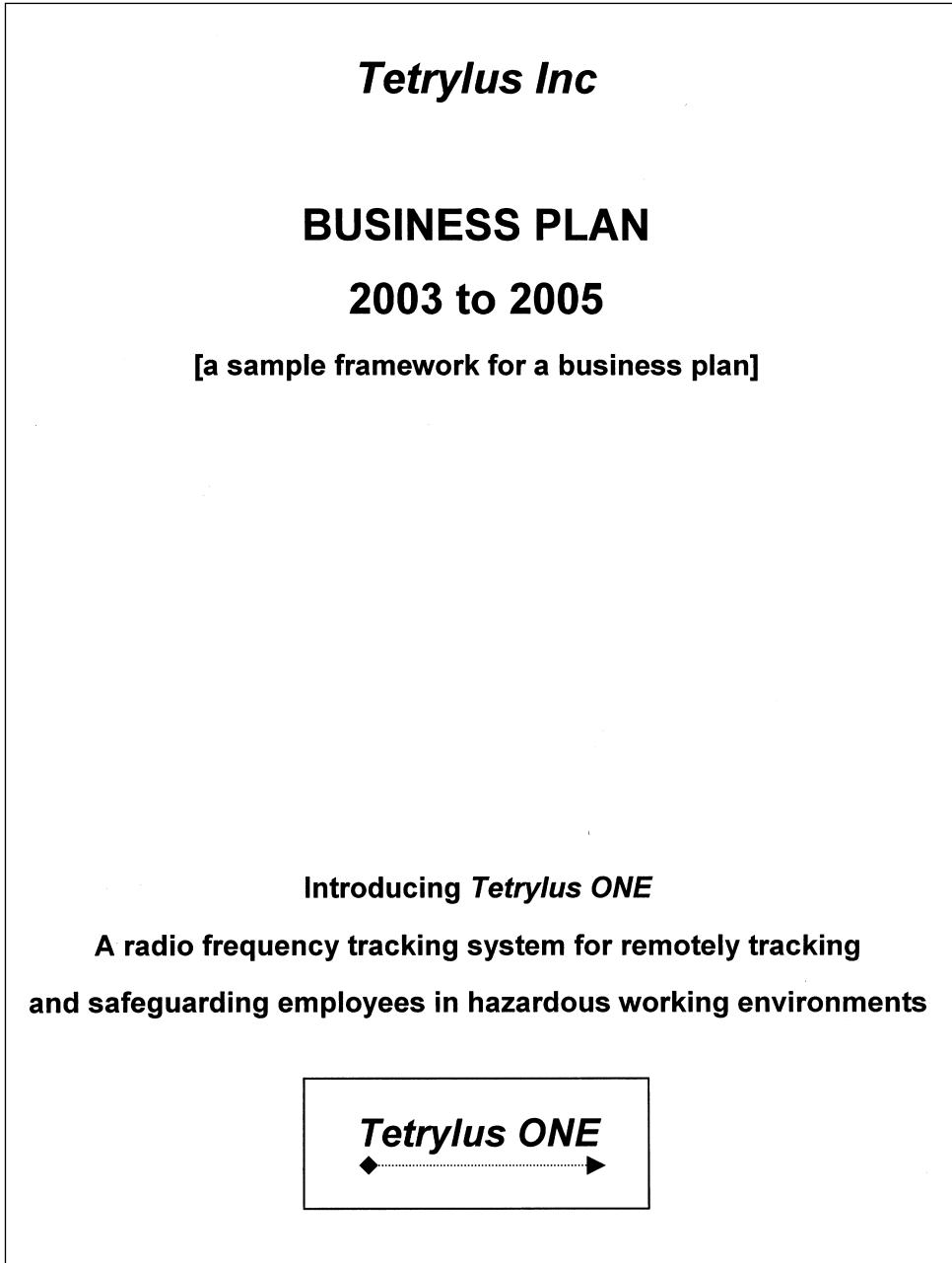


# appendix: *Tetrylus Inc* business plan

This appendix contains pages from a sample business plan. Your plan may have different headings and may be arranged in a different order, as discussed in the book. Each page below is cross-referenced to the appropriate chapter of this book and, if applicable, to the closest matching figure in that chapter. To receive the address of the supporting website which contains this sample business plan, send a blank email to [defbizplan@business-minds.com](mailto:defbizplan@business-minds.com)

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**1. Cover**  
**See Chapter 2, p. 30**



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## 3. Preliminaries

### See Chapter 2, pp. 30–4

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#### Professional Advisers

Bankers First Second Bank, City Branch, address....  
 Lawyers West Central Attorneys, address....  
 Auditors Arthur & Sons, address....

#### Definitions

....  
 Interrogator A control device which....  
 RFID Radio frequency identification  
 ....

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## 4. Executive Summary

### See Chapter 3, pp. 43–5

#### **Executive Summary**

*Tetrylus* is offering 40% of its authorized share capital for \$1.25m. This is the amount of additional funding that we need to meet orders for our unique industrial computer system and generate net profits of \$6m a year by 2005. We are positioning *Tetrylus* for an initial public offering in that year at an expected market capitalization of \$60m. This Business Plan sets out our strategic, operating and financial ...

#### **The Company**

*Tetrylus* was incorporated in February 2000 with issued share capital of \$10,000. The founder, Niccolò Machiavelli, is well known for his strategic management. He is supported by René Descartes as Head of Technology. René is famous for his powers of reasoning and he brings important experience from his previous post as Head of ...

