

**SCHEDULE 3****REVENUE & EXPENSES & POTENTIAL PROFITABILITY**

- Any facts and assumptions on which the projection or forecast is based relates to the estimated performance of an Australian Stufflers franchisee that is performing LAMP and midweek deliveries. Franchisee sales are closely related by the performance of the Local Area Marketing Plan (LAMP).
- The extent of enquiries and research undertaken by the Franchisor and any other compiler of the projection or forecast: the figures predominantly relate to operating the business with 2 days of LAMP and the ability to schedule bookings on any day and based on the availability of 8 to 12 stuffing machines.
- Scenarios illustrate performance under a franchised situation.
- Figures indicate the gross turnover and revenue expenses at different turnover levels Profits are considered to be EBIT and exclude wages for the franchisee. There is no guarantee that you will achieve the same results, nor is it intended that you should rely on them as a guarantee. The scenarios do not illustrate a forecast or indication of potential. No provision has been made for depreciation, franchisee salary or cost of servicing loans.
- All annual revenues includes GST
- The Franchisee should seek independent accounting, legal, taxation and commercial advice in relation to any information received from the Franchisor.

Scenario 1

**AVERAGE HIRE PRICE @ \$260 - \$300 PER UNIT (INC GST)**

		LEVEL 1 \$260		LEVEL 2 \$300		LEVEL 3 \$260		LEVEL 4 \$300		LEVEL 5 \$260		LEVEL 6 \$300	
Utilisation Rate		38%		38%		50%		50%		63%		63%	
Units Hired Per Day - Two days per week		3		3		4		4		5		5	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Mobile Packs Revenue		81,120	56.3	93,600	59.8	108,160	60.7	124,800	64.1	135,200	63.7	156,000	67.0
Accessory Revenue		14,414	10.0	14,414	9.2	19,219	10.8	19,219	9.9	24,024	11.3	24,024	10.3
Delivery Revenue		6,552	4.5	6,552	4.2	8,736	4.9	8,736	4.5	10,920	5.1	10,920	4.7
LAMP revenue		24,000	16.7	24,000	15.3	24,000	13.5	24,000	12.3	24,000	11.3	24,000	10.3
Events Revenue PPS		18,000	12.5	18,000	11.5	18,000	10.1	18,000	9.2	18,000	8.5	18,000	7.7
<b>Total Revenue</b>	1	<b>144,086</b>	<b>100</b>	<b>156,566</b>	<b>100</b>	<b>178,115</b>	<b>100</b>	<b>194,755</b>	<b>100</b>	<b>212,144</b>	<b>100</b>	<b>232,944</b>	<b>100</b>
<b>Less Operating Expenses</b>													
Accounting	2	634	0.7	689	0.7	784	0.7	857	0.7	933	0.7	1,025	0.7
Marketing Contribution	3	15,238	16.0	17,228	17.9	20,317	17.6	22,971	19.1	25,396	18.3	28,714	19.9
Bank & Credit Card Charges	4	770	0.8	865	0.9	1,027	0.9	1,153	1.0	1,284	0.9	1,441	1.0
Insurance	5	500	0.5	500	0.5	500	0.4	500	0.4	500	0.4	500	0.3
Motor Vehicle Expenses	6	3,604	3.8	3,604	3.7	4,805	4.2	4,805	4.0	6,006	4.3	6,006	4.2
Postage, Printing & Stationery	7	206	0.2	206	0.2	275	0.2	275	0.2	343	0.2	343	0.2
Repairs & Maintenance	8	475	0.5	517	0.5	588	0.5	643	0.5	700	0.5	769	0.5
Booking Office Contribution	9	6,521	6.8	6,521	6.8	8,694	7.5	8,694	7.2	10,868	7.8	10,868	7.5
Royalty Fee	10	8,407	8.8	9,505	9.9	11,209	9.7	12,674	10.5	14,012	10.1	15,842	11.0
Uniforms	11	150	0.2	150	0.2	150	0.1	150	0.1	150	0.1	150	0.1
Telephone & Fax	12	792	0.8	861	0.9	980	0.8	1,071	0.9	1,167	0.8	1,281	0.9
Wages	13	2,520	2.6	2,520	2.6	2,520	2.2	2,520	2.1	2,520	1.8	2,520	1.7
Miscellaneous	14	1,585	1.7	1,722	1.8	1,959	1.7	2,142	1.8	2,334	1.7	2,562	1.8
Cost of Skins & Accessories	15	53,915	56.6	51,275	53.3	61,891	53.5	61,891	51.4	72,508	52.3	72,508	50.2
<b>Total Operating Expenses</b>		<b>95,317</b>	<b>100</b>	<b>96,162</b>	<b>100</b>	<b>115,699</b>	<b>100</b>	<b>120,346</b>	<b>100</b>	<b>138,721</b>	<b>100</b>	<b>144,529</b>	<b>100</b>
GST Payable		4,434		5,491		5,674		6,765		6,675		8,038	
<b>FRANCHISEE'S TOTAL</b>													
<b>ANNUAL EARNINGS</b>	16	<b>44,336</b>	<b>30.8</b>	<b>54,913</b>	<b>35.1</b>	<b>56,742</b>	<b>31.9</b>	<b>67,645</b>	<b>34.7</b>	<b>66,749</b>	<b>31.5</b>	<b>80,377</b>	<b>34.5</b>

