

# DEL BOY OR TROTTERS INDEPENDENT TRADERS LTD?

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IDEAS | PEOPLE | TRUST



# ABOUT BDO UK MEMBER FIRM

## BDO UK

**8** Offices **250** Partners  
**7** **3,500** Staff

**1** for exceptional client service<sup>1</sup>

**95%** of our clients would recommend us<sup>2</sup> | **77%** already have<sup>2</sup>

1. Independent research (Mid Market Monitor 2012-2015) undertaken by Meridian West shows BDO has the highest client satisfaction rating among its peers

2. Client Listening Programme 2014/15

Nothing matters more to us than our clients. All our energy is centred on giving you exceptional service.

That's why we seek out and develop talented people with the imagination and initiative to make a difference for you. We've cut out needless bureaucracy, so they can serve you responsively and flexibly. And our partners stay hands-on, leading from the front so you get the full benefit of their experience.

We put the whole firm's capability seamlessly behind each client. Drawing on whatever disciplines are most relevant, we build teams of technically strong, commercially minded people empowered to think on their feet. Our systems work to support our people, not the other way around. That gives us more time to get to know you and your business so you receive relevant, intelligent advice that adds real value.

### Financial highlights

|                                | 2010    | 2011   | 2012   | 2013   | 2014   |
|--------------------------------|---------|--------|--------|--------|--------|
| National turnover <sup>1</sup> | £312.2m | £281m  | £283m  | £312m  | £384m  |
| Profit <sup>2</sup>            | £62.6m  | £62.2m | £51.1m | £46.4m | £76.8m |
| Total members' interests       | £66.3m  | £72.2m | £62m   | £69.6m | £92.8m |

Notes: 1 Including our Belfast firm which operates under licence.  
2 Profit before tax for the financial year.