#### **The Product**

*Tetrylus ONE* is a package of computer hardware and software that reduces accidents in dangerous working environments and cuts the cost of complying with health and safety regulations. Our first users include major petroleum, mining and construction companies. They recover their full investment in the system within ten months ...

#### **Corporate strategy**

Pilot sales confirm that our strategy will be successful. There are five key elements to our strategy ...

#### **Financial projections**

Net profit is projected at ... Cash flow will turn positive by month 15 and the potential surplus will reach ... Funding requirements peak at ... On a realistic appraisal ... pushing the potential return on equity to ...

## 5. Current situation

### See Chapter 4, pp. 53–64

#### **Basic corporate data**

Name of Company:	<i>Tetrylus Inc</i>
Status:	International business company Incorporated in the British Virgin Islands (BVI) on 29 February 2000.
Capital	Authorized: 10,000 ordinary \$1 shares. Issued: One \$1 share to Niccolò Machiavelli
Registered Office:	Fronde Chambers, Tortola, BVI.
Company no:	IBC—3471231
Head Office:	2010 Boston Road, Guesswhere

#### **Vision**

*Tetrylus* is dedicated to becoming the world-leader in industrial health and safety equipment ...

#### **Mission**

*Tetrylus* mission is to provide excellent industrial health-and-safety computer systems in Asia-Pacific. We aim to establish a 5% market share within the next three years, taking sales to over \$15 million a year, and net profits to more than \$6 million. We will list on NASDAQ by year five. During this time period, we will comply with ISO 13000 environmental standards, provide first-class career development for employees, reduce the maximum customer-response time to one hour, and work closely with our shareholders to meet their other objectives.

#### **Company values**

We will operate within strict legal and ethical guidelines ... We will not test our product on animals ... We will nurture our employee-team and will introduce measures to promote job satisfaction ...

#### **Brief history and current status**

*Tetrylus* is in a start-up situation. We have successfully completed one pilot project that ...

#### **Current financial data**

The summary below shows that ... Financial forecasts are included in the Financial analysis on pages 11–12 and full historical and forecast data are at Annex A.

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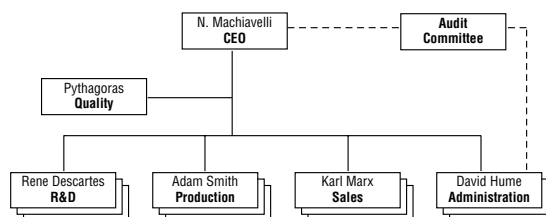
## 6. Current situation (continued)

### See Chapter 4, pp. 65–72

#### Organization and management

The management team comprises six professionals with appropriate qualifications, solid experience, and complementary skills. They have worked together previously and demonstrated their ability to ... Short résumés are below and detailed biographies are at Annex B.

#### Organization chart for Tetrylus Inc



#### Production

Our Production Department is headed by Adam Smith. He was one of the first experts to identify the benefits of specialization and can produce pins (for identification badges) better than anyone else ...

...

#### Sales

Karl Marx is in charge of Sales. His recognized ability to identify and satisfy customers' needs provides us with a significant competitive advantage. His deputy, Karl Popper, has shown that sales forecasts cannot be proved to be accurate but can be disproved ...

...

#### Infrastructure

*Tetrylus* is currently operating from the founders' garage. We have negotiated a lease for office premises in the Millennium Industrial Park. We will relocate in the first month of our start-up phase. The office is ideally situated close to suppliers, customers and the airport ...

#### Products and services

Our launch product is *Tetrylus ONE* – an automated tracking system for remotely tracking employees in hazardous working environments. The system comprises a computer software application, radio-frequency network cards and identification badges with built-in transmitters ...

The software is licensed from Arthur Andy and Son, a major international consulting house. The software is running ... The identification badges are modified versions of badges currently produced by ...

#### Core competencies

A review of the current situation analysis shows that we have developed core competencies in the following areas ...

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## 7. Market analysis

### See Chapter 5, pp. 75–94

#### Market Analysis

##### The industry

The product class is industrial health and safety monitoring and compliance equipment (HSMCE). There are two product categories: non-automated and computerized. *Tetrylus* is in the latter category ...

##### Our market

The market divides into six segments. There are three industry types (construction, mining and petroleum) each divided into large and small companies (the boundary being 2000 manual workers and above). *Tetrylus* is targeting primarily large petroleum companies. The other large companies are secondary targets for us, but are not ruled out. Small companies are currently not viable prospects on cost grounds ...

*Tetrylus* is operating in Asia-Pacific. Mining and petroleum companies have fairly homogeneous buying characteristics throughout the region, but the construction industry is more fragmented. Hong Kong and China ...

##### Competitors

Four major international competitors are operating within our territory. Together they dominated 94% of the market last year, as Table 7 indicates:

**Table 7. Asia-Pacific HSMCE sales by competitor**

Company	Sales, \$m	Market share, %
Pacific Link	166	46
Atlantic Watch	87	24
Indian Continental	74	20
Arctic Assets	13	4
Other	21	5
SafeTRAK	1	1
<b>Total</b>	<b>362</b>	<b>100</b>

However, when taken by market segment the picture is rather different. HSMCE sales by competitor, market segment, and territory are shown in Table 8...

