

Salam Used Cars & Spare Parts Co.

Business Plan 2015

In support of a Standard Business Sponsorship Approval Application.



Confidentiality Agreement

The reader acknowledges that the information provided by Salam Used Cars & Spare Parts Co. in this business plan is confidential; therefore, the reader agrees not to disclose it without the express written permission of the Directors.



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Executive Summary

The following document describes the business of Salam Used Cars and Spare Parts Australia Pty Ltd (Salam Australia) which is to be a branch of the existing business, Salam Used Cars & Spare Parts Co. (Salam Iran) which is located in Tehran, in Iran.

Salam Iran is a privately owned company that purchases used cars and auto parts from Hong Kong, Japan, Singapore, and Malaysia, and distributes these commodities throughout the Middle East, Africa, and Russia.

Salam Iran has produced stable profits over the last six years. This has encouraged the Directors to further expand their businesses in the Asia, Pacific region with Australia as the centre of operations.

There is an increasing demand of used cars overseas, and the motor vehicle wholesaling industry has undergone strong growth over the past five years. Aside from that, Australia is known for implementing strict automobile policies and safety regulations. These policies support Salam Australia in sourcing high quality used cars and auto parts for its business operations.

The used car market in Africa has grown from 15% of the total number of cars sold across the continent in 1966, to 67% in 2012. Major car manufacturers in Africa focus their products on only a few wealthy buyers, this enables business such as Salam Australia to supply used vehicles to a great number of clients, as there is a large demand for quality used cars that are made available at an affordable price. The new car industry in Africa has experienced a steady decrease, and market research shows that it will continue to decrease in forthcoming years, enabling great opportunity for this business.

The sale of used cars in the Middle East has increased by 35% in the past five years. Market research shows that the Kingdom of Saudi Arabia continues to maintain its position as the largest market for used cars with a per capita car ownership of 34%.

Aside from exporting used cars and auto parts overseas, Salam Australia will purchase used cars from a number of countries in Asia, and distribute these throughout Australia.

Australia's motor vehicle wholesaling industry revenue is forecast to rise by 2.4% annualised over the next five years through 2014-15, to reach \$39.7 billion. High petrol prices have led consumers towards fuel-efficient small cars and compact SUVs. Local motor vehicle manufacturers traditionally produce large cars, leading to a shift in demand towards imports. These imports have become significantly cheaper within the Australian market over the past five years. The strong Australian dollar and fierce price competition between wholesalers have generated additional demand from consumers. Imported vehicles have become less expensive due to the high Australian dollar and a reduction in the motor vehicle tariff from 10% to 5% in January 2010.

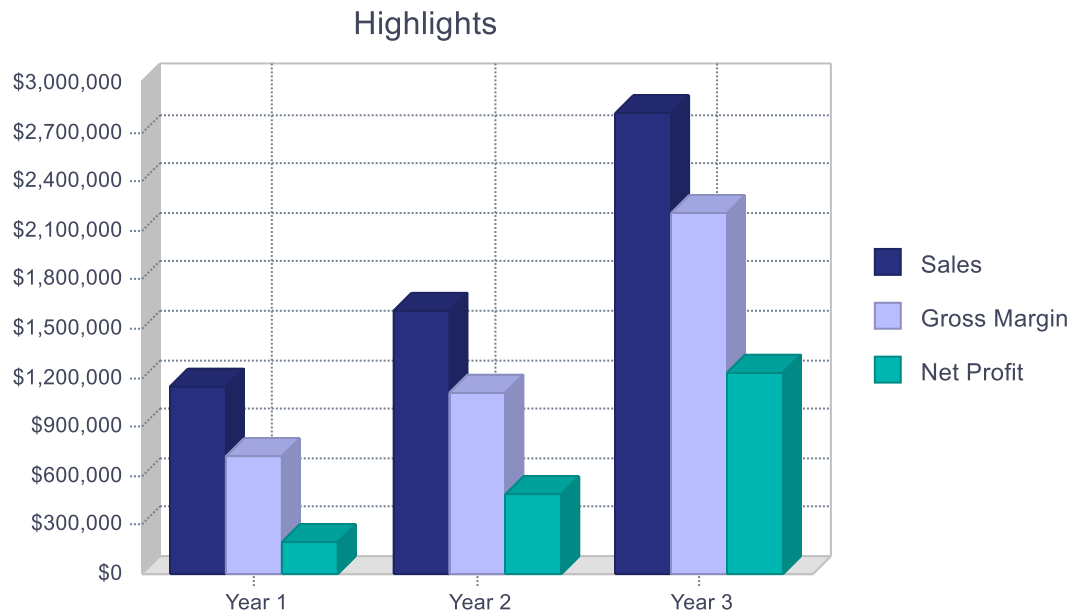
Salam Australia is to be located in Sydney, New South Wales. It will lease an office in Sydney's CBD and rent a warehouse facility located near Sydney's ports only when it is needed, in order to minimise operating costs.

The directors of Salam Iran are seeking to sponsor Mr. Client Nominee as the Sales and Marketing Manager who will lead and guide the operations in Sydney. This is due to the shortage of professionals with this capability in the Australian market. The company will also employ two local employees for the positions of Administrative Assistant and Senior Mechanic.

The directors will invest \$550,000 in this venture and will immediately attain financial sustainability due to the international channels that the directors have through their existing company in Iran.

The following graph shows the financial projection for the next three years.

Chart: Financial Highlights



Business Description

The increasing cost of new cars leads the growth of the used car market, which in turn offers Salam Australia a growing opportunity for business. The following section describes the various elements of this business.

Company Summary

Salam Used Cars & Spare Parts Co. is a privately owned company which is based in Tehran, Iran. The company is registered under a trading license No. xxxxx and commercial registration No. xxxxx issued by the Department of Economic Development, Government of Tehran, Iran since 1st June 2008.

The business activities of this company are importing and exporting used cars, trucks, heavy machinery and automotive spare parts throughout the Middle East, Africa and Russia. The company sources its commodities from suppliers in Hong Kong, Japan, Singapore, Australia and Malaysia.

The company is owned by the following shareholders:

Mr. Paul McCartney
Mr. John Lennon
Mr. Ringo Star
Mr. George Harrison

Salam Iran holds assets to the value of \$5,000,000 and has achieved net profits of near \$550,000 in year 2014.

Salam Mandhar Australia Pty Ltd will purchase used cars and auto parts from Australia's local merchants, retailers, auction houses, car dealers and auto auctions, and trade these to a number of countries in the Middle East, Russia and Africa.

In their import business, Salam Australia will purchase used cars from established automotive suppliers of Salam Iran, and for distribution across Australia.

Company Ownership

Salam Australia will be 100% owned and managed by the directors of Salam Iran.

Mission

Exporting Used Cars and Auto Parts

Salam Australia will secure affordable and top quality Australian used vehicles and auto parts, in partnership with Australia's most reliable sales yards and auction houses. This will allow Salam Australia to bring the best quality and most fitting commodities to trade to its overseas clients.

Importing Used Cars

Salam Australia will deliver reasonably-priced, quality vehicles to the Australian market. Salam Australia will ensure that its clients' individual needs are satisfied with top-quality imported used vehicles.

Objectives

The directors have identified that the following objectives for the company are to:

- Establish a qualified and effective team.
- Ensure profitability and create sustainability within six months.
- Achieve a reasonable profit during first year of operation.
- Provide a vast selection of products for consumers.
- Increase the sales by 40% in the second year of operation.
- Increase the sales by 75% in the third year of operation.
- Achieve a customer base of 100 new companies throughout the countries of the Middle East and Africa over the next two years.
- Achieve a customer base of 50 new companies throughout Australia.
- Develop relationships that will lead to long term purchasing.
- Build domestic supplier relationships and work in partnership with these organisations.

Products and Services

Exporting Used Cars and Auto Parts

Salam Australia will source much needed used cars and auto parts that will be exported overseas, primarily to a number of countries in the Middle East, Russia and Africa. The directors have nurtured a number of strong relationships in these countries.

There are a number of processes that Salam Australia will oversee. Following is a list of these:

- Processing of permit applications with all international borders.
- Purchase.
- Vehicle inspections.
- Dismantling.
- Vehicle and machinery washing.
- Careful packaging and reporting of all parts and equipment.
- Processing insurance.
- Certification of cars and recycled automotive parts when required.
- Coordination of holding and transportation.

