

Dealing With Business Bankers

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Business Plan

The Business Plan should explain:-

- The Opportunity - and the strategy to capture it
- The Resources - what we need to deliver it
- The Team - who will do it
- The potential Rewards - financials
- The Risks - investment required and uncertainty

Elements of a Business Plan

The Business Plan should contain:-

- An Executive Summary
- The industry, the company and its products/services
- Market research and Analysis
- Economics of the business
- Marketing plan
- Design and development plans
- Manufacturing and operations plan
- Management team
- Overall schedule
- Critical risks, problems and assumptions
- The financial plan (cash flow, profit and loss, etc)

What Type of Company?

Sole Trader

Advantages:-

- No need to register your company at companies house, saving time and money
- Less legislation and tax-related paperwork than for a limited company
- Owner's N.I. contribution levels are less than those for a Ltd Co. Director
- Owner is entitled to all profits made by the company e.g. total revenue – allowable expenses (regarded as personal income)
- Overall control of the business stays with the owner

Disadvantages:-

- Sole Trader has unlimited liability for the business debts (bank loans, creditors etc) If the business fails, personal assets/savings are at risk
- As the business grows, you will need to reinvest some of the profit, but you are taxed on it, as though you had taken it out of the business.
- You have to assess and pay income tax to the Inland Revenue at regular intervals.
- Levels of finance open to sole traders can be limited, leading to competitive disadvantage
- Limited Companies are viewed as more prestigious, sole traders sometimes viewed negatively by suppliers/customers

What type of Company

Partnership

Advantages:

- The structure can be flexible according to the deed of partnership
- Less legislation and tax related paperwork than for a Limited Co.
- Management responsibilities, risks and losses are shared
- Partners can bring a variety of different skills and experience to the business
- With more people, generally more capital can be raised

Disadvantages:-

- There is unlimited liability, each partner is personally responsible for the debt of the whole partnership. A partner's personal assets may be seized to pay off the debt
- An individual partner can make decisions without informing the other partners
- All partners can be responsible for any one partner's negligence. A partner can make a legally binding contract without informing the others!
- Disagreements can cause partnership problems
- The partnership **MUST** be dissolved if a partner resigns, dies or goes bankrupt, but remaining partners can constitute a new partnership

What type of Company

Limited Company

Advantages:-

- Owners' liability is limited to the initial cost of their shares
- Finance can be raised by selling shares in their company
- Employee's can own shares in the company
- The name of the company is protected
- With a legal identity that is separate to that of the owners, the company can continue to trade despite the death or resignation of an owner
- Suppliers and customers may perceive that limited companies have more credibility, which could lead to a competitive advantage

Disadvantages:-

- Public exposure of the accounts means that everyone knows how the company is performing
- Director's of Limited companies often have to give personal guarantees to banks for finance.

Opening A Business Account

Means of Identification:-

- Full Passport (U.K. or Japanese)
- Passport in previous name, supported by relevant documentation
- U.K./Foreign driving license (in English)
- EU member state identity card
- Introduction certificate (from another financial institution)
- Student ID card

Means of Verification:-

- Voters roll / CRA
- Utility Bill (less than 3 months old)
- Full U.K. or duplicate driving license (if not used for I.D.)
- Statements (less than 3 months old, issued by a recognised financial institution)
- Original local authority tax bill
- Letter on letterhead from Local Council
- Letter from Inland Revenue
- Household or motor insurance certificate
- Introduction certificate

Opening A Business Account

Sole Trader / Partnership:-

Letter headed paper, stating trading name, trading address and owner/s

Limited Company:-

Memorandum and Articles of Association, stating company name, number and share issue.
Generally obtained from Companies House, using a Formation Agent or Accountant

Methods Of Finance

Loans

Advantages:-

- Repayments are straightforward and so can be planned and budgeted for in your forecast
- You do not have to relinquish any control over the business
- A loan can cost you less in interest payments than an overdraft for the same period
- You may get tax relief on interest payments

Disadvantages:-

- Being locked into a rigid payment schedule may be a problem if your cash-flow is erratic
- You may need to put up security against the loan, such as a business or personal assets
- Banks are reluctant to lend money to new businesses with no track record
- If you wish to repay the loan early, there may be penalty clause

Methods Of Finance

Overdrafts

Advantages:-

- Flexible, you only pay interest on the money you use
- Usually quicker to arrange than a loan

Disadvantages:-

- The bank can call in a overdraft at anytime
- You may still have to provide security
- If borrowing to fund a long term purchase, an overdraft will usually cost more than a loan
- If you exceed your overdraft limit, you will pay high interest rates and penalty charges for returned cheques
- Overdrafts are reviewed regularly

Methods of Finance

Other Products and Services

- Commercial Mortgages: Any sum above £25,000, often cheaper than renting. Owner occupied, up to 80% loan to value.
- Asset Line: Lease purchase / Leasing Product, min £7,500, often most cost effective method of lending.
- Sales Financing/Factoring: Immediate payment of 80% upon issue of an invoice. Allows cash-flow to become more manageable (only available to certain industries).
- Barclays Merchant Services: Allows payment to be made using debit/credit cards.

Barclays Business Manager

Barclays has an answer for your business woes....

- **Intuit QuickBooks Pro or Sage Financial Management software**
- **Health & Safety and HR compliance** service (including a 24 – hour employment Legal help line)
- **Marketing Plan Pro** leading marketing planning software
- **Business Plan Pro** best selling business planning software
- Other add-ons to suit your business requirements

With Sage Line 50, £26.95 / month

With Intuit Quickbooks, £20.95 / month

Good General Banking Practise

- Know your Manager
- Keep within the financial limits agreed between you and your Bank manager
- Don't be an ostrich (be proactive, not reactive)
- Understand your business and the methods of finance available to you
- Don't expand too fast (common cause of business failure)
- Write a business plan every year
- Give your Bank Manager a set of your accounts (will speed up lending decisions)
- Get a good Accountant and Solicitor

A Good Business Needs:-



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Barclays Bank

Core Proposition

- A named Local Business Manager
- Locally based and allocated to your Business
- The flexibility to do your Banking How YOU want (online/by telephone)
- 1700 branches nationwide
- Extended Banking Support (out of hours or immediately if your manager is unavailable)
- Competitively priced Banking products
- Twice yearly reviews with your Business Manager
- Industry Fact Sheets
- Barclays Business Manager

International Premier Banking

- Premier Relationship Manager
 - Single point of contact
 - Represents your needs within Barclays
 - Saving you time
 - Making your money work for you

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International Banking

- Offshore Banking
- Tax Advantages
 - 40% greater interest after tax
 - Out of scope of UK inheritance tax
 - Refund income tax from days worked abroad
- Multicurrency Accounts

The Next Steps

- Individuals living in UK, but not from UK
- Income / funds of £100,000+ per year
- Email russell.hunter@barclays.com
- See Andre Toubkin or myself

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