##### Competitive advantages

Our research indicates that there are four areas where *Tetrylus ONE* has distinct competitive advantages. These are ...

By exploiting these advantages we can construct effective barriers to entry which will deter competitors from trying to enter our prime market until ...



## 8. Strategy and operating plan

### See Chapter 6, pp. 97–120

#### **Business strategy**

##### **Objectives**

Our strategic objectives are as follows:

1. Annual sales volumes in the range shown in Table 16, column D.
2. Completion of modifications to hardware as described in Table 17 by the dates indicated.
3. Completion of modifications to software as described in Table 17 by the dates indicated.
4. ...

##### **Strategy**

The market analysis on page 00 indicates that we can take advantage of an unexploited market niche – automated safety systems for large petroleum companies operating in Asia-Pacific. The main countries ...

We were the first to spot the gap in the market and our exclusive licence for the identification badge locks out the main competitors. We estimate that there will be a 15-month time lag before they are in a position to compete... by which time we have achieved critical mass and the market will be unattractive to them for the reasons explained ... We will also use the revenue from the first sales to develop ...

In essence, our strategy is to:

- Work with ISPs to enable fast deployment of our system using their relationships and resources. We have signed exclusive agreements with ...
- Pursue the strategic sales indicated Table 16, column C that will take us to critical mass most-rapidly and lock out the major competitors.
- Use revenue for the initial sales to erect barriers to entry as shown in ...

##### **Operating plan**

There are three main elements to our operating plan, relating to production, marketing and sales, and administrative support. These are considered in the following paragraphs ...

##### **Production ...**

##### **Marketing and Sales ...**

##### **Administrative Support**

## 9. Sales forecasts

### See Chapter 8, pp. 143–65

#### **Sales forecasts**

*Tetrylus ONE* reduces the number of accidents at work and cuts the cost of complying with health and safety legislation. Companies will recover in 10 months their entire initial investment in buying the hardware, licensing the software and implementing the system. Moreover ...

#### **Sales volumes**

The limiting factor on sales volumes might be our ability to implement enough systems in a given period of time. We can solve this by selling through ISPs and using *their* technical staff to implement our systems for end-users. This cuts our resource requirements and reduces the sales cycle (since ISPs will leverage existing customer relationships). Moreover, we are increasing the incentive for ISPs to re-sell *Tetrylus ONE* by allowing them to earn a high margin on the product while also earning from sales of their consulting and implementation services.

....

We have already appointed three ISPs, and we expect to recruit one more this year. We will continue to add ISPs – until we have 20 in year 5. We are working with current ISPs to develop specific prospective sales. We have three pilot sales at contract-negotiation stage, and we will make a total of four sales during this year ...

Our target is to sell an average of 2500 *Tetrylus ONE* identity badges with each sale by year 3. Initial sales will be smaller because ...

#### **Production costs**

TechnoWhiz will produce identity badges for us. This will reduce the resources that we require and limit our manufacturing risks – TechnoWhiz have already produced prototypes that meet or exceed our quality specifications. Initial costs of \$50 a badge will fall to \$23 in year 2. Our projected volumes allow ...

#### **Pricing**

Longer-term, sales will average a little over \$100 000 per package. Pilot sales aimed at establishing references sites will be smaller values. The following table shows the composition of a *Tetrylus ONE* package ...

#### **Gross profit from sales**

The following table indicates that gross profit from sales will reach ...

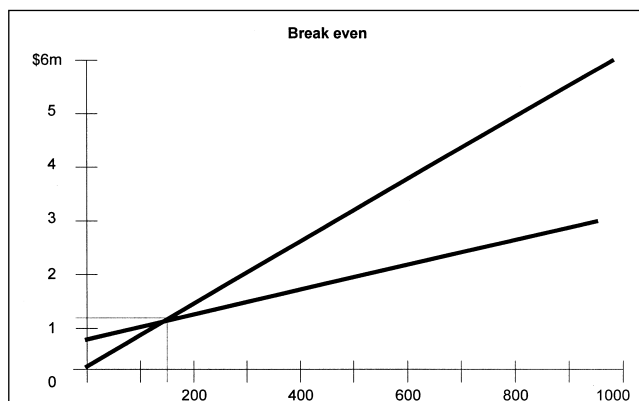
## 10. Financial analysis

### See Chapters 10 & 11, pp. 195–248

#### Financial analysis

##### Break even

We pass break even when we sell more than 124 *Tetrylus ONE* packages at a minimum price of \$95 000 each ...



We believe that we can comfortably achieve this break even level even on a worst case scenario with ...

##### Capital Spending

Production of *Tetrylus ONE* requires the following equipment ... We will minimize capital outlays by leasing ... but we need to own the ... for the strategic opportunities outlined on page 195.

##### Staff costs

Our major operating costs relate to staffing the ... To minimize our commitments while sales are being established we will sub-contract ...

##### Other operating costs

Table 10.1 shows that the largest non-staff operating costs are ...

