

# **Business-plan**

**Project name**

*Production of glued wood products*

**Project author**

PIC Business Builder 5.05  
 Project name - Production of glued wood products  
 Start date - 01.07.1996  
 Project duration - 36 months

#### Products or services list

Name	Units	Sales start date
Board, beam	cub.m	01.07.1996
Doubling plank	cub.m	01.07.1996
Running products	cub.m	01.07.1996
Furniture board	cub.m	01.02.1997
Glued beam	cub.m	01.02.1997

#### Beginning balance sheet

Item	Amount(rbl-000)
Cash	73 838.00
Account receivable	118 760.00
Inventories	16 076.84
Work in progress	0.00
Finished goods	39 340.09
Short term investments	0.00
Prepaid expenses (Short term)	63 833.00
Total current assets	311 847.93
Fixed assets	2 105 528.00
Accumulated depreciation	1 141 853.81
Net fixed assets:	963 674.19
Land	0.00
Buildings	201 906.19
Plant and equipment	691 768.00
Prepaid expenses (Long term)	0.00
Other assets	70 000.00
Investments in progress	223 200.00
Other long term investments	0.00
<b>TOTAL ASSETS</b>	<b>1 498 722.12</b>
Accrued taxes	0.00
Short term loans	51 000.00
Accounts payable	23 033.00
Advances from customers	0.00
Total current liabilities	74 033.00
Long term debt	0.00
Ordinary shares issued	0.00
Preference shares issued	0.00
Share premium account	160 000.00
Reserves	0.00
Revaluation surplus	1 264 689.12
Retained earnings	0.00
Total shareholders equity	1 424 689.12
<b>TOTAL LIABILITIES</b>	<b>1 498 722.12</b>

## Accounting principles

Financial year is beginning in January.  
 Inventories accounting principles: FIFO.

## Currency

Local currency - Rouble (rbl-0001)  
 Foreign currency - US Dollar (\$ US1)  
 Beginning rate of exchange : 1 \$ US = 5.300 rbl-000

Appreciation/depreciation rate of exchange (%)

1 year	2 year	3 year
12.00	12.00	10.00

LIBOR rate

Currency	1 year	2 year	3 year
Rouble	0.00	0.00	0.00
\$ US	0.00	0.00	0.00

Inflation(Rouble)

Asset	1 year	2 year	3 year
Sales	12.00	10.00	8.00
Direct costs	12.00	10.00	8.00
General expenses	12.00	10.00	8.00
Salary and wages	12.00	10.00	8.00
Property, plant and equipment	12.00	10.00	8.00

Inflation(\$ US)

Asset	1 year	2 year	3 year
Sales	0.00	0.00	0.00
Direct costs	0.00	0.00	0.00
General expenses	0.00	0.00	0.00
Salary and wages	0.00	0.00	0.00
Property, plant and equipment	0.00	0.00	0.00

Taxes

Tax	Tax base	Period	Rate
Tax on profit	Profit	Quarter	35 %
VAT	VAT	Month	20 %
Payments to the pension fund	Salaries	Month	29 %
Payments to social insurance	Salaries	Month	5.4 %
Payments to the fund of compulsory medical insur	Salaries	Month	3.6 %
Employment tax	Salaries	Month	1.5 %
Tax on vehicles	Salaries	Quarter	1 %
Dues for the needs of education organisations	Salaries	Quarter	1 %
Payments to the housing fund	Sales	Quarter	1.5 %
			from 7 nths. - 2 %
Tax on users of automobile roads	Sales	Quarter	2.5 %
Tax on property	Assets	Month	1.5 %

List of project stages

Stage name	Duration	Start date	Finish date
Production [Running products]	1	01.07.1996	...
Production [Doubling plank]	1	01.07.1996	...
Production [Board, beam]	1	01.07.1996	...
Development of contractor design	20	01.07.1996	21.07.1996
Development of design plans and specification	20	01.07.1996	21.07.1996
Site preparation and repair of service lines	14	01.07.1996	15.07.1996
Construction and installation work	87	01.07.1996	26.09.1996
Purchase of equipment	90	01.07.1996	29.09.1996
Drying chambers and systems of waste removal	90	01.07.1996	29.09.1996
Automatic transfer line	90	01.07.1996	29.09.1996

