



PFM Case Study Presentation

GROUP 53



Introduction

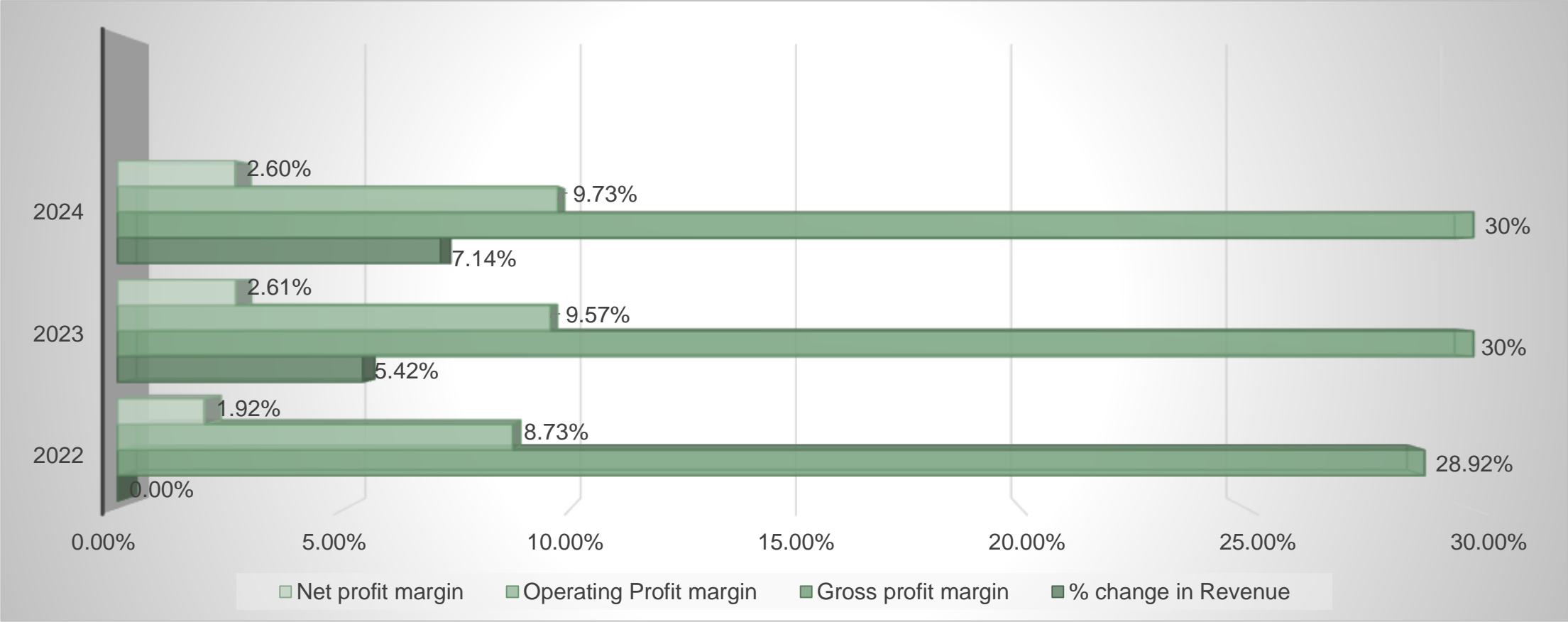
Hongyue Wu 5606561



Part 1

