

Ms. T

BUSINESS B

BUSINESS PLAN AND CASH FLOW FORECAST



AC Group

L O N D O N

Ms. T

BUSINESS B

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BUSINESS PLAN AND CASH FLOW FORECAST

ACCOUNTANTS REPORT

In accordance with instructions given to us we have prepared the business plan and cash flow forecast set out on pages 7 to 14 and confirm them to be in accordance with the assumptions and workings set out pages 9 to 13 from the information and explanation supplied to us.

Whilst care has been taken to see that the forecasts are as accurate as possible, they are subject to inherent uncertainties of business and cash flow forecasting. The figures and forecasts made must be accepted in the context.

As is normal professional practice, this information is provided in strict confidence and without acceptance by AC Business Plans of any responsibility whatsoever.

ACCOUNTANTS

AC Business Plans
Ealing House
33 Hanger Lane
London
W5 3HJ

.....

CLIENT APPROVAL CERTIFICATE

I approve the business plan and cash flow forecast and confirm that I have made available all relevant records and information for their preparation.

.....

Ms. T

Date:

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INTRODUCTION, BUSINESS MODEL AND SUMMARY

Summary

Subject to obtaining the requisite visa it is Ms. T intention to start a business in the UK, London Earls Court area. Required Annual rent for premise is £26,400.00. Initial investment of £32,247.00 already spent in July 2018 includes upfront rent deposit mentioned above, legal fees and also additional miscellaneous expenses.

Additional funds are also in place for the future refurbishment, Equipment's, promotion and cash flow of the business to make it (approximately £153,000.00).

The feedback that Ms. T has received from colleagues from other nail shops despite there being a number of nail salons in South West London, Earls Court area still the market remains strong. There is always a constant requirement for health and beauty treatments.

Please also refer to short term and long term plans.

Total Investment/expenditure

The projected total investment and expenditures in the business over the first two years is £200,247.00. Please refer to the summary in page 14.

As noted therefore, Ms T has made the investment of £32,247.00 and intends to make the investment of over £200,000.00 balance to comply with the requirements for her visa to stay in the UK as an entrepreneur.

The Company

Ms T will take advice as to the most appropriate trading vehicle to be used to operate the business but the business plan has been prepared on the basis that the limited company already has been incorporated.

The company has been incorporated at Companies House in July 2018 and will register with HM Revenue within 3 months of Ms T arriving in the UK.

Location

The business is located on a prominent position on a busy road opposite a tube station station, post code SW area.

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INTRODUCTION, BUSINESS MODEL AND SUMMARY - CONTINUED

Current services offered

The business will be open seven days a week.

10:00 am to 7:00 pm weekdays and weekends.

The business will operate as a nail salon and will offer various nail treatments.

Their nail technicians will offer fast, hygienic and professional services and specialise in high-end manicures and pedicures. Modelled on the luxurious spas and nail bars of London, fitted with modern facilities. Customers also choose from various nail polish colours and shades.

Operation of the business

Ms.T role will be more strategic making the decisions regarding the growth, expansion and marketing of the business.

Marketing

In this competitive field, it is important to ensure that the company becomes a well-known and accessible business and therefore focusing on advertising and promoting the service that it can provide.

A website will be present for marketing, promotion of the company as well as for bookings.

The aim of the business is to treat every customer who walks into the salon as a guest, providing a relaxing, enjoyable experience so that customers want to return and recommend the nail salon to others.

Ms.T will promote her business in local newsletter, blog, website and social media.

The two year plan will include major advertising through the internet and social media.

INTRODUCTION, BUSINESS MODEL AND SUMMARY - CONTINUED

Investment

The business will be set up as a new venture. As noted in the summary business rent is £27,000.00. Also, it is anticipated that a further £41,720.00 will be invested in new equipment and redecorating the business premises, together with £1,600.00 regarding marketing and £74,680.00 working capital and cash injection in to business

Short term aim (1 to 12 Months)

In the first 6 months it is envisaged that business will focus on establishing and acquiring new customers and also to enable Ms. T and staffs to become familiar with the business.

New equipments will be purchased in order to be able to accommodate the services and treatments.

Long term objective

The long term objective is to provide:

Ultimate client experience, through exceptional service, great atmosphere and superior technical skill

Wide range of nail treatments, such as nail repair, replacement, gel, polish, colour etc...