Project name: Production of glued wood products

Project author:

Date: 17.07.97

PIC Business Builder 5.05

Stage name	Duration	Start date	Finish date
System of air conditioning	90	01.07.1996	29.09.1996
Metal cutting equipment	90	01.07.1996	29.09.1996
Packing equipment	90	01.07.1996	29.09.1996
Equipment of quality surveillance	90	01.07.1996	29.09.1996
Cargo handling machines	5	24.09.1996	29.09.1996
Installation of the equipment	45	29.09.1996	13.11.1996
Adjustment and manufacturing of development batch	30	13.11.1996	13.12.1996
Certification of products	26	01.12.1996	27.12.1996
Production [Glued beam]	1	27.12.1996	...
Production [Furniture board]	1	27.12.1996	...

Resources list

Resource Name	Kind of resource	Unit size	rbl-000	\$ US
...	Equipment		0.00	0.00
Bars and boards production line	Equipment		0.00	458 400.00
Equipment for grinding tools	Equipment		0.00	35 000.00
Equipment of electromechanical workshop	Equipment		0.00	20 000.00
Factory conveyance facilities	Equipment		0.00	8 400.00
Packing line PVP 80Z	Equipment		0.00	48 000.00
Pneumatic transport for waste disposal	Equipment		0.00	99 600.00
Set of equipment for quality control	Equipment		0.00	75 000.00
System of start-up waste disposal	Equipment		0.00	33 600.00
The air conditioning system	Equipment		0.00	56 400.00
The central plant for shaped sawing	Equipment		0.00	291 600.00
The drying chamber S-100	Equipment		0.00	132 000.00
The drying chamber S-50	Equipment		0.00	98 400.00

Forecast sales

<b>Product</b>	<b>Units</b>	<b>7-12.1996</b>	<b>1997 year</b>	<b>1998 year</b>	<b>1-6.1999</b>
Board, beam	cub.m	1 200	2 400	2 400	1 200
Doubling plank	cub.m	840	1 680	1 680	840
Running products	cub.m	480	960	960	480
Furniture board	cub.m	0	2 000	4 800	2 400
Glued beam	cub.m	0	1 834	2 400	1 200

Sales (Price)

Product	Price(rbl-000)	Price(\$ US)	Sales conditions
Board, beam	600.00		
Doubling plank	1 000.00		
Running products	1 600.00		
Furniture board		695.00	
Glued beam		885.00	

Sales (Conditions of payments)

Product	Conditions
Board, beam	
	Cash sales
Doubling plank	
	Cash sales
Running products	
	Cash sales
Furniture board	
	Account receivable time: 15 days
	Schedule of payments
Glued beam	
	Account receivable time: 15 days
	Cash sales

Sales (Conditions of deliveries)

Product	Conditions
Board, beam	
Doubling plank	
Running products	
Furniture board	
	Stock of finished goods: 20.00%
Glued beam	
	Stock of finished goods: 20.00%

Production

Product name	. Production cycle	Production schedule
Board, beam	0 days	Production according to sales
Doubling plank	0 days	Production according to sales
Running products	0 days	Production according to sales
Furniture board	10 days	Production according to sales
Glued beam	10 days	Production according to sales

Total direct costs

Name	Units	(rbl-000)	(\$ US)
Board, beam	cub.m	518.30	0.00
Doubling plank	cub.m	544.55	0.00
Running products	cub.m	562.80	0.00
Furniture board	cub.m	1 035.19	55.55
Glued beam	cub.m	1 035.19	55.55

Direct costs Board, beam

Name	Value per unit	Loss	(rbl-000)	(\$ US)
<b>Raw material and components</b>			<b>456.30</b>	<b>0.00</b>
Timber in the round of the 1st category	1.250	4.000	456.30	
<b>Direct labor</b>			<b>10.00</b>	<b>0.00</b>
<b>Other direct costs</b>			<b>52.00</b>	<b>0.00</b>
Energy			52.00	
<b>Total</b>			<b>518.30</b>	<b>0.00</b>

