

# Unlock: York

## *Financial Summary Report*

Version 3.0

5/6/18

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## Document Control

Version	Date	Sections changed	What was changed
1.0	25/5/18		
2.0	1/6/18	Advertisement	Our sales tactics have been updated after group meetings and so has affected our forecasts for the future.
		Selling Prices	Revised Price Points
		Forecasts	Updated forecasts to represent first year of trading
3.0	5/6/18	Sales Projections	Full 3 year forecast attached with document
		Price Points	Selling prices confirmed
		General	All content generally updated to reflect sales presentation content.
		Up to date cash flow	Document updated to reflect up to the hand in date.



## **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.

Ahead of the sales presentation I prepared full financial projections for three years that took into account expected sales and also factored in the cost of sales and interest payments over this time. These are included with this financial summary.

Within the presentation I also ran through the different revenue streams for the company and where they would come from. This included a detailed look at how are selling prices are decided, how we look to grow the business. It was important to be realistic in this and especially when adjudging where we expect to be making sales in our early months of trading; this can be seen in our realistic projection of kiosk sales. A marketing budget was also set to allow for brand promotion. At the end of the presentation I looked further into what options we have for the future which included the option of scaling out to different cities and possible reinvestment.

### **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 there was no further issue with the work that was submitted. The original problems were only down to my misunderstanding of what was required in the first brief, after this solved our financial reporting as a group was consistent and up-to-date.

## 1.3 Product Selling Price

### 1.3.1 Kiosks

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 £15,000 and £6,500 respectively. The cost of sales would be £4250 for the indoor kiosk and £11,250 for the outdoor kiosk; these costs cover both the hardware and the further labour required to load the software onto the kiosks with bespoke content for the location, there is also a consideration in this of the time required to liaise with the prospective client. This cost breakdown is shown below:

	Selling price	Hardware Price	Labour Cost	Profit Per Product
Indoor Kiosk	6500	2500	1750	2250
Outdoor Kiosk	15000	9500	1750	2250

### 1.3.2 Advertisement

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 £100 for the two-week period.

The 'advertisement' will not take the format of rolling adverts or banner-style advertising; instead we will add it to both our application and our kiosks with a different icon to represent their area of business, e.g. a drink, coffee, retail icons.



Further down the line as our user base grows we have considerations to apply a staggered pricing system where the companies can pay to appear at different levels of zoom and a cap on the amount of companies that can showcase themselves within our platform.

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

### 1.3.3 Sales Projections

We are hoping to sell 3 indoor kiosks and 1 outdoor kiosk across York in our first 12 months of trading, and we have the capability to complete two kiosks per month of either size. We expect to begin trading on the first of July and sell one in January, one in March, one in April, and a further one in May.

These sales projections are an early stage projection and have used rough costs; this is just designed to give a picture of where we roughly expect to be in the first couple year of trading. When we give our final sales presentation, we will have a complete and full explanation of costs, sales revenue and profit.

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 recognise the limitations of the market.

We have understood that at first companies will be more inclined to go app only, therefore we have only factored kiosk sales after some time has elapsed and our company is gaining traction and recognition in the area.

With reference to the attached spreadsheet that shows a brief forecast for the first year of sales, we expect to make £36,282.33, after interest payable for the year being £9104.4 (assuming the 16.86% APR is constant), shows a net profit for £27,178.93 for the year.

For second year we expect to bring in £35,533.33 (this includes the cost of sales); after interest we expect a net profit of £26,428.93.

For our third year of trading, we expect to bring in £42,300; from this we expect only to pay 2 months in interest tax which equates to £1188.63. At this point we expect to pay off our loan and this should leave us a slight buffer, so we do not risk bankruptcy. This leaves us with a net profit for year 3 of £41,111.37.

## 2.0 Profit & Loss Statement



The Profit & Loss statement is for the duration of the whole project and for the first 3 years of trading. We have extrapolated our sales figures to begin trading in July. 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 and continue towards profit.

