



BUSINESS PLAN

The Healthy Lunchbox

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EXECUTIVE SUMMARY

It's our vision to dominate the lunch market in West Australia by providing a robust, reliable and professional service that consistently delivers our customers healthy, delicious and affordable meals.

Setting the Context

Once dominated by hamburgers, pies and vanilla slices, the school lunch industry has undergone a health revolution. Driving the shift towards healthy eating has been the rapid increase in consumer awareness about the nutritional content of takeaway food and a growing concern with the health and well-being of children. This has resulted in a conscious effort by parents to provide a more balanced diet and an influx of healthy meal options by school canteens brought about by Education Departments that now stipulate what foods children can and cannot buy at school. The Healthy Lunchbox seeks to capitalise on this healthy food revolution by providing nutritious and delicious lunches to school students.

Busy working parents attempting to juggle the demands of home and work are increasingly looking to schools to meet their children's lunch needs. However, many parents are finding that the management of canteens is becoming increasingly difficult for schools, with issues such as adherence to changing health regulations, diminishing parent volunteer numbers, the rising running costs of operating a school canteen and an increased focus on healthy eating and food quality. As a result, many schools are struggling to find a cost-effective way to provide quality food for their students on a regular basis.

The Healthy Lunchbox was developed to fill this void in the school lunch market. It provides parents and schools with the convenience of an off-site canteen service that ensures that students are provided with a great quality lunch every day. The Healthy Lunchbox will deliver freshly prepared, additive free, deliciously healthy lunches to schools every day of the school year. While a school lunch delivery service operates in the eastern states of Australia, its product is not particularly healthy. The most comparable competitor in Perth, Jiffy Foods, is so far removed from the aims of 'The Healthy Lunchbox' that it barely rates as a threat. The Healthy Lunchbox is truly a unique product to Perth and plans to fill the gap of commercialised healthy lunches for school students.

Industry Analysis

The Healthy Lunchbox operates in the takeaway food service industry. It is positioned to target the largely untapped school lunch niche market of this industry. The school lunch market has experienced enormous growth in the last three years. Three years ago there were no schools in Australia which had an offsite lunch delivery service. Now there are over 300 schools.

Concerned with the growing obesity problem, the WA Education Department has introduced standards mandating that school lunch providers serve mainly “green” foods in their food offerings to students. These policies apply to school canteens and offsite businesses. The Healthy Lunchbox will capitalise on and exploit the opportunities that have emerged out of the introduction of these nutritional standards. Few existing takeaway food service providers have the requisite food selections to service the school lunch market. Those that do, lack the physical space or equipment to provide such a service.

Our two main competitors are Flexischools and Fresh n Fast. Only Flexischools currently operates in WA. It has established connections with seven primary schools. Both companies are currently focused on expanding and consolidating their market share in the eastern states. As a result, the WA market remains largely untapped. It will not stay this way for long. Targeting the school lunch niche market creates a highly profitable platform to position The Healthy Lunchbox to benefit from the continued demand for offsite school lunch services. We aim to seize this opportunity and strike before either of our competitors is able to establish a strong presence in the WA market.

Products and Services.

The Healthy Lunchbox will provide students with nutritious, delicious and affordable lunch options. Our great selection of products will be free of artificial preservatives and sweeteners. None of our products will contain dangerous trans-fats and all will be low in fat, cholesterol, salt and sugar. Parents will be able to rest easy knowing that their child is not only eating lunch but is eating a satisfying and healthy lunch.

Our service will be efficient, reliable and effective. No longer will parents need to worry about missing lunch money or forgotten lunch orders. Parents and students can log onto our website and, in the convenience of their home, order and prepay for lunches one day, one week or even one term in advance. Lunches will be delivered to each school before 12.30 pm by our friendly and reliable delivery driver.

Operations

The Healthy Lunchbox’s premises will be in Canning Vale, near Market City, the largest collection of fruit and vegetable wholesalers in WA. This area fits in perfectly with our target market, as there are 51 schools that are within a 4 km radius of our premises.

The necessary equipment centres on catering and office equipment to fit out our warehouse. The equipment will be sourced and installed from as few suppliers as possible. During the start-up phase the required staff will be limited to those in senior management positions and three casual food preparation staff. This will be increased in

the second year, with the introduction of a truck driver and another casual food preparer. This is aimed at keep the start-up costs to a minimum.

The structure of the organisation is such that the silent investor will have the largest stake in the company. This will not, however, remove the balance of power from the senior management, as when combined their stakes in the company will be the largest. The three senior management positions have been structured by the roles that are needed within our business. In the event an exit or harvest strategy is needed, the appropriate strategy will be selected with the senior management and investor's best interests at heart.

Marketing

Initially, we will target school students in general and secondary school students in particular. Secondary schools tend to have larger populations. This is important as we will only have one delivery truck in our first year of operating. Also, secondary schools have not yet been targeted by our main competitor, Flexischools. We will need only to link up with around 5 secondary schools to reach our projected sales figures.

Our marketing strategy has been selected to fit with the market we are targeting. After conducting research and through our conversations with parents and school staff we have decided to approach schools and parents directly. The success of our venture will be largely lost at the 'school gate'. Our strategies have been selected to inform and educate our potential customers. We will make short presentations in school staff meetings and address P&C meetings to position our name, products and services in the minds of our prospective customers and clients. Information will be sent home to parents in the school newsletter. Our products have been priced to be affordable and comparable to our competitors. Our service will be friendly, reliable and efficient.

Critical Risks

The main threat to our business is Flexischools deciding to expand its operations in Perth. Currently, the organisation has established links with 7 primary schools in WA. The organisation, however, has indicated that it has no plans to add any more WA schools in the near future. As a result, the WA market is largely untapped. Few of our potential competitors are able to meet mandated Education Department guidelines for providing school lunches. This has created an exciting opportunity for The Healthy Lunchbox and one we will exploit through the provision of delicious and nutritious 'green' lunches.

The weakness that The Healthy Lunchbox has is the fact that our product can be easily copied by other firms. The equipment required for the business is expensive and needs to

be treated with care in order to minimise cost through damages or breakages. In addition, the owners lack experience in opening and running a business and will need help with the making, packing and delivery of lunches in the first year. We believe we can overcome many of these weaknesses by using our key strengths: our combined business training, a proven ability to work effectively together and the passion and commitment we bring to the concept behind The Healthy Lunchbox.

Finance

Our industry insight and business skills combined with a passion and commitment to injecting new life into the school lunch market is projected to allow The Healthy Lunchbox to become cash flow positive within the first 8 months of operation, generate over \$1 million in revenue by year three and produce a Net Profit before tax of \$66,026 in the second fiscal year.

The Healthy Lunchbox is projected to provide a return of over 59% on the initial investment in just the second year alone.

The Healthy Lunchbox is seeking a silent partner to join its three committed and enthusiastic active partners. We will put in \$15,000 each for a total of \$45,000. We need additional funds to help cover our start-up and initial operating costs. This is your chance.

For \$150,000 you can be a part of a brand new venture with huge community demand and potential for sustained growth.

1.0 THE HEALTHY LUNCHBOX

1.1 Mission Statement

The Healthy Lunchbox has been created with one goal in mind: to offer school students the very best lunches possible for the very least, while providing an unparalleled level of customer service and satisfaction. To achieve this, The Healthy Lunchbox is committed to building its brand with the assistance of a quality product and targeted marketing strategies.

1.2 Overview of The Healthy Lunchbox

The Healthy Lunchbox concept has developed out of a concern in the community about unhealthy additives sneaking their way into everyday foods. Parents who have tried to do their best by making their kids lunches every day are discovering that the 'healthy' food they are giving their children contains a cocktail of colours, preservatives and flavourings, many of which have been banned in countries such as the UK and USA. Foods such as bread, mayonnaise, processed meats and fruit bars may all contain additives which have links to hyperactivity (among other things) in children. A woman by the name of Julie Eady is making her way around the country promoting her book 'Additives Alert' about additives in food and parents are hearing her warnings. We all knew that fast food was no good for us; but what about everyday foods in the supermarket? As a result, preparing truly healthy lunches has become a minefield.

We believe that The Healthy Lunchbox can make an important positive contribution to the health and well-being of students by providing nutritious, healthy and delicious lunches. This is important given alarming statistics showing that obesity and Type-2 diabetes is on the rise in school-aged children. Here at The Healthy Lunchbox we will use only the freshest and highest quality ingredients available. Importantly, our lunches will have no harmful colours, flavours or preservatives. They will also be free of trans-fats and low in sugar, salt and cholesterol. As a result, our great selection of healthy food choices not only conforms to, but exceeds, mandated nutritional requirements set out by the WA State Government for the provision of school lunches by canteens and commercial companies.

The Healthy Lunchbox has developed special menus aimed at junior and senior aged children, which provide healthy, tasty food at a reasonable price. We can deliver a fresh, healthy lunch to school students each day. In so doing, our innovative service removes the expense of running a full-size canteen, takes away the headaches of managing staff and volunteers and provides quality food from HACCP certified kitchens.

Knowing that parents lead active and busy lives The Healthy Lunchbox provides parents with the convenience of an online ordering system. Parents (and students) can place orders online

from the comfort of their home up until the morning of delivery. Weekly meal schedules also can be created so parents can “set and forget” and be assured their child’s needs are well cared. The meals are delivered to the school each day with the student’s name and class clearly identified on each paper bag. Our service will be reliable, the food high-quality and the program able to be implemented in primary and secondary schools at no cost to the school.

2.0 INDUSTRY ANALYSIS

2.1 ANZSIC Category

According to details provided on the Australian Bureau of Statistics’ (ABS) website, The Healthy Lunchbox is situated in the Takeaway Food Services Industry (see Australian Bureau of Statistics 2010). The ANZSIC code for this industry is H4512.

2.2 Industry Definition

The takeaway food services industry consists mainly of businesses engaged in providing food services ready to be taken away for immediate consumption. Other items sold may also include salads, soft drinks, desserts and confectionaries. Customers order or select items and pay before eating. Items are usually provided in takeaway containers or packaging. Food is consumed on the premises in limited seating facilities, taken away by the customer or delivered to the customer. Produce used in the production of fast food is often purchased from wholesalers in its raw state before being transformed into takeaway food at store premises.

2.3 Overview of Takeaway Food Services Industry

Once dominated by hamburgers and fries, the takeaway food industry has undergone a health kick over the past five years. Driving the shift towards healthy eating has been the rapid increase in consumer awareness about the nutritional content of takeaway food, a conscious effort by consumers to eat a more balanced diet and an influx of healthy meal options by the industry's heavy weights. Combined, these factors are estimated to have led to a 4.3% per annum rise in industry sales over the five years through 2010-11 (www.ibisworld.com.au/industry/default.aspx?indid=400). Growth in sales however has not been easy, with intense levels of competition within the industry continuing to negatively affect sales and profit levels over this period.

Industry operators sell a broad range of takeaway food. The three most popular products are hamburgers, pizza and chicken. Sandwiches, rolls, baguettes and focaccias are popular lunchtime takeaway choices. Businesses that supply lunchtime takeaway services cater primarily for working adults who are on the run. Consequently, the services they provide tend

to be fast and efficient. Specialised takeaway food services (eg. Sushi takeaways, Noodle Box, Indian) tend to cater for more “mature” tastes. The industry as a whole offers relatively inexpensive food choices.

The takeaway food services industry is a vital service industry in the Australian economy, employing a significant number of Australians (more than 276,000 in 2009). There are over 35,000 establishments in Australia that provide some form of takeaway food service (not including restaurants). During 2008-2009 takeaway food businesses generated \$14 billion in income (Australian Bureau of Statistics 2010). There has been a 4.3% per annum rise in industry sales over the five years through 2010-11 (Australian Taxation Office 2010). Growth in sales has not been easy, however, with intense levels of competition within the industry continuing to negatively affect sales and profit levels over this period. In 2007, the industry experienced low profitability and shortages of both skills and labour. Reflecting global trends that related partly to the global financial crisis, the industry experienced reduced revenue growth of 2.6% in 2009. Low quality entrants have driven down prices in some areas and, in some cases, have damaged the reputation of the industry.

Purchases, followed by wages, comprise the two major costs in the industry. Together, these account for around 75% of all outgoings. Successful companies are able to control both of these costs so they do not eat into future profits. Rent and advertising, while significant, account for less than 2% of costs (www.ibisworld.com.au/industry/default.aspx?indid=400).

2.4 External Factors Impacting the Catering Services Industry

To better understand the various environmental factors that are impacting the takeaway food service industry in general and the school lunch market in particular, a PEST Analysis was conducted. These factors provide an indication of the types of opportunities and threats that our business may face.

2.4.1 Political Factors

The most important political factors that are impacting the takeaway food service industry are new or proposed government policies, regulations and laws to improve consumer and worker rights, along with the quality and labelling of food. In addition, regulations covering food preparation are constantly being updated (see Food Safety Standards Australia and New Zealand 2010). There are also policies stipulating what kinds of foods can be bought by children at school.

2.4.2 Economic Factors

Food catering companies are affected by several economic factors. Economic conditions can greatly affect levels of disposable income for consumers and influence the prices they are willing to pay and the types of purchases they will make. For example, an economic recession or slowdown may reduce the consumers' disposable income, thereby reducing consumer spending to the lowest level. Other factors that are likely to reduce consumer spending are uncertainty about the global economic outlook, interest rate rises and increases in unemployment. The more expensive and discretionary the service offered the more it is likely to be affected by adverse economic conditions.

2.4.3 Social and Cultural Factors

The more important social and cultural factors that are impacting the takeaway food service industry are: (1) work-family balance, which is resulting in time-poor workers increasing their outsourcing of domestic responsibilities; (2) attitudes toward health, which is resulting in increasing numbers of people turning to food offerings that contain less fat, sugar and salt as well as eating a greater amount of fruit and vegetables, whole grains and lean meats; (3) rising standards of living, which means many people now have more disposable income; (4) a growing concern for the environment, which is resulting in increasing numbers of people wanting clean and green products and services; and (5) the growth in multiculturalism, which is increasing the number and range of food choices people are experiencing and wanting.

2.4.4 Technological Factors

There are several technological developments affecting the takeaway food service industry. Many businesses are using the internet to promote their businesses. Some companies have begun adopting new technologies such as online ordering which provide instantaneous, cashless transactions. Developments in food preparation equipment are allowing businesses to do a greater number and range of things more efficiently and effectively. More companies are using the internet to order equipment and supplies. Many firms are now using accounting, payroll and manufacturing software packages. Spreadsheets and word processing are allowing takeaway service providers to maintain accounts, finances and keep track of correspondence as well as monitoring stock levels and costs.

2.5 School Lunch Industry in Australia

Although the takeaway food service industry, in general, has experienced mixed fortunes in recent years, the school lunch industry is thriving. In the eastern states of Australia, companies specialising in providing lunches to children are rapidly increasing their share of the school lunch market. Three years ago there were no companies providing these services in Australia. Now there are two, Flexischools and Fresh n Fast. These two companies

currently help over 300 schools in the eastern states with their lunch requirements. There are three trends that are influencing the school lunch industry in Australia (and overseas). First, there is a general trend in Australia towards outsourcing non-core responsibilities (Bittman, Meagher and Matheson 1998). Indeed, domestic outsourcing is currently booming. This is due partly to increasing time pressures arising from responsibilities in the paid workforce and partly to a continuing division of labour at home which sees mothers still responsible for such things as school lunches (Bittman, Meagher and Matheson 1998). As a result, parents are increasingly finding it difficult to juggle the demands of work and family. Time-poor parents are finding that they have better things to do than make lunches for their children. Armed with the knowledge that school canteens and other food service providers are required to sell nutritional lunches which are low in fat, sugar and salt, parents are increasingly turning to these providers to meet their children's lunch provision needs.