Direct costs Doubling plank

Name	Value per unit	Loss	(rbl-000)	(\$ US)
<b>Raw material and components</b>			<b>474.55</b>	<b>0.00</b>
Timber in the round of the 1st category	1.300	4.000	474.55	
<b>Direct labor</b>			<b>10.00</b>	<b>0.00</b>
<b>Other direct costs</b>			<b>60.00</b>	<b>0.00</b>
Energy			60.00	
<b>Total</b>			<b>544.55</b>	<b>0.00</b>

Direct costs Running products

Name	Value per unit	Loss	(rbl-000)	(\$ US)
<b>Raw material and components</b>			<b>492.80</b>	<b>0.00</b>
Timber in the round of the 1st category	1.350	4.000	492.80	
<b>Direct labor</b>			<b>10.00</b>	<b>0.00</b>
<b>Other direct costs</b>			<b>60.00</b>	<b>0.00</b>
Energy			60.00	
<b>Total</b>			<b>562.80</b>	<b>0.00</b>

Direct costs Furniture board

Name	Value per unit	Loss	(rbl-000)	(\$ US)
<b>Raw material and components</b>			<b>955.19</b>	<b>55.55</b>
Cutting tools	0.010	0.000		6.00
Edged board	1.530	2.000	951.19	
Glue	145.000	0.500		49.55
Polyethylene film (package)	10.000	0.000	4.00	

Name	Value per unit	Loss	(rbl-000)	(\$ US)
<b>Direct labor</b>			<b>10.00</b>	<b>0.00</b>
<b>Other direct costs</b>			<b>70.00</b>	<b>0.00</b>
Energy			70.00	
<b>Total</b>			<b>1 035.19</b>	<b>55.55</b>

**Direct costs Glued beam**

Name	Value per unit	Loss	(rbl-000)	(\$ US)
<b>Raw material and components</b>			<b>955.19</b>	<b>55.55</b>
Cutting tools	0.010	0.000		6.00
Edged board	1.530	2.000	951.19	
Glue	145.000	0.500		49.55
Polyethylene film (package)	10.000	0.000	4.00	
<b>Direct labor</b>			<b>10.00</b>	<b>0.00</b>
<b>Other direct costs</b>			<b>70.00</b>	<b>0.00</b>
Energy			70.00	
<b>Total</b>			<b>1 035.19</b>	<b>55.55</b>

**Raw material and components**

Name	Units	Price(rbl-000)	Price(\$ US)
Cutting tools	a set		600.000
Edged board	cub.m	609.500	
Glue	kg		0.340
Polyethylene film (package)	sq.m	0.400	
Timber in the round of the 1st category	cub.m	351.000	

Personnel plan

Position	Number	Cost(rbl-000)	Cost(\$ US)	Payments
<b>Administration</b>				
General director	1	2 900.00		Once per month, Project period,
Assistant director	1	2 500.00		Once per month, Project period,
Chief accountant	1	2 500.00		Once per month, Project period,
Plant engineer	1	2 500.00		Once per month, Project period,
Plant power engineer	1	2 500.00		Once per month, Project period,
Accountant	1	1 500.00		Once per month, Project period,
Head of guard service	1	2 200.00		Once per month, Project period,
Staff of guard service	6	1 500.00		Once per month, from 6 to 36 month.
Cleaners	2	400.00		Once per month, Project period,
<b>Production</b>				



Position	Number	Cost(rbl-000)	Cost(\$ US)	Payments
Shop superintendant (existing manuf.)	1	1 700.00		Once per month, Project period,
Foreman (existing manufacture)	2	1 400.00		Once per month, Project period,
Production workers (existing manuf.)	12	1 200.00		Once per month, Project period,
Shop superintendant (planned manuf.)	1	2 200.00		Once per month, from 7 to 36 month.
Foreman (planned manufacture)	2	2 000.00		Once per month, from 7 to 36 month.
Production workers (existing manuf.)	30	1 500.00		Once per month, from 7 to 36 month.
Tool setter-up (planned manuf.)	2	1 800.00		Once per month, from 7 to 36 month.
<b>Marketing</b>				
Employees of the sales department (existing manu)	3	1 100.00		Once per month, Project period,
Workers (existing manuf.)	4	900.00		Once per month, Project period,
Employees of the sales department (planned manuf)	2	1 500.00		Once per month, from 7 to 36 month.
Workers (planned manuf.)	4	1 000.00		Once per month, from 7 to 36 month.