# ABOUT BDO

BDO INTERNATIONAL

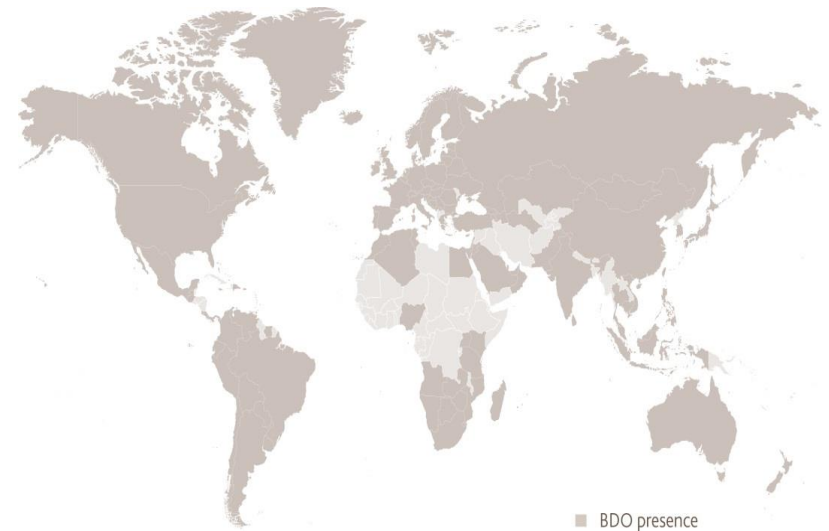
**US\$7.3 billion**  
2015 REVENUE

**154** Countries  
**1,400** Offices  
**64,500** Staff

## We would also like to highlight:

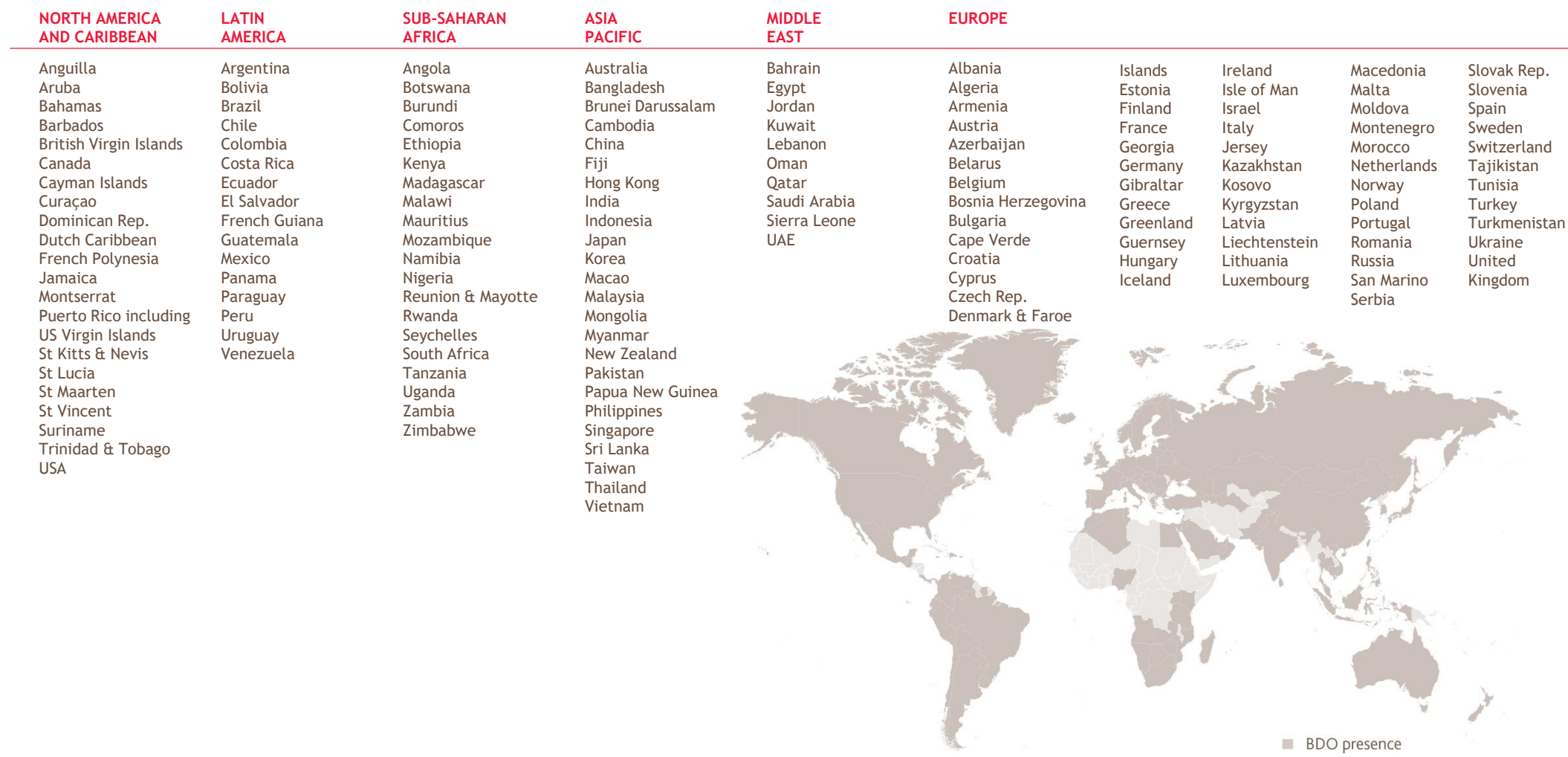
- ▶ As one of the world's largest accountancy networks, we offer the full range of service offerings you would expect of a firm of our calibre and quality
- ▶ We operate in areas that are important to you now and in areas where you will want to be in the future
- ▶ Ours is not an alliance of disparate independent firms, but a single network of member firms all bound by the same dedication to client service.

Our international figures include exclusive alliances of BDO Member Firms.



# ABOUT BDO

## International Footprint



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# INTRODUCTION

About me



We are going to....

1. Review the more common potential business structures and consider the pro's and con's of each structure;
2. Review the funding available to these organisations.