## 11. Financial analysis

### See Chapter 10, pp. 196–211

#### Income statement/profit & loss account

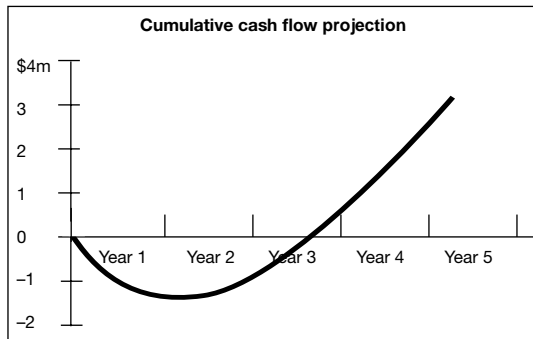
The revenues and costs described above are brought together in the profit and loss account in Table 12 (full details are in Annex A). The \$1.4m net loss in year 1 reduces to \$0.2m in year 2 and turns to a net profit of \$3.8m by year 3. Sales could ...

#### Balance sheet

A summarized balance sheet is shown in Table 13 (full details are in Annex A). By year 5, retained earnings exceed \$12m and net asset value is ...

#### Cash flow and funding requirements

The following chart illustrates our cumulative cash flow projection (Detailed figures are in Annex A). Monthly cash inflows start to exceed outflows by month 14 and we move into a surplus by month 30. Our maximum funding requirement is \$1.25 million ...



...

#### Valuation

On a modest price earnings multiple of 10, the implied market value of the equity capital will be nearly \$40m by year 3 ... This would represent a potential return on investment of ... Also ...

## 12. Risk analysis

### See Chapter 11, pp. 223–49

#### RISK assessment

##### SWOT

We have analyzed our strengths and weaknesses, and the opportunities for and threats to the business. The key items are listed below, each with a note explaining how we will cope with, or exploit, the issue ...

##### Critical success factors

We have determined that we must achieve the following targets in order to move our strategy forward. Most critical is the need to source ... We are implementing a four-step program to ensure that we meet the requirements ... The first step is to ...

##### Limiting factors

There are two things which could limit our sales in year one and ... First, there is a constraint on the amount of ... that we can source until we have ... Of course, these limits are way beyond the sales volumes that we can reasonably hope to achieve. Moreover, ...

##### Specific risks and their solutions

There are eight specific risks to which we should draw attention ... We have strategies to deal with each of these risks, as described below.

**Production.** *Tetrylus ONE* has been successfully prototyped and the feasibility and cost of the manufacturing process is known. The manufacturing is undertaken by a company with quality procedures that meet ISO 9002 standards, and we will conduct our own quality control sampling at their premises ... The one remaining uncontrollable factor affecting production is the availability and price of silicon on the world market which ...

##### Alternative scenarios

Our sales forecasts, and projected revenues, costs, and financial statements are based on the lower-end of our most-likely scenario.

As already discussed, there is a range of possible outcomes dependent on a wide range of factors both within and outside of our control. Accordingly, this plan includes two alternative scenarios showing how the business will develop under varying conditions. The low-income scenario assumes that certain unlikely events depress production, sales and prices by ... Our calculations show that we still break even at ... and ... We also include a high-income scenario to show how net profit will rise sharply if ...

##### Sensitivity analysis

The following table shows our assessment of the effects of a 1% increase in key variables. A 1% decline will have approximately the opposite effect. You may use this table to assess your own scenarios.

A 1% increase in	Will change these by		
	Net profit \$,000	Borrowing \$,000	ROE %
Sales volume	+167	-83	+3.3
Sales price	+134	-57	+2.7
Marketing expenditure	+15	-8	+0.3
Raw material prices	-59	+30	-1.2
Labour costs	-23	+12	-0.5
Other costs	-12	+5	-0.2

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## 13. Conclusion

See Chapter 3, p. 46

### Conclusion

We have subjected this business plan to the most rigorous analysis and the business appears to be viable under all realistic scenarios.

We firmly believe that we have identified a solid new business based on a new but tested technology with unique and exciting opportunities. The conclusion from our extensive and detailed market analysis is that competing products are so different that ... Based on this analysis, we have developed a solid strategy to rapidly move into the major markets and then consolidate our position.

We have examined the potential risks and have turned many into opportunities, eliminated others, and reduced the remainder to a manageable level ...

We have aligned the business organization to our immediate needs and so as to sustain the rapid growth that will follow. We have a well-qualified management team with proven relevant experience ... In addition, we have already identified additional personnel of the highest quality to complement our team.

Our financial projections are conservative, yet still indicate a very profitable business. As explained, we believe that we will exceed these projections by a wide margin.

....

## 14. Annex A1. Production and sales

### See Chapter 8, p. 166

#### ANNEX A.1 Production and sales

Note: Depending on the purpose of your plan, you will almost certainly need to include projections for a longer time period than the six months shown here. You may want to show details for the first few months of the future period, and perhaps annual figures for three to five years ahead. You will also include historical figures if the business is already in existence.