Total personnel: 78.  
114 000.00 rbl-000.

General expenses

Item	Amount(rbl-000)	Amount(\$ US)	Payments
<b>Administration</b>			
Transport maintenance costs	800.00		Once per month, Project period,
Lease of land	68 400.00		Once per year, Project period,
Travelling and living expenses	1 500.00		Once per month, Project period,
Municipal payments	11 600.00		Once per quarter, Project period,
Fire-prevention measures and guard service	1 500.00		Once per quarter, Project period,
Administration expenses	10 000.00		Once per month, Project period,
Social and medical expenses	1 500.00		Once per month, Project period,
Social expenses - canteen	5 000.00		Once per month, Project period,
Representation expenses	1 200.00		Once per month, Project period,
Other expenses	1 000.00		Once per month, Project period,
Social and medical expenses (additional)	3 500.00		Once per month, from 8 to 8 month.
Social expenses - canteen (additional)	10 000.00		Once per month, from 8 to 8 month.
<b>Production</b>			
Transport charges (existing manuf.)	7 000.00		Once per month, Project period,
Additional transport charges	7 500.00		Once per month, from 8 to 35 month.
Testing costs	1 500.00		Once per month, from 8 to 36 month.
Labour protection	500.00		Once per month, Project period,
Training costs	400.00		Once per month, from 7 to 36 month.
Tools of little value	1 200.00		Once per month, Project period,
Tools of little value (additional)	1 500.00		Once per month, from 8 to 36

Project name: Production of glued wood products  
Project author:  
Date: 17.07.97

Item	Amount(rbl-000)	Amount(\$ US)	Payments
			month.
Labour protection (additional)	2 000.00		Once per month, Project period,
Repair costs	4 500.00		Once per month, Project period,
<b>Marketing</b>			
Payments for services	5 000.00		Once per month, Project period,
Advertising expenses	7 000.00		Once per month, Project period,
Advertising expenses (after project start)	10 000.00		Once per month, from 8 to 36 month.
Exhibition expenses	5 000.00		Once per half-year, from 8 to 36 month.
Cost of sales	5 000.00		Once per month, from 7 to 36 month.
Additional cost of sales	5 000.00		Once per month, from 8 to 36 month.

Shareholders' capital

Shareholder	Date	Amount(rbl-000)	Amount(\$ US)
The firm "Fimos"	01.07.1996	160 000.00	

Loans

Name	Date	Amount(rbl-000)	Amount(\$ US)	Period	Interest,%
Credit of Federal fund for support of small busi	01.07.1996	2 000 000.00		24 mths.	30.00
Credit of "Alfa-bank"	01.07.1996		1 630 000.00	20 mths.	30.00

Leasing

Name	Date	Amount(rbl-000)	Amount(\$ US)	Period	Interest,%
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Investment costs

Name	Cost(rbl-000)	Cost(\$ US)	Date	Period	Rate
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**Income statement projection (rbl-000)**