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## **DEL BOY OR TROTTER AND CO LTD?**

- **Sole Trader**
- **Partnership**
- **Limited Liability Partnership**
- **Private Limited Company**
- **Public Limited Company**

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## SOLETRADER

- Has the right to make all decisions affecting the business
- Owns all the assets of the business
- Responsible for paying income tax on profits of the business
- Responsible for debts and obligations of the business
- Easiest form of company to set up, own and operate
- No specific legal organisation
- Separate legal entity
- No reporting requirements
- **BUCK STOPS WITH YOU**



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# PARTNERSHIP

- Shares the decision making process
- Shares ownership of the assets
- Shares the profits in an agreed split
- Joint and several liability
- Partnership agreement is a key document
- Legal entity in it's own right
- No reporting requirements





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## LIMITED LIABILITY PARTNERSHIP

- **LLP Act 2000**
- **Offers limited liability to its members but is tax transparent and offers flexibility in terms of its internal organisation**
- **LLP separate legal entity from its members**
- **Members of LLP which are taxed and not the company**

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## PRIVATE LIMITED COMPANY

- Business run by the company itself
- Separate from directors and shareholders
- Decisions made by Directors and Shareholders as according to Memorandum and Articles
- Company responsible for Corporation Tax
- Responsible for debts and liabilities



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## **DIRECTORS RESPONSIBILITY**

- **Entering into contracts**
- **Day to day management**
- **Calling general meetings**
- **Taking legal proceedings in the company's name**
- **Approving transfers of shares**

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## SHAREHOLDERS RESPONSIBILITY

- Issuing new shares
- Entering into contracts with directors
- Exposure 'Limited' to share loss

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## **PUBLIC LIMITED COMPANY**

- **Plc at end of name**
- **Listed on stock exchange or USM (but don't have to) after 3 years**

## DIFFERENT STRUCTURES

|                             | Sole trader / partnership                                   | Limited company / Limited Liability partnership                       |
|-----------------------------|---|---|
| Administration              | Accounts to be maintained for HMRC but limited requirements | Prescribed by legislation, strict requirements - accounts made public |
| Liability                   | Unlimited   | Limited to what has been invested                                     |
| Reputation                  | Often seen as “Small”                                       | No guarantee but usually perceived as more reputable                  |
| Tax and extraction of funds | Straight forward (within reason)                            | Increased options and flexibility leading to planning opportunities   |

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## WHAT IS THE RIGHT VEHICLE?



- Have you ever considered why businesses have the structure they have?
- Consideration should be given to where they are now and where they want to be in the future.
- What would influence the decision on the structure?

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# *FUNDING ASPECTS OF YOUR BUSINESS EMPIRE*







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## REASON FOR FUNDING REQUIREMENT

- Start Up Capital
- Asset Purchase
- New Project Funding
- Working Capital
- Acquisition of Businesses or Companies
- Funding Exit Route

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## CONTENTS OF A BUSINESS PLAN

- History of existing business
- Funding required, structure and purpose
- Products, services and markets
- Marketing and sales strategy
- Competition
- Supplies and suppliers
- Management team
- SWOT analysis of project
- Profit and cash flow forecasts
- Key assumptions

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## DIFFERENT KINDS OF FINANCE

- Asset Finance
- Invoice Finance
- Bank Overdraft
- Term loans and mortgages
- Commercial mortgages
- Business Angel Equity
- Venture Capital
- Peer to Peer Platforms
- Grants

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## ASSET FINANCE

- Financial solution for businesses that need to purchase equipment without paying for it up front.
- Often fast and simple
- Only 'security' is the asset
- Less of an impact on cash flow
- Allows you to develop and grow your business
- Ability to spread the cost of investment, breaking these down into more manageable payments
- Potentially yield tax benefits

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## INVOICE FINANCE

- Allows organisations to raise finance based on outstanding invoices
- Invoice factoring and discounting
- Factoring-lender takes over the debt and collect debt on your behalf. Tends to be offered to smaller businesses
- Discounting- agreed % of debt given up front
- Good source of working capital
- Can advance up to 100% of unpaid invoices
- Helps support cash flow
- Can be costly

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## COMMERCIAL MORTGAGES

- Allow organisations to raise funds for a variety of purposes such as buying business premises, purchasing the whole of an established business or unlocking some of the capital tied up in the premises.
- It is a loan from a lender secured against a property which is not your main residence.
- Legal charge over the property
- Normally up to 80%-85% of loan to value
- Fees incurred include lender fee, valuation fee and legal fees

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# BUSINESS ANGELS

- Affluent and wealthy individuals who invest personal capital in start up companies in return for an equity stake.
- Most investors expect to see a return on their investment between 2 and 40 times their investment within 3-8 years.
- Often an active role in the business often sitting on the Board or acting as an advisor.