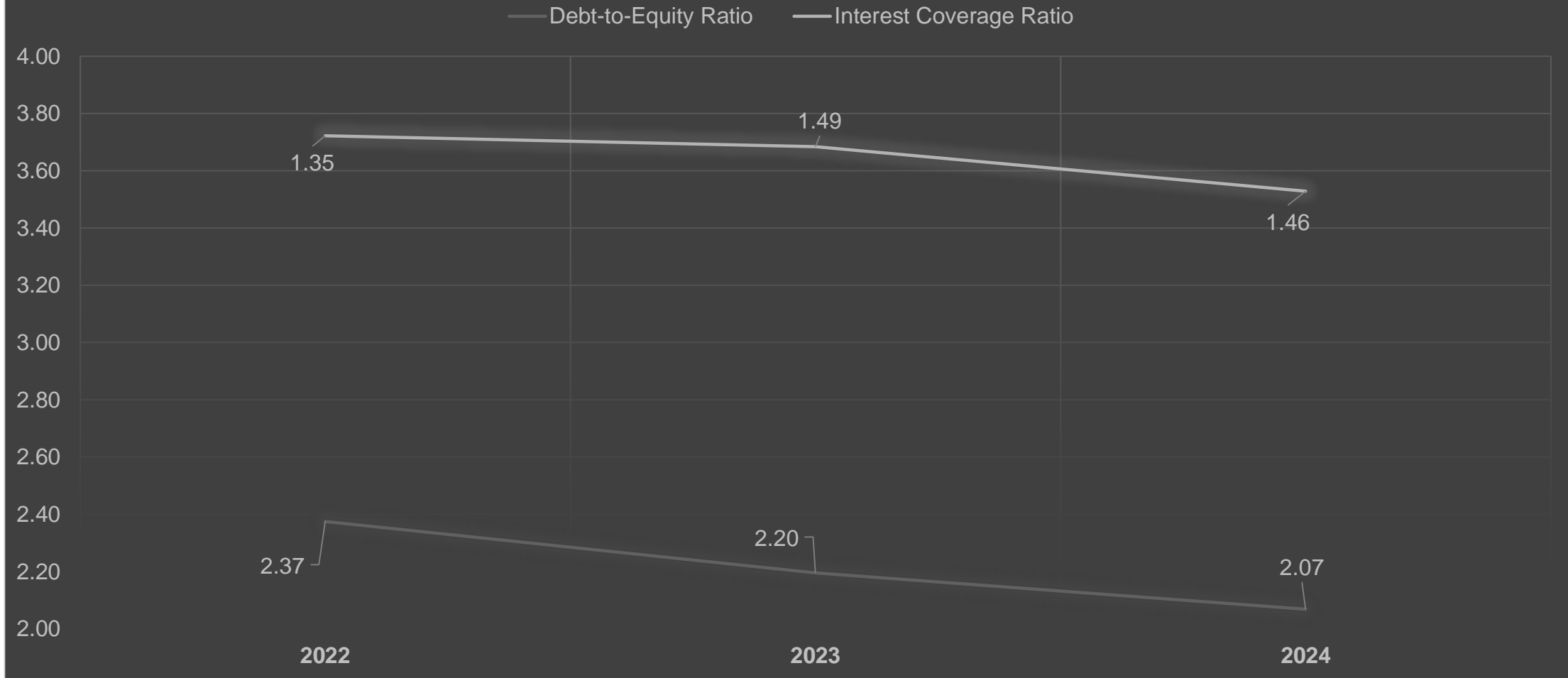
financial performance

Financial Performance



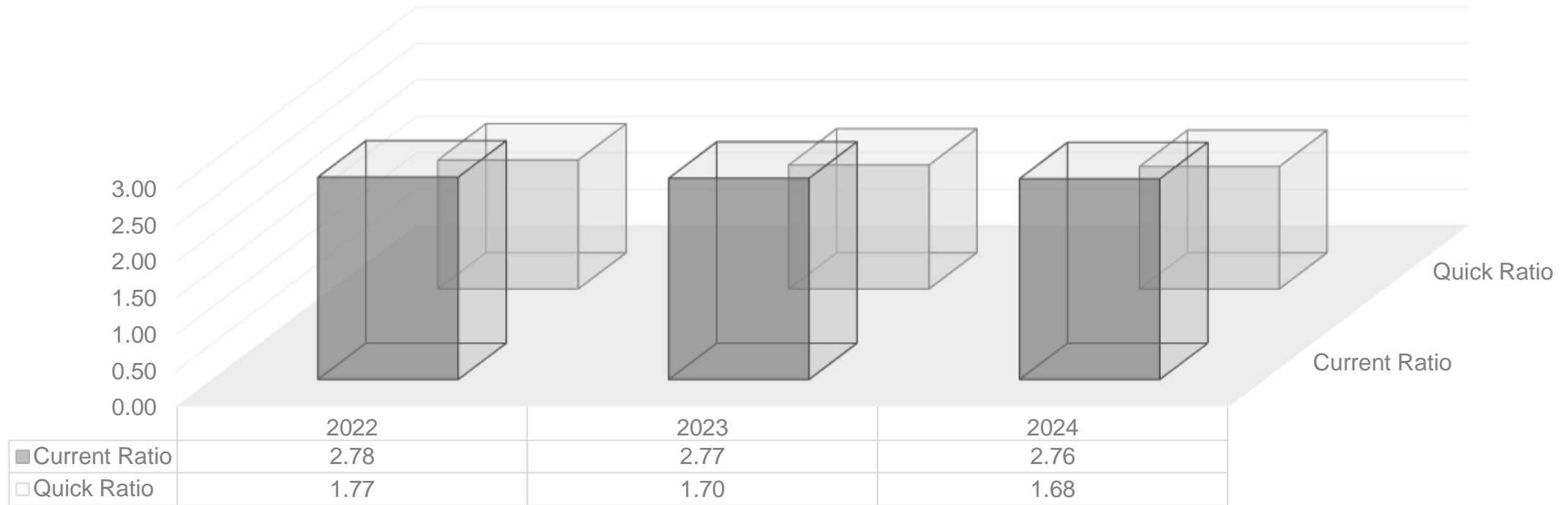
Joshika Malai Magal
(5597768)

