

## **BUSINESS PLAN GUIDELINES**

### **1) GENERAL**

The drafting of a business plan should always be done with the aim to convince a financier or potential investor of the success of the business venture, so much so that they are willing to invest in it. It is crucial that the foundations of the business plan are based predominantly on facts and market research, as opposed to opinion and belief. The more facts in the business plan, the easier it is to make a decision whether or not to invest in a business.

The plan should demonstrate that it is workable and that all those involved in the project, from management to employees and consultants, are able to deliver on the plan.

It is also crucial that, as far as possible, all commitments are formally put in writing. These would include offer-to-purchase agreement, contractor quotations, pro forma property management agreement, lease agreements and so on. A good business plan should consist of the following:

### **2) LEGAL ENTITY**

- a) All registration documents to confirm that a legal entity has been set up (CM1, CM22, CK1, CK2 etc).
- b) Income Tax and VAT documents to confirm that entity has been registered for Income Tax and VAT with SARS.
- c) Income Tax and Vat clearance certificates for an already existing business.

### **3) SHAREHOLDERS AND MANAGEMENT**

- a) Detail CVs of all shareholders (attach identity documents), directors and senior management/key personnel. In the case of a Close Corporation, this would apply to members; in case of a trust (trust deed + letters of authority)
- b) Details of shareholders involvement in the project.
- c) Motivation that management has the necessary experience to successfully manage the project, including: construction management, property management, human resources,

finance and marketing. Signed shareholders agreement. For a start-up, this should be in draft form at least.

- d) Amount of funds that shareholders will be injecting into the project as their own contribution and source of these funds (FICA purposes).
- e) Personal balance sheet of all shareholders.
- f) For existing business also detailed historical financial statements for 3 years (audited where applicable) and latest management accounts.
- g) Other business interests of shareholders and directors.
- h) Details including profiles of any other professionals assisting management, such as project construction team, property managers, auditors or lawyers.

#### **4) ORGANOGRAMS**

Include organograms of the following:

- a) Group structure (if there is more than one company); and
- b) Hierarchy of staff;

#### **5) THE PROJECT**

A thorough description of the project including project concept and overview;

- a) Types of units, number of units, size of units,
- b) Rentals per unit (compare with rentals for similar units in the area and industry)
- c) Other income - Parking, retail space, cost recoveries (utilities), etc.,
- d) Anticipated rates of occupancy, bad debts
- e) Operating costs (realistic estimate of operating costs – compare with similar project)

#### **6) TECHNICAL: LAND AND BUILDINGS**

- a) For a greenfield project ensure that a site has been identified and a draft lease agreement or Offer to Purchase/Purchase and Sale agreement has been obtained. It is preferable that exclusivity be obtained for the purchase of the site, and sufficient time be given to allow for finance to be obtained without the seller/lessor selling or leasing the property to someone else in the interim.
- b) For land and buildings to be purchased, a recent valuation is necessary.



- c) Current quotations for all building work to be performed. This should preferably be approved by a quantity surveyor or other suitable person in the construction industry.
- d) Technical drawings for all building work to be performed. This should be done by a qualified architect.
- e) Construction contractor to be engaged should be registered with the National Home Builders Registration Council (NHBRC).
- f) Current (recent) quotations from suppliers for all other fixed assets to be purchased.
- g) For assets to be imported, e.g. lifts, cognisance to be taken of the following:
  - i) Commissioning details;
  - ii) Repair and maintenance arrangements; and
  - iii) Upfront letters of credit or deposits that may be required by the supplier
- h) Ensure that all necessary regulatory approvals have been obtained. This would include Environmental Impact Assessments (EIA), rezoning of property if required, etc. For greenfield projects, these should at least have been applied for. Copies of all approvals or applications to be included in business plan.

## **7) STAFFING**

- a) Full details of key personnel - existing and new staff to be employed.
- b) Ensure that salaries and wages are preferably market related and not below minimum wage guidelines for the industry.
- c) CVs of all key management staff.

## **8) PROPOSED FUNDING STRUCTURE**

- a) Include a start up source and application of funds statement. This will highlight the total project cost split into the various needs
- b) Indicate all uses of funds e.g. Land/ building acquisition costs; Transfers and legal fees; Funders origination fees; Property development cost (renovation/ conversion/ construction); etc.
- c) Indicate proposed sources of funds
  - i) Owners' equity contribution – it should be unencumbered funds, interest free and with no fixed repayment terms. Indicate the ability to raise the funds (indicate amount; and as a percentage of total project costs)



- ii) Senior Debt – give the name of the funder, loan amount, terms and conditions of the loan, willingness to share security with GPF, etc. (copy of expression of interest or final loan agreement – if already approved)
- iii) Mezzanine Finance – Please indicate amount applied for, proposed repayment period
- d) The total project cost should equal the anticipated funds coming in from owners and/or financiers

## **9) FINANCIAL PROJECTIONS**

- a) Projected turnover levels need to be based on number of units, type of units, rental per type of units, recoveries (if any), additional lettable space, e.g. commercial space, parking, etc.
- b) Always provide for vacancy and bad debts.
- c) Compare projected operating expenses with actual expenses uncured by similar properties or industry (where costs have been quoted, use those, e.g. property management fee, insurance, etc)
- d) Prepare a projected monthly income statement and a projected monthly cashflow statement for the first year of operations;
- e) Prepare projected annual income and cashflow statements for the loan term.
- f) Some of expenses to be included in the income statement (operating expenses should always be realistic.)
  - i) Water
  - ii) Electricity
  - iii) Rates & Taxes
  - iv) Sewer
  - v) Garbage - Refuse
  - vi) Property Management Fee
  - vii) Cleaning
  - viii) Security
  - ix) General Maintenance
  - x) Salaries
  - xi) Lift Maintenance
  - xii) Boiler Maintenance
  - xiii) Insurance
  - xiv) Bank Charges



- xv) Accounting & Audit Fees
- xvi) House keeper/ Janitor
- xvii) Miscellaneous Expenses

## 10) **SWOT ANALYSIS**

Identify **Strengths** within the company that would render the project achievable and **Weaknesses** that have to be overcome (how this would be done) in order to achieve the desired outcome. Also identify **Opportunities** and **Threats** that avail themselves to the project and indicate how to deal with them.

## 11) **RISK ANALYSIS**

- a) Identify risks associated with the project, their likelihood and impact on the project;
- b) Give the proposed mitigating factors



## **12) KEY ASSUMPTIONS**

- a) Note for GPF purposes, the following will apply for all transactions:
- b) The applicant must be a historically disadvantaged person or BEE compliant company.
- c) The GPF would require at least 2% of the total project cost as owners' equity contribution.
- d) For estimating the loan term, 15 years could be assumed
- e) For estimating the interest rate, 8% may be assumed

## **13) NOTE**

- a) The financing requirements above are designed to ensure the smooth operation and sustainability of the project post financing.
- b) The above is not an exhaustive list of requirements, and further information may be required based on the specifics of the application.
- c) Please attach copies of all relevant documents

