Investment Readiness Checklist

1. Business Plan

Your business plan is a document that outlines your business objectives and how you plan to achieve them. It is your opportunity to shout about what makes your business special, why it will be successful and why you are the right person to carry it forward.

There are several sections in the business plan that you need to complete to a high quality in order to get the investment you need, outlining elements such as your sales, marketing and operational plans.

Start at the beginning -

- **Give a brief background to your business and describe the benefits that it will gain from the funds.**
- **Refer to management information from the past two to three years if you are already trading, to show how your business has performed over time.**

In order to get the investment you need, the business plan must impress the lender with its clarity, originality and viability.

You must have a clear understanding of your 'USP' and 'Value Proposition'.

USP - The Unique Selling Point defines your position in the market. It explains, in a sentence or two, the point of differentiation between you and your competitors that makes your offering better.

Value Proposition - The value proposition focuses on how your customers' lives will be improved by opting for your product or service over another.

In other words, while a USP expresses to your target market how you are different, a value proposition answers the questions: Why should they care about that difference? How will their problems be solved? How will their lives be improved?

2. Proof of Concept

It’s one thing to say how great your business idea is, but it’s another thing to prove it.

Before exploring funding options for your business and potentially leveraging your risk with debt, it’s best for both your peace of mind and the lenders, that your idea actually works in practice.

The way to test this is through a small-scale pilot. A pilot will help to assess how customers respond to your offering, react to different price points, and ultimately determine the level of interest.

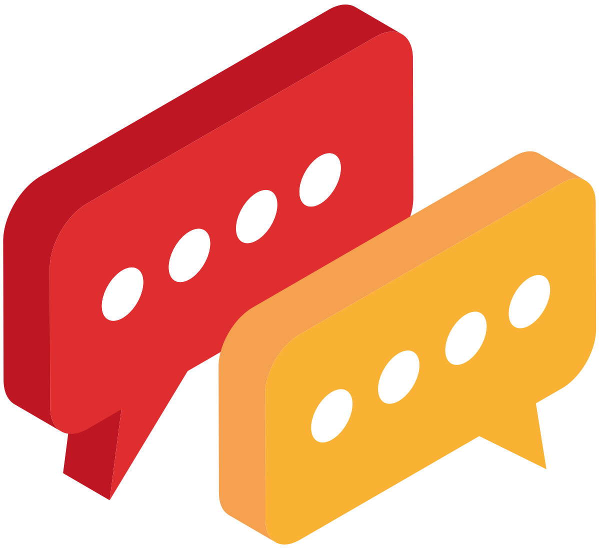
If you can prove that customers demand your offering, you can demonstrate a clear route to market. If you can attract early adopters and accumulate ‘pre-sales’, you can prove to a lender that now is the time to launch.

A pilot is also an opportunity to test your preconceptions and gather new knowledge about your product and market. During your pilot, you should complete surveys to learn more about your clients and how they feel about your offering. You can demonstrate this learning in your business plan to show lenders that you have adapted to meet customer needs and are open to change.

‘Why do I need to produce all this?’ *Well*, you might know your business inside and out, but the lender doesn't know it at all. You have to present yourself in the best way and show that what you do, or plan to do, is effective and profitable.

3. Marketing

After completing your pilot, you can create an evidence-based marketing plan to show the best route to market and the most effective methods of promoting or advertising your offering.



This is your chance to show how well you know the market, your customers and your competitors.

Test a diverse range of methods to market your business, observing the merits, as well as the cost advantages and disadvantages, of each method.

You should adopt the marketing method that generates the highest return on investment (ROI). The 'return' in this instance will be leads generated or sales. Some example methods are:

- Social Media Marketing, e.g., Facebook Ads
- Paid Media Advertising, e.g., Newspaper, Radio, Television Ads
- Internet Marketing, e.g., Google Ads
- Physical Adveritising, e.g., Posters, Flyers or Billboards
- Email Marketing
- Telemarketing