Debt and Financing

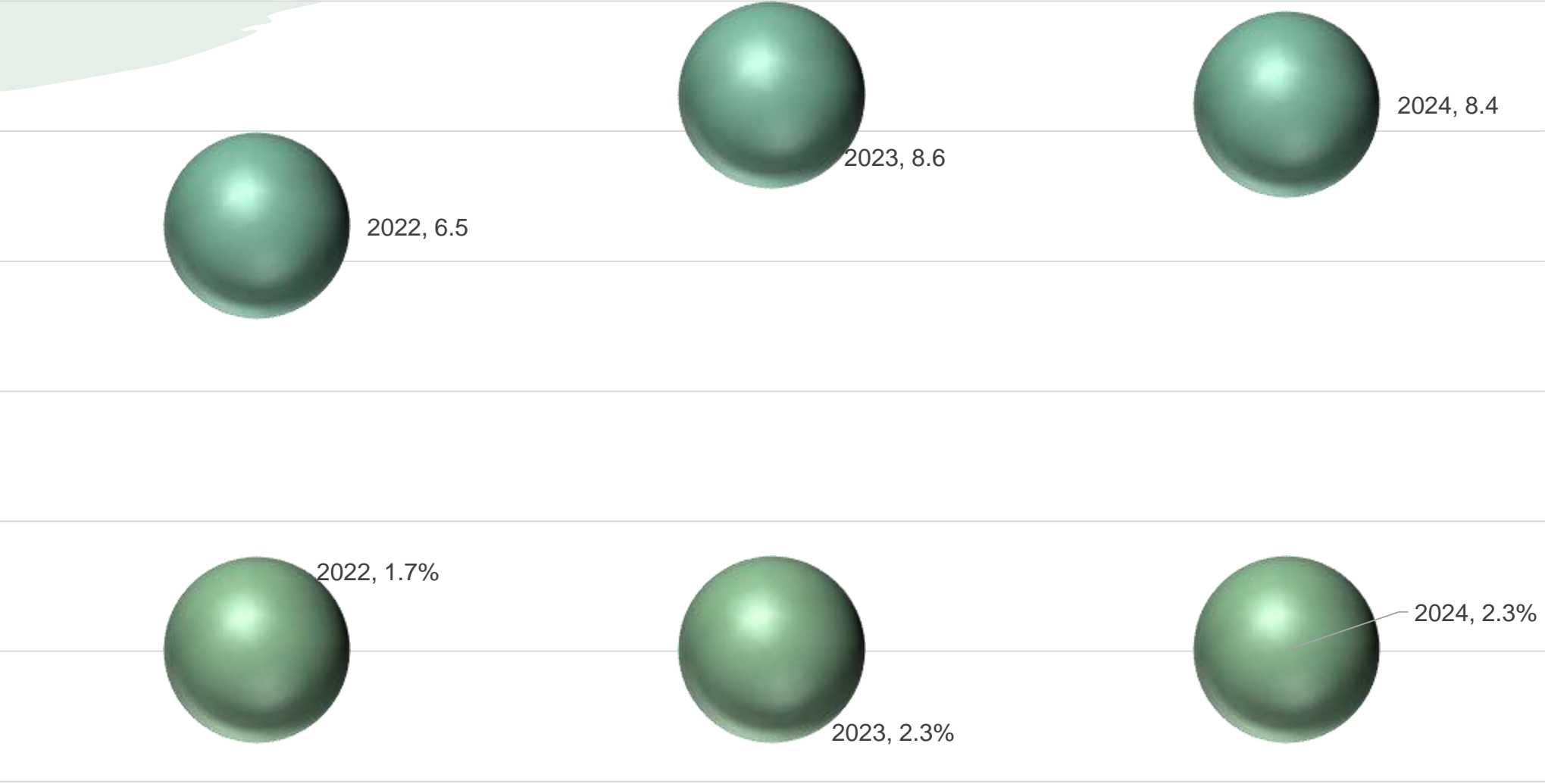


Joshika Malai Magal
(5597768)

