

HBV Enterprise

Business Plan Guidelines



HBV enterprise
starting, funding, growing business

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Before Starting Any Business

First, it is important to ask yourself a number of basic questions. Working on a freelance basis or running your own business is a very different lifestyle from being an employee, a student or unemployed. It is advisable to consider your suitability to self employment before proceeding to plan your enterprise.

Carefully consider the effects that starting a business may have on your:-

Family	Lifestyle	Friends
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How good are you at managing:-

Finance	People	Time
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Do you have the right:-

Skills	Expertise	Experienc e
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Which of these do you need to acquire?

To help you answer some of these questions, you may want to discuss your ideas with other people.

Finance

If you need to borrow money or apply for a grant you will also be expected to show your commitment by investing some of your own money into the business. Just having an idea for a business is not enough.

Why prepare a Business Plan?

These notes provide general guidance in the preparation of a business plan, the purpose of which is to help you to:-

- a. Test the viability of your business idea without risking and/or spending any money.
- b. Focus your own ideas.
- c. Structure your new or existing business.
- d. Prepare your case for raising finance e.g. obtaining a grant or loan or raising venture capital.
- e. Provide a yardstick against which your business performance can be measured once you start up.

The plan should include everything about your business and be comprehensive, detailed and clear. After reading the plan, the recipient should know exactly what the business is and how it will operate and see the level of sales and profitability in the first year and why you believe you will achieve the sales forecast.

Ask a friend to proof read the finished document to make sure that it meets these objectives and to eliminate spelling mistakes and typographical errors.

Ideally the plan should be 8 - 10 sides of typed text (excluding any appendices).

Always send a copy of your finished business plan in advance to potential lender(s)/funders, so that they have an opportunity to read it through before any meeting.

How to set out your Business Plan

Title page

Give the name of your business, your own name, your contact address and telephone number.

Contents page

Include a contents page as set out here

Contents (number each section)	Page
Summary	
Introduction	
Objectives	
Product or service	
The Market	
Pricing Policy	
SWOT Analysis	
Management and CV's	
Premises	
Legal Format	
Risks	
Plan of Action	
Financial Information	
Appendices	

Summary

The summary should be prepared only after the plan has been completed, containing key information from the business plan to allow the reader to understand the nature of the plan at a glance.

The summary should be cross-referenced to the relevant place in the business plan.

Summary	
Page	
1. Explain if the business plan is to establish/ expand/consolidate a new or existing business	
2. Give a brief description of the business idea	
3. Give details of the Product or Service	
4. Indicate to whom the product or service will be sold	
5. Show the first year's estimated sales and net profit	
6. Show the following information:	
a.	Finance Required
	£
	Capital Assets xx
	Revenue/Working Capital <u>xx</u>
	Total xx
	—
b.	Finance Provision:
	Finance being introduced by the proprietor: xx
	Finance required from outside sources: <u>xx</u>
	Total xx
	—
7. Give details of the people involved in setting up and running the business.	
8. Provide details of how the organisation is/will be constituted e.g. As a Sole Trader, Partnership, Limited Company, Co-operative.	



The Business Plan

Introduction

Describe your business idea or what the business currently does so that the reader will know exactly what the business is or does.

Objectives

State what you intend the business to achieve in the first, second and later years:

- Short Term (first year);
- Medium Term (year two);
- Long Term (third year and over).

Product or Service

This section should be given comprehensive details of the product or service you are or will be selling. **Avoid jargon and technical words.**

Brochures and drawings should be included in appendices.

If it is an existing business, also give details of the setting up and progress of the business to date.

Does your business require a licence (e.g. Employment Agency) or do you need to comply with any regulations (local or national)?

The Market

Show an assessment of the target market you propose to enter so that you can demonstrate that the market really exists for your product or service. Is the market growing, declining or static? Is it seasonal?

State how you will identify, anticipate and satisfy your potential customers' requirements so that you can earn a profit.

The product or service should be matched to the customers' wants so that the customer determines the product or service, not the other way round.

The section should include sub-headings covering:

a. Customers

Who are they or who will they be? i.e. consumers, retailers, wholesalers. What does or will influence their decision to purchase your product or service rather than that of a competitor?

The business must be customer led and based on customer wants, not on what you think they ought to want.

If you will be or are selling a product, who do you consider is the ultimate customer? For example, is it the shop you are selling to or their customers - or both?

Do not forget that it is the customers who will determine whether or not your business is successful so make sure you can demonstrate that you know what they really want.

