
[Enter the Name of the Business]

Business Plan

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Tips: When planning your plan, it might be useful to set target page lengths for each main section for use as drafting guidelines and to get the right balance between key topics.

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List of Appendices

Tips:

No major section within the body of your plan should exceed 6-8 pages. Use appendices to present detailed or additional information which is summarized or referenced in the body of the plan. This reduces the length of the plan. It also enhances readability and ensures that the reader does not get sucked into excessive detail. Suggestions for possible appendices follow. Do not remove this list until you have finished drafting the plan.

If the appendices are very lengthy, consider binding them into a separate volume. This should make the plan appear less intimidating and creates the opportunity to circulate the plan with or without appendices.

If presenting the appendices as a separate volume, be sure to include a cover page (complementing that of the main plan) and a detailed contents list (number all pages in the appendices).

- 1. Review of Development of Your Business**
 - Consider using a chronological list. Focus on highlights and important events.
- 2. Summarized Historic Financial Statements**
 - Tabulate high-level values (revenues, cost of sales, pre-tax profits, fixed assets, current assets, current liabilities etc.). Summarize highlights and explain any exceptional events. Offer audited accounts as attachments or separate items.
- 3. Detailed Description (Technical Specifications) of Product/Service (Range)**
 - Assume reader has no prior technical knowledge. Avoid *blinding with science* and minimize use of technical terms/jargon. Offer technical write-ups as a separate document. If absolutely necessary, include a glossary.
- 4. Market Review and Results of Market Research**
 - If you cannot compile this appendix, you should seriously reconsider whether you are ready to write a business plan. Include tables explaining size of market, segmentation, growth patterns, distribution channels, price/quality segments, customer categories, future trends, market share/segmentation projections etc. Summarize your main findings in the body of the plan.
- 5. Assessments of Competitors**
 - Who, what, where, how etc. Explain how your products and services compare. How would you rate your business's strengths, weaknesses, threats and opportunities relative to your main competitors.

6. **Market Projections & Sales Forecasts**

Use tables and charts. Clearly state all key assumptions on market size and shares, volumes and prices. If you plan to serve several markets, you should devote separate sections to each market and then produce a summary of the overall projections. It is important that you build your sales projections from the ground up by assessing numbers of outlets, customers, contracts etc. and their value. **Do not** base the projections on superficial market share assessments e.g. *we will achieve sales of \$500,000 based on securing a 2% of the regional market which is projected by researchers at reach \$25 million.* Explain the marketing strategies and plans in detail – specify resources required, costs etc. Identify any prospective partners and describe sales methods. In simple terms, you need to cover the 4Ps – product, price, place and promotion. You should feed the resultant detailed revenue and marketing cost projections into your financial projections.

7. **Details of Manufacturing/Operational Plans & Costs**

Describe processes/operations in limited detail. Diagrams or flow charts may help explain complex issues. Indicate capital investment (and timing), describe/justify (briefly) the functions of major items and review any capacity-related issues. Discuss sources of materials/supplies and their costs. Specify projected manning levels/rates, direct/indirect operating costs and productivity levels. Discuss inventories and production cycles as well as related planning and control systems. Even if you are a service business, use this appendix to describe operational issues connected with the provision of these services, support etc.

8. **CVs of Senior Managers**

If your business is substantial, you must present CV for a balanced and experienced management team. If gaps exist, supply job descriptions and explain how they will be filled. Remember the five factors which venture capitalists look for when making an investment – management, management, management, market and, finally, product !!! Bear in mind that many businesses try to follow this sequence in reverse order !!!

9. **Assumptions for Financial Projections**

The assumptions should be consistent with and derived from the earlier sections/appendices in the plan. Use text bullets to highlight key assumptions and place the details in tables within this appendix.

10. Financial Projections

Use tables showing projections for first year (or longer) in considerable detail. You should include fully-integrated P&Ls (income statements), cash flow projections and balance sheets by month for the first year. Present less detailed quarterly & annual projections for subsequent years. The opening balance sheet and first year's projections should coincide with the first year covered by your plan.

>> Enter Your Biz Name Here << Tip:

Use the table below to list basic particulars about your business - contact details, regulatory items, names of advisers, principal financiers etc. Modify/delete the rows as appropriate. Once the table has been completed, delete unused rows.

Legal name and status of business:	
Directors/partners/proprietor	
Address of registered office:	
Main telephone:	
Main fax:	
Main e-mail	
Website:	
Name and address of parent company:	
Business incorporation/registration date:	
Business incorporation/registration number:	
Business tax reference number(s):	
<i>Insert any other regulatory/license items here</i>	
<i>Insert any other regulatory/license items here</i>	
Main shareholders:	
Stock market & symbol	
Professional Advisers:	<i>Give contact names (and positions), full addresses and other details for each below</i>
- Auditors	
- Legal advisers	
- Bankers	
- Patent (IPR) attorneys	
- Financial/tax advisers	
- <i>Any other key advisers</i>	
<i>Insert any other key items here</i>	

>> Enter Your Biz Name Here <<

Business Plan

1. Introduction

You can defer writing this section until the main part of the plan has been completed. Use the blank space below to identify key paragraphs. Keep this section within three pages.

2. Summary

Do not write this section until the main part of your plan has been finalized. Use the blank space below to map out a structure for this section and to identify key paragraphs. Limit this section to two or so pages.

Once you have drafted the summary, remember to update the page numbers in the Table of Contents.

3. Mission, Strategies etc.

Spend a lot of time on this section as it is the foundation for the entire plan. Use the sub-headings below to guide you on the key issues. You may wish to merge or remove these sub-headings when you have finished drafting. Limit this section to two or so pages.

3.1. Vision

xxx

3.2. Mission

xxx

3.3. Values

xxx

3.4. Objectives

xxx

3.5. SWOTs

xxx

3.6. Strategies

xxx

3.7. Goals

xxx

4. Present Status

The suggested sub-headings below may not be fully appropriate for a start-up - modify and delete them as appropriate. Use the blank space below to map out a structure for this section and identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

4.1. Background

xxx

4.2. Progress to Date

xxx

4.2.1. Sales & Marketing

xxx

4.2.2. Operations

xxx

4.2.3. Finances

xxx

5. Product/Service Description

Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

6. Profile of Target Market(s)

Modify or delete sub-headings as appropriate. Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

6.1. Market Analysis

xxx

6.2. Competition

xxx

6.3. Customers/Users

xxx

6.4. Market Size, Sales & Share Projections

xxx

7. Marketing Strategies, Sales Plans & Projections

Modify or delete sub-headings as appropriate. Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

7.1. Marketing Strategies & Sales Plans

xxx

7.2. Sales Projections

Xxx

8. Technology and R&D

Delete this section if not relevant. Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

9. Manufacturing/Operational Plans

Modify the heading above to reflect your business's activities e.g. delete the word Manufacturing. Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

10. Management & Administration

Modify or delete sub-headings as appropriate. Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing it here.

