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Boosting your business finances

22 June 2022



Introductions

Presenters



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Head of Strategic Business Planning



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Presenters



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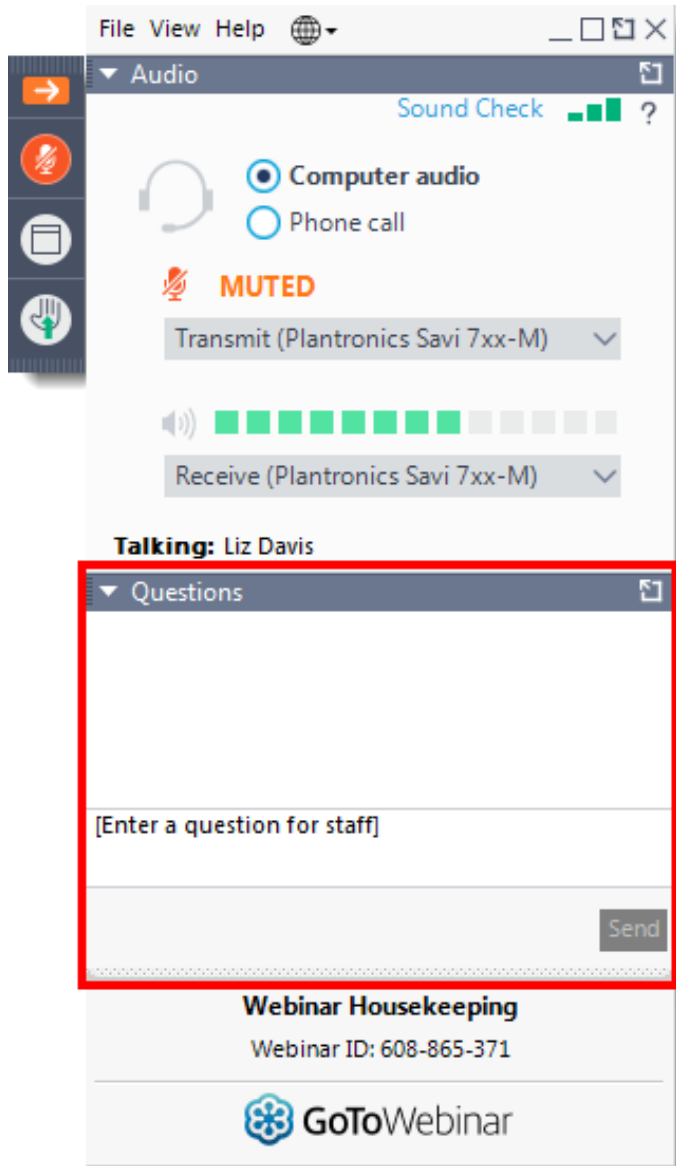




A group of diverse people are seated in a meeting or classroom setting. In the center, a man with a beard and glasses, wearing a grey cardigan, has his right hand raised. To his left, a woman with long dark hair is looking towards him. To his right, a woman with long blonde hair is also looking towards him. In the background, other people are visible, some looking towards the front. The scene is brightly lit with indoor plants and bookshelves in the background.

How to ask questions

GoToWebinar Housekeeping: Time for Questions



Your Participation

- Please continue to submit your text questions and comments using the Questions panel





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Joe Sword

Head of Strategic
Business Planning



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Achieving Success



“We strongly believe that achieving success shouldn’t be a lonely path business owners walk by themselves.”

Agenda

- Cashflow forecasting
- Profit maximisation
- Refinancing
- Share options
- Tax efficient employee incentives
- Q&A

Cashflow Forecasting

82% of small businesses fail due to cash flow, and we feel the biggest problem of all is not actually being aware of your current and future cash position in the first place.

Financial Forecasts

Financial forecasts allow you to break down the steps you need to take and the targets you need to hit.

‘Cash is king’ more than ever in these times and you need to plan ahead or you will fall behind.



Profitability

Put simply, there are two key ways to increase your profitability.

