

2017

# Business Plan

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**iPOPULOUS**  
INVOICE FINANCING  
ON BLOCKCHAIN

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# 1. Executive Summary

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Populous World Ltd ("Populous") have developed an online platform hosted on the Ethereum Blockchain that matchmakes invoice sellers to invoice buyers. The platform will enable invoice sellers to receive short-term cash flow while invoice buyers receive interest on invoice purchased. The company's unique selling proposition lies in its ability to provide value to both invoice sellers and buyers with interest rate bidding and the XBRL targeted client acquisition tool.

We aim to grow the company in three phases over a 7 year period using our proprietary in-house client acquisition tool, aggressive market plan, new product offering and global expansion. Our in-house client acquisition is based on the XBRL data and we are the first company to pursue such an innovative approach. We are aware of a start-up competitor who intends to do the same and they are expected to begin operational in the year assuming they are able to replicate what we have already completed.

A financial analysis of the business model we have adopted indicates that we do not require loans as working capital. In fact we expect to break-even in the third quarter of Year 1 with turnover of £19.6 million and profit of £5.6 million. Our target is to record a gross profit margin of 80%, an EBIT margin of 36%, and a net profit margin of 29% in 2020. Growth will be through organic means and we estimate that we will have onboard at least 43,000 clients in Year 1 and growing to 297,000 clients by Year 3.

This business plan covers the UK and European part of the business. Although other regions are briefly discussed separate business plan will be forthcoming from our regional operations.

# 2. Introduction

## 2.1 Objectives

The aim of this business plan is to allow Populous to inform investors and users of key aspects of the platform. This business plan will also outline the growth strategy and expansion plans over the next few years.

The structure of the report is split into seven key parts.

## 2.2 Research Methodology

Populous draws upon a number of key academic frameworks to analyse the company; industry, competitive landscape in which the company operates to define business opportunities, target market and corresponding marketing strategies. A combination of both primary and secondary research was also carried out to gather supporting data and information required for the analysis.

### 2.2.1 Key Frameworks

#### Environment and industry analysis

- PESTLE (Aguilar, 1967)
- Porter's Five Forces (Porter, 2006)

#### Competitor analysis

- Segmentation (Grant, 2012)

#### Company analysis and its nature of business

- Business Model (Baden-Fuller & Haefliger, 2013)

### 2.2.2 Primary Data Summary

Primary data used was collected from Alpha testing launched on 18th of August. The feedback from the Alpha test was analysed to enhance the platform's User Interface (UI) and User Experience (UX).

### **2.2.3 Secondary Data Summary**

Key data and information on industries and companies operating within were obtained primarily from the Asset Based Finance Association (ABFA) and the Peer-to-Peer Finance Association (P2PFS). Populous also sought data and information pertaining to itself directly from the company's representatives. Other data and information were collected from a variety of online sources such as company websites, UK and global news outlets.

# 3. Market Analysis

## 3.1 PESTLE Insight

The business environment is always changing and what apply today may be outdated in the future. The political, economic, social, technological, legal, and environmental factor in the UK have been analysed from the perspective of invoice financing industry. Each factor discussed takes into consideration opportunities we may exploit and their inherent risks.

### Environment and industry analysis

David Cameron stepped down as prime minister in June 2016 after the United Kingdom voted to leave the EU in the Brexit referendum. Following his resignation, Theresa May the former home secretary, was appointed the new prime minister of the UK in July 2016.

As a result, the new government faces a series of policy challenges and threats to the growth outlook on top of disruptive divorce talks with its major trading partner. The recent general election held on 8th June 2017 resulted in a hung parliament; the Conservatives remains the largest party, although they have fallen short to win an overall majority. This shock vote resulted in delayed Brexit negotiations and increased political uncertainties especially in the short term (Amaro, 2017).

The most likely options seem to be either a Conservative-led coalition or a Conservative minority government but the precise shape of the next UK government still remains unclear. The political uncertainties are expected to damage consumer and business confidence. Companies and investors see no clear way to resolve the political situation in the short term and believe that another election this year would not guarantee a more conclusive outcome but have a negative impact on the UK economy (Syal & Travis, 2017).

Tensions between British and European policymakers has only exacerbated the ongoing Eurozone crisis. The UK faces substantial hurdles in securing desired political and economic concessions from the Eurozone as it has not been able to restore its relationship with their EU counterparts. Moreover, the current government's plan to impose immigration restrictions after Brexit does not augur well for the country's relations with Eurozone (MarketLine, 2016, p. 18). Britain's vote in favour of leaving the EU signals the end of 43-year-long political and economic relationship within the bloc.

Animosity between the UK and the EU further intensified in August 2016 when Germany's economy minister said that the UK will not be allowed to “keep the nice things” that come with EU membership without taking responsibility for the fallout from Brexit (Reuters, 2016). Moreover, it would not get deals or privileges similar to that of other ex-EU members such as Switzerland and Norway. The European Parliament's Committee has also discussed reallocating Britain's Member of the European Parliament (MEP) seats in the 2019 election (Proctor, 2017).

Populous may face difficulties in implementing future European expansion plans with Brexit in progress and the many details between the UK and the Eurozone to iron out. However, the expansion is projected to be initiated in Year 3 when the political issues are expected to be resolved.

### Economical

Whilst the UK economy have shown signs of recovery following the Brexit referendum, growth momentum have been lost due to the ongoing political and economic uncertainties regarding the outcome of the Brexit negotiations. Depreciation of the Pound Sterling pushed inflation up, reduced business investments, lowered household spending power and weakened consumer demand (PwC, 2017).