Maintaining a high customer satisfaction rate

Effective advertising

If this business model is successful Ms.T will look towards opening another nail salon in London.

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CASH FLOW FORECAST

Cash Flow Forecast															
Month	Notes	Jul-18	1	2	3	4	5	6	7	8	9	10	11	12	Total Year 1
Receipts															
Sales	Note 1		3,500	3,850	4,235	4,659	5,357	6,161	7,085	8,502	10,202	12,243	15,304	19,129	100,227
Capital Introduced (owner)	Note 12	32,247	60,000	7,000	5,000	6,000	6,000	12,000	9,000	8,000	14,000	8,000	8,000	10,000	185,247
Other Business Income															0
Total Receipts	0	32,247	63,500	10,850	9,235	10,659	11,357	18,161	16,085	16,502	24,202	20,243	23,304	29,129	285,474
Payments															
Purchases	Note 2		1,400	385	424	466	536	616	708	850	1,020	1,224	1,530	1,913	11,073
Salaries and wages	Note 5		5,167	5,167	5,167	5,167	5,167	5,167	8,167	8,167	8,167	8,167	8,167	8,167	80,004
Payroll taxes & Pensions	Note 5		680	680	680	680	680	680	1,050	1,050	1,050	1,050	1,050	1,050	10,384
Rent	Note 3	27,485	0	0	6,329	0	0	6,329	0	0	6,329	0	0	6,329	52,800
Rates	Note 4		1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	12,947
Utilities	Note 6		416	428	441	454	468	482	496	511	526	542	558	575	5,897
Cleaning & refuse disposal	Note 7		240	70	69	69	69	69	69	69	69	69	69	69	1,000
Telephone/Internet	Note 8	21	100	100	100	100	100	100	100	100	100	100	100	100	1,221
Insurance	Note 9	358	1,500	0	0	0	0	0	0	0	0	0	0	0	1,858
Legal/Accountancy fees	Note 10	3,883	1,150	150	150	150	150	150	150	150	150	150	150	150	6,683
Marketing/promotion/Website	Note 11		2,600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	13,600
Equipment/Machinery	Note 12		33,720	0	0	0	0	0	0	0	0	0	0	0	33,720
Refurbishment	Note 12		8,000	0	0	0	0	0	0	0	0	0	0	0	8,000
Payment Technology	Note 13		355	116	127	140	161	185	213	255	306	367	459	574	3,257
VAT - Paid to HMRC	Note 14		438	481	-7,471	582	670	770	886	1,063	1,275	1,530	1,913	2,391	4,528
Courses/Training	Note 15		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
Licence fee	Note 16		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
Other Expenses	Note 17	500	200	200	200	200	200	200	200	200	200	200	200	200	2,900
Total Payments	0	32,247	59,045	9,856	8,295	10,087	10,279	16,827	14,118	14,494	21,272	15,479	16,276	23,597	251,872
Cashflow Surplus/Deficit (-)	0	0	4,455	994	940	571	1,078	1,334	1,967	2,008	2,931	4,764	7,028	5,532	33,602
Opening Cash Balance	0	0	0	4,455	5,449	6,389	6,961	8,039	9,372	11,340	13,347	16,278	21,042	28,070	
Closing Cash Balance	0	0	4,455	5,449	6,389	6,961	8,039	9,372	11,340	13,347	16,278	21,042	28,070	33,602	

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PROJECTED TRADING, PROFIT & LOSS STATEMENT

	Notes	£	£
Sale			95,699
Less: Cost of Sale			
Purchases		11,073	
Closing Stock		<u>(1,000)</u>	
			<u>10,073</u>
Gross Profit			85,626
Expenditure			
Salaries and wages		80,004	
Payroll taxes & Pensions		10,384	
Rent		25,315	
Rates		12,947	
Utilities		5,897	
Cleaning & refuse disposal		1,000	
Telephone/Internet		1,221	
Insurance		1,858	
Legal/Accountancy fees		6,683	
Marketing/promotion/Website		13,600	
Refurbishment		8,000	
Payment Technology		3,257	
Courses/Training		1,000	
Licence fee		1,000	
Other Expenses		<u>2,900</u>	
Total Expenditure			<u>(175,066)</u>
Net Projected Profit			<u><u>-89,440</u></u>

NOTES AND ASSUMPTIONS TO THE FORECAST

1 . sales

It is assumed that following the initial launch of a website, advertising and marketing in month 1, and ongoing promotions and social media marketing sale will increase throughout the year one.