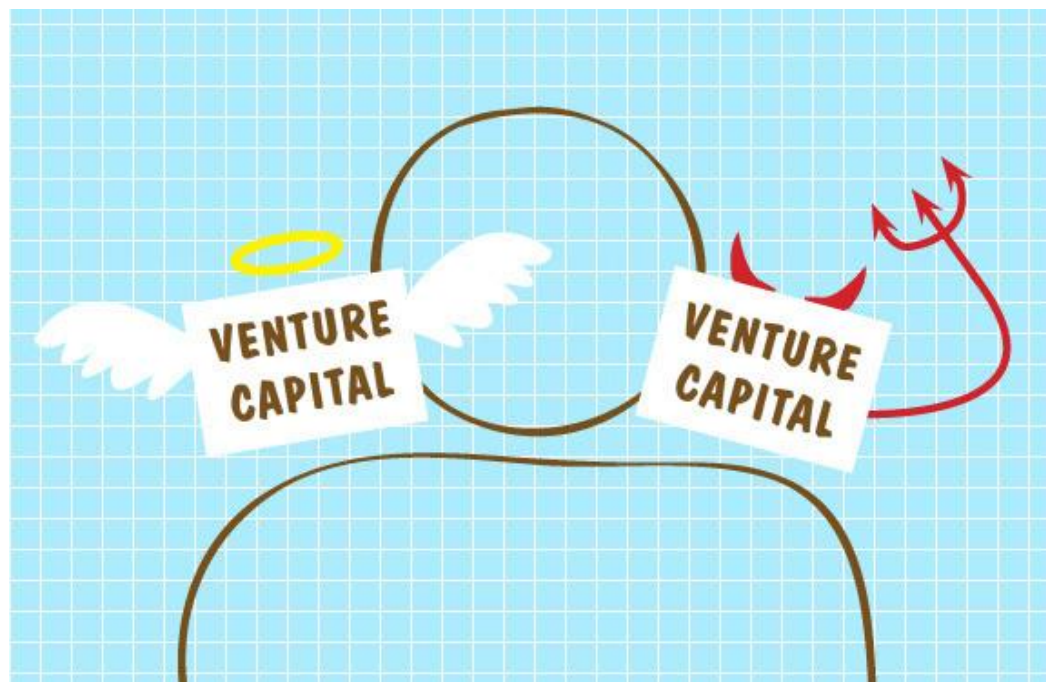




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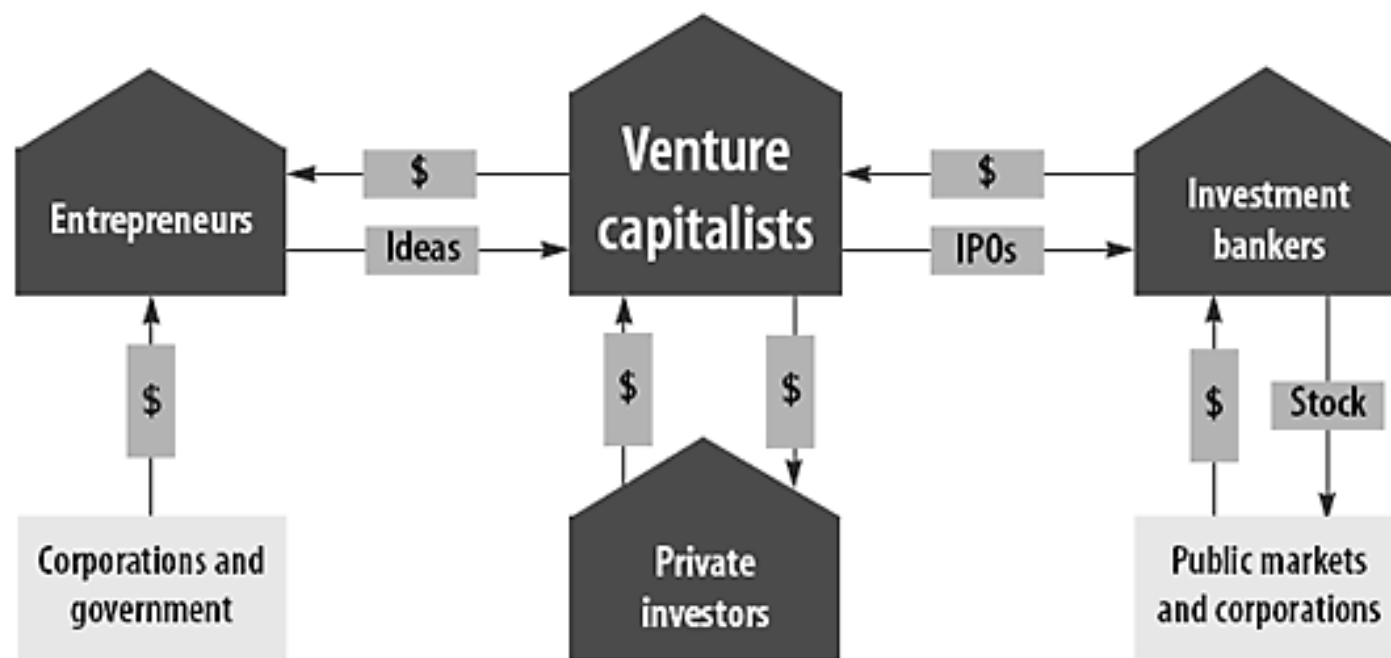
## VENTURE CAPITAL