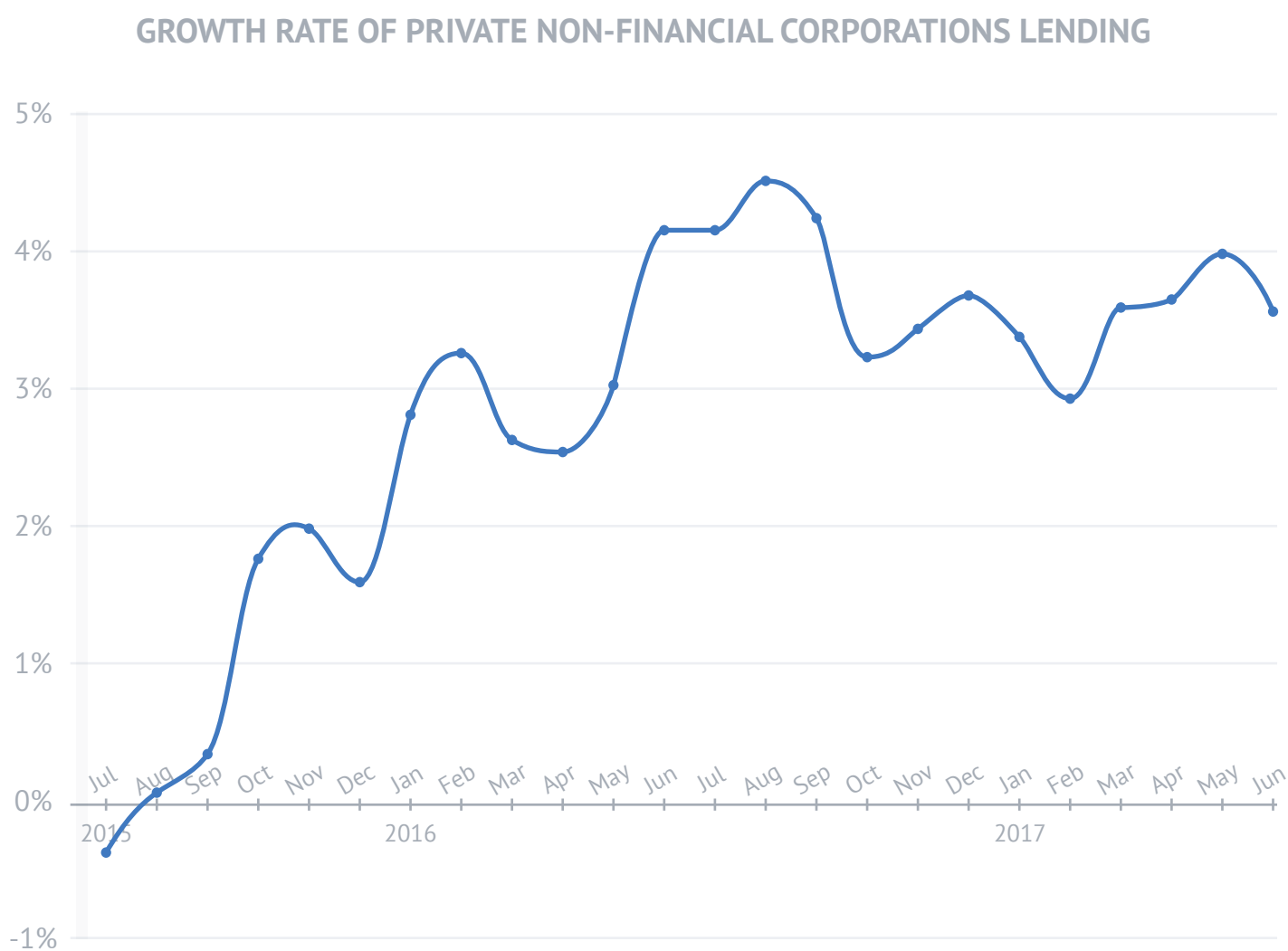
As a result, the UK became the slowest growing advanced economy in the world at 0.2% growth in first quarter of 2017. The IMF subsequently downgraded the UK's economic growth forecast from 2.05% to 1.70% in 2017 while keeping its estimate for 2018 unchanged at 1.46% (IMF, 2017).



**FIGURE 1: FORECAST ON UK GDP GROWTH**



The sluggish short term economic outlook may result in increased demand on invoice financing and other short-term borrowings. A study carried out by IMF experts found that these short-term borrowings have a correlation towards declining economy (Dadush, et al., 2000).



**FIGURE 2: GROWTH RATE OF PRIVATE NON-FINANCIAL CORPORATIONS LENDING**

The lending growth rates are seen to increase rapidly for private non-financial companies that produce goods and/or non-financial services in slow growing economies. This signifies a growing demand for loans that can lead to increased demand for short-term financing options such as invoice financing where Populous is positioned.

### **Social**

In 2014, active smartphone users in the UK comprised 61.7% of the total UK population and this is forecasted to jump to 82.4% in 2021 (Statista, 2017). It is also expected that 80% of the workforce will also be shifting their work processes to mobile devices. Moreover, mobile technologies are expected to have the greatest impact on learning and development in the next five years (CIPD, 2016, p. 16).

In terms of global digital payment, transaction volumes continue to rise with nations in the mature markets leading the way, accounting for 53.2% of total global volumes. However, China and the rest of Emerging Asia experienced a steep growth of 30.9% from 2014 - 2015 (World Payments Report, 2017). Due to the adaption rate of technology, digital transactions are poised to increase. Populous is well positioned to integrate online invoice financing with businesses as they become more accustomed to online transactions.

However, with development in online transactions come a new demand for cyber security. Cyber security is a growing sector due to increasing demand and the UK has serious skills shortages when it comes to the availability of qualified cyber security professionals (Cox, 2017).

The chasm between the demand and the supply for such expertise is widening at an alarming rate and Populous, as a fintech company, may face difficulties in hiring and retaining qualified personnel to maintain and secure the platform from external hacks. Since Populous is built on the Ethereum Blockchain, blockchain technology affords a good level of security for the platform which does not overly rely on centralised security management protocols because all transactions are traceable and viewable on the blockchain.

### **Technological**

Blockchain technology gained a lot of traction in recent years due to the increased investment in this area with the rapid growth in capitalisation of the cryptocurrency market reaching an all-time high of \$179B in August 2017 (Rizzo, 2017). However, the use cases for blockchain technology is still being tested in several industries and Populous seeks to pioneer in the invoice financing sector as the first platform to offer matchmaking for invoice sellers and buyers.

### **Legal**

The Financial Conduct Authority (FCA), the Asset Based Finance Association (ABFA) and HM Treasury regulates the invoice financing market in the UK. Invoice sellers and buyers can easily participate in the factoring and discounting market because it is a well-established industry. Legal requirements are minimal and these include the compulsory issuance of invoices for goods or services, invoice sellers must have more than one customer and in some cases a signed guarantee must be obtained from the directors of the company.

Populous seeks to compete in a space that is well-established and regulated. To maximise participation from invoice sellers and buyers, Populous will streamline "Know Your Client" (KYC) procedures and signed director's guarantees into the registration process to meet legal requirements.