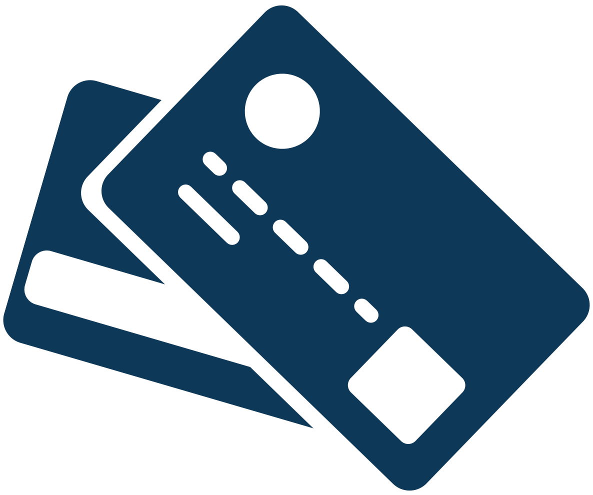
For inspiration in this area, and to see what works effectively in your market, research what your competitors are doing and adapt their methods to suit you.

4. Credit and Debt

Nobody is perfect, especially not entrepreneurs!

So when it comes to talking about your debts...

Always be transparent about your credit profile, both current and historical. Lenders won’t usually persecute you for past mistakes if you can demonstrate taking a mature and proactive approach to resolving these errors and learning from them.



Your credit profile, and your forwardness in discussing this with lenders, is a real insight into your character. If you are forthcoming, you show to the lender that you are honest and have nothing to hide. Provide the lender with an up-to-date credit report and recent bank statements to show you are in control.

If you are secretive, and the lender finds problem debt, missed payments or unresolved defaults on your credit record, you could give the impression to the lender that you are apathetic about your debt obligations.

Transparency with personal credit is particularly important with Start Up Loans where lenders will take your personal credit into account in lending decisions, as the loans are structured as ‘personal loans for your business’.

With any outstanding debt, both personal and for your business, list each item for the lender and outline the key details. Ensure to include:

- **Status**
- **Balance**
- **Maturity**
- **Repayment amount**
- **Repayment frequency**
- **Purpose**

5. Key Documents

When pulling together an investment proposal, you will need more than just your business plan and forecast. There are a number of documents and other key information that you will need to have to hand. Save time by gathering this together before you apply for support.

If you have already registered your business, list some of your basic information, such as:

- Business Name
- Address
- Business type
- Date established
- Registration number
- Tax ID number

If you are already trading, gather up to date and accurate management information, including:

- Profit and Loss to show recent trading performance.
- Balance sheet to list all business assets including real estate, machinery, equipment, furniture, fixtures, and inventory.
- Tax returns to show compliance and legitimacy
- and a personal financial statement to show your own net worth, taking into account your property and other assets.

You will also need to breakdown ownership information to reveal other shareholders in the company and their stakes:

- What proportion of the business do you own?
- Give the names of other shareholders and their share amount.
- Give the credit reports of all other major shareholders, if required.

Show the lender that you are well organised by keeping these records up to date, accurately kept and close to hand at all times.

6. Skills & Experience

Whilst direct experience in a particular field is not necessary to succeed in starting a new business, it is important to show how your skills and working history can be applied to it.

Start by recording your previous work experience and transferable skills that relate to this venture. It is good to show a broad range of skills in a variety of different areas of business, such as management, finance or marketing. Do the same for any other people in your management team or board of directors.

Prepare an up-to-date CV that clearly outlines how your knowledge and skills are transferable to your business. It is useful to gather referrals or testimonials from previous employers, colleagues or clients to help evidence this.

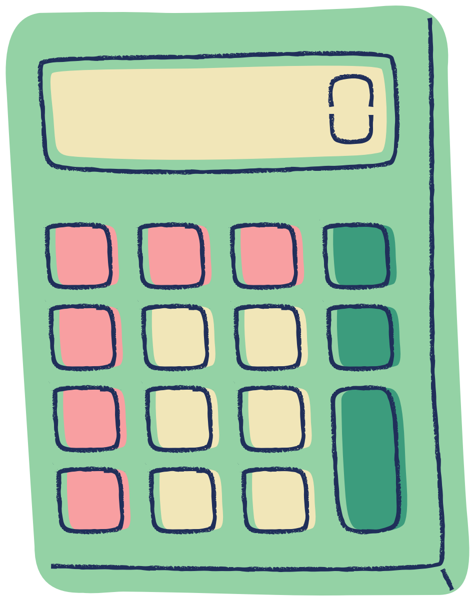
Wherever there are clear gaps within your knowledge or experience, say for example, in marketing, explain how you will overcome this. You may wish to complete a training course in this or hire a third party consultant to do it for you.