Sales will continue to grow in year two and business will achieve it's full potential in third year of trading.

On average nail salons can achieve annual turnover of £150,000.00 to £250,000.00 per year in the central London.

2 . Purchases

The gross profit margin achieved by the the business is at the average of 85%.

It is assumed that this will be maintained throughout the year.

3. Rent and Water Rate

The rent for the shop is at £26,400.00 per annum and paid on a quarterly basis. In July-2018 one year rent deposit of £26,400.00 and £1,085.00 rent regarding September 2018 has been paid upfront to the landlord.

4. Rates - Business rates

For the purpose of the business plan the total amount of rate payable for the first year is £12,947.00 based on 258 days occupancy.

Next year full value of the business rate liability will be £25,950.00 to the local authority.

5. Staff costs

In Months 1 to 6 it is projected that:

The full-time staffs will initially include 1 senior full time nail technician/manager, 1 full time technician, and 1 part time staff to be recruited.

It is estimated that the number of staff will increase after 6 months and additionally 1 full time technician, and 1 part time staff will be recruited.

The cost estimated as follows:

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NOTES AND ASSUMPTIONS TO THE FORECAST - CONTINUED

Initial cost of employment in the first 6 months is estimated as follows:

	Full Time Senior Technician	Full Time Technician	Part Time Technician	Total
Gross salary	2167	2000	1000	5167
PAYE	236	202	2	440
Employee's NIC	176	156	36	368
Employee's Pensions	108	100	50	258
Net Pay	<u>1647</u>	<u>1542</u>	<u>912</u>	<u>4101</u>
Employer's NIC	202	179	41	422
Employer's Pensions	108	100	50	258
Emp's Pensions / NIC	<u>310</u>	<u>279</u>	<u>91</u>	<u>680</u>

Months 7 to 12

Following the projected increase in sale it anticipated that one full time and 1 part time staff will be recruited.

The cost is estimated as follows:

	Full time Senior Technician	Full time Technician	Full time Technician	Part time Technician	Part time Technician	Total
Gross salary	2167	2000	2000	1000	1000	8167
PAYE	236	202	202	2	2	644
Employee's NIC	176	156	156	36	36	560
Employee's Pensions	108	100	100	50	50	408
Net Pay	<u>1647</u>	<u>1542</u>	<u>1542</u>	<u>912</u>	<u>912</u>	<u>6555</u>
Employer's NIC	202	179	179	41	41	642
Employer's Pensions	108	100	100	50	50	408
Emp's Pensions / NIC	<u>310</u>	<u>279</u>	<u>279</u>	<u>91</u>	<u>91</u>	<u>1050</u>

NOTES AND ASSUMPTIONS TO THE FORECAST - CONTINUED

6 . Light and heat

Utility cost in month 1 has been estimated at £416.00 per month. Thereafter the monthly cost is estimated as increasing by 3% per month

7. Cleaning and refuse disposal

It is assumed that the business premises are maintained to a good standard of cleanliness and a deep clean will not be required.

The cost have therefore been projected at £240.00 in month 1 and £69.00 per month thereafter relating mainly to refuse collection as staff will be expected to clean these premises.

8.Telephone/Internet

The cost relates to one landline only.

The monthly cost is estimated at £ 100.00 and is based on the assumption that line will mainly be used for incoming calls and internet only.

9. Insurance

One payment in year only estimated at £1,500.00 in respect of buildings, contents, public liability and employer's liability insurance. Also, Nail technician insurance. £358.00 insurance is paid regarding shop lease.

10. Legal/Accountancy fees

Shop's legal fees are estimate at £1,000 in month 1. The monthly cost is at £150 regarding annual accounts. £3,883.00 legal fees paid in July 2018 is regarding solicitors, stamp duty and other legal fees.

11. Advertising and website design

The underlying cost of £ 1,000.00 per month relates to adverts placed in social media and local press.

The additional cost of £1,600.00 is as follows:

£1,000.00 for the cost of developing a new website; and

£600.00 additional advertising to launch of new treatments and loyalty cards.