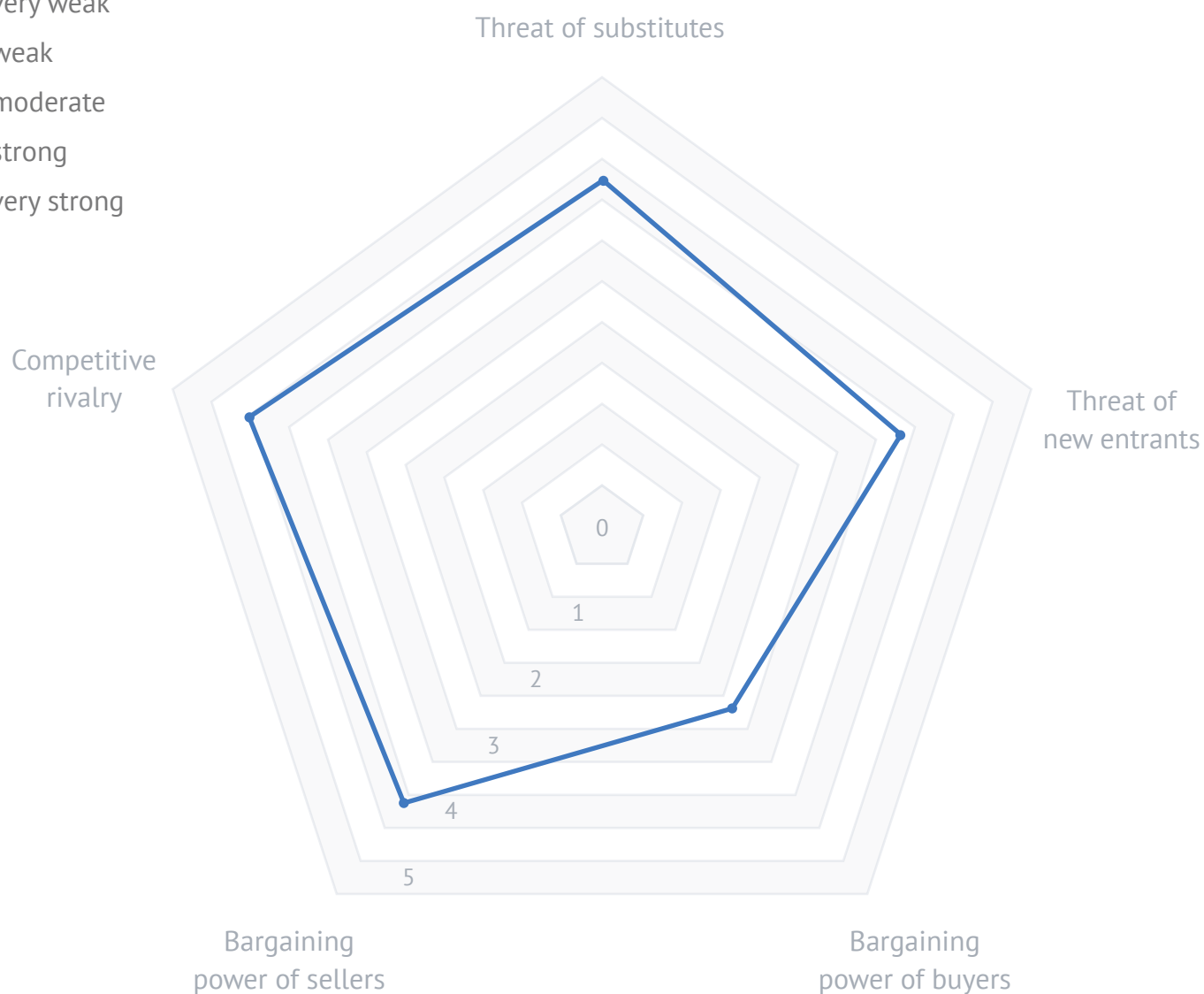
### Environment

Blockchain technology allows Populous to adopt a paperless philosophy. All transactions are viewable on the blockchain and will ensure the need for printing is minimised.

## 3.2 Porter's Five Forces Insight

### PORTER'S FIVE FORCES

- 1 - very weak
- 2 - weak
- 3 - moderate
- 4 - strong
- 5 - very strong



**FIGURE 3: SUMMARY OF PORTER'S FIVE FORCES ANALYSIS OF THE INVOICE DISCOUNTING MARKET IN THE UK**

## **A wide range of substitutes for invoice discounting services**

Invoice discounting is a long-established industry with a rich history but it sits in a market filled with many substitutes. Invoice sellers can go to a bank for a personal or business loans, overdrafts, banker's acceptance or even utilising credit cards for short term cashflow.

## **Low barrier to entry for new comers to the market**

The low cost required to set up an invoice discounting or factoring company enables new competitors to easily enter the market. It is difficult to stand out from the crowd because the services provided can easily be replicated and little value-added can be incorporated.

## **Low bargaining power of buyers (investors)**

There are many invoice buyers in the UK and the top three invoice buyers account for only 9% of the market, the saturated markets keeps the bargaining power of investors down. However there are many alternative to invoice discounting where investors can make higher returns such as the stock market, the fixed deposit market, the purchase of bonds and unit trusts.

## **Invoice sellers have options to choose from**

The invoice discounting market makes up about GBP2.0bn of the UK invoice financing market and the top three incumbent occupies only 9% of the market. In such a saturated market, the cost to invoice sellers to switch from one company to another is close to zero. Nevertheless, the higher cost of alternative financing options still makes invoice selling a viable option.

## **Competition is tough**

The projected growth rate of the invoice financing market is 2.3% and steadily increasing. The low cost of entry and conversely the ease of exit only increases the number of competitors in the market, together with the current competition and alternative financing options market saturation will only get worse. It is yet to be seen whether the projected growth rate is sufficient to support such a saturated market (IBISWorld, 2017).

### 3.3 Competitor Analysis

An in-depth analysis of key competitors has been carried out to assess their strengths and weaknesses in the marketplace and Populous will be positioned to gain an edge over these competitors. The segment which Populous will compete have been identified and analysed to allow Populous to market its unique attributes.



**FIGURE 4: MARKET SEGMENTATION OF INVOICE DISCOUNTING COMPANIES / PLATFORMS**

Populous is positioned in the "High Client Predictability" segment of the market (see figure 4) which is defined as having Big Data analysis on predicting customers requiring invoice financing. Big Data analysis allows Populous to indentify potential clients and approach them before they seek out other finance providers.

As of preparation of this business plan, Populous will lead the field in "High Client Predictability" using technology developed in-house. Populous is a P2P (Peer-to-Peer) lending platform and MarketInvocie, Investly and Lendy are our nearest competitors.

#### Invoice financing companies

We do not consider traditional invoice financing companies our direct competitors because we are first and foremost a P2P lending platform. Nevertheless, invoice financing comprises invoice discounting and invoice factoring defined by the way the sales ledger is managed.

The invoice seller is responsible for its own sales ledger and to ensure settlement of invoices by its customers in invoice discounting (Touch Financial, n.d.). The invoice discounting sector includes Touch Financial, Interface Financial group, RBS Invoice Financing and Close Brothers. Conversely, invoice factoring takes the role of managing the invoice seller's sales ledger, credit control and the followup of the seller's customer for payment.

### **Other cashflow solutions**

Indirect competitors are considered as financing solutions other than invoice financing. These could include companies that allow borrowings on a short term loan basis or overdrafts. Small business finance providers like Iwoca, RBS, HSBC and Interface Financial Group are considered indirect competitor. These small business finance providers usually provide access to working capital, banks in particular can cross-sell long-term debts locking in a customer for long durations.

# 4. Company and Product Offering

## 4.1 History

Established in 2017, Populous was an idea-turned-reality when commercial data expert Stephen Williams envisioned a platform for invoice financing and customer acquisition via “big data.”

Stephen invented the idea of using XBRL to data mine for prospective clients in the invoice finance marketing sector. Unfortunately, he could not get traction with his idea in the industry and at the time could not afford the “required” upfront cost of setting up the invoice financing business.

Stephen was stymied until he caught the Bitcoin buzz in late 2016. Intrigued, Stephen decided to research further into this up-and-coming new technology. He liked what he saw and decided to marry the invoice financing platform with the power of blockchain technology.

He launched a pre-ICO (Initial Coin Offering) to raise funds from “Main Street” investors to cover all upfront costs and further develop the platform with a view to revolutionise the industry.

The Populous’ blockchain-based invoice discounting platform is a win-win platform from creating new liquidity and expanding the pool of potential clients. Stephen’s idea would disrupt the invoice finance sector and introduce many in “Main Street” who were previously limited by barriers to entry.

## 4.2 Vision and Mission

The company's vision is as follows:

**“TO BE A GLOBAL LEADING INVOICE FINANCING COMPANY ON BLOCKCHAIN”**

There are four mission statements to the company's current vision.

1. Providing an alternative platform for investors to invest by matchmaking them to invoice sellers.
2. Delivering value to potential customers before they realise they require short term cash flow by the XBRL customer acquisition tool.
3. Helping businesses to access short term cash flow with the best interest rates.
4. Highlighting a corporate utilisation for the blockchain technology.

## 4.3 Strategic Decisions

The strategic decisions we make embodies both our Vision and Missions, and are illustrated in Figure 5 below. We envisage implementation of our plan in three distinct phases; short-term, medium-term and the long-term. Our immediate goal is to focus on the first phase due to the constantly changing financial environment which we will face. Further research and analysis from more updated data will be required for Year 4 onwards.



FIGURE 5: POPULOUS'S STRATEGIC DIRECTION



### **Year 1-3: Fundamental development**

The first three years are critical to the success of Populous and we will focus on building a solid foundation for sustainable growth. The platform will undergo continuous updates and improvement to make it more robust to meet challenges ahead.