**8 MACHINE FRANCHISE &  
YOUR AIM BY END YEAR ONE**

Scenario 2

**AVERAGE HIRE PRICE @ \$300 - \$340 PER UNIT (INC GST)**

		LEVEL 1		LEVEL 2		LEVEL 3		LEVEL 4		LEVEL 5		LEVEL 6	
		\$300		\$340		\$300		\$340		\$300		\$340	
Utilisation Rate		63%		63%		75%		75%		88%		88%	
Units Hired Per Day - Two days per week		5		5		6		6		7		7	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Mobile Packs Revenue		135,200	65.6	156,000	68.7	162,240	67.6	187,200	70.6	189,280	69.0	218,400	72.0
Accessory Revenue		24,024	11.7	24,024	10.6	28,829	12.0	28,829	10.9	33,634	12.3	33,634	11.1
Delivery Revenue		10,920	5.3	10,920	4.8	13,104	5.5	13,104	4.9	15,288	5.6	15,288	5.0
LAMP revenue		18,000	8.7	18,000	7.9	18,000	7.5	18,000	6.8	18,000	6.6	18,000	5.9
Events Revenue PPS		18,000	8.7	18,000	7.9	18,000	7.5	18,000	6.8	18,000	6.6	18,000	5.9
<b>Total Revenue</b>	<b>1</b>	<b>206,144</b>	<b>100</b>	<b>226,944</b>	<b>100</b>	<b>240,173</b>	<b>100</b>	<b>265,133</b>	<b>100</b>	<b>274,202</b>	<b>100</b>	<b>303,322</b>	<b>100</b>
<b>Less Operating Expenses</b>													
Accounting	2	907	0.6	999	0.7	1,057	0.7	1,167	0.7	1,206	0.7	1,335	0.7
Marketing Contribution	3	25,865	18.5	29,183	20.1	30,944	19.0	34,926	20.6	36,024	19.4	40,668	21.0
Bank & Credit Card Charges	4	1,284	0.9	1,441	1.0	1,541	0.9	1,729	1.0	1,797	1.0	2,017	1.0
Insurance	5	500	0.4	500	0.3	500	0.3	500	0.3	500	0.3	500	0.3
Motor Vehicle Expenses	6	6,006	4.3	6,006	4.1	7,207	4.4	7,207	4.3	8,408	4.5	8,408	4.3
Postage, Printing & Stationery	7	343	0.2	343	0.2	412	0.3	412	0.2	480	0.3	480	0.2
Repairs & Maintenance	8	680	0.5	749	0.5	793	0.5	875	0.5	905	0.5	1,001	0.5
Booking Office Contribution	9	11,119	8.0	11,119	7.6	13,292	8.2	13,292	7.8	15,466	8.3	15,466	8.0
Royalty Fee	10	14,270	10.2	16,101	11.1	17,073	10.5	19,269	11.4	19,875	10.7	22,438	11.6
Uniforms	11	150	0.1	150	0.1	150	0.1	150	0.1	150	0.1	150	0.1
Telephone & Fax	12	1,134	0.8	1,248	0.9	1,321	0.8	1,458	0.9	1,508	0.8	1,668	0.9
Wages	13	2,520	1.8	2,520	1.7	2,520	1.6	2,520	1.5	2,520	1.4	2,520	1.3
Miscellaneous	14	2,268	1.6	2,496	1.7	2,642	1.6	2,916	1.7	3,016	1.6	3,337	1.7
Cost of Skins & Accessories	15	72,508	52.0	72,508	49.9	83,124	51.1	83,124	49.0	93,740	50.5	93,740	48.4
<b>Total Operating Expenses</b>		<b>139,554</b>	<b>100</b>	<b>145,362</b>	<b>100</b>	<b>162,575</b>	<b>100</b>	<b>169,545</b>	<b>100</b>	<b>185,597</b>	<b>100</b>	<b>193,729</b>	<b>100</b>
GST Payable		6,054		7,417		7,054		8,690		8,055		9,963	
<b>FRANCHISEE'S TOTAL</b>													
<b>ANNUAL EARNINGS</b>	<b>16</b>	<b>60,537</b>	<b>29.4</b>	<b>74,165</b>	<b>32.7</b>	<b>70,543</b>	<b>29.4</b>	<b>86,898</b>	<b>32.8</b>	<b>80,550</b>	<b>29.4</b>	<b>99,630</b>	<b>32.8</b>

Using the 7.5% Marketing Contribution which is Level 3 in "Data numbers" fee discounts

Use the \$9 Booking Fee which is Level 3 in "Data numbers" fee discounts

**12 MACHINE FRANCHISE 11,000 KIDS  
IN LOCAL DATABASE YOUR AIM BY YEAR THREE**

## NOTES

### Total Annual Revenue

1. Any facts and assumptions on which the projection or forecast is based on the estimated performance of an Australian Stufflers franchisee that is performing LAMP and midweek deliveries. Franchisee sales are directly related by the performance of the Local Area Marketing Plan (LAMP).

