

Part 6: How to write an Information Memorandum or Business Plan to Raise Capital – Research & Development

By Len McDowall, Integral Capital Group Pty Ltd

In this continuing series of articles on how to write a Business Plan or Information Memorandum to raise capital, Part 6 discusses business plan content specifically 'Research and Development'.

Research and Development

If the product or service of the business requires any design or development before it is marketable the extent of this work needs to be disclosed in your business plan. Similarly, if future prospects depend on the successful development and introduction of new products it is important to state the nature and extent of such work and the time scales involved. Although existing products will be of considerable interest, venture capital investors will be equally if not more concerned with product succession, given the likely length of their involvement with the company and hence will expect to have the R&D strategy outlined in the plan.

The points for consideration to include in your business plan:-

- Current status of the development program.
- The in-house expertise the company has in the area and whether any development work is to be sub-contracted.
- The person responsible for overseeing development and his experience/expertise in this field.
- Identify any major anticipated problem areas and the approaches to their solution. State what effects these may have on the development timetable.
- Outline future development work on new products.
- Present a design and development budget both on a cost and time basis. Allow some contingency as costs are often underestimated.
- Clearly state the accounting policy with respect to R&D and if costs are capitalized present the case for this.

The content of Business Plans will be covered further in subsequent articles by Len McDowall.

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About Len McDowall - Managing Director, Integral Capital Group Pty Ltd

Len McDowall was previously inaugural Chairman and Managing Partner of Bird Cameron Chartered Accountants (now known as RMS Bird Cameron), which employed 1000 people in 50 offices in Australia and Hong Kong. Len, who established Bird Cameron's mergers and acquisitions division, has extensive experience in all facets of financial management with a particular emphasis on structuring and negotiating joint ventures and capital raisings. Following his retirement from the accounting profession Len McDowall and his partners established the Integral Capital Group which specialises in mergers and acquisitions, public floatation's and capital raisings.