILITY

Approximately 4,000 in additional square feet are required in order to house the new machines. KL Remodelling, Ltd. has several options available to it:

Expansion Options

	Option	Pros	Cons
1	Purchase the other 50% of the building the company currently occupies	<ul style="list-style-type: none"> • No moving • All personnel and machines together • Quick to implement 	<ul style="list-style-type: none"> • More space than needed (almost 8,600 square feet)
2	Purchase or rent additional space in another location	<ul style="list-style-type: none"> • Choice as regards to the characteristics of the space and location 	<ul style="list-style-type: none"> • Splitting up of personnel and machines • Slower to execute
3	Move the company to a larger space	<ul style="list-style-type: none"> • All personnel and machines together • Choice as regards to the characteristics of the space and location 	<ul style="list-style-type: none"> • Expensive • Time consuming to execute • Potential for employee turnover depending on new location

Moving into the adjacent space is the most desirable option from both a cost and operational perspective, and is KL Remodelling, Ltd.'s first choice.

PURCHASING ADDITIONAL MACHINERY

The following machines would have to be purchased or leased in order for the company to meet its expansion targets:

Capital Investments

	Machine	Quantity	Function
1	CNC Machine (financed)	1	Computer controlled milling and turning.
2	Milling Machine (purchased)	1	Milling work
3	Lathe (purchased)	1	Turning.

For costs, please see the financial section of this report.

HIRING OPERATORS FOR THE NEW MACHINES

See the HR section of this report.

Current Location Overview

KL Remodelling, Ltd. currently owns 50% of a warehouse located in Lachine, Quebec's industrial park.

SIZE AND CAPACITY

The 8,580 square foot facility is currently running at 80% capacity. The owners are reluctant to increase the production at this plant because the 20% capacity margin allows them to do quick turnarounds for rush orders without affecting the lead time of existing orders. The company wishes to maintain this 20% capacity gap for the expansion.

ADVANTAGES OR DISADVANTAGES

The facility's location is in close proximity of highways 13, 20, and 520 which service the greater metropolitan Montreal region, and is thus ideal. The other 50% of the warehouse the company operates in is currently vacant and owned by a third party that has expressed an interest in selling to KL Remodelling, Ltd.

LEASE OR OWNERSHIP DETAILS

Approximately 50% of the building was purchased in 2001 by the company, and is held under a commercial mortgage.

Equipment, Furniture and Fixtures

The equipment at KL Remodelling, Ltd.'s facility consists of wood milling and turning machines, as well as a CNC machine. All current equipment was bought in 2000. There are also several computers equipped with Auto-CAD which are used to design products.

Research and Development

R&D is mostly done by a CNC/Auto-Cad programmer/designer, and the owners themselves. R&D activity is driven by customer needs and feedback, and also competitors' product portfolios.

Environmental Compliance

KL Remodelling, Ltd. purchases all of its wood from renewable-forest producers, and subcontracts the staining and pressure-treating of its wood to environmentally compliant subcontractors. In addition to this, the company sells its wood chips, sawdust, and other wood waste to a company which uses it to produce a composite-wood product.

HUMAN RESOURCES PLAN

Key Business Proposal Impacts: HR

The business proposal requires additional sales and operations employees in order to meet the expansion needs. Upper management will remain the same. A total of three employees will be added to the payroll. Note that the current operators will be able to handle the initial capacity increase, and thus the new machine operator will be hired one year from the initial ramp-up time.

Additional Employees Required

Title	#	Key Responsibilities	Qualifications
CNC Operator	1	Program and operate the new CNC	Trade degree
Machine Operator	1	Operate the new milling machine and lathe	Trade degree
Sales Representative	1	Sales and customer service	College Degree

Initially, the Sales Manager will devote 30% of his time to the Ontario market in order to train the new sales representative.

Key Executive Management Positions

- Frederic K. – President
- Yves L. – Vice President
- Gary M. – Sales Manager

Current Key Operational Positions

Title	#	Key Responsibilities	Qualifications
CNC Programmer/Designer	1	Program CNC operations	Trade degree
Operators	5	Milling, lathe, and cleaning operators	Trade degree
Sales Representative	3	Sales and customer service	College Degree
Accountant	1	All accounting and financial activities	Bachelors degree
General maintenance & receiver/shipper	2	Shipping and plant maintenance	High School
Warehouse Clerk	1	Management of the warehouse and inventory	High School
Office assistant	1	Administration & HR.	College Degree

Policies & Procedures**HOURS OF OPERATIONS**

- 7 A.M. – 3 P.M., 5 days/week for employees working in the machine shop.
- 8:30 A.M. – 5 P.M., 5 days/week for employees working in administration.