Importing used cars

Salam Australia will also seek to trade used cars from Asia, for distribution throughout Australia. These imported used cars will support motorists, students, workers, and other consumers in their search for quality products at a competitive price. Following are the services that Salam Australia will oversee in this endeavour:

- Processing of permit applications with all international borders.
- Purchase.
- Vehicle inspections.
- Vehicle and machinery washing.

- Repairing.
- Processing insurance.
- Certification of cars and auto parts when required.
- Co-ordination of holding and transportation.
- Proactively support client's management of stock.

Location

The directors have decided to lease an office in Sydney, New South Wales and rent a warehouse space near the ports when needed. This will help Salam Australia minimise its costs. Following are number offices in Sydney that have been identified as suitable for Salam Australia:



630 George Street, Sydney, NSW 2000

Offices for Lease

\$350 per Sqm Gross + GST

- Existing Fit-out Including a Kitchen
- Lots of Natural Light

Floor Area:

187.0 m² - 629.0 m²



100 Clarence Street, Sydney, NSW 2000

Offices for Lease

\$440 - \$440 PSM/PA

- Close to Martin Place & Wynyard Station
- Great natural light

Floor Area:

60.0 m² - 135.0 m²



283-285 Clarence Street, Sydney, NSW 2000

Offices for Lease

\$350 - \$350 PSM/PA

Floor Area:

120.0 m² - 180.0 m²



61 Market, Sydney, NSW 2000

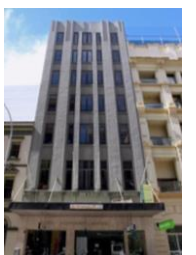
Offices for Lease

\$450 - \$630 PSM/PA

- Opposite Pitt St Mall
- Use-able work space

Floor Area:

66.0 m² - 192.0 m²



202/100 Clarence Street, Sydney, NSW 2000

Offices, showrooms for Lease

\$25,800 pa + GST

Floor Area:

60 m²

Salam Australia will access the three ports: Port Kembla, Port Authority, and Sydney Ports Corporation, for its import and export activity.

Regulation & Policy

It is imperative that Salam Australia abide by all local and national regulations and policies of the country where it will establish its business. Salam Australia will process and comply with the legal measures of Australia's regulation and policy to secure smooth operations of the business. Following is a description of these.

Exporting Used Cars and Auto Parts

An operator in the State of Victoria and New South Wales is required to be both a licensed motor car trader (LMCT) and a licensed second-hand dealer when they are reselling in Australia. However, new players who are planning to enter the industry and export automotive parts benefit from a lack of licensing requirements.

Auto dismantlers must keep registers to record the acquisition and disposal of motor vehicles, prescribed parts and accessories to ensure there is an audit trail of goods, and help reduce the disposal of stolen vehicles and parts. To ensure that the business abide by all commercial laws regulations and taxes, a local business will be engaged in the required support and advice.

Importing used cars

Importers are required to register with the Australian Customs Services as an importer. In order to gain customs clearance, importers must submit a formal request for 'Import Approval' to the Department of Transport's Vehicle Safety Standards Branch before importing any vehicle.

Motor vehicle wholesalers also have to ensure that the cars they distribute meet Australian safety standards. Under the Motor Vehicle Standards Act 1989 and the Motor Vehicle Standards Regulations 1989, it is an offense to sell, import or present new or used imported vehicles to the Australian market for the first time unless they meet the National Standards, or unless an exception is granted by the Administrator of Vehicle Standards. This is to ensure that all cars imported comply with Australian car specifications.

OH&S Policy

The Directors will employ best practice as is considered reasonable and practicable to ensure the following provisions:

- The provision of information, training and instruction, or supervision that is necessary to protect all persons from risks to their health and safety arising from their work.
- The provision and maintenance of safe workspace and structures, and safe systems of work.
- The safe use, handling and storage of workspace, structures and substances.
- The provision of adequate facilities for the welfare at work of workers, including volunteers, for example: toilets, first aid facilities.

Economic Benefit

Sufficient knowledge and understanding of a country's economy is the key to business success. Each country has its own set of economic situations. Knowing these situations and conditions will help the company to prepare and plan out how it may offer positive benefits to the economy of the country it will penetrate.

Salam Australia will help support the local workforce of Australia by employing two people in Sydney and will create significant work for these individuals. Following are a number of reasons why trading in used cars and automotive parts is a valuable enterprise:

Resource and energy savings. Re-use of quality auto parts and cars reduces the need for new parts to be manufactured; which in turn reduces our demands on the world's finite natural resources, ultimately protecting our environment for future generations.

A socially responsible practice. Responsible re-use of quality cars and auto parts simply makes common sense. The systematic recording of late model damaged vehicles in compliance with Regulations assists police in the identification of stolen vehicles. It advises government authorities of Statutory Written off Vehicles, creates legitimate employment opportunities for Australian workers, and contributes to raising of state and federal government taxes.

An environmentally friendly and environmentally sustainable program.

Automotive dismantling is a worldwide industry which responsibly processes millions of End-of-Life Vehicles (ELVs) per annum, de-polluting contaminants and hazards such as the oils, fuels, batteries, gases and air bags. Auto Parts Recyclers / Dismantlers play an essential role in the Australian automotive industry by re-using OEM parts and preparing ELVs for material recycling by metal shredder operators. Auto Parts Recyclers, therefore, play a key role in fulfilling motor manufacturer recycling "Extended Producer Responsibility" obligations in Australia.

Salam Australia will support the sales of used cars and automotive parts from Australian companies that no longer have a use for it.

Other companies that will benefit from this venture are companies operating the following services:

- Packaging.
- Transport.
- Port handling.
- Shipping.
- Retailers.
- Providers of office space.
- Manufacturing and supply of used automotive parts.

Following are a number of reasons why trading used cars in Australia is a valuable enterprise:

Resource and energy savings. Re-use of quality cars reduces the need for new parts to be manufactured; which in turn reduces our demands on the world's finite natural resources, ultimately protecting our environment for future generations.

Cheaper Cars for the people. Used car imports lowers the price of new vehicles and increases the levels of specification. The import of used cars will intensify the competition among car manufacturers and wholesalers, pushing other competitors to lower their prices in order to compete squarely.

Other companies that will benefit from this venture are companies operating the following services:

- Transport.
- Port handling.
- Shipping.
- Retailers.
- Providers of office and warehouse space.
- Manufacturing and supply of used automotive parts.
- Car dealers.

Personnel Plan

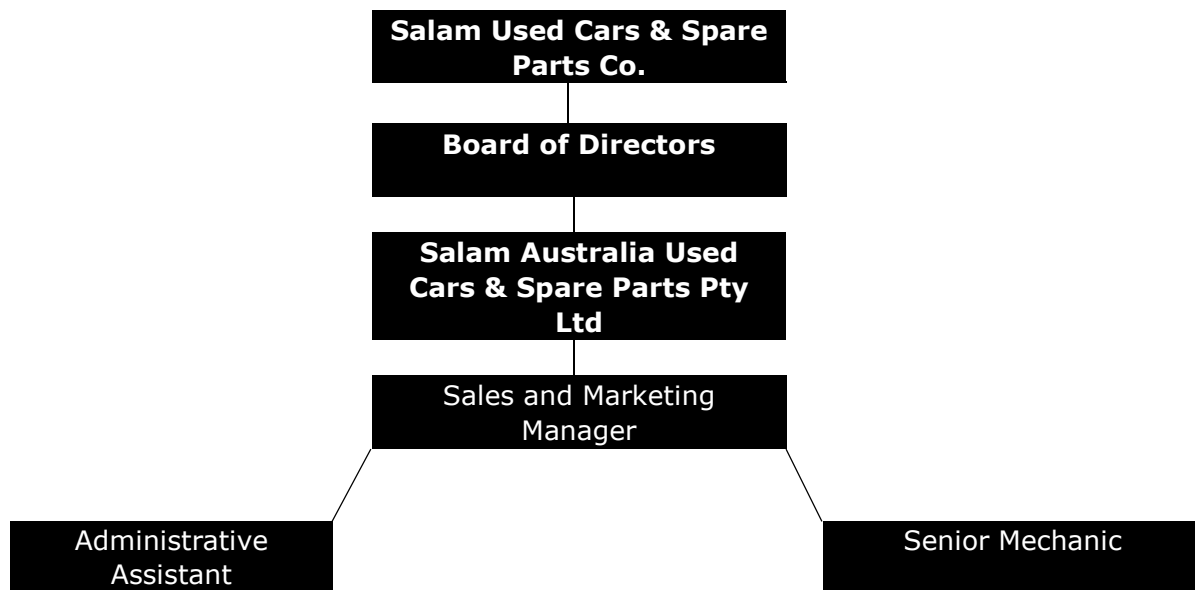
Employees greatly affect the success of the company. Choosing the best employees and putting them together will help Salam Australia triumph in this industry. The Directors have created a plan to sponsor Mr. Client Nominee as the Sales and Marketing Manager who will lead and guide the operations in Sydney.