Populous will invest heavily in recruitment of people who are highly skilled in their core competencies and continuous training will be provided to keep our people up-to-date at all times. Customer satisfaction is our number one priority.

In this phase, we will be aggressive in our marketing to secure SMEs in the UK and China/HK markets. Customer acquisition is of high priority in this growth phase. We forecast that our targeted and organic growth will be in the high double-digits YOY.

We will be investing heavily in marketing to ensure the Populous brand is recognised in the invoice financing industry. Our copyrighted brand will encompass everything from the company's tagline, brand colours to the logo design. Our brand will form the foundation from which it will influence the way customers, employees and competition perceives the company. First impressions counts!

We aim to grow market share by onboarding new customers and most important of all to retain customers. To achieve this, we will establish long-term partnerships to ensure a steady and consistent inflow of invoices to the platform. A looping network effect will be created whereby invoice buyers will be attracted by the constant supply of available invoices leading to more invoice sellers using the platform.

### **Year 4-6: Strengthen position of the UK market and test international growth**

We see Populous achieving the projected growth due to aggressive marketing, acquisition of new customers through the XBRL targeted customer acquisition tool and a high customer retention rate. Our goal in this phase of the plan is to deliver our customers a seamless experience by integrating ourselves into their accounting and bookkeeping software.

Once we have comfortably reached our target share of the invoice financing market in the UK and China/HK, we will consider expanding to countries in the European Union. At the same time we will begin optimisation of the company and leverage economies of scale through the large number of invoice sellers and invoice buyers we will have amassed. We will also boost marketing spending and continuously update and improve the platform.

## **Year 7 onwards: New product offerings and International expansion**

New product offerings will see Populous compete in different segments of the finance industry using Blockchain technology on a P2P basis. These new products can be integrated with the invoice financing platform to provide businesses with a comprehensive package of short-term or longer termed financing needs.

When we are firmly established in the European and China/HK markets we will explore two different growth strategy; increasing product offering and further expansion into other regional markets such as South East Asia and the United States of America.

Through lessons learnt in the European and China/HK markets, we will consider expansion into the SEA and US markets. Populous will consider the help of on-the-ground partners to aid in this expansion to comply with the respective country's regulations.

## **4.4 Product Offering**

Populous is an online platform that facilitates P2P invoice financing that helps invoice sellers receive quick short-term cashflow and invoice buyers can enjoy interest rates that are previously only available to financial institutions. The platform can be accessed through a standard web browser and its core components includes:

### **Easy and intuitive UI.**

The UI is both user friendly and intuitive for invoice sellers and invoice buyers alike. Invoice sellers can track the status of the invoice from the time they are uploaded, funding and payment of the invoice.

Invoice buyers can monitor the invoices they bid on and the interest rate received on winning bids. The dashboard will show details such as account position regarding available balance, funds invested as well as invoices with outstanding payments.

### **Traceable data from within the platform**

Invoices funded through the platform are recorded on the Ethereum Blockchain. A pop-out window allows easy and transparent tracking of the invoice via the etherscan explorer.

### **Interactive component**

The platform includes a "game-like" component where investors compete by bidding for invoices individually or by pooling their resources in bid groups. The winning bid is the bid offering with the lowest interest rate within the 24 hour bid window.

## **4.5 Competitive Advantage**

Populous understands the many deficiencies inherent in the way traditional invoice financing companies operate. As a result it has introduced new innovation in the way invoice sellers and invoice buyers interact as well as leveraging new technology.

### **XBRL targeted acquisition**

The back-end of the platform has a targeted client acquisition tool built into it. The tool allows real-time scan of the XBRL database for potential client who may require short-term liquidity. Since the XBRL database is continuously updated with financial data, Populous will always have up-to-date information on potential clients. More information on the XBRL targeted client acquisition tool can be found in the White Paper.

### **Bidding for lowest interest rates**

Invoice sellers are incentivised to use the platform because rates are set in the invoice marketplace. The implementation of a bidding mechanism will generate more favourable interest rates for the sellers. The auction is open for 24 hours after which funds will be released to the seller via smart contract. The time from open of the auction to release of funds is 24 hours and is as per the industry standard.

### **Cost**

The benefits of utilising blockchain is the reduction in cost that can be achieved. Cost savings translates to lower transaction fees for invoice sellers and invoice buyers.

### **Efficiency**

Populous implements smart contract to automate the transfer of funds between buyer and seller and vice versa. This give users seamless transactional experience with instantaneous transfer of funds without the need for a third party. The throughput of an invoice from the start of the auction process to release of the funds will be 24 hours.

### Auditable trail

Blockchain technology allows users to follow the invoice transaction on the open source ledger. This shows a verifiable trail of transaction and allows for ease of audit should scrutiny of the transaction be required.

### Accuracy

Since blockchain transactions are largely immutable, invoices that have been financed and recorded on the blockchain cannot be financed again. This will prevent duplicate invoices from being financed and also protects the investor from possible fraud.

### Accessibility and anonymity

Invoice buyers can participate in the invoice financing industry from any geographical location in the world without restriction, subject to access to the internet. Populous have set barriers low by hosting the platform on the blockchain. The blockchain also allows a certain anonymity for buyers who can transact using crypto-currencies. However, users will have to go through KYC verification procedures when Pokens are exchanged for fiat when making fiat withdrawals.

## 4.6 Business Model

Populous adopts a business model that creates, delivers and captures value based on the Business Models and Technological Innovation (Baden-Fuller & Haefliger, 2013).

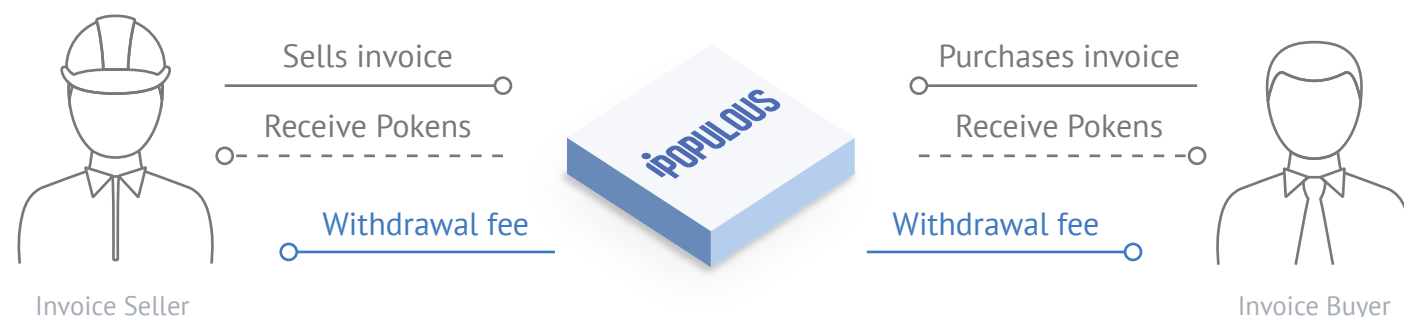


FIGURE 6: BUSINESS MODEL OF POPULOUS

## **Customer**

Populous' business model is based on a hybrid concept that incorporate a two value delivery system and this two-sided system is borne out in the capability of the platform to deliver value to both invoice seller and invoice buyer (Rochet & Tirole, 2003). The invoice seller receives short-term cash flow and the invoice buyer receives interest on the principal invested. Transaction charges will apply to both parties when Pokens are exchanged when making withdrawals.