NUMBER OF EMPLOYEES

16 full-time employees, one manager, and 2 executives/owners.

VACATION PROGRAM

- 1 – 4 years of consecutive service inclusively: 10 days per year
- 5 – 10 years of consecutive service inclusively: 15 days per year
- > 10 years of consecutive service inclusively: 20 days per year

PERFORMANCE ASSESSMENT

Employee reviews are done twice a year, in June and in January.

TRAINING AND DEVELOPMENT

Training is done by current employees, and occasionally by the training services of equipment manufacturers in the case where new equipment is purchased or upgraded.

The facility is ISO 14001 certified and all employees are trained under ISO principles by certified consultants.

REMUNERATION AND BENEFITS

Salaries are in line with industry averages. Employees are paid 1.5x for Overtime up to 10 hours, and 2x overtime for greater than 10 hours, or on holidays and weekends.

FINANCIAL PLAN

Key Business Proposal Impacts: Finance

- **Financing Risk.** The territorial expansion plan involves a substantial additional external financing—of \$415,000—which is more than twice as much as all the current outstanding external loans combined. However, the risk involved with this is seen to be minimal, as:
 - Both proposed loans would be secured by tangible collaterals (e.g. property and machines)
 - The company's leverage ratio is quite satisfactory and will improve rapidly post-expansion
- **Interest Rate Risk.** The other risk that could cause disruption in a leveraged expansion plan is rising interest rates. However, with the ongoing down-turn in interest-rate cycle, we do not foresee such risks in the next few years. Still, in order to be conservative, the financial projections have been done assuming an average interest rate of 6.0%, compared to the current average interest rate of 5.5%.

Financial Requirements

The financing proposal for the expansion of KL Remodelling, Ltd.'s business includes a new commercial mortgage loan for the purchase of the other 50% of the building, as well as a term loan for the purchase of a new CNC machine and other equipment. While some kinds of machinery—for example, the CNC machine—are typically leased, KL Remodelling, Ltd. has the funds to purchase machines outright, and prefers to do so in order to benefit from depreciation tax benefits.

Working capital requirements for the expanded operations are expected to be met from internal accruals and the existing working capital.

Additional Financing

Facilities	Cost	Down payment	Loan Amount
Commercial Mortgage	\$325,000	10%	\$292,500
Term loan	\$90,000	10%	\$72,000
TOTAL	\$415,000	10%	\$364,500

The existing mortgage and term loan were opened in 2001 when company expanded its manufacturing operations. The repayments of principal and interest on current loans are on schedule. The existing term loan will be liquidated in full by 2010.

Existing Facilities

Facility	Facility Limit	Outstanding Balance (as of Sept 30, 2008)
Commercial Mortgage	\$ 225,000	\$163,624
Term Loan	\$72,000	\$14,400
Working Capital Loan	\$100,000	\$7,114
TOTAL	\$397,000	\$185,138

As shown in the appendix, KL Modelling, Ltd. has consistently been profitable, with profit margins increasing year over year. With territorial expansion, the profitability will be improved further by taking advantage of better economies of scale. The company's free cash position has always been comfortable and is projected to improve even more with the expansion.

For detailed financial statements and projections, please see the appendix.

ACTION PLAN

Timeline

The following is a timeline for the implementation of the business proposal.

Timeline Deliverable Dates

	Action	Deliverable Date
1	Purchase the remainder of the warehouse.	November 5, 200X
2	Develop new marketing collateral.	November 10, 200X
3	Purchase additional equipment and hire new employees.	November 15, 200X
4	Ramp up of production	December 1, 200X
5	Launch sales canvass in the new territory.	January 3, 200X