When applying for funding as an existing business, the lender will ask questions about all levels of your operation. Lenders like to see that, as a business owner, you are fully involved and understand the day-to-day management of your business, and can confidently answer questions about this.

Similarly, you must understand the direction of your business, and be able to clearly communicate to lenders how their financial support helps your business to achieve its objectives.

7. Fully Costed

Whether you are starting a new business or growing an existing one, you will need to show how you plan on using the investment proceeds and what impact this will have on your business.



Often when launching a business, you will not have all the tools, equipment, stock, premises or operational funding to start trading immediately. Purchasing these items will be critical to allowing you to start and grow your business.

In order to access investment to purchase these items, you will need to gather evidence of their purchase price. This proof will vary depending on the cost item:

- **If you are leasing a new premises show a lease agreement.**
- **If you are carrying out new construction, expansion or repair operations, show the quote from the tradesman.**
- **If you are purchasing new machinery or equipment show prices quoted by the distributor.**
- **If you are purchasing inventory, list the stock price as shown by the wholesaler.**

Whatever your investment needs, you will need to list your required purchases and cost each item. The total cost of these items gives you your total funding need.

To determine the affordability of a loan, the lender will look at your bank statements to see if you have any 'excesses' or missed payments, and will gauge the lowest average account balance each month. For example, if your repayments are £500 a month, but your balance goes down to £300 in some months, the lender will question the affordability of the loan. In preparation for this, try to nurture an excess cash position in your account for 4-6 months before applying for a loan. This will show that your business is safe in its cash position and can afford to take on debt.

8. Forecasting

How will the planned investments help your business to grow?

If you borrow money to meet your investment needs and you agree to repay this over a period of 5 years, you will need to demonstrate how your business will grow, and evidence your ability to meet repayment obligations over this period.

Lenders are very data-centric so keep your forecast realistic, accurate and evidence-based. If possible, use conservative estimates and avoid overpromising your growth potential. If you have been trading for a while, you may wish to show your trading performance so far to give an impression of your growth trajectory.

If you are you forecasting growth, make sure you accompany your forecast with commentary on what this is based on. Ensure that any assumptions are backed up with reasonable evidence. For example, if you have recently landed a big contract, you can safely forecast higher revenue or sales.

If you are already trading, reflect in your forecast how your income changes over the course of the year, showing any fluctuations or seasonality in sales. Again, this should be accompanied by commentary in your business plan explaining the impact this has on your business and how you mitigate it. If you aren't already trading, research the performance of competitor businesses throughout the year to gauge how your business might trade overtime.

Whilst you want your forecast to be accurate, in practice, they quite often aren't. A forecast is not written in stone and will continue to develop as you begin trading. With this in mind, try not to stress on the intricate details in the beginning. Just try to clearly express that the business is viable, profitable, and will have a sufficient cash balance at all times to cover any outgoing loan repayments and other obligations.

9. Measurable Progress

You can use your business plan and forecast to record objectives and milestones. It is important to set milestones for your own benefit and for the lender.

As the business owner, setting milestones allows you to measure your progress and gauge your growth trajectory. For the lender, it's useful to assess your anticipated growth over the maturity of the loan term and determine whether this presents any potential risks.

Milestones are usually financial, measuring metrics such as turnover and profit. However, it is also important to set milestones in other areas such as client numbers, staff size, product range, number of branches/ outlets and partners.

You may even wish to record qualitative measures, such as client satisfaction using feedback forms. As with your forecast, try to err on the side of caution and be conservative in your aims, showing progress in gradual and sustainable increments. This way the lender or investor will view your objectives as realistic and achievable, and will be more likely to approve your proposal.

10. Back-up Plan

This is not a scenario we ever like to think about, but we must.

It is important to consider how you will repay the investment in the event of your business failing. A clear and viable explanation of this will put any investor at ease, and therefore more likely to invest. There are a number of ways you can go about this, but it must centre around how you will generate income to make your repayment obligations.

For many people, this is as simple as returning to paid-employment in the event of a business failure, which will give them the income to make repayments. For those using a loan to purchase assets, such as equipment or machinery, they may be able to recover some of the loan balance by liquidating these items in the event of business failure.

Whilst many entrepreneurs think that they can't possibly lose, planning for failure shows a level of foresight and maturity that will help reduce the damage it could cause to their financial security and the lender's, as well as their longer-term reputation and career.

For further support...

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