‘Understanding accounts and increasing the value of your business’

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Joint Founder of Franchise Finance
Business Consultant
Business Coach & Trainer
Dad
Man United Fan!

Associate of the Chartered Institute of Bankers

British Franchise Association
'Qualified Franchise Professional'

Head of Strategic Development - Franchise Finance Limited
(following sale of the Co. to Hitachi Capital (UK) Ltd in June 2018)

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bfa qualified franchise professional

FCA FINANCIAL CONDUCT AUTHORITY

bfa AFFILIATE

EWIF encouraging women into franchising

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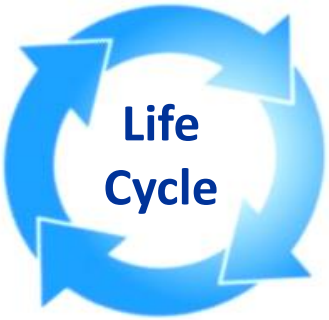
Arrange Finance
(Bank & Leasing)

Prepare
for Re-Sale



Prepare
Business Plans

Assist with
Expansion &
Renewal

Business Training
Academy

Undertake
Business
Health Checks

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95% + Lending Success Rate

4.9 average score out of 5 on Reviews.com

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bluebird care®

Speedy Freight

MARSTON'S
Est 1834
THE PUB FRANCHISE

Home Instead
SENIOR CARE®
To us, it's personal.

GALLONE'S
ice cream parlours

™DYNO

northwood

AUTOSMART
INTERNATIONAL

Snap-on®

Safeclean®
BY GUARDSMAN

Professor Poopenshtinken's
MAGICAL MATHS

KARE PLUS
THE CARING COMPANY

cex

GRANITE®
transformations
Kitchen makeover experts

driver HIRE
NATIONWIDE

POST OFFICE®

ANYTIME FITNESS®

ESQUIRES COFFEE
great coffee helps™

SCHMIDT

So how many of you here, have a successful Business?

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But how do you define Success?

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We suggest by having clear Goals and Objectives
and then achieving them!

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To do this you need to plan
your 'Business Journey'
from where you are <u>now</u>
to where you want to get to in the <u>future</u>

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Well you can.
It’s called a Business Plan!

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The Business Plan Process

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The Business Plan Process

Set your Business Objectives

↓

Analyse the Market, the Competition and your USP

↓

Build Your Operating & Marketing Strategy

↓

Clarify Resources and Staffing Needs

↓

Carefully Check the **Financial Viability**

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The Business Plan Process

If your Financial Projections are **NOT VIABLE**

May need to modify your plans

Amend Operating & Marketing Strategy

Amend Resources and any Staffing Needs

Carefully Re-check the **Financial Viability**

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The Business Plan Process

It’s better to make mistakes on your computer than in real life!

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There can be a tendency to run a business a bit like this guy!

Our workshops help our clients to create their own Business SatNavs

…. and build the value of their businesses.

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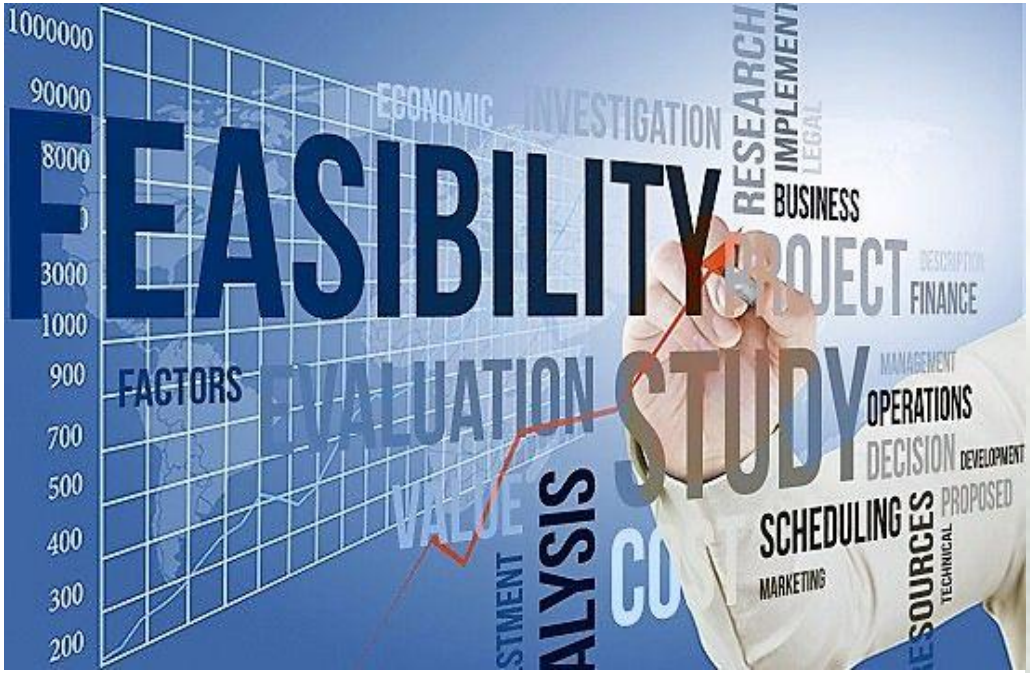
They also teach people how to check 'Financial Viability'