The company will employ two local staff within the first three years of operations. Following is a table showing the anticipated investments for the staffing within the specific period and a chart indicating the proposed organisational structure.

Table: Personnel

Personnel Plan	Year 1	Year 2	Year 3
Sales and Marketing Manager	\$100,000	\$103,000	\$106,090
Administrative Assistant	\$50,000	\$51,500	\$53,045
Senior Mechanic	\$50,000	\$51,500	\$53,045
<u>Total People</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total Payroll	\$200,000	\$206,000	\$212,180

Chart: Organisational Structure



Position Descriptions

Sales and Marketing Manager

The Sales and Marketing Manager is responsible for the overall management of the staff and finances. This person will plan the marketing strategies of the company. The Sales and Marketing Manager will also be responsible in inspecting the dead stock checks and slow moving items of Salam Australia, thus helping the company achieve consistency in sales and profitable business. Salam Australia's Sales and Marketing Manager will make the reports on the export and import sales of the company and will ensure that supplies for these services are sufficient to provide the client's needs. The Sales and Marketing Manager will also be responsible in identifying and contacting the clients and customers of Salam Australia. This person will be responsible in all aspects of the company, and most importantly to implement the decisions of the Board of Directors. The Sales and Marketing Manager will be in charge of recruitment, facilities, training and all matters that contribute to the good management, viability and the success of the business. Following are the key accountabilities for the role.

Key Accountabilities and Key Performance Indicators:

Business Management

- Establish the strategic direction of Salam Australia in collaboration with the Board.
- Manage relationships with key stakeholders including staff, clients, marketing agencies, and industry and business partners.
- Ensure high level governance and management of the organisation's legal affairs, policies, procedures and budgets.

KPI: The Sales and Marketing Manager is to report on the affairs of the business to the Board, quarterly during the first year of the operation in Sydney, then at six month intervals ongoing. Reporting will include financial, staffing, training, facilities, and client satisfaction.

Facilities Management

- Lead and oversee the development, management and maintenance of the office, ensuring that it is a sound place of work in every respect.
- Work with the Board, and other groups as determined by the Board, to contribute to overall business development and growth.
- Ensure Animal Mandhar Australia is a safe and healthy work environment.

KPI: Annual review with Board of Directors examining the venue, a program of maintenance and health and safety strategies, with feedback from staff and any Australian authority representation.

Financial Management

- Take full responsibility for the budget and manage fiscal performance.
- Develop and implement strategies to increase revenue in existing streams and investigate and implement new streams of income.

KPI: Performance measured against annual budget predictions

Annual Operational Plan

- Review the Annual Operational Plan in collaboration with staff to be approved by the Board.
- Collaborate with the relevant staff on the annual program in accordance with the Boards mandate.
- Oversee the contracting and reporting requirements of the business.

KPI: Comparison of actual results against approved annual program. Qualitative discussion with the Board and report on business program in relation to the businesses' charter.

Human Resource Management

- Lead and manage the work of all staff members to foster a positive, focused and high performing culture in the organisation.
- Decide with staff on Key Performance Indicators, and plan a program of meetings with staff individually to discover the progress.

KPI: Staff turnover measured annually; Employee engagement survey results to be reviewed with the Board.

Marketing Strategies

- Develop good marketing techniques and strategies to attract more clients and customers.
- Nurture and develop good relationship to clients and customers for a smooth business flow.

KPI: Growth in client base measured annually through a client engagement survey.

Administrative Assistant

Directors of Salam Australia require the work of an Administrative Assistant to assist the Sales and Marketing Manager in performing administrative tasks. The Administrative Assistant should be able to multi-task and provide assistance to the Sales and Marketing Manager in contacting the clients for orders and ensuring the sufficiency of the supplies. This person will prepare the schedules and organise the entirety of the transport and logistics for the business. Following is a list of tasks that are important for the organisation:

Tasks and Duties

- Requisition orders to procurement.
- Confirm completion of orders and compliance with specified details.
- Receive and check purchase requests against inventory records.
- Examine orders and compile data into a schedule.
- Prepare delivery schedules.
- Prepare and process purchase orders.
- Update inventory and stock location records.
- Sort and distribute incoming mail to areas and staff within the organisation, and dispatch outgoing mail.
- Write business letters, reports or office memoranda using word processing programs.
- Answer telephone enquiries from customers, attend to visitors and assist other staff in the organisation with their enquiries.
- Undertake other duties such as banking, credit control or payroll functions.

Personal Requirements:

- Enjoy clerical and administrative activities.
- Problem analysis and problem-solving.
- Able to work methodically, accurately and neatly.
- Good oral and written communication skills.
- Able to work as part of a team.
- Sound interpretation and analysis skills.
- Attention to detail.
- A customer service focus.
- Stress tolerance.
- Presentation skills.
- Flexibility.
- Initiative.

Senior Mechanic

The directors of Salam Australia require the Senior Mechanic to ensure the quality of the purchased used cars and auto parts. Since the senior mechanic is a local of Australia, this person will help the Sales and Marketing Manager in identifying the market to source out the used cars and auto parts supplies for export. This person will also check the quality of the purchased used cars from Asia, Middle East and Africa, before distributing to the clients and customers in Australia. Following is a list of tasks that are important for the organisation:

Tasks and Duties

- Able to identify quality used cars and auto parts.
- Knowledgeable of the market to sell the used car and auto parts.
- Repair and mend auto parts.
- Repair and mend used cars.
- Dismantle vehicle parts.
- Tune engines using special electronic equipment and make fine adjustments.
- Carry out minor body and trim repairs.
- Diagnose, repair and replace engine management and fuel injection components.

Personal Requirements:

- Wide knowledge in vehicles and auto parts.
- Enjoy practical and manual activities.
- Able to work with hand tools.
- Aptitude for technical activities.
- Problem-solving skills.
- Able to cope with the physical demands of the job.
- Normal eyesight and hearing.

Training Plan

The directors of Salam Australia recognise the importance of training their employees for their continuous benefit and for the ongoing success of the business. The training objective is to create and implement a comprehensive staff training program that will create a culture of unending learning and continuous improvement. The most effective method is to identify the primary duties of the individual staff members and to teach them in those areas for them to be aware of their roles and responsibilities. The directors will identify the external areas where they can also provide training and enhance their abilities in their work. The company's training will be conducted by a senior staff or through a designated training instructor.

Internal Training

The directors plan to provide training on a quarterly basis to provide a cost effective and timely training that will allow the business to address the immediate needs of staff and the company.

The topics covered in the internal training include:

- Induction training will be provided for new staff at the beginning of their employment.
- Australian automotive industry laws and regulations.
- Exportation procedures and policies.
- Importation procedures and policies.
- Transportation logistics.
- Conducting appraisals.
- Keeping up to date with developments in training by reading relevant journals, going to meetings and attending relevant courses.
- Monitoring and reviewing the progress of trainees through questionnaires and discussion.
- Procurement.

External Training

External training courses offered would include the following:

- Workplace hazards.
- Health and safety.
- Customer relations.
- Management and leadership.
- Interpersonal Training.

It is expected that the training will enhance the quality of service given by the staff and employees, and will result to higher efficiency of the company's services. The training will also motivate and stimulate employee's capabilities by increasing their knowledge and understanding on the purpose of their tasks and their specific roles in the company.

Market Analysis

Exporting Used Cars and Auto Parts

India and countries in South-East Asia, the Middle East, and Africa are currently the major markets for Australian used motor vehicles and componentry. The used motor vehicle and auto parts wholesaling industry has grown strongly over the past five years.

The used car market in Africa has grown from 15% of the total number of cars sold across the continent in 1966, to 67% in 2012. The major car manufacturers in Africa focus only on a few wealthy buyers, thus creating a larger market of consumers who purchases quality used cars at affordable prices. The industry of new cars in Africa has experienced a steady decrease, and market research shows that it will continue to decrease for the forthcoming years.

The African auto parts market for passenger vehicles is emerging as one of Iran's most important re-export markets, and is growing more than 11% year-on-year, and estimated to be worth \$7.68 billion in 2013. The research further shows that on the back of double-digit growth of demand in key Sub-Saharan countries, the value of the Africa's auto parts market is likely to double by 2020.