What does the customer want from your product or service? If you are a wholesale business you will be selling to retailers not the end user (consumer). This may affect your marketing e.g.

- You may have different prices for quantity purchases.
- If you supply supermarkets or other large buyers they could insist on stringent quality control.
- Some large purchasers may require their own brand name on the product.

Are they local, national or international? How does this affect your marketing, distribution, advertising, etc.

b. Competition

List their names, location, estimated/actual turnover, their strengths and their weaknesses. If you are setting up or operating a shop you should enclose a street plan of the trading area showing your location and those of other establishments in the same or similar trade. Completion of a SWOT (see page 9) on your competitors can be useful way of presenting information.

c. Market research

This should include the likely demand for your product or service as demonstrated by research conducted by you or obtained from other sources.

Is the total market growing, static or getting smaller? Is there a risk of technical obsolescence?

Give information you have collected on the market place in which your product or service will be sold. This can be obtained from libraries, books, magazines, journals, newspapers and trade associations.

It is essential to obtain evidence that there is a potential demand for your product/service otherwise you could be wasting your (and others) money, time and effort in setting up a business.

d. Test Marketing

If appropriate, after initial market research, your product or service should be evaluated by your identified customer base on a selective basis.

e. Packaging

Products - How will you package your goods and how much will it cost?

Remember packaging is a good way to advertise your business.

Services - All external communications whether letter headings, advertising, premises and your own personal appearance can be regarded as packaging your service.

f. Physical Distribution

Explain how your product or service will reach your customers.

g. Contacts

Give details of any customer who has promised to give you work and any sources of networking or introduction. Supply letters of intent (if available) as appendices.

h. Suppliers

Who will be or are your major and most important suppliers?

i. Sales Methods

Do you or will you sell directly through advertising or will a sales force be used?

j. USP (Unique Selling Proposition)

Give details of how your product/service is different to that of your competitors. This could be in terms of quality, size, convenience or a better range of stock or services.

k. Advertising and Promotion

How do you or will you bring your business to the public notice e.g. leaflets, newspapers, press releases, journals, radio?

What will advertising and promotion cost?

When will your major promotional efforts occur?

What response levels do you expect?

Summarise your intentions in a marketing plan, showing each activity. For example:

Where/Media	When/timing	Volume/frequency	Costs	Response rate
1. Local Newspaper Advertisement Hackney Trumpet	Feb, March, April	Weekly	£150 each month	6 enquiries per week resulting in 2 sales
Rationale for Choice: Weekly circulation 36000 covering my particular area with a reader profile matching my target audience.				
2.				
Rationale for Choice:				

I. Brochures

What literature, sales aids or other printed materials should your business use?

Pricing Policy

State how you have calculated your selling prices together with a comparison with those of your competitors.

Your prices must be in line with your competition i.e. if your prices are higher then it is unlikely you will have many sales unless your product or service is perceived to be substantially different from your competitors.

Swot Analysis

Prepare an analysis of the following for:

- (1) Your business
- (2) Your competitors

Strengths of your business/product (e.g. low running costs, a traditional image, gap, the market place);

Weaknesses (e.g. seasonal demand, many competitors);

Opportunities (e.g. franchise, popularity or products);

Threats (e.g. others can copy the idea).

Management and CV's

Give details of those involved in running the business and their job description, explaining how much of their time will be devoted to marketing, sales, book-keeping or production in an average week. State the qualities and experience each person possesses in order to fulfil their job.

A full curriculum vitae (CV) for each of the main people in the business should be included as an appendix. A CV is a statement showing personal details including educational and employment history.

Premises

State whether you are still looking for premises or have obtained them. What sort of premises do you require?

If you are working from home give details of the accommodation available, plus address. You should also find out what local regulations you must comply with.

If it is a commercial property state: -

- whether it is a lease or licence;
- the date the lease will start and finish;
- whether it is an existing or new lease or licence;
- the rent or licence fee per annum, when is it payable (e.g. monthly or quarterly) and if it is in advance or arrears;
- the dates of any rent reviews;
- the amount of any premium payable;
- the liability for maintenance/repairs/insurance;
- whether a survey has been carried out to advise on the condition of the building;
- if the premises have planning permission for the use to which you wish to put them and if not, what is the position regarding change of use;
- the square footage/meterage of the premises;
- the details of any works that need to be carried out before you can start your business.

If you are/will be working from home, state whether and when office/workshop premises will be required.

Legal Format

Give details of the legal structure of the business i.e. Sole Trader, Partnership, Limited Company, Co-operative and give the trading name.