Item	7-12.1996	1997 year	1998 year	1-6.1999
Sales revenues	1 986 607.05	22 522 145.63	40 831 305.65	21 943 475.31
Sales losses				
Taxes on sales	79 464.28	1 013 496.55	1 837 408.75	987 456.39
Net sales	1 907 142.76	21 508 649.08	38 993 896.89	20 956 018.92
Raw materials and components	1 146 732.54	7 226 508.14	12 389 942.41	6 598 037.02
Direct labor costs	32 552.66	140 825.54	211 710.36	112 447.89
Cost of goods sold	1 179 285.20	7 367 333.68	12 601 652.77	6 710 484.91
Gross profit	727 857.57	14 141 315.40	26 392 244.12	14 245 534.01
Other taxes	45 580.34	89 385.99	61 739.33	25 389.23
Administrative expenses	186 669.60	357 805.89	380 623.78	164 841.33
Production expenses	77 825.84	281 270.95	319 766.94	161 531.20
Marketing expenses	61 441.46	352 133.24	402 151.26	213 545.64
Salary of administrative personnel	164 625.78	498 992.14	549 205.24	291 624.18
Salary of production personnel	164 315.96	1 393 019.73	1 533 197.95	814 117.51
Salary of marketing personnel	59 988.36	262 726.92	289 164.88	153 544.55
Total operating expenses	714 866.99	3 145 948.87	3 474 110.04	1 799 204.41
Depreciation	1 211 698.93	3 514 881.23	996 747.29	470 100.99
Interest expenses	5 100.00	3 598 671.21	2 042 099.97	
Total non-operating expenses	1 216 798.93	7 113 552.44	3 038 847.26	470 100.99
Other revenues				
Other expenses				
Losses of prior periods		1 509 338.43		
Profit before tax	-1 249 388.70	2 283 089.66	19 817 547.49	11 950 839.39
Total expenses allocated to profit				
Effect from operation with foreign currency	-259 949.73	-1 001 776.53	-124 188.23	81 276.96
Taxable profit	-1 509 338.43	1 281 313.13	19 693 359.26	12 032 116.35
Tax on profit		448 459.60	6 892 675.74	4 211 240.72
<b>Net profit</b>	<b>-1 509 338.43</b>	<b>832 853.54</b>	<b>12 800 683.52</b>	<b>7 820 875.63</b>

**Cash flow (rbl-000)**

Item	7-12.1996	1997 year	1998 year	1-6.1999
Cash receipts from customers	2 383 928.45	22 043 138.40	41 782 030.35	22 448 303.56
Cash paid to suppliers	1 385 595.58	9 508 599.05	14 937 112.02	7 327 511.64
Direct labor paid	25 255.41	103 237.22	149 959.67	76 996.66
Total direct costs	1 410 850.99	9 611 836.27	15 087 071.69	7 404 508.30
General expenses paid	391 124.27	1 189 452.10	1 323 050.37	647 901.80
Salary paid	274 862.26	1 522 783.60	1 676 019.84	889 954.94
Total operating expenses	665 986.53	2 712 235.70	2 999 070.21	1 537 856.74
Short term funds				
Interest receipts				
Other inflows	118 760.00			
Other outflows	23 033.00			
Taxes paid	191 943.79	1 352 416.82	7 928 195.10	5 481 328.96
Net cash from operating activities	210 874.13	8 366 649.62	15 767 693.35	8 024 609.57
Purchase of property, plant and equipment	9 457 835.14			
Other start-up expenses paid				
Proceeds from sale of assets				
Purchase of securities				
Proceeds from sales of securities				
Interest received				
Net cash from investment activities	-9 457 835.14			
Proceeds from issue of share capital				
Proceeds from debt	10 074 455.99	729 169.06		
Repayment of debt	51 000.00		12 435 025.43	
Interest paid	5 100.00	3 598 671.21	2 042 099.97	
Dividends paid				
Net cash from financing activities	10 018 355.99	-2 869 502.15	-14 477 125.40	
Cash at beginning of period	73 838.00	845 232.98	6 342 380.45	7 632 948.40
<b>Cash at end of period</b>	<b>845 232.98</b>	<b>6 342 380.45</b>	<b>7 632 948.40</b>	<b>15 657 557.96</b>

Project name: Production of glued wood products

Project author:

Date: 17.07.97

**Balance sheet projection (rbl-000)**

Item	7-12.1996	1997 year	1998 year	1-6.1999
Cash	845 232.98	6 342 380.45	7 632 948.40	15 657 557.96
Account receivable		1 415 737.72	1 573 766.40	1 650 580.12
Inventories	34 442.17	215 298.07	229 388.79	172 543.68
Work in progress	0.00	199 379.51	217 708.15	0.00
Finished goods	0.00	154 852.17	169 833.19	176 825.99
Short term investments				
Prepaid expenses (Short term)	1 197 304.43	1 415 526.54	1 573 432.95	2 030 546.73
Total current assets	2 076 979.58	9 743 174.45	11 397 077.87	19 688 054.49
Fixed assets	10 329 529.56	10 199 396.56	9 954 291.56	9 607 268.56
Accumulated depreciation	2 156 752.74	5 541 500.97	6 293 143.26	6 416 221.25
Net fixed assets:	8 172 776.82	4 657 895.59	3 661 148.30	3 191 047.32
Land				
Buildings	1 664 382.78	992 658.76	917 421.10	881 365.67
Plant and equipment	6 107 224.63	3 388 475.46	2 625 634.78	2 270 923.70
Prepaid expenses (Long term)	290 124.28	215 405.47	96 715.69	37 370.80
Other assets	111 045.14	61 355.90	21 376.74	1 387.15
Investments in progress				
Other long term investments				
<b>TOTAL ASSETS</b>	<b>10 249 756.41</b>	<b>14 401 070.04</b>	<b>15 058 226.18</b>	<b>22 879 101.81</b>
Accrued taxes				
Short term loans		12 143 527.39		
Accounts payable				
Advances from customers				
Total current liabilities		12 143 527.39		
Long term debt	10 334 405.72			
Ordinary shares issued				
Preference shares issued				
Share premium account	160 000.00	160 000.00	160 000.00	160 000.00
Reserves				
Revaluation surplus	1 264 689.12	1 264 689.12	1 264 689.12	1 264 689.12
Retained earnings	-1 509 338.43	832 853.54	13 633 537.06	21 454 412.69
Total shareholders equity	-84 649.31	2 257 542.65	15 058 226.18	22 879 101.81
<b>TOTAL LIABILITIES</b>	<b>10 249 756.41</b>	<b>14 401 070.04</b>	<b>15 058 226.18</b>	<b>22 879 101.81</b>

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**Financial ratios projection**

Item	7-12.1996	1997 year	1998 year	1-6.1999
Current ratio (CR), %	4 981.04	58.54	267.35	
Acid test ratio (QR), %	4 883.86	54.43	245.79	
Net working capital (NWC), rbl-000	1 653 405.84	-3 383 340.21	4 543 196.61	16 193 831.65
Net working capital (NWC), \$ US	303 467.31	-562 161.45	669 603.87	2 272 451.60
Stock turnover (ST)	71.65	21.96	21.53	23.32
Average collection period (CP)	1.51	12.87	14.07	14.09
Creditor/purchases ratio (CPR)				
Net working capital turnover (NCT)	2.31	-6.36	8.58	2.59
Fixed assets turnover (FAT)	0.54	3.61	9.47	12.38
Total assets turnover (TAT)	0.43	2.00	3.43	2.14
Total debt to total assets (TD/TA), %	90.80	108.37	23.87	
L-term debt to total assets (LTD/TA), %	90.42	32.36		
L-term debt to fixed assets (LTD/FA), %	111.87	58.30		
Total debt to equity (TD/EQ), %	986.97	-1 295.16	31.35	
Times interest earned (TIE), times	-722.83	-6.63	10.64	
Gross profit margin (GPM), %	38.16	65.75	67.68	67.98
Operating profit margin (OPM), %	-179.93	-123.07	50.82	57.03
Net profit margin (NPM), %	-193.56	-129.81	32.83	37.32
Return on current assets (RCA), %	-437.57	-584.38	176.37	96.59
Return on fixed assets (RFA), %	-103.83	-468.53	311.00	462.06
Return on investment (ROI), %	-83.91	-260.04	112.54	79.89
Return on shareholders' equity (ROE), %	-912.13	3 107.91	147.83	79.89
Earning per ordinary share (EPOS), rbl-000				
Earning per ordinary share (EPOS), \$ US				
Dividends per ordinary share (DPOS), rbl-000				
Dividends per ordinary share (DPOS), \$ US				
Ordinary dividends coverage (ODC), paz				
Total assets per ordinary share (TAOS), rbl-000				
Total assets per ordinary share (TAOS), \$ US				
Price to earnings (P/E), times				

Discounted cash flow criteria

<b>Criteria</b>	<b>Rouble</b>	<b>US Dollar</b>
Discount rate	0.00 %	0.00 %
Pay back period	24 mths.	24 mths.
Profitability index	1.24	1.20
Net present value	17266120.34	2237128.65
Internal rate of return	72.33 %	54.20 %

Cash flow criteria calculation period - 36 mths.