<b>Income</b>	
Sales	£199,591.67
Loan	£54,000
Module Sales	£5,000
<b>Total Income</b>	<b>£258,591.67</b>
<b>Outgoings</b>	
Cost of Sales	£72,000
IT Infrastructure	£2,400
Labour	£24,437.5
Marketing	£20,500
Rent	£11,388.42
Utilities	£1,200
Module Payments Out	£3,000
Loan Payback	£54,000
Interest from loan	£19,726.20
<b>Total Expenses</b>	<b>£192,152.12</b>
<b>Net Profit</b>	<b>£49,939.55</b>

This Profit and Loss shows that over 3 years we expect to make a healthy profit of £49,939.55 after paying off our loan. This profit and loss does not take into account the possibility of scaling out to other cities; in isolation, this is promising as we look to grow over our early years of trading.



### 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. The values are very similar and can be shown in the graph below:

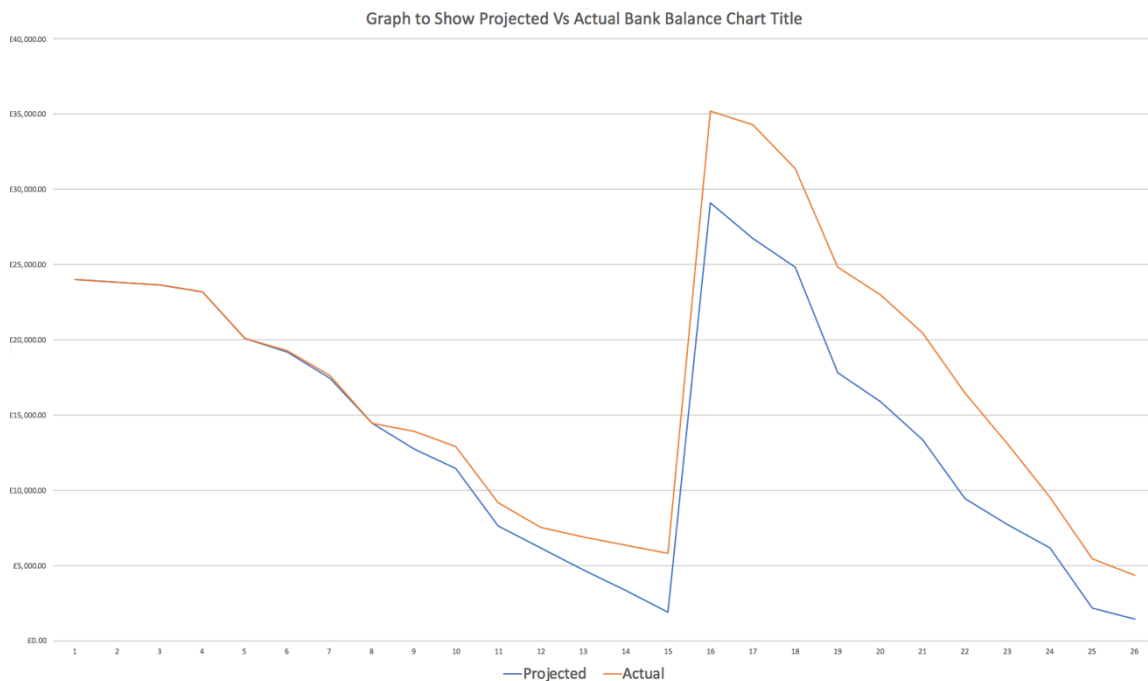


Figure 1 Graph Showing Projected Vs Actual Bank Balance

At of this project, we will have current bank balance of £4360.31, the projected account balance at this time was a total of £1,426.02. This shows a deficit of £2934.29 and a slight underspend of 5.43%. I am happy with this amount as it shows that we have been sensible in our projections and accurate in our bookkeeping. I believe the slight discrepancy can be accounted for by the fact that 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. This gives an extremely positive outlook and will give us a sensible buffer that will ensure we do not risk going bankrupt in early days of trading.



## 4.0 Conclusion

The bottom line of our product is that our investors will receive a profit of £19,726.20 over 3 years from their £54,000 investment. This works out at £6575.40 per year. Over a 3 year, this is a 12.18% return on investment each year. This is a sizeable profit; as well as this, the investors will be involved with a fast-moving company that will look to scale and grow in the future.

Unlock:York has shown it is capable of making a healthy profit and expect our investors will be happy with the return on investments; as well as this, we have shown options and scope for the future in scaling out to other cities. This is an exciting time for a company that has shown that even with one isolated product, we can make a healthy profit.