10.1. Management

xxx

10.2. Administration

xxx

11. Financial Projections

Use the blank space below to identify key paragraphs, tables and charts for each sub-heading. Place all detailed tables and analyses in appendices and confine the text in this section to summarizing the key assumptions and results.

11.1. Key Assumptions

xxx

11.2. Income Statements

xxx

11.3. Cash Flow Projections

xxx

11.4. Projected Balance Sheets

xxx

11.5. Sensitivity Analysis

xxx

11.6. Ratio Analyses

xxx

12. Funding Requirements & Proposals

Use the blank space below to map out a structure for this section and to identify key paragraphs.

13. Implementation

Use the blank space below to map out a structure for this section and to identify key paragraphs. Consider placing detailed material in an appendix and summarizing here.

14. Conclusion

Use the blank space below to map out a structure for this section and to identify key paragraphs. Go back to the Summary section and only write it when you are fully satisfied with all the plan's detail.

Appendix - XX

>> Enter Title of Appendix Here <<

Use the above “Appendix” style for each appendix you include with your plan. Replace XX with the appendix number.

See the list of appendices towards the front of the Template for suggestions on possible appendices. If the appendices are bulky, consider binding them into a separate volume.

Heading inside an Appendix

Use the above “Appendix heading” style to insert sub-headings inside an appendix.

Business Plan Guide

Business Plan Guide starts here. It's section headings coincide with those used in the template near the front of this document.

1. Introduction

Introduce (very briefly) the entity - company, partnership, sole trader - to which the plan refers. **Do not summarize the plan here** – write the plan's summary in the next main section once the entire plan has been finalized. For example, you could say something along the following lines to introduce your business:

This business plan relates to Invisible Inc., which has been formed to develop and produce electronic, virtual widgets for sale within home and export markets. Having undertaken R&D over the past three years, the company is now planning to commence trading in three months.

Explain the purpose/reason of the plan (e.g. guide management, raise funds etc.). Explain who wrote the plan and when.

Indicate the scope and general structure of your plan by setting out the sequence and summaries of its main sections as bullet points like:

- Section 2 below contains a summary of the plan
- Sections 3 and 4 review the background, the development of the business and its current product service/offerings respectively.
- and so on.

You may wish to state that the plan is confidential etc. For example, include paragraphs like the following. If necessary, get professional advice on appropriate wording or other measures to maintain the confidentiality of the plan:

“This document is confidential and has been made available to the individual to whom it is addressed strictly on the understanding that its contents will not be disclosed or discussed with any third parties except for the individual's own professional advisers. Investment in new and small businesses carries high risks as well as the possibility of high rewards. It is highly speculative and potential investors should be aware that no established market exists for the trading of shares in private companies. Prospective investors are advised to verify all material facts and to take advice from a professional adviser before entering into any commitments. This plan is strictly for information only and does not constitute a prospectus nor an invitation to subscribe for shares. Projections in the plan have been compiled by the promoters for illustrative purposes and do not constitute profit forecasts. The eventual outcome may be more or less favorable than that portrayed.”

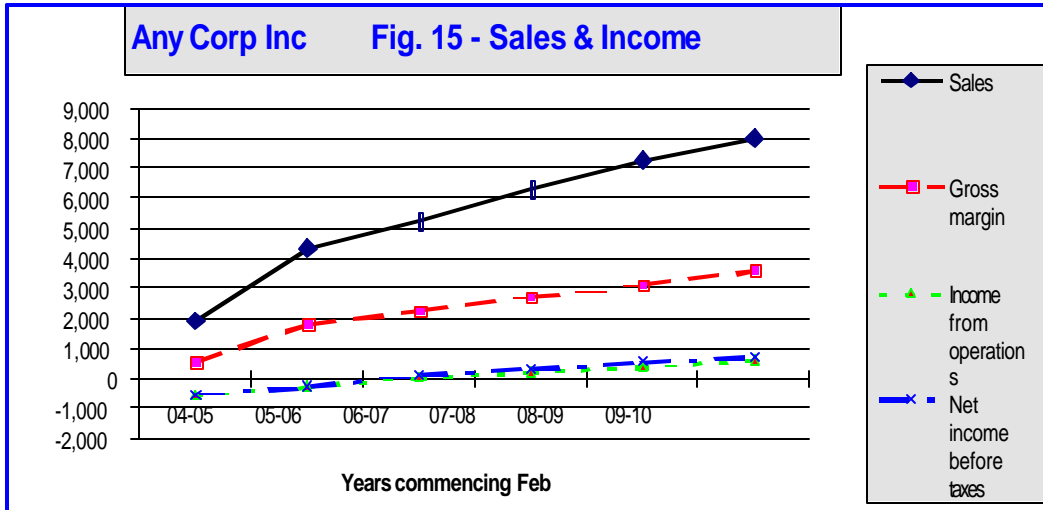
Give contact details (address, phone, fax and e-mail) for the key person.

This entire section should not exceed two pages. If confidentiality is critical, add a 'slot' for numbering copies of the plan on its front page or cover and maintain a distribution register.

2. Summary

Write this summary when your plan is at its very final draft stage.

Hit the highlights and key issues. Avoid detail – focus on matters of strategic importance to the business. If desired, cross reference the reader to the sections containing detailed text. Address the needs and interest of the reader – what information does the reader want to get oriented or to become interested in the business. Consider devising slightly different summaries for different categories of reader.



Consider allocating one paragraph to summarize the contents of each main section. Make use of bullet points instead of continuous flowing text like:

- ◆ Keep the length of this section below three pages.
- ◆ Give this section plenty of thought and time as it is the most important part of the entire plan.
- ◆ Do not include any material in this summary which is not also covered in the body of the plan.
- ◆ Give this summary and the draft final plan to an honest, critical outsider to review.

3. Mission, Strategies etc.

Limit this section to about two pages by focusing on major and long-term issues. Use succinct, affirmative statements making every noun, adjective and verb important.

This is probably the most important section in the entire plan as it sets the direction, tone and framework for the detail that follows. If the proposed strategies and their rationale are flawed then the whole direction of the business may be wrong. To compile this section, considerable research needs to have been completed particularly on markets, competition and sales potential.

The sub-sections below are presented here for general guidance only. They could result in some undesirable duplication or overlapping of proposals and ideas. Accordingly, you may prefer to amalgamate some of them (e.g. Vision & Mission or Values & Objectives) or even dispense entirely with headings and cover all the relevant matters in a series of short paragraphs.