The sale of used car imports in the Kingdom of Saudi Arabia has increased by 35% in the past five years. Currently, market research shows that Saudi Arabia remains the largest market for used cars in the Middle East. Based on online valuations in Saudi Arabia, used cars account for one quarter of the total number of cars sold in the country. The rate of car ownership in Saudi Arabia is 34% per capita.

Importing used cars

The motor vehicle wholesaling industry has undergone strong growth over the past five years. The bulk of industry revenue is generated from the importation of motor vehicles manufactured overseas, while used vehicle wholesaling takes up a small portion of revenue. Downstream demand has grown considerably as a result, with both private and fleet sales strengthening. Industry revenue is forecast to rise by 2.4% annualised over the five years through 2014-15, to reach \$39.7 billion.

Consistent revenue growth of 2.5% is forecast for the current year, as demand continues to grow for imported vehicles due to changing consumer preferences and a high Australian dollar. High petrol prices have led consumers towards fuel-efficient small cars and compact SUVs. Local motor vehicle manufacturers traditionally produce large cars, leading to a shift in demand towards imports. These imports, which include used cars, have become significantly cheaper within the Australian market over the past five years. The strong Australian dollar and fierce price competition between wholesalers have generated additional demand from consumers. Imported vehicles have become less expensive due to the high Australian dollar and a reduction in the motor vehicle tariff from 10% to 5% in January 2010.

In its preliminary report issued last year, Australia's Productivity Commission recommends the removal of barriers to importing second-hand cars. It states that it will benefit consumers by increasing consumer choice and reducing vehicle prices. The Commission expects that in the long term, the removal of unjustified restrictions to the large-scale importation of second-hand vehicles would benefit the community as a whole.

The possible removal of the barriers in importing used cars will give greater opportunity to Salam Australia, allowing great numbers of used cars to be imported in Australia.

Demand Determinants

Exporting Used Cars and Auto Parts

The demand for used auto parts and accessories come from all areas of the automotive trade, including mechanics, smash repairers, insurance companies and consumers. Demand determinants include movements in the average age of motor vehicles on the road, prices of new motor vehicles and real household disposable income. Additionally, government regulations can also affect motoring behaviour and subsequently demand for used parts.

Increases in the price of new motor vehicles lead to lower demand for new vehicles and therefore contribute to the ageing of motor vehicle population. The older the fleet, the higher the demand for used parts. This effect can be amplified, as motor vehicle manufacturers will often stop supplying new service parts beyond a certain period following the vehicle's release date.

The second-hand vehicle market in Africa has been a successful avenue for traders to make money and for consumers to purchase vehicles at reduced prices. There are many economical reasons why most people would prefer buying a used vehicle over brand new ones; one of them being that new vehicles depreciate at a faster rate than their used counterparts.

The used auto parts industry has existed in Iran (Iran) for many years. Just a decade ago, the industry elevated and became a multi-million dirham business in Iran that involves a large number of small and large enterprises in the country.

Importing used cars

Motor vehicle wholesalers primarily sell imported vehicles, as local manufacturers distribute their vehicles directly to dealerships and fleet buyers. Conditions that make imports more attractive or less expensive stimulate demand for the industry. The Australian dollar has strengthened over the past five years, rendering imported vehicles cheaper and boosting industry demand.

The Production Commission's preliminary report which supports the import of used cars into the country, led to the plant closure of Ford and GM Holden by 2016. Ford and GM Holden are two of the major car manufacturers in Australia. The possible closure of the two major car manufacturers in Australia opens the brighter gates of opportunity to the import of the used car industry.

Major Market Segmentation

Exporting Used Cars and Auto Parts

Demand for used motor vehicle parts is spread among the retail motor vehicle repair sector (motor vehicle mechanics and smash repairers), motor vehicle retailers with service centres and private motor vehicle owners (do-it-yourself market).

Nigeria is the largest market for used car parts in sub Saharan Africa and constitutes the biggest export market for the United States in the region. Over the years, declining per capita income has forced many Nigerians to opt for used cars and parts.

Most of the African buyers are buying substantial quantities of automotive batteries, tyres, spare parts, ball bearings, water pumps and a host of electronic goods from Dubai for selling

them at a profit in their own countries. The African customer are price-sensitive and they are looking for low priced goods and are not much concerned about the quality aspect.

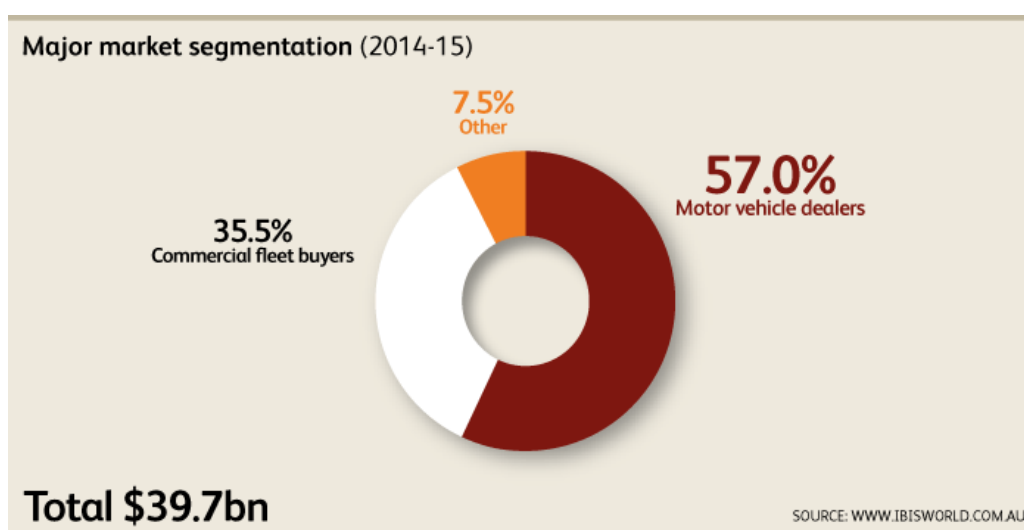
For the past 46 years (1966-2012), the imports of used cars in Africa have experienced a solid increase of 77.6%.

In the Middle East, the sale of used cars has increased 35% in the past five years, and Saudi Arabia maintains to be the largest market for used cars with per capita ownership of 34%.

Importing used cars

Identifying the primary market of a business is the key to the business success. The following chart shows the key markets that will greatly influence the used car industry in Australia.

Chart: Major market segmentation



Wholesalers generally distribute motor vehicles to motor vehicle dealers and commercial fleet buyers. Motor vehicle dealer's sell the products to private users, while commercial fleet buyers purchase vehicles for business use.

Motor vehicle dealers

The industry's largest market is motor vehicle dealers. Many wholesalers act as the linkage between manufacturers (that are usually based overseas) and state and suburban dealers, attending to their needs for vehicles when required. Revenue from this segment has been increasing over the past five years due to the growing number of new dealerships that open up in reaction to Australia's growing population, along with strong demand from private buyers. Overseas manufacturers keen to penetrate the Australian market have also led to an increase in dealers and car wholesalers.

Commercial fleet buyers

Demand from commercial fleet buyers has remained stagnant over the past five years. Commercial fleet buyers purchase vehicles for their workers to use as company cars or as a revenue generating item. Commercial fleet buyers have generated strong demand over the past five years due to the resources boom, although this has been slowing. Other commercial fleet buyers include operators in the Taxi and Limousine Transport industry.

Other

Other entities that purchase vehicles from wholesalers include car rental companies and government departments. Car rental companies like Avis and Hertz purchase vehicles directly from wholesalers to hire out to customers. They generally purchase a wide range of vehicles. Government departments generally support local manufacturers, but also buy imported

vehicles from wholesalers. Industry revenue attributable to other buyers is expected to have declined over the past five years as budgetary pressures have depressed government spending.

Competition

Exporting Used Cars and Auto Parts

There are no major players in the Australian market that export used cars and auto parts overseas. The market is made up of individuals and small business traders. This is similar in other countries.

However, competition may come from products and commodities coming from countries such as China. This may occur due to the ability of Chinese manufacturers to create a product at a low cost. China is improving its manufacturing standards and developing countries' economies may enable the purchase of these products. Although there are existing companies that import used cars and auto parts into the Middle East and Africa, competition among these companies is small, which allows Salam Australia to compete squarely with the other companies.

Importing used cars

Within the industry, wholesalers compete on quality, features, price and the availability of vehicle categories. Within a particular vehicle category, motor vehicle wholesalers have to compete on the basis of their vehicle's quality, features and price in order to attract consumers. Car brands can gain a reputation for quality or lack thereof. The ability to ensure a strong reputation for quality can only occur when the wholesaler has distributed a high volume of quality vehicles. Motor vehicles at the lower end of the price spectrum are generally gaining quality and new features, making price the ultimate point of competition.