The trend to outsourcing also applies to schools. In the United States outsourcing has been a feature of school lunches for many years now. While it has been slower to take off in Australia the trend has now begun and shows every sign of accelerating. This is due in large part to the fact that many school canteens are no longer able to get sufficient volunteers and have had to close their doors. Schools have responded by turning to external food service providers to provide lunches for their students. Thus, in NSW, there are over 300 schools that now outsource their school lunches. The two main for-profit providers of lunch services in NSW are Flexischools and Fresh n Fast. Both companies are reasonably large and growing. In WA, few schools have begun to outsource students' lunches. This does not appear to be because such services are not needed. School canteens are also having considerable difficulties finding volunteers here. Rather, it appears to be due more to the absence of food service providers who can provide schools with an outsourcing alternative. In WA Fresh n Fast has yet to enter the market. Flexischools has only just begun to do so. It provides lunch services to seven schools. An email sent to the managing director of Flexischools indicates that the company is not planning to expand its offering in WA at present. From Flexischools perspective there is no urgency to do so. There are no current competitors in the WA market.

The third trend, and one that has considerable import for our business, is the development of mandated nutritional requirements for the provision of school lunches by food service providers. Traditionally, canteen-supplied lunches have tended to be high in sugar and fat while containing few vegetables and fruit (Kirkendoll, 2010). Foods high in sugar and fat are now viewed as being among the more important factors in the growing obesity problem afflicting children. In WA alone, obesity rates have doubled in the past 20 years and one in three schoolchildren is now overweight (Alexy, Wicher and Kersting 2009, Hands et al. 2004). Given this evidence, and a growing awareness that school lunches are part of the problem,

Education Departments in each state of Australia have developed strict nutritional policies to guide the kinds of foods and drinks that can be supplied at school. In WA these concerns resulted in the policy and standards for healthy food and drink being released in 2006. This policy stipulates that all organisations supplying students with lunches (i.e. canteens, shops and other external food service contractors) must serve predominantly green foods and a small amount of amber foods. Green foods are defined as foods that are excellent sources of important nutrients, are low in saturated fat and/or added sugar and/or salt; and help to avoid an intake of excess energy (kilojoules). Examples include fruit (fresh, canned, frozen and dried), vegetables, wholegrain breads and cereals, reduced fat dairy products such as milk, yoghurt and cheese, lean meats, fish and chicken, eggs, plain water and 100% fruit juice in small sizes. Amber foods, which should not be served in large sizes include refined cereals with added sugars, full fat dairy foods, registered pastry items, snack food bars, ice-creams, cakes, muffins and fruit drinks.

As a result of the policy and standards, school bought lunches now tend to be much healthier than home bought lunches. This has prompted Chafkin (2007) to assert that the school food service industry is currently undergoing a health-food revolution. Indeed, recent research indicates that following the introduction of the nutritional standards buying a school lunch is now the most nutritious choice for students (Rogers et al. 2007). When children buy their lunch at school they are “more likely to consume milk, meats, grains and vegetables compared to students who don't, including students who bring lunch from home” (USDA 2001, p.1). They also have “higher nutrient intakes - both at lunch and over the course of an entire day” (USDA 2001, p.1). In contrast, home-packed lunches, which do not need to conform to the nutritional guidelines, tend to be filled with crisps, sweets and sugary drinks (Rogers et al. 2007).

2.6 Our Competitors

2.6.1 Companies Currently Serving the School Lunch Market

In the WA market there are few companies that provide schools with a regular lunch service. An extensive analysis could unearth only one, Flexischools. It currently provides lunches to seven primary schools in the Perth metropolitan area. In the eastern states there is another company, Fresh n Fast that also services the school lunch market. Both companies appear to be quite large and growing. As both are private companies information about them is extremely difficult to find. Besides the occasional news article, the only other information that is available about either company comes from their respective websites. Both websites provide information that relates to the services they provide and how schools can register to become part of their lunch programmes. There is no information about the number of schools they service or the specific geographical areas in which they have focused their

attention. Finally, when contacted, neither company was willing to provide information about their share of the school lunch market, information about their revenue or operating costs or information about their future expansion plans as this information is commercially sensitive. The following then is a summary of what could be gleaned from the two company's websites and the two newspaper articles that have covered aspects of the company's operations.

Flexischools and Fresh n Fast owe much of their success to the fact that they have been able to identify and exploit an important opportunity in the market. Previously, school lunches could only be bought from the school canteen. These companies noticed, however, that the management of canteens was becoming increasingly difficult for schools, as they struggled with issues such as: (1) adherence to changing health regulations; (2) diminishing parent volunteer numbers; (3) rising running costs in operating a canteen; and (4) an increased focus on healthy eating and food quality by parents and education authorities. Armed with this knowledge, the companies have introduced two services to help schools provide their students with lunches. The first is to partner with school canteens to provide a simple and efficient way of receiving, processing and fulfilling daily lunch orders. This involves parents (and sometimes children) ordering and paying for lunches online. Orders can include specific instructions, such as ingredients for sandwiches or salads, while the price is automatically calculated for each option. The orders are sent straight into the canteen each morning and labels are automatically printed, saving hours for canteen staff and reducing the burden on volunteers. In this service the canteen remains integral to the lunch service, that is, it continues to make and deliver the lunches to the students. The other service the companies provide is a complete offsite lunch service. This service is for those schools which don't have a canteen or cannot find sufficient volunteers to run the canteen. This service involves the company taking the orders, making the lunches and delivering them to the students.

The success of Flexischools and Fresh n Fast in meeting the lunch needs of schools is summed up in the following quote by Ms Bird, the former canteen manageress at Harbord Public School in Sydney's northern suburbs: "A lot of people don't like change but I think this is the way that a lot of canteens in the future will be going. It really does make life a lot easier" (Canteen News October 2008).

2.6.2 Companies That Could Serve the School Lunch Market

In addition to Flexischools and Fresh n Fast, there are several businesses that already exist in WA that have the potential to compete with us in the school lunch market. These include delicatessens, small takeaway businesses, large takeaway franchises and mobile food vans. The strengths and weaknesses of each of these businesses is detailed below.

Type of Business	Strength	Weakness
Delicatessen Eg. Samson deli	<ul style="list-style-type: none"> • Local • We known to parents and students • Close to school • Quick delivery • Friendly • Experience in retailing • Already established relations with suppliers 	<ul style="list-style-type: none"> • Can only make a small number of lunches – premises too small • May be unable to meet mandated Education Department nutritional guidelines • Can only service one school-don't have the staff or the equipment to deliver to multiple schools • Little or no experience in servicing school lunch market
Small takeaway business Eg. Kebab shop Fish and chip shop Aroma Cafe	<ul style="list-style-type: none"> • Products usually made fresh on the premises each day • Some companies eg. Aroma Cafe sell products that do not contain artificial colours, preservatives or MSG • Usually local • May be known to parents and students • May have previous experience in the food industry 	<ul style="list-style-type: none"> • Unlikely to meet mandated Education Department nutritional guidelines • Do not have a delivery service • Restricted range of food choices available • May interfere with existing business • Little or no experience in servicing school lunch market • Menu options cater primarily for adult tastes • Cannot order online • Cannot cater for large orders – premises too small • Localised - can't service multiple localities • No experience in servicing the school lunch market
Mobile van service franchise Eg. Jiffy Foods	<ul style="list-style-type: none"> • Experience in delivery and food preparation • Already have some of necessary equipment eg. vans, catering equipment • Friendly 	<ul style="list-style-type: none"> • Most products don't meet Educational Department nutritional guidelines • Geared mainly to the adult market • Mainly services catering market (special events and one offs) • Cannot order online • Each van is limited in the number of products it can carry
Large takeaway franchise Eg. Subway Chicken Treat KFC Pizza Hut Hungry Jacks	<ul style="list-style-type: none"> • Known to parents and students • Already have most of the necessary infrastructure • Have experience in the food industry • Strong marketing Strategies in place • Brand well known • Already have suppliers • May get discounts from suppliers due to their size • Sufficient capital to expand • Fast service 	<ul style="list-style-type: none"> • May interfere with existing business • Very unlikely to be able to meet mandated Education Department nutritional guidelines (with the exception of Subway) • Tend to have localised stores – difficult to service a larger area • Doesn't fit in with their current mission or vision • Need to alter business/ franchise structure • Stores not large enough to make and store large numbers of lunches • Can't order online • Not equipped to take large advance orders • Most don't have a delivery service • Little or no experience in servicing the school lunch market

2.7 Porter's Five Forces Analysis

Based on the analyses presented in the previous sections, a five forces analysis of the industry is presented on the following page.

The Five Forces Analysis indicates that competitors are a very important factor for we need to consider. The main barrier to entry in the school lunch market is the start-up costs. These are less of a problem for Fresh n Fast and Flexischools as they are already operating in this market and could absorb these costs into their existing business structures. Both competitors already have experience in outsourcing lunches to schools in the eastern states of Australia. Thus, Fresh n Fast could open up a similar enterprise in Perth or Flexischools may decide to expand its market share in WA and target the same market as The Healthy Lunchbox.

While Fresh n Fast has the potential to expand into WA, it appears that its current strategy is to develop and consolidate its position in the eastern states. As such, it does not pose an immediate threat. In relation to Flexischools, The Healthy Lunchbox has the advantage of being a secondary follower into the yet undeveloped market within WA. To date, Flexischools has mainly targeted primary schools south of Fremantle in its move into WA. To date, it has established links with five schools in this area. Personal communication with the General Manager of Flexischools, Stephen Austen, reveals that Flexischools has no immediate plans to expand any further in WA (personal communication, October 8 2010). It too is focused on further developing and consolidating its position in the eastern states. In order to avoid initial direct confrontation with Flexischools then, our business will initially target secondary schools. This market remains untapped in WA.

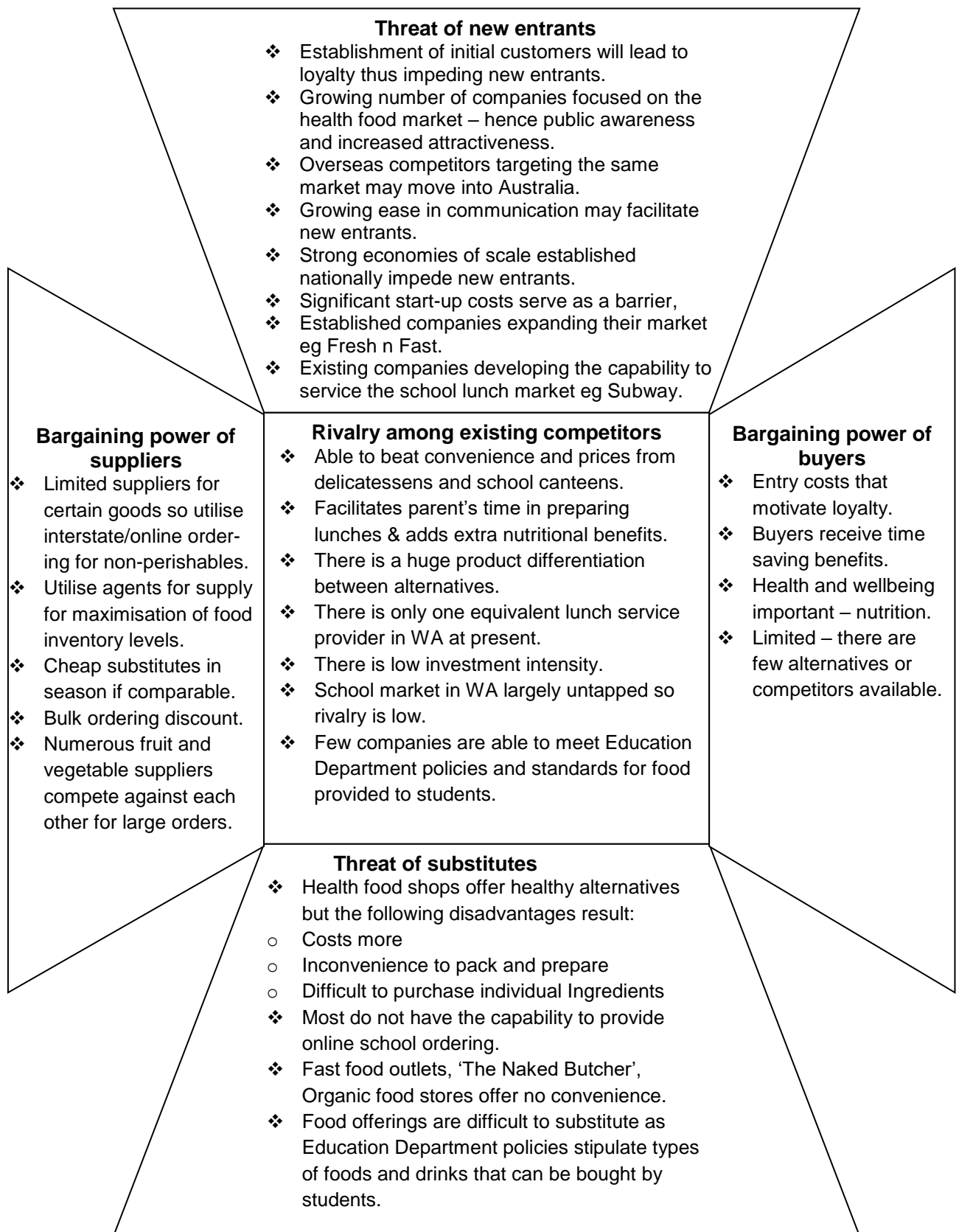
With the exception of the two aforementioned companies, no other takeaway food service companies currently target the school lunch market in any meaningful or noticeable way. As such, they do not pose a significant current threat. Most of these companies lack the ability to meet the nutritional guidelines mandated by the WA Education Department in providing school lunches to students. To meet these standards would require the companies to substantially alter their existing food offerings. In addition, most currently lack the space and equipment that is needed to provide lunches to large numbers of geographically dispersed students.

2.8 Our Competitive Advantage

Our competitive advantage is based on the follow factors:

1. Offering schools and parents a solution to the problem of having insufficient canteen volunteers through the provision of an offsite canteen service.

Five Forces Analysis of the School Lunch Industry



2. Providing food offerings that meet and exceed those required by the WA Education Department in its policy and standards for healthy food and drink for students.
3. Providing parents with the convenience of an easy to use online lunch ordering system that can be accessed from the comfort of their home.
4. Eliminating the need for cash to change hands (and be lost) through cashless online transactions.
5. Providing parents with the option of ordering lunches one day, one week or even one term in advance.
6. Providing an effective and efficient food preparation and lunch delivery service.
7. Investing in premises and equipment that are able to handle large numbers of lunch orders and supply multiple schools with a reliable lunch service.
8. Pricing will be affordable and similar to that charged by our two main competitors.
9. Flexischools, our only direct competitor, has focussed on the primary school market in WA. We will target secondary schools initially in order to establish a foothold in the school lunch market.

