

# *Fulham Furniture Manufacturer*

January 1998

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# Fulham Furniture Mfr. Business Plan

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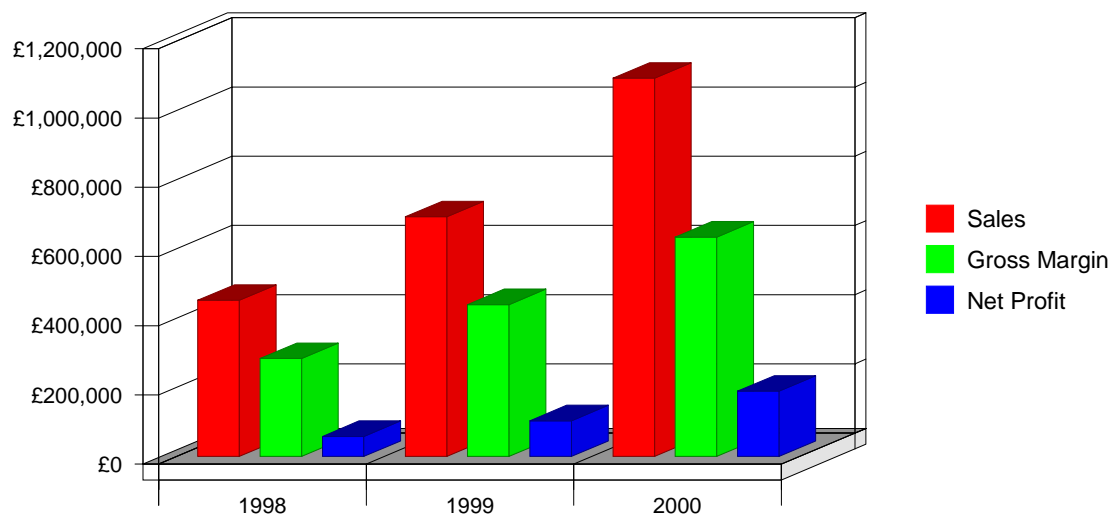
## 1.0 Executive Summary

Fulham Furniture Mfr. has been riding a growth spurt, having discovered the high-end direct mail channel that gave us a push to new potential volumes through channels. Bolstered by appearances in specialty catalogues, we were able to develop another additional channel through distributors of office equipment that sell directly to larger enterprises.

This annual business plan calls for another three years of accelerated growth. Because our sales growth has brought some working capital implications, we are carefully planning to manage growth and provide for steady cash flow.

We also expect to be profitable as never before. In all, this plan is a healthy company with good growth prospects, looking to manage its orderly growth in the near future.

### Highlights (Planned)



## 1.1 Objectives

1. Focus on the new channels to increase sales beyond the £1 million mark by 2000.
2. Maintain a gross margin close to 60%, despite the sales increase.
3. Increase the net profit to more than 7.5% of sales by 2000.

# Fulham Furniture Mfr. Business Plan

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## 1.2 Mission

Fulham Furniture Mfr. helps create pleasant, productive office environments with well-designed furniture that incorporates new technology into the classic office mode, in which real people can work happily. We are sensitive to the look and feel of good wood and fine furniture as well as to high-powered personal computing. We always provide the best possible value to our customers who care about quality office environments, and we want every dollar spent with us to be well spent. We also create and nurture a healthy, creative, respectful, and fun office and workshop environment, in which our employees are fairly compensated and encouraged to respect the customer and the quality of the product we produce. We seek fair and responsible profit, enough to keep the company financially healthy for the long term and to fairly compensate owners and investors for their money and risk.

## 1.3 Keys to Success

- Uncompromising commitment to the quality of the end product: quality wood, quality workmanship, quality design, quality of end result.
- Successful niche marketing: we need to find the quality-conscious customer in the right channels, and we need to make sure that customer can find us.
- Almost-automatic assembly: we can't afford to ship fully-assembled desks, but assembly must be so easy and automatic that it makes the customer feel better about the quality, not worse.

## 2.0 Company Summary

Fulham Furniture Mfr. is a Limited Company specialty manufacturer of high-end office furniture for computer users who care about elegant office space. Our customers are in all levels of business that can afford very high quality office furniture, plus a growing portion of high-end home offices.

## 2.1 Company Ownership

Fulham Furniture Mfr. is a London, England Limited Company, owned entirely by James and Susan Graham. It was created in 1992. At that time the product line and industrial property rights (including trademarks) were purchased from the heirs to the Fulham Association, which was a furniture company in South West London that had been mismanaged by the heirs of the original founders. Fulham Association was more than happy to sell the business at a very attractive price to James and Susan Graham.

# Fulham Furniture Mfr. Business Plan

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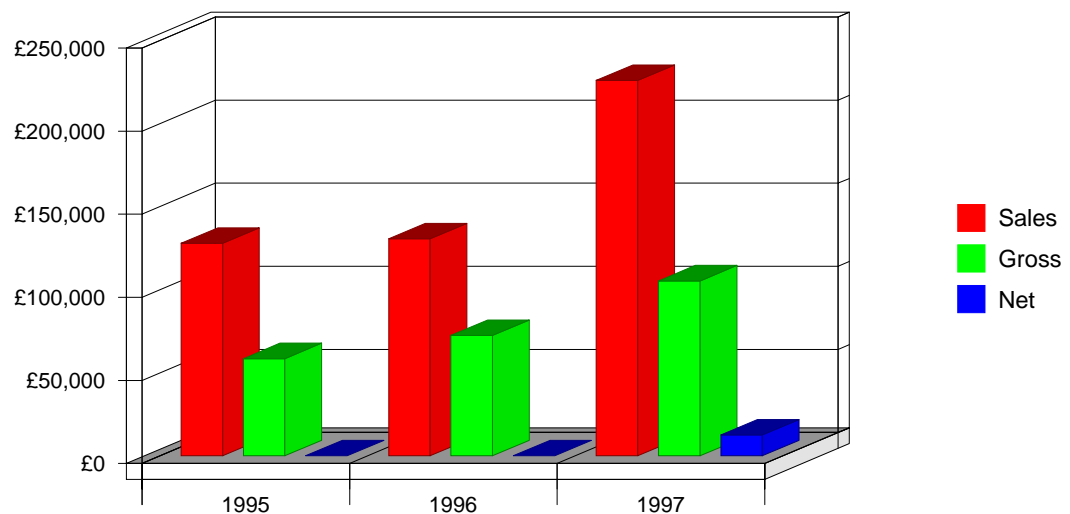
## 2.2 Company History

Fulham Furniture Mfr. had actually existed since the 1970s as a traditional furniture manufacturer, but its present existence began in 1992 when the furniture line was purchased by James and Susan Graham. The Grahams moved to London from Scotland and purchased the business as part of the move.

Sales took a big jump in 1997, when we reached more effective channels of distribution. The key was winning a place in the Premier Executive office furniture catalogue, which led to winning the interest of the XXX furniture distributors, and display space in several hundred stores.

Profitability and working capital were problems during our recent growth, but we believe we now have costs and cash flow under control.

### Past Performance



# Fulham Furniture Mfr. Business Plan

**Table: Past Performance**

Past Performance	1995	1996	1997
Sales	£127,809	£130,568	£225,790
Gross Margin	£58,381	£72,374	£105,245
Gross % (calculated)	45.68%	55.43%	46.61%
Operating Expenses	£54,602	£69,801	£90,125
Collection period (days)	35	0	72
Inventory turnover	4.00	4.70	6.00
<b>Balance Sheet</b>			
Short-term Assets	1995	1996	1997
Cash	£0	£0	£1,438
Accounts receivable	£0	£0	£27,605
Inventory	£0	£0	£10,141
Other Short-term Assets	£0	£0	£2,375
Total Short-term Assets	£0	£0	£41,559
Long-term Assets			
Capital Assets	£0	£0	£3,210
Accumulated Depreciation	£0	£0	£1,720
Total Long-term Assets	£0	£0	£1,490
Total Assets	£0	£0	£43,049
<b>Capital and Liabilities</b>			
	1995	1996	1997
Accounts Payable	£0	£0	£11,191
Short-term Notes	£0	£0	£0
Other ST Liabilities	£0	£0	£1,803
Subtotal Short-term Liabilities	£0	£0	£12,994
Long-term Liabilities	£0	£0	£0
Total Liabilities	£0	£0	£12,994
Paid in Capital	£0	£0	£4,500
Retained Earnings	£0	£0	£13,100
Earnings	£0	£0	£12,455
Total Capital	£0	£0	£30,055
Total Capital and Liabilities	£0	£0	£43,049
<b>Other Inputs</b>			
	1995	1996	1997
Payment days	0	0	35
Sales on Credit	£0	£0	£140,434
Receivables Turnover	0.00	0.00	5.09

## 2.3 Company Locations and Facilities

Fulham Furniture Mfr. is located in a single facility across the Thames from Fulham, in Putney where there is more industrial office space and manufacturing space for Fulham Furniture Mfr. The facility includes office and workshop space, access to the local bus route, and Tube stop, and good parking.



