

FINANCIAL FORECASTING STANDARDS

Financial forecasting for your pitch

The purpose of your financial forecasts is to set out a clear picture of your financial position in a way that allows an investor to understand your business model and make their own judgement about your financial potential. From your perspective it's essential that you demonstrate a sound grasp of your financial statements and communicate your goals for the business and your operational budgets for achieving them.

In the interests of both entrepreneurs and investors we have established a set of minimum professional standards for the presentation of financial forecasts. We have three underpinning principles: professional, transparent and user-friendly.

To meet our compulsory standards your financials must:

- Cover a minimum of three years
- Be dated for specific periods, not 'Month 1', 'Month 2' etc., with monthly detail for at least Year 1
- Comprise integrated profit & loss, cash-flow and balance sheet elements and meet proper accounting standards
- Add up (please triple check everything!)

Your Profit & Loss must

- Set out clearly your revenue and direct costs and if relevant, your gross profitability. In doing so you should make an appropriate distinction between 'direct costs' (or 'cost of sales') and overheads
- Set out clearly your short-term operational budgets for overheads. 'Clearly' means providing a reasonable level of detail, in particular your sales and marketing and personnel costs should be transparent
- Meet accounting standards in respect of excluding inappropriate elements such as investor funds, capital expenditure etc., and exclude GST.

Your Cash-Flow projections must

- Include the prospective Crowdsphere equity funds in the appropriate month
- Show separately any other equity investments projected
- Show any dividend distribution specifically discussed in the plan
- In general provide reasonable and transparent detail for source and application of funds, in particular in respect of capital expenditure which may not be shown elsewhere

The Balance Sheet must:

- Differentiate between classes of tangible and intangible fixed assets, especially in respect of intellectual property rights
- Differentiate between bank balances and other current assets and liabilities such as stock, trade debtors and creditors, and statutory liabilities such as GST, PAYE and company tax
- Show any directors' loans clearly

- Show any formal loan liabilities separately (but it is not necessary to extract amounts due after 12 months to show long term liabilities)
- Provide a provisional calculation for company tax liability after appropriate treatment of tax payments in the cash-flow
- Adopt the standard balance sheet format of balancing net assets and liabilities with reserves and equity, to show net worth

Opening balances and historic profit and loss

- If your business has been trading for any period before the first month of the forecast you must:
- Provide a complete opening balance sheet in a format and level of detail consistent with the rest of the forecast, whether from published or management accounts
- Provide management accounts for profit and loss for any intervening period between
- Published and projected figures (or between start-up and projected figures). These should be clearly marked: 'management accounts' and be in the same (or very similar) format and level of detail as the forecast. It does not need to be monthly

PLEASE NOTE: If the business has any previously published statutory accounts you must upload the most recent year to the pitch.

Presentation

- Your forecast should include a commentary (notes) which explains any simplification applied – e.g. not modelling GST or PAYE liabilities or their cash-flow implications - or any unusual or less obvious accounting treatment
- Your financials must be saved as '.pdf' files comprising legible pages that can be viewed on-screen or printed at a single click
- Every individual page must be clearly labelled with the name of your pitch or company and describe its function within the forecast (e.g., profit & loss, 'cash-flow', balance sheet' etc.)
- Every individual page must show clearly the months/years to which it relates
- 'Raw' spreadsheets files are not permitted (e.g. '.xls', '.xlsx', or '.xlsm')
- The name of the file must include the name of your pitch or company and describe its contents clearly, avoiding abbreviations or jargon (e.g. "Aspire.com – Crowdsphere Pitch Financial Snapshot.pdf", not "BMC – CC FINS")
- Individual elements of the forecast can be uploaded as separate files.

The Crowdsphere 'Financial Snapshot'

When the format of your full financials has been approved you will also be asked to complete a 'Crowdsphere Financial Snapshot' for uploading to your pitch. This is an extract from your full financials and provides a summary of the key information in a clear and consistent format across all pitches for the Crowdsphere investor community.

It is an Excel spreadsheet template and it includes instructions for its use. It can be filled in manually or linked (using common Excel skills) to an existing spreadsheet forecast. A Google Spreadsheet version is available on request.

The snapshot is straightforward to complete from any properly constructed P&L, cash-flow and balance sheet forecast or model. An example of a completed Snapshot can be downloaded [here](#).

Pre-approval

If you are not sure whether your current financials meet these standards you can submit them for an initial summary assessment ('pre-approval'). They do not need to contain finished numbers at this point. We will highlight any obvious deficiencies, but pre-approval does not guarantee ultimate approval of the finished document(s). You can ask us for 'pre-approval' at any stage.

Approval

When you believe your financials are complete and meet these required standards you can submit them for approval by email.

You must save the required PDF files using the naming protocols set out above, but prefacing the file name with the word 'DRAFT' (in upper case) e.g. "DRAFT The Better Mousetrap Co – CrowdSphere Full Financials.pdf". This tells us that this is a document you intend to upload to your pitch.

If we approve the document we will save the file back to your unpublished pitch, removing the word

'DRAFT' from the filename. You may not subsequently edit this file.

If you wish to change any of your numbers or change the structure or presentation of your financials in any way, you must re-submit a new 'DRAFT' document, and itemise and explain the changes you have made in a separate note. The approval process will then be repeated.

PLEASE NOTE: We will assess your financials in respect of their structure and presentation. Beyond certain rudimentary checks we do NOT check your financials for mathematical accuracy, consistency or plausibility and our 'approval' does not imply that we have. You are entirely responsible for the integrity of the financial information you upload to your pitch.

Further help

If you need help with your financial forecasts then please call Oliver Cuthill on 027 4696 433 or email ocuthill@armillary.co.nz