3.0 PRODUCTS AND SERVICES

Our aim at The Healthy Lunchbox is to provide a combination of tastes and menu variety that children and teenagers want, with the value, quality, consistency and nutrition they need. As a company, we will source products that do not contain man-made trans-fat ingredients or additives in the form of artificial preservatives or flavour enhancers. Current research suggests that trans-fats inflate cholesterol levels and that artificial preservatives and flavour enhancers are linked to a range of behavioural and health problems such as hyperactivity, insomnia and asthma (Better Health 2010, Saxelby 2002).

We have developed a nutritional platform for each of our lunch options, which ensure less than 35 percent of the product's total kilojoules come from fat and that the sodium content per serving is 400 milligrams or less per serving. Studies show that eating whole grains instead of refined grains lowers the risk of many chronic diseases (Harvard School of Public Health 2010). While benefits are most pronounced for those consuming at least three servings daily, some studies show reduced risks from as little as one serving daily (Harvard School of Public Health 2010). We offer wholegrain breads and wraps as well as white bread that has been fortified with fibre. We also cater for those customers that are gluten-intolerant by providing a range of gluten-free wraps such as corn and rice tortillas.

3.1 Our Lunch Boxes

In creating our lunch options, The Healthy Lunchbox started with the Healthy Food and Drink Choices in Schools Policy and Standards of the Education Department of WA (see Department of Education 2010). This policy sets out what foods and drinks can and cannot be provided to students in WA schools by canteens and private companies. Drawing on this policy we have developed a menu that includes a selection of lunch options. We have included a range of “green foods” which are low in saturated fat, added sugar and salt and that help to avoid an intake of excess energy. Examples on our menu include fresh fruit, vegetables, wholegrain breads and cereals, reduced fat dairy products, lean meats, fish and chicken. We also provide a range of “green drinks” such as plain water and 100% preservative-free fruit juice. A smaller number of “amber foods” are included on the menu such as light pastry items, snack food bars and muffins. No “red foods” such as soft drinks, confectionery or fried foods which are high in saturated fat and/or added sugar and/or salt are included in the menu. In addition, no nuts are included in any of our food offerings as nuts are known to cause anaphylactic responses in some students. In addition, cold calling conducted by us indicated that many schools already have nut-free policies in place.

All of our lunch boxes will be prepared fresh each morning for maximum nutritional value, including the fresh bakery items so they contain no artificial colours and preservatives seen in many convenience foods. The lunch menu provides four items - a main course (\$3), snack (\$1), piece of fruit (\$1) and drink (\$1). The prices for these items compares favourably to those offered by eastern states companies (Flexischools, Fresh “n Fast) which service that school lunch market. While parents can order all four items at a cost of \$6.50 they also have the option of choosing only the items they want. Thus, a parent may order a free-range egg sandwich with a light mayonnaise and a bottle of water for \$4. An example of a lunchbox with all four items included is shown below. The lunch menu for Monday, Wednesday and Friday is presented on the following page.



The Healthy Lunchbox's Monday, Wednesday and Friday Menu

MAIN COURSE	SNACK	PIECE OF FRUIT	DRINK
\$3	\$1	\$1	\$1.50
<p>Fibre-enriched white or wholemeal bread or roll or corn or rice tortilla</p> <p>Filling choice:</p> <p>Free-range egg Organic chicken Tuna Light organic ham Low-fat cheese Salad (tomato, carrot, lettuce and cucumber) Light mayonnaise (no cost)</p> <p>or</p> <p>Salad Box (cucumber, egg, cheese, carrot, tomato, lettuce and roll)</p> <p>or</p> <p>Pasta of the Term Penne with freshly made Napolitano sauce and grated light cheese</p> <p>or</p> <p>Sushi (6 pieces) Tuna, chicken or vegetarian</p>	<p>Packet of sultanas or Bag of unsweetened popcorn or Museli bar with no artificial sweeteners or preservatives Apricot, Blueberry or Mixed fruit</p>	<p>Apple or Banana or Orange or Watermelon or Grapes or Fruit salad</p>	<p>250 ml juice Orange, Apple or Pineapple or 400 ml water or 250 ml low fat milk Plain, Strawberry or Chocolate</p>

3.2 Our Service

The Healthy Lunchbox will initially service the secondary school market in WA. It will provide schools with an outsourced lunch service and an online ordering system. Parents or students can charge The Healthy Lunchbox's Student Card via our secure website. The funds will then become immediately available for making purchases. Orders can be placed online from home, school or work. The online ordering system will automatically calculate the cost of each order and take the funds from a pre-paid account, removing the need for parents to provide students with cash for lunch purchases. The orders will be printed off in The Healthy Lunchbox's business premises at 9.00 am each morning.

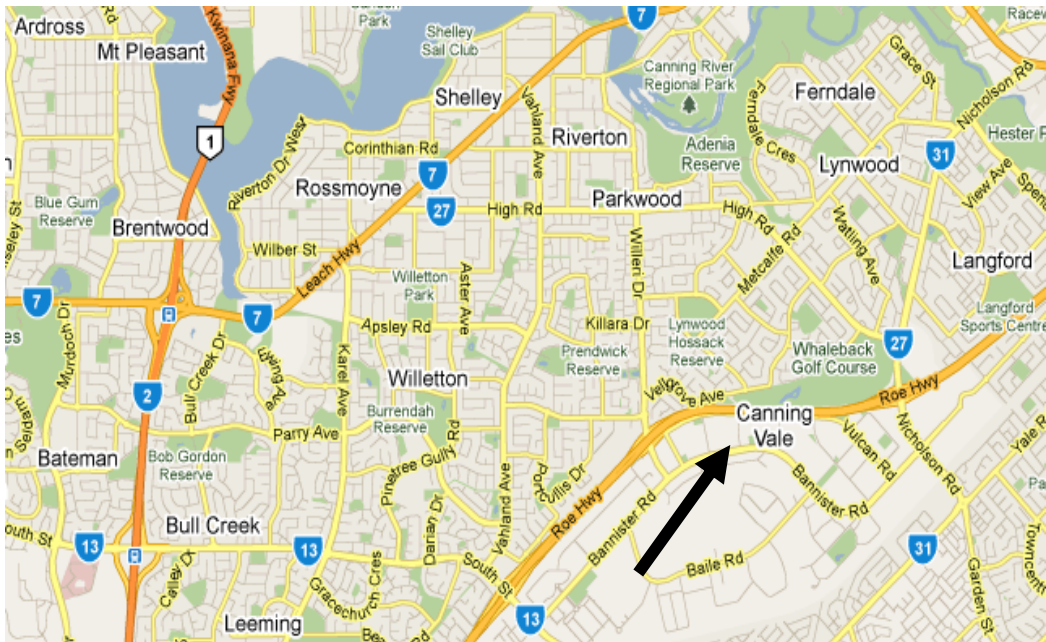
3.3 Future Plans

As the business prospers we will look to add further products and services. First, we will add more items to our menus such as a noodle box, curry and rice and paper spring rolls. Second, once we have established ourselves as the leading lunch service provider to secondary schools in WA we will look to penetrate the primary school market and then the corporate lunch market. We will offer large organisations the opportunity to provide their employees with a lunch service that delivers nutritious and delicious lunches in a convenient and efficient manner.

4.0 OPERATIONS

4.1 Location and Premises

After extensive research Canning Vale has been chosen as the location of our business. This location has much to offer our business. First, Canning Vale is home to Market City which is owned by the state government of Western Australia. It is the primary fruit and vegetable wholesale market for the State (see <http://www.canningvalemarts.com.au/>). It also serves as the home to Perth's largest and most diversified markets regularly attracting crowds of 5,000 or more. Second, the location is close to several wholesale organic market gardeners which is important as organic foods are one of our main product offerings. Third, there are many newly constructed warehouses in the area and new leases are very competitively priced. Fourth, Canning Vale provides us with easy access to a range of secondary (and primary) schools. This is important as we are beginning with one truck and will need to access several secondary schools each morning without travelling long distances. Secondary schools that can be accessed easily from Canning Vale include Cannington Community College, Canning Vale Community College, Maddington SHS, Sevenoaks Senior College, Lynwood SHS, Kenwick SHS, Gosnells SHS, Kelmscott SHS, Leeming SHS, Rossmoyne SHS, Thornlie SHS and Willetton SHS. A map of Canning Vale and surrounding areas is shown below.



The warehouse chosen for leasing is located at Lot 927 Mordaunt Court ((see www.commercialrealestate.com.au/Show_Property.asp?pid=380453). The location is ideal as it is less than 3 minutes away from Market City and is close to main roads such as the Roe Freeway, Ranford Avenue, South Street and Bannister Road.. The warehouse is 659sqm which will cater for our current operations and also provide for future expansion. The cost of leasing the warehouse is \$72,000 pa. The property is brand new and features a 41 sqm warehouse, 114 sqm office area, 114 sqm storage area and a 7.5 m high truss. It has front roller door access, 2 WCs and a shower, a kitchenette, 11 car bays and security perimeter fencing. The warehouse is pictured below. It will be secured by a three year lease at a fixed cost of \$72,000 per annum.



4.2 Required Staff

At start-up we will have three casual food preparation staff. Casual food preparation staff will be paid according to the WA State Food Industry Award (www.commerce.wa.gov.au/LabourRelations/PDF/Awards/F/FoodIndustryAward.pdf). In addition, to save costs during this critical stage, one of the active owners (Rebecca) will assist the food preparation staff. The other two active owners (William and Lexmilian) will pack the lunches, place them on the truck and deliver them to the schools.

As the business grows we plan to add a fourth casual food preparation person. In addition, in the second year of operations we will add a casual truck driver. The truck driver will begin in February 2012 and will be responsible for the loading of the truck and the delivery of the lunches to the schools. In the third year a second casual truck driver will be employed starting in February 2013. The casual truck drivers will be paid according to the WA Transport Industry Award (see www.commerce.wa.gov.au/LabourRelations/PDF/Awards/T/TransportWorkersGeneralAward.pdf).

4.3 Necessary Equipment

The equipment needed at start-up is detailed in the two tables beginning on the next page. The first table provides details about the catering equipment required and the second table provides details about the office equipment required.

In addition to the equipment listed in the two tables the business will also require a delivery truck. After researching the available options a refrigerated 3 pallet truck has been selected as the most suitable option. This truck is large enough to accommodate the number of lunches we will be making and has the added advantage of being able to be driven with a standard car licence. The truck will be leased from Truck Freezer Rentals (www.truckfreezerrentals.com.au). The company has indicated that they can provide a truck on a 12 month lease for \$3,000 per month. A picture of the truck is provided below.



Start-up equipment

Catering

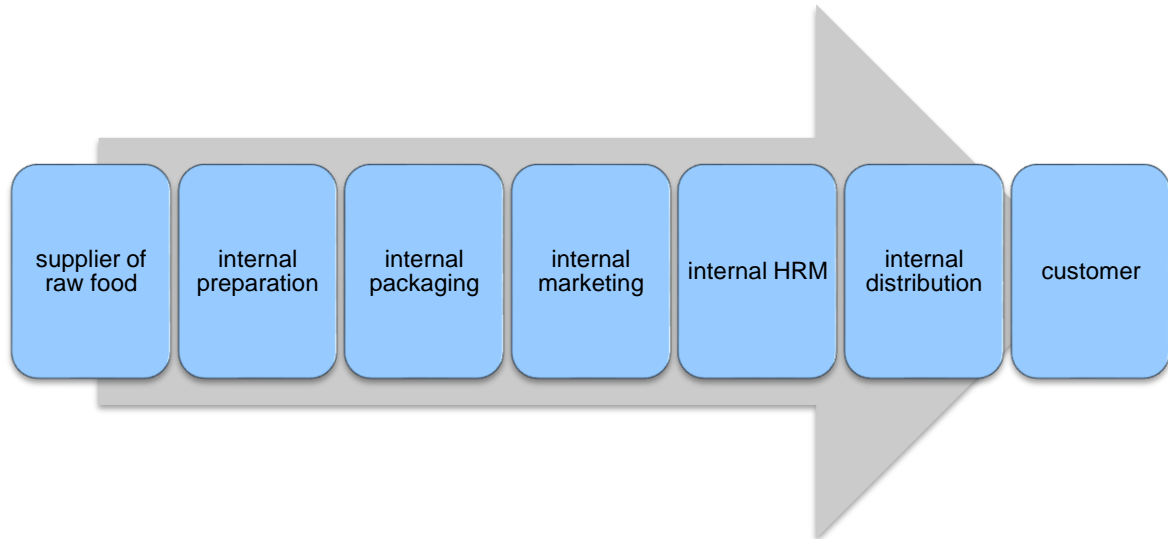
Start-up equipment	Cost	No. needed	Total cost	Available
Stainless steel work table 1500mmx600mm	636	12	7,632	http://www.hospitalitysuperstore.com.au/product.asp?plD=1146&cID=301
Disposable gloves	\$17	1	\$17	http://www.foodservicewarehouse.com/jrmi/gcpts100-10b/p533803.aspx
Commercial chillers 3 door - each holds 1000 drinks	3900	4	15,600	http://www.melbournerefrigeration.com.au/prodDetail.php?recordID=GDR-3
Food slicer	677	1	677	http://www.hospitalitysuperstore.com.au/product.asp?plD=526&cID=182
Pie warmer	469	4	1,876	http://www.hospitalitysuperstore.com.au/product.asp?plD=1313&cID=184
Microwave oven	1610	2	3,220	http://www.hospitalitysuperstore.com.au/product.asp?plD=623&cID=353
Pass through dishwasher	4549	1	4,549	http://www.hospitalitysuperstore.com.au/product.asp?plD=3142&cID=264
Food processor	455	1	455	http://www.hospitalitysuperstore.com.au/product.asp?plD=2761&cID=522
Wall shelves	125	8	1,000	http://www.hospitalitysuperstore.com.au/product.asp?plD=1037&cID=374
Wire shelving unit h1800mmxd355xl1800mm	230	10	2,300	http://www.hospitalitysuperstore.com.au/product.asp?plD=2663&cID=508
Trolleys 3 tier	248	2	496	http://www.hospitalitysuperstore.com.au/product.asp?plD=1820&cID=419
Uniforms/aprons	65	6	390	http://www.hospitalitysuperstore.com.au/categories.asp?cID=427
Oven range	2900	2	5,800	http://www.melbournerefrigeration.com.au/prodDetail.php?recordID=9474-P
Bug zapper	292	1	292	http://www.hospitalitysuperstore.com.au/product.asp?plD=2447&cID=469
Chest freezer	990	1	990	http://www.hospitalitysuperstore.com.au/product.asp?plD=2657&cID=341
Miscellaneous	3000		2500	Target, BigW and KMart
Total			47794	

Office

Start-up equipment	Model	Cost	No.	Total cost	Available
Office chairs	Wilshire Medium Back Chair	50	4	200	http://www.officeworks.com.au/retail/products/Furniture/Chairs/Fabric-Chairs/OWWILSHRMB
Colour laser printer	HP LaserJet CP2020 Printer series	324	1	324	http://h10010.www1.hp.com/wwpc/us/en/sm/WF25a/18972-18972-3328060-15077-236268-3673580.html
HP ProBook 4520s Notebook PC		579	1	579	
Laptop computer	HP EliteBook 8440w Mobile Workstation	1400	1	1,400	http://h10010.www1.hp.com/wwpc/us/en/sm/WF25a/321957-321957-64295-3929941-3955552-4145198.html
Mobile workstation	HP Scanjet N9120 Document Flatbed Scanner	299	1	299	http://h10010.www1.hp.com/wwpc/us/en/sm/WF06b/321957-321957-64295-3740645-4307559-4097189-4097193-4307958.html
Scanner	Scanner	70	1	70	
Fax	HP 2140 Fax series	298	1	298	http://h10010.www1.hp.com/wwpc/us/en/sm/WF05a/15179-15179-64195-15202-3445111-377689.html
Filing cabinet	Excalibre 4 Drawer Black Filing Cabinet	149	1	149	http://h10010.www1.hp.com/wwpc/us/en/sm/WF05a/15179-15179-64176-12137-64346-3819103.html
Stationery cabinet	Metal Stationery Cabinet Medium	299	1	299	
Corner workstation	Merge Corner Workstation	79	3	237	http://www.officeworks.com.au/retail/products/Furniture/Filing-Solutions/eXcalibre-Steel-Filing-Cabinet/OWEXCA4DBK
Desk 2 drawer	Strathmore Desk Chocolate	71	1	71	
Toner	Brother TN-2130 Black Toner	200	1	200	http://www.officeworks.com.au/retail/products/Furniture/Bookcases-and-Storage/Shelving/OWST6600
General stationery				30	http://www.officeworks.com.au/retail/products/Furniture/Desks/Workstations/OWMERGECWS
Calculator	Sharp EL-1128	30	1	50	http://www.officeworks.com.au/retail/products/Furniture/Desks/Computer-Desks/OWSTRATHCE
Files		5	10		http://www.officeworks.com.au/retail/products/Ink-and-Toner/Toners-and-Drums/BRTN2130 Officeworks-East Perth
					Officeworks=East Perth
					Officeworks=East Perth
Total				4206	

4.4 Value Chain Processes

The Healthy Lunchbox seeks to add value to the raw products we obtain from our suppliers. The way we will do so is shown in the value chain detailed below.