FINANCIAL APPENDIX

	Projected		Projected		Projected		Actuals		Actuals		Actuals	
BALANCE SHEET	30-Sep-11	% of Assets	30-Sep-10	% of Assets	30-Sep-09	% of Assets	30-Sep-08	% of Assets	30-Sep-07	% of Assets	30-Sep-06	% of Assets
Cash	94,196	7.6%	87,933	7.5%	80,384	6.9%	37,982	5.2%	37,065	5.4%	25,950	4.1%
A/c rec (trade)	548,563	44.0%	450,817	38.6%	412,881	35.5%	374,755	51.6%	343,947	49.9%	299,188	47.3%
Inventory	250,000	20.1%	225,000	19.3%	205,000	17.6%	187,120	25.8%	163,540	23.7%	141,289	22.3%
Prepaid exp	966	0.1%	1,369	0.1%	1,833	0.2%	1,957	0.3%	2,099	0.3%	2,264	0.4%
Current Assets	893,724	71.7%	765,119	65.5%	700,098	60.1%	601,814	82.9%	546,651	79.3%	468,690	74.0%
Building	315,428	25.3%	350,476	30.0%	389,418	33.4%	107,686	14.8%	119,652	17.4%	132,946	21.0%
Furniture & Fixtures	3,106	0.2%	4,142	0.4%	5,522	0.5%	7,363	1.0%	9,817	1.4%	13,090	2.1%
Machinery	33,953	2.7%	48,504	4.2%	69,292	6.0%	8,988	1.2%	12,840	1.9%	18,344	2.9%
Fixed Assets	352,488	28.3%	403,122	34.5%	464,232	39.9%	124,038	17.1%	142,309	20.7%	164,379	26.0%
TOTAL ASSETS	1,246,212	100.0%	1,168,240	100.0%	1,164,330	100.0%	725,851	100.0%	688,960	100.0%	633,070	100.0%
Bank loan	45,114	3.6%	42,114	3.6%	37,114	3.2%	7,114	1.0%	3,536	0.5%	32,301	5.1%
A/c payable	364,104	29.2%	309,104	26.5%	299,104	25.7%	289,104	39.8%	266,815	38.7%	206,791	32.7%
Current portion of L.T.loan	21,025	1.7%	20,294	1.7%	26,804	2.3%	13,383	1.8%	13,033	1.9%	12,702	2.0%
I. Tax payable	(6,690)	-0.5%	(1,201)	-0.1%	12,725	1.1%	15,411	2.1%	21,509	3.1%	11,908	1.9%
Current Liabilities	423,554	34.0%	370,311	31.7%	375,746	32.3%	325,012	44.8%	304,893	44.3%	263,702	41.7%
Term Loan	64,800	5.2%	72,900	6.2%	88,200	7.6%	14,400	2.0%	21,600	3.1%	28,800	4.5%
Shareholders advance	40,000	3.2%	40,000	3.4%	40,000	3.4%	40,000	5.5%	40,000	5.8%	40,000	6.3%
Mortgage	426,244	34.2%	438,438	37.5%	449,941	38.6%	163,624	22.5%	169,457	24.6%	174,959	27.6%
Long-Term Liabilities	531,044	42.6%	551,338	47.2%	578,141	49.7%	218,024	30.0%	231,057	33.5%	243,759	38.5%
TOTAL LIABILITIES	954,598	76.6%	921,649	78.9%	953,887	81.9%	543,036	74.8%	535,949	77.8%	507,461	80.2%
Common Share	50,000	4.0%	50,000	4.3%	50,000	4.3%	50,000	6.9%	50,000	7.3%	50,000	7.9%
Retained Earnings	241,614	19.4%	196,592	16.8%	160,442	13.8%	132,816	18.3%	103,011	15.0%	75,609	11.9%
Shareholders Equity	291,614	23.4%	246,592	21.1%	210,442	18.1%	182,816	25.2%	153,011	22.2%	125,609	19.8%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,246,212	100.0%	1,168,240	100.0%	1,164,330	100.0%	725,851	100.0%	688,960	100.0%	633,070	100.0%

REVENUE AND COST ANALYSES												
	Projected		Projected		Projected		Actuals		Actuals		Actuals	
Sales:	30-Sep-11	% of Sales	30-Sep-10	% of Sales	30-Sep-09	% of Sales	30-Sep-08	% of Sales	30-Sep-07	% of Sales	30-Sep-06	% of Sales
Posts	1,180,000	41.4%	1,060,000	40.8%	995,000	42.0%	881,023	40.5%	804,120	38.9%	827,227	41.9%
Rungs	220,000	7.7%	205,000	7.9%	195,000	8.2%	181,101	8.3%	175,121	8.5%	164,445	8.3%
Tongue & Groove	490,000	17.2%	440,000	16.9%	385,000	16.2%	340,908	15.7%	376,109	18.2%	329,805	16.7%
Caps	260,000	9.1%	210,000	8.1%	205,000	8.6%	199,056	9.2%	183,245	8.9%	156,298	7.9%
Hand rails	700,000	24.6%	685,000	26.3%	590,000	24.9%	571,205	26.3%	527,890	25.5%	496,907	25.2%
Total Sales	2,850,000	100.0%	2,600,000	100.0%	2,370,000	100.0%	2,173,293	100.0%	2,066,485	100.0%	1,974,682	100.0%

