

Unlock: York

Financial Summary Report

Version 1.0

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1.0 Financial Performance Review

1.1 General Points & Process

At Unlock we have attempted to ensure that our financial records have been kept to a high standard throughout. As financial manager I was tasked with ensuring good practice was followed throughout all financially based aspects of the project. As a whole I think the finances for unlock have been well managed; despite struggling at first and coming to terms with what was specifically required, the finances have been well kept and organized with all reports being returned to the financial advisor on time. The general process that I have followed was to adopt a method of completing small amounts, but very often; this ensured that there was never to be a situation where huge amounts of work were required in the days leading up to deadlines. To ensure that this was followed through, timesheets were to be updated weekly and while this did occasionally slip, in general, we were all up to date and these were completed in advance of any financial reports. I am not submitting timesheets as part of this report however they are available on request. As well as our cash flow models, that were submitted to the financial advisor periodically throughout the project, I also kept personal projections which updated as the project went on; this would give me a clear idea of the state of our finances as the project will progress; the idea of this would be that this process would flag any potential issues up and chance of bankruptcy before it happened. This would allow us to act proactively before this situation arises. As well these process, one further aspect was take minutes with regards to all financial factors from meetings and kept in a file, so we have a visible record of what was expected by our group members. This added a degree of accountability to what we were doing and ensured we were all on the same page with regards to what was expected of us.

1.2 Variances

On the date of submission of this Financial Summary Report, our cash flow models compared to our projections, as set out in the financial briefing, showed an underspend of £6900 for the duration of the project so far. While this is a substantial amount, accounting for 23.3% of our total spend so far, I am not worried by this figure, as members of our group finish their other commitments within the university there will be a sharp upturn for the next few weeks which will comfortably offset that; this has been discussed at group meetings. This issue has shown had been identified in previous financial reports, however, it is still on track to be rectified over the following weeks.

Looking back at our previous financial reports they have been accepted by the financial advisor and have shown no sign of possible bankruptcy. Despite this, the first financial briefing I submitted to the financial advisor was not up to standard, I went to meet the financial advisor, and this solved the issues I had; after settling these problems and resubmitting there was no further issue with the work that was submitted. The financial advisor chose to restructure our payments in response to our financial briefing and this was updated across all of our internal projections. The original problems were only down to my misunderstanding of what was



required in the first brief, after this was solved our financial reporting as a group was consistent and up-to-date.

1.3 Product Selling Price

Our product will have two main revenue streams; we will be setting up kiosks at each Point of Interest, as well as this, there will be an application available for download to each user's smartphone. The kiosks will be sold directly to the Point of Interest and will come in two forms, one large, outdoor kiosk and one smaller, indoor kiosk. We predict that these will be retailed to the Points of Interest at a price of £20,000 and £7,500 respectively. As well as this, there will be an installation cost that we expect to cost £1000 for outdoor kiosks and £350 for smaller indoors kiosks. This would go towards covering the cost of loading our software onto the kiosk and the costs of physical installation. This figure is found by taking our expected costs within the company and the cost of the hardware and working out our required profit margin per product; the research into suitable free-standing kiosks showed the expected price to be just under £10,000 for the waterproof outdoor option, and we can cut costs to marginally under £3,000 pounds for indoor kiosks.

The second revenue stream will come from local business' who choose to showcase themselves within our application and kiosk. Having looked at prices set out in the Visit York magazine and various other market research, we expect to be able sell advertising in groups of two weeks, this will cost £144 for the two-week period. Furthermore, we expect to have 4 advertisers per kiosk, equating to £576 per kiosk per fortnight. We would expect to retain around 80% of this and the site where the kiosk is located would receive 20%.

There will be further considerations that will be covered in depth during our sales presentation on Monday 4th of June.

1.3.1 Sales Projections

We are hoping to sell 3 indoor kiosks and 4 outdoor kiosks across York in our first 6 months of trading, and we have the capability of up to three complete two kiosks per month of either size. We expect to begin trading on the first of July and sell 2 in July 2 in August and 3 more in September.

These sales projections are an early stage projection and have used rough costs form research carried out by the group. This is designed to give a picture of where we roughly expect to be in the first couple of months of trading. When we give our final sales presentation, we will have a complete and full explanation of costs, sales revenue and profit.

Month	1	2	3	4	5	6	7	8	9	10	11	12
Sales of Outdoor	-	-	-	-	-	-	1	1	1	-	-	-
Sales of Indoor Kiosks	-	-	-	-	-	-	1	1	2	-	-	-
Sales revenue	-	-	-	-	-	-	27500	27500	35000	-	-	-



Advertisement	-	-	-	-	-	-	1843.2	3686.4	6451.2	6451.2	6451.2	6451.2
Cost of Sales	-	-	-	-	-	-	13,000	13,000	16,000	-	-	-
Gross Profit	-	-	-	-	-	-	16343.2	18196.4	25,451.2	6451.2	6451.2	6451.2

This number of sales would put us into a position where we will not go bankrupt and will allow the company to develop further products if we saw the opportunity. It also allows us to continue to pay off our interest on the loan; I believe these values are sensible and show that as a company we recognize the limitations of the market. The advertisement is an important revenue stream as it allows both Unlock and the POI of Interest to benefit from the kiosk with them retaining 20% of any fee paid from a company to showcase them in one of the kiosks.