##### TETRYLUS Inc Financial plan

###### Production and sales, first six months

Dollars

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
G-1 <b>Costs and prices</b>						
G-2 Production cost, per unit	0	50	50	50	50	50
G-3 Sales price, per unit	0	78	78	78	78	78
G-4						
G-5 <b>Inventory volume</b>						
G-6 Opening stock (prev 9)	0	0	300	800	350	850
G-7 Addition (production volume)	0	500	500	0	500	0
G-8 Reduction (sales volume)	0	-200	0	-450	0	-600
G-9 <b>Closing stock (6 + 7 + 8)</b>	<b>0</b>	<b>300</b>	<b>800</b>	<b>350</b>	<b>850</b>	<b>250</b>
G-10						
G-11 <b>Inventory value</b>						
G-12 Opening stock (prev 15)	0	0	15 000	40 000	17 500	42 500
G-13 Addition (line 2 x line 7)	0	25 000	25 000	0	25 000	0
G-14 Reduction (line 2 x line 8)	0	-10 000	0	-22 500	0	-30 000
G-15 <b>Closing stock (12 + 13 + 14)</b>	<b>0</b>	<b>15 000</b>	<b>40 000</b>	<b>17 500</b>	<b>42 500</b>	<b>12 500</b>
G-16						
G-17 <b>Gross sales</b>						
G-18 Hardware (line 3 x line 8)	0	15 600	0	35 100	0	46 800
G-19 Software	0	4 400	0	4 900	0	3 200
G-20 <b>Total sales (lines 18 + 19)</b>	<b>0</b>	<b>20 000</b>	<b>0</b>	<b>40 000</b>	<b>0</b>	<b>50 000</b>
G-21						
G-22 <b>Cost of sales</b>						
G-23 Hardware (line 2 x line 8)	0	10 000	0	22 500	0	30 000
G-24 Software (from software account)	0	3 591	0	4 683	0	3 979
G-25 <b>Total cost (lines 23 + 24)</b>	<b>0</b>	<b>13 591</b>	<b>0</b>	<b>27 183</b>	<b>0</b>	<b>33 979</b>
G-26						
G-27 <b>Gross profit</b>						
G-28 Hardware (line 18 - line 23)	0	5 600	0	12 600	0	16 800
G-29 Software (line 19 - line 24)	0	809	0	217	0	-779
G-30 <b>Total (lines 28 + 29)</b>	<b>0</b>	<b>6 409</b>	<b>0</b>	<b>12 817</b>	<b>0</b>	<b>16 021</b>
G-31						
G-32 <b>Gross profit, %</b>						
G-33 Hardware (line 28 / line 18)	0	36	0	36	0	36
G-34 Software (line 29 / line 19)	0	18	0	4	0	-24
G-35 <b>Total (line 30 / line 20)</b>	<b>0</b>	<b>32</b>	<b>0</b>	<b>32</b>	<b>0</b>	<b>32</b>

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## 15. Annex A2. Capital outlays

### See Chapter 9, p. 178

#### ANNEX A.2 Capital outlays

##### TETRYLUS Inc Financial plan

##### Total capital outlays and depreciation, first six months

Dollars

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	H1
<b>CAPITAL OUTLAYS</b>							
C-11 Office fittings	6 500	0	0	0	0	0	<b>6 500</b>
C-12 Office furniture	5 000	0	0	0	0	0	<b>5 000</b>
C-13 Office equipment	0	0	750	0	0	0	<b>750</b>
C-14 Telecoms equipment	0	0	0	0	0	0	<b>0</b>
C-15 Computers, etc.	20 000	1 500	0	1 000	0	0	<b>22 500</b>
C-16 Software	5 000	0	0	0	0	0	<b>5 000</b>
C-17 Motor vehicles	0	0	0	0	0	0	<b>0</b>
<b>C-00 TOTAL CAPITAL OUTLAYS</b>	<b>36,500</b>	<b>1 500</b>	<b>750</b>	<b>1 000</b>	<b>0</b>	<b>0</b>	<b>39 750</b>
<b>DEPRECIATION SCHEDULE</b>							
D-11 Office fittings	0	542	542	542	542	542	<b>2 708</b>
D-12 Office furniture	0	83	83	83	83	83	<b>417</b>
D-13 Office equipment	0	0	0	13	13	13	<b>38</b>
D-14 Telecoms equipment	0	0	0	0	0	0	<b>0</b>
D-15 Computers, etc.	0	556	597	597	625	625	<b>3 000</b>
D-16 Software	0	208	208	208	208	208	<b>1 042</b>
D-17 Motor vehicles	0	0	0	0	0	0	<b>0</b>
<b>D-00 TOTAL</b>	<b>0</b>	<b>1 389</b>	<b>1 431</b>	<b>1 443</b>	<b>1 471</b>	<b>1 471</b>	<b>7 204</b>

##### **Notes to the accounts: depreciation policy**

Fixed assets are written-off over their projected working lives using the straight-line method. Office fittings are depreciated over the 12-month term of the office lease; office furniture and equipment is depreciated over 60 months, computers over 36 and software over 24 months.

##### **Commentary (extract)**

###### **Line S-00 – Total salaries**

Total spending on salaries is based on headcount projections and expected salary levels (as described ...)

###### **Line S-11 Director stipends**

There is a modest \$10,000 a month to cover the directors' basic living costs and commitments. This will be increased toward market levels once the business is generating sustained positive cash flow.

###### **Line S-12 Deliberately omitted**

###### **Line S-13 Contract staff**

To avoid the commitment associated with increasing the permanent staff complement, and to add to the range of resources available, a number of technical staff will be employed on a contract basis. Their costs are shown on page 178 and the total is included in line S-13.

###### **Line E-11 Premises rental and taxes**

We have a one-year lease on premises at Millennium Park. The lease is fixed at \$12,000 for the period and it is payable monthly in advance commencing in month 1.

###### **Line E-12 Amortisation – leasehold improvements**

This is the initial office fitting costs (described on page 178 written-off over the 12-month term of the lease.