# Fulham Furniture Mfr. Business Plan

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## 3.0 Products

Fulham Furniture Mfr. offers very high quality office furniture designed to effectively incorporate computer machinery into the executive office or home office. The key to the line is an ergonomically effective desk that still looks like an executive desk, looks very good in a high-end home office, but is intended to accommodate the personal computer.

## 3.1 Product Description

1. Our main line is the Fulham computer desk in several versions. This is an elegant piece of office furniture designed to look good in executive office or home office, and at the same time be ideal for real use of the computer. The two critical elements of ergonomics--keyboard height and angle and monitor height and angle--are completely adjustable. Cable runs and shelving add to the utility of the executive computer, without sacrificing elegance.
2. We also make complementary pieces to fill out the office suite, including file cabinets, printer stands, and bookcases.
3. We also make custom designs to fit exact measurements.

## 3.2 Competitive Comparison

Within our niche we have two significant competitors, Acme Computer Furniture and ABC Manufacturing. Acme is a bigger company but like us, operating mainly in our same niche, whose marketing is better than its product quality. ABC is a subsidiary of XXX Furniture, a major furniture manufacturer, which has recently targeted our niche.

In general, however, our competition is not in our niche. We compete against generalized furniture manufacturers, cheaper computer-related furniture, and the mainstream merchandise in the major furniture channels and office supply stores. It isn't that people choose our competitors instead of our product, it is that they choose lesser quality, mainstream materials instead of the higher quality furniture we offer.

## 3.3 Sales Literature

Sales literature is attached as an appendix to the plan.

For 1998 we plan to develop a company catalogue, which would include some other products for the same target customers. The focus will be the executive office catalogue, with furniture, lamps, other accessories.

## 3.4 Sourcing

Our Putney location is a distinct advantage for manufacturing. We also have an established relationship with a high quality lumbar yard to supply the high quality wood we use to manufacture Fulham Furniture. We can buy higher quality oak and cherry than either of our competitors. Since our sales increased over the last two years, we have been able to buy at better prices, because of higher volumes.

We work with one wood supplier. Bambridge supplies most of our oak, and a bit of cherry and some other specialty woods. Bambridge has been in business for as long as we have, and has given us good service and good prices. This is a good, stable supplier. Bambridge works with Duffin Wood Products as a good second source, particularly for cherry and specialty woods.

We also work with a number of specialty manufacturers for furniture fittings, drawer accessories, glass, shelving accessories, and related purchases.

Although we aren't a major player compared to the major furniture manufacturers, we are one of the biggest buyers of the custom materials we need. Most of our suppliers are selling through channels to hobbyists and carpenters, so they treat us as a major account.

## 3.5 Technology

We depend on our dominance of the latest in technology of ergonomics, combined with classic design elements of fine furniture. We must remain on top of new technologies in display, input and output, and communications. For example, our latest models are already assuming the desktop digital scanner as a frequent accessory, and audio for use in creating presentations, email attachments, etc.

Our assembly patents are an important competitive edge. No competitor can match the way we turn a drawback--having to assemble the product--into a feature. Our customer surveys confirm that customers take the interlocking assembly system as an enhancement to the sense of quality.

## 3.6 Future Products

In 1998 we will introduce the new line based on the executive laptop computer, with docking station to connect to a network. The new furniture has a different configuration to assume easy access to the docking station, and better use of the space that doesn't have to be dedicated the CPU case.

We are also going to accommodate larger monitors, the 17 inch and 21 inch sizes that are becoming much more common, particularly in our high-end market. As we do, we will also be watching for the new technology providing wall-mounted flat screens, the liquid plasma and similar technologies.

# Fulham Furniture Mfr. Business Plan

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## 4.0 Market Analysis Summary

Our target market is a person who wants to have very fine furniture with the latest in technology, combined with an old fashioned sense of fine woods and fine woodworking. This person can be in the corporate towers, small or medium business, or in a home office. The common bond is the appreciation of quality, and the lack of price constraints.

## 4.1 Market Segmentation

- Corporate executives: our market research indicates about 250,000 potential customers who are managers in companies of more than 100 employees. The target customer is going to be at a high executive level, in most cases, because the purchase price is relatively steep compared to standard office furniture.
- Small business owners: our customer surveys indicate a strong market among the owners of businesses with fewer than 100 employees. There are 3 million such businesses in this country, most of them with concentrated ownership that makes the owners potential customers.
- Home offices: the home office business has proliferated during the 1990s, and we also have home offices for people employed outside the home. This is a big market, some 3 million home offices, growing faster than other markets. A home office does not necessarily imply a home business--just that a homeowner has designated a room in their home as an office.

Table: Market Analysis

Market Analysis							
Potential Customers	Growth	1998	1999	2000	2001	2002	CAGR
Corporate executives	1%	250,000	252,500	255,025	257,575	260,151	1.00%
Small business owners	4%	3,000,000	3,120,000	3,244,800	3,374,592	3,509,576	4.00%
Home offices	10%	3,000,000	3,300,000	3,630,000	3,993,000	4,392,300	10.00%
Other	3%	100,000	103,000	106,090	109,273	112,551	3.00%
Total	6.84%	6,350,000	6,775,500	7,235,915	7,734,440	8,274,578	6.84%

## 4.2 Target Market Segment Strategy

Our segment definition is of itself strategic. We are not intending to satisfy all users of office furniture intended for use with personal computers, but, rather, only those who are most demanding. We are definitely out to address the needs of the high-end buyer, who is willing to pay more for quality.

In our particular market, we also seek the buyer who appreciates two attributes: the quality of furniture workmanship and the excellence of design, with an understanding of technology and ergonomics built in.

### 4.2.1 Market Needs

We understand that our target market needs more than just office furniture. The need grew out of the special needs of personal computing, when combined with office furniture-- keyboards at correct height, monitors at correct height, proper channels for cables, and other amenities. Our target customer wants to have all of that plus fine furniture. There is a need for quality, reassurance of wood and good workmanship. We don't just sell office furniture, we sell office environment and design, plus workmanship.

### 4.2.2 Market Trends

Our market has finally grown to recognize the disparity between most of the standard office furniture sold through channels, and our own products.

The development of the high-end office worker, office owners, and baby-boomer executive is an important trend for us. We now have people who are using computers who also appreciate the old-fashioned workmanship of good furniture.

### 4.2.3 Market Growth

According to [source omitted], the market for office furniture is growing at XX percent per year, and is projected to increase. The market for PC-related office furniture is growing even faster, at YY percent per year, and is projected to top £XX billion by the year 2000.

Most important is the growth in home offices with personal computer equipment. As the cost of the computer goes down, steadily, the number of home offices goes up. According to [omitted], this is about 36 million right now, growing at 15 percent per year. Households spent £XX hundred million last year to equip home offices, and 15 percent of that was spent on furniture.

## 4.3 Industry Analysis

The office furniture industry has undergone a great deal of change in this decade. The growth of the office superstores made a few large brands dominant. They produce relatively inexpensive furniture that makes compromises in order to stay at the low price level.

Makers of higher quality furniture are in general shuffling for niches to hide in. Although Fulham Furniture Mfr. was essentially developed around a niche, many of the more traditional furniture makers are looking for niches, trying to deal with declining sales as the main volume goes elsewhere.

## 4.3.1 Industry Participants

The main volume in the industry is now concentrated in four main brands, all of which compete for retail sales through major retail chain stores: Staples, PC World, Dixons, and others. These same four are also concentrating efforts as well in the other discount furniture catalogues.

The growth of the office superstores made a few large brands dominant. Designs are similar and quite competitive, costs and cost control is critical, and channel management and channel marketing are the keys to these business' continued success.

In mainstream office furniture, the rise of the office store channel has siphoned a lot of volume from the older and more traditional manufacturers. The channels that sold the more traditional lines are also suffering. What are left are smaller brands, smaller companies, and divisions of more traditional furniture companies.

There are also some traditional manufacturers still making desks as part of furniture lines focused mainly on home furnishings. Some of these have looked at times at our niche, and are competing for the same dollars.