## **Customer Engagement**

Customer and user engagement is a key element of the value delivery system (Baden-Fuller & Haefliger, 2013) and the "bus" model delivers the same product offering to all customers and users in a scale-based manner with the use of machines and routines. Populous offers a standardised pre-designed platform on a scaled approach but where the level of customisation for each customer and user are limited. Maintenance and support services may be different depending on the issue that the customer or user experiences which are based on standard service management operating procedures.

## **Value delivery and linkages**

Value is delivered via a complex networks of links with Populous at the center of the system. Populous, invoice sellers and invoice buyers all facilitates the transfer of value throughout the platform. Populous operates and maintains the platform to allow invoice sellers to put up their invoices for sale and buyers to provide the short term cash flow.

## **Monetisation**

Populous have built in a monetisation model to charge transaction fees when Pokens are exchanged to make withdrawals. That way both invoice sellers and invoice buyers will contribute to the revenue stream. The transaction fee is fixed and levied on each withdrawal.

# 5. Operations

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## 5.1 PPT and Pokens

PPT and Pokens are both "digital currencies" but used on the platform for completely different purpose.

## 5.2 PPT

PPT is a token issued following the pre-ICO event to raise funds for the development of the Populous Platform through to fruition. A total supply of 53 million tokens was minted with approximately 43 million currently in circulation. PPT allows access to the Populous platform by securitising the PPT in exchange for Pokens to purchase invoices. The exact collateral value is dependent on numerous variables and to be determined at the time of exchange.

### 5.2.1 Buy-back Mechanism

The buy-back mechanism serves to act as an indicator that the platform is generating revenue and to increase scarcity of the PPT tokens thereby increasing the value of the PPT tokens.

#### Illustration of the buyback mechanism

The buy-back mechanism is illustrated by the following simplified example:

Assumptions: There are 10,000 PPT in circulation and you own 100 PPT. Each PPT is valued at 1\$ which gives a total market capitalisation of 10,000\$. Every 100 PPT generates a yield of 10\$ per year investing in invoices from Year 2 onwards.

Outcome: 1000 PPT is bought back and burned.

## YEAR 0

Market capitalisation (\$)	\$10,000
Market capitalisation (PPT)	10,000
Price per PPT (\$)	\$1
Your total PPT value (\$)	\$100
PPTs owned	100

Since investing \$100 in Year 0 gives you \$10, that's a ROI of 10% in Year 1, and you will have \$110 by the end of the year. By the end of Year 1, an investor can sell the PPT for \$100 but the cash flow generated (for the purpose of this illustration, value of the cash flow discounted is not included) would price the tokens at \$110.

## YEAR 1

Market capitalisation (\$)	\$11,000
Market capitalisation (PPT)	10,000
Price per PPT (\$)	\$1.10
Your total PPT value (\$)	\$110 (100 + 10)
PPTs owned	100

In Year 2, the platform commences the first year of buyback. Assuming a constant ROI of 10%, your portfolio is now \$121 from the cash flow generated. The following is the status of the portfolio before buyback begins.

## YEAR 2 - BEFORE BUYBACK

Market capitalisation (\$)	\$11,000
Market capitalisation (PPT)	10,000
Price per PPT (\$)	\$1.21
Your total PPT value (\$)	\$121 (100 + 10 + 11)
PPTs owned	100

The buyback will seek to offer market price, which is \$1.21. Upon the purchase and destruction of PPTs, the remaining PPTs in the market has now decreased by 1000. The total supply is at 9,000 tokens and assuming market capitalisation remains the same, the price of PPT now would be:

#### YEAR 2 - AFTER BUYBACK

Market capitalisation (\$)	\$11,000
Market capitalisation (PPT)	9,000
Price per PPT (\$)	\$1.22
Your total PPT value (\$)	\$122 (100 + 10 + 11 + 1 buyback surplus)
PPTs owned	100

The buy-back mechanism seeks to reward PPT holders through price appreciation for maintaining the balance of invoice sellers to invoice buyers. It also capitalises on their interaction that builds network effect on the platform. The buy-back mechanism also serves to incentivise PPT holders to remain on the platform to allow the network effect to continuously grow.

### 5.3 Pokens

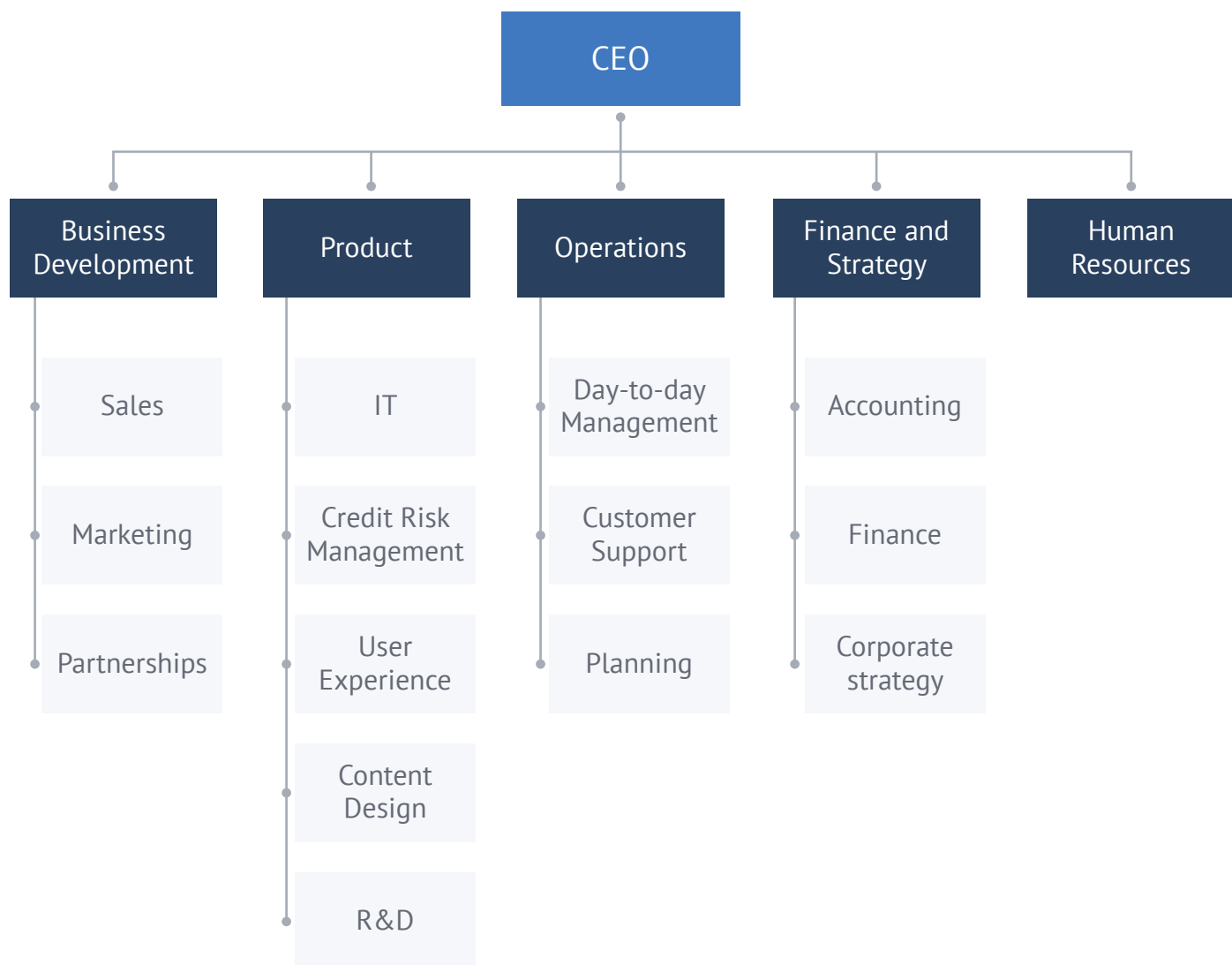
Pokens are the in-platform crypto-currency and is the sole currency used on the platform to transfer value between sellers and buyers. Poken is a fiat-pegged crypto-currency and the Poken GBP is the base crypto-currency used on the platform. The value of 1 Poken GBP is equivalent to 1 GBP. Pokens can be exchanged with fiat currencies and vice versa (subject to exchange rates) or the well established cryptocurrencies such as Bitcoin and Ethereum.

