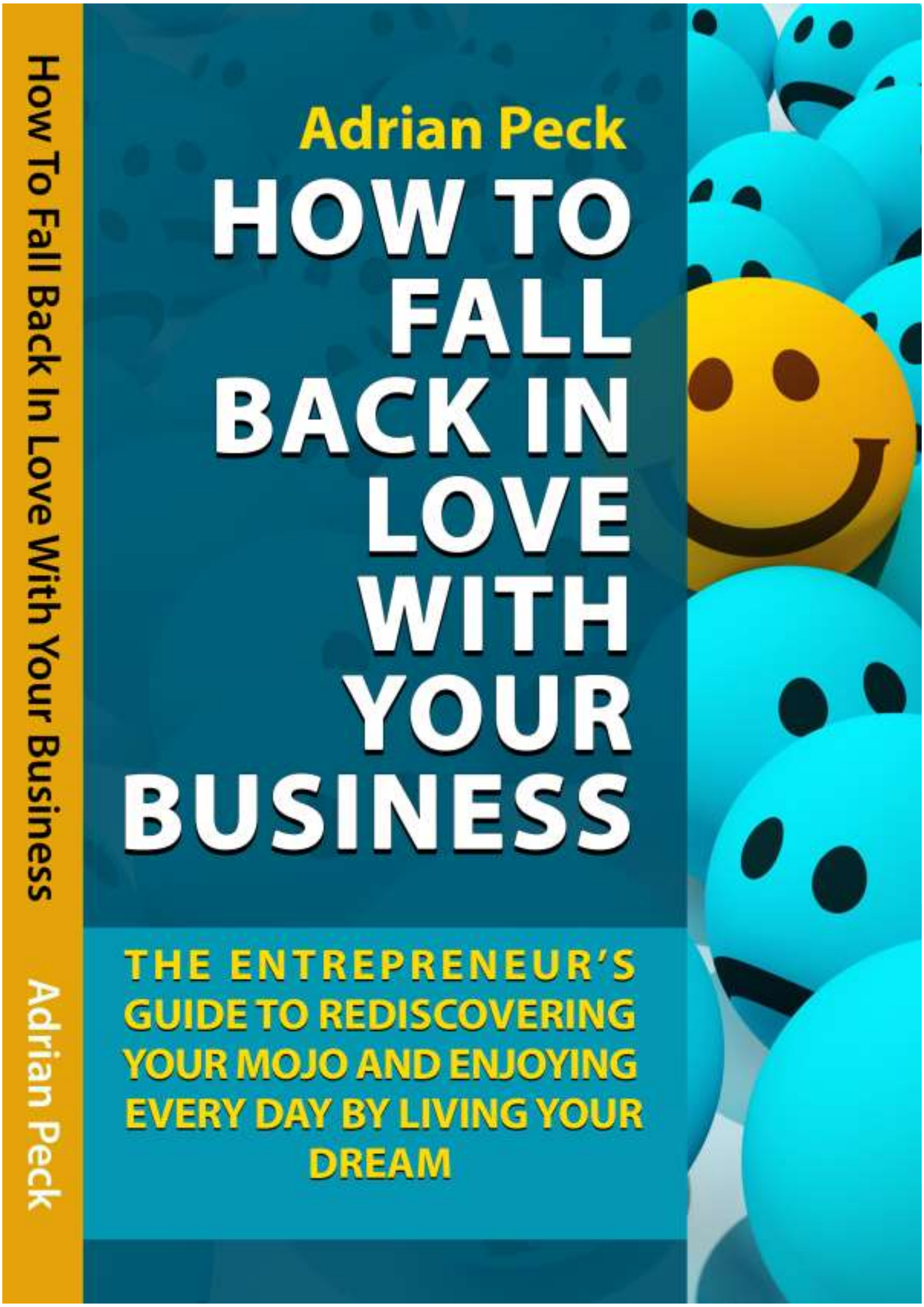
How To Fall Back In Love With Your Business
Adrian Peck
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HOW TO FALL BACK IN LOVE WITH YOUR BUSINESS
THE ENTREPRENEUR'S GUIDE TO REDISCOVERING YOUR MOJO AND ENJOYING EVERY DAY BY LIVING YOUR DREAM

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CASH

“Never take your eyes off the cash flow, it’s the life blood of business.” Sir Richard Branson

> “If we keep focused on increasing our sales revenue we’ll make more money…won’t we?”