The main area in which The Healthy Lunchbox will add value to the products it sources is in the main item category, that is, in the sandwiches, rolls, sushi and pasta options it will provide. These options require us to combine and assemble the raw ingredients into alternative food options. There is limited scope for us to add value to the snacks, drinks and fruit options on the menu as these products are already assembled.

4.5 Regulatory Requirements

The Healthy Lunchbox is regulated by a number of WA State Government Food preparation guidelines. These will need to be adhered to (see www.foodstandards.gov.au/foodstandards/foodsafetystandardsaustraliaonly/). In addition, Education Department Policies covering the dietary and nutritional requirements of lunches supplied by food service providers will need to be followed. Wages and conditions for employees will be covered under the relevant awards (see Appendix 2: Financial Notations).

4.6 Action Plan

The action plan we have formulated to guide our business for the first year of operations (November 2010-June 30, 2011) is shown on the next page.

Action Plan and Time Table	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	April 2011	May 2011	June 2011
Start up								
Create business partnership	x							
Register business name	x							
Find premises and lease	x							
Establish connections with secondary schools	x							
Address staff and P&C at schools keen to participate	x	x		x	x	x	x	x
Send home fliers to parents advertising business	x	x		x	x	x	x	x
Order kitchen and install		x						
Order office equipment		x						
Fit out office and kitchen		x	x					
Prepare lunch menus		x						
Order stock		x	x					
Establish connections with all suppliers		x	x					
Lease truck				x				
Engage Web designer (1 month time frame for completion)	x							
Marketing	x	x	x					
Lease truck			x					
Set up bank accounts	x							
Operational								
Begin taking orders			x					
The Healthy Lunchbox commences business								
Stock order				x	x	x	x	x
Hire and train new staff			x					
Marketing				x	x	x	x	x

4.7 Organisation Structure

The Healthy Lunchbox company structure has been determined with four equity partners being:

- The silent partner (49%)
- Leximilian De Mello (17%)
- William Martinez (17%)
- Rebecca McGinty (17%)

The three active managers of The Healthy Lunchbox have confidence in each other's abilities and compatibility as business partners. We also have confidence in our business idea and model. After taking into consideration these factors as well as issues relating to taxation, liability of owners and ownership issues, it has been decided that the business will be structured initially as a partnership (see Department of Employment, Economic Development and Innovation 2010). This structure will simplify the registration process and is relatively inexpensive. It will enable the three active partners to legally share profits, risks and losses according to terms set out in the partnership contract. As the business grows and increases in complexity it is envisaged that a company structure will be used. More information about the Partnership Agreement that will guide the business is included in Appendix 1.

4.8 Roles and Responsibilities of Owners

To meet the goals of the business in the first three of operations the active partners will assume the following roles and responsibilities.

- **Managing Director**
 - Duties: Provides business planning, mentoring and research and development.
 - Salary: Set at \$30,000 per annum in year one, rising to \$40,000 in November of year 2 and \$50,000 in November of year 3.
 - This role will be filled by Lexmilian De Mello.
- **Human Resources Manager**
 - Duties: Provides business planning, staff employment and training.
 - Salary: Set at \$30,000 per annum in year one, rising to \$40,000 in November of year 2 and \$50,000 in November of year 3.
 - This role will be filled by William Martinez.
- **Marketing Manager**
 - Duties: Provides business planning, advertising and promotions and customer relationship management.
 - Salary: Set at \$30,000 per annum in year one, rising to \$40,000 in November of year 2 and \$50,000 in November of year 3.
 - This role will be filled by Lexmilian De Mello.
- **Operations Manager**
 - Duties: Provides business planning, management of day to day operations, advice to other management on day-to-day operations.
 - Salary: Set at \$30,000 per annum in year one, rising to \$40,000 in November of year 2 and \$50,000 in November of year 3.
 - This role will be filled by Rebecca McGinty.

- Chief Financial Officer

Duties: Provides business planning, drives major strategic issues, supervises internal controls, monitors and assesses sales, cost figures and provides monthly updates of cash balance.

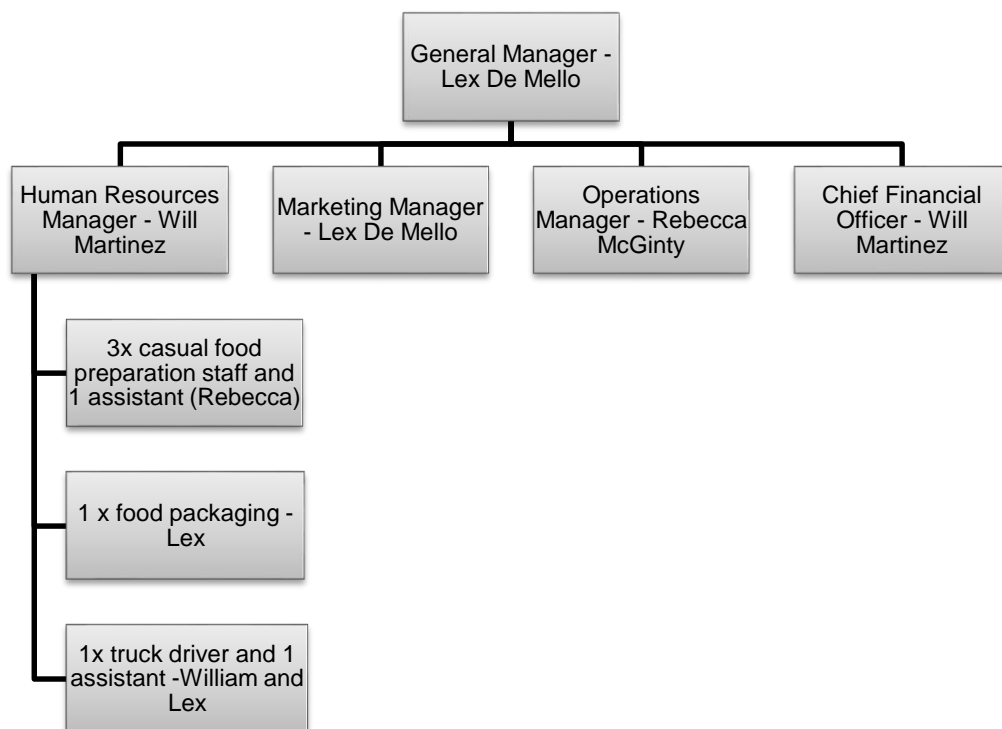
This role will be filled by William Martinez.

4.9 Training

The three casual food preparation staff will be required to do 15 hours of paid training in January 2011 prior to the start of operations. A minimum of 10 hours of management training will be undertaken by each owner each year for the first three years of the business operating.

4.10 Organisational Chart

Organisational Structure of The Healthy Lunchbox at Start-Up



4.11 Exit Strategy

While it is expected that the business will be successful in every way, in the event that this is not correct, an attempt will be made to sell the business. Advertising the business to sell to other pre-established businesses in the Takeaway Food Services Industry would be beneficial as they would be the most likely buyers. This will ensure the investors recoup their money and would have the potential for it to even be a profitable venture for them

If a buyer for the business cannot be found, liquidation of the business is another option. This would entail the selling of the business's assets in order to get the investors a portion of their money back. This is not ideal as it will inevitably lead to a loss for the investors. The reason for this is the start-up costs will be lost and the goods for sale will be second hand.

4.12 Harvest Strategy

4.12.1 Transfer of asset

A transfer of the business's assets will occur if attempts made by the owners do not result in further expansion of the venture. If this occurs the business would be sold in order to secure the best price possible given its current valuation. A complete transferral of the business's equipment, inventory, insurance and bank accounts would be made to the new owner. Credible and independent financial projections would act as a determinant of value. The opportunity to expand under new management would also be taken into account in determining the sale price of the business.

Deal structuring, tax structures, and financial engineering factors will impact value and hence would need to be clarified in detail prior to sale. Given that any potential buyer would need to scrutinise historical performance and operations to get a better understanding of the risks and rewards in the business, all quarterly and monthly investor reports would be made available to help the potential buyer understand the metrics operating within the business. Prior to undertaking the sale the owners would identify the best time to sell given market conditions. If a better opportunity arises elsewhere the owners would take this into consideration.

4.12.2 Continuity of business strategy

In order to guarantee success of the business under new ownership, the successor would be briefed in relation to all the business's operating strategies and assets. A list of all suppliers would be made available. Current staff would be notified of a change of ownership 2 months in advance and the importance of all current staff members would be highlighted to the new owners. All stakeholders would be notified of changes in ownership 2 months in advance and all liabilities pertaining to the lease of equipment and services would be transferred to the new owner in advance. In order to ensure transferral of skills to the new management, one or more of the previous managers would, if needed, act as paid consultants for a guaranteed period of no more than 2 months after change of ownership.

4.13 Statement on Sustainability

Sustainable development reflects the synergy between business and the environment (Warburton 1998). At The Healthy Lunchbox, we believe that sustainability is a journey and not a destination. We strive to operate in a manner that gives back to the planet that we call

home. We will prioritise the quality of the relationships we have with our customers, our employees, our partners and suppliers. It is this combination of respectful relationships and positive actions toward the planet that will make The Healthy Lunchbox unique. We aim to integrate the broader meaning of the word "sustainability" into every aspect of our business and try to make changes each and every day that will benefit the global community. Our progress in this endeavour will be measured by how we source and market our products, how we care for the environment entrusted to us and how we treat our stakeholders, including our team members, consumers, suppliers and the communities in which we live and operate.

Drawing on sustainability business policies available in the public domain (see Kermath 2007), The Healthy Lunchbox has devised sustainability aims and plans to guide our business practices. The approach we have adopted is based on capturing system dynamics, building resilient and adaptive systems, anticipating and managing variability and risk and earning a profit. In all we have identified seven areas where we believe our company can make a positive and worthwhile contribution. The seven areas are: (1) control of water and (2) electricity, (3) conservation of fuel, (4) recycling of waste material, (5) reduction of paper use, (6) socially responsible purchasing of ingredients and materials and (7) caring for stakeholders. Collectively, these areas will foster planned practices that allow us to integrate environmental, economic and social values in our decision making. Detailed information about these areas, our aims and how we intend to achieve them are presented in Appendix 3. The timeline for when we aim to achieve our sustainability aims is presented in Appendix 4.

5.0 MARKETING

5.1 Target Market

The Australian Schools Directory (2010) reveals that there are 1051 schools in Western Australia of which 602 are located in the Perth metropolitan area. The majority of these schools are government schools and are nondenominational. Catholic schools are the next largest group followed by various independent schools representing a range of religious faiths or no denomination. Most schools are co-educational, however, a small number cater only for boys or girls (Australian Schools Directory 2010).

In Australia, children under 18 have an average \$31.60 to spend each week and they influence more than 70 per cent of their parents' clothes and fast food purchases (Beder 2010). In general, the older the child the more money they have to spend on discretionary items.

The Healthy Lunchbox will initially target schools in the Perth metropolitan area. The Perth metropolitan area was chosen because this catchment area has the most schools and the largest proportion of children. As such, it has the greatest share of our target market. Within the Perth metropolitan area, the areas surrounding Canning Vale will be our initial focus. Canning Vale is where our business will be located. In total, there are 51 schools (excluding educational support and pre-primary schools) within a 4 km radius of our business premises (see Appendix 5). Of these 51 schools, 36 are government schools (27 primary schools, 9 senior high schools or colleges), and 15 are nongovernment schools (6 cater for kindergarten to year 7, 2 cater for year 8 to year 12 and 7 cater for kindergarten to year 12).

The nine senior high schools and colleges and the two nongovernment schools that only enrol secondary students (St Norbert's and Lumen Christi) will be targeted initially for three reasons. Firstly, as noted above, secondary school students tend to have more money to spend on things like school lunches. For example, many secondary school students have part-time jobs. They can, if they so choose, use part of the money they earn to buy their lunch at school. This is less likely to be an option for primary school children. Secondly, and more importantly, secondary schools tend to have much larger numbers of students. This is particularly important for our business. In the first year of operations we will have one delivery truck. As a result, there is a limit to the number of schools we can service. By targeting large secondary schools our business will not have to service as many schools. Further, given that between 30% and 40% of children buy their lunch at school (see below), we will need only to get 5 secondary schools to join up to our service in our first year of operations to meet our projected sales figures. Thirdly, Flexischools has already moved into the WA market and has become developing links with primary schools. To avoid competing with them in this market segment, we believe it would be more prudent to focus on secondary schools.

In the event that we are unable to develop links with five secondary schools, we will target the 7 nongovernment schools that enrol students from kindergarten to year 12. These schools, in general, have large student enrolments (range: 358-1179 students). If we are still unable to get sufficient schools we will target those primary schools that have the largest student populations and are closest to our business's premises.