- Money provided to seed early-stage, emerging and emerging growth companies.
- Investment in exchange for equity in companies invested in



## HOW THE VENTURE CAPITAL INDUSTRY WORKS

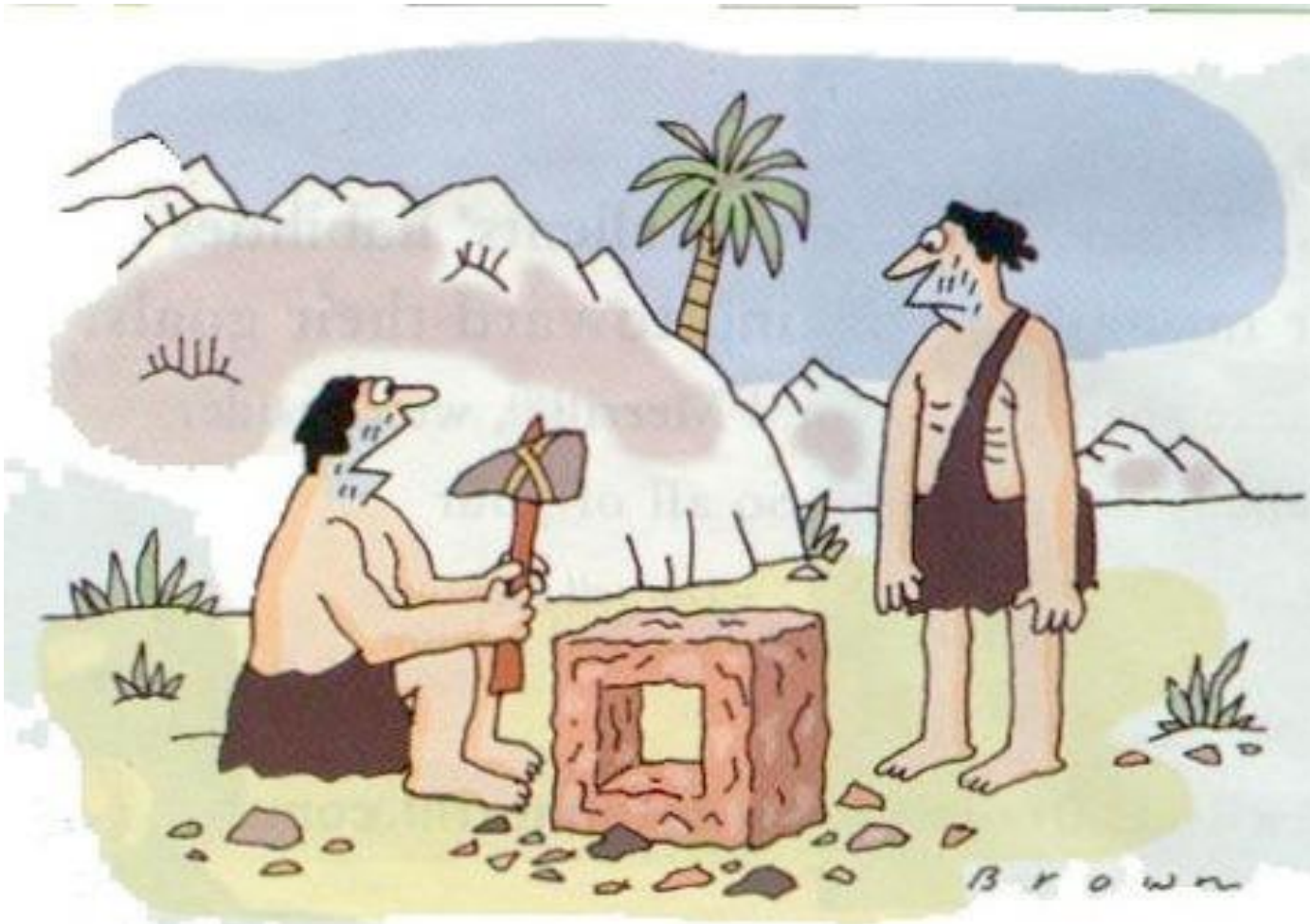
The venture capital industry has four main players: entrepreneurs who need funding, investors who want high returns, investment bankers who need companies to sell, and the venture capitalists who make money for themselves by making a market for the other three.