###### **Line E-13 Utilities**

We estimate spending on electricity and water at a little over \$500 a month. There will be an annual price increase in month 11 – we have provided for the maximum likely rise of 10%.

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## 16. Annex A3. Staff costs

### See Chapter 9, p. 181

<b>ANNEX A.3 Staff costs</b>							
<b>SafeTRAK Inc Financial plan</b>							
<b>Staff costs, first six months</b>							
Dollars							
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	H1
<b>STAFF NUMBERS</b>							
Directors/managers	3	3	3	3	3	3	3
Technical staff	2	4	4	4	4	4	4
Marketing staff	0	1	1	2	2	2	2
Administrative staff	2	2	2	2	2	3	3
<b>Total</b>	<b>7</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>
<b>STAFF COSTS</b>							
<b>Staff salaries</b>							
S-1	Technical staff 1	1 200	1 200	1 200	1 200	1 200	7 200
S-2	Technical staff 2	1 200	1 200	1 200	1 200	1 200	7 200
S-3	Technical staff 3	.	1 200	1 200	1 200	1 200	6 000
S-4	Technical staff 4	.	1 200	1 200	1 200	1 200	6 000
S-5	Sales/distribution manager	.	.	.	1 250	1 250	3 759
S-6	Marketing assistant	.	750	750	750	750	3 750
S-7	Book-keeping, etc.	.	.	.	.	750	750
S-8	Receptionist/secretary	600	600	600	600	600	3 600
S-9	Messenger/security	300	300	300	300	300	1 800
S-00	<b>TOTAL (sum S1 to S9)</b>	<b>3 300</b>	<b>6 450</b>	<b>6 450</b>	<b>7 700</b>	<b>7 709</b>	<b>40 059</b>
S-11	Directors' stipends	10 000	10 000	10 000	10 000	10 000	60 000
S-13	Contract staff	10 000	10 000	10 000	10 000	10 000	60 000
S-14	Staff social security	92	162	162	185	208	992
S-15	Staff temporary	0	0	0	0	0	0
S-10	<b>TOTAL DIRECT (11 to 19)</b>	<b>23 392</b>	<b>26 612</b>	<b>26 612</b>	<b>27 885</b>	<b>27 894</b>	<b>161 051</b>
S-21	Staff pension fund	417	417	417	417	417	2 500
S-22	Staff termination fund	0	0	0	0	0	0
S-23	Staff rent allowances	0	0	0	0	0	0
S-24	Staff transport allowances	0	0	0	0	0	0
S-25	Staff other allowances	0	0	0	0	0	0
S-26	Staff group insurance	0	0	0	0	0	0
S-27	Staff medical insurance	500	0	0	0	0	500
S-28	Staff other benefits	0	0	0	0	0	0
S-20	<b>TOT. BENEFITS (21 to 29)</b>	<b>917</b>	<b>417</b>	<b>417</b>	<b>417</b>	<b>417</b>	<b>3 000</b>
S-31	Staff medical expenses	0	0	0	0	0	0
S-32	Staff recruitment	0	0	0	0	0	0
S-33	Staff relocation	0	0	0	0	0	0
S-34	Staff legal expenses	1 500	0	0	0	0	1 500
S-36	Staff training	0	0	0	0	0	0
S-38	Staff entertainment	70	100	100	110	120	610
S-39	Staff sundry	0	0	0	0	0	0
S-30	<b>TOTAL OTHER (31 to 39)</b>	<b>1 570</b>	<b>100</b>	<b>100</b>	<b>110</b>	<b>120</b>	<b>2 110</b>
S-00	<b>TOTAL STAFF (10+20+30)</b>	<b>25 879</b>	<b>27 128</b>	<b>27 128</b>	<b>28 411</b>	<b>28 420</b>	<b>166 161</b>

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## 17. Annex A4. Non-staff operating costs