## 4.3.2 Distribution Patterns

The four main manufacturers are selling direct to the office superstores and buying discount clubs. This accounts for the main volume of distribution. The office furniture customer seems to be growing steadily more comfortable with the retail buy in the chain store.

The major corporate purchases are still made directly with manufacturers. Although this is still a major channel for some of the more traditional manufacturers, it is essentially closed to new competition. The direct channel is dominated by two manufacturers and two distributors. The distributors will occasionally take on a new line--happily, this has helped Fulham Furniture Mfr.-but the main growth is in retail.

Published research indicates that 51% of the total sales volume in the market goes through the retail channel, most of that major national chains. Another 23% goes through the direct sales channel, although in this case direct sales includes sales by distributors who are buying from multiple manufacturers. Most of the remainder, 18%, is sold directly to buyers by catalogues.

## 4.3.3 Competition and Buying Patterns

In the mainstream business, channels are critical to volume. The manufacturers with impact in the national sales are going to win display space in the store, and most buyers seem content to pick their product off the store floor. Price is critical, because the channels take significant margins. Buyers are willing to settle for laminated quality and serviceable design.

In direct sales to companies, price and volume is critical. The corporate buyer wants trouble-free buying in volume, at a great price. Reliable delivery is as important as reliable quality.

In the high-end specialty market, particularly in our niche, features are very important. Our target customer is not making selections based on price. The ergonomics, design, accommodation of the computer features within the high-quality feel of good wood, is much more important than mere price. We are also seeing that assembly is critical to shipping and packing, but our customer doesn't accept any assembly problems. We need to make sure that

## Fulham Furniture Mfr. Business Plan

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the piece comes together almost like magic, and as it does, it presents a greater feel of quality than if it hadn't required assembly at all.

### 4.3.4 Main Competitors

#### **Acme Computer Furniture**

Acme has been operating since the middle 1980s, and grew up with computer-related furniture. It was one of the first, certainly the first we are aware of, to develop personal computer desks and market through advertising in computer magazines. Today they are about twice our size. They have a very nicely done catalogue and good relationships with two distributors.

Strengths: good marketing, strong advertising budget, relationships with distributors, strong direct sales.

Weaknesses: the product is more standardized, and of lesser quality, with less sense of design and materials and workmanship.

#### **ABC Manufacturing**

ABC Manufacturing is a division of Haines Furniture, the second largest manufacturers of mainstream home furnishings. Haines bought ABC three years ago and is focusing on our niche. We see very good quality product, and an excellent sense of design, but little movement in channels or catalogues.

Strengths: financial backing, product quality.

Weaknesses: ABC has not seemed to understand our niche, where to find the buyers, how to market as a specialty niche instead of the more traditional furniture channels.

## 5.0 Strategy and Implementation Summary

We focus on a special kind of customer, the person who wants very high quality office furniture customized to work beautifully with modern technology including personal computers, scanners, internet connections, and other high-tech items. Our customer might be in larger companies, small or medium business, or in a home office with or without a home-office business. What is important to the customer is elegance, fine workmanship, ease of use, ergonomics, and practicality.

Our marketing strategy assumes that we need to go into specialty channels to address our target customer's needs. The tie-in with the high-end quality catalogues like XXX is perfect, because these catalogues cater to our kind of customers. We position as the highest quality, offering status and prestige levels of purchase.

The product strategy is also based on quality, in this case the intersection of technical understanding with very high quality woodworking and professional materials, and workmanship.

Our most important competitive edge is our assembly strategy, which is based on interlocking wood pieces of such high quality that assembly is not only a pleasure for our customers, it is actually a feature that enhances the sense of quality.

## 5.1 Strategy Pyramids

Our main strategy at Fulham Furniture Mfr. is to position ourselves at the top of the quality scale, featuring our combination of superb technology and fine old-fashioned woodworking, for the buyer who wants the best quality regardless of price. Tactics underneath that strategy include research and development related to new designs and new technology, choosing the right channels of distribution, and communicating our quality position to the market. Programs are mainly those listed in the milestones table, including new design programs, new equipment to keep up with design, channel development, channel marketing programs, our direct sales, and our continued presence in high-end catalogue channels and new presence in the web.

## 5.2 Value Proposition

Fulham Furniture Mfr. gives the discriminating personal computer user, who cares about design and quality furniture and quality of working environment, a combination of highest quality furniture and latest technology, at a relatively high price.

## 5.3 Competitive Edge

Our competitive edge is our dominance of high-technology ergonomics and traditional high-quality furniture workmanship. Although there are many computer furniture manufacturers, and many computer lovers, few have brought the two crafts together as we have.

## 5.4 Marketing Strategy

Our product is positioned very carefully: this is high-quality office furniture combining workmanship and ergonomics for the customer who understands quality, is a user of high technology equipment, and is willing to spend money on the best. Unlike the mainstream products, we do not use laminates or cheap manufacturing technology.

Our marketing strategy is based mainly on making the right information available to the right target customer. We can't afford to sell people on our expensive products, because most don't have the budget. What we really do is make sure that those who have the budget and appreciate the product know that it exists, and know where to find it.

The marketing has to convey the sense of quality in every picture, every promotion, and every publication. We can't afford to appear in second-rate catalogues with poor illustrations that make the product look less than it is. We also need to leverage our presence using high-quality catalogues and specialty distributors.

### 5.4.1 Positioning Statements

For discriminating personal computer users who want to integrate their PCs with fine furniture, the Fulham line offers exquisite workmanship and design combined with state-of-the-arts ergonomics and technology. Unlike the Acme line, Fulham Furniture makes no design compromises for standardization.

### 5.4.2 Pricing Strategy

We will maintain our pricing position as a premier provider. We are the best product available, for the most discriminating consumer. We intend to maintain our separation from the price competition at the lower end of the business. Our plan calls for no significant changes in pricing.

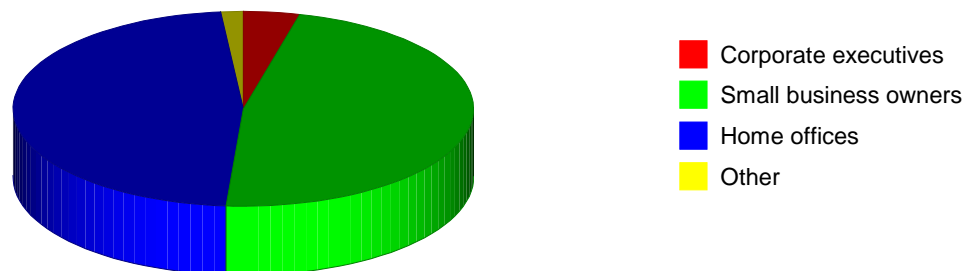
### 5.4.3 Promotion Strategy

Our most important vehicle for sales promotion is the direct mail catalogue published by the specialty retailer such as Sharper Image and its competitors. Our advertising budget of £264 million goes mainly for space in the specialty catalogue.

We also participate in major industry events, including both the Spring and Fall national computer furniture shows and the fall computer show. Our total budget for events is £40,000, plus about half of the £31,000 travel budget.

This year we will also promote our products with an in-house catalogue including our own products plus related merchandise of interest to the same target market.

**Market Analysis (Pie)**





### 5.4.4 Distribution Strategy

Our most important marketing program is [specifics omitted]. Ivy Bells will be responsible, with budget of £XX,XXX and milestone date of the 15th of July. This program is intended to [objectives omitted]. Achievement should be measured by [specific concrete measurement].

Another key marketing program is [specifics omitted]. [Name] will be responsible, with budget of £XX,XXX and milestone date of [date]. This program is intended to [objectives omitted]. Achievement should be measured by [specific concrete measurement].

### 5.5 Sales Strategy

Our strategy focuses first on maintaining the identity with the high-end buyer who appreciates the best available quality, but is also very demanding regarding computer systems and technology. We've been able to find these customers using a combination of direct mail catalogues and direct sales to distributors.

For the next year we continue to focus on growing presence in the high-end direct mail catalogue that finds our specialty customer. We will work with XXX and YYY more than ever, and we expect to gain position in the major airline catalogues as well. Specialty retail is a new channel that could become important for us.

Our work with distributors has been promising. We hope to continue the relationship with distributors selling directly to larger companies, even though this takes working capital to support receivables.

#### 5.5.1 Sales Forecast

Our sales forecast assumes no change in costs or prices, which is a reasonable assumption for the last few years.