"I thought you said he was a 'venture' capitalist!"

Goddard Cartoon ©PharmaVentures; all rights reserved



***“I call my invention ‘The Wheel,’ but so far I’ve been unable to attract any venture capital.”***

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# CROWDFUNDING

- A mechanism that enables broad groups of investors to fund startup companies and small businesses in return for equity
- Debt crowdfunding allows groups of lenders to lend to individuals or businesses in return for interest payment on top of capital repayments- also known as peer to peer lending.
- Borrowers must demonstrate creditworthiness and the capability to repay the debt.

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## PEER-TO-PEER LENDING (OR P2P LENDING)

- Practice of lending money to individuals or businesses through online services that match lenders directly with borrowers.
- As the service is online P2P overheads are low and often cheaper than traditional financial institutions.
- Due to the above lenders often earn higher returns compared with banks
- Many are unsecured personal loans

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## WHAT IS A GRANT?

➤ A sum of money that is given to your business.

➤ Grants have often been called free money.

***BUT THEY ARE NOT.***

➤ There will be time and effort involved in applying for grants.

➤ There is no interest to be paid and funds are not usually returnable-so long as the terms of the grant are met.

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## WHO GIVES THEM?

- Business grants are awarded by central and local government, the European Union, and a number of other bodies.



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## AIMS OF A GRANT

- Grants are designed to help businesses.
- They don't come without strings and they can be difficult to get.
- They involve a lot of hard work, and an element of your own risk.
- The bottom line is that they can get a project off the ground and they don't need to be paid back.

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# WHAT FINANCIAL INFORMATION DO YOU THINK SHOULD BE KEPT?



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## WHY DO WE PREPARE ACCOUNTS?

- Illustration of how a business is performing
- summarise the financial position of a business and determine the assets and liabilities
- Provide management with up to date information to aid decision making
- To fulfil various legal requirements.

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# MANAGEMENT ACCOUNTS V STATUTORY ACCOUNTS

- ***Management accounts***
  - Flexible format
  - Aid management decision making
  
- ***Statutory accounts***
  - Mandatory- set format
  - Compliance with companies Act- Disclosures

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# STATUTORY ACCOUNTS

- Compliance with Companies Act
- Standard format
- Compliant with accounting standards- FRSSE/SSAP/FRS102
- Disclosure requirements

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# MANAGEMENT ACCOUNTS

- Developed by managers to manage assets and resources
- Internal information services
- Need to be user friendly and service needs of managers running the business
- No rules or regulations to follow

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# ANNUAL ACCOUNTS

- Don't make easy reading
- Don't show how well they are doing compared to others in their industry
- Don't identify strengths and weaknesses
- Don't calculate the scope for improvement
- Don't support decision making

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## POOR INFORMATION MEANS...