3.1 Vision

Envision what the business will look like in, say, five years time. Indicate its likely size and the nature, breadth and depth of its operations etc. For example, start your vision with the following: *"By 20xx, xxx will be engaged in xxx (activities). It will be selling xxx (offerings) to a customer base comprising xxx. It expects to have staff of xxx mainly engaged in xxx (activities) and located at xxx. Sales could be xxx and net income could reach xxx. A key feature of xxx will be its emphasis on xxx to maintain its competitive advantage. And so on* "

3.2 Mission

In one short paragraph, describe the central purposes and activities ("mission") of the planned business. For example:

"Newco designs, develops, manufactures and markets xxx products/services for sale on the basis of xxx features to meet the xxx needs of xxx customer groups via xxx distribution channels in xxx geographic areas. It intends to expand/develop new/additional products/markets/channels by means of xxx "

3.3 Values

Describe the business's values and the ethical standards it will apply in dealings with stakeholders, customers, suppliers etc. A few sentences or bullet points should suffice.

3.4 Objectives

What are the promoters' underlying long-term objectives? Get rich? Build a big business? Support local community? Develop natural resources? Create their pension?

3.5 SWOTs

What are the business's **real** SWOTs (Strengths, Weaknesses, Threats and Opportunities)? SWOTs are mentioned here to prompt your strategic thinking on internal and external issues as indicated in the table below. Be very honest about any major weaknesses and threats and explain how you will respond to them.

It may not be appropriate to set out the SWOTs so explicitly in the final version of your plan. They are mentioned here to **highlight** the importance of addressing them within the plan. Your plan should:

Internal	External
.. build on strengths	.. exploit opportunities
.. resolve weaknesses	.. avoid threats

One approach would be add a closing sub-section to this main section to serve as a wrap-up statement (or an overall assessment) that describes how the proposed strategies/plans will:

- build on the business' key strengths (name them),
- resolve its internal weaknesses (name the areas),
- fully exploit its external opportunities (identify them)
- and avoid major external threats (explain how).

Alternatively, an item along these lines could be included as part of the overall **14. Conclusion** towards the back of the plan

3.6 Strategies

Use bullets to highlight up to ten (or so) key strategies (actions, programs, projects, operating methods etc.) in relation to major functional areas - markets, sales, products/services, technology, finance, management, operations etc. Be sure you are presenting realistic, medium- term strategies and not short-term tactics.

3.7 Goals

Summarize the prime goals/targets - for sales, profits, employment, market shares etc.

4. Present Status

Use this section to summarize achievements and performance (financial, sales, technical etc.) to date.

4.1 Background

Review the history of the business (or the origins of the idea if a start-up). For a start-up, this section could be covered in one-two pages. Allow up to five or so pages for an established business and relegate detailed material to appendices.

Start by introducing the promoters/shareholders in the business and then describe what the business does now.

Explain in broad terms how business evolved in terms of products/services, customers/markets, funding, management, R&D etc.

Use appendices or footnotes to discuss issues, events etc. in greater detail without disrupting the flow of the main text².

4.2 Progress to Date

Explain the development of the business to its present status from sales/marketing, operational and financial perspectives.

4.2.1 Sales & Marketing

Use simple tables to help summarize sales growth, customer/product segmentation, market shares, key product volumes, prices achieved etc.

Here's a *simple* table showing historic sales:

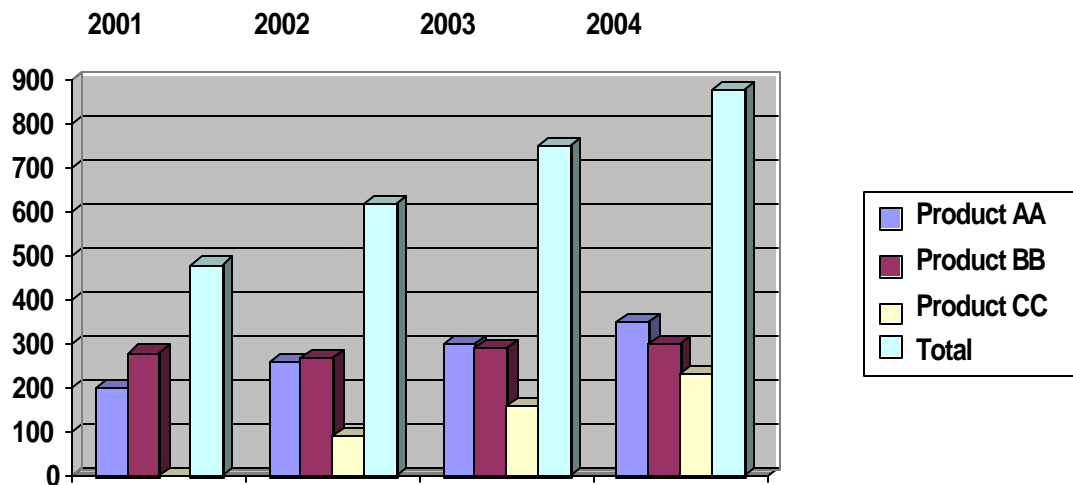
Table X – Sales Analysis (2004-2007)				
Years to Dec	2004 (\$000)	2005 (\$000)	2006 (\$000)	2007 * (\$000)
Product AA	200	259	302	350
Product BB	280	270	290	300
Product CC	0	89	158	230
Total	480	618	750	880
Growth rate (p.a.)	Na	+29%	+21%	+17%

* First six months are actuals. Estimates used for last six months.

Tip: This shaded table looks very smart but it may not photocopy well. Try printing it and then make a photocopy of a photocopy. See any problems?

Also, charts can be very effective at summarizing data:

Sales Analysis – 2004 - 2007 (\$000)



² Footnotes can be used to explain or describe specific matters as they arise in the text without distracting from the main flow.

Indicate the current order book in value/volume terms, or relative to capacity, and give an indication of the immediate outlook.

Make reference to the general economic climate and the performance of competitors during the review period.

Describe key events in relation to marketing, sales, distribution, promotion, sales management, agencies/partners and so on. Put all details in an appendix.

4.2.2 Operations

Review the operations of the business in terms of activities and investment.

Include a short discussion and high-level tables covering employment, output levels, capacity growth and utilization etc.

Describe key R&D, product and capital investments and review developments in management and systems.

4.2.3 Finances

Present a *high-level* synopsis of historical financial performance covering income statements, balance sheets etc. Again, use very simple tables or charts and present the details in appendices or accompanying audited accounts. Indicate and explain key events.

Give information about shareholdings and any options outstanding – list shareholders, dividend policies, etc. Use an appendix to cover the detail.

Review the budget and year-to-date performance for current year and summarize these in a simple table. Indicate the expected out-turn for the current year and highlight key assumptions.