The projections are based on Franchisees utilising the animal making machines (either 8 or 12) between 30% and 40% of the time every weekend day, predominantly **2 days per week, Saturday, Sunday**. There will be occasional midweek deliveries.

The projections are based on the business being primarily conducted on weekends for the backyard party market however the scheduling of midweek hires will be needed.

Projections are based on a 52 week period.

Projections are based on a franchise achieving minimum expectations of LAMP and gaining the expected number of kids added to their database.

The projections illustrate profitability at hire prices at \$260.00, \$300.00, \$340.00, unit rental (including GST). Minimum advertised rental prices will rise most years and Scenario 2 reflects the discounted rate being removed.

Based on the minimum spend a Stufflers backyard event can be a minimum \$245 including GST. However other rentals like Vacation Care, corporate and trade functions, operated functions and midweek functions should increase the average weekend hire price.

Based on a survey conducted in 2009 we estimate that an average of 30% of customers will purchase accessories. Clothes kits start at \$95 and recordable chips start at \$60 per kit. See Accessory Income.

12 animal skin kits with machine rental start at \$245.

LAMP income is as a result of performing 1000 test bears at shopping complex promotions and selling them for \$10 and also performing 40 pre school promotions with 70 kids each and selling the bears at \$5 each. No income has been added for sponsorships, primary schools and playgroups.

PPS (Pay per Stuff) Income has been estimated at 1 event per month and selling 100 bears at \$15 each.

Delivery income is assumed that you will deliver 30% of the jobs at \$70 per job.

Assumptions are based on franchisees achieving their minimum average of 2 day a week in completing their Local Area Marketing Plan (LAMP). As well as having 20% of their kid's population for their territory on their database by the end of year 2 and 30% by the end of year 3.

2. **Accounting**

Estimated expenditure is based on the anticipated accounting needs of a Stufflers Franchisee.

It is assumed that the ongoing bookkeeping functions including the BAS are performed internally by the Franchisee. The estimate allows for an accountant to prepare annual accounts and reports for the business.

### 3. **Marketing Contribution**

The marketing contribution of between 7.5% and 14.5% of gross turnover is payable by a Franchisee. Contributions are not paid on LAMP or delivery Incomes. Gross turnover includes GST. The percentage of 14.5% has been used in Scenario 1 and 7.5% has been used in Scenario 2. Marketing contributions are reducible based on the number of children on your database.

This group marketing contribution will further enhance the presence of Stufflers in the market place and increase the exposure for incoming Franchisees.

### 4. **Credit Card & Bartercard Charges**

Bank charges are based on 70% of customers using a credit card at a credit card processing (percentage rate of 0.98%).

### 5. **Insurance**

Estimated cost for a Franchisee's insurance requirements is at a maximum of \$1,000.

### 6. **Motor Vehicle Expenses**

It is assumed that Franchisees shall have access to a vehicle prior to entering the franchise.

- Vehicle running costs of around 50% of delivery income.
- No allowance has been made for the leasing of a vehicle nor registration or insurance requirements.

### 7. **Postage, Printing & Stationery**

Conservative estimate. All customer invoices and paperwork are emailed and all LAMP material is paid for from your marketing fund.

### 8. **Repairs & Maintenance**

Estimated cost component for routine repairs and maintenance of equipment.

### 9. **Booking Office Contributions**

A booking office contribution of between \$9.00 and \$19.00 per booking is paid to support the booking office and provide service to your clients when they need it most. Contributions are not applicable on any LAMP or delivery revenue. The budget scenarios use \$19.00 in Scenario 1 and \$9 in Scenario 2. You should confirm your regions current rate. Booking office contributions are reducible based on the number of children on your database.

**10. Royalty fee**

The rate is between 6%-8% depending on what level you have purchased. The budgets are built using 8% of Gross turnover payable by Franchisees. Fees are not applicable on any LAMP or delivery revenue.

**11. Uniforms**

Estimated cost of 5 uniforms per year (cost of shirts).

**12. Telephone & Fax**

Estimated expenditure.

**13. Wages**

Based on needing operators for the PPS events. No other staff will be required in this business.

**14. Miscellaneous**

An expense component has been allowed to cover miscellaneous expenditure items such as petty cash expenses and conference costs.

**15. Cost of Skins & Accessories**

This Cost of Sale is for skins, hearts, fluff and the take home cart for party packs. It covers the number of parties multiply by the average cost of \$70 per 12 packs. Then it includes 1000 x 16" bears for 1 shopping centre promotion and 40 Stuffing promotions at 70 kids per location and 12 PPS events where 100 skins are used. It also includes the cost of the additional chips and/or clothes supplied in accessory packs which we estimate will be 30% of rentals.

**16. Franchisee's Total Annual Earnings**

The Franchisee's total annual earnings include operating profits and Franchisee's drawings. It does not take into consideration any taxes, loan repayments or depreciation. The figures are inclusive of the GST.