Without a doubt this is the single biggest reason most entrepreneurs fall out of love with their business. They get sucked into the myth that big is beautiful and that big companies make more money. This couldn’t be any further from the truth. What ends up happening is that business owners work harder and harder, the business works harder and harder, and they increase their revenue. Six to nine months after year-end their accountant tells them their profits aren’t high enough to cover their dividends.

“The harder I work the less money I earn.”

The business owner feels quite dejected after working their butt off the previous year to have less money in their pocket.

But I understand how difficult it is for you to know what good looks like. The vast majority of businesses like yours only have to submit abbreviated accounts to Companies House and this creates an effect of ‘smoke and mirrors’ behind what's really going on with company finances. Their turnover and profits are hidden and without analysing their balance sheets it’s not easy to see what's going on in the business. It’s therefore difficult for you to benchmark your business and know if your results are better or worse. And with a bit of ego, bravado and the odd credit card or two, it’s easy for others to appear to be living the dream when you’re not.

This is made worse when companies like 'Plimsoll' send you a summary report about how you're faring in your industry. They'll tell you the net profits and the average turnover of companies in your sector. But how can they? If they get the information from Companies House these are predominately on abbreviated accounts and therefore you probably need to take these reports with a pinch of salt.

Because of my role with businesses I get to see many actual detailed accounts. At times it can be quite shocking how little some companies, and, in turn, the owners, earn each year. Some business owners would be better off getting a job and working on minimum wage, especially given the stress and hours they work. But they plough on believing it will all come good if they carry on doing what they've always done. Come on, that's not the lifestyle you really wanted when you started on this journey. What's our number one principle? The journey is more important than the destination.

Where does it go wrong for you?

There's a high chance that you're technically very sound at what you do. You'll have a deep passion for the stuff your business does for your customers. Very rarely will those talents extend to a deep understanding and ability to manage the finances of a £1m-plus company. It's not your expertise or passion. What you need is the support of a financial director but taking on that cost is not viable.

What can you do?

You need to get focused on the numbers.

Predominantly, profitable businesses fail because they run out of cash. This is notorious in high growth businesses; they grow and grow but lose sight of generating cash.

Remember the urban business saying:

“Turnover is vanity, profit is sanity and cash is reality” This isn’t quite true. Why? Because business owners wrongly believe this means the business bank account and they run the business based on what’s in the bank.

And that brings us on to How To Fall Back In Love With Your Business, principle four:

Your primary goal must focus on generating real cash.

And real cash comes from cashflow.

Your biggest challenge, and the greatest challenge for most businesses, is managing cashflow; struggling month to month balancing the money in and out of their bank account. This is particularly difficult for companies that are achieving high growth. You must invest to grow. The business needs to buy something before they get paid. Invariably you’ll buy materials, parts or labour upfront. If you’re working with corporate customers you might be on 60, 90 or 120 day payment terms. If you’re buying stock, you’re most likely paying for it before you’ve sold it and getting paid by your customers.

Here's a real life example.

I worked on a business growth project with an engineering business which supplied specialist services to high-end manufacturing plants. I worked with the client to win a £1m-plus contract to fit out a new factory with a six to eight month completion target. At first he was unbelievably excited about how this project was going to enable his business to grow and make him a good margin. "It's going to enable us to have a smashing year, Adrian."

That was until I gave him a sense of reality.

During the scoping stage of the project, I looked at how the payment process was going to work, and it worked out you got paid 60 days after sign-off at various phases during construction.

"Paul, how quickly do you think you'll be able to complete each one of these phases", I asked.

"Probably every six to eight weeks" came the reply.

"Okay, in that case you're going to need about £480,000 to fund this project" I stated.

"What do you mean?"

"To run this project you'll need about £480,000 of cash to fund your work in progress, before you get paid you will need to spend £480,000 to buy materials and pay your guys."

As you can imagine, the colour drained from his face and his jaw dropped to the floor. After a few expletives aimed at me, he calmed and replied, "Okay, explain how you've worked that out."

I drew Paul a timeline showing the 26 weeks of the £1m project. "Your normal labour to materials rate is about 66% labour and 34% materials. Therefore during the project you'll burn £25,000 a week in labour. Between each sign-off phase, roughly seven weeks, you'll spend £175,000 on labour plus the eight weeks you'll have to wait to get paid, which is another £200,000. In total £375,000 for labour (his guys were paid weekly.). We need to add material costs. This is roughly £13,000 per week. We can probably negotiate 60 day terms, but it will still mean you won't get paid for around eight weeks after you've paid your suppliers. So we need to add £13,000 times 8 = £104,000. In total, you'll need around £480,000. Yes these figures at your charge out rate, not your cost, but that will give us a bit of 'fat' for any slippage in time or costs, or delays in payments. This also needs to be on top of your normal working cash flow."