and avoid the 'common mistakes'!



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So before you all set off on the next stage of your Business Journeys

Here are **10 key 'Safety Tips'**
to help you avoid a Financial Crash
and arrive safely at your
chosen Business Destination.

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1) When you start **Measuring** things you can start **Managing** them.

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2) Don’t ignore the ‘Balance Sheet’ !

Use It !

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It tells you ……

- How much the business is worth on paper
- How much money is owed to the business
- How much money the business owes to its creditors
- How much is owed to the bank and other lenders
- How much is owed to the owners of the business.
- Whether the business is solvent
- What other assets the business owns and what they are worth.
- How much tax the business owes
- How much VAT the business owes

……. and much more!

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3) Understand the difference between Profit and Cash

You cannot use 'Profits' to pay your bills!

Profit is an 'abstract' term.

You need to have actual <u>CASH</u> to pay your bills !

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The Difference Between Profit & Cash

The Friday afternoon story !

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The Difference Between Profit & Cash

The Friday afternoon story !

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The Difference Between Profit & Cash

The Friday afternoon story !

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The Difference Between Profit & Cash

The Monday morning story !

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The Difference Between Profit & Cash

The Monday morning story !

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4) The Golden Rule!

Always remember:

TURNOVER is **Vanity**

PROFIT is **Sanity**

CASH is **Reality**

5) Businesses go ‘Bust’ when they run out of Cash

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6) Ensure you have enough Working Capital

If you are planning to do some new and different things in order to **grow and expand** your business ……

You are likely to need additional CASH or '**Working Capital**'

You will need to work out **'How Much?'**

7) Create and use a ‘BUSINESS SAT NAV’

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8) There are three individual parts to a proper set of Financial Projections.

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PROJECTED Profit and Loss Account

Technical Definition:

"Projected Sales less Projected Overheads gives you a Projected Profit or Loss"

Simple Explanation

It shows in money terms
what you hope to do in the future
and whether it will be <u>worthwhile</u> doing !

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Projected Balance Sheet

Technical Definition

(A list of your future business Assets and Liabilities)

shows when you've done it,
what you business will own and what it will <u>owe other people</u> and what it will <u>owe you</u>.

(i.e. it's a snap shot or 'Crystal Ball' showing what your business will look like at a particular time in the future).

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The Cashflow Forecast

Technical Definition

(A projection showing money going in and out of the bank account),

shows how much money you will need to do whatever you plan to do (or turning this on its head ‘if you can afford to do it!)

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9) Check your Breakeven Sales Figure

PROFIT & LOSS ACCOUNT

PROJECTED SALES	£ 100,000	
Less Cost of Sales	£ 30,000	**30.0%**
GROSS PROFIT	£ 70,000	**70.0%**
Less Fixed Overheads:	£ 62,500	**62.5%**
NET PROFIT	£ 7,500	**7.5%**

PROFIT & LOSS ACCOUNT

BREAKEVEN SALES	**£ 89,286**	
Less Cost of Sales	£ 26,786	**30.0%**
GROSS PROFIT	£ 62,500	**70.0%**
Less Fixed Overheads:	£ 62,500	**70.0%**
NET PROFIT	-£ 0	**0.0%**