5.2 Estimated Market Share

Lunchables's (2004) surveys indicates that nearly 40% of mothers send their children to school with lunch money and that 59% of children place a high importance on nutrition. Of those lunches bought from home, 47% of parents pack items based on their nutritional value. 70% of home-packed lunches comprise sandwiches and approximately 40% include fruit. The Survey also noted, however, that:

“good nutrition might not always be much more important to moms than convenience. This isn't surprising, since moms and dads have very busy lives, hectic mornings, and it isn't always easy to have a great school lunch prepared” (The 2004 Lunchables Lunchroom Monitor Survey).

Based on this survey and the high value many parents place on nutritious food for their children's lunches we anticipate that between 30% and 40% of children will buy their lunch from The Healthy Lunchbox.

5.3 Marketing Strategies

5.3.1 Company Logo

Our logo, displayed on the cover and on the photograph of one of our healthy lunchboxes (p.20), presents a clear and consistent message to our customers, prospective customers and the wider community. It sums up succinctly what our product is and what it provides. It will be displayed on our lunchboxes, delivery truck, staff uniforms and business premises.

5.3.2 Product Strategy

The Healthy Lunchbox has already undertaken research in the form of cold calling to schools and discussions with teachers and school administrative staff, to explore perceptions of its target market, competitors, food tastes and preferences, price, distribution methods and advertising mediums.

Essentially, The Healthy Lunchbox's product is simply food. However, through research it has been established that the best way for The Healthy Lunchbox to enter the school lunch market in WA is with high-quality lunch and snack offerings sourced from local suppliers in the Canning Vale area. The product will be made available to schools via our online ordering system, initially targeting the high-growth areas near our business's premises. Our initial product strategy is to gain recognition and reputation in the secondary school lunch market. It is believed that achieving status in this market will allow for easier entry into other markets (i.e. primary school market, corporate lunch market) when the business is in a position to expand and diversify its range. Based on our research the style of the product will be:

- Cold and hot food that is free from artificial preservatives and sweeteners and that is low in trans-fats, cholesterol, sugar and salt.
- Mainly organic food.
- Freshly prepared food.
- Food that appeals to the tastes of children and teenagers.
- Four product lines, namely, main meal, snack, fruit and drink.

- Packaged in thin cardboard boxes with The Healthy Lunchbox stamped on the front and inside cover of the box.
- Balanced in nutritional content and change in content seasonally to suit availability of fresh provisions and customer desire for variety.
- Constantly reviewed in regards to tastes through small surveys in schools and feedback that is left on our website.

5.3.3 Pricing Strategy

The NSW Health Department dispels the myth that healthy eating is expensive. The following food pricing guide shows that healthier food options are actually cheaper than less healthy food choices.

Less Healthy Food	Price/kg	Healthier foods	Price/kg
Savoury crackers	9.97	Carrot, capsicum and celery sticks	3.33
Potato crisps	19.90	Popping corn	3.00
Banana muffin	12.00	Banana	4.72
Chocolate	17.90	Dried sultanas	6.45
Chocolate chip cookies	10.49	Fruit snack pack	8.68
Meat pie	7.48	Corn on the cob	3.38
Rolled up fruit bar	25.80	Apple	4.29
Sausage roll	8.38	Two slices of wholegrain bread with tomato, lettuce, cucumber and carrot	4.06
Pastie	10.78	Small can of baked beans on two slices of wholegrain toast	5.76
Dim sim	7.51	Canned tomato soup (salt reduced)	4.99

Bulk Price Sources (NSW + Health 2010, p.1)

The prices we charge for our products must be comparable to what our competitors (or potential competitors) are able to offer. They must also provide acceptable sales volume. If prices are too high we will not have sufficient sales to cover our variable and fixed costs. In view of what our competitors are charging we have decided to price our products as follows:

Main meal \$3	Drink \$1,50	Snack \$1.00	Fruit \$1.00
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Based on targeted research we have determined that most orders will be for a main meal and that around 50% of main meals will include a drink, 30% a snack and 30% a fruit selection. Given this, and our projected sales figures (see Section 7), this will result in an average unit selling price of \$2.02. For each item we sell, our average item costs (variable and fixed) for

the first three years have been calculated as \$2.36, \$1.88 and \$1.79, respectively. As a result, our pricing points will result in a small operating loss for the first year of operations. In the second and third years, however, our pricing points will deliver growing operating profits with gross profit margins around 55% in each of these years.

5.3.4 Distribution Strategy

The Healthy Lunchbox's strategy is to grow the brand out of its initial target. Initially we will focus on Canning Vale and those schools within a 4 km radius of our business's premises. This is because we will only have one truck in our first operating year. As our business grows and we hire more casual food preparation staff and take delivery of an additional truck, we will look to expand into other localities in the Perth metropolitan area. We will continue to target secondary schools but will also actively begin targeting primary schools. Our strategy is to select a geographical area (e.g. Canning Vale) and attempt to get as many schools as possible in that area to join up to our service. Once this has been achieved we will then move on to a new geographical area. We believe this strategy will give us a competitive advantage as it will be more difficult for our competitors to break into a particular area if we already have extensively targeted it.

As our premises are located in Canning Vale we will be using a truck to deliver the lunches to each school. Our delivery staff will drop off lunches between 10 am and 12.30 am each school day. We will use the existing canteen building as our drop off point. Using the same strategy to that of Flexischools, we will enlist the support of one parent volunteer to oversee the distribution of the lunches to classes. Using procedures that already exist in schools, two students from each class will come to the canteen just prior to lunch time and pick up their classes lunch basket. They will return the lunch basket back to the canteen when the lunches have been handed out to the students.

5.3.5 Promotion Strategy

One of the biggest challenges that our business faces initially is that it is such a departure from the traditional model used by most schools in WA. These schools are used to having the school canteen provide their students with lunches. As The Healthy Lunchbox is an entirely new concept, we will work quickly to create an awareness of our service. Marketing, in the traditional sense, is not an option, as schools and parents are understandably wary when it comes to services that involve their children.

Through conversations with teachers, it has become clear to us that schools will be won over by us communicating in simple terms why there is need for our service and what benefits our business can offer the school. Teachers are understandably wary about adopting new programs or practices which require them to put in additional time and effort into their already

overstretched working day. Recognising this, we will stress the fact that everything pertaining to our business is done offsite including the ordering and payment of lunches. Teachers are likely to look favourably on this. In their conversations with us they noted that they often have to use their own time to sort out problems with the school canteen service. These include children losing or unable to find their lunch money, parents sometimes forgetting to send the lunch money with the child's lunch order or parents simply forgetting to send the lunch order and payment in. By highlighting that our business will do away with all of these problems, teachers are likely to look favourably on our service.

Once teachers are won over we will then ask the school to advertise our services in the school newsletter. This is a very effective way of reaching parents in each school we are targeting. School newsletters go home to every family every week. Therefore, we can be assured of reaching our entire potential customer base. Furthermore, as we are providing a service to the school this advertising would not cost our business anything (personal communication with Rhonda Spencer, Principal, Samson Primary School, October 9 2010). The newsletter insert would describe our business, what unique benefits we offer parents and students and what advantages parents and schools will reap from having us as their lunch service provider.

It has also become clear to us in our conversations with parents that parents' trust will be won or lost in the conversations at the school gate. In school communities, word-of-mouth travels fast. Consequently, we have decided to focus our energy in two areas. First, we will address school P&C Associations explaining the background to our business, the products and services we offer and how we can help parents in meeting their child's lunch needs. These talks will focus on two key areas, namely, emphasising the health benefits associated with our lunch offerings and highlighting the convenience, ease and advantages of our online ordering system. Presenting both benefits is likely to prove a strong selling point as parents will know their child is receiving a delicious and nutritious lunch while all of the problems associated with insufficient canteen volunteers, missing lunch orders and lost lunch money is eliminated. Second, we will concentrate on making our website easy to use and creating customer service systems that exceed parents' expectations. By enticing the early adopters onto the system and giving them a positive experience, we anticipate that word-of-mouth will prevail and more and more parents will be attracted to our service. This has been the experience of companies operating in the eastern states. We believe this strategy will also be a key means by which we will attract parents to our service.

6.0 CRITICAL ANALYSIS

A SWOT analysis is presented below detailing the internal and external factors that may affect The Healthy Lunchbox in a positive or negative way. Internal factors are strengths and weaknesses and external factors are opportunities or threats. Additional information about the risks the business faces can be found in Appendix 2.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Original and unique - Maintainable once set up - Run and managed by passionate and committed owners - Builds on current trends in healthy eating - Offerings conform to and go beyond nutritional policies of Education Department - Small to start with - Offers differentiated experiences for each customer - Easily marketed and advertised - Owners have high interest in healthy food choices and business management - Premises are in an excellent location near many schools and suppliers - Online ordering-cashless system - Superior customer service 	<ul style="list-style-type: none"> - Owners lack experience in opening and running a business - Owners need to help with the making, packing and delivery of lunches in the first year - Expensive to set up - Casual staff need to be reliable and dependable - Equipment is expensive if it breaks - High insurance costs for equipment - Only one truck to start with - Easily copied idea – no barriers to entry - Staff need to be trained in using equipment - Need to obtain funding from a silent partner - Ongoing costs are substantial and will need to be monitored closely - Involves heavy investment of time – lunches need to be made, packed and delivered each school day - Can only operate for 40 weeks of the year
Opportunities	Threats
<ul style="list-style-type: none"> - School market has yet to be targeted in any substantial manner in WA - Able to increase the number of schools we service easily - Begin servicing primary schools - Begin servicing the corporate market - Expand to other areas in the Perth metropolitan area - Expand outside the Perth metropolitan area - Franchise the business - Relatively easy to expand target market and product lines - Introduce new product lines 	<ul style="list-style-type: none"> - Easy for other companies to copy - School canteens are able to obtain sufficient volunteers - Value addition is limited, mainly applies to main course offerings - Technological problems - Internet failure - Flexischools expanding its operations in Perth - Fresh n Fast setting up operations in Perth - Overseas company starting up operations - Problems with suppliers - Perception that healthy food is boring - New regulations

7.0 FINANCIAL ANALYSIS

This section of the business plan details the financial strategy we have put in place to achieve our business objectives. It includes information in relation to: the financial objectives of the business; the financial resources required setting up and opening the business; the financial resources required operating the business; and forecasts on the business's performance based on anticipated turnover and running costs at this level of activity.

7.1 Financial Objectives

The financial objectives of The Healthy Lunchbox for the next five years are detailed below. Each of the objectives has been formulated, where possible, as a SMART objective, namely, Specific, Measurable, Actionable, Realistic and Timed. In Australia, the fiscal year runs from 1 July to 30 June. The first fiscal year for The Healthy Lunchbox ends on 30 June 2011 (FY11), the second on 30 June 2012 (FY12) and so on. Comparisons from one year to the next are made by comparing the accounts produced for each respective fiscal year (eg. FY 12 compared to FY11). Hereafter, these fiscal years will simply be referred to as the first, second and third years.

- Acquire a silent partner who will contribute an initial investment of \$150,000 by the 31st October 2010 to purchase equipment and stock.
- Obtain funding of \$15,000 from each of the three active partners by the 31st October 2010 to ensure the business can keep operating until the 31st June 2011.
- Increase cash flow from operating activities by a minimum of 15% for each respective year.
- Increase net profit before tax by a minimum of 15% for each respective year.
- Pay the silent partner a dividend that is 15% of the year's net profit before tax three months from the end of the year in which the profit is realised, with the first dividend to be paid on 30 September 2012.
- Generate a return on equity of 15% for each respective year beginning with FY12.
- Increase each active partner's by \$10,000 on 1st November 2011.
- Increase each active partner's salary by a minimum of \$10,000 in each subsequent year on 1st November if financial objectives 3-6 for the previous year are met.
- Reinvest all surplus cash for each year into the business.

7.2 Financial Requirements

In all \$195,000 will be injected into the business at start-up. The active partners will each provide an initial investment of \$15,000, for a total of \$45,000. The active partners will be providing 'sweat equity' by accepting reduced wages in the first year of operations.

The Healthy Lunchbox also seeks a \$150,000 loan from a silent partner to assist in the project set-up costs and to help meet expenses for the first six months of the business' operations. The business will not have any sales until February, the fourth month of operations. This is because February is the first month of the new school year. Nevertheless, it is very important that the business begin operating in November because the results of direct cold calling to primary and secondary schools suggests that November and December is the time when Australian schools make decisions regarding policies and programmes to adopt for the following year (Remaud 2010, p. 343).

7.3 Projected Financial Statements

The following financial statements are included for the financial projections.

- Sales mix forecasts
- Profit and loss statement
- Balance sheet statement
- Cash flow statement

Information for the first three years of operations, 2010-2011 (FY11), 2011-2012 (FY12) and 2012-2013 (FY13) is provided. The business will only be operating for eight months of the first year and only the last four of these months will have sales. This is because the school year does not start until February 2011. Results for the second and third years are included because they provide a more complete and accurate assessment of the financial projections. The financial forecasts begin on the next page. The monthly breakdown of the cash flow forecasts for the three years of operations is included in Appendix 6. In addition, detailed notations explaining the assumptions and procedures used for estimating the income and expenses is included in Appendix 7. Some of the more important factors affecting the financial statements are noted here.

1. The school year runs for 40 weeks. This means that for 12 weeks of each year the business will not have any sales.
2. It is assumed expenses will rise over the three years of operations due to rises in such things as electricity, council rates and insurance. The Reserve Bank of Australia's guidance is for 3% inflation each year. In the cash flow forecasts we have allowed a more generous 10% increase in most of the fixed expenses. This is because recent rises in electricity, council rates, water and gas have greatly exceeded the rate of inflation. As a result we have erred on the side of caution and adopted a higher figure. All expenses have been increased by 10% in November of each year.
3. GST and tax has not been included in the forecasts. Thus, all projections are net of tax.

4. There is no accounts receivable due to the nature of the business where credit is not offered.
5. Depreciation has been calculated using the straight line method using a depreciation rate of 10%.

7.4 Analysis of Financial Forecasts: Key Financial Indicators

The expected financial performance is presented based on the projected sales through the main profitability ratios. The main profitability ratios include net profit margin, gross profit margin, return on assets and return on investment.

Profitability ratio	Formula	FY 2011	FY 2012	FY 2013
Net profit margin	Net profit/sales	(-16%)	7%	12%
Gross profit margin	Gross profit/sales	(-59%)	55%	55%
Return on assets	Net profit/total assets	(-28%)	29%	41%
Return on investment	Net profit/total equity	(195%)	59%	46%

The key profitability ratios indicate that by the second year of operations the business will be very profitable. This will continue into the third year where the business will either maintain or increase its profitability. Particularly noteworthy is the trend for the net profit margin to increase in each reporting period. This suggests that the business will tightly manage costs as sales increase and that this careful fiscal management will flow through to the business's bottom line.

7.5 Debt Borrowing and Working Capital

The business does not plan to borrow money from the bank. Capital received from the silent partner as well as the three active partners will be used to cover the start-up costs and fund the short-term operating costs of the business. In the third year of operating it is expected that there will be strong cash flows which will result in the business being positively geared with the owners having a strong financial interest in the business.