5. Product/Service Description

Keep descriptions of offerings (products and/or services) relatively short and confine them to broad groups.

Explain briefly what they do and who will use them. Indicate advantages/benefits they offer or the needs they meet. Avoid getting into technical terms and details – put this in appendices. Summarize any product test results and product approvals (secured/needed).

Introduce competing products/services and explain what makes yours' special. Append any brochures or price lists to the plan (as an annex).

Two or three pages should suffice for this section. Try to add a few pictures to the text and, if practicable, include a sample product or mock-up with the plan. Consider augmenting this section with a good-quality video or computer-based slide presentation.

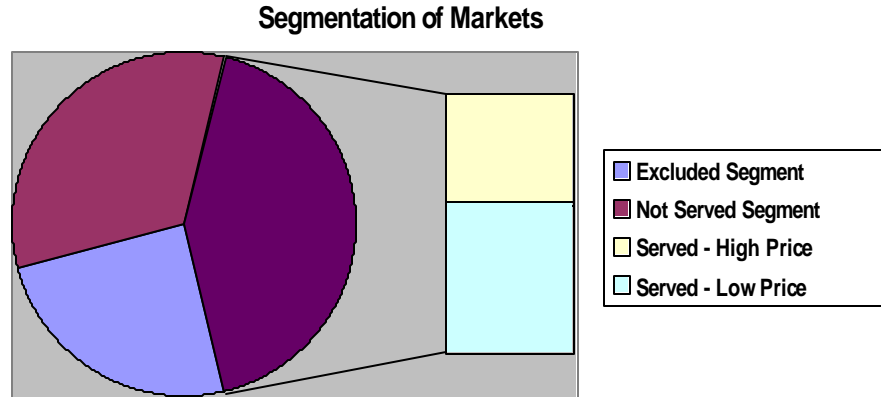
6. Profile of Target Market(s)

In this section, indicate market size, segments, trends, competition and user/customer profiles. This section needs *real* research. Allow about 3-6 pages for this very important section. It is very possible that detailed market research (field or desk) and analysis might need to be done *before* this section can be properly prepared. If research reports are available refer to them in detail in appendices or include them as annexes.

This is a very difficult section to prepare especially for start-ups or established businesses diversifying in new (to them) markets. These difficulties will be compounded, due to an absence of any reliable data or evidence of likely demand, for businesses entering completely new markets or launching radically new offerings. Nonetheless, this section is critical as it underpins the business plan and demonstrates that the promoters have done their homework and know their marketplaces (at least as well as the incumbent players or other new entrants). If this section is unclear, vague or superficial, it begs the question as to whether there might be any real, sustainable demand for the proposed offerings.

6.1 Market Analysis

Describe the markets where the business operates and/or plans to enter. Explain how they have evolved and how they are segmented.



Indicate how markets and segments will evolve for at least the life of your plan. Use simple tables and charts to illustrate key points and to drill down into the appropriate detail. Place detailed analyses in an appendix.

Here is an example of a simple table projecting the size of key segments within an overall markets:

<i>Segments</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Segment A				
Segment B				
Segment C				
Segment D				

Highlight the segments you are targeting. Explain the channels of distribution and promotional methods used, and indicate typical promotional expenditure levels.

Discuss product and technology trends. Review any regulatory restrictions on trade.

Indicate the likely impact of any possible changes in anticipated economic conditions.

Explain why the proposed target markets are so attractive to your business.

6.2 Competition

Introduce the main competitors (or near-competitors if a new market area) and profile them – highlight their evolution, scale and activities. Assess their SWOTs. Place detailed information in appendices.

Show how their market shares have evolved and indicate their current standing in the market.

6.3 Customers/Users

Segment possible customers/users based on their demographics/needs. Review their buying habits and consider the impact of broad economic issues on the frequency and levels of their purchasing.

Profile customers/users and explain how/why they will buy your products/services in preference to those of competitors. Discuss price, quality, promotional, distribution channel issues etc. and how your offerings will be positioned.

Quantify the number of prospective customers/users and assess their likely consumption/purchase rates (e.g. amount/year, amount/purchase, purchases/year and so on) for your offerings and the competition.

6.4 Market Size, Sales & Share Projections

Use simple tables to show how market sizes, segments and shares are likely to move in the future after your entry/growth. Include high-level sales projections for your business in these tables.

Avoid generalized statements like "we aim to achieve xx% of the xxx market within three years". Instead build up your projections from sound analysis and detailed assumptions about sales volumes to be achieved at customer/outlet levels. By way of a conclusion, you could explain that these projections, if realized, could result in specified market shares.

Consider providing alternative projections based on "best" and "worst" case scenarios which might reflect alternative assessments of future economic and competitive conditions.

7. Marketing Strategies, Sales Plans & Projections

This section follows on from **6. Profiles of Target Markets** and presents your proposed marketing strategies and detailed sales plans and projections. Devote up to three-six pages for this section.

In simple terms, you need to cover the 4Ps - product, price, place and promotion - and compile detailed revenue and marketing cost projections for inclusion in the **11. Financial Projections**.

7.1 Marketing Strategies & Sales Plans

How will your business market its products/services and sell them to customers? What are the market entry/development strategies?

Indicate plans and forecast costs for marketing, selling, promotion, advertising, representation, etc.

How will your products be presented to customers? Discuss packaging, physical distribution, sales support and product support and forecast the related costs.

Explain pricing policies and credit terms (be realistic!). What discounts will apply and to whom? Will there be bad debts or returns, and what provisions should be made?

What will be the end-user prices? Assess the competitiveness of your business' offerings in terms of price, quality, features etc. at the level of sales outlets or end-users.

How will you deal with the competitors? How will they respond? What are your contingency plans in the event of sales targets not being fully realized?

7.2 Sales Projections

Based on the market projections in the previous section and marketing strategies described above, set out detailed sales (volumes and prices) projections for your various segments and products/services. These projections should be monthly (for at least one year ahead especially if the business is seasonal) and either quarterly (much better) or annual thereafter.

Use simple tables and graphs to present key data. Include details in appendices.

Sales	Quarter Ends in Year to Jan 2006			Annual	
	1 Qtr \$000	2 Qtr \$000	3 Qtr \$000	4 Qtr \$000	Total \$000
Product Group:					
- Group1	305.0	330.0	370.0	430.0	1,435.0
- Group2	160.9	231.3	308.3	341.7	1,042.2
- Group3	79.3	114.0	151.9	168.3	513.5
- Group4	285.0	320.0	345.0	380.0	1,330.0
Total sales	<u>830.2</u>	<u>995.3</u>	<u>1,175.2</u>	<u>1,320.0</u>	<u>4,320.7</u>
% Quarterly changes	NA	19.9	18.1	12.3	

Review the marketing and sales plans and ask whether you will realistically achieve the projected sales levels and market shares. If in doubt, develop and present alternative scenarios.