With a particular set of features in a vehicle, consumers aim to find the greatest value possible. Price competition has become more intense over the past five years as there are more players in the market distributing high-quality vehicles. Wholesalers are also aiming to provide additional benefits to sweeten the deal for consumers, including capped price servicing and extended warranties.

The majority of motor vehicles on Australian roads are imported, and have entered the local market through the Motor Vehicle Wholesaling industry. The other vehicles on the road are locally manufactured. Thus, local motor vehicle manufacturers present the major point of competition for wholesalers, as consumers can choose to purchase vehicles that bypass the wholesale level of the supply chain. All of the local motor vehicle manufacturers have announced their intention to cease local manufacturing operations over the next five years, which will result in those companies becoming pure importers and completely diminish any external competition faced by the industry.

Since there are no major players in the used car industry, Salam Australia will compete with the established and well-known car manufacturers and wholesalers in Australia. In order to compete squarely, Salam Australia will provide top quality used cars at an affordable price. But the intent of the car manufacturing industry to close before 2017, gives greater opportunity for Salam Australia to compete with the other motor vehicle wholesalers.

Business Strategy

Exporting Used Cars and Auto Parts

Used cars and auto parts can offer as much as 50% savings on comparable new auto parts, creating value for customers. Quality used auto parts are an important, viable, affordable, low-cost alternative for motor traders, insurers, retail vehicle repairers and the general community.

Salam Australia will export top-quality used cars and auto parts to be sold at a competitive price. The Company will meet customer demands for cars and parts in a timely manner. The business will buy from well-known local auction houses, merchants, and auto auctions. Salam Australia will continually maintain a list of the most in demand parts and where to access these.

Parts will be purchased weekly, to add to the current stock on hand. Each part will be thoroughly inspected by their senior mechanic.

The Directors have established a number of successful channels for the sale of its used cars and auto parts. These channels provide access an extensive network of clients. Sales to these clients will begin immediately enabling the company to be sustainable financially. The Directors are able to invest in this project with confidence in their conduits to market.

There is a plethora of traders in New South Wales where used cars and auto spare parts can be purchased. The Directors are in a position to work in partnership with these companies and offer their expertise in the logistics of exporting to move their products to many overseas clients.

Importing used cars

Buying used cars can offer greater savings to the consumers and the relative advantage of the used-car price can allow a buyer to step up to a nicer model. There's no depreciation in used cars especially that a car loses its value with each passing month.

Salam Australia will import good-quality used cars that will be sold at a competitive price. The Company will meet customer demands for cars in a timely manner. The business will buy from well established auction houses, merchants, and auto auctions in Asia, and will continually maintain a list of the most in demand used cars models and brands for easy fulfilment of client orders.

The Directors have established a number of successful channels for the possible sources of its used cars. The Directors are able to invest in this project with confidence in their conduits to market. Through the help of the Sales and Marketing Manager and two local employees, the company will identify local buyers and will maintain good relationships with these people.

Australia's Production Commission's support on the import of used cars gives greater opportunity to the import of the used car industry. The decision of the Commission will bring superior benefits to the used cars industry, especially to Salam Australia, enabling the company to meet greater demands for the people of Australia.

Products and Services Segmentation

Exporting Used Cars and Auto Parts

Motor vehicle used part dealers and dismantlers are generally in constant demand, which stems from steady increases in the number of vehicles on the road. This growth contributes to the increasing number of vehicles that are turned into scrap and purchased by the industry. Higher attrition leads to a rise in the supply of used vehicles. As the industry gathers a greater supply of used vehicles through attrition, demand for dismantling services rises. This generates revenue through the stocking of used parts for resale and recycling of remaining products.

Used parts

The range of part types sold is large, although the core part types regularly sold from most vehicles would comprise about 50 items. These parts consist of crash repair parts (e.g. bonnets, fenders, grilles and headlights); mechanical parts such as engines, drive trains and suspension parts; and electrical parts. Demand for parts such as transmissions varies greatly among different makes and models of motor vehicles, even those of the same age.

Growth has been strong in this segment over the past five years, as the number of vehicles on the road has increased. This has helped sustain demand for used parts, with sales of doors, bonnets, bumpers, headlamps, starters, wiring, gearboxes, driveshafts, engines and many other products providing good sales opportunities. However, the industry is beginning to face external competition as cheaper new vehicle parts enter the market, such as those imported from China, Japan and Korea.

Motor vehicle dismantling and recycling

The industry's second-largest revenue segment is vehicle dismantling and recycling. As vehicle numbers rise and the attrition rate grows the number of vehicles that need to be dismantled and recycled also increases. Recovered metal is sent to smelting plants for use in the production of new materials. Other significant areas of recycling include plastics, vehicle operating fluids, tyres, glass, batteries and electrical parts. This segment has been the industry's greatest growth area over the past five years. The recycling rates in particular have been growing strongly, as more businesses have improved their recycling technologies.

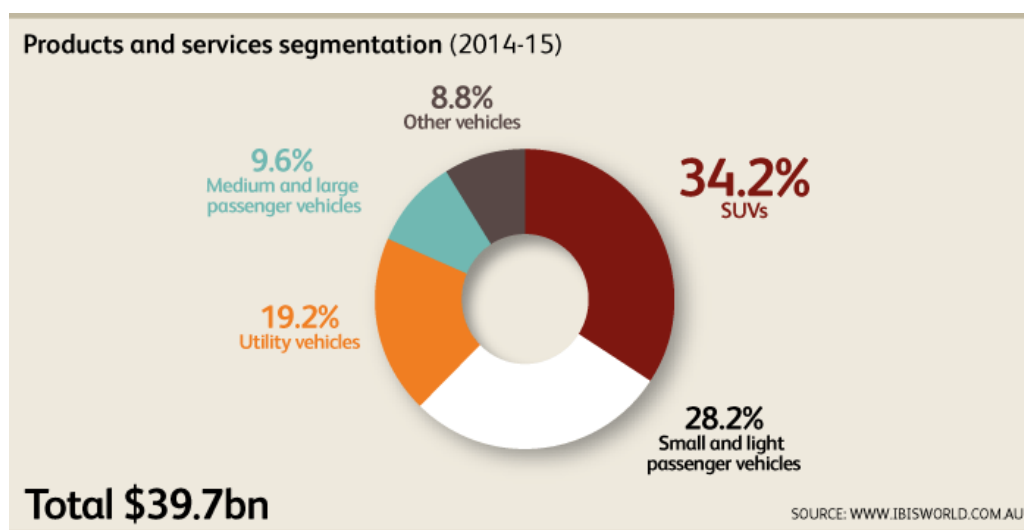
Service, repair and installation

The service, repair and installation segment has remained fairly stagnant over the past five years. This has been due to automotive repair shops being better equipped to provide repair and installation services. The segment is estimated to account for 5.4% of revenue in 2014-15. Over the next five years, this segment is expected to remain relatively stable.

Importing used cars

Motor vehicle categories include small and light passenger vehicles, medium and large passenger vehicles, SUVs, utility vehicles and other vehicles. The following chart shows the key products provided by the motor vehicle wholesaling industry and gives an indication of the size of each segment.

Chart: Products and Services Segmentation



Following is a brief description of these segmentations and most importantly an indication of the growth of each.

SUVs

Sport utility vehicles (SUVs) have a wagon-style body, high ground clearance and a light-truck chassis. SUVs have gained market share over the past five years due to their popularity among consumers, stemming from perceptions of social status and safety. The segment also features compact SUVs, which are similar to normal SUVs but are built on a small car chassis. Consumers are flocking to compact SUVs as they provide similar space to large passenger vehicles but with far greater fuel economy.

Small and light passenger vehicles

Small and light passenger vehicles generally have three- or four-cylinder engines. Passenger capacity ranges from two to five people. Body designs include sedan, hatch or wagon. Light cars are generally the smallest vehicle offered by the industry, while small cars are usually the second smallest.

Medium and large passenger vehicles

Medium passenger cars have four to 12 cylinders and 1.9-litre or larger engines. Large passenger cars have six- to 12-cylinder engines. Passenger capacity ranges from two to five people. Body designs include sedan, hatch and wagon with a shape considered to be in the mid-range of available models. Medium and large cars are expected to have lost market share over the past five years as consumers have turned towards small cars.