For Partnerships, state whether a Partnership Agreement has been or will be drawn up. For Limited Companies, give details of the share capital and directors.

Risks

In this section you should consider what would happen if various events occurred which would affect your business and outline the ways in which these risks would be mitigated or overcome, e.g. what would happen if your sales were considerably lower than expected or if you were taken ill?

Plan of Action

Prepare a schedule with appropriate dates showing what you need to do from the present to launch or develop your business

Financial Information

You should include the following in respect of the first twelve months:-

- a. **Sales Plan**
- b. **Purchase Plan**
- c. **Cashflow Forecast**
- d. **Cashflow Assumptions**
- d. **Profitability Forecast**
- f. **Calculation of Breakeven**
- g. **Personal Budget**

If your business is already operating, include the last three years' Profit and Loss Accounts and Balance Sheets.

Difference between cashflow and profitability forecast

1. The Cashflow includes all financial transactions and shows when money comes in and goes out of the business including loans and loan repayments.

The Profitability Forecast does not include loans received, capital injected, loans repaid or purchases of machinery, equipment or vehicles. It does though; include the interest element of loan repayments and hire purchase instalments.

2. The Cashflow shows receipts from sales when they are received, i.e. immediately for a cash sale or after a credit period e.g. 30, 60 or 90 days.

The Profitability Forecast shows annual sales.

3. The Cashflow shows periodic payments e.g. annual or monthly insurance premiums or quarterly telephone bills. All are shown in the month they are paid.

The Profitability Forecast includes annual costs.

4. Where VAT registered, VAT (both paid and collected) is included in the cashflow forecast but **not** in the profitability forecast.

5. Depreciation (reduction in the value of an asset over the year) appears in the profit and loss, but not the Cashflow.

a. Sales Plan

- Calculate your projected sales using the "Sales Plan" attached (page 20).
- When will people pay you e.g. straight away or after 4 to 6 weeks etc.
- Take into account any seasonal fluctuations.
- Do not be over optimistic when forecasting sales during the first year of the life of the business. It is better to set a low target and beat it than to set a high target and fall short. However, you should have the cash and production capacity to fulfil a more optimistic level of sales.

b. Purchase Plan (if required)

- Calculate your projected purchases using the "Purchase Plan" attached (page 21).
- When will you pay your suppliers? Can you get credit?
- Like to Sales Plan, the purchases should reflect any seasonal fluctuations.

c. Cashflow Forecast

- Put the figures from the Sales and Purchases Plan.
- The cashflow will show the overdraft requirement of the business.
- The cashflow must reflect the details of the business set out in the earlier narrative part and must always be consistent with it.

d. Cashflow Assumptions

- Provide guidance to the reader on the basis of your calculations for each line of the cashflow forecast e.g. state any credit given on sales, interest rate on loans etc.

e. Profitability Forecast

- This forecast is similar to the cashflow but without the timing difference e.g. sales and costs are shown annually. It should not contain capital injected, grants or loans obtained or VAT.

f. Calculation of Breakeven

- Calculate this by using the attached form.

g. Personal Budget

- This should be completed to show how much you personally require to live on monthly and relate to the drawings/salary figure shown in the cashflow.

Finance Requirement and Provision

a. List everything you will need to get started, distinguishing between the items you already have and those you need to purchase. State a £ value for each item e.g. for capital equipment, stock, premium, rent, advertising, etc. and the timing of payments, which should be the same as shown on the cashflow.

b. How do you anticipate that this will be funded?

- Self
- Grants (state where from)
- Loans (state where from)
- Family
- Friends
- Hire purchase
- Leasing
- Factoring
- Venture Capital

If you are borrowing money, give details of the expected repayment period and the likely interest to be charged. The attached Repayment Table and Interest Tables should be helpful to you in calculating the cost of finance and cashflow and profitability forecasts. If an asset is being purchased, a lender will normally expect the period of the loan to reflect the expected life of the asset.

Appendices

You should include as much relevant material to support the plan as is necessary.