8. Technology and R&D

If R&D is relevant to your business, describe progress to date, plans, resources and highlight any technological advances or achievements.

Introduce the key technology trends/developments within your industry or product area and explain how you are responding to them?

What technical expertise has been acquired by the business or is needed in the future? What are the qualifications/backgrounds of technical staff and external advisers or collaborators? What vacancies/needs will arise in the future and how will they be filled?

Summarize existing/planned patents and describe the ownership status of all intellectual property rights (including trademarks, copyrights etc.).

Summarize R&D expenditure to date and specify future expenditure plans. Identify milestones or specific projects to be completed. Where appropriate, provide short economic justifications for major projects.

Keep technical details to the minimum and explain unusual terms as soon as used. Use simple drawings or flow diagrams to help describe any complex issues.

About two pages should suffice. Put detailed stuff in an appendix.

9. Manufacturing/Operational Plans

Cover all aspects of distribution, service provision, support and/or manufacturing operations within this section. Analyze and project overhead expenses. Depending on the nature and scale of your business, sub-sections could be used to handle key topics. This section may need two-five pages.

Indicate locations and main facilities. Describe plant/office/facilities capacity & utilization (past, present and future). Specify investments to date and future plans. Distinguish between mandatory and discretionary expenditure and provide justifications (in terms of ROI, payback periods, etc.) where appropriate. Include or append maps, charts, pictures, etc.

Highlight major elements of operations. Use simple diagrams to illustrate processes or complex relationships.

Indicate organization structure, human resources (head counts, grades, skills, training, etc.), product costings, quality control, production systems, maintenance, customer support, etc. Use simple tables to summarize and place detail in appendices.

Functions	Quarter Ends in Year to Jan 2006			
	1st	2nd	3rd	4th
	Nbs	Nbs	Nbs	Nbs
Direct labor:				
- Group1	12	15	18	21
- Group2	11	13	14	16
- Group3	5	10	10	10
- Group4	10	13	16	19
Total direct labor	38	51	58	66
Indirect labor	10	10	10	10
Supervisory staff	5	5	5	5
Sales	5	5	5	5
Clerical	10	10	10	10
Management	10	10	10	10
Research & development	5	5	5	5
Total headcount	83	96	103	111

Briefly describe systems for product costing, quality control, production management, maintenance, customer support etc. Use simple tables to summarize and place any important details in an appendix.

If appropriate, specify unit costs for key inputs such as labor, payroll, power, communications, environmental services etc. and forecast how these might move in the future due to inflation, currency rates, etc. Where relevant, forecast consumption/utilization rates for key items and use these to project their total costs, e.g., headcount multiplied by labor cost rate equals total labor cost.

Identify key services, materials or goods to be purchased. Indicate prices, taxes/duties, purchasing arrangements, stock-holding policies and credit terms. Discuss likely future price trends.

Inventories	Opening	Quarter Ends in Year to Jan 2006			
	Levels	1st	2nd	3rd	4th
	\$000	\$000	\$000	\$000	\$000
Finished goods	125.0	165.6	195.4	225.3	244.8
Materials/goods	<u>120.0</u>	<u>120.0</u>	<u>120.0</u>	<u>120.0</u>	<u>120.0</u>
Total inventory	245.0	285.6	315.4	345.3	364.8

Explain transport/distribution arrangements and related costs. For overheads, include detailed schedules in an appendix and summarize them here.

Segment costs as variable, semi-variable and fixed. Indicate costings for key products/services and specify individual gross margins (see table below). Discuss breakeven points at corporate, operating unit and product levels.

Product Groups	Quarterly Averages for Year to Jan 2006				Annual
	1st	2nd	3rd	4th	Averages
	%Sales	%Sales	%Sales	%Sales	%Sales
Group1	38.3	35.0	39.5	36.4	37.3
Group2	46.2	40.5	39.5	38.7	40.5
Group3	42.5	37.3	36.4	35.6	37.3
Group4	35.2	31.3	30.8	30.7	31.8

Year to end Jan 2006	Total Sales	Gross Margin	Gross Margin
	\$000	\$000	% Sales
Product Group:			
- Group1	1,435.0	593.3	41.3
- Group2	1,042.2	369.8	35.5
- Group3	513.5	177.3	34.5
- Group4	<u>1,330.0</u>	<u>653.7</u>	<u>49.2</u>
Total	4,320.7	1,794.1	41.5

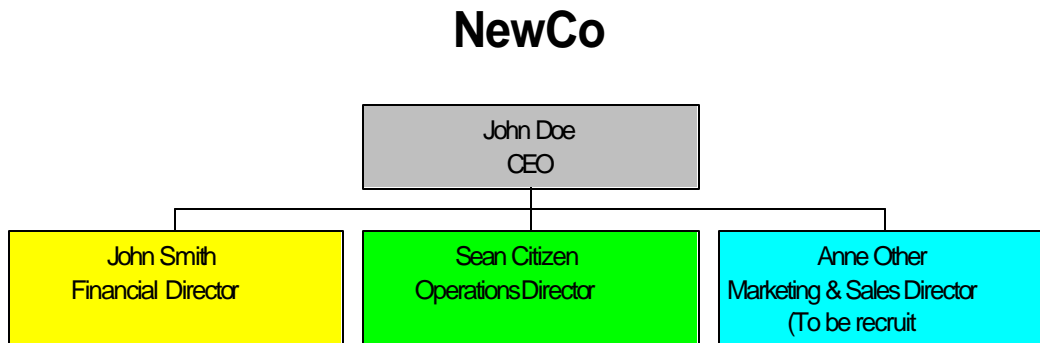
10. Management & Administration

Allow two-three pages for this section.

10.1 Management

Introduce the management team and their roles. Include short profiles but relegate details to an appendix.

Use a simple organization chart to illustrate the structure (if available, utilize the Microsoft Organization Charting utility with Word – select Insert | Object... | Create New | MS Organization Chart).



Indicate any gaps and explain measures to recruit. If necessary, present job specs in an appendix.

Summarize management remuneration and key clauses in employment contracts. Includes profiles for non-executive directors (existing/proposed).