### See Chapter 9, p. 186

#### ANNEX A.4 Non-staff operating costs

TETRYLUS Inc Financial plan,

Operating costs, first six months

Dollars

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	H1
E-11 Premises rental & taxes	1 000	1 000	1 000	1 000	1 000	1 000	6 000
E-12 Amort'n – lease improvem'ts	0	542	542	542	542	542	2 708
E-13 Utilities – electricity, etc.	500	500	500	500	500	500	3 000
E-10 <b>TOTAL OCCUPANCY</b>	<b>1 500</b>	<b>2 042</b>	<b>2 042</b>	<b>2 042</b>	<b>2 042</b>	<b>2 042</b>	<b>11 708</b>
E-21 Dep'n – office furniture	0	83	83	83	83	83	417
E-22 Dep'n – office equipment	0	0	0	13	13	13	38
E-23 Small equipment	100	100	0	0	0	0	200
E-24 Stationery & printing	100	25	25	25	25	25	225
E-25 Dues & subscriptions	100	100	100	100	100	100	600
E-26 Books & periodicals	50	50	50	50	50	50	300
E-27 Other office	50	50	50	50	50	50	300
E-20 <b>TOTAL OFFICE</b>	<b>400</b>	<b>408</b>	<b>308</b>	<b>321</b>	<b>321</b>	<b>321</b>	<b>2 079</b>
E-31 Dep'n – coms. equipment	0	0	0	0	0	0	0
E-32 Telephone & fax	2 500	2 500	2 500	2 500	2 500	2 500	15 000
E-33 Information services	100	100	100	100	100	100	600
E-34 Postage & courier	250	250	250	250	250	250	1 500
E-30 <b>TOTAL COMMS</b>	<b>2 850</b>	<b>2 850</b>	<b>2 850</b>	<b>2 850</b>	<b>2 850</b>	<b>2 850</b>	<b>17 100</b>
E-41 Depreciation – computers	0	556	597	597	625	625	3 000
E-42 Depreciation – software	0	208	208	208	208	208	1 042
E-43 Other software licences	500	0	0	0	0	0	500
E-45 Computer consumables	50	50	50	50	50	50	300
E-40 <b>TOTAL COMPUTERS</b>	<b>550</b>	<b>814</b>	<b>856</b>	<b>856</b>	<b>883</b>	<b>883</b>	<b>4 842</b>
E-51 Product distribution	0	0	500	1 000	300	2 500	4 300
E-52 Brochures and printing	0	5 000	2 500	0	0	0	7 500
E-55 Promotional items	0	2 500	0	0	0	0	2 500
E-59 Other marketing	0	5 000	5 000	0	0	0	10 000
E-50 <b>TOTAL MKTG &amp; SALES</b>	<b>0</b>	<b>12 500</b>	<b>8 000</b>	<b>1 000</b>	<b>300</b>	<b>2 500</b>	<b>24 300</b>
E-61 Depreciation – vehicles	0	0	0	0	0	0	0
E-62 Rental – vehicles	0	0	0	0	0	0	0
E-63 Motor vehicle expenses	0	0	0	0	0	0	0
E-64 Travel & subsistence	5 100	10 100	10 100	10 100	10 100	10 100	55 600
E-65 Entertainment	0	0	0	0	0	0	0
E-60 <b>TOTAL TS&amp;E</b>	<b>5 100</b>	<b>10 100</b>	<b>10 100</b>	<b>10 100</b>	<b>10 100</b>	<b>10 100</b>	<b>55 600</b>
E-71 Audit fees	0	0	0	0	0	0	0
E-72 Legal fees	1 000	2 500	1,000	0	0	0	4 500
E-75 Other professional fees	0	0	0	0	0	0	0
E-70 <b>TOTAL PROFESSIONAL</b>	<b>1 000</b>	<b>2 500</b>	<b>1 000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 500</b>
E-83 Insurance	1 000	2 500	0	0	0	0	3 500
E-85 Sundry expenditure	100	100	100	100	100	100	600
E-80 <b>TOTAL OTHER</b>	<b>1 100</b>	<b>2 600</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>4 100</b>
E-00 <b>TOTAL EXPENDITURE</b>	<b>12 500</b>	<b>33 814</b>	<b>25 256</b>	<b>17 288</b>	<b>16 596</b>	<b>18 796</b>	<b>124 229</b>

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## 18. Annex A5. Income/P&L and balance sheet

### See Chapter 9, p. 189

<b>ANNEX A.5 Income/P&amp;L and balance sheet</b>							
<b>TETRYLUS Inc, Financial plan</b>							
<b>Profit and loss account, first six months</b>							
<b>Dollars</b>							
	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>H1</b>
Sales	0	20 000	0	40 000	0	50 000	<b>110 000</b>
Less: Costs of sales	0	13 591	0	27 183	0	33 979	<b>74 753</b>
<b>Gross profit</b>	<b>0</b>	<b>6 409</b>	<b>0</b>	<b>12 817</b>	<b>0</b>	<b>16 021</b>	<b>35 247</b>
<b>Less: Operating costs</b>							
Employee costs	25 879	27 128	27 128	28 411	28 420	29 194	<b>166 161</b>
Other expenditure	12 500	33 814	25 256	17 268	16 596	18 796	<b>124 229</b>
<b>Total operating costs</b>	<b>38 379</b>	<b>60 942</b>	<b>52 384</b>	<b>45 679</b>	<b>45 016</b>	<b>4 7990</b>	<b>290 390</b>
<b>Net profit (loss) before contingency, etc.</b>	<b>(38 379)</b>	<b>(54 533)</b>	<b>(52 384)</b>	<b>(32 862)</b>	<b>(45 016)</b>	<b>(31 969)</b>	<b>(255 143)</b>
Less: Contingency	3 838	6 094	5 238	4 568	4 502	4 799	29 039
<b>Net profit (loss) before interest and tax</b>	<b>(42 217)</b>	<b>(60 627)</b>	<b>(57 622)</b>	<b>(37 430)</b>	<b>(49 518)</b>	<b>(36 768)</b>	<b>(284 182)</b>