"Holy shit" exclaimed Paul.

From this example you can see how easy it is to get into deep financial problems when you win these large projects. It's no wonder why so many small contractors go bankrupt. It would have been very easy to brush over the financial burden of this project and wonder why the business went bankrupt. The profit margin was good for the project, but as I've already stated, it's not uncommon to find profitable companies going pop.

Fortunately, Paul had a very good relationship with this customer, and his customer really wanted his company to do the job. We prepared a cash flow statement for the project which Paul presented to them. They agreed to pre-pay for materials and shorter four-week project sign-off phases paid within 30 days, so we managed to negotiate the required funding from £480,000 down to around £200,000.

Your primary goal must focus on generating real cash.

To fall back in love with your business you're going to need to get close to your numbers. The good news is I've got a proven approach which will enable you to make and get control of your cash.

There are four critical elements to making cash and I call them CASH:

1. C = Costs
2. A = Assets
3. S = Sales
4. H = HMRC

I'll go through each one of these in turn and give you practical advice and a process for managing them. I'll try to keep it as simple as possible and I'll apologise now to any accountants who may disagree with some of my terminologies, but I'm sure they'll agree with the approach. I'll also apologise if at times I'm teaching you 'how to suck eggs' as I explain some of the accounting terms and principles. In my experience, I've found wide differences in accounting knowledge with business owners and I think it's better to ensure there is the base understanding. You can always speed-read these bits.

If you go to www.betterneverstops.global/tools you'll find a working template to assist you with this chapter.

Costs

We'll start first with COSTS. Within my model there are two elements to costs:

1. Cost of Goods Sold (COGS) or Cost of Sales (COS), they both mean the same thing. These are all costs directly associated with your sales revenue. For example the products or materials you purchase which you resell to your customers.
2. Overheads or expenses, again both mean the same thing. These are the costs you incur to run your business but which cannot be directly attributed to a single customer. Costs such as heating, light, marketing, electric, phones etc.

There's another way of thinking about the difference between the two above.

Cost of Goods Sold – Costs in your business which are directly attributed to each customer invoice. These costs would rise and fall with each customer transaction.

Overheads – each month, expenses your business incur even if it didn't raise a single customer invoice. These costs are in your business whether you have customers or not. These are sometimes referred to as your fixed costs.

The only exception to the above is employment costs. These should ideally be split out to show:

- Labour costs that are directly attributed to Cost of Goods Sold, for example, your factory workers or installers or engineers. Their time and costs can easily be attributed to a single sales invoice.
- Office or administration or directors should be shown under Overheads. These employment costs are absorbed into running the business.

But in my experience these are rarely shown this way, most accounts present all employment costs under Overheads. This has the effect of distorting your Gross Profit result:

> Sales Revenue minus COGS (parts, materials, shipping, commissions) = Gross Profit.

This isn't a disaster but as your business grows you'll want to see your overheads remain relatively fixed as sales revenue increases, and thus you make more overall or net profit:

> Sales Revenue minus COGS minus Overheads = Net Profit.

This becomes difficult to see if your direct labour costs are lumped into your overheads.

Managing Overheads

Our first action under Costs is to focus in on your Overhead costs. This is where you'll get more 'bangs for your bucks.' Some business owners focus on generating more revenue or increasing profits and ignore overhead costs. Here's a very good reason why we start with managing overhead cost.

> If you make 50% gross profit per sale, £1 saved on overheads is worth a £2 increase in sales revenue. If you make 33% gross profit, £1 saved is worth £3 in sales revenue.

Let me explain how this works:

Let's say you saved £50,000 in overhead costs and you make 50% gross profit; one, that's an instant £50,000 of net profit you'll make and two, you would need an extra £100,000 in revenue to get the same result by increasing sales.

If you make 33% gross profit it's worth an extra £150,000 increase in sales.

Overnight I'm not sure there's many businesses that can make that change to their sales revenues.

Overheads Review

When was the last time you or someone in your team went through all your overhead expenses line by line? If you don't already, you need to create an annual budget to manage and track these costs on a monthly basis. Again you'll find a template in our tools sections on our website; www.BetterNeverStops.Global/Tools and look for CASH Review.

Step 1: Get a live expense report from your accounts system. This should be a list of all your costs for the last twelve months.