10.2 Administration

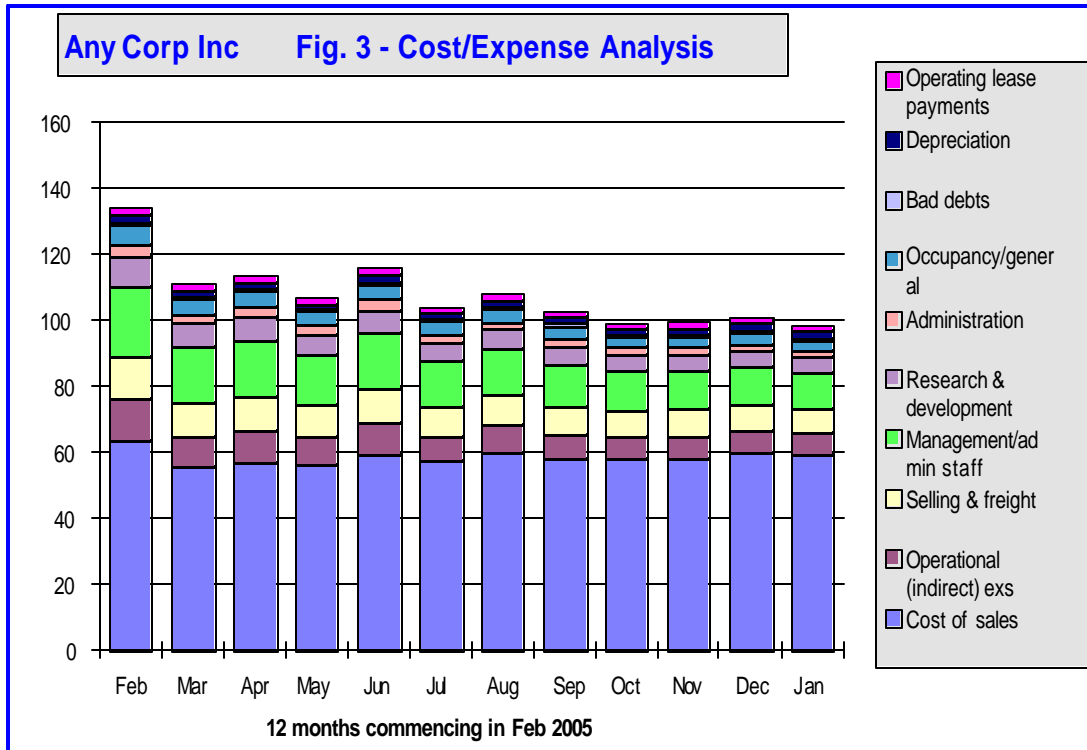
Indicate locations and facilities. Describe administrative arrangements.

Explain key operational, accounting and related management systems. Specify communications and IT systems. Describe development plans and costs.

Indicate main components of overhead costs and present high-level projections (if not already covered in the previous main section).

Cost Analysis	Quarters in Year to Jan 2006				Annual Total
	1st	2nd	3rd	4th	
	\$000	\$000	\$000	\$000	\$000
Materials/packaging/goods	299.5	333.8	411.5	453.9	1,498.6
Direct labor	108.3	140.4	170.3	202.9	621.9
Other direct	76.2	97.7	107.8	124.4	406.1
Total Cost of sales	484.0	571.9	689.6	781.1	2,526.6
Overhead expenses:					
Operational (indirect)	88.5	88.5	88.5	88.5	354.0
Selling & freight	89.3	94.1	99.8	102.3	385.3
Management/admin staff	150.0	150.0	150.0	150.0	600.0
Research & development	63.0	63.0	63.0	63.0	252.0
Administration	27.0	27.0	27.0	27.0	108.0
Occupancy/general	43.5	43.5	43.5	43.5	174.0
Total overhead expenses	461.3	466.1	471.8	474.3	1,873.3
Total direct costs & expenses	945.3	1,037.9	1,161.3	1,255.4	4,399.9

Charts can be much easier to follow than tables.



11. Financial Projections

Present key financial projections e.g. P&Ls (income statements), cashflows, balance sheets and key ratios. If breakeven is expected to occur within a year, make the projections on a monthly basis for the first year and use quarterly thereafter. Otherwise, show monthly projections until the year in which breakeven (for profitability and cashflow is anticipated).

It is essential that all the financial statements be fully integrated and linked.

The development of an integrated, error-free, spreadsheet-based financial planner is a very difficult and time-consuming task even for experienced accountants and spreadsheet users. You don't want to spend several days developing a computer model when you are really interested in planning a business.

Keep this section within four-eight pages by ensuring that only high-level financial projections are included in summary tables. Place all detailed schedules in appendices.

Financial projections must not be prepared in isolation from the rest of the plan. For example, the results of market research should flow into your sales projections which should generate your revenue forecasts. Under no circumstances should you do the detailed financial projections and then write a plan to suit. By all means, do some *high level* financial planning at an early stage to get a feel for the basic figures and sensitivities but don't let the plan become a financially-driven document without any strong market basis.

11.1 Key Assumptions

Use this section to review and pull together the key assumptions to be used in the financial projections. Relate your assumptions for sales, costs, head count etc. to the detailed plans/schedules outlined in preceding sections.

Also, specify the assumptions used for capital expenditure, external funding and working capital. For example, the table on the following page summarizes the first year's planned capital expenditures:

Capital Expenditure	Quarters in Year to Jan 2006				Annual
	1st	2nd	3rd	4th	Total
	\$000	\$000	\$000	\$000	\$000
Land, buildings & improvements			150.0		150.0
Plant, equipment & machinery			150.0		150.0
Automobiles, vehicles etc.				50.0	50.0
Total capital expenditure			300.0	50.0	350.0

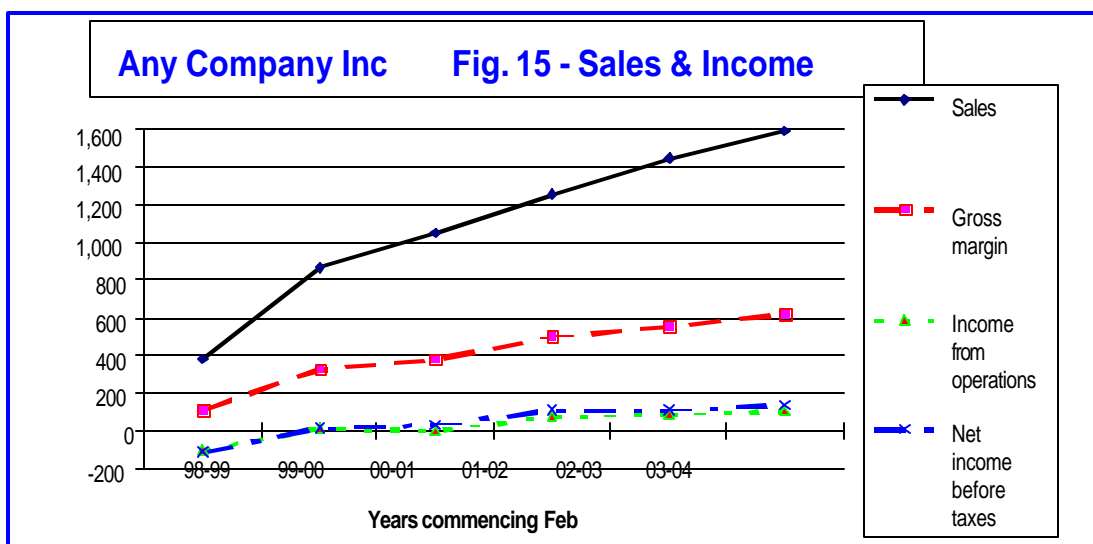
The following table indicates the diversity of assumption variables that may need to be considered in order to produce projected P&Ls, cashflows and balance sheets for a business.