2.0 Profit & Loss Statement

The Profit & Loss statement is for the duration of the whole project. We have extrapolated our sales figures to begin trading in July, therefore they are not included into our profit and loss; the loan from the financial advisor and module sales are the only income represented in our Profit & Loss as the income from sales will be outside the duration of the project. The comments below the profit and loss will explain how the sales figures will add up to offset our product development cost. This will show a realistic representation of our company and how it will look to survive the early months of trading.

Income	
Loan	54,000
Module Sales	5,000
Total Income	59,000
Outgoings	
IT Infrastructure	2400
Interest	4201.92
Labour	24437.5
Marketing	4000
Rent	11,388.42
Utilities	1200
Module Payments Out	3000
Total Expenses	50,627.84
Net Profit	£8,362.16



This Profit and Loss shows that we will have a healthy buffer at the end of our project, if anything this is slightly too much and suggest we have been overpaying on interest from the loan. I have used the projections set out in the financial briefing to work out the remaining costs attributable to each area; these values are subject to change and will most likely see a slightly higher labour cost as we end exams and focus fully on the culmination of this project. Despite this, I am happy as the situation does give us options. This buffer can give us the option to let companies pay on credit when we begin trading in July. Delayed payments won't force us towards bankruptcy and this can be a useful tool when negotiating with customers. Another option would be to use this to pay off some of the loan or offset interest in a lump sum. Either way, this value, combined with healthy early sales, sets out a promising future for our company.

3.0 Up-to-Date Cash Flow

The spreadsheet attached shows the projected and actual costs of our product so far against our loan from the financial advisor. The labour costs have been updated to reflect what time each individual has spent working on the project; these hours are backed up by signed timesheets, however they have not been submitted as part of this deadline. As well as this we are pleased to say that all our module payments have been confirmed, therefore these have now been factored in to our spreadsheets.

In general, I am pleased with this latest snapshot; we have a healthy bank balance and show no sign of running our company to bankruptcy. There is an issue with the difference between the projected and actual bank balances as can be shown in the graph below:

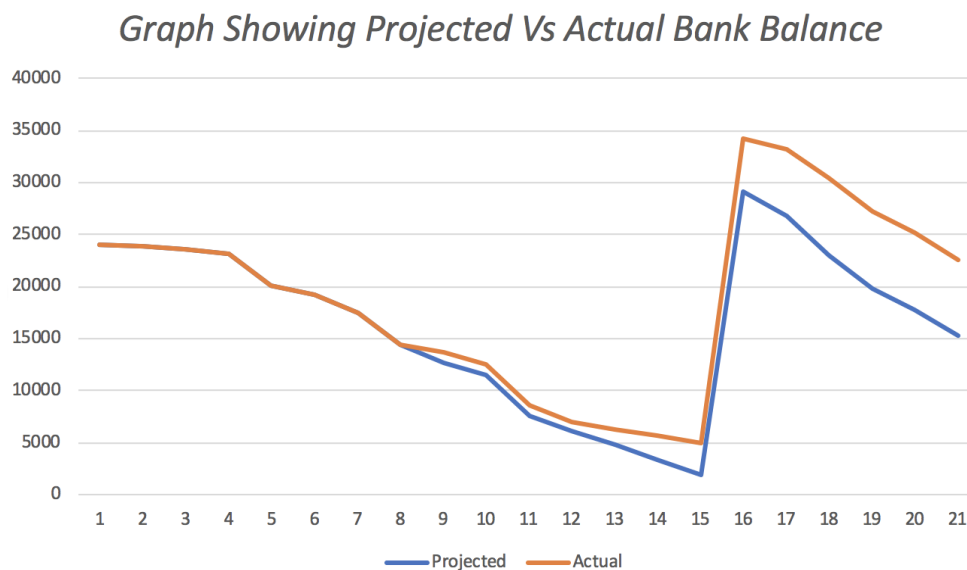


Figure 1 Graph Showing Projected Vs Actual Bank Balance

As of the end of week 20 of this project, we have current bank balance of £22,618.54, the projected account balance at this time was a total of £15,256.04. This shows a deficit of £7362.50. This is quite a concerning amount, however, when the issues are looked in to further it can be explained. Firstly, we sold an unexpected number of modules to other groups, we originally accounted for a 'worst case' scenario when creating our projections which accounted



for a loss of £2000; instead of this we sold 5 modules, this created a net profit from modules of £2000. To account for the remaining deficit, I studied the time submitted timesheets and noticed that our projected hours were not being reached across the group. During our weekly meeting I raised this, our members explained a variety of reasons for not hitting these targets; the reasons included members being away on holiday and focusing on other university modules, namely Design & Construction and their respective exams. In our conversation we discussed how to counteract this to ensure we do not fall behind in either the timescale for our product build or from a financial point of view. The group as a whole that much more hours would be spent working on our product in the near future and as a group we would endeavor to catch up with hours missed so far.