Other currency-pegged Pokens will also be incorporated as part of future expansion plans.



# 6. Management Summary

Populous adopts a functional structure with mid-level management in the hierarchy all reporting to the CEO (also the founder). This management structure will allow more efficient decision-making to be made and decisions can be made quickly in situations where a quick answer is required if the difference means gaining or losing a user on the platform.



**FIGURE 7: POPULOUS'S ORGANISATIONAL CHART**

The organisation chart shows five in-house departments each lead by a Head of Department expert in the its field. All head of departments will report directly to the CEO who is responsible for driving sales target, product improvement and innovations, investment and over seeing the process of scaling up the company in 2018.

The product team will be headed by the risk manager where the credit risk of invoice sellers need to be constantly monitored. The Chief Technical Officer will be responsible for the overall platform codes, security and above all else to ensure the platform functions with disruption.

The Business Development Manager will be responsible for client liaison and will be the key point of contact with all major clients and partners. He will also work closely with the CEO to increase growth and sales.

The Head of Operations will ensure smooth and efficient service meets the expectations and requirement of the customers. He will work closely with the CTO.

The Head of Finance and Strategy will be responsible for financial planning, reporting and controls, accounting, setting company targets and the implementation of the growth strategy. He will work closely with the CEO on strategy and implementation.

The Human Resources department will mainly be responsible for recruitment, remuneration and benefits. He will be responsible for ensuring that labour laws are strictly adhered to.

# 7. Financial Plan

A high-level financial projection for 2018 to 2020 has been prepared to assess the financial and operational performance of Populous, as well as to provide information for management to use in decision-making process. The financial projections are based on assumptions from Populous and reliable sources such as IMF, IBISWorld, as well as industry statistics and competitor benchmark. The projected figures may change if the situation or actual data deviate from the hypothesis or the dynamics of the business environment transitions.

## 7.1 Key Financials

Populous seeks to compete in the invoice financing industry where there will be two main drivers of growth; targeted acquisition via XBRL and organic growth. There are currently 3 million companies in the XBRL database and Populous will start by contacting approximately 50,000 leads each month.

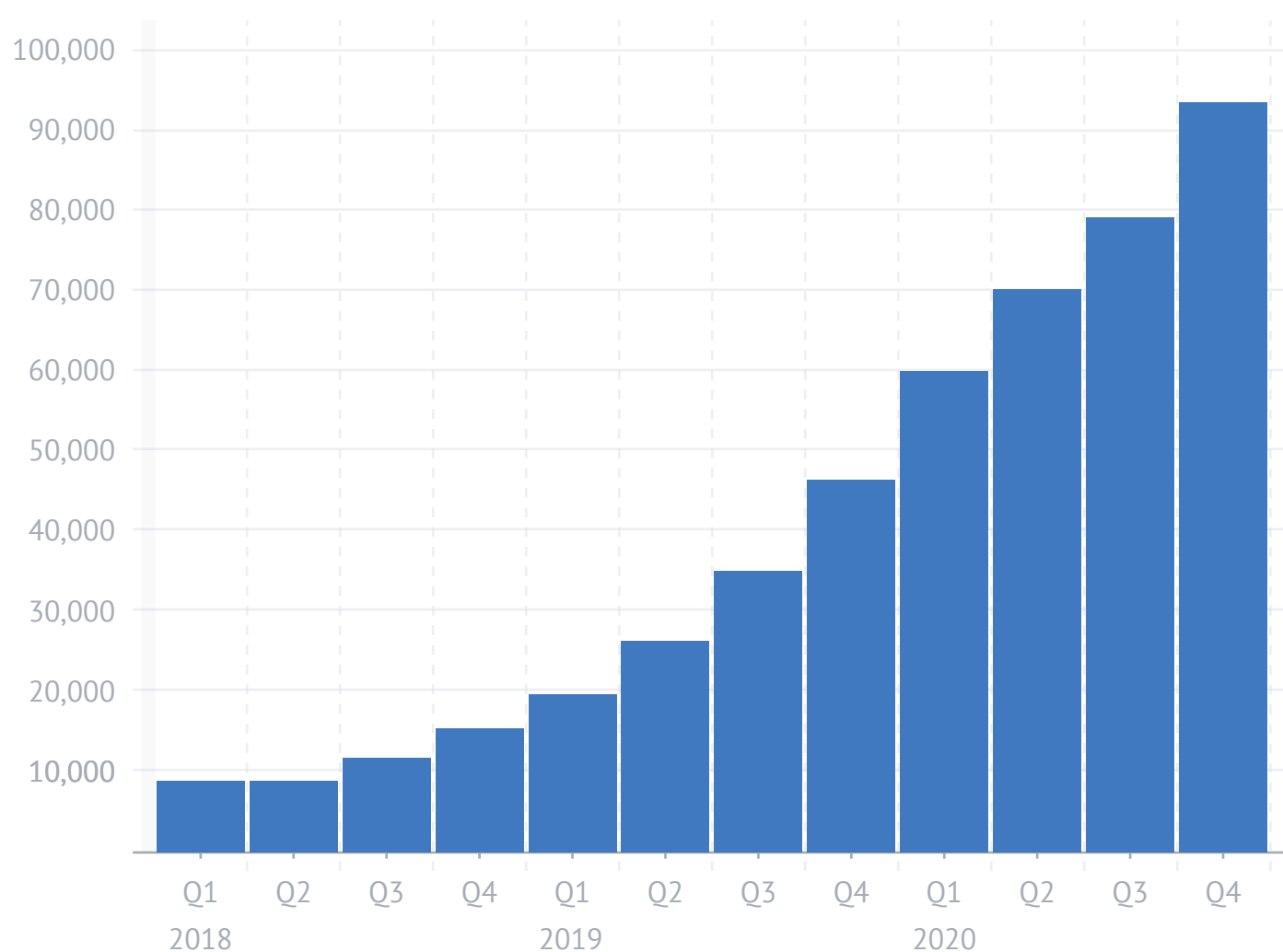
It is expected an estimated 6% of those contacted will be converted into clients and as a new company, organic growth will be slow in the first half of Year 1. An aggressive marketing and advertising campaign will see a steady rise in growth rate in the second half of Year 1 and is expected to continue in the foreseeable future.

The direct costs includes the cost of building and maintaining the platform which makes up approximately 20% of the turnover. Other expenses that are significant are sales, marketing and business development to raise awareness of the platform and to attract more users.

Marketing expenses will be incurred in tranches to determine which form of marketing mix will yield the best results. Overheads like rent, utilities and depreciation of the assets are estimated to be 8.25% of turnover with the bulk of the remaining expenses attributed to professional wages and salaries for experts who contribute to the development of the platform on an as needed basis.

