

AN AUSTRALIAN ORGANISATION TO CARRY OUT REAL ESTATE RESEARCH, CITY PLANNING AND URBAN DESIGN WORK ON A CONSULTATIVE BASIS.

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#### The Company

C. G. and Y. propose to form a proprietary limited Company to establish and operate the organisation described in outline in Appendix A. C. G. and Y. would between them hold the first issue of Ordinary Shares in the Company, and each would be a Director of the Company. C. G. and Y. would each contract themselves to work for the Company as employees.

#### The Investment Capital

The initial investment required to launch the Company at the minimum desirable scale of operations consistent with a high standard of aims is calculated as £18,000. This capital is sought from the Investor in the form of £18,000 fully paid up Preference Shares, which would draw an immediate return of 8 per cent, but which would not carry voting rights. The Investor's shareholding would be secured through a nominee.

#### The Special Client

It has been intimated that a Special Client will require the Company to provide some considerable volume of service. In order that the scale and character of the Company's initial operations can be more closely planned, it is desirable that the Special Client indicate the likely volume, type and priorities of service which the Company should be prepared to provide on behalf of the Special Client.

A first priority and constant availability of service is

offered to the Special Client. This priority of service could be ensured in the standard form of a small annual retainer. A retainer of £1,000 per annum is therefore sought.

#### **FUTURE ARRANGEMENT OF COMPANY STRUCTURE**

Standard provisions will be incorporated in the Memorandum and Articles of the Company, under which the transfer of any shares in the Company will require the consent of the other shareholders. At the end of a period to be determined, not being less than five years, the Investor may require the Ordinary Shareholders to purchase his holding in the Company.

At the end of the first year of operations, an increase in working capital of approximately £5,000 may be desirable to allow the Company to expand at an optimum rate. The Investor will be granted an option to purchase additional Preference Shares to this value at this time.

#### **Staff Inducements and Incentives through Profit Sharing**

It is recognised that the success of the Company depends in large measure upon the calibre, skills, initiative, and enthusiasm of the senior staff of the Company. Key personnel will therefore be given a direct interest in the profitability of the Company. Other personnel will participate in a bonus scheme.

June 15th, 1960.

A budget estimate has been drawn up, covering the first year's operations; it is submitted for the Investor's consideration.

The estimate totals £16,000, and represents the minimum desirable working capital for the first year's operations. This degree of capitalization would allow the employment of a secretary and a technical assistant to free the three principals for work of a higher productivity. Assuming that the principals each put in a minimum of 225 full days of fee paid work over the first year, and assuming also that this work is billed at £25 per day, then the £16,000 capitalization would make possible a fee return of £16,875 for the first year's operations.

Contracts already in hand total £8,000 in fees. Therefore additional work to the minimum value of £8,875 will be required during the first year to justify the initial capitalization to the extent of breaking even on the year's activities. (Assuming that outgoings during the first year are £16,875.)

C. G. and Y. estimate that further contracts to the value of £4,000 could be forthcoming from various additional clients, if present prospects and probabilities are realized. This leaves a minimum balance of £4,875 worth of work which needs to be made up during the first year. If this volume of service is not required by the Special Client during the first year, then intensive promotional activities can be undertaken to increase turnover from other sources. If however a higher volume of service is required, then either:-

- (a) unsolicited work from other clients may have to be sacrificed; or
- (b) additional capitalization may be required so as to allow additional equipment and staff from the start.