Liquidity



Efficiency Metrics



● ROA (%)
● ROE (%)

Part 2

COST ANALYSIS



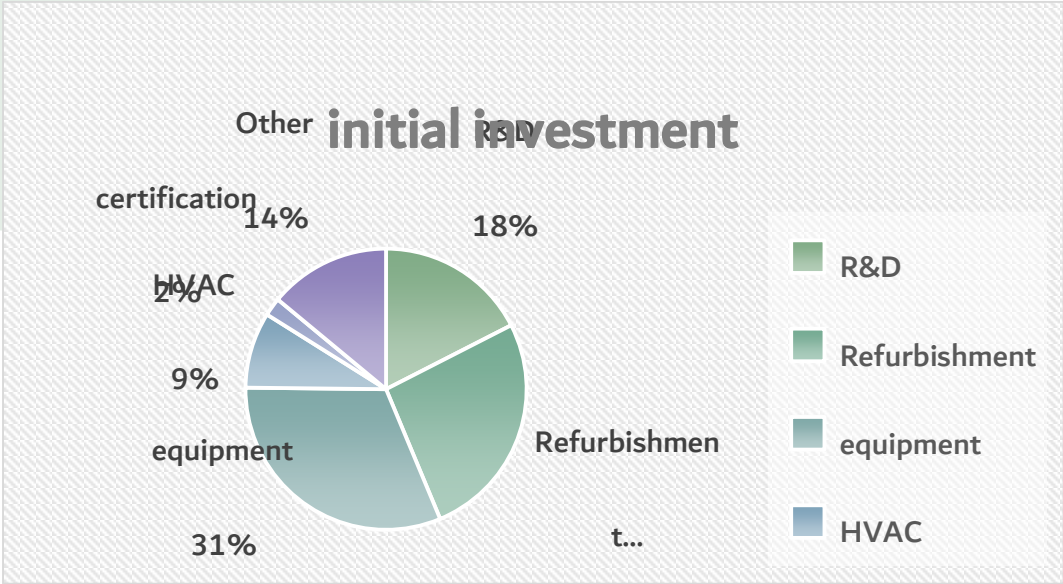
Frost & Crumb Ltd. – COST CLASSIFICATION					
SCENARIO 1					
YEAR	2025 (£)	2026 (£)	2027 (£)	2028 (£)	2029 (£)
Annual Amortization of R&D Cost	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00
Refurbishment Costs	1,500,000.00	-	-	-	-
Purchase and installation of organic-certified equipment	1,800,000.00	-	-	-	-
HVAC and specialized ventilation systems to ensure hygiene	500,000.00	-	-	-	-
Organic certification	120,000.00	-	-	-	-
Other initial costs; including initial working capital, staff training, IT and contingency plans	800,000.00	-	-	-	-
Annual Depreciation of Machine and Facility	350,000.00	350,000.00	350,000.00	350,000.00	350,000.00
Annual Certification Maintanance Cost	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Other Operating Expenses	550,000.00	500,000.00	550,000.00	600,000.00	650,000.00
Salaries	120,000.00	122,400.00	124,848.00	127,344.96	129,891.86
Admin Expenses	180,000.00	137,600.00	145,152.00	152,655.04	160,108.14
Total Fixed Costs	6,140,000.00	1,330,000.00	1,390,000.00	1,450,000.00	1,510,000.00
Cost of Good Sold	3,300,000.00	3,812,500.00	4,375,000.00	5,073,906.00	6,103,515.00
Sales Commision (4% of Revenue)	200,000.00	250,000.00	312,500.00	390,625.00	488,281.24
Selling, Marketing, and Distribution	530,000.00	605,000.00	761,250.00	956,563.00	1,079,632.76
Total Variable Cost	4,030,000.00	4,667,500.00	5,448,750.00	6,421,094.00	7,671,429.00
Cost of Borrowing (4% of Debt Contributuion)	171,600.00	171,600.00	171,600.00	171,600.00	171,600.00
Other Costs	171,600.00	171,600.00	171,600.00	171,600.00	171,600.00
TOTAL COSTS	10,341,600.00	6,169,100.00	7,010,350.00	8,042,694.00	9,353,029.00
TOTAL COST FOR 5 YEARS	40,916,773.00				
Name:AJONI OLUWASEYI 5672651 & Likhitha Meenavilli					