Step 2: Go to the Overhead Budget Tab in the CASH Review Template

Step 3: For each cost item in your accounts report enter the item name and the current annual cost. The sheet will automatically divide and put this into a monthly cost. Once all the costs are itemised here's your challenge: in the row 'Totals' you'll see your annual overhead costs. How much can you save? Set yourself a goal.

Step 4: Work with your team to find ways to reduce each overhead cost and under the 'Reviewed' column mark as:

Same – it will stay the same over the next year

Lower – you've managed to reduce the cost for the year

Higher – during the year you're going to see an increase

Step 5: Put the revised cost into column 'New Year Cost', again this will automatically be broken into a monthly cost.

Step 6: This information is now saved in the Monthly Budget sheet and each month you can review your overhead costs against your budget. Here you'll be able to track variances from the budget and investigate why.

Increasing Gross Profit

The next step under COSTS is to look at your Cost of Goods Sold. In the same way you reviewed your Overheads, you need to look at the costs you incur while making or delivering your services for your customers. When was the last time you negotiated terms with your suppliers? This will vary greatly from industry to industry but within our CASH Review template you'll see a tracker to manage COGS. Here's a few things you need to think about in this section:

- Speak to your main suppliers about creating stronger partnerships.
  - Negotiate with them to improve terms for price and payments. If you pay faster will they give you extra discounts? If you can't reduce prices, can you get other benefits, like free or reduced-rate shipping?
  - By working together are there ways you can take cost and time out of the process?
  - If you know your expected volumes over a period of time, can you bulk purchase products to reduce cost?

- Are there opportunities to improve products or services offered to create lower cost and premium products?
- If the service you receive from the supplier is not the best, can you work together to improve it, or find another supplier?

- Review your production process. Could you use less expensive materials without reducing the quality of your overall product?
- Can you reduce waste in your manufacturing and in the supply process?
- Can you join forces with others in your industry or your customers, to form buying groups to reduce costs?

Using the template update the budget to track and manage Gross Profit.

Assets

We now move onto your Assets and under this section there are four key areas we're going to look at:

1. Stock
2. Work In Progress
3. Creditors – people you owe money to
4. Debtors – people who owe you money

These four items sit on your balance sheet and from my experience these are seldom looked at by business owners. If you keep on top of these through good housekeeping, there's some 'real gold hidden in here' in terms of unrequired stress and extra cash.

1. Stock - when was the last time you reviewed your stock levels?
    - Are you carrying redundant stock? Have a full stock review to find old stock items or very slow movers. These items have been paid for and by selling these off you'll generate cash into your bank. It may be you'll need to just dispose of non-sellable items or receive scrap money for them. If nothing else just think of the space you'll create.
    - Are you carrying too much stock and in turn have cash tied up in your stock? Another way to improve your cash flow is to carry less stock. There is sometimes a careful balance between getting good terms with your suppliers and buying in bulk. But commit to reviewing how quickly you turn over your stock. Toyota famously uses the 'Just In Time' principle (JIT), this is where suppliers ship small batches of products just as they need

them thus reducing stock and increasing cash flow. How could you use this in your business?

2. Work In Progress – this refers to the time it takes you to turn sales orders into sales invoices, which ties cash up in the form of stock and labour because you'll most likely pay for these before getting paid. This is only really applicable to companies whose Sales Order to Sales Invoice time is over 30 days. We'll cover this in more depth in the next chapter, Efficiency, when we look at reducing process complexity and increasing speed. Here we'll just focus on the need to speed up the Work In Progress time to get you paid faster.

When working with an Electrical Contracting company, I sat with the owner and the accounts team reviewing their CASH. We discovered they only invoiced every couple of weeks, and worst still, if someone was on holiday it could go down to once a month. When I asked the accounts team why they invoiced this way, they replied "Because we've always done it this way."

Not surprisingly this was easy to resolve and we very quickly fixed it. But my message here for you is: don't be afraid to ask the simple questions, assume nothing.

What stops you getting paid when you take a sales order?

Are there simple ways you can increase the speed of delivery to get products invoiced quickly? Who's responsible for invoicing and are they getting orders invoiced without delay?

Could you take deposits or staged payments? A similar approach is to reduce the size of projects or break them into smaller steps.

3. Creditors – these are your suppliers to whom you owe money. Hard nosed finance managers would have you pushing terms as far as possible. Aggressive large corporate companies force their suppliers to accept 120 day or more payment terms. But given half a chance, their suppliers would stop working with them. In small business land, I'm a firm believer in working in partnership with suppliers for the good of everyone, a "do as you would be done by" approach.