We are expecting to increase sales grow from £225 thousand last year to £450 thousand in the next year, which is about doubling in size. The growth forecast is in line with our last year, and is relatively high for our industry because we are developing new channels. In 1999 and 2000 we expect growth closer to 50% per year, to a projected total of more than £1 million in 2000.

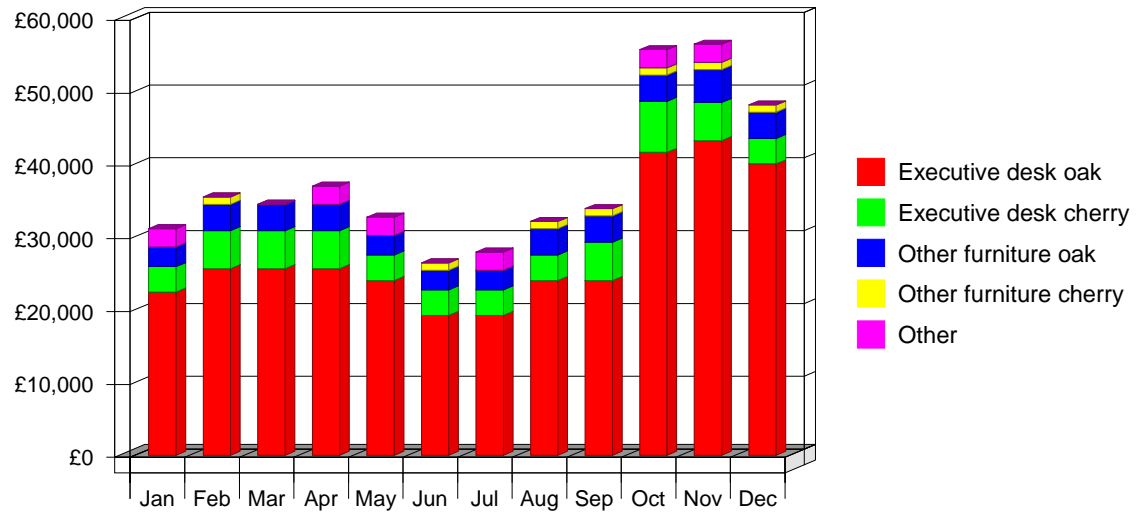
We are projecting significant change in the product line, or in the proportion between different lines. The key to our growth is the growth of the new channels, with the main desk.

Our seasonality, as shown in the chart, is still a factor in the business. We tend to sell much better in Spring and Fall, and sales drop in the summer.

## Fulham Furniture Mfr. Business Plan

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**Sales Monthly (Planned)**



## Fulham Furniture Mfr. Business Plan

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**Table: Sales Forecast (Planned)**

Sales Forecast			
Unit Sales	1998	1999	2000
Executive desk oak	209	350	600
Executive desk cherry	31	30	30
Other furniture oak	45	50	50
Other furniture cherry	7	10	10
Other	6	10	10
Total Unit Sales	298	450	700
Unit Prices			
	1998	1999	2000
Executive desk oak	£1,600.00	£1,600.00	£1,600.00
Executive desk cherry	£1,750.00	£1,750.00	£1,750.00
Other furniture oak	£900.00	£900.00	£900.00
Other furniture cherry	£1,000.00	£1,000.00	£1,000.00
Other	£2,500.00	£2,500.00	£2,500.00
Sales			
Executive desk oak	£334,400	£560,000	£960,000
Executive desk cherry	£54,250	£52,500	£52,500
Other furniture oak	£40,500	£45,000	£45,000
Other furniture cherry	£7,000	£10,000	£10,000
Other	£15,000	£25,000	£25,000
Total Sales	£451,150	£692,500	£1,092,500
Direct Unit Costs			
	1998	1999	2000
Executive desk oak	£400.00	£400.00	£400.00
Executive desk cherry	£525.00	£525.00	£525.00
Other furniture oak	£180.00	£180.00	£180.00
Other furniture cherry	£300.00	£300.00	£300.00
Other	£625.00	£625.00	£625.00
Direct Cost of Sales			
	1998	1999	2000
Executive desk oak	£83,600	£140,000	£240,000
Executive desk cherry	£16,275	£15,750	£15,750
Other furniture oak	£8,100	£9,000	£9,000
Other furniture cherry	£2,100	£3,000	£3,000
Other	£3,750	£6,250	£6,250
Subtotal Direct Cost of Sales	£113,825	£174,000	£274,000

### 5.5.2 Sales Programs

Specific sales programs:

1. Catalogue sales: develop placement with one additional catalogue catering to the high-end office executive, paying of course for space and positioning. The budget is £10,000 for this program, due March 15, with Jan responsible.
2. Distributor sales: we need to develop at least new distributor, spending for co-promotion as required, and making direct sales calls. The specific responsibility is Jan's, and due date is May 15, with a budget of £15,000.
3. Direct sales: we will do a mailing of a new in-house catalogue, developed by the marketing department, to add to our direct telephone sales. Jan will be responsible, without a budget or a deadline because the catalogue is a marketing program.

# Fulham Furniture Mfr. Business Plan

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## 5.6 Milestones

The accompanying table shows specific milestones, with responsibilities assigned, dates, and (in most cases) budgets. We are focusing in this plan on a few key milestones that should be accomplished.

Table: Milestones (Planned)

Milestones Milestone	Start Date	End Date	Budget	Manager	Department
Third catalogue placement	15/5/98	15/6/98	£54,000	Jan	Ads
Second catalogue	1/4/98	15/5/98	£85,000	Jan	Ads
First catalogue	1/3/98	15/4/98	£125,000	Jan	Ads
New distributor	15/3/98	30/3/98	£5,000	Jan	Travel
New distributor	15/3/98	30/4/98	£3,000	Jan	Sales
Our in-house catalogue plan	31/1/98	28/2/98	£0	Terry	Other
In-house catalogue design	1/4/98	1/5/98	£2,000	Terry	Other
In-house catalogue mailing	1/5/98	1/6/98	£5,000	Terry	Other
Laptop product test	15/6/98	20/6/98	£1,000	Jim	Other
Laptop product release	1/1/98	15/10/98	£15,000	Terry	PR
Spring trade show	1/1/98	15/5/98	£10,000	Terry	PR
Fall trade show	15/5/98	15/10/98	£8,000	Terry	PR
Fall trade show	15/5/98	15/10/98	£20,000	Terry	Events
Spring trade show	15/1/98	15/5/98	£20,000	Terry	Events
Spring trade show	15/1/98	15/5/98	£6,000	Terry	Travel
Fall trade show	15/5/98	15/10/98	£6,000	Terry	Travel
Totals			£365,000		

## 6.0 Management Summary

We are a small company owned and operated by James and Susan Graham, husband and wife, as a Limited Company. James is the developer and designer of the products, and Susan manages the company as president.

Management style reflects the participation of the owners. The company respects its community of co-workers and treats all workers well. We attempt to develop and nurture the company as community. We are not very hierarchical.

## 6.1 Organizational Structure

Susan Graham, President, is responsible for overall business management. Our managers of finance, marketing, and sales report directly to Susan.

James Graham, designer, is responsible for product design and development, assembly, and manufacturing. Our workshop manager reports directly to James.

As co-owners, James and Susan jointly develop business strategy and long-term plans. James is strong on product know-how and technology, and Susan is strong on management and business know-how.

# Fulham Furniture Mfr. Business Plan

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## 6.2 Management Team

Susan Graham, 43, president, had a successful career in retail before becoming half owner of Fulham Furniture Mfr. She was an area manager of Marks and Spencer, a buyer for John Lewis's, and merchandising assistant for Next. She has a degree in literature from the University of Manchester.

James Graham, 44, workshop manager, designed furniture for Haines Manufacturing before becoming half owner of Fulham Furniture Mfr. He was responsible for one of the first executive desks designed to include customized fittings for personal computers, and was one of the first to design the monitor inside the desk under glass. He has an B.S. and M.S. in industrial design, from Stanford University and the University of New York, respectively.

Terry Hatcher, 34, is marketing manager. Terry joined Fulham Furniture Mfr. from the marketing department of the Markleville Furniture chain, having been in charge of national catalogue production and catalogue advertising. Terry also managed direct sales at one of the furniture distributors that has since died to industry consolidation. Terry has a degree in literature from Oxford.

## 6.3 Management Team Gaps

We depend on our professionals, our accountant and our solicitor, for some key management help. We don't have a strong background in finance or business management.

As we grow we will need to develop more manufacturing technique, more mass production. Leslie grew up with the hand-made and custom furniture business, knows fine woodworking well, but admits a weakness in establishing standardized assembly.