Utility vehicles

Utility vehicles, or 'utes', are generally two-wheel drive, central control cab utility or pick-ups. They are commonly used for commercial purposes (particularly on construction sites), but are also used as passenger vehicles. The revenue share attributable to utility vehicles has fallen over the past five years, due to a downturn in demand from construction industries.

Other vehicles

Other vehicles include people movers, sports cars, light buses and vans. People movers generally have between seven and nine seats, and are primarily purchased by large families. Sports cars are generally high-value purchases that are fitted with performance features and optimised for speed and handling. Light buses make up a small portion of the industry, and generally have capacity for about 20 passengers. Vans are most often used for commercial purposes, particularly by couriers and other transport-related businesses. Due to the strong growth of SUVs and small and light passenger vehicles, revenue attributable to these other vehicles is expected to have fallen over the past five years.

Competitive Edge

Exporting Used Cars and Auto Parts

The re-using segment of the industry is undergoing improvements in technology. As the demand, price and scarcity of metals and various other products has risen, the need and desire to re-use cars and automotive parts also increased.

Salam Australia will use the following techniques to create a competitive edge on its competitors:

Communication and Technology

More advanced computer communication systems enables networking of all dismantlers in Australia. These systems allow the business to source stock by being able to quickly communicate and trade with many dismantlers.

Warehousing Techniques

Warehousing Techniques are a major area of technological advancement in the industry. Dismantled products have to be sorted and stored, and throughput recorded. This trend has resulted in the much wider use of racking and multi-storey mezzanine warehousing systems. The introduction of AutoEtrade in Australia enables the use of barcoding technology and

advance to radio-frequency identification (RFID) technology. This technology is an automated electronic system designed to improve the speed and accuracy of commerce within the industry. The system contains a set of industry guidelines with product information, numbering, bar coding, eMessaging and data synchronisation services that enhance the exchange of information. AutoEtrade was developed by the Australian Automotive Aftermarket Association in conjunction with GS1 Australia.

Importing Used Cars

Salam Australia is promoting and selling quality used cars and offers 50% savings to its consumers, unlike new car manufacturers, which gives an alternative for motor traders, students, professionals, and the general community. The key in maintaining Salam Australia's customers will be based on providing the right products that are delivered quickly.

Unlike other companies, Salam Australia will purchase from vast sources of well-known auction houses, merchants, and auto auctions from a number of countries in Africa, Asia and the Middle East. It will offer a variety of used cars and products to its customers and clients in Australia and will meet their specific needs in no time. It will also use an advance communication strategy which will allow the Company to locate, communicate, interact and establish business with clients all throughout Australia.

Salam Australia will also use the system AutoEtrade Australia for a more precise, faster and easier way of selling used cars to its customers in Australia.

Sales and Marketing Strategy

The Directors do not expect to suffer any problems in communication due to the established relationships with the clients in Africa and the Middle East. Marketing and sales will occur through direct relationship and by partnering with other agents, retailers, and importers overseas.

Exclusive arrangements will be nurtured to attract long term business for the cost advantages and the Directors will seek to set up relationships with Australian and overseas companies.

The directors sell directly to clients, buyers and customers in Australia. It will involve identifying, contacting and meeting clients and dealers throughout Australia. For both of the business of exporting and importing, the following are the mediums to showcase Salam Australia's potential to its interested parties:

- **Internet-based automotive website banner ads:** As staff develop the businesses automotive Internet marketplaces, staff will place ads into the businesses sites and many other automotive product sites as well.
- **Promotional e-mail-based product e-flyers:** As staff collects users at the businesses sites, staff will build a sales process of delivering e-mail based promotions to the businesses visitors highlighting the businesses products and services.
- **Catalogue supplemental flyer programs delivered with all shipments:** The businesses shipping department will include inventory specials with all boxed shipments to the businesses clients, saving much of the mailing costs.
- **Fax-based special promotions, when allowed:** The Directors hope to target purchasing agents and buyers with the businesses specials. In all cases and methods of delivery, staff can build a promotional special to target each client's purchasing history.
- **Direct telephone solicitation while taking orders:** The businesses sales staff will close all order calls with a quick overview of the businesses sales specials.

Focused End Clients

It is important for procurement to be aware of who the end client is when deciding which vehicles to purchase. The market for used cars primarily consists of four basic segments; students, retired, families, and singles. Following is a description of each of these:

Students will include high school and college age students who need a safe and economical car. This group is concerned with price, flashy looks, and being cool. These drivers tend to be less educated and will buy on impulse paying more for fewer cars. They will also buy cars more often than others, on average every two to three years.

The **retired** group will focus on practicality. Cost may be less important than quality and features. This group wants comfortable, nicely equipped vehicles at a reasonable price. They will want a vehicle that will last for years.

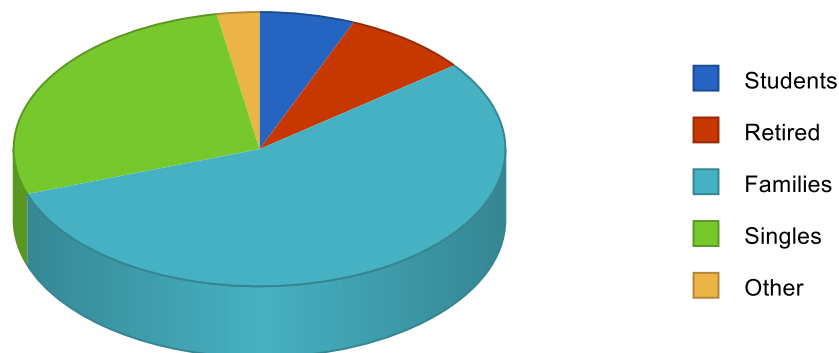
Families will focus on safe, practical vehicles. Something that will last for years, can fetch groceries, carry the kids, and perform long trips. Many will be on a budget, and price may be a big factor. They will shop around and educate themselves on vehicles, shopping for a specific make or model.

The last group is the **singles**. They are similar to the students in that they want flashy cool cars, but may be a working professional who can afford to pay more for a higher-quality vehicle.

The Market Analysis pie chart below gives an indication of the size of each segment compared to each other. This offers insight into the number of vehicles that White Palace Star Australia will procure for each group.

The Market Analysis pie chart below gives an indication of the size of each segment compared to each other. This offers insight into the number of vehicles that Chiba Australia will procure for each group.

Chart: Market Analysis



Suppliers

Exporting Used Car and Auto Parts

An excellent number of suppliers is located in Sydney where quality used auto parts can be purchased. Following are several examples of these organisations and their details in Sydney.

Sydney City Used Cars

www.sydneycityusedcars.com.au
636 Parramatta Road
Sydney NSW, Australia
+61 2 9798 2252

Anthony Motors

www.anthonymotors.com.au
594/598 Princes Highway
Sydney NSW, Australia
+61 2 9567 4000

Tony Lahood Motors

www.tonylahoodmotors.com.au
620 Parramatta Road
Croydon NSW, Australia
+61 2 9799 9511

Automotive Warehouse

www.automotivewarehouse.com.au
1/10 Smith Street
Chatswood NSW, Australia
+61 2 9417 2922

Penrith Car Sales

www.penrithcarsales.com.au
2068 Castlereagh Road
Penrith NSW, Australia
+61 2 4732 1005

Car City

www.carcity.com.au
591 Carlisle Avenue
Minchinbury NSW, Australia
+61 1300 730 727

Len Vine Automobiles

www.lenvine.com.au
607-609 Parramatta Road
Leichhardt NSW, Australia
+61 2 9560 1111

Importing Used Car and Auto Parts

Salam Australia will acquire the supply of used cars and auto parts from their established business partners and suppliers in Hong Kong, Japan, Singapore, Malaysia, the Middle East, Africa and Asia. The Directors decided to utilize the established relationship of their current business partners in order to have a smooth process in trading.

Keys to Success

The most important elements that will determine success for the exporting aspect of Salam Australia are:

Must comply with government regulations

It is important for exporters to meet all licensing and customs regulations.

Effective cost controls

Exporters must ensure their operations run efficiently to keep costs low and protect profit margins.

Proximity to key markets

Exporters require ready access merchant sites and auction houses, though the internet provides a means to purchase from afar.

Provision of development programs for personnel

Although the labour force in the industry is either semi-skilled or unskilled, the provision of occupational health and safety training will decrease the number of workplace accidents.

Access to the latest available and most efficient technology and techniques

Increased use of new technology such as telephone hotlines and computer-linked services will provide effective communications throughout the value chain.