1. Increase turnover.
2. Reduce your costs.

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Profitability Impact Illustration

		<u>Inflation</u>	<u>Discounting</u>	<u>Price increase</u>	<u>Sales volume increase</u>	<u>Gross Margin increase</u>	<u>Overhead Cost Reduction</u>
		9%	15%	5%	10%	1%	10%
Turnover	£1,000,000	£1,000,000	£850,000	£1,050,000	£1,100,000	£1,000,000	£1,000,000
Direct Costs	£750,000	£817,500	£750,000	£750,000	£825,000	£742,500	£750,000
Gross Profit	£250,000	£182,500	£100,000	£300,000	£275,000	£257,500	£250,000
Gross Profit Margin	25%	18%	12%	29%	25%	26%	25%
Overheads	£100,000	£109,000	£100,000	£100,000	£100,000	£100,000	£90,000
Net Profit	£150,000	£73,500	£0	£200,000	£175,000	£157,500	£160,000
Net Profit Margin	15%	7%	0%	19%	16%	16%	16%
Impact on Net Profit (£)		-£76,500	-£150,000	£50,000	£25,000	£7,500	£10,000
Change to Net Profit Figure as a %		-51%	-100%	33%	17%	5%	7%
Break even point	£400,000	£597,260	£850,000	£350,000	£400,000	£388,350	£360,000



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Things to Consider

- Upselling – Moving your customers onto a more lucrative higher product or service.
- Shortening the purchasing period – getting your customers or clients to buy more frequently.
- Cross selling – selling complimentary products or services to your existing customers.
- Diversifying – There is a book called Blue Ocean Strategy, which explains how you can create a brand new product for your market.



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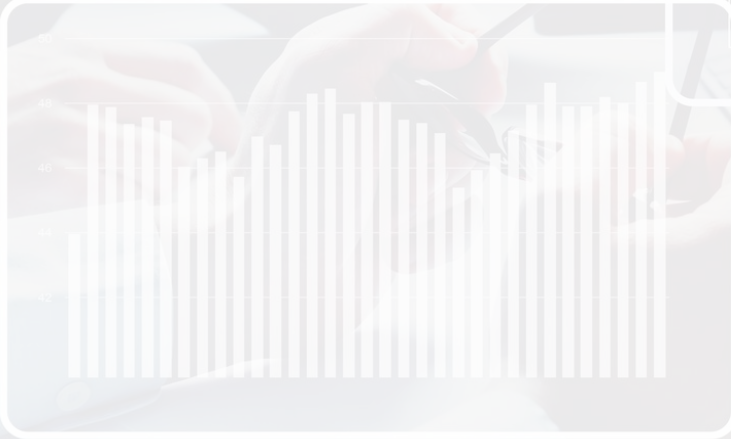
Cost Cutting

- Cost cutting exercises are often seen as boring and laborious, but they don't necessarily have to be.
- All businesses should be carrying out a periodic cost review, generally, prices rise regularly and often more than inflation.
- Make sure you seek multiple quotes and regularly compare these so you are not falling victim to unnecessary rises.

Financing/Re-financing

- Is having debt in your business bad?

\$ 31 555,00	\$ 82 740,00	\$ 138,00
\$ 56 032,00	\$ 43 689,00	\$ 37 128,00
\$ 88 728,00	\$ 34 849,00	\$ 52 101,00
\$ 27 862,00	\$ 15 001,00	\$ 7 307,00
\$ 21 764,00	\$ 9 822,00	\$ 60 436,00
\$ 53 225,00	\$ 30 359,00	\$ 29 905,00
\$ 16 477,00	\$ 27 176,00	\$ 92 545,00
\$ 47 572,00	\$ 15 818,00	\$ 42 796,00
\$ 41 374,00	\$ 39 286,00	\$ 11 922,00
\$ 71 259,00	\$ 82 336,00	\$ 43 820,00





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Financing/Re-financing

- Company credit cards – can these help to control debt?
- How often should business owners look at re-financing?



Tax Efficient Share Options

- When running a business, it is in your interest to incentivise loyal and hard-working employees to stay.
- Depending on the value of your company and how many shares you wish to offer your employees, there are several different schemes that are available.
- These are:
 - Share Incentive Plans (SIPs)
 - Save As You Earn (SAYE)
 - Enterprise Management Incentives (EMIs)
 - Company Share Option Plan (CSOP)

Stages of a Share Plan

- Granting the options.
- Options Vest.
- Exercising Options.

Share Incentive Plans

- These are one of the most basic plans to issue shares.
- With this scheme, you can issue shares to employees and they are then held within a trust on behalf of the client.
- As long as they are held for at least 5 years, the employee then doesn't pay any tax or NI on the share value.

How Shares are Issued

- Free shares – Up to £3,600 share value per tax year.
- Partnership shares – Employee buys the share via a deduction from the salary for up to £1,800 per tax year.
- Matching Shares – Up to two free shares per one share held.
- Dividend Shares – Dividends on existing shares can be reinvested to buy further shares.