CoG Sold:												
	30-Sep-11	% of Sales	30-Sep-10	% of Sales	30-Sep-09	% of Sales	30-Sep-08	% of Sales	30-Sep-07	% of Sales	30-Sep-06	% of Sales
Inventory (Opening)	225,000	7.9%	205,000	7.9%	187,120	7.9%	163,540	7.5%	141,289	6.8%	151,545	7.7%
Purchases	1,475,000	51.8%	1,300,000	50.0%	1,200,000	50.6%	1,192,087	54.9%	1,116,124	54.0%	1,022,352	51.8%
Freight & duty	33,000	1.2%	30,000	1.2%	28,000	1.2%	24,812	1.1%	23,432	1.1%	21,107	1.1%
Closing Inventory	250,000	8.8%	225,000	8.7%	205,000	8.6%	187,120	8.6%	163,540	7.9%	141,289	7.2%
TOTAL MATERIAL COSTS:	1,483,000	52.0%	1,310,000	50.4%	1,210,120	51.1%	1,193,319	54.9%	1,117,305	54.1%	1,053,715	53.4%
Direct Labour	355,000	12.5%	342,000	13.2%	288,000	12.2%	243,860	11.2%	236,198	11.4%	228,240	11.6%
Repairs & Maintenance	6,000	0.2%	5,000	0.2%	4,000	0.2%	3,454	0.2%	4,270	0.2%	5,680	0.3%
Services / Utilities	9,000	0.3%	8,000	0.3%	7,000	0.3%	6,011	0.3%	4,987	0.2%	4,345	0.2%
Overhead	11,000	0.4%	10,000	0.4%	9,000	0.4%	7,905	0.4%	10,301	0.5%	12,910	0.7%
Cost of Goods Sold	1,864,000	65.4%	1,675,000	64.4%	1,518,120	64.1%	1,454,549	66.9%	1,373,061	66.4%	1,304,890	66.1%

Sales Expenses:												
	30-Sep-11	% of Sales	30-Sep-10	% of Sales	30-Sep-09	% of Sales	30-Sep-08	% of Sales	30-Sep-07	% of Sales	30-Sep-06	% of Sales
Salesmen Salaries	255,000	8.9%	235,000	9.0%	215,000	9.1%	170,120	7.8%	163,190	7.9%	155,790	7.9%
Travelling	24,000	0.8%	20,000	0.8%	16,000	0.7%	13,007	0.6%	12,356	0.6%	11,455	0.6%
Advertising	42,000	1.5%	36,000	1.4%	31,000	1.3%	26,090	1.2%	25,242	1.2%	23,108	1.2%
Shipping & Delivery	23,000	0.8%	20,000	0.8%	17,000	0.7%	15,054	0.7%	14,256	0.7%	13,565	0.7%
Sales Expenses:	344,000	12.1%	311,000	12.0%	279,000	11.8%	224,271	10.3%	215,044	10.4%	203,918	10.3%

Gen & Admin Expenses:												
	30-Sep-11	% of Sales	30-Sep-10	% of Sales	30-Sep-09	% of Sales	30-Sep-08	% of Sales	30-Sep-07	% of Sales	30-Sep-06	% of Sales
Management salaries	242,000	8.5%	232,000	8.9%	221,000	9.3%	211,895	9.7%	201,960	9.8%	192,540	9.8%
Office salaries	187,000	6.6%	180,000	6.9%	173,000	7.3%	167,206	7.7%	160,875	7.8%	155,225	7.9%
Office Expenses	10,000	0.4%	9,000	0.3%	8,000	0.3%	7,404	0.3%	8,302	0.4%	6,578	0.3%
Insurance amortized	3,628	0.1%	4,178	0.2%	1,116	0.0%	1,281	0.1%	1,479	0.1%	1,722	0.1%
Bad debts	2,254	0.1%	2,064	0.1%	1,874	0.1%	1,720	0.1%	1,496	0.1%	1,218	0.1%
Gen & Admin Expenses:	444,882	15.6%	427,242	16.4%	404,990	17.1%	389,506	17.9%	374,112	18.1%	357,284	18.1%