   Decrease the number of key suppliers so you can work closer with them. Have review meetings with them to discuss:

   - Improving discounts and payment terms
   - Reviewing working process to reduce complexity and waste
   - Investigating ways to reduce material storage and transportation costs
   - Looking at opportunities to share product development and improvements
   - Can you combine forces to increase buying power?

4. Debtors, these are the customers who you provide credit to. This is often a difficult or sensitive subject as most businesses I work with are in very competitive environments. There's often a feeling that you must be super cautious around customers when discussing getting paid. "We'll just use

someone else" is a classic bully tactic used by customers. But don't get sucked into this trap.

Customers who don't pay you are poor customers, period.

If customers want extended payment terms build it into the price, but they want 'cheap', you should also get quick. It's not until you sit and analyse customers that you realise the time taken in administration can far outweigh the profit you make on that customer.

Using your accounting software and by working with your accounts/admin team, put together a list of customers and their average payment times.

Who is always a difficult payer?

- Try to have a meeting with them to discuss how you can work together to improve processes, reduce costs and resolve issues with payments
- For notorious poor payers increase their prices to balance the time and extra resource it takes to get paid. They'll either pay it or go somewhere else, both results are good.
- Put all customers onto direct debit payments. If they have payment terms, i.e. 30 days from the invoice date, the money is directly debited from their accounts in 30 days. In effect, this saves them time in scheduling payments via their banks. This sounds slightly scary at first but it's standard practice with many large companies like utilities and mobile phones. Many direct debit providers like GoCardless and EasyCollect handle the compliance and process relativity cheaply and hassle-free. If a customer doesn't want to go on Direct Debit they are basically saying "we don't want to pay you on time", so reduce their terms. Remember, customers who don't pay you are poor customers and you don't want them.

Sales

Let's look now at our fourth CASH step, Sales. There are four (and only four) elements that drive sales:

1. The number of Leads, that is, the volume and quality of people who raise their hand to say "I'm interested in buying your product".
2. Sales Conversion, the number of Leads you turn into orders.
3. The Sales Order value, the price you charge and any add-ons you generate.
4. Repeat sales, the number of times you sell to that customer.

We'll cover the strategies for these in much more depth in our chapter Scale, but they fit here because they'll be some simple and quick wins which can have an immediate effect on CASH in your business.

These Sales steps will be really powerful if you implement more than one because they have a multiplying effect on your revenue. Let me explain:

Current			**Increase each element by 10%**	
Leads		100		110
Sales Conversion	@ 50%	50	@ 55%	60
Order Value	@ £1,000	£50,000	@ £1,100	£66,550
Repeat Orders	@ 10	£500,000	@ 11	£732.050
Total		**£550,000**		**£798,600**

Increase = £248,600. The increase isn't 10%, it's a 45% increase.

Yes this example is simplistic and you may feel it's unrealistic but I can assure you it works. I've used and implemented these principles in many businesses and, when brought together, the results each time have been outstanding. You can see how if you make little tweaks in your sales they multiply the outcome through the process. It might be you can't get 10% on each element, you might be able to increase leads by

5% and something else by 7% but the multiply effect still happens, just at a different rate.

How can you increase each element?

Leads

Talk to you team about your current marketing efforts:

- How many leads is the business currently generating per day/week/month?
- How are the leads currently coming into your business?
- Which lead generation strategies are having the best results?
- Can you increase the amount of activity or spend in this area to generate more?
- Is the quality of the leads good, i.e. are these the right target market for you?
- If not, why not and how can you 'fish' in the right pond to attract the right leads?

Sales Conversions

How do you measure sales conversion?

Let's get something cleared up as this tends to tie many businesses up in knots.

There are many ways to calculate sales conversion rates. Here is the simplest, most effective and accurate.

1. Agree with your sales team how long the typical sales process is, i.e. from when a customer first makes contact to when they buy. This is important as I've seen Leads carried over for months and months without being closed off. These are never going to convert so they should be closed as lost and not left as 'pending' or 'open'.
2. Leads should only have three categorises; New, Won and Lost.

3. When a Lead is Won or Lost you mark it appropriately recording the date and if Lost, the reason why.
4. When a Lead reaches the end of the agreed sales process time period they are closed as Lost, the closed date and the reason recorded against them.
5. Each month you measure the number of Leads Won & Lost based on the date the Lead was closed (Won or Lost); divide the number of Won against the Total Leads Won and Lost for the closed Leads that month and here's your conversion rate. Won 10, Lost 5, Total = 15, 10 divided by 15 (x100) = 66.7%

If your typical sales process takes more than one month, you'll have a rolling conversion rate. This might take a bit of a hit as you close old Leads but it will soon resemble something more accurate.