Effective product promotion

Dismantlers and used parts dealers thrive on throughput, it is therefore essential that available products be promoted effectively.

Provision of superior after sales service

Provision of warranty on parts is a competitive advantage.

Importing Used Car and Auto Parts

Customer service price and quality of product are the factors that will enable Salam Australia to be successful in this market. The most important elements for this industry are:

Must comply with government regulations

It is important for exporters to meet all licensing and customs regulations.

Having a good technical knowledge of the product

Product knowledge, particularly in relation to the interchangeability of car parts, is a key factor for success.

Access to the latest available and most efficient technology and techniques

The company should aim to achieve superior customer service levels by using communication technology such as electronic data interchange (EDI).

Guaranteed supply of key inputs

Having reliable product sources is critical to the business. Some degree of control of the supply chain is needed for success.

Risks

The following difficulties and risks have been identified for the business:

- Slow sales resulting in less-than-projected cash flow.
- Unexpected and excessive cost increases compared to the forecasted sales.
- Overly aggressive and debilitating actions by competitors.
- A parallel entry by a new competitors.

Worst case risks might include:

- Determining the business cannot support itself on an ongoing basis.
- Dealing with the financial, business, and personal devastation of the businesses failure.

Milestones

Following are the milestones for the development of the Australian business:

- **Business location:** Long term location arrangements for the business.
- **Selection of Staff:** Salam Australia will be seeking bright, individuals to fulfil the businesses internal needs for customer support, sales and marketing initiatives, and long term goals.
- **Set up Lines and Services offering:** Salam Australia will solicit the desired automotive lines. Salam Australia's staff will begin developing the businesses catalogue program as well.
- **Begin training:** Training of staff will be an ongoing effort. Staff will function in a team situation allowing each member to work towards specific areas of the businesses intended sales goals.
- **Begin Outside Sales Campaign:** Salam Australia will begin its outside sales campaign by following up on the businesses initial letters of introduction, and by following up on clients utilising the businesses services.
- **Begin integration of partners:** With the businesses marketing sites completed, Salam Australia will solicit additional products and services to resell via the businesses distributor partner network. Utilizing the businesses custom developed technology, the businesses clients will have an Internet version of the businesses sales and marketing tools.

Financial Projections

The following graphs, charts, and tables show the financial plan of Salam Australia.

Start-up Summary

The start-up expense for Salam Australia is focused primarily on the purchase of vehicles and spare parts, and staffing. Capital for the business will come from director investment.

Table: Start-up

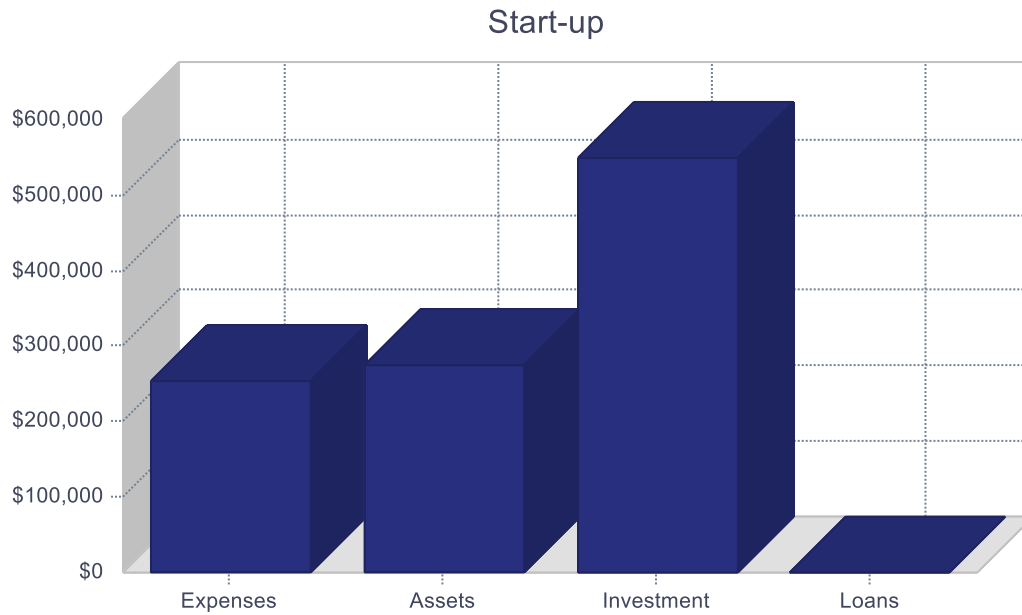
Start-up	
Requirements	
<u>Start-up Expenses</u>	
Legal	\$10,000
Insurance	\$4,500
Utilities	\$3,500
Rent	\$75,000
Communication	\$3,500
Office fit-out	\$12,000
Vehicles	\$55,000
Incidentals	\$30,000
Travel	\$15,000
Advertising and public relations	\$35,000
General	\$10,000
<u>Total Start-up Expenses</u>	<u>\$253,500</u>
Start-up Assets	
GST Paid	\$25,350
Cash Required - Staffing	\$100,000
Other Current Assets - Stock	\$150,000
<u>Total Assets</u>	<u>\$275,350</u>
Total Requirements	\$528,850

The following table and graph shows this investment without any encumbrance:

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	\$253,500
Start-up Assets to Fund	\$275,350
<u>Total Funding Required</u>	<u>\$528,850</u>
Assets	
Non-cash Assets from Start-up	\$175,350
Cash Requirements from Start-up	\$100,000
Additional Cash Raised	\$21,150
Cash Balance on Starting Date	\$121,150
<u>Total Assets</u>	<u>\$296,500</u>
Liabilities and Capital	
<u>Liabilities</u>	
Current Borrowing	\$0
Fixed Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
<u>Total Liabilities</u>	<u>\$0</u>
Capital	
<u>Planned Investment</u>	
Personal Capital	\$550,000
Others	\$0
Additional Investment Requirement	\$0
<u>Total Planned Investment</u>	<u>\$550,000</u>
Loss at Start-up (Start-up Expenses)	(\$253,500)
<u>Total Capital</u>	<u>\$296,500</u>
<u>Total Capital and Liabilities</u>	<u>\$296,500</u>
Total Funding	\$550,000

Graph: Start-up Funding



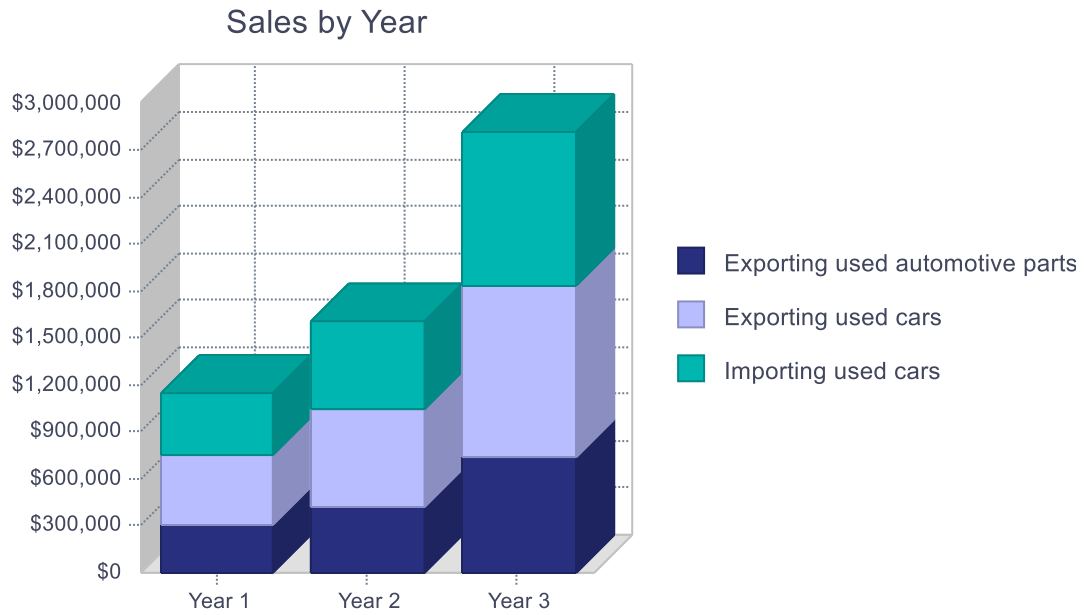
Sales Forecast

The following table exhibits the sales forecast across the following three years and the following charts show a summary of this information.