The Populous platform is designed to scale, with an estimated 43,000 clients in Year 1 to 297,000 clients by Year 3 (Figure 8) with an annual turnover of £19.6 million and profit of £5.6 million. Populous is expected to break-even in the third quarter of Year 1 for the Base Case projection.

## FORECASTED USERS PER QUARTER



**FIGURE 8: FORECASTED FIGURE OF USERS PER QUARTER ON BASE CASE**

A sensitivity analysis on the conversion rate of the XBRL targeted clients of 3%, 6% and 10% have been carried out to and correspond with the Worst Case, Base Case and Best Case scenarios. The conversion rates chosen highlights the impacts this will have on the Profit and Loss Statement and the Balance Sheet.

The Worst Case scenario projected a £2.8m net profit in Year 3, while the Best Case scenario observes the platform netting a £14m profit for the same year. All three scenarios put Populous in a net cash position, meaning the company does not require loans to utilise as working capital.

Populous is also seeking to record a gross profit margin of 80%, an EBIT margin of 36%, and a net profit margin of 29% in 2020.

# Appendix

## APPENDIX 1: SALES FORECAST FOR YEAR 1 – 3 BASE CASE

	Year 1	Year 2	Year 3
<b>Clients</b>			
XBRL Client	43,462	125,016	297,284
Organic Growth	386	1,894	4,577
Growth Rate	-	288%	238%
<b>Revenue per Clients</b>			
Invoice per Seller	5,000	6,300	6,500
% of Fees Collected	1%	1%	1%
Revenue per Client	50	63	65
<b>Total Revenue</b>	<b>2,192,376</b>	<b>9,953,659</b>	<b>9,953,659</b>

**APPENDIX 2: PROFIT AND LOSS FORECAST FOR YEAR 1 – 3 BASE CASE**

	Year 1	Year 2	Year 3
Turnover	2,192,365	7,931,871	19,621,009
Cost of Sales	438,473	1,586,374	3,924,202
<b>Gross Profit</b>	<b>1,753,892</b>	<b>6,345,497</b>	<b>15,696,807</b>
Sales and marketing	(48,232)	(174,501)	(431,662)
Business development	(48,232)	(174,501)	(431,662)
General and administration	(96,464)	(349,002)	(863,324)
Rent expense	(96,464)	(349,002)	(863,324)
Salaries and wages	(627,016)	(2,268,515)	(5,611,608)
Depreciation expense	(48,232)	(174,501)	(431,662)
<b>SDA</b>	<b>(964,640)</b>	<b>(3,490,023)</b>	<b>(8,633,244)</b>
<b>Operating Profit/ EBIT</b>	<b>789,251</b>	<b>2,855,474</b>	<b>7,063,563</b>
Tax rate	(157,850)	(571,095)	(1,412,713)
<b>Net Profit</b>	<b>631,401</b>	<b>2,284,379</b>	<b>5,650,850</b>
Net Profit Margin	36%	36%	36%

**APPENDIX 3: BALANCE SHEET FORECAST FOR YEAR 1 – 3 BASE CASE**

	Year 1	Year 2	Year 3
Assets			
NCA			
PPE	300,000	800,000	1,400,000
Current Assets			
Cash and cash equivalent	9,476,012	11,659,552	17,393,780
<b>Trade receivables</b>	<b>67,440</b>	<b>264,570</b>	<b>536,490</b>
<b>Total Assets</b>	<b>9,843,452</b>	<b>12,724,122</b>	<b>19,330,270</b>
Equity			
Ordinary Shares	9,000,000	9,000,000	9,000,000
Retained Earnings	631,401	2,915,780	8,566,630
<b>Total Equity</b>	<b>9,631,401</b>	<b>11,915,780</b>	<b>17,566,630</b>
Liabilities			
NCL	-	-	-
Current Liabilities			
Trade payables	134,880	529,140	1,072,980
Accruals & Other Payables	77,171	279,202	690,660
<b>Total Liabilities</b>	<b>212,051</b>	<b>808,342</b>	<b>1,763,640</b>
<b>Total Equity and Liabilities</b>	<b>9,843,452</b>	<b>12,724,122</b>	<b>19,330,270</b>

**APPENDIX 4: CASH FLOW FORECAST FOR YEAR 1 – 3 BASE CASE**

	Year 1	Year 2	Year 3
<b>Cash flow from operating activities</b>			
PBT	789,251	2,855,474	7,063,563
Adjustments for:			
Depreciation	48,232	174,501	431,662
<b>Operating profit/(loss) before changes in working capital</b>			
Change in trade receivables	(67,440)	(197,130)	(271,920)
Change in trade payables	134,880	394,260	543,840
Change in accrual and other payables	77,171	202,031	411,458
Cash generated from/(used in) operating activities	982,095	3,429,136	8,178,603
Tax paid	(157,850)	(571,095)	(1,412,713)
Interests paid	-	-	-
<b>Net cash from operating activities</b>	<b>824,244</b>	<b>2,858,041</b>	<b>6,765,890</b>
<b>Cash flow from operating activities</b>			
Purchase of property, plant and equipment	(348,232)	(674,501)	(1,031,662)
<b>Cash generated from/(used in) operating activities</b>	<b>(348,232)</b>	<b>(674,501)</b>	<b>(1,031,662)</b>
<b>Cash flow from financing activities</b>			
Dividend paid	-	-	-
Common stock	9,000,000	-	-
<b>Cash generated from/(used in) operating activities</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>
Net increase/ (decrease) in cash and cash equivalent	9,476,012	2,183,539	5,734,228
Cash and cash equivalent as at opening	-	9,476,012	11,659,552
<b>Cash and cash equivalent as at year end</b>	<b>9,476,012</b>	<b>11,659,552</b>	<b>17,393,780</b>



**APPENDIX 5: SALES FORECAST FOR YEAR 1 – 3 BEST CASE**

	Year 1	Year 2	Year 3
<b>Clients</b>			
XBRL Client	72,436	208,360	495,474
Organic Growth	386	1,894	4,577
Growth Rate	-	288%	238%
<b>Revenue per Clients</b>			
Invoice per Seller	5,000	6,300	6,500
% of Fees Collected	1%	1%	1%
Revenue per Client	50	63	65
<b>Total Revenue</b>	<b>3,641,082</b>	<b>13,140,861</b>	<b>32,503,324</b>

**APPENDIX 6: PROFIT AND LOSS FORECAST FOR YEAR 1 – 3 BEST CASE**

	Year 1	Year 2	Year 3
Turnover	3,641,082	13,140,861	32,503,324
Cost of Sales	728,216	2,628,172	6,500,665
<b>Gross Profit</b>	<b>4,369,298</b>	<b>15,769,033</b>	<b>39,003,989</b>
Sales and marketing	(120,156)	(433,648)	(1,072,610)
Business development	(120,156)	(433,648)	(1,072,610)
General and administration	(240,311)	(867,297)	(2,145,219)
Rent expense	(240,311)	(867,297)	(2,145,219)
Salaries and wages	(1,562,024)	(5,637,429)	(13,943,926)
Depreciation expense	(120,156)	(433,648)	(1,072,610)
<b>SDA</b>	<b>(2,403,114)</b>	<b>(8,672,968)</b>	<b>(21,452,194)</b>
<b>Operating Profit/ EBIT</b>	<b>1,966,184</b>	<b>7,096,065</b>	<b>17,551,795</b>
Tax rate	(393,237)	(1,419,213)	(3,510,359)
<b>Net Profit</b>	<b>1,572,947</b>	<b>5,676,852</b>	<b>14,041,436</b>
Net Profit Margin	36%	36%	36%