Don't get bamboozled into:

- Worrying about when the Lead was generated, with a constant flow of Leads it actually doesn't matter.
- Having a 'pending' status. The sales period is the sales period and it's either Won or Lost. For any Lost that later convert (which are normally quite rare) reopen the Lead and change the outcome and date.

Trust this approach, I have implemented this across many clients and it is the only way to remove 'sales wish lists'; these are lists of Leads hoarded in a false belief that at some point they will convert. They don't, so get focused on true sales conversion.

We’ve got that tidied up and you’ve now got a reasonable handle on your sales conversion rate.

- What are the reasons why these Leads don’t convert?
- Hand on heart, are your leads followed up in a timely and systemised way?
- If not, when did you last review the sales process to increase the quality and frequency of sales follow-ups? **The fortune is in the follow-up.** Many companies stop following up way too quickly because we’re too nice. “We don’t want to be a pain”. Here’s a simple trick: get permission to recontact at each contact stage process stage by asking the Lead “When would be a good time to contact you again?” When you recontact you can begin with “Hi John, I’m just calling you as promised three days ago…”
- Are you using good quality sales materials within your sales process, i.e. do you have a nice brochure or quote pack which presents your products and services and explains the benefits of what you do?

Sales Revenue

- When was the last time you reviewed your prices? Over the last few years your costs will have risen quite considerably and without realising it this will have had a dramatic effect on profits. Now I know what you’re thinking, the very thought of increasing your prices is making your toes curl: “my customers will never agree to that.” There are four certainties in life: death, taxes, change and customers moaning about prices. We conduct numerous customer research and satisfaction surveys, customers will score you 10 out of 10 for services, quality of product etc etc, but when asked what you could improve, most reply price. Don’t be put off by this. In my experience most don’t even notice a 10-15% rise. In most cases you haven't even got to tell them unless you're on agreed price lists or contract. In some industries they have an ongoing annual, six monthly or quarterly price increase.

- Enforce your terms of trade. I've come across many clients who have trading terms but don't enforce them, i.e. "the price is based on a minimum order quantity of 500, if an order is less we reserve the right to increase unit cost to x". Many are reluctant to use it but when they have customers haven't stopped using them. In some cases they've increased the quantities of orders, "Oh, I didn't realise, can we increase order to x."
- Speak to your team about how you could add more value to your products without adding more cost.
    - Ask your customers "how else could we help you today?"
    - What other products could you add to an order to enhance the sale?

Repeat Sales

- How many times do your current customers come back to you?
- What types of customers are most likely to come back over a period?
- Within your lead generation how can you increase the number of these types of customers?
- Are there any ways you could increase the frequency of purchase, by adding other products or by adding a loyalty scheme?

HMRC

Our last CASH step is HMRC, yes, our friends at HM Revenue and Customs. There are five key elements to this step:

1. Corporation Tax, making sure the business is claiming all the allowances it's entitled to.
2. VAT, keeping good records and putting aside money each month to pay the VAT liability.
3. PAYE, making sure you're claiming all the benefit in kind allowances.
4. Personal Tax, making sure your relationship with the business is tax efficient.
5. Grants, central and local government schemes to help growing businesses.

We'll go through each one of these in turn, but I want to make it clear that I'm not a tax expert. Any 'tax benefits' I suggest below need to be discussed with your accountant because they aren't necessarily right for all business owners and allowances and benefits can change. The items I'm going to discuss below need to act like a discussion list for you.

If you make a profit you're going to pay tax, remember the four certainties in life; Death, Tax, Change and Prices. I'm afraid it's going to happen. But remember my job here is to enable you to fall back in love with your business. Two of your major frustrations will involve managing cash flow and how much you earn, both of which we're going to tackle here.

Corporation Tax

There are two key elements to managing your Corporation Tax:

1. Allowances – Making sure the business is claiming all the allowances it's entitled to.
2. Liability – Putting aside monies to pay your corporation tax liability so that when needed it's already in a bank account.

1. Allowances

At the time of writing UK corporation tax is set at 19%, therefore you'll pay 19% of your net profits to HMRC (for every £100 of net profit you'll pay £19). But there are legal and approved schemes to lower your profits and therefore reduce your corporation tax payment. Rarely do I find companies making best use of these schemes which can be significantly advantageous.

   a. Research and Development Tax Credits (R&D Tax Credits)

      If your company invests time, resource and expenses to improving systems, working methods or the development of products/services, you can claim these development costs at an enhanced rate, currently 230%. In very simple terms this is how it works, but you'll need to work with a R&D Tax specialist to implement.