Sales volumes	Fixed asset values
Selling prices	Intangible assets
Selling & distribution costs	Material costs
Tax rates for inputs	Accumulated depreciation
Research & development	Prepayments/accruals
Interest rates	Material/WIP inventories
Tax rates for sales	Capital expenditure
Management/administration	Share issues
Changes in loans/debt	Direct head count levels
Bad debt provisions	Capital & revenue grants
General overheads	Dividends
Operating leases & HP	Wage rates
Target finished stocks	Fixed asset disposals
Depreciation rates	Corporation tax
Current year debtors/creditors	Other direct costs
Opening balance sheet	Finance leases
	Phasing of opening balances
	Operational overheads

11.2 Income Statements

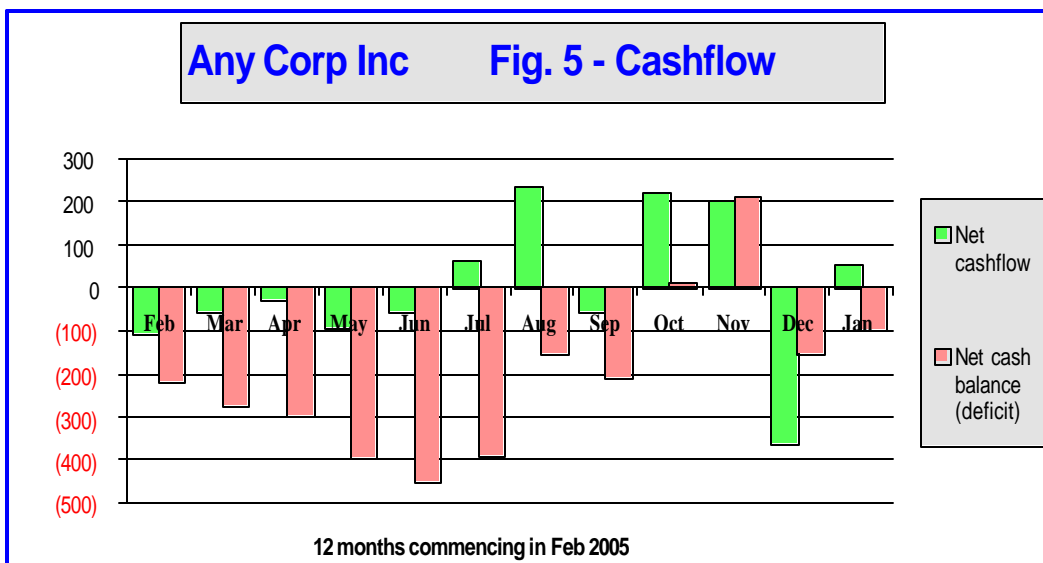
Introduce the projected income statements (profit & loss accounts) using a short paragraph (or bullet points) to highlight the key expected outcomes for sales and income. Use simple tables to summarize the key figures and place all detailed analyses in appendices. As shown below, simple tables and charts can show trends and patterns very clearly.

Years to end Jan	04-05 Act/Est	05-06 Proj	06-07 Proj	07-08 Proj	08-09 Proj	09-10 Proj
	\$000	\$000	\$000	\$000	\$000	\$000
Sales	1,900	4,321	5,242	6,295	7,239	7,963
Cost of sales	1,350	2,527	3,014	3,577	4,126	4,380
Gross margin	550	1,794	2,228	2,718	3,113	3,583
Total operating expenses	1,090	2,049	2,216	2,493	2,743	2,999
Income from operations	(540)	(254)	12	225	370	585
Other income, interest expense etc.	(35)	(18)	121	88	175	129
Net income before taxes	(575)	(272)	133	313	545	714
Taxes			9	25	44	57
Net income	(575)	(272)	124	288	501	657
Dividends declared				125	150	140
Transferred to reserves	(575)	(272)	124	163	351	517



11.3 Cash Flow Projections

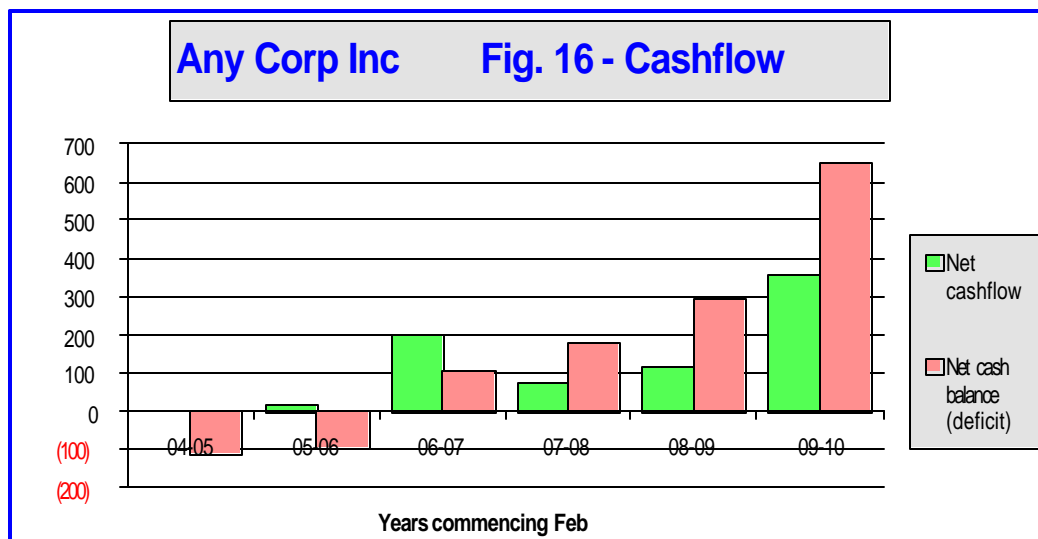
It is usual to give monthly cash flow projections for the first year, or longer, depending on the importance of cashflow and the time needed for the business to become cashflow positive. Many readers of your plan – bankers, venture capitalists and other investors – will pay far more attention to your cashflow projections than to the income statements. They will seek to establish that the business will not run out of cash before it reaches profitability - *more businesses fail for lack of cash than for want of profit.*



Less detailed projections (quarterly or annual) may suffice for subsequent years as per the specimen table below.