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10) Produce and monitor regular Management Accounts

Eg Franchisee **PROFIT & LOSS ACCOUNT** **2014**

	Jan Proj	Jan Actual	Jan Variance	Feb Proj	Feb Actual	Feb Variance
SALES	**89,565**		**-89,565**	**89,565**		**-89,565**
COST OF SALES	23,287		-23,287	23,287		-23,287
MANAGEMENT SERVICE FEE	1,791		-1,791	1,791		-1,791
MARKETING LEVY	1,791		-1,791	1,791		-1,791
GROSS PROFIT	**62,696**	**0**	**-62,696**	**62,696**	**0**	**-62,696**
RENT	5,117		-5,117	5,117		-5,117
RATES	1,859		-1,859	1,859		-1,859
SERVICE CHARGE	458		-458	458		-458
UTILITIES	196		-196	196		-196
VEHICLE COSTS	2,800		-2,800	2,800		-2,800
STAFF COSTS	16,917		-16,917	16,917		-16,917
MARKETING	4,667		-4,667	4,667		-4,667
TRAINING	0		0	0		0
PROFESSIONAL	239		-239	239		-239
ADMIN COSTS & SOFTWARE	588		-588	588		-588
TELEPHONE	508		-508	508		-508
MAINTENANCE	0		0	0		0
INSURANCE + BIBBY	432		-432	432		-432
WASTE	0		0	0		0
OTHER 1	417		-417	417		-417
OTHER 2	0		0	0		0
LEASING	0		0	0		0
TOTAL OVERHEADS	**34,196**	**0**	**-34,196**	**34,196**	**0**	**-34,196**
EBITDA	**28,500**	**0**	**-28,500**	**28,500**	**0**	**-28,500**
INTEREST	0		0	0		0
DRAWINGS	15,833		-15,833	15,833		-15,833
NET PROFIT (Before Tax & Depreciation)	**12,666**	**0**	**-12,666**	**12,666**	**0**	**-12,666**

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Graph and Monitor Key Trends

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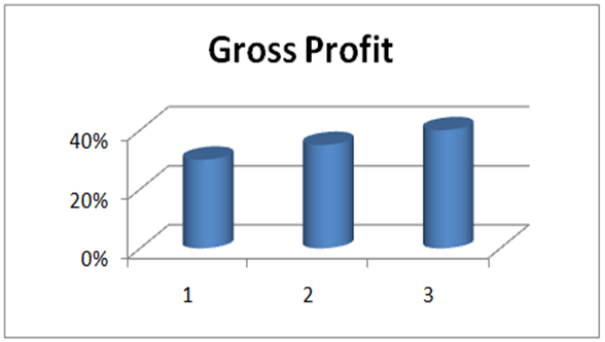