## 6.4 Personnel Plan

The personnel table assumes slow growth in employees, and 10% per annum pay raises. We already have a strong benefits policy with profit sharing and additional health care benefits and very low turnover.

Salaries are generally in line with market pay for the London area in our industry, although our benefits are above standard market level, so we ultimately pay a bit more for our people than what might be considered standard in our market. London, however, is on average a higher wage location than most of the more developed industry areas.

As we grow, we expect to see steady increases in our personnel to match the increases in sales.

## Fulham Furniture Mfr. Business Plan

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**Table: Personnel (Planned)**

Personnel Plan			
Production Personnel	1998	1999	2000
Workshop manager	£30,000	£50,000	£75,000
Assembly	£21,600	£30,000	£60,000
Other	£0	£0	£50,000
Other	£0	£0	£0
Other	£0	£0	£0
Subtotal	£51,600	£80,000	£185,000
Sales and Marketing Personnel			
Marketing manager	£37,000	£65,000	£72,000
Name or title	£0	£0	£0
Name or title	£0	£0	£0
Other	£0	£0	£0
Subtotal	£37,000	£65,000	£72,000
General and Administrative Personnel			
President	£48,000	£75,000	£100,000
Name or title	£0	£0	£0
Name or title	£0	£0	£0
Other	£0	£0	£0
Subtotal	£48,000	£75,000	£100,000
Other Personnel			
Design	£3,000	£15,000	£25,000
Name or title	£0	£0	£0
Name or title	£0	£0	£0
Other	£0	£0	£0
Subtotal	£3,000	£15,000	£25,000
Total Headcount	0	0	0
Total Payroll	£139,600	£235,000	£382,000
Payroll Burden	£20,940	£35,250	£57,300
Total Payroll Expenditures	£160,540	£270,250	£439,300

# Fulham Furniture Mfr. Business Plan

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## 7.0 Financial Plan

The financial picture is quite encouraging. We have been slow to take on debt, but with our increase in sales we do expect to apply for a credit line with the bank, to a limit of £150,000. The credit line is easily supported by assets.

We do expect to be able to take some money out as dividends. The owners don't take overly generous salaries, so some draw is appropriate.

## 7.1 Important Assumptions

The accompanying table lists our main assumptions for developing our financial projections. The most sensitive assumption is the collection days. We would like to improve collection days to take pressure off of our working capital, but our increasing sales through channels makes the collection time a cost of doing business.

We also expect to see a decline in our stock turnover ratio, another unfortunate side effect of increasing sales through channel. We find ourselves having to buy earlier and hold more finished goods in order to deal with sales through the channel.

**Table: General Assumptions**

General Assumptions	1998	1999	2000
Short-term Interest Rate %	10.00%	10.00%	10.00%
Long-term Interest Rate %	9.00%	9.00%	9.00%
Tax Rate %	25.00%	25.00%	25.00%
Expenses in Cash %	40.00%	40.00%	40.00%
Sales on Credit %	75.00%	75.00%	75.00%
Personnel Burden %	15.00%	15.00%	15.00%

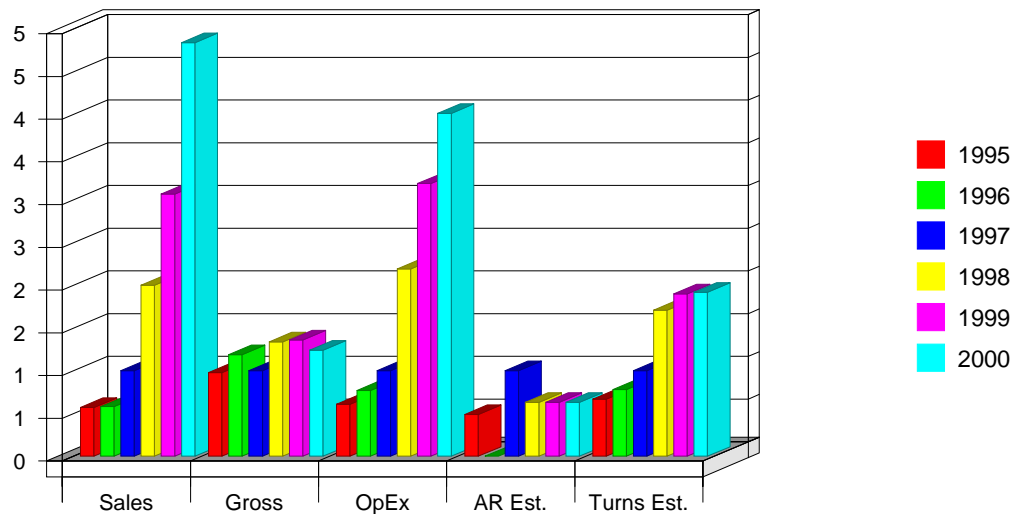
# Fulham Furniture Mfr. Business Plan

## 7.2 Key Financial Indicators

The following chart shows changes in key financial indicators: sales, gross margin, operating expenses, collection days, and stock turnover. The growth in sales will be very hard to manage. We expect our gross margin to be a bit lower than before, because our projections show a slight decline as we go into new product areas and face new competition.

The projections for collection days and stock turnover show that we are already expecting a decline in these indicators, because of increasing sales through channels.

**Benchmarks (Planned)**





# Fulham Furniture Mfr. Business Plan

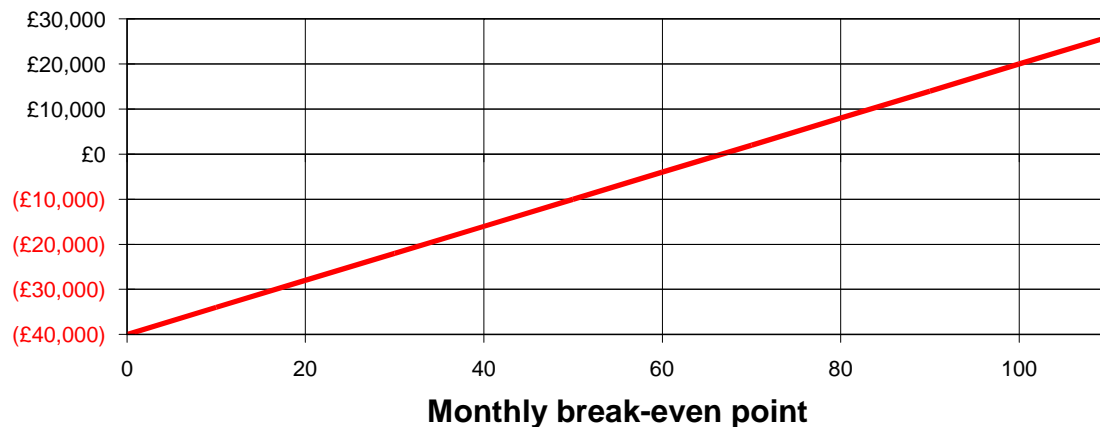
## 7.3 Break-even Analysis

Our break-even analysis is based on running costs, the "burn-rate" costs we incur to keep the business running, not on theoretical fixed costs that would be relevant only if we were closing. Between payroll, rent, utilities, and basic marketing costs, we think £40,000 is a good estimate of fixed costs.

Our assumptions on average unit sales and average per-unit costs depend on averaging. We don't really need to calculate an exact average, this is close enough to help us understand what a real break-even point might be.

The essential insight here is that our sales level seems to be running comfortably above break-even.

### Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	67
Monthly Sales Break-even	£80,000
Assumptions:	
Average Per-Unit Revenue	£1,200.00
Average Per-Unit Variable Cost	£600.00
Estimated Monthly Fixed Cost	£40,000

# Fulham Furniture Mfr. Business Plan

## 7.4 Projected Profit and Loss

We do expect a significant increase in profitability this year, and in the future, because we have learned how to deal with the increasing sales levels of selling through channels. Despite the lower profitability levels of recent years, we expect to pass 5% in 1998, and remain at that level through 2000.

Our higher sales volume has lowered our cost of goods and increased our gross margin. This increase in gross margin is important to profitability.