Working capital is a measure of both the efficiency and short-term health of a company. It is calculated as the current assets less the current liabilities. For The Healthy Lunchbox the anticipated results for the first three years of operation are as follows: FY11: 73950; FY12:

Sales Mix Forecast Based on Sample Menu for 2010-2011

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Item: Main Course									
Number sold				12000	12000	6000	15000	15000	60000
Selling price	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	
Total sales income	\$0	\$0	\$0	\$36,000	\$36,000	\$18,000	\$45,000	\$45,000	180000
Cost of goods sold per item	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	
Total cost of goods sold	\$0	\$0	\$0	\$14,400	\$14,400	\$7,200	\$18,000	\$18,000	72000
Item: Snack									
Number sold				3600	3600	1800	4500	4500	18000
Selling price	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	
Total sales income	\$0	\$0	\$0	\$3,600	\$3,600	\$1,800	\$4,500	\$4,500	18000
Cost of goods per item	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	
Total cost of goods sold	\$0	\$0	\$0	\$1,440	\$1,440	\$720	\$1,800	\$1,800	7200
Item: Fruit									
Number sold				3600	3600	1800	4500	4500	18000
Selling price	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	
Total sales income	\$0	\$0	\$0	\$3,600	\$3,600	\$1,800	\$4,500	\$4,500	18000
Cost of goods per item	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	
Total cost of goods sold	\$0	\$0	\$0	\$1,080	\$1,080	\$540	\$1,350	\$1,350	5400
Item: Drink									
Number sold				8400	8400	4200	10500	10500	42000
Selling price	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
Total sales income	\$0	\$0	\$0	\$12,600	\$12,600	\$6,300	\$15,750	\$15,750	63000
Cost of goods per item	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	
Total cost of goods sold	\$0	\$0	\$0	\$8,400	\$8,400	\$4,200	\$10,500	\$10,500	42000
Total Sales Revenue	\$0	\$0	\$0	\$55,800	\$55,800	\$27,900	\$69,750	\$69,750	\$279,000
Total COGS	\$0	\$0	\$0	\$25,320	\$25,320	\$12,660	\$31,650	\$31,650	\$126,600

Sales Mix Forecast Based on Sample Menu for 2011-2012

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Main Course													
Number sold	8000	16000	18000	9000	18000	9000	0	24000	24000	12000	26000	27000	\$191,000
Selling price	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Total income	\$24,000	\$48,000	\$54,000	\$27,000	\$54,000	\$27,000	\$0	\$72,000	\$72,000	\$36,000	\$78,000	\$81,000	\$573,000
Cost of each item	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
Total COGS	\$9,600	\$19,200	\$21,600	\$10,800	\$21,600	\$10,800	\$0	\$28,800	\$28,800	\$14,400	\$31,200	\$32,400	\$229,200
Snack													
Number sold	2400	4800	5400	2700	5400	2700	0	7200	7200	3600	7800	8100	\$57,300
Selling price	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total income	\$2,400	\$4,800	\$5,400	\$2,700	\$5,400	\$2,700	\$0	\$7,200	\$7,200	\$3,600	\$7,800	\$8,100	\$57,300
Cost of each item	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40
Total COGS	\$960	\$1,920	\$2,160	\$1,080	\$2,160	\$1,080	\$0	\$2,880	\$2,880	\$1,440	\$3,120	\$3,240	\$22,920
Fruit													
Number sold	2400	4800	5400	2700	5400	2700	0	7200	7200	3600	7800	8100	\$57,300
Selling price	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total income	\$2,400	\$4,800	\$5,400	\$2,700	\$5,400	\$2,700	\$0	\$7,200	\$7,200	\$3,600	\$7,800	\$8,100	\$57,300
Cost of each item	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Total COGS	\$720	\$1,440	\$1,620	\$810	\$1,620	\$810	\$0	\$2,160	\$2,160	\$1,080	\$2,340	\$2,430	\$17,190
Drink													
Number sold	5600	11200	12600	6300	12600	6300	0	16800	16800	8400	18200	18900	\$133,700
Selling price	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Total income	\$8,400	\$16,800	\$18,900	\$9,450	\$18,900	\$9,450	\$0	\$25,200	\$25,200	\$12,600	\$27,300	\$28,350	\$200,550
Cost of each item	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total COGS	\$5,600	\$11,200	\$12,600	\$6,300	\$12,600	\$6,300	\$0	\$16,800	\$16,800	\$8,400	\$18,200	\$18,900	\$133,700
Total Revenue	\$37,200	\$74,400	\$83,700	\$41,850	\$83,700	\$41,850	\$0	\$111,600	\$111,600	\$55,800	\$120,900	\$125,550	\$888,150
Total COGS	\$16,880	\$33,760	\$37,980	\$18,990	\$37,980	\$18,990	\$0	\$50,640	\$50,640	\$25,320	\$54,860	\$56,970	\$403,010

Sales Mix Forecast Based on Sample Menu for 2012-2013

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Main Course													
Number sold	13000	26000	26000	13000	26000	13000	0	30000	30000	15000	32000	32000	\$256,000
Selling price	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Total income	\$39,000	\$78,000	\$78,000	\$39,000	\$78,000	\$39,000	\$0	\$90,000	\$90,000	\$45,000	\$96,000	\$96,000	\$768,000
Cost of each item	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
Total COGS	\$15,600	\$31,200	\$31,200	\$15,600	\$31,200	\$15,600	\$0	\$36,000	\$36,000	\$18,000	\$38,400	\$38,400	\$307,200
Snack													
Number sold	3900	7800	7800	3900	7800	3900	0	9000	9000	4500	9600	9600	\$76,800
Selling price	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total income	\$3,900	\$7,800	\$7,800	\$3,900	\$7,800	\$3,900	\$0	\$9,000	\$9,000	\$4,500	\$9,600	\$9,600	\$76,800
Cost of each item	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40
Total COGS	\$1,560	\$3,120	\$3,120	\$1,560	\$3,120	\$1,560	\$0	\$3,600	\$3,600	\$1,800	\$3,840	\$3,840	\$30,720
Fruit													
Number sold	3900	7800	7800	3900	7800	3900	0	9000	9000	4500	9600	9600	\$76,800
Selling price	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total income	\$3,900	\$7,800	\$7,800	\$3,900	\$7,800	\$3,900	\$0	\$9,000	\$9,000	\$4,500	\$9,600	\$9,600	\$76,800
Cost of each item	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Total COGS	\$1,170	\$2,340	\$2,340	\$1,170	\$2,340	\$1,170	\$0	\$2,700	\$2,700	\$1,350	\$2,880	\$2,880	\$23,040
Drink													
Number sold	9100	18200	18200	9100	18200	9100	0	21000	21000	10500	22400	22400	\$179,200
Selling price	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Total income	\$13,650	\$27,300	\$27,300	\$13,650	\$27,300	\$13,650	\$0	\$31,500	\$31,500	\$15,750	\$33,600	\$33,600	\$268,800
Cost of each item	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total COGS	\$9,100	\$18,200	\$18,200	\$9,100	\$18,200	\$9,100	\$0	\$21,000	\$21,000	\$10,500	\$22,400	\$22,400	\$179,200
Total Revenue	\$60,450	\$120,900	\$120,900	\$60,450	\$120,900	\$60,450	\$0	\$139,500	\$139,500	\$69,750	\$148,800	\$148,800	\$1,190,400
Total COGS	\$27,430	\$54,860	\$54,860	\$27,430	\$54,860	\$27,430	\$0	\$63,300	\$63,300	\$31,650	\$67,520	\$67,520	\$540,160

Projected Profit and Loss Statement

	2011	2012	2013
Sales	279,000	888,150	1,190,400
Opening inventory	-	12,670	15,320
Purchases	126,600	403,010	540,160
less closing inventory	12,670	15,320	17,065
Cost of Goods Sold	<u>113,930</u>	<u>400,360</u>	<u>538,415</u>
Gross Profit	<u>165,070</u>	<u>487,790</u>	<u>651,985</u>
Operating Expenses			
Casual staff wages	40,824	95,256	108,864
Casual staff training	972	216	0
Casual staff superannuation	3,672	8,572	9,799
Staff directors wages	52,500	110,000	130,000
Staff superannuation	4,725	9,900	11,700
Building rent	42,000	72,000	72,000
Truck rental	15,000	43,000	60,000
Casual truck driver	0	9,000	27,000
Casual driver superannuation	0	810	2,430
Fuel	1,800	3,620	4,200
Council rates	1,000	2,200	2,310
Electricity	4,000	8,400	9,240
Gas	600	1,260	1,386
Water	1,000	2,100	2,100
Repairs and maintenance	0	2,000	3,200
Sustainability plans	0	4,000	6,000
Depreciation of equipment	5,000	4,680	4,680
Depreciation of building fit out	2,000	1,620	1,620
Sundry	1,300	2,350	2,980
Advertising	6,500	6,400	7,080
Cleaning/toiletry products	550	960	1,110
Disposable lunch items	4,800	19,200	24,900
Total operating expenses	<u>188,243</u>	<u>407,544</u>	<u>492,599</u>
Administration expenses			
Insurance	5,000	5,500	6,050
Office costs	350	640	700
Stationery etc.	350	640	700
Legal/accounting services set up	10,000	-	-
Accounting/legal services(ongoing)	5,000	5,000	5,500
Website maintenance	1,000	2,150	2,350
Internet/phones	1,950	3,630	4,216
Total administration expenses	<u>23,650</u>	<u>17,560</u>	<u>19,516</u>
Financial activities			
Bank fees	350	630	700
Interest received	2,083	3970	9234
Total financing activities	<u>1,733</u>	<u>3340</u>	<u>8534</u>
Net income before tax	<u>-45,090</u>	<u>66,026</u>	<u>148,404</u>

Projected Balance Sheet

	2011	2012	2013
Assets			
<i>Current Assets</i>			
Cash	7020	139916	283513
Office supplies	540	670	710
Inventory	<u>12670</u>	<u>15320</u>	<u>17065</u>
Total current Assets	<u>83450</u>	<u>155906</u>	<u>301288</u>
<i>Non-current assets</i>			
Equipment	52000	46800	42120
Accumulated Depreciation	5200	4680	4212
Building Fit Out	18000	16200	14580
Accumulated Depreciation	<u>1800</u>	<u>1620</u>	<u>1458</u>
Total Non-current Assets	<u>77000</u>	<u>69300</u>	<u>62370</u>
Total Assets	<u>160450</u>	<u>225206</u>	<u>363658</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	6700	8750	9800
Utilities	<u>2800</u>	<u>2300</u>	<u>2530</u>
Total Current Liabilities	<u>9500</u>	<u>11050</u>	<u>12330</u>
<i>Non-current liabilities</i>			
Lease (Building)	174000	102000	30000
Total Non-current Liabilities	174000	102000	30000
Total Liabilities	<u>183500</u>	<u>113050</u>	<u>42330</u>
Net Assets	<u>-23050</u>	<u>112156</u>	<u>321328</u>
Capital contributions			
Capital contributed by silent partner	150000	150000	150000
Capital contributed by active partners	<u>45000</u>	<u>45000</u>	<u>45000</u>
Total Owners' Equity	<u>-23050</u>	<u>112156</u>	<u>321328</u>

Projected Cash Flow Sheet

	2011	2012	2013
Cash Inflows			
Income			
Capital injection	195,000	0	0
Sales revenue	279,000	888,150	1,190,400
Bank interest	2,083	3,970	9,219
Total income	476,083	892,120	1,199,619
Cash Outflows			
Establishment Costs			
Legal/accounting services	8000		
Building fit out	18000		
Equipment and supplies	52000		
Disposable lunch boxes	6000		
Website	5000		
Expenses (on going)			
Purchases	126600	403,010	540,160
Disposables	4800	19,200	24,900
Sundry	1300	2,350	2,980
Advertising	6500	6,400	7,080
Bank fees	350	630	700
Insurance	5000	5,500	6,050
Accounting/legal services	0	5,000	5,500
Website maintenance	1000	2,150	2,350
Internet/telephones	1950	3,630	4,216
Electricity/water/gas	5600	11,760	12,936
Council rates	1000	2,200	2,310
Building rent	42,000	72,000	72,000
Repairs and maintenance	0	2,000	3,200
Sustainability plans	0	4,000	6,000
Truck rental	15000	43,000	60,000
Casual truck driver	0	9,000	27,000
Casual driver superannuation	0	810	2,430
Fuel	1800	3,620	4,200
Casual staff training	972	216	0
Casual staff wages	40824	95,256	108,864
Casual staff superannuation	3672	8,572	9,799
Staff directors wages	52500	110,000	130,000
Staff superannuation	4725	9,900	11,700
Cleaning/toiletries products	550	960	1,110
Office costs/stationery	700	1,280	1,400
Total expenses	405,843	822,444	1,056,022
Cash surplus/(Deficit)	70,240	69,676	143,597
Bank balance			0
Start of year	0	70,240	69,676
End of year	70,240	69,676	143,597

144856 and FY13: 288958. For all three years it is anticipated that there will be positive working capital with sales income being sufficient to cover all short-term commitments. Thus, we expect The Healthy Lunchbox to be financial healthy over the first three years of operations.

7.6 Breakeven Analysis

The breakeven point is that point at which income from sales covers all costs, including overheads. At this point the business will make neither a profit nor loss. The table below indicates the projected breakeven point for the business at the end of each year of operations. It was calculated using the spreadsheet provided by the Small Business Development Corporation (SBDC), a West Australian State Government Agency focused on the development of the small business sector (www.smallbusiness.wa.gov.au/break-even-analysis/).

	2011	2012	2013
Total sales	\$279,000	\$888,150	\$1,190,400
Total no. of units sold	138,000	439,300	588,800
Average unit selling price	\$2.02	\$2.02	\$2.02
Average cost to produce each item	\$0.83	\$0.91	\$0.92
Total variable costs	\$113,930	\$400,360	\$538,985
Total fixed costs	\$211,893	\$425,104	\$512,115
No. of units produced for total variable costs	138,000	439,300	588,800
Number of units to break even	177,144	382,845	462,890
Dollar value to break even	\$358,140	\$774,014	\$935,842

The breakeven analysis indicates that The Healthy Lunchbox will not sell enough lunches in the first year of operations to cover all costs. This is due to the business only selling lunches for four months in FY11. In the second and third year of operations, however, the business will generate enough sales to become profitable. Indeed, the breakeven analysis indicates that profitability will increase for each reporting period with the third year of operations being the most profitable for the business.

7.7 Distribution of Profits

The Healthy Lunchbox will make its maiden profit in the second year of operations. Profits earned in the second and third year of operations will be used to pay the silent partner a dividend. For these two years, 15% of the net profit before tax will be paid to the silent partner. Based on the profit forecasts this will result in the silent partner receiving \$9,903 in September 2012 and \$22,260 in September 2013. All remaining profit from each year's operations will be retained in the business. The retained profits will be used to fund future expansion and to buy our own delivery trucks.

The active partners will receive an increase in their wages of \$10,000 each year providing key financial objectives are met. After the third year of operations, the dividend policy of the business will be reviewed. Should the business be profitable and forecasts show that its profitability will continue to increase in the next two years then the active partners will also be paid a dividend.

7.8 Lease Liability

The premises are projected to be secured by a three year lease with the option to extend the lease for a further five years. The initial truck as well as subsequent trucks leased by the business will be secured with 12 month leases.