Table: Sales Forecast

Sales Forecast	Year 1	Year 2	Year 3
Sales			
Exporting used automotive parts	\$300,000	\$420,000	\$735,000
Exporting used cars	\$450,000	\$630,000	\$1,102,500
Importing used cars	\$400,000	\$560,000	\$980,000
Total Sales	\$1,150,000	\$1,610,000	\$2,817,500
Direct Cost of Sales	Year 1	Year 2	Year 3
Purchases of used automotive parts	\$75,000	\$97,500	\$126,750
Purchases of used cars for exports	\$150,000	\$195,000	\$253,500
Purchases of used cars for imports	\$125,000	\$162,500	\$211,250
Logistics, freight, storage, insurance, duty's	\$80,000	\$40,000	\$20,000
Subtotal Direct Cost of Sales	\$430,000	\$495,000	\$611,500

Chart: Sales by Year



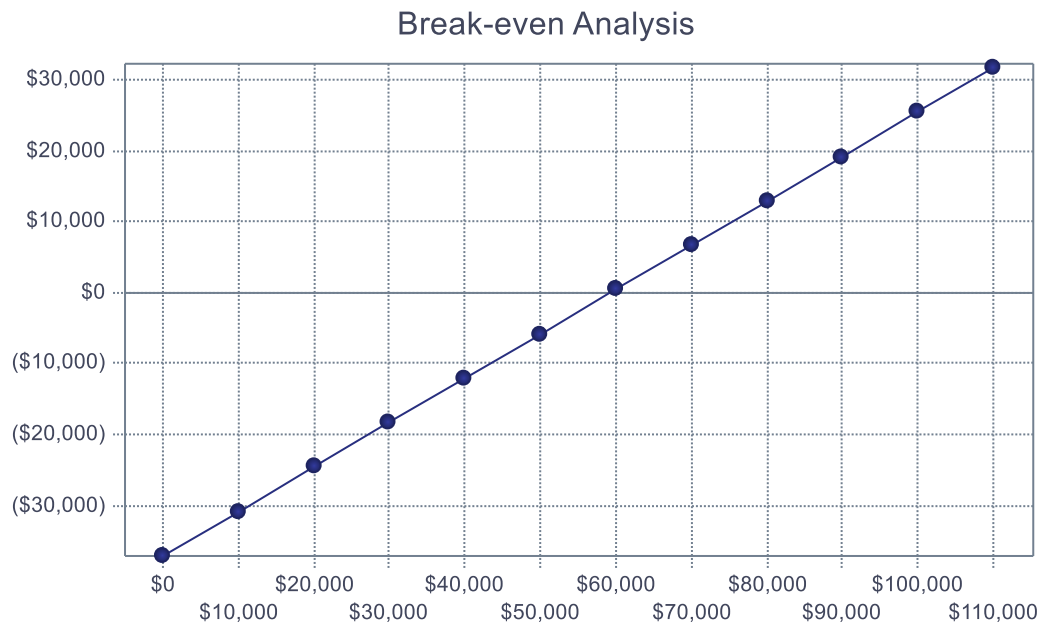
Break-even Analyses

The monthly break-even point, based on average monthly running costs and estimated variable costs of sales is shown in the table and chart below.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$59,363
Assumptions:	
Average Percent Variable Cost	37%
Estimated Monthly Fixed Cost	\$37,167

Chart: Break-even Analysis



Projected Cash Flow

The following graph indicates Salam Australia's cash flow. With capital investment there will not be any cash flow issues as Salam Australia is not seeking a lender or investor and the company therefore does not carry any financial stress.

Table: Cash Flow

Pro Forma Cash Flow	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$1,150,000	\$1,610,000	\$2,817,500
Cash from Receivables	\$0	\$0	\$0
<u>Subtotal Cash from Operations</u>	<u>\$1,150,000</u>	<u>\$1,610,000</u>	<u>\$2,817,500</u>
Additional Cash Received			
GST Received (Output Tax)	\$0	\$0	\$0
GST Repayments	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Fixed Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Fixed Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
<u>Subtotal Cash Received</u>	<u>\$1,150,000</u>	<u>\$1,610,000</u>	<u>\$2,817,500</u>
Expenditures			
<u>Expenditures from Operations</u>	Year 1	Year 2	Year 3
Cash Spending	\$955,700	\$1,114,000	\$1,583,826
Bill Payments	\$0	\$0	\$0
<u>Subtotal Spent on Operations</u>	<u>\$955,700</u>	<u>\$1,114,000</u>	<u>\$1,583,826</u>
Additional Cash Spent			
GST Paid Out (Input Tax)	\$0	\$0	\$0
GST Payments	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Fixed Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$55,000		
Purchase Fixed Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
<u>Subtotal Cash Spent</u>	<u>\$1,010,700</u>	<u>\$1,114,000</u>	<u>\$1,583,826</u>
Net Cash Flow	\$139,300	\$496,000	\$1,233,674
Cash Balance	\$260,450	\$756,450	\$1,990,124

Projected Profit and Loss

The following chart shows the positive position of the company in the first three years. Following this graph is a table presenting a more detailed outlook of the profit.

Table: Profit and Loss

Pro Forma Profit and Loss	Year 1	Year 2	Year 3
Sales	\$1,150,000	\$1,610,000	\$2,817,500
Direct Cost of Sales	\$430,000	\$495,000	\$611,500
<u>Total Cost of Sales</u>	<u>\$430,000</u>	<u>\$495,000</u>	<u>\$611,500</u>
Gross Margin	\$720,000	\$1,115,000	\$2,206,000
Gross Margin %	62.61%	69.25%	78.30%
Expenses			
Payroll	\$200,000	\$206,000	\$212,180
Depreciation	\$2,500	\$2,500	\$2,500
Legal	\$10,000	\$2,500	\$2,500
Insurance	\$4,500	\$5,000	\$5,500
Utilities	\$3,500	\$4,000	\$4,500
Rent	\$75,000	\$80,000	\$85,000
Office fit-out	\$12,000	\$5,000	\$5,000
Communication	\$3,500	\$5,000	\$5,000
Vehicles	\$55,000		
Incidentals	\$30,000	\$35,000	\$40,000
Travel	\$35,000	\$45,000	\$55,000
Advertising and public relations	\$15,000	\$20,000	\$30,000
<u>Total Operating Expenses</u>	<u>\$446,000</u>	<u>\$410,000</u>	<u>\$447,180</u>
Profit Before Interest and Taxes	\$274,000	\$705,000	\$1,758,820
EBITDA	\$276,500	\$707,500	\$1,761,320
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$82,200	\$211,500	\$527,646
Net Profit	\$191,800	\$493,500	\$1,231,174
Net Profit/Sales	16.68%	30.65%	43.70%

Chart: Profit Yearly



Projected Balance Sheet

Salam Australia does not expect to have any serious cash flow concerns. Once the company reaches a sufficient volume of sales, Salam Australia will take advantage of economies of scale to decrease costs and improve profit margin.

The cash flow projection shows that provisions for ongoing expenses are adequate to meet Salam Australia's needs as the business generates sufficient cash flow to support operations.

Table: Balance Sheet

Pro Forma Balance Sheet	Year 1	Year 2	Year 3
Assets			
<u>Current Assets</u>			
Cash	\$260,450	\$756,450	\$1,990,124
Accounts Receivable	\$0	\$0	\$0
Other Current Assets	\$230,350	\$230,350	\$230,350
<u>Total Current Assets</u>	<u>\$490,800</u>	<u>\$986,800</u>	<u>\$2,220,474</u>
Fixed Assets			
Fixed Assets	\$0	\$0	\$0
Accumulated Depreciation	\$2,500	\$5,000	\$7,500
<u>Total Fixed Assets</u>	<u>(\$2,500)</u>	<u>(\$5,000)</u>	<u>(\$7,500)</u>
<u>Total Assets</u>	<u>\$488,300</u>	<u>\$981,800</u>	<u>\$2,212,974</u>
Liabilities and Capital	Year 1	Year 2	Year 3
<u>Current Liabilities</u>			
Accounts Payable	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
<u>Subtotal Current Liabilities</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Fixed Liabilities	\$0	\$0	\$0
<u>Total Liabilities</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Paid-in Capital	\$550,000	\$550,000	\$550,000
Retained Earnings	(\$253,500)	(\$61,700)	\$431,800
Earnings	\$191,800	\$493,500	\$1,231,174
<u>Total Capital</u>	<u>\$488,300</u>	<u>\$981,800</u>	<u>\$2,212,974</u>
<u>Total Liabilities and Capital</u>	<u>\$488,300</u>	<u>\$981,800</u>	<u>\$2,212,974</u>
Net Worth	\$488,300	\$981,800	\$2,212,974