**Table: Profit and Loss (Planned)**

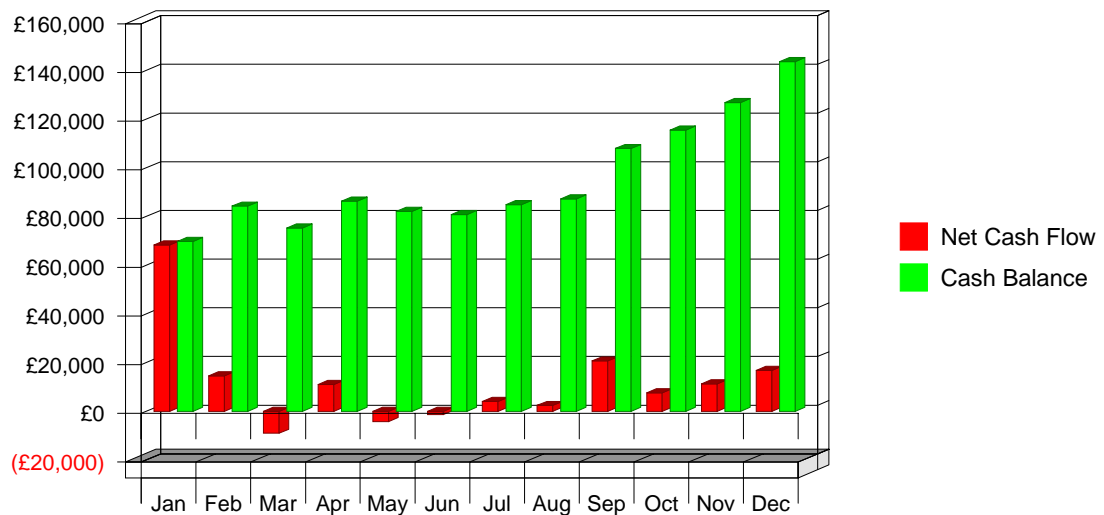
Pro Forma Profit and Loss	1998	1999	2000
Sales	£451,150	£692,500	£1,092,500
Direct Cost of Sales	£113,825	£174,000	£274,000
Production Payroll	£51,600	£80,000	£185,000
Other	£3,110	£0	£0
	-----	-----	-----
Total Cost of Sales	£168,535	£254,000	£459,000
Gross Margin	£282,615	£438,500	£633,500
Gross Margin %	62.64%	63.32%	57.99%
Operating Expenses:			
Sales and Marketing Expenses:			
Sales and Marketing Payroll	£37,000	£65,000	£72,000
Miscellaneous	£2,400	£2,600	£2,900
Advertising/Promotion	£64,000	£70,400	£77,400
Events	£6,250	£6,900	£7,600
Public Relations	£750	£800	£900
Travel	£4,500	£5,000	£5,500
	-----	-----	-----
Total Sales and Marketing Expenses	£114,900	£150,700	£166,300
Sales and Marketing %	25.47%	21.76%	15.22%
General and Administrative Expenses:			
General and Administrative Payroll	£48,000	£75,000	£100,000
Payroll Burden	£20,940	£35,250	£57,300
Depreciation	£1,000	£1,100	£1,200
Leased Equipment	£1,500	£1,700	£1,900
Utilities	£2,400	£2,600	£2,900
Insurance	£500	£600	£700
Rent	£3,600	£4,000	£4,400
Other	£1,200	£1,300	£1,400
	-----	-----	-----
Total General and Administrative Expenses	£79,140	£121,550	£169,800
General and Administrative %	17.54%	17.55%	15.54%
Other Expenses:			
Other Payroll	£3,000	£15,000	£25,000
Contract/Consultants	£0	£0	£0
	-----	-----	-----
Total Other Expenses	£3,000	£15,000	£25,000
Other %	0.66%	2.17%	2.29%
	-----	-----	-----
Total Operating Expenses	£197,040	£287,250	£361,100
Profit Before Interest and Taxes	£85,575	£151,250	£272,400
Interest Expense Short-term	£8,750	£14,000	£21,500
Interest Expense Long-term	£0	£0	£0
Taxes Incurred	£19,206	£34,313	£62,725
Extraordinary Items	£0	£0	£0
Net Profit	£57,619	£102,938	£188,175
Net Profit/Sales	12.77%	14.86%	17.22%

## Fulham Furniture Mfr. Business Plan

### 7.5 Projected Cash Flow

Although we expect to be more profitable in 1998, we still have drains on the cash flow. We need to invest £25,000 in new assembly and manufacturing equipment, plus £15,000 in new computer equipment, and another £10,000 in miscellaneous current assets, including office equipment. Because of our increased sales through channels, and necessary increase in stock levels, we need to increase working capital. We plan to extend our credit line to cover as much as £150,000 in current credit, backed by receivables and stock. Our maximum extension looks like £115,000 at the end of the year, and it is barely covered by an estimated £140,000 in receivables and stock that same month.

**Cash (Planned)**



## Fulham Furniture Mfr. Business Plan

**Table: Cash Flow (Planned)**

Pro Forma Cash Flow	1998	1999	2000
<b>Cash Received</b>			
Cash from Operations:			
Cash Sales	£112,788	£173,125	£273,125
From Receivables	£310,135	£489,506	£769,873
Subtotal Cash from Operations	£422,923	£662,631	£1,042,998
<b>Additional Cash Received</b>			
Extraordinary Items	£0	£0	£0
Sales Tax, VAT, HST/GST Received	£74,011	£0	£0
New Current Borrowing	£125,000	£50,000	£100,000
New Other Liabilities (interest-free)	£0	£0	£0
New Long-term Liabilities	£0	£0	£0
Sales of other Short-term Assets	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0
Capital Input	£50,000	£0	£0
Subtotal Cash Received	£671,934	£712,631	£1,142,998
<b>Expenditures</b>			
Expenditures from Operations:			
Cash Spent on Costs and Expenses	£113,568	£137,837	£201,772
Wages, Salaries, Payroll Taxes, etc.	£160,540	£270,250	£439,300
Payment of Accounts Payable	£171,588	£204,629	£297,053
Subtotal Spent on Operations	£445,696	£612,716	£938,125
<b>Additional Cash Spent</b>			
Sales Tax, VAT, HST/GST Paid Out	£74,011	£115,961	£182,525
Principal Repayment of Current Borrowing	£10,000	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0
Long-term Liabilities Principal Repayment	£0	£0	£0
Purchase Other Short-term Assets	£0	£0	£0
Purchase Long-term Assets	£50,000	£20,000	£30,000
Dividends	£0	£0	£0
Adjustment for Assets Purchased on Credit	(£50,000)	(£20,000)	(£30,000)
Subtotal Cash Spent	£529,707	£728,677	£1,120,649
Net Cash Flow	£142,227	(£16,045)	£22,348
Cash Balance	£143,665	£127,620	£149,968

## Fulham Furniture Mfr. Business Plan

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### 7.6 Projected Balance Sheet

Our projected balance sheet shows an increase in net worth to more than £400 thousand in 2000, at which point we expect to be making 17% profit on sales of £1.1 million. With the present financial projections we will be careful in supporting our working capital credit line, and we are growing assets both because we want to--new equipment--and because we have to grow receivables and stock to support growth in sales through channels.

Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets			
Short-term Assets	1998	1999	2000
Cash	£143,665	£127,620	£149,968
Accounts Receivable	£55,833	£85,701	£135,203
Inventory	£12,070	£18,451	£29,055
Other Short-term Assets	£2,375	£2,375	£2,375
Total Short-term Assets	£213,942	£234,147	£316,601
Long-term Assets			
Long-term Assets	£53,210	£73,210	£103,210
Accumulated Depreciation	£2,720	£3,820	£5,020
Total Long-term Assets	£50,490	£69,390	£98,190
Total Assets	£264,432	£303,537	£414,791
Liabilities and Capital			
	1998	1999	2000
Accounts Payable	£9,955	£12,083	£17,687
Current Borrowing	£115,000	£165,000	£265,000
Other Short-term Liabilities	£1,803	(£114,158)	(£296,682)
Subtotal Short-term Liabilities	£126,758	£62,925	(£13,995)
Long-term Liabilities			
	£0	£0	£0
Total Liabilities	£126,758	£62,925	(£13,995)
Paid-in Capital			
	£54,500	£54,500	£54,500
Retained Earnings	£25,555	£83,174	£186,111
Earnings	£57,619	£102,938	£188,175
Total Capital	£137,674	£240,611	£428,786
Total Liabilities and Capital	£264,432	£303,537	£414,791
Net Worth	£137,674	£240,611	£428,786

### 7.7 Business Ratios

Our ratios look healthy and solid. Gross margin is projected to decline below 60%, return on assets getting to about 17%, and return on equity at 35% or better. Debt and liquidity ratios also look tough, with debt to net worth running at more than 1.4 to one. The projections, if we make them, are manageable. The standard comparisons are based on standard financials for manufacturers of wood office furniture.