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APPENDICES

Appendix 1 Partnership Agreement

Appendix 2 Additional Information about Risks

Appendix 3 Statement of Current Aims and Plans in Relation to Sustainability

Appendix 4 Timeline for the Implementation of Sustainable Aims and Plans

Appendix 6 Monthly Breakdown of the Cash Flow Forecasts for the First Three Years of Operations

Appendix 7 Financial Notations

Appendix 1: Partnership Agreement

The following provides a general idea of what the partnership agreement for The Healthy Lunchbox will look like. The agreement will be tailored to meet our precise requirements after engaging the services of a solicitor.

Legal Issues

1. Name of partnership.

The Healthy Lunchbox

2. Aim of the business.

To provide healthy and nutritious lunches to students in WA schools.

3. How long the partnership will be in existence and when a review of the partnership will be undertaken.

The partnership will be in existence for 5 years. It will be reviewed annually by the active partners.

4. How new partners will be admitted.

It is not envisaged that new partners will be admitted. However, all current active partners must be in agreement before any new partners can be admitted.

5. How existing partners will resign, retire or be dismissed.

Three months notice to be given if intending to retire or resign. Two weeks' notice to be given if the decision by the majority of existing active partners is to dismiss another active partner.

6. How the business can be wound up.

The business can be wound up if the majority of active partners decide on this course of action. Three months notice to be given to all partners advising them of this decision.

Financial Issues

1. The capital and expertise each partner will invest in the business.

Each active partner will invest \$15,000 at start-up. Each active partner will have a Master of Business and will take on roles and responsibilities in the business which reflect their specific business interests and expertise (see Operational Strategy).

2. Details of profit sharing and how these profits can be drawn from the business.

It is not planned to pay the active partners a share of the profits in the business for the first three years. This will be reviewed at the end of the third year of operations.

Personal Issues

1. Names and addresses of the partners.

The active partners are William Martinez, Rebecca McGinty and Lexmilian de Mello.

Addresses will be included at a later date.

2. Each partner's stake in the business.

Each active partner will have a 17% interest in the business. The silent partner who is not part of this partnership agreement will have a 49% interest.

3. Details of working partner remuneration (salaries and/or share in profit) and fringe benefits.

Remuneration in the first year for each active partner is set at \$30,000. Each following year, in November, remuneration will increase by \$10,000 for each active partner as long as key performance objectives have been met.

Appendix 2: Additional Information about Risks

A. Potential problems

The following are major barriers in preventing families from eating healthier (Kearny and McElhone 1999):

- Irregular work hours
- Busy lifestyle
- Willpower
- I do not want to change my eating habits
- Too great a change from my current diet
- Cooking skills
- Healthy foods are more perishable
- Lengthy preparation
- Storage facilities/limited cooking facilities
- Price of healthy foods
- Unappealing foods
- Strange or unusual foods
- Giving up foods I like
- Feeling conspicuous amongst others
- Taste preferences of families and friends
- Not knowing enough about healthy eating
- Experts keep changing their minds
- Healthy options not available in shop or canteen or home
- Not enough food to satisfy hunger
- Other (please specify)
- No difficulty (See Appendix B, Table 2, for percentage reasons to not eating healthy)

There are many reasons why nutritional advice may not be followed. It may be due to a lack of knowledge or information, a general lack of interest towards making a change to one's diet or certain perceived or encountered barriers may prevent people from eating healthier diets such as lack of money (cost), lack of availability, lack of time (too busy with work or study commitments) or taste (healthy food is uninteresting and boring). On the other hand, it may be due to a non-barrier such as an unwillingness to comply where people do not see the need to make changes to their diet as it is already healthy enough (Kearny and McElhone 1999).

B. Obstacles and risks

When it comes to health, all Australians are not exactly equal. If you are poor, less educated or a minority in Australia your prospects on making sensible decisions in relations to a long and

healthy life are significantly worse than if you are a more affluent better educated citizen (Overcoming obstacles to health 2010).

“An accumulation of knowledge over the past two decades tells us that there is a vicious cycle—social disadvantage and health disadvantage accumulate over time, creating even more daunting constraints on a person’s ability to be healthy. These obstacles are transmitted across generations” (Braveman, cited in Overcoming obstacles to health 2010, p.9).

A child raised in a low-income family is likely to watch more television and read fewer books. That child may be exposed to more toxins, crime and junk food and to fewer positive role models (Overcoming obstacles to health 2010, p.9). Day care and schools may be inferior and stress more prevalent – reaching such target markets may prove cumbersome as it involves educating the parents.

C. Environmental risks

Choice of packaging type is made on the basis of a series of trade-offs between many factors, particularly between the amount of packaging and likely product wastage. Sometimes two or three materials are combined or laminated together to keep foods safe and fresh. However, comingled materials are difficult to recycle. For example, drink boxes have six layers of polyethylene, foil and paper. Each layer is necessary to preserve the drink (Green industries, 2010).

Another food wrap that currently can’t be recycled is foil-backed sandwich wrap that helps keep a sandwich warm. Plastic food containers cannot be recycled to make new food containers for sanitation reasons. But plastics used in the food industry can be recycled for other uses if they can be separated easily. Polystyrene foam has been used for fast-food packaging (sandwich “clam shells”) and hot drink cups because it is lightweight, sanitary, recyclable, and insulates to keep foods hot while being cool to touch. Most polystyrene foam food-service products have never contained chlorofluorocarbons (CFCs) that have been associated with the depletion of the ozone layer. Paper cups/containers also are lightweight and sanitary. But they don’t insulate as well as polystyrene foam cups (Green industries, 2010).

D. Alternative courses of action

There is always the underlining risk that some schools will not be willing to accept ‘The Healthy Lunchbox’ program. They may see the program as infringing the profit margins of their own canteens. There is always the risk that parents will opt for cooking and preparing for school lunches themselves as well. In the unlikely scenario in which The Healthy Lunchbox does not

appeal to the intended market, it is plausible to diversify and instead approach business organisations within Perth CBD. Employees pertaining to organisations (with numbers above 30) may indeed see some benefit to ordering their lunches through our agency in order to save time and effort.

Lunchboxes, if delivered to the workforce, would be comprised of larger substantial quantities and may have more premium choice offerings (ie: the inclusion of salmon). The price would rise accordingly but would still offer value for money while at the same time delivering nutritious and delicious lunches. The taste of the corporate lunchbox would be of prime importance in order to appeal to the mature workforce and a variety of alternatives would be available to choose from.

Appendix 3: Statement of Aims and Plans in Relation to Sustainability

The Healthy Lunchbox has devised a range of sustainability aims and plans to guide our business. These draw on sustainable development practices currently being used in business (see Kermath 2007) as well as those recommended by the Government of Western Australia (2004) in its Sustainability Code of Practice. Our plans list specific practices that can be measured and reported on. Some practices will be implemented immediately, while others will be implemented when it comes time to replace equipment or when sufficient funds are available. At the end of each calendar year a survey of what has been achieved in terms of the stated aims and plans will be undertaken. In addition, areas where we can make further progress will be identified and plans written up for their implementation.

1. Electricity Use

Aim

To control the use of electricity in all areas of the building by cost effective and achievable means. Encourage all building occupants to be energy conscious at all times and assist them in achieving their goals.

Plan

- All light fittings will, where feasible, use efficient triphosphor tubes rather than fluorescent tubes.
- Where practical 50 watt lamps will be replaced with 35 watt lamps which have a greater life expectancy and use less power.
- Staff awareness in the efficient use of electricity to be promoted ie turning off switches and lights when not in use.
- 25 litre solar-powered hot water units will be used in place of 50 litre hot water units.
- Air conditioners, fridges and freezers to have 5 star energy efficiency ratings.

2. Water Use

Aim

To control the use of water in all areas of the building by cost effective and achievable means.

Plan

- All tap mixers will have water reduction devices fitted to reduce water loss.
- All garden areas will be fitted with water wise nozzles and water saving devices.
- Staff toilet will have an efficient dual flush toilet system.
- Dishwashers and washing machines to have 5 star water efficiency ratings.

3 Vehicle Fuel

Aim

To conserve fuel and comply with the Western Australian Government directives in the leasing of gas powered vehicles (see Government of Western Australia 2004).

Plan

- Delivery vans will be gas powered rather than petrol powered.

4 Recycling

Aim

To recycle as much of the waste material produced in our building as we can feasibly do in an economic and safe manner. We will use as guidelines the WA Department of Environmental Protection's Waste Paper Recycling Program and the Waste Reduction and Recycling in WA Government agencies publications (Government of Western Australia 2004, www.wastenet.net.au/information/hierarchy).

Plan

- Paper, polystyrene, plastics and cardboard will be recycled.
- Any existing fluorescent tubes will be recycled to extract gas and mercury from the tube.
- Recyclable carpet tiles will be used for all office areas.
- New ways to recycle will be communicated to all staff when appropriate and in combination with Occupational Safety and Health issues.
- Plant food waste to be donated to local market gardeners for chicken feed and composting.

5 Paper Use

Aim

To reduce the use of paper and associated products and improve productivity.

Plan

- Where practical staff communications to be done via email.
- Ordering of lunches will be done online.
- 100 percent recyclable napkins and environmentally friendly cup carriers, salad bowls, utensils and paper towels will be used.
- All information to be stored on computers and backed up using an external storage device.
- Printing will only be done if absolutely necessary.

6 Purchasing of Ingredients and Materials

Aim

To manage The Healthy Lunchbox's purchasing requirements in a socially responsible manner taking into consideration environmental factors when evaluating products.

Plan

- Recognising that there are socio-economic impacts to the State, all ingredients will be sourced locally whenever possible.
- Where possible goods will be bought from companies that operate sustainable business practices and that have community support programmes in place. eg. The Give Something Back Organisation donates profits back to the community.
- Certified organic ingredients will be used whenever possible.
- Genetically modified ingredients will not be used whenever possible.
- All ingredients will have no or negligible trans-fats, small amounts of sodium, no artificial preservatives or artificial sweeteners.
- All ingredients will be low in fat and sugar.
- We will use packaging that is BPA-free¹.

7 Stakeholders

Aim

To employ business practices that promote financial sustainability for the company and a safe work environment and a healthy work-life balance for our employees.

Plan

- The building will be located near public transportation so that our employees do not have to drive to work.
- All employees will have livable wages and maintain manageable workloads.
- All employees will be paid 4 weeks annual leave.
- A safe work environment for our employees will be provided.
- We will take a precautionary and anticipatory approach to decisions and actions related to human health.

¹ BPA is a plastic ingredient used to line some metal food and drink cans and to make hard and clear polycarbonate plastics. It is known to be estrogenic and a 2010 report from the US FDA raised concerns regarding its exposure in children. It is banned in over 100 countries but not in Australia at present. For more information see "[Update on Bisphenol A for Use in Food Contact Applications: January 2010](#)". U.S. Food and Drug Administration. 15 January 2010.

Available: www.fda.gov/NewsEvents/PublicHealthFocus/ucm197739.htm. Accessed: 30 September 2010).

- We will operate with integrity and trust in all we do.
- We will be respectful of each other, our customers and other stakeholders.
- Give free talks at schools and parent and citizen meetings promoting healthy lunches and how our company can help schools achieve this.
- To earn consistent and satisfactory profits for our shareholders and to invest in our people, products and processes.
- We will continually monitor our efforts at sustainability and will seek to redesign products, packaging, our factory and manufacturing processes whenever possible to achieve greater sustainability.

Appendix 4 Sustainability Timeline

	Order of Priority		
	Start-up (Preparing to open)	Once Business Opens	As Soon as Funds Available
Energy			
Replace fluorescent tubes.			
Replace 50 watt lamps with 35 watt lamps.			
Turn off switches and lights not in use.		X	
Replace 50 litre hot water units with 25 litre solar-powered ones.			
Use fridges and freezers that have a 5 star rating.	X		X
Water			
Install water reduction devices on taps.	X		
Fit garden with water saving devices.			X
Replace, if necessary, single flush toilet with dual flush toilet.			X
Use dishwashers that have a 5 star water rating.	X		X
Vehicle Use			
Lease gas-powered delivery vans if possible.	X		
Recycling			
Recycle paper, polystyrene, plastics and cardboard.		X	
Recycle fluorescent tubes.			
Install recyclable carpet tiles in office.			X
Provide employees with regular updates on ways to recycle.		Monthly updates and progress reports.	
Donate or compost food waste.		X	
Paper Use			
Communicate with staff via email where practical.		X	

Online ordering of lunches. X
 Use recyclable napkins, containers, utensils & paper towels. X
 Store information on computer and backup on external storage device. X
 Print only when absolutely necessary. X

Purchasing of Ingredients and Materials

Buy local where possible. X
 Buy from companies operating sustainable development policies. X
 Use organic ingredients where possible. X
 Use GM-free ingredients where possible. X
 Use ingredients with little or no trans fats. X
 Use salt-reduced ingredients where possible X
 Use ingredients that have no artificial preservatives or artificial sweeteners. X
 Use products low in fat and sugar. X
 Use BPA-free packaging. X

Stakeholders

Warehouse located near public transport. X
 Livable wages provided. X
 Employees provided with manageable workloads. X
 Full time employees paid 4 weeks annual leave. X
 Audit of safety practices undertaken. At end of each half year of operations.
 Employees inserviced on safety and health practices. X
 Employees operate with integrity and trust. X
 Treat each other and our stakeholders with respect. X
 Provide free talks at P&C meetings and school staff meetings One meeting a month.
 Earn consistent and satisfactory profit. Reviewed on a monthly basis.
 Conduct audits of our sustainability practices. At end of each year of operations.