Years to end Jan	05-06	06-07	07-08	08-09	09-10
	Proj	Proj	Proj	Proj	Proj
	\$000	\$000	\$000	\$000	\$000
<u>Net cashflows from:</u>					
Operations	(421)	90	269	565	831
Investing activities	(320)	(100)	(155)	(375)	(325)
Financing activities	755	210	(40)	(75)	(150)
Increase (decr) cash	14	200	74	115	356

Use text and bullets to highlight and explain any key values or summarize the trends shown in tables or charts.



11.4 Projected Balance Sheets

When presenting projected balance sheets, you will need to include an opening balance sheet which has been based on audited figures (for last year) or estimated data (for current year). If your business is a *pure* start-up, its opening balance sheet may contain no values.

The projected balance sheets must link into the projected income statements and cashflow projections.

Years to end Jan	04-05 Act/Est	05-06 Proj	06-07 Proj	07-09 Proj	08-09 Proj	09-10 Proj
	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets:						
Cash	10		104	178	293	650
Other	<u>605</u>	<u>984</u>	<u>1,150</u>	<u>1,341</u>	<u>1,548</u>	<u>1,696</u>
Total Current Assets	615	984	1,254	1,519	1,841	2,346
Fixed & intang assets	720	1,042	1,185	1,551	1,763	1,899
Total assets	<u>1,335</u>	<u>2,027</u>	<u>2,440</u>	<u>3,070</u>	<u>3,604</u>	<u>4,245</u>
LIABILITIES						
Current liabilities:						
Short-term loans/credit	120	96				
Other	<u>545</u>	<u>651</u>	<u>954</u>	<u>1,433</u>	<u>1,547</u>	<u>1,603</u>
Total Current Liabilities	665	748	954	1,433	1,547	1,603
Total longterm liabilities	125	681	564	552	621	689
Total owners' equity	545	598	922	1,085	1,436	1,953
Total liabilities	1,335	2,027	2,440	3,070	3,604	4,245

11.5 Sensitivity Analysis

Present the key results of a 'what-if' analysis based on "best" and "worst" case scenarios. As a general guide, be conservative even when presenting the "best" case.

When planning scenarios, take account of possible project start-up delays, sales volume shortfalls, lower price levels and higher costs. For example, what would be the financial outcome (or additional funding requirement) if sales volumes and prices are both 90% of targets but direct and overhead costs are each 110% of planned?

SENSITIVITY ANALYSIS FACTORS REPORT

Months for First Year:	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
% Incr(+) or decr (-) sales volumes ->>												
% Incr(+) or decr (-) selling prices ->>												
% Incr(+) or decr (-) matl/goods costs ->>												
% Incr(+) or decr (-) overhead exps ->>												
Quarters for Three/Five* Years:	1Qtr	2Qtr	3Qtr	4Qtr	1Qtr	2Qtr	3Qtr	4Qtr	1Qtr	2Qtr	3Qtr	4Qtr
% Incr(+) or decr (-) sales volumes ->>												
% Incr(+) or decr (-) selling prices ->>												
% Incr(+) or decr (-) matl/goods costs ->>												
% Incr(+) or decr (-) overhead exps ->>												

Indicate breakeven points and explore the consequences of incrementing volumes, prices and costs (e.g. by 10%, 15%, 20% etc.). Only present high-level summaries – relegate the detailed calculations to appendices or retain them as working papers.

11.6 Ratio Analyses

Highlight the key ratios and trends over time. Compare projected financial ratios with industry norms and justify any significant deviations.

Years to end Jan	05-06 Proj	06-07 Proj	07-08 Proj	08-09 Proj	09-10 Proj
Gross margin (% sales)	41.5	42.5	43.2	43.0	45.0
Net income before taxes (% sales)	-6.3	2.5	5.0	7.5	9.0
Sales as % breakeven	88	101	109	113	120
Net income before taxes/total assets (%)		5.5	10.2	15.1	16.8
Sales/total assets (times)	2.1	2.1	2.1	2.0	1.9
Net debt as percent owners' equity (Max=200%)	150	81	67	46	18
Net assets per share (\$)	0.97	1.39	1.63	2.16	2.94
Earnings per share (\$)	-0.49	0.19	0.43	0.75	0.99
Dividend per share (\$)			0.19	0.23	0.21

12. Funding Requirements & Proposals

Look to fund the "most likely" case, or even "worst" case, rather than for the "best" case as revealed by sensitivity analysis.

Summarize and tabulate funding requirements. Indicate planned uses, possible sources and forms (equity, loans, grants, credit etc.) and likely terms. Specify and document any funding commitments secured.

To guide investors, you may wish to specify the likely range of equity stake; indicate possible exit routes (IPO, trade sale, buy-back etc.); possible board representation; and make a stab at the projected returns on their investment.

If presenting funding proposals, bear in mind the golden rule – *He who has the gold makes all the rules*. If valuing the business, be realistic and base it on more than one method of valuation, e.g., net asset values, price/earnings ratios, capitalization/revenue ratio, industry yardsticks and so on. Take account of market conditions and "going rates".

You may wish to withhold detailed funding proposals and terms until you have met possible investors or lenders face-to-face and have heard their initial reactions.

This section need not exceed a page or so.

13. Implementation

This is a critically important section – use it to translate all your proposals into clear, realistic and implementable plans.

Highlight the major decision points, time scales, milestones and actions required by management and others to progress the plan. Explain contingency plans to cover shortfalls.

Be realistic about the likely rate of progress and make provision for slippages. Summarize the key elements in a Gantt chart or table.

Month	1	2	3	4	5	6	7	8	9
Task 1									
Task 2									
Task 3									
Task 4									
Task 5									
Task 6									
.....									
.....									
.....									
.....									

Use a maximum of three pages for this section.

14. Conclusion

Use this section to wrap up your plan and to leave the reader with a warm and positive view of the business and its plans.

Review what the business expects to achieve. Indicate why it will succeed and why it should be supported by investors etc. Be very positive and confident to encourage favorable reactions. Confine this section to a few carefully-drafted paragraphs and write it once the plan is almost complete.

Tip: Get someone to read a near-final draft plan to check that it makes good business sense, reads well and is clear. Ideally, that "someone" should be a detached, independent person involved in business with experience of your industry and/or business planning. Hopefully, they will be able to see "wood from the trees" better than you can. Don't be resentful of any criticism - - use it to improve the next draft. If your plan is lengthy or important, anticipate several drafts.