# Fulham Furniture Mfr. Business Plan

**Table: Ratios (Planned)**

Ratio Analysis	1998	1999	2000	Industry Profile
Sales Growth	99.81%	53.50%	57.76%	4.60%
Percent of Total Assets				
Accounts Receivable	21.11%	28.23%	32.60%	23.80%
Inventory	4.56%	6.08%	7.00%	32.10%
Other Short-term Assets	0.90%	0.78%	0.57%	19.00%
Total Short-term Assets	80.91%	77.14%	76.33%	74.90%
Long-term Assets	19.09%	22.86%	23.67%	25.10%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities	0.68%	-37.61%	-71.53%	38.40%
Subtotal Short-term Liabilities	47.94%	20.73%	-3.37%	31.10%
Long-term Liabilities	0.00%	0.00%	0.00%	15.90%
Total Liabilities	47.94%	20.73%	-3.37%	47.00%
Net Worth	52.06%	79.27%	103.37%	53.00%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	62.64%	63.32%	57.99%	32.40%
Selling, General & Administrative Expenses	49.87%	48.46%	40.76%	18.90%
Advertising Expenses	0.53%	0.38%	0.27%	1.40%
Profit Before Interest and Taxes	18.97%	21.84%	24.93%	1.80%
Main Ratios				
Current	1.69	3.72	-22.62	2.14
Quick	1.59	3.43	-20.55	1.02
Total Debt to Total Assets	47.94%	20.73%	-3.37%	54.30%
Pre-tax Return on Net Worth	68.51%	68.68%	68.54%	5.10%
Pre-tax Return on Assets	35.67%	54.44%	70.85%	11.10%
Business Vitality Profile	1998	1999	2000	Industry
Sales per Employee	£0	£0	£0	£76,579
Survival Rate				77.38%
Additional Ratios	1998	1999	2000	
Net Profit Margin	12.77%	14.86%	17.22%	n.a
Return on Equity	41.85%	42.78%	43.89%	n.a
Activity Ratios				
Accounts Receivable Turnover	6.06	6.06	6.06	n.a
Collection Days	45	50	49	n.a
Inventory Turnover	10.25	11.40	11.54	n.a
Accounts Payable Turnover	17.11	17.11	17.11	n.a
Total Asset Turnover	1.71	2.28	2.63	n.a
Debt Ratios				
Debt to Net Worth	0.92	0.26	-0.03	n.a
Short-term Liab. to Liab.	1.00	1.00	0.00	n.a
Liquidity Ratios				
Net Working Capital	£87,184	£171,221	£330,596	n.a
Interest Coverage	9.78	10.80	12.67	n.a
Additional Ratios				
Assets to Sales	0.59	0.44	0.38	n.a
Current Debt/Total Assets	48%	21%	-3%	n.a
Acid Test	1.15	2.07	0.00	n.a
Sales/Net Worth	3.28	2.88	2.55	n.a
Dividend Payout	£0	0.00	0.00	n.a

# Appendix

Appendix Table: Sales Forecast (Planned)

Sales Forecast												
Unit Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Executive desk oak	0	14	16	16	16	15	12	12	15	26	27	25
Executive desk cherry	0	2	3	3	3	2	2	2	3	4	3	2
Other furniture oak	0	3	4	4	4	3	3	4	4	4	5	4
Other furniture cherry	0	0	1	0	0	0	1	0	1	1	1	1
Other	0	1	0	0	1	1	0	0	0	1	1	0
Total Unit Sales	20	24	23	24	21	18	18	22	23	36	37	32
Unit Prices												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Executive desk oak	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00
Executive desk cherry	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00	£1,750.00
Other furniture oak	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00	£900.00
Other furniture cherry	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00
Other	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00
Sales												
Executive desk oak	£22,400	£25,600	£25,600	£25,600	£24,000	£19,200	£19,200	£24,000	£24,000	£41,600	£43,200	£40,000
Executive desk cherry	£3,500	£5,250	£5,250	£5,250	£3,500	£3,500	£3,500	£3,500	£5,250	£7,000	£5,250	£3,500
Other furniture oak	£2,700	£3,600	£3,600	£3,600	£2,700	£2,700	£2,700	£3,600	£3,600	£3,600	£4,500	£3,600
Other furniture cherry	£0	£1,000	£0	£0	£0	£1,000	£0	£1,000	£1,000	£1,000	£1,000	£1,000
Other	£2,500	£0	£0	£2,500	£2,500	£0	£2,500	£0	£0	£2,500	£2,500	£0
Total Sales	£31,100	£35,450	£34,450	£36,950	£32,700	£26,400	£27,900	£32,100	£33,850	£55,700	£56,450	£48,100
Direct Unit Costs												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Executive desk oak	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00
Executive desk cherry	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00	£525.00
Other furniture oak	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00
Other furniture cherry	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00
Other	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00	£625.00
Direct Cost of Sales												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Executive desk oak	£5,600	£6,400	£6,400	£6,400	£6,000	£4,800	£4,800	£6,000	£6,000	£10,400	£10,800	£10,000
Executive desk cherry	£1,050	£1,575	£1,575	£1,575	£1,050	£1,050	£1,050	£1,050	£1,575	£2,100	£1,575	£1,050
Other furniture oak	£540	£720	£720	£720	£540	£540	£540	£720	£720	£720	£900	£720
Other furniture cherry	£0	£300	£0	£0	£0	£300	£0	£300	£300	£300	£300	£300
Other	£625	£0	£0	£625	£625	£0	£625	£0	£0	£625	£625	£0
Subtotal Direct Cost of Sales	£7,815	£8,995	£8,695	£9,320	£8,215	£6,690	£7,015	£8,070	£8,595	£14,145	£14,200	£12,070

# Appendix

Appendix Table: Personnel (Planned)

Personnel Plan													
Production Personnel													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Workshop manager	£0	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500	£2,500
Assembly	£0	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal		£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300
Sales and Marketing Personnel													
Marketing manager	£0	£4,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
Name or title		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Name or title		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal		£4,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
General and Administrative Personnel													
President	£0	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000
Name or title		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Name or title		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal		£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000
Other Personnel													
Design	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250
Name or title		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Name or title		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal		£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250
Total Headcount		0	0	0	0	0	0	0	0	0	0	0	0
Total Payroll		£12,550	£11,550	£11,550	£11,550	£11,550	£11,550	£11,550	£11,550	£11,550	£11,550	£11,550	£11,550
Payroll Burden		£1,883	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733
Total Payroll Expenditures		£14,433	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283



# Appendix

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Appendix Table: General Assumptions

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Interest Rate %	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate %	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Tax Rate %	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Expenses in Cash %	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Sales on Credit %	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Personnel Burden %	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%

# Appendix

Appendix Table: Profit and Loss (Planned)