      - You get your R&D project approved by HMRC.
      - You track your time and expenses spent on the project(s).
      - At year end, all these are totalled up and deducted from your net profits @ 230%. i.e. if you've spent £10,000 on R&D approved projects, you can reduce your corporation tax liability by a further £13,000 (£10,000 will have already been in your costs).
      - As I understand it, R&D can be claimed back for up to 3 years and can also be rolled forward towards future profits.

   b. Relevant Life Insurance

      Do you pay for your life insurance personally, i.e. out of your own bank account?

If yes, you need to consider a Relevant Life Insurance policy. The cover and cost work pretty much the same as your current personal life policy. The difference is that the company pays for the cover rather than you. In effect when you pay your life insurance, you've already paid tax and National Insurance on the money. With Relevant Life, it's a cost to the business and therefore reduces the net profit. And here's the great news, there's no Benefit-In-Kind to you, i.e. you don't pay tax or National Insurance as a taxable benefit. Another nice part to it, this can be extended to other key members of your team or even the whole team. I've got clients who have rolled this out to everyone within a pay rise or as a bonus. You'll need to speak to your Financial Adviser or search 'Relevant Life' for more information.

c. Company Pension Schemes For Directors

As a company director you can extract profits from your business into tax efficient pension schemes. These are a great way to reduce company profits as pension payments are a cost to the business and if they are paid right, can qualify for personal income tax relief.

There are also certain pension schemes that allow you to use part of your funds to invest in company assets via loans.

Again, this is not my field of expertise, but I want to get this on your radar and for you to seek specialist advice from a Financial Advisor.

2. Liability – Putting aside monies to pay your corporation tax liability.

If you're making a profit you're going to pay tax. As your business grows these payments and liabilities have a habit of creeping up on you. They create a heap of added, unwanted stress and pressure on you, and your cashflow.

Most businesses leave paying the corporation tax to as late as possible to avoid the fine.

Without trying to sound like your mum, you knew about this liability long before it was due, so it is avoidable.

Here's what I advise all my clients to do and it's pretty simple:

1. At the beginning of each year work out how much you're likely to pay in Corporation Tax. You could just use the previous year to start with. Or you can work with your accountant to fine tune it. Put this into your monthly cashflow budget (we'll be going through an example at the end of this chapter).
2. Each month either put the money aside into a separate business account or pay to HMRC. Any prepayments you make, the HMRC will pay you interest on. The intention is that by the time you need to pay your Corporation Tax bill, you've got all or most of the funds in a separate account or already deposited with the HMRC. Work on a plan so that each month you'll know roughly how much it's likely to be and take the amount from your day-to-day bank account. It's very likely with the HMRC's Making Tax Digital programme that the timeframes and the process for paying Corporation Tax will change significantly and the money will be directly taken from your account in the same way as VAT.

VAT

Which brings us nicely onto VAT. This step is very simple:

1. Make sure you keep good records and they are up to date.

2. At the end of each month, work out your VAT in and VAT out, the difference between the two becomes your VAT liability. All accounting software will allow you to run a report to show this. Move this amount to another account ready for when your payment is due. No nasty surprises or scabbing around trying to balance your cashflow.

Employees

Like corporation tax there are various allowances you can claim for staff without paying Benefit-In-Kind. Again these change from time to time but currently here's some ideas:

- Salary sacrifice schemes
- Cycle to work scheme
- Child care
- Work wear
- Employee suggestion schemes
- Tax free loans
- Functions & parties – £150 per head
- Professional Membership Fees

Your Personal Tax

Although the UK Government seems to be hell bent on removing benefits for business owners, there are still ways to minimise your tax and National Insurance payments. The most beneficial structure still appears to be a company director taking a small salary and dividends. You can claim the same benefits as above and there also other tax efficient allowances you can claim:

- £300 per year in ‘Trival’ Benefits
- School Fees
- Home Office
- Business Mileage

All of the above are just suggestions of benefits you may get, for up to date information speak to your accountant and/or a tax advisor.

Grants

The final part under HMRC is Grants. This could be a chapter in its own right, but the challenge is that as fast as I could write it, it would be out of date.

But what I do is share my experience of using Grants in your business and some hows to get started.

First of all, why would you want them?

How would you like some free money? “But it’s never free, Adrian.” In this case it is.