Frost & Crumb Ltd. – COST CLASSIFICATION					
SCENARIO 2					
YEAR	2025 (£)	2026 (£)	2027 (£)	2028 (£)	2029 (£)
Contract and Legal Fees	600,000.00				
Market Research and Brand Development	100,000.00				
Setup and Transfer Costs	250,000.00				
Organic Certification	120,000.00				
Other Initial Costs	430,000.00				
Annual Certification Maintanance Cost	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Administrative Expenses	125,000.00	135,000.00	145,000.00	155,000.00	165,000.00
Other Operating Expenses	300,000.00	350,000.00	400,000.00	450,000.00	500,000.00
Total Fixed Costs	1,940,000.00	500,000.00	560,000.00	620,000.00	680,000.00
Cost of Good Sold	3,400,000.00	4,187,500.00	4,921,875.00	6,054,688.00	7,446,289.00
Sales Commision (4% of Revenue)	200,000.00	250,000.00	312,500.00	390,625.00	488,281.24
Selling, Marketing, and Distribution	750,000.00	875,000.00	1,093,750.00	1,367,188.00	1,587,914.00
Total Variable Cost	4,350,000.00	5,312,500.00	6,328,125.00	7,812,501.00	9,522,484.24
Cost of Borrowing (4% of Debt Contributuion)	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Quality Control and Expenses	100,000.00	125,000.00	156,250.00	195,312.50	244,140.62
Other Costs	160,000.00	185,000.00	216,250.00	255,312.50	304,140.62
TOTAL COSTS	6,450,000.00	5,997,500.00	7,104,375.00	8,687,813.50	10,506,624.86
TOTAL COST FOR 5 YEARS	38,746,313.36				
Name:AJONI OLUWASEYI 5672651 & Likhitha Meenavilli					



Part 3 Evaluation Program

Scenario 1

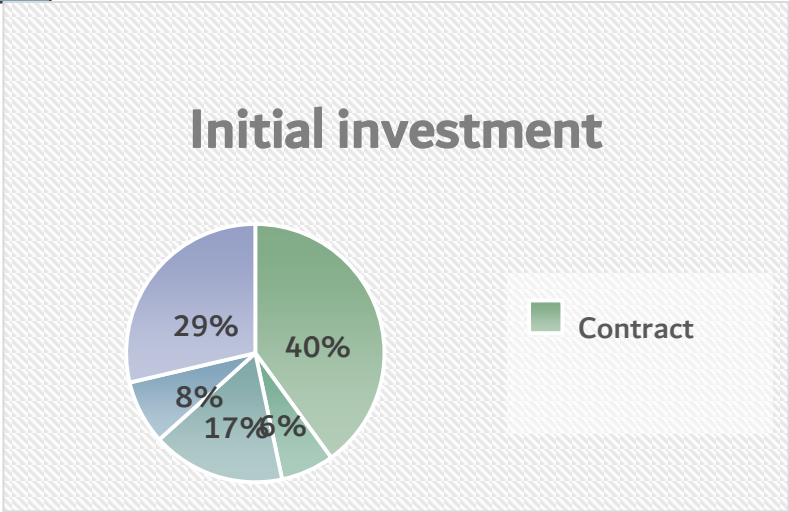


- Initial investment: 5.72million
- High financial pressure on the front end (2025)
- Debt financing: (75%)4.29 million—finance expense:0.17 million
- Including Set-up cost, such as the costs of equipment and certification expense
- Net profit (2025):-57,996
- Net profit(2029):2.55 million

Financial factors

- Initial investment : 1.5 million
- Low upfront investment
- Debt financing: 100%--finance expense:0.06 million
- No set-up costs
- Net profit(2025):0.27 million
- Net profit (2029):1.84 million