Save As You Earn

- This is another basic scheme that allows an employee to pay up to £500 a month into the scheme.
- At the end of the agreement, usually 3–5 years, the employee can then use the money saved to purchase shares.
- These shares will not be liable to Tax and NI.

Enterprise Management Incentives

- This scheme is by far one of the most popular schemes amongst the share schemes. It offers the most flexibility and the lowest tax rates.
- If your company has assets of less than £30 million and employs less than 250 staff, then it may be able to issue shares with a value of up to £250,000 over a three-year period to employees.

Company Share Option Plans

- This scheme is quite popular amongst larger companies.
- The amount of shares you can issue is restricted to £30,000 per employee.
- Shares cannot vest until 3 years after grant.



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Other Incentives

Share schemes are not the only incentive that can be offered to employees, there are many other options. Here are a few of the more popular ones...

Medical Benefit

With the increasing pressures on the NHS, more people are using private medical options.

If you choose to provide this, your employees will only have to pay the tax and NI on the cost of the policy.

This is much cheaper than paying for it themselves. You are also able to claim the cost of the policy against your corporation tax.

Electric Cars

This is a great incentive at the moment, with rates from HMRC as low as 2%. Meaning your employee will only pay tax and NI on 2% of the value of the car.

If you are already providing vehicles to your employees, it may be worth considering changing to electric as the savings can be huge, not to mention the increasing prices of petrol and diesel.

Employee-Owned Trusts

If you are looking at exiting the business altogether or selling the majority shareholding, it may be worth considering an EOT.

This is where a trust owned by the employees is set up and the shares are purchased from you.

In this scenario you would not have to pay capital gains tax on the disposal and the employee can each receive a tax-free bonus of up to £3,600 each per tax year.

Office Days Out

Did you know you can provide social functions to your employees for up to £150/head/year, which you can claim against your corporation tax?

This doesn't have to be for a specific reason such as Christmas. As long as it's an annual event and it's open to all employees, you can hold an event whenever you choose to.





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FEATURED SEMINAR



7 Key Successes Seminar

13 September | Kettering Park Hotel

Join us as we team up with internationally renowned Chartered Accountants, Nordens for this live seminar.

Following on from the SME Business Survey which we ran back in December 2021, this seminar will offer the opportunity for business owners to take an in-depth look at the findings, and what the next steps are for your business.

This is a practical session that will look at how to maximise profit and potential, alongside analysing the sales process, mindset, cashflow and much more.

As part of the session, you will have your own work book to make notes about your business, as well as create action plans for you to take away.

Secure your place today!

<https://www.eventbrite.co.uk/e/7-key-successes-seminar-tickets-344169469147>

TRAINING COURSES

HR, Management & Development (Online)

Managing conflict at work 28 June, Tuesday | 2pm

* Disciplinary and Grievance 30 June, Thursday | 2pm

Equality & Inclusion 7 July, Thursday | 1.30pm

Managing Poor Performers at Work 13 July, Wednesday | 9.30am

***Continuing Professional Development (CPD)**

****New dates being scheduled****

Book Now!
www.hrsolutions-uk.com/training-courses



TRAINING COURSES

Health & Safety Training Courses

Mental Health Ambassador	24 June, Friday 10.30am – 12.30pm
Level 2 Emergency First Aid at Work	5 July, Tuesday 9.30am – 4.00pm
Level 2 Mental Health First Aid	19 July, Tuesday 9.30am – 4.00pm
Level 2 Food Safety	20 September, Tuesday 9.30am – 4.00pm

Book Now!

www.hrsolutions-uk.com/training-courses



UPCOMING HR WEBINARS

Immigration – the latest developments

14 July, Thursday | 10am – 11am

Trans Equality at Work

11 August, Thursday | 10am – 11am

NEW WEBINAR PROGRAMME COMING SOON...

Save your spot!

HR Knowledge Base | Events

<https://hrsolutions.microsoftcrmportals.com/events>

www.hrsolutions-uk.com/upcoming-webinars



HEALTH & SAFETY WEBINARS

HSE prosecutions

30 June, Thursday | 10am – 11am

Director's responsibilities in Health and Safety

28 July, Thursday | 10am – 11am

Fire safety laws

25 August, Thursday | 12pm – 1pm

Safeguarding in the workplace

29 September, Thursday | 12pm – 1pm

Save your spot!

HR Knowledge Base | Events

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FEEDBACK

MATTERS

TO US

After the webinar, we shall be sending a short survey to capture your feedback, it would be appreciated if you could complete this survey so that we can constantly improve.



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