- CV
- Letters of intent
- Drawings
- Photographs
- Copy of lease
- Street plan
- Example of market research questionnaire

Cashflow Assumptions

1. **Capital Introduced/Opening Bank Balance**

2. **Sales/Fees - Cash (ex VAT)**

3. **Sales/Fees - Credit (ex VAT)**

4. **Sundry Income (if VAT charged ex VAT)**

5. **Sundry Income (if no VAT charged)**

6. **Loans**

7. **Grants**

8. **Payments/Allowances re Government initiatives (if applicable)**

PAYMENTS

9. **Purchases - Cash (ex VAT)**

10. **Purchases - Credit (ex VAT)**

11. **Advertising (ex VAT)**

12. **Equipment Purchase/Building Work (ex VAT)**

13. **Heat, Light and Power (ex VAT)**

14. **Hire Purchase and Leasing Charges (ex VAT)**

15. **Professional Fees (Accountant, Legal, Surveyors) (ex VAT)**

16. **Rent (If VAT being charged) (ex VAT)**

17. **Repairs and Renewals (ex VAT)**

18. **Stationery (ex VAT)**

19. **Sundry Expenses (ex VAT)**

20. **Telephone (ex VAT)**

21. **Travelling and Entertaining (ex VAT)**

22. Vehicle Running Expenses (ex VAT)

23. VAT Payment to Customs and Excise (5 minus 24)

24. Bank Charges/Interest

25. Insurance

26. Loan Repayment - Capital

27. Loan Repayment - Interest

28. Premium on Lease/Freehold Purchase

29. Rent (If no VAT being charged)

30. Salaries/Wages (Staff) (Gross including N.I.)

31. Drawings (Self) (Gross including N.I.)

32. Uniform Business Rate/Water Rates

33. Sundries

PERSONAL SURVIVAL BUDGET

Mortgage/Rent	
Community Service Charges	
Gas, Electricity, Oil	
All personal & Property Insurance	
Food, General Housekeeping Expenses	
Clothing	
Telephone	
Hire Charges (TV, Video, etc.)	
Entertainment	
Car Tax & Insurance	
Car Running Expenses	
Car Service & Maintenance	
Children's Expenditure	
Savings Plans	
HP Repayments	
National Insurance Class 2	
Total Expenditure £	

Estimated Income from Partner

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Other Income

--

Total £

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FORECAST

PROFIT AND LOSS ACCOUNT

Business:

For the period:

Sales: £ (A)

Less Direct (variable) costs:

Materials £

Direct Wages £

Other £

Total Direct Costs £

Gross Profit/Contribution £ (B)

Fixed Costs (overheads):

Wages/Salaries/NI £

Rent/Rates £

Heat/Light/Power £

Advertising £

Insurance £

Transport/Travel £

Telephone £

Stationery/Postage £

Repairs/Renewals £

Depreciation £

Other £

Total Fixed Cost £ (C)

Net Profit	£	
Less Survival Income	£	(D)

Retained in Business	£	
	=====	

$$\text{Breakeven Point} = \frac{(\text{C}) + (\text{D}) \times (\text{A})}{(\text{B})}$$

Calculation of Cost of Finance

Guidance Notes.

The following tables have been drawn-up to assist you in your financial forecasting. The figures are per £1,000 loan taken and are for guidance only and may vary to actual quotations received from lenders. All figures are rounded-up/down to the nearest £1.

Explanation of columns:-

Column A. This represents the percentage interest to be charged.

Column B. This indicates the monthly repayment **inclusive** of capital and interest, assuming the loan is repayable by equal monthly instalments and that interest is calculated on a reducing balance basis. (Most bank loans and soft loan providers work on this basis). **This is the figure you should use for your Cashflow forecast.**

Column C. This figure represents the capital outstanding at the end of each anniversary of the loan facility. **This figure can be entered-in under the liabilities section of your projected Balance Sheet(s).**

Column D. This figure represents the interest payable during a particular twelve-month period. **This figure should be included as an expense within your Profit and Loss forecast for the year(s).**

Column E. This figure represents the total interest paid during the full loan period. **This is for information purposes only but could be useful in comparing sources of finance.**

Example of Use

For the loan of £7,000 repayable over a period of four years, interest to be charged at 3% above base rate, with base rate say 7% i.e. 10%.

- a. Review loan table covering four-year period.
- b. Look down column A for relevant interest rate i.e. 10%.
- c. Then multiply the figures in columns B, C and D by 7 i.e.
 Column B £25 x 7 = £175 (represents monthly repayments for **Cashflow**).
 Column C £786 x 7 = £5,502 (represents capital outstanding at the end of Year 1)
 Column D £90 x 7 = £630 (represents the interest charged during the first twelve month period for inclusion as an expense within the **Profit and Loss**.) *Notes re usage – see overleaf*

Alternatively....visit our web site home page and use the “**loan repayment calculator**”.