INCOME STATEMENT	Projected		Projected		Projected		Actuals		Actuals		Actuals	
	30-Sep-11	% of Sales	30-Sep-10	% of Sales	30-Sep-09	% of Sales	30-Sep-08	% of Sales	30-Sep-07	% of Sales	30-Sep-06	% of Sales
Total Sales	2,850,000	100.0%	2,600,000	100.0%	2,370,000	100.0%	2,173,293	100.0%	2,066,485	100.0%	1,974,682	100.0%
Cost of Goods Sold	1,864,000	65.4%	1,675,000	64.4%	1,518,120	64.1%	1,454,549	66.9%	1,373,061	66.4%	1,304,890	66.1%
GROSS PROFIT	986,000	34.6%	925,000	35.6%	851,880	35.9%	718,744	33.1%	693,424	33.6%	669,792	33.9%
Sales Expenses:	344,000	12.1%	311,000	12.0%	279,000	11.8%	224,271	10.3%	215,044	10.4%	203,918	10.3%
Gen & Admin Expenses:	444,882	15.6%	427,242	16.4%	404,990	17.1%	389,506	17.9%	374,112	18.1%	357,284	18.1%
OPERATING PROFIT	197,118	6.9%	186,758	7.2%	167,890	7.1%	104,967	4.8%	104,268	5.0%	108,590	5.5%
Depreciation	50,634	1.8%	61,110	2.4%	74,806	3.2%	18,272	0.8%	22,070	1.1%	26,997	1.4%
Interest Expenses	33,928	1.2%	35,274	1.4%	24,017	1.0%	12,184	0.6%	13,692	0.7%	16,555	0.8%
PROFIT BEFORE TAX	112,556	3.9%	90,373	3.5%	69,067	2.9%	74,511	3.4%	68,506	3.3%	65,039	3.3%
Taxes paid	22,511	0.8%	18,075	0.7%	13,813	0.6%	14,902	0.7%	13,701	0.7%	13,008	0.7%
PROFIT AFTER TAX	90,045	3.2%	72,299	2.8%	55,253	2.3%	59,609	2.7%	54,805	2.7%	52,031	2.6%
Dividend paid	(45,022)		(36,149)		(27,627)		(29,805)		(27,402)		(26,016)	
Retained Earnings increased by:	45,022		36,149		27,627		29,805		27,402		26,016	

CASH FLOW STATEMENT	Projected		Projected		Projected		Actuals		Actuals		Actuals	
	30-Sep-11		30-Sep-10		30-Sep-09		30-Sep-08		30-Sep-07		30-Sep-06	
Cash receipts from Sales	2,750,000		2,560,000		2,330,000		2,140,765		2,020,230		1,917,930	
Cash payment for Purchases	(1,420,000)		(1,290,000)		(1,190,000)		(1,169,798)		(1,056,100)		(972,101)	
Cash payment for operations	(1,200,225)		(1,130,714)		(1,017,992)		(897,956)		(866,684)		(832,074)	
Interest Expenses	(33,928)		(35,274)		(24,017)		(12,184)		(13,692)		(16,555)	
Taxes paid	(28,000)		(32,000)		(16,500)		(21,000)		(4,100)		(9,500)	
Cash From Operating Activities:	67,847		72,012		81,490		39,826		79,654		87,700	
Building Purchased	-		-		(325,000)		-		-		-	
Machineries Purchased	-		-		(90,000)		-		-		-	
Cash from Investing Activities:	-		-		(415,000)		-		-		-	
New bank loan taken	(16,562)		(28,313)		403,538		(9,105)		(41,137)		(54,302)	
Dividend paid	(45,022)		(36,149)		(27,627)		(29,805)		-		(26,016)	
Cash from Financing Activities:	(61,584)		(64,463)		375,912		(38,909)		(68,540)		(80,317)	
INCREASE / (DECREASE) IN CASH:	6,263		7,549		42,402		917		11,115		7,383	
Op Bal	87,933		80,384		37,982		37,065		25,950		18,567	
Cl Bal	94,196		87,933		80,384		37,982		37,065		25,950	

Ratios	Projected		Projected		Projected		Actuals		Actuals		Actuals	
	30-Sep-11		30-Sep-10		30-Sep-09		30-Sep-08		30-Sep-07		30-Sep-06	
Current ratio	2.1		2.1		1.9		1.9		1.8		1.8	
Quick ratio	1.5		1.5		1.3		1.3		1.3		1.2	
Accounts Receivable age (days)	64.0		60.6		60.7		60.4		56.8		50.2	
Accounts Receivable turnover (times)	5.7		6.0		6.0		6.0		6.4		7.3	
Inventory age (days)	30.4		30.2		30.2		29.4		26.9		27.1	
Inventory Turnover (times)	12.0		12.1		12.1		12.4		13.6		13.5	
Asset turnover (times)	2.3		2.2		2.0		3.0		3.0		3.1	
Interest coverage	4.3		3.6		3.9		7.1		6.0		4.9	
Cash flow coverage	2.4		2.2		1.7		2.2		2.0		1.4	
Total debt to equity ratio	2.0		2.5		3.1		1.3		1.6		2.3	
Return on equity	31%		29%		26%		33%		36%		41%	
Return on assets	7.2%		6.2%		4.7%		8.2%		8.0%		8.2%	