12. Capital introduced/Equipment/Machinery/Refurbishment

Ms. T will be introducing the following capital directly into the business:

£ 185,247.00

NOTES AND ASSUMPTIONS TO THE FORECAST - CONTINUED

£ 32,247.00 in July 2018

Initial investment regarding rent deposit, legal fees and miscellaneous expenses (referred to notes 1,9 &10)

£ 60,000.00 in month 1

This is to finance the legal fees	£ 1,000.00
Working capital as reserves for any additional costs that might require	<u>£ 15,680.00</u>
	<u><u>£ 16,680.00</u></u>

To cover the cost of the shop refurbishment/new equipment estimated as follows:

Refurbishment	£ 8,000.00
4 nail station: £500 each	£ 2,000.00
4 pedicure chair: £1,500 each	£ 6,000.00
Colour and gel, drill machine & bits, liquids, chemicals	£ 15,000.00
12 stool for customer and technician	£ 720.00
All machinery	<u>£ 10,000.00</u>
	<u><u>£ 41,720.00</u></u>

This is to finance marketing and launch a new website (referred to note 11) £ 1,600.00

Cash injection in to business in months 2 to 12 £ 93,000.00

13.Payment Technology

Small businesses can expect to pay between £280 per year for a rented card machine, plus 3% percent cost of transactions.

14. VAT

For business plan purposes It is assumed business operate under the flat rate scheme for VAT at 12.5%.

15. Courses/Training

£1,000.00 Month 1 cost relates to the cost of the Health and safety and licensing courses and trainings.

16. Licence fee

It is likely that business needs to register with the environmental health section of the local authority.

17. Other Expenses

£500.00 paid in July 2018 regarding some miscellaneous expenses.

Estimated £200 per month shop expenses such as kitchen supplies, cleaning material, etc...

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VAT WORKINGS

Month		1	2	3	4	5	6	7	8	9	10	11	12	Total Year 1
Sale (see Assumption 1)														
Rate of Increase Assumed		10%	10%	10%	15%	15%	15%	20%	20%	20%	25%	25%	25%	0
Sale		3,500	3,850	4,235	4,659	5,357	6,161	7,085	8,502	10,202	12,243	15,304	19,129	100,227
VAT (As Below)		438	481	-7,471	582	670	770	886	1,063	1,275	1,530	1,913	2,391	4,528
Net Sales		3,063	3,369	11,706	4,076	4,688	5,391	6,199	7,439	8,927	10,713	13,391	16,738	95,699
VAT														
Flat Rate Scheme at 12.5%		438	481	529	582	670	770	886	1,063	1,275	1,530	1,913	2,391	12,528
VAT on Capital Goods		0	0	-8,000	0	0	0	0	0	0	0	0	0	-8,000
VAT Payable/Recoverable	0	438	481	-7,471	582	670	770	886	1,063	1,275	1,530	1,913	2,391	4,528
Quarterly VAT Payments	0			-6,552			2,022			3,224			5,834	4,528

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TOTAL INVESTMNET SUMMARY

The total amount of investment/expenditure by Ms. T is projected to be as follows:
Investment 3 months prior to the application and 2 years investment summery.

	Jul-18	Year 1	Year 2	Total
	£	£	£	£
INVESTMNET SUMMARY	32,247	153,000	15,000	200,247
SALE		95,699	191,397	287,096
Less: Cost of Sale		10,073	10,425	20,498
EXPENDITURE				
Salaries and wages		80,004	82,804	162,808
Payroll taxes & Pensions		10,384	10,748	21,132
Rent		25,315	27,000	52,315
Rates		12,947	25,950	38,897
Utilities		5,897	6,103	12,000
Cleaning & refuse disposal		1,000	1,035	2,035
Telephone/Internet		1,221	1,264	2,485
Insurance		1,858	1,923	3,781
Legal/Accountancy fees		6,683	6,917	13,600
Marketing/promotion/Website		13,600	14,076	27,676
Refurbishment		8,000	8,280	16,280
Payment Technology		3,257	3,371	6,628
Courses/Training		1,000	1,035	2,035
Licence fee		1,000	1,035	2,035
Other Expenses		2,900	3,002	5,902
TOTAL EXPENDITURE		<u>185,139</u>	<u>204,967</u>	<u>390,106</u>
TOTAL PROFIT		<u>-89,440</u>	<u>-13,570</u>	<u>-103,010</u>