- Don't have finger on pulse
- Don't spot problems soon enough
- Miss opportunities
- Make bad decisions
- Less successful than they should be
- May even fail





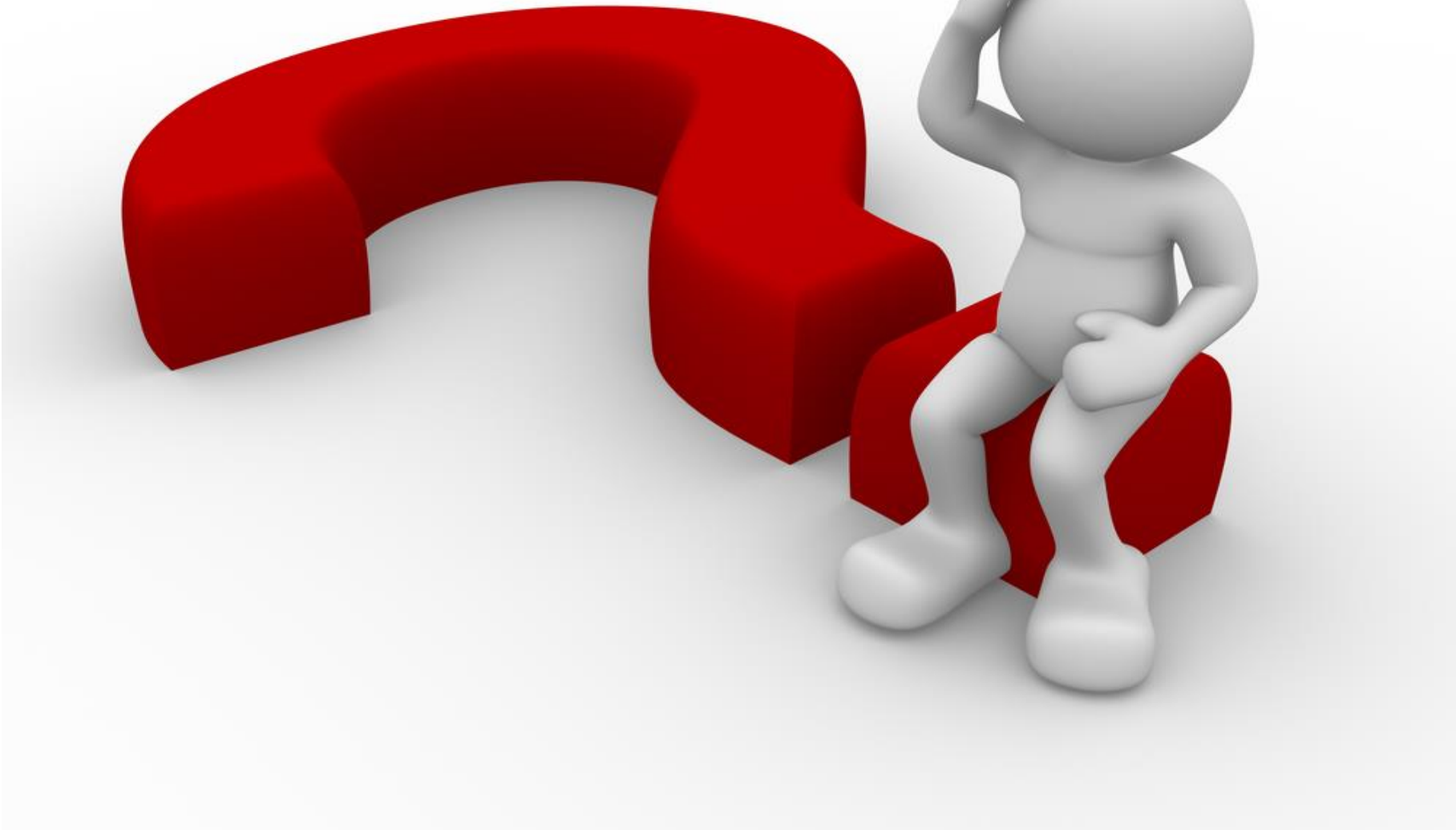


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