**APPENDIX 7: BALANCE SHEET FORECAST FOR YEAR 1 – 3 BEST CASE**

	Year 1	Year 2	Year 3
Assets			
NCA			
PPE	300,000	800,000	1,400,000
Current Assets			
Cash and cash equivalent	10,576,926	16,581,954	31,496,029
<b>Trade receivables</b>	<b>111,729</b>	<b>438,317</b>	<b>888,618</b>
<b>Total Assets</b>	<b>10,988,655</b>	<b>17,820,271</b>	<b>33,784,647</b>
Equity			
Ordinary Shares	9,000,000	9,000,000	9,000,000
Retained Earnings	1,572,947	7,249,799	21,291,235
<b>Total Equity</b>	<b>10,572,947</b>	<b>16,249,799</b>	<b>30,291,235</b>
Liabilities			
NCL	-	-	-
Current Liabilities			
Trade payables	223,458	876,635	1,777,236
Accruals & Other Payables	192,249	693,837	1,716,176
<b>Total Liabilities</b>	<b>415,707</b>	<b>1,570,472</b>	<b>3,493,411</b>
<b>Total Equity and Liabilities</b>	<b>10,988,655</b>	<b>17,820,271</b>	<b>33,784,647</b>

**APPENDIX 8: CASH FLOW FORECAST FOR YEAR 1 – 3 BEST CASE**

	Year 1	Year 2	Year 3
<b>Cash flow from operating activities</b>			
PBT	1,966,184	7,096,065	17,551,795
Adjustments for:			
Depreciation	120,156	433,648	1,072,610
<b>Operating profit/(loss) before changes in working capital</b>			
Change in trade receivables	(111,729)	(326,588)	(450,301)
Change in trade payables	223,458	653,176	900,601
Change in accrual and other payables	192,249	501,588	1,022,338
Cash generated from/(used in) operating activities	2,390,318	8,357,890	20,097,043
Tax paid	(393,237)	(1,419,213)	(3,510,359)
Interests paid	-	-	-
<b>Net cash from operating activities</b>	<b>1,997,081</b>	<b>6,938,677</b>	<b>16,586,684</b>
<b>Cash flow from operating activities</b>			
Purchase of property, plant and equipment	(420,156)	(933,649)	(1,672,610)
<b>Cash generated from/(used in) operating activities</b>	<b>(420,156)</b>	<b>(933,649)</b>	<b>(1,672,610)</b>
<b>Cash flow from financing activities</b>			
Dividend paid	-	-	-
Common stock	9,000,000	-	-
<b>Cash generated from/(used in) operating activities</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>
Net increase/ (decrease) in cash and cash equivalent	10,576,926	6,005,028	14,914,074
Cash and cash equivalent as at opening	-	10,576,926	16,581,955
<b>Cash and cash equivalent as at year end</b>	<b>10,576,926</b>	<b>16,581,954</b>	<b>31,496,029</b>

**APPENDIX 9: SALES FORECAST FOR YEAR 1 – 3 WORST CASE**

	Year 1	Year 2	Year 3
<b>Clients</b>			
XBRL Client	21,731	62,508	148,642
Organic Growth	386	1,894	4,577
Growth Rate	-	288%	238%
<b>Revenue per Clients</b>			
Invoice per Seller	5,000	6,300	6,500
% of Fees Collected	1%	1%	1%
Revenue per Client	50	63	65
<b>Total Revenue</b>	<b>1,105,827</b>	<b>4,025,129</b>	<b>9,959,272</b>

**APPENDIX 10: PROFIT AND LOSS FORECAST FOR YEAR 1 – 3 WORST CASE**

	Year 1	Year 2	Year 3
Turnover	1,105,827	4,025,129	9,959,272
Cost of Sales	(221,165)	(805,026)	(1,991,854)
<b>Gross Profit</b>	<b>884,661</b>	<b>3,220,103</b>	<b>7,967,418</b>
Sales and marketing	(24,328)	(88,553)	(219,104)
Business development	(24,328)	(88,553)	(219,104)
General and administration	(48,656)	(177,106)	(438,208)
Rent expense	(48,656)	(177,106)	(438,208)
Salaries and wages	(316,266)	(1,151,187)	(2,848,352)
Depreciation expense	(24,328)	(88,553)	(219,104)
<b>SDA</b>	<b>(486,564)</b>	<b>(1,771,057)</b>	<b>(4,382,080)</b>
<b>Operating Profit/ EBIT</b>	<b>398,098</b>	<b>1,449,046</b>	<b>3,585,338</b>
Tax rate	(79,620)	(289,809)	(717,068)
<b>Net Profit</b>	<b>318,478</b>	<b>1,159,237</b>	<b>2,868,270</b>
Net Profit Margin	36%	36%	36%

**APPENDIX 11: BALANCE SHEET FORECAST FOR YEAR 1 – 3 WORST CASE**

	Year 1	Year 2	Year 3
Assets			
NCA			
PPE	300,000	800,000	1,400,000
Current Assets			
Cash and cash equivalent	9,091,627	9,953,659	12,568,946
<b>Trade receivables</b>	<b>34,223</b>	<b>134,259</b>	<b>272,394</b>
<b>Total Assets</b>	<b>9,425,850</b>	<b>10,887,918</b>	<b>14,241,340</b>
Equity			
Ordinary Shares	9,000,000	9,000,000	9,000,000
Retained Earnings	318,478	1,477,715	4,345,985
<b>Total Equity</b>	<b>9,318,478</b>	<b>10,477,715</b>	<b>13,345,985</b>
Liabilities			
NCL	-	-	-
Current Liabilities			
Trade payables	68,447	268,519	544,788
Accruals & Other Payables	38,925	141,685	350,566
<b>Total Liabilities</b>	<b>107,372</b>	<b>410,203</b>	<b>895,354</b>
<b>Total Equity and Liabilities</b>	<b>9,425,850</b>	<b>10,887,918</b>	<b>14,241,340</b>

**APPENDIX 12: CASH FLOW FORECAST FOR YEAR 1 – 3 WORST CASE**

	Year 1	Year 2	Year 3
<b>Cash flow from operating activities</b>			
PBT	398,098	1,449,046	3,585,338
Adjustments for:			
Depreciation	24,328	88,553	219,104
<b>Operating profit/(loss) before changes in working capital</b>			
Change in trade receivables	(34,223)	(100,036)	(138,135)
Change in trade payables	68,447	200,072	276,269
Change in accrual and other payables	38,925	102,759	208,882
Cash generated from/(used in) operating activities	495,574	1,740,395	4,151,458
Tax paid	(79,620)	(289,809)	(717,068)
Interests paid	-	-	-
<b>Net cash from operating activities</b>	<b>415,955</b>	<b>1,450,585</b>	<b>3,434,391</b>
<b>Cash flow from operating activities</b>			
Purchase of property, plant and equipment	(324,328)	(588,553)	(819,104)
<b>Cash generated from/(used in) operating activities</b>	<b>(324,328)</b>	<b>(588,553)</b>	<b>(819,104)</b>
<b>Cash flow from financing activities</b>			
Dividend paid	-	-	-
Common stock	9,000,000	-	-
<b>Cash generated from/(used in) operating activities</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>
Net increase/ (decrease) in cash and cash equivalent	9,091,627	862,032	2,615,286
Cash and cash equivalent as at opening	-	9,091,627	9,953,660
<b>Cash and cash equivalent as at year end</b>	<b>9,091,627</b>	<b>9,953,659</b>	<b>12,568,946</b>



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