For loans taken over 2 years

Interest %	Monthly Repayment	End of Year 1		End of Year 2		Total Int paid
		Cap O/S	Int. paid	Cap O/S	Int. paid	
5	44	512	39	0	14	53
6	44	515	47	0	17	64
7	45	517	55	0	20	75
8	45	520	63	0	23	86
9	46	522	71	0	26	97
10	46	525	79	0	29	108
11	47	527	87	0	32	119
12	47	530	95	0	35	130
13	48	532	103	0	38	141
14	48	535	111	0	41	152
15	48	537	119	0	45	164

For loans taken over 3 years

Interest %	Monthly Repayment	End of Year 1		End of Year 2		End of Year 3		Total Int. paid
		Cap O/S	Int. paid	Cap O/S	Int. paid	Cap O/S	Int. paid	
5	30	683	43	350	27	0	10	80
6	30	686	51	353	32	0	12	95
7	31	690	60	357	38	0	14	112
8	31	693	69	360	43	0	16	128
9	32	696	78	364	49	0	18	145
10	32	699	86	367	55	0	20	161
11	33	702	95	370	61	0	22	178
12	33	706	104	374	67	0	25	196
13	34	709	113	377	73	0	27	213
14	34	712	122	381	79	0	29	230
15	35	715	131	384	85	0	32	248

For loans taken over 4 years

Interest %	Monthly Repayment	End of Year 1		End of Year 2		End of Year 3		End of Year 4		Total Int. paid
		Cap O/S	Int. paid	Cap O/S	Int. paid	Cap O/S	Int. paid	Cap O/S	Int. paid	
5	23	768	45	525	33	269	20	0	7	105
6	23	772	54	530	40	273	25	0	9	128
7	24	776	63	535	47	277	29	0	11	150
8	24	779	72	540	54	281	34	0	12	172
9	25	783	81	545	61	285	38	0	14	194
10	25	786	90	550	68	288	43	0	16	217
11	26	789	100	555	75	292	48	0	18	241
12	26	793	109	559	83	296	53	0	20	265
13	27	796	119	564	90	300	58	0	22	289
14	27	800	127	569	98	304	63	0	24	312
15	28	803	137	574	105	308	68	0	26	336

For loans taken over 5 years

Interest %	Monthly Repayment	End of Year 1		End of Year 2		End of Year 3		End of Year 4	
		Cap O/S	Int. paid	Cap O/S	Int. paid	Cap O/S	Int. paid	Cap O/S	Int. paid
5	19	19	46	630	37	430	27	220	17
6	19	823	55	635	44	436	33	225	20
7	20	827	65	641	52	442	39	229	24
8	20	830	74	647	60	448	45	233	28
9	21	834	83	653	68	454	51	237	32
10	21	838	93	658	78	460	57	242	36
11	22	841	102	664	84	467	63	246	40
12	22	845	112	670	92	473	70	250	45
13	23	848	121	675	100	479	76	255	49
14	23	851	131	681	109	485	83	259	54
15	24	855	140	686	117	491	90	264	58
End of Year 4		End of Year 5		Total Int.					
Cap O/S Int. paid		Cap O/S Int. paid		paid					
220	17	0	6	133					
225	20	0	7	159					
229	24	0	9	189					
233	28	0	10	217					
237	32	0	12	246					
242	36	0	13	275					
246	40	0	15	304					
250	45	0	17	336					
255	49	0	18	364					
259	54	0	20	397					
264	58	0	22	427					

SALES AND PURCHASE FORECAST

Enter sales prices and purchase costs for each product/service

Product/ Services	Price (£)	Cost (£)	Mark up (%)	Margin (%)	
e.g. Catering Events	2	1	100	50	Mark up Calculation
					Selling price - Cost
					÷ Cost x 100 = Mark up %
					i.e. £2 - £1 ÷ 1 x 100 = 100%
					Margin Calculation
					Selling price - Cost
					÷ Selling price x 100
					= Margin %
					i.e. £2 - £1 ÷ 2 x 100 = 50%
AVERAGE					

NOTE: Sale prices and purchase costs entered should **NOT** include VAT

SALES FORECAST (VOLUME)

Enter sales estimate (number of units) for each month

Product	1	2	3	4	5	6	7	8	9	10	11	12	Total
e.g. Catering Events	100	120	120	150	100	180	150	200	200	150	250	250	1970

SALES FORECAST (VALUE)

Monthly sales income (sale price x volume) DO NOT INCLUDE VAT

Product	Price (£)	1 £	2 £	3 £	4 £	5 £	6 £	7 £	8 £	9 £	10 £	11 £	12 £	Total £
e.g. Catering Events	2	200	240	240	300	200	360	300	400	400	300	500	500	3940
TOTAL														