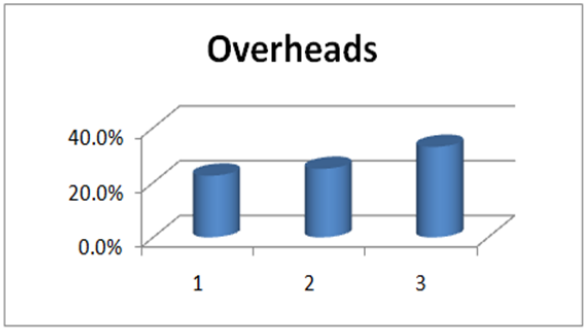

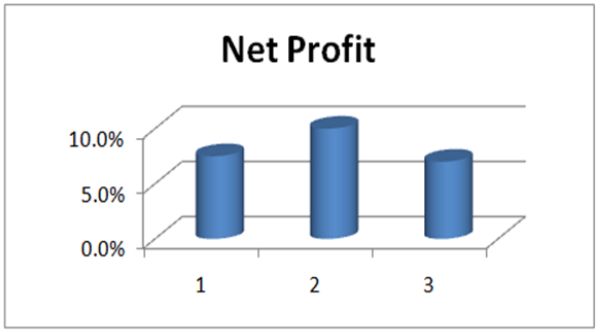

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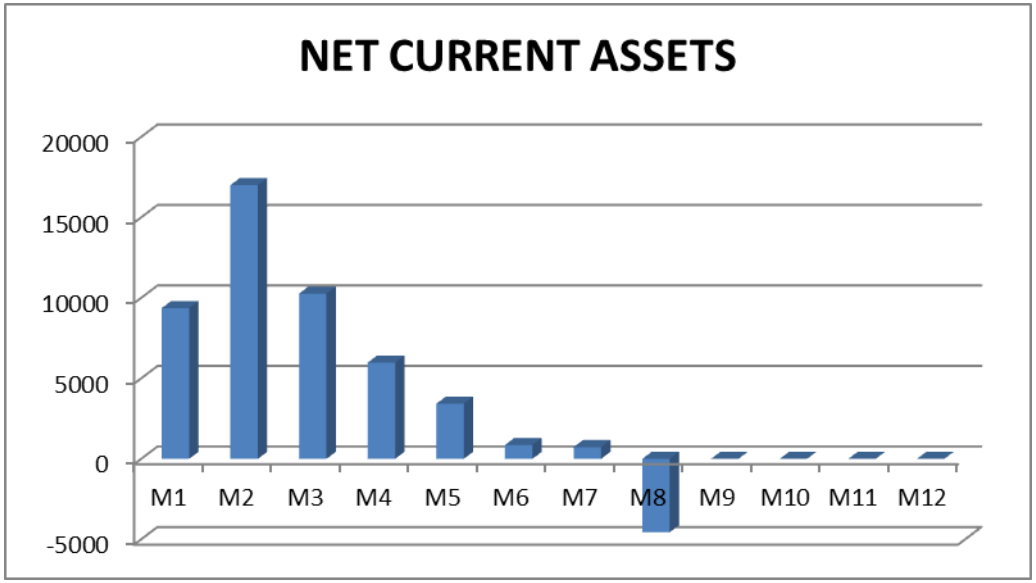
Liquidity is the key to business survival

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
CURRENT ASSETS	£56,245	£64,859	£60,122	£57,855	£53,214	£49,876	£50,999	£46,899				
CURRENT LIABILITIES	£46,879	£47,854	£49,857	£51,874	£49,788	£49,009	£50,266	£51,455				
NET CURRENT ASSETS	£9,366	£17,005	£10,265	£5,981	£3,426	£867	£733	-£4,556	£0	£0	£0	£0



Spot Problems before they happen!

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Summary ‘Financial Tips’

1. When you start measuring things you can start managing them.
2. Do not ignore the Balance Sheet!
3. Understand the difference between Profit and Cash.
4. The Golden Rule re Vanity, Sanity & Reality!
5. Businesses ‘Go Bust’ when they run out of Cash.
6. Ensure you have enough Working Capital.
7. Create and use a Business Sat Nav.
8. There are 3 individual parts to a set of projections (P&L, CFF and projected balance sheet).
9. Check your Breakeven Sales figure.
10. Produce and monitor regular Management Accounts.

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The Business Plan Process

Set your Business Objectives

↓

Analyse the Market, the Competition and your USP

↓

Build Your Operating & Marketing Strategy

↓

Clarify Resources and Staffing Needs

↓

Carefully Check the **Financial Viability**

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We can help you achieve all these things!

Summary 'Financial Tips'

1. When you start measuring things you can start managing them.
2. Do not ignore the Balance Sheet!
3. Understand the difference between Profit and Cash.
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With our specialist training!

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Business Training Academy

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Qualified Franchise Professional

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Working with your Franchisor we have a

Conference 'Special Offer'

One day Course

'Understanding Accounts and Projections and Building the Value of your Business'

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In the morning we develop and expand all the topics I have headlined today

In the afternoon we give you a template and some help to create the non financial part of your plan and a template and some help to create the financial part of your plan.

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Business Training Academy

Your Franchisor has agreed to pay 50% of the cost and will take the other 50% from you in the month following your training course.

Your 'investment' will therefore only be £250 + VAT if you sign up for the course.

Maximum 6 Delegates on all workshops and courses

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Business Training Academy

We have agreed to run 4 workshops

3 are in Stokenchurch (J5 M40)

1 will be in Manchester

Stokenchurch Dates:
Wed 7th Nov, Tue 20th Nov and Wed 5th Dec

Manchester Date:
Wed 14th Nov

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