<b>Balance sheet</b>							
<b>Dollars</b>							
	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	
<b>Assets</b>							
B-1 Cash at bank	1 000	1 000	1 000	1 000	1 000	1 000	
B-2 Accounts receivable	0	20 000	0	40 000	0	50 000	
B-3 Deposits paid	2 000	2 000	2 000	2 000	2 000	2 000	
B-4 Repayments (rents)	11 000	10 000	9 000	8 000	7 000	6 000	
B-5 Inventory	0	15 000	40 000	17 500	42 500	12 500	
B-6 Fixed assets at cost	36 500	38 000	38 750	39 750	39 750	39 750	
B-7 Less accumulated depreciation	0	-1 389	-2 819	-4 263	-5 733	-7 204	
B-8 <b>Memo: net fixed assets</b>	<b>36 500</b>	<b>36 611</b>	<b>35 931</b>	<b>35 488</b>	<b>34 017</b>	<b>32 546</b>	
B-9 <b>Total assets</b>	<b>50 500</b>	<b>84 611</b>	<b>87 931</b>	<b>103 988</b>	<b>86 517</b>	<b>104 046</b>	
<b>LIABILITIES</b>							
B-12 Total loans	91 300	172 031	242 556	268 443	322 573	342 475	
B-13 Accounts payable – hardware	0	10 000	0	22 500	0	30 000	
B-14 Accounts payable – software	0	3 591	3 591	8 274	8 274	12 253	
B-15 Accruals (staff pensions)	417	833	1 250	1 667	2 083	2 500	
B-16 <b>Total liabilities</b>	<b>91 717</b>	<b>186 455</b>	<b>247 397</b>	<b>300 884</b>	<b>332 931</b>	<b>387 228</b>	
<b>CAPITAL &amp; RESERVES</b>							
B-19 Share capital	1 000	1 000	1 000	1 000	1 000	1 000	
B-20 Unremitted P&L	-42 217	-102 844	-160 467	-197 896	-247 414	-284 182	
B-21 <b>Total capital and reserves</b>	<b>-41 217</b>	<b>-101 844</b>	<b>-159 467</b>	<b>-196 896</b>	<b>-246 414</b>	<b>-283 182</b>	
B-22							
B-23 <b>Total liabilities and equity</b>	<b>50 500</b>	<b>84 611</b>	<b>87 931</b>	<b>103 988</b>	<b>86 517</b>	<b>104 046</b>	

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## 19. Annex A6. Cash flow

### See Chapter 10, p. 209

<b>ANNEX A.6 Cash flow</b>							
<b><u>TETRYLUS Inc Financial plan</u></b>							
<b><u>Cash flow, first six months</u></b>							
<b>Eurodollars</b>							
		<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>
F-1	Net profit	-42 217	-60 627	-57 622	-37 430	-49 518	-36 768
F-2	Adjustments for changes in:						
F-3	Cash at bank	-1 000	0	0	0	0	0
F-4	Accounts receivable	0	-20 000	20 000	-40 000	40 000	-50 000
F-5	Deposits paid	-2 000	0	0	0	0	0
F-6	Prepayments (rents)	-11 000	1 000	1 000	1 000	1 000	1 000
F-7	Inventory	0	-15 000	-25 000	22 500	-25 000	30 000
F-8	Fixed assets	-36 500	-1 500	-750	-1 000	0	0
F-9	Depreciation	0	1 389	1 431	1 443	1 471	1 471
F-10	Accounts payable - hardware	0	10 000	-10 000	22 500	-22 500	30 000
F-11	Accounts payable - software	0	3 591	0	4 683	0	3 979
F-12	Accrued pensions	417	417	417	417	417	417
F-13	Equity	1 000	0	0	0	0	0
F-14	<b>Cash flow</b>	<b>-91 300</b>	<b>-80 731</b>	<b>-70 525</b>	<b>-25 887</b>	<b>-54 130</b>	<b>-19 902</b>
F-15	Cumulative cash flow	-91 300	-172 031	-242 556	-268 443	-322 573	-342 475

Notes:

F-3 – there is provision for a working bank balance of \$1000.

F-4 & F-10 – 30 days credit is allowed to customers and provided by the hardware supplier.

F-5 – a returnable deposit equivalent to two months' rent was required by the lessor of the office premises.

F-6 – office rent is payable 12 months in advance.

F-11 – software licence fees are paid to the supplier annually.

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## 20. Annex B. Management biographies

### See Chapter 4, p. 66

#### A strategy and an action plan

### ANNEX B Management biographies

#### Niccolò Machiavelli, Chief Executive Officer

Born 3 May, 1469 in Florence, Italy. Niccolò gained fame for his controversial pamphlet *The Prince*, which he wrote to gain influence with the ruling Medici family. Initially a secretary in the Florentine government, he engaged in diplomatic missions and rubbed shoulders with the great and famous. He brings strategic insight which will help the company to gain market share ... His other publications include *The Art of War* and *Discourses on Livy* ...

#### Karl Marx, Director of Sales

Born 1818 in Trier, Prussia. Karl studied law and philosophy at Bonn University and Jena. He began his career as a lecturer before becoming a political journalist and subsequently editor of *The Rhenish Gazette*. He was exiled for his views and he moved to London in 1850 ... His works include *Das Kapital* which became the justification of modern socialism ...

#### Adam Smith, Director of Production

Born 1768 in Kirkcaldy, Scotland. After a scholarship at Oxford, Adam was appointed Professor of Logic at Glasgow University – and later Professor of Moral Philosophy. He is the founder of classical and political economics. His works include *Inquiry into the Nature and Causes of the Wealth of Nations* which introduced the concept of the invisible hand of capitalism ...

#### René Descartes, Director of Research & Development

Born March 31, 1596 in Touraine, France. Famous for coining the phrase ‘cogito, ergo sum’ (‘I think, therefore I am’), Descartes is widely held as the founder of modern philosophy; however, he was also a brilliant mathematician. Aside from his philosophical works, including *Meditations on First Philosophy*, he wrote *La Géométrie* applying algebra to geometry – the foundation of cartesian geometry ...

*If you would be a real seeker after truth,  
it is necessary that at least once in your life  
you doubt, as far as possible, all things.  
René Descartes*