Pro Forma Profit and Loss	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	£31,100	£35,450	£34,450	£36,950	£32,700	£26,400	£27,900	£32,100	£33,850	£55,700	£56,450	£48,100
Direct Cost of Sales	£7,815	£8,995	£8,695	£9,320	£8,215	£6,690	£7,015	£8,070	£8,595	£14,145	£14,200	£12,070
Production Payroll	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300	£4,300
Other	£3,110	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Cost of Sales	£15,225	£13,295	£12,995	£13,620	£12,515	£10,990	£11,315	£12,370	£12,895	£18,445	£18,500	£16,370
Gross Margin	£15,875	£22,155	£21,455	£23,330	£20,185	£15,410	£16,585	£19,730	£20,955	£37,255	£37,950	£31,730
Gross Margin %	51.05%	62.50%	62.28%	63.14%	61.73%	58.37%	59.44%	61.46%	61.91%	66.89%	67.23%	65.97%
Operating Expenses:												
Sales and Marketing Expenses:												
Sales and Marketing Payroll	£4,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
Miscellaneous	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200
Advertising/Promotion	£8,000	£8,000	£0	£8,000	£8,000	£0	£8,000	£8,000	£0	£8,000	£8,000	£0
Events	£0	£750	£0	£0	£3,000	£0	£0	£0	£0	£2,500	£0	£0
Public Relations	£0	£250	£0	£0	£500	£0	£0	£0	£0	£0	£0	£0
Travel	£0	£500	£0	£0	£2,000	£0	£500	£0	£0	£1,500	£0	£0
Total Sales and Marketing Expenses	£12,200	£12,700	£3,200	£11,200	£16,700	£3,200	£11,700	£11,200	£3,200	£15,200	£11,200	£3,200
Sales and Marketing %	39.23%	35.83%	9.29%	30.31%	51.07%	12.12%	41.94%	34.89%	9.45%	27.29%	19.84%	6.65%
General and Administrative Expenses:												
General and Administrative Payroll	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000
Payroll Burden	£1,883	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733	£1,733
Depreciation	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,000
Leased Equipment	£125	£125	£125	£125	£125	£125	£125	£125	£125	£125	£125	£125
Utilities	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200
Insurance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£500
Rent	£300	£300	£300	£300	£300	£300	£300	£300	£300	£300	£300	£300
Other	£100	£100	£100	£100	£100	£100	£100	£100	£100	£100	£100	£100
Total General and Administrative Expenses	£6,608	£6,458	£6,458	£6,458	£6,458	£6,458	£6,458	£6,458	£6,458	£6,458	£6,458	£7,958
General and Administrative %	21.25%	18.22%	18.74%	17.48%	19.75%	24.46%	23.15%	20.12%	19.08%	11.59%	11.44%	16.54%
Other Expenses:												
Other Payroll	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250
Contract/Consultants	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Other Expenses	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250
Other %	0.80%	0.71%	0.73%	0.68%	0.76%	0.95%	0.90%	0.78%	0.74%	0.45%	0.44%	0.52%
Total Operating Expenses	£19,058	£19,408	£9,908	£17,908	£23,408	£9,908	£18,408	£17,908	£9,908	£21,908	£17,908	£11,408
Profit Before Interest and Taxes	(£3,183)	£2,748	£11,548	£5,423	(£3,223)	£5,503	(£1,823)	£1,823	£11,048	£15,348	£20,043	£20,323
Interest Expense Short-term	£625	£667	£667	£708	£667	£625	£625	£667	£708	£875	£958	£958
Interest Expense Long-term	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Taxes Incurred	(£952)	£520	£2,720	£1,179	(£972)	£1,219	(£612)	£289	£2,585	£3,618	£4,771	£4,841
Extraordinary Items	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Net Profit	(£2,856)	£1,561	£8,161	£3,536	(£2,917)	£3,658	(£1,836)	£867	£7,754	£10,854	£14,313	£14,523
Net Profit/Sales	-9.18%	4.40%	23.69%	9.57%	-8.92%	13.86%	-6.58%	2.70%	22.91%	19.49%	25.36%	30.19%

# Appendix

Appendix Table: Cash Flow (Planned)

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	£7,775	£8,863	£8,613	£9,238	£8,175	£6,600	£6,975	£8,025	£8,463	£13,925	£14,113	£12,025
From Receivables	£18,403	£18,574	£28,132	£26,188	£26,838	£26,013	£22,005	£20,400	£22,605	£24,775	£34,128	£42,075
Subtotal Cash from Operations	£26,178	£27,437	£36,745	£35,425	£35,013	£32,613	£28,980	£28,425	£31,068	£38,700	£48,240	£54,100
Additional Cash Received												
Extraordinary Items	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales Tax, VAT, HST/GST Received	17.50% £4,581	£4,801	£6,430	£6,199	£6,127	£5,707	£5,072	£4,974	£5,437	£6,773	£8,442	£9,468
New Current Borrowing	£75,000	£5,000	£0	£5,000	£0	£0	£0	£5,000	£5,000	£20,000	£10,000	£0
New Other Liabilities (Interest-free)	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Long-term Liabilities	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of other Short-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Input	£0	£25,000	£0	£0	£0	£0	£0	£0	£25,000	£0	£0	£0
Subtotal Cash Received	£105,760	£62,238	£43,175	£46,624	£41,140	£38,320	£34,052	£38,399	£66,504	£65,473	£66,682	£63,568
Expenditures	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Expenditures from Operations:												
Cash Spent on Costs and Expenses	£6,879	£18,715	£5,083	£8,303	£8,492	£3,174	£6,711	£7,602	£15,335	£14,845	£11,564	£6,866
Wages, Salaries, Payroll Taxes, etc.	£14,433	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283	£13,283
Payment of Accounts Payable	£11,535	£10,910	£27,391	£7,785	£12,464	£12,472	£4,938	£10,111	£11,790	£22,978	£22,104	£17,111
Subtotal Spent on Operations	£32,846	£42,907	£45,756	£29,370	£34,238	£28,928	£24,931	£30,996	£40,408	£51,106	£46,950	£37,259
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	£4,581	£4,801	£6,430	£6,199	£6,127	£5,707	£5,072	£4,974	£5,437	£6,773	£8,442	£9,468
Principal Repayment of Current Borrowing	£0	£0	£0	£0	£5,000	£5,000	£0	£0	£0	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Long-term Liabilities Principal Repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Other Short-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Long-term Assets	£0	£25,000	£0	£0	£0	£0	£0	£0	£25,000	£0	£0	£0
Dividends	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Adjustment for Assets Purchased on Credit	£0	(£25,000)	£0	£0	£0	£0	£0	£0	(£25,000)	£0	£0	£0
Subtotal Cash Spent	£37,428	£47,709	£52,186	£35,570	£45,365	£39,635	£30,003	£35,971	£45,845	£57,879	£55,392	£46,726
Net Cash Flow	£68,332	£14,530	(£9,011)	£11,055	(£4,225)	(£1,315)	£4,049	£2,429	£20,660	£7,594	£11,290	£16,841
Cash Balance	£69,770	£84,300	£75,289	£86,343	£82,118	£80,802	£84,851	£87,280	£107,940	£115,534	£126,824	£143,665

# Appendix

## Appendix Table: Balance Sheet (Planned)

### Pro Forma Balance Sheet

Assets													
Short-term Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash	£1,438	£69,770	£84,300	£75,289	£86,343	£82,118	£80,802	£84,851	£87,280	£107,940	£115,534	£126,824	£143,665
Accounts Receivable	£27,605	£32,527	£40,540	£38,245	£39,770	£37,458	£31,245	£30,165	£33,840	£36,623	£53,623	£61,833	£55,833
Inventory	£10,141	£7,815	£8,995	£8,695	£9,320	£8,215	£6,690	£7,015	£8,070	£8,595	£14,145	£14,200	£12,070
Other Short-term Assets	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375	£2,375
Total Short-term Assets	£41,559	£112,487	£136,209	£124,604	£137,808	£130,165	£121,112	£124,406	£131,565	£155,532	£185,676	£205,231	£213,942
Long-term Assets													
Long-term Assets	£3,210	£3,210	£28,210	£28,210	£28,210	£28,210	£28,210	£28,210	£28,210	£53,210	£53,210	£53,210	£53,210
Accumulated Depreciation	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£1,720	£2,720
Total Long-term Assets	£1,490	£1,490	£26,490	£26,490	£26,490	£26,490	£26,490	£26,490	£26,490	£51,490	£51,490	£51,490	£50,490
Total Assets	£43,049	£113,977	£162,699	£151,094	£164,298	£156,655	£147,602	£150,896	£158,055	£207,022	£237,166	£256,721	£264,432
Liabilities and Capital													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Accounts Payable	£11,191	£9,974	£27,136	£7,370	£12,039	£12,313	£4,602	£9,731	£11,023	£22,236	£21,526	£16,767	£9,955
Current Borrowing	£0	£75,000	£80,000	£80,000	£85,000	£80,000	£75,000	£75,000	£80,000	£85,000	£105,000	£115,000	£115,000
Other Short-term Liabilities	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803	£1,803
Subtotal Short-term Liabilities	£12,994	£86,777	£108,939	£89,173	£98,842	£94,116	£81,405	£86,534	£92,826	£109,039	£128,329	£133,570	£126,758
Long-term Liabilities	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Liabilities	£12,994	£86,777	£108,939	£89,173	£98,842	£94,116	£81,405	£86,534	£92,826	£109,039	£128,329	£133,570	£126,758
Paid-in Capital	£4,500	£4,500	£29,500	£29,500	£29,500	£29,500	£29,500	£29,500	£29,500	£54,500	£54,500	£54,500	£54,500
Retained Earnings	£13,100	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555	£25,555
Earnings	£12,455	(£2,856)	(£1,295)	£6,866	£10,401	£7,484	£11,143	£9,307	£10,174	£17,928	£28,783	£43,096	£57,619
Total Capital	£30,055	£27,199	£53,760	£61,921	£65,456	£62,539	£66,198	£64,362	£65,229	£97,983	£108,838	£123,151	£137,674
Total Liabilities and Capital	£43,049	£113,977	£162,699	£151,094	£164,298	£156,655	£147,602	£150,896	£158,055	£207,022	£237,166	£256,721	£264,432
Net Worth	£30,055	£27,199	£53,760	£61,921	£65,456	£62,539	£66,198	£64,362	£65,229	£97,983	£108,838	£123,151	£137,674