Appendix 5: Schools Near our Business Premises

YULE BROOK COLLEGE	Maddington	High School
CAREY BAPTIST COLLEGE	Canning Vale	Non-Govt School
DAMLA COLLEGE	Cannington	Non-Govt School
REHOBOTH CHRISTIAN COLLEGE	Cannington	Non-Govt School
ST JOSEPH'S SCHOOL	Cannington	Non-Govt School
ST NORBERT COLLEGE	Cannington	Non-Govt School
LUMEN CHRISTI COLLEGE	Gosnells	Non-Govt School
ST MUNCHIN'S SCHOOL	Gosnells	Non-Govt School
ST JUDE'S CATHOLIC SCHOOL	Langford	Non-Govt School
QUEEN OF APOSTLES SCHOOL	Riverton	Non-Govt School
LANGFORD ISLAMIC COLLEGE	Thornlie	Non-Govt School
SACRED HEART PRIMARY SCHOOL	Thornlie	Non-Govt School
THORNIE CHRISTIAN COLLEGE	Parkwood	Non-Govt School
ALL SAINTS COLLEGE	Willetton	Non-Govt School
CORPUS CHRISTI COLLEGE	Willetton	Non-Govt School
ORANA CATHOLIC SCHOOL	Willetton	Non-Govt School
WOODTHORPE SCHOOL	Willetton	Non-Govt School
CALADENIA PRIMARY SCHOOL	Canning Vale	Primary School
CAMPBELL PRIMARY SCHOOL	Canning Vale	Primary School
CANNING VALE PRIMARY SCHOOL	Canning Vale	Primary School
EXCELSIOR PRIMARY SCHOOL	Canning Vale	Primary School
RANFORD PRIMARY SCHOOL	Canning Vale	Primary School
ASHBURTON DRIVE PRIMARY SCHOOL	Gosnells	Primary School
GOSNELLS PRIMARY SCHOOL	Gosnells	Primary School
SEAFORTH PRIMARY SCHOOL	Gosnells	Primary School
WIRRABIRRA PRIMARY SCHOOL	Gosnells	Primary School
BROOKMAN PRIMARY SCHOOL	Langford	Primary School
BANKSIA PARK PRIMARY SCHOOL	Leeming	Primary School
LEEMING PRIMARY SCHOOL	Leeming	Primary School
WEST LEEMING PRIMARY SCHOOL	Leeming	Primary School
BANNISTER CREEK PRIMARY SCHOOL	Lynwood	Primary School
BRAMFIELD PARK PRIMARY SCHOOL	Maddington	Primary School
EAST MADDINGTON PRIMARY SCHOOL	Maddington	Primary School
MADDINGTON PRIMARY SCHOOL	Maddington	Primary School
PARKWOOD PRIMARY SCHOOL	Parkwood	Primary School
RIVERTON PRIMARY SCHOOL	Riverton	Primary School
ROSSMOYNE PRIMARY SCHOOL	Rossmoyne	Primary School
FOREST CRESCENT PRIMARY SCHOOL	Thornlie	Primary School
SOUTH THORNIE PRIMARY SCHOOL	Thornlie	Primary School
THORNIE PRIMARY SCHOOL	Thornlie	Primary School
YALE PRIMARY SCHOOL	Thornlie	Primary School
BURRENDAH PRIMARY SCHOOL	Willetton	Primary School
ROSTRATA PRIMARY SCHOOL	Willetton	Primary School
WILLETTON PRIMARY SCHOOL	Willetton	Primary School
SEVENOAKS SENIOR COLLEGE	Cannington	Senior Colleges
CANNING VALE COLLEGE	Canning Vale	Senior High School
SOUTHERN RIVER COLLEGE	Gosnells	Senior High School
LEEMING SENIOR HIGH SCHOOL	Leeming	Senior High School
LYNWOOD SENIOR HIGH SCHOOL	Parkwood	Senior High School
ROSSMOYNE SENIOR HIGH SCHOOL	Rossmoyne	Senior High School
THORNIE SENIOR HIGH SCHOOL	Thornlie	Senior High School
WILLETTON SENIOR HIGH SCHOOL	Willetton	Senior High School

Appendix 6: Monthly Breakdown of Cash Flow Forecasts

Projected Cash Flow: First Fiscal Year 2010-2011

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Cash Inflows									
Income									
Sales revenue	0	0	0	55800	55800	27900	69750	69750	279000
Capital	195,000								195000
Bank interest		417	353	272	277	278	229	257	2083
Total Income	195,000	0	0	55,800	55,800	27,900	69,750	69,750	474,000
Cash Outflows									
Establishment Costs									
Legal/accounting services	8,000								8000
Building fit out	18000								18000
Equipment and supplies	58000								58000
Website	5000								5000
Expenses									
Purchases	0	0	0	25320	25320	12660	31650	31650	126600
Disposables					1200	1200	1200	1200	4800
Sundry		200	200	200	200	100	200	200	1300
Advertising	1000	1000	1000	1000	1000	500	500	500	6500
Bank fees		50	50	50	50	50	50	50	350
Insurance	5000								5000
Website maintenance				500			500		1000
Internet/telephones		200	300	300	300	250	300	300	1950
Electricity/water/gas			2800			2800			5600
Council rates							1000		1000
Building rent			6000	6000	6000	6000	6000	6000	36000
Truck rental				3000	3000	3000	3000	3000	15000
Fuel				400	400	200	400	400	1800
Casual staff wages			972	9072	9072	4536	9072	9072	41796
Casual staff super				816	816	408	816	816	3672
Staff directors wages		7500	7500	7500	7500	7500	7500	7500	52500
Staff superannuation		675	675	675	675	675	675	675	4725
Cleaning/toiletries			100	100	100	50	100	100	550
Office costs/stationery		100	100	100	100	100	100	100	700
Total expenses	95,000	15,725	19,697	55,033	55,733	40,029	63,063	61,563	405,843
Cash surplus/deficit	100,000	-15,308	19,344	767	67	12,129	6,687	8,187	68,927
Bank balance									
Start of month	195,000	100,000	84,692	65,348	66,115	66,182	54,053	60,740	
End of month	100,000	84,692	65,348	66,115	66,182	54,053	60,740	68,927	

Projected Cash Flow: Second Fiscal Year 2011-2012

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Income													
Sales revenue	37,200	74,400	83,700	41,850	83,700	41,850	0	111,600	111,600	55,800	120,900	125,550	888,150
Bank interest	293	265	287	352	313	350	334	237	317	386	368	468	3,970
Total Income	37,493	74,665	83,987	42,202	84,013	42,200	334	111,837	111,917	56,186	121,268	126,018	892,120
Expenses													
Purchases	16,880	33,760	37,980	18,990	37,980	18,990	0	50,640	50,640	25,320	54,860	56,970	403,010
Paper lunch boxes	1,000	1,600	1,600	1,000	1,800	1,000	0	2,400	2,400	1,200	2,600	2,600	19,200
Sundry	100	200	200	100	200	100	100	300	300	150	300	300	2,350
Advertising	500	500	500	500	550	550	550	550	550	550	550	550	6,400
Bank fees	50	50	50	50	50	50	55	55	55	55	55	55	630
Insurance				5,500									5,500
Accounting/legal		5,000											5,000
Website maintenance		500			550			550			550		2,150
Internet/telephones	250	300	300	250	330	275	330	330	330	275	330	330	3,630
Electricity/water/gas	2,800			2,800			3,080			3,080			11,760
Council rates							2,200						2,200
Building rent	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
Repairs/maintenance					1,000				1,000				2,000
Sustainability plans					2,000				2,000				4,000
Truck rental	3,000	3,000	3,000	3,000	3,000	3,000		5,000	5,000	5,000	5,000	5,000	43,000
Casual truck driver								2,000	2,000	1,000	2,000	2,000	9,000
Casual driver super								180	180	90	180	180	810
Fuel	200	400	400	200	440	220		440	440	220	440	220	3,620
Casual staff training							216						216
Casual staff wages	4,536	9,072	9,072	4,536	9,072	4,536		12,096	12,096	6,048	12,096	12,096	95,256
Casual staff super	408	816	816	408	816	408		1,089	1,089	544	1,089	1,089	8,572
Staff directors wages	7,500	7,500	7,500	7,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	110,000
Staff superannuation	675	675	675	675	900	900	900	900	900	900	900	900	9,900
Cleaning products	50	100	100	50	110	55	0	110	110	55	110	110	960
Office costs/stationery	100	100	100	100	110	110	110	110	110	110	110	110	1,280
Total expenses	44,049	69,573	68,293	51,659	74,908	46,194	23,541	92,750	95,200	60,597	97,170	98,510	822,444
Cash surplus/deficit	-6,556	5,092	15,694	-9,457	9,105	-3,994	23,207	19,087	16,717	-4,411	24,098	27,508	69,676
Bank balance													
Start of month	70,240	63,684	68,776	84,470	75,013	84,117	80,124	56,916	76,004	92,720	88,310	112,408	
End of month	63,684	68,776	84,470	75,013	84,117	80,124	56,916	76,004	92,720	88,310	112,408	139,916	

Projected Cash Flow Sheet: Third Fiscal Year 2012-2013

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Income													
Sales revenue	60,450	120,900	120,900	60,450	120,900	60,450	0	139,500	139,500	69,750	148,800	148,800	1,190,400
Bank interest	583	575	664	742	721	798	791	683	801	921	900	1,039	9,219
Total Income	61,033	121,475	121,564	61,192	121,621	61,248	791	140,183	140,301	70,671	149,700	149,839	1,199,619
Dividend			9,137										9,137
Expenses													
Purchases	27,430	54,860	54,860	27,430	54,860	27,430	0	63,300	63,300	31,650	67,520	67,520	540,160
Paper lunch boxes	1,200	2,600	2,600	1,200	2,800	1,400	0	2,800	2,800	1,500	3,000	3,000	24,900
Sundry	150	300	300	150	330	165	100	330	330	165	330	330	2,980
Advertising	550	550	550	550	610	610	610	610	610	610	610	610	7,080
Bank fees	55	55	55	55	60	60	60	60	60	60	60	60	700
Insurance				6,050									6,050
Accounting/legal		5,500											5,500
Website maintenance		550			600			600			600		2,350
Internet/telephones	330	330	330	330	362	362	362	362	362	362	362	362	4,216
Electricity/water/gas	3,080			3,080			3,388			3,388			12,936
Council rates							2,310						2,310
Building rent	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
Repairs/maintenance	1,000				1,100					1,100			3,200
Sustainability plans	2,000				2,000					2,000			6,000
Truck rental	5,000	5,000	5,000	5,000	5,000	5,000		6,000	6,000	6,000	6,000	6,000	60,000
Casual truck driver	1,000	2,000	2,000	1,000	2,000	1,000	0	4,000	4,000	2,000	4,000	4,000	27,000
Casual driver super	90	180	180	90	180	90	0	360	360	180	360	360	2,430
Fuel	220	440	440	220	240	480		480	480	240	480	480	4,200
Casual staff wages	6,048	12,096	12,096	6,048	12,096	6,048	0	12,096	12,096	6,048	12,096	12,096	108,864
Casual staff super	544	1,089	1,089	544	1,089	544	0	1,089	1,089	544	1,089	1,089	9,799
Staff directors wages	7,500	7,500	7,500	7,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	130,000
Staff superannuation	675	675	675	675	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	11,700
Cleaning products	55	110	110	55	120	60		120	120	120	120	120	1,110
Office costs/stationery	110	110	110	110	120	120	120	120	120	120	120	120	1,400
Total expenses	63,037	99,945	103,032	66,087	103,192	62,994	26,575	111,952	111,352	75,712	116,372	115,772	1,056,022
Cash surplus/deficit	-2,004	21,530	18,532	-4,895	18,429	-1,746	-25,784	28,231	28,949	-5,041	33,328	34,067	143,597
Bank balance													
Start of month	139,916	137,912	159,442	177,974	173,079	191,508	189,762	163,977	192,209	221,157	216,117	249,445	
End of month	137,912	159,442	177,974	173,079	191,508	189,762	163,977	192,209	221,157	216,117	249,445	283,513	

Appendix 7: Notations to the Financial Statements

Sales

1. School holidays are in April, July, October and December so the business will only have sales for two of the four weeks in each of these months.
2. In January there will be no sales as students do not attend school.
3. We will start at 600 lunch orders per day. While not particularly high, this figure is realistic and will allow the business to get used to the trading conditions before building up speed. We believe it is better to start off cautiously and get things right and smooth out any problems that might occur rather than trying to be too ambitious and come unstuck. Lunch orders are budgeted at rising to 900 over the year. Again this is manageable.
4. Market research conducted by the managerial team (cold calling to four secondary schools in Perth) indicates that approximately 30% of secondary school students buy their lunch. Secondary schools range in size from 500 to 1200 students. Therefore, we would need to target four secondary schools initially. This is manageable. Given that we will only have one truck to start with it is also a good use of this resource. It will mean we only need to make four drop off deliveries.
5. Based on market research conducted by the managerial team (cold calling to four secondary schools) we have budgeted that 70% of main courses will be ordered with a drink, 30% of main courses will be ordered with a snack and 30% of main courses will be ordered with fruit
6. Prices of all goods conform to wholesale market prices.
7. Selling prices are consistent with those charged by private school lunch delivery services such as Fresh n Fast and Flexischools in the eastern states of Australia.
8. In the second year we will increase sales beginning with the commencement of the new school year. We will target 2 new schools that we have already signed up the previous year.
9. Fruits and vegetables will be sourced from local market gardeners in Canning Vale who use organic or mostly organic harvesting practices as well as from wholesale suppliers at Market City in Canning Vale.

Staffing

1. All staff will receive 9% superannuation.
2. We will begin with 3 casual food preparation staff.
3. These people will be required to do 15 hours of paid training prior to the start of operations.
4. A fourth casual food preparation person will be added in the second year starting in February which coincides with the start of the new school year.
5. This person will be required to do 10 hours of paid training prior to starting.
6. Casual staff will work 5 days per week (Monday-Friday) for 7 hours each day for a total of 35 hours.
7. Casual food preparation staff will be paid according to the WA State Food Industry Award (http://www.commerce.wa.gov.au/LabourRelations/PDF/Awards/F/Food_IndustryAward.pdf).

The standard rate for a grade 10 (highest grade) casual employed 35 hours per week is \$20.44. This includes a casual 20% loading.

8. In the second year we will employ a casual truck driver to deliver the lunches.
The truck driver will begin in February which coincides with the start of the new school year. The truck driver will be employed for 4 hours per day and work 5 days per week. He/she will be responsible for the loading of the truck and the delivery of lunches to the schools.
9. In the third year a second casual truck driver will be employed starting in February.
10. The casual truck drivers will be paid according to the WA Transport Industry Award (<http://www.commerce.wa.gov.au/LabourRelations/PDF/Awards/T/TransportWorkersGeneralAward.pdf>). This Award stipulates that a person must be paid for a minimum of 4 hours. The standard rate for a grade 10 (highest grade) casual employed 4 hours per day is \$23.82. This includes a 24% loading.
11. The active owners will have four weeks paid annual leave. This will be taken at a time that is suitable to the business such as school holidays. No more than two of the active owners can take annual leave at the same time.
12. The active owners will each be paid a starting salary of \$30,000 p.a. This will rise to \$40,000 after one year of operations and \$50,000 after two years of operating. Pay rises are subject to the business meeting specified performance targets, namely, increasing sales, increasing free cash flow and increasing profit of at least 20% p.a.

Financing

1. The silent partner will contribute \$150,000.
2. The active partners, Lex, Rebecca and William will each contribute \$15,000 for a total of \$45,000.
3. The silent partner will receive 10% of each year's profit for the first 5 years. Based on the financial forecasts this will mean the silent partner will receive \$6,602 from the second year's operating profits and \$14,840 from the third year's operating profits. Should this trend of increasing profits continue for the next two years it would be expected that the investor would receive approximately \$50,000 more. This would mean that at the end of the 5 years the silent partner will have received around \$70,000 in payments.
4. At the completion of 5 years trading the silent partner will then have the option of either continuing to receive 10% of the profits for a further five years or receiving their initial investment back plus a further 50% of their initial investment. This will mean that should they choose to exit the business at this time they will receive \$225,000 (excluding payments received from profits). All up, the investor who cashes out will receive over \$295,000 (including profit payments), which equates to a gross return of 97% ($(295,000 - 150,000) / 150,000$) and an annualised return of 19% for the five year period.
5. Bank interest calculated at 5% of closing cash balance of previous month.

6. No credit is provided by the company.
7. No bank loan is required for the first three years of the business.
8. No GST is included in the cost of goods or services.

Leasing

1. Only 3 and 2 pallet trucks will be used as they are large enough to accommodate the lunches and can be driven with a standard car licence.
2. In the first year a refrigerated 3 pallet truck will be leased from Truck Freezer Rentals (www.truckfreezerrentals.com.au). The company has indicated that they can provide a truck on a 12 month lease for \$3,000 per month. A picture of the truck is provided below.
3. In the third year two 2 pallet trucks will be leased from the same company starting in February for \$2,500 per month.