Scenario 2



Name:Jiali Huang 5664201

gross profit margin		
	Scenario 1	Scenario 2
2025	45%	32%
2026	47.80%	33%
2027	51%	37%
2028	53.70%	38%
2029	54.50%	39%

net profit margin		
	Scenario 1	Scenario 2
2025	9.80%	5.50%
2026	16.60%	7.70%
2027	20%	11.40%
2028	23%	12.90%
2029	25.3%	15.5%

opertaiong profit margin		
	Scenario 1	Scenario 2
2025	13%	8.50%
2026	21.60%	11.20%
2027	26.50%	16%
2028	30.60%	17.80%
2029	33.70%	20.50%

- Scenario 1:significant growth
- higher profit margin
- Scenario 2:stable and slow growth
profit margin respectively lower
- Overall, both meet the requirement of maintain
an operating profit margin of at least 10%

Name:Jiali Huang 5664201

payback period--Scenario 1		
year	net cash flow	cumulative cashflow
0	(5,720,000)	
1	875,000	(4,845,000)
2	1,575,100	(3,269,900)
3	2,293,902	(975,998)
4	3,212,186	2,236,188
5	4,340,710	6,576,898
NPV	4,054,410	
IRR	24.3%	
ROI	29.5%	

payback period--Scenario 2		
year	net cash flow	cumulative cashflow
0	(1,500,000)	
1	650,000	(850,000)
2	927,500	77,500
3	1,476,875	1,554,375
4	1,963,750	3,518,125
5	2,732,828	6,250,953
NPV	4,671,804	
IRR	67.1%	
ROI	63.3%	

- A shorter payback period, a faster payback money
- Higher ROI, Higher profit
- Positive NPV and higher IRR, a better profitability

Scenario 1

Non-financial fact

Advantage	Disadvantaged
Internally controlled for high quality	High initial capital investment
Reduced reliance on external suppliers and reduced risk of supply chain disruption	High investment in fixed assets, difficult to adjust, not flexible enough
In-house production contributes to brand reputation	Potential capacity constraints during retrofit, creating operational risk
	Risk of delay

Scenario 2

Non-financial fact

Advantage	Disadvantaged
Flexible production and easy to adjust	Dependence on vendors, with possible delivery delays and stock-outs
Focus on market and brand development	Inconsistent quality of production
Lower initial investment and less capital pressure on the company	
Rapid response to market demand	



Part 4 Final Suggestion



Our Suggestion is: Scenario 2

- **Scenario 2: Outsource Production to a Contract Manufacturing Organization (CMO)**



The reason of scenario 2

- Financial:

$ROI(1) < ROI(2) \rightarrow$ **Strong profitability**

Less debt than 1 (*Debt Management*)

$NPV(1) < NPV(2) \rightarrow$ **high feasibility** (*Increase Profit Margin*)

$IRR(1) < IRR(2) \rightarrow$ **low risk**

- Other:

Go into production quickly and stay competitive
(*Sustainable Growth*)

QUESTION



Reference

- Alexander/Jorissen/Hoogendoorn/van, M. K. (2020). International Financial Reporting & Analysis, Cengage Learning.
- Association for Project, M. (2012). APM body of knowledge. Princes Risborough, Buckinghamshire, Association for Project Management.
- McKenzie, W. (2009). Ft Guide To Using And Interpreting Company Accounts. Harlow, UNITED KINGDO

Declaration

- We have read the guidance on academic integrity provided in the Student Handbook and understand the University regulations in relation to Academic Integrity. We are aware of the potential consequences of Academic Misconduct.
- We declare that the work is all our own, except where we have stated otherwise.
- No substantial part(s) of the work submitted here has also been submitted by any of us in other credit bearing assessments courses of study (other than in certain cases of a resubmission of a piece of work), and we acknowledge that if this has been done this may lead to an appropriate sanction.
- We confirm we have only used a generative artificial intelligence as permitted by the assessment brief for this assignment. In the event we have used one, we have followed the assessment guidelines for disclosure of its use.
- We understand that should this piece of work raise concerns requiring investigation in relation to any of points above, it is possible that other work we have submitted for assessment will be checked, even if marks (provisional or confirmed) have been published.
- Where a proof-reader, paid or unpaid was used, we confirm that the proof-reader was made aware of and has complied with the University's proofreading policy.
- We consent that our work may be submitted to Turnitin or other analytical technology. We understand the use of this service (or similar), along with other methods of maintaining the integrity of the academic process, will help the University uphold academic standards and assessment fairness.