The Government has a policy to re-invest in the UK economy. In a very simplistic way, if it helps businesses to grow, develop new products and create wealth and employment; it creates more HMRC income via taxes and increases Gross Domestic Product, hence the Government’s motivation.

There are many grant schemes mostly delivered at regional or county level. I’ve seen grants as high as 50% but typically, they are normally around 20-25%. And typically they are capped at £25k, £100k or £500k in terms of full project cost. One of my clients had a significant extension to his building and claimed back around £30,000.

What’s The Catch?

There isn't one really. Obviously you have to spend the money, and whatever you do, don't spend anything until it's approved. Some are only provided on a 'new employee' per grant amount basis. There are some caveats and restrictions but the principle is the same and worth investigating to help your business expansion.

My only words of warning…

Some of the grant applications can be time consuming. From experience, if your grant isn't for more than £5,000, sometimes the time you'll invest in the application process will outweigh any benefit. Also, the speed in which the grants can be awarded aren't always fast enough.

To find out more about grants in your area search for 'business grants in <your county>'. This should find your Local Enterprise Partnership (LEP) provider. They are normally helpful and will provide free telephone or face-to-face grant advice.

CASH Summary

In this chapter we've focused on how you can fall back in love with your business by getting close to your numbers. This is based on our fourth principle;

Your primary goal must focus on generating real cash.

Real cash comes from cashflow and through the chapter I've detailed my CASH model I use with my clients. By using this model and the tools you can significantly improve the cash position of your business by:

- Getting better control of your COSTS
- Using your ASSETS smarter

- Finding quick wins to generate more SALES
- Working within the rules of HMRC to claim and manage tax liabilities

Your action now is to apply this model to your business using the knowledge above and the tools provided on our website, www.betterneverstops.global/tools.

Trust me, if you focus on the above and manage your cashflow, you will significantly reduce the monthly ‘have we got enough money in the bank’ stress. The business will be easier to run and you’ll increase your personal wealth.

But, it will take time and patience to slowly build your reserves and put your business into a strong cash position.

If you need any further help, work with your accountant to get the support you need and build a close relationship with them. Good accountants love getting into this level of detail, it’s what they thrive on and how they add proper value. My own accountant, Jason, is a great guy and I’ve referred him into many of my clients because he loves this type of work.

If this is not your accountant, or you feel you couldn’t have this type of relationship with them, don’t be afraid to change accountants, maybe you’ve outgrown them. There’s not a shortage of good accountants and a change will do you good.

Also you need to find yourself a good, trusted Financial Advisor. The good ones are worth their salt, and working with your accountant will show you a proven path to working your profits tax efficiently and to build your wealth.

Making It Happen

Wow, we've been on quite a journey together and hopefully I've earnt enough respect from you that you won't mind me being quite blunt and direct with you.

The reason we've got all the way through this book together is because you're not happy with the current state of your business and in turn how it's affecting your life. You've recognised the symptoms I described in the introduction that are also causing you to fall out of love with your business.

I've shown you a proven way to improve your journey and make the necessary changes to fall back in love with your business.

As I see it, you're now at a road junction with three possible route choices:

Route One – Turn around and go down exactly the same road again and in essence take nothing from the seven SECCESS® steps above and do absolutely naught. And surprisingly, you won't be alone, many won't do anything different. You'll carry on seeking the magic wand, the magic pill or the promise of the entrepreneur's secret that will cure your business. Or you'll carry on with your head in the sand hoping something will just happen.

You're an entrepreneur, you're tough, resilient and driven to succeed. You've only got this far and built your business to what it is by making shit happen. Now is no different, things are only going to change if you make it happen. Otherwise shit will happen to you.

Please don’t be the person who blames everyone for your situation. That’s not you, you’re made of stronger stuff and you know deep inside life is a series of choices and you’re in control. The worst decision you can make is to ignore your choices and do nothing.

Take control…

Route Two – Take action by implementing the steps above. I really hope you do because I know the steps above will change your business and change your life. Very quickly your business will be transformed; it will be easier to manage, you’ll feel rejuvenated and quickly start to fall back in love again with your business.

Don’t forget to use the all the tools and extra content available on our website: www.betterneverstops.global/tools. I’m constantly uploading new exciting stuff to help in any which way I can so make sure you subscribe to the updates and I’ll email you when we add new content. I’ll also email every week with hints and tips to help keep you motivated and on track.

Please reach out if you need help or clarification, or just some moral support. On our website you’ll find lots of ways to get in touch.

Route Three – Get some help. This will take some courage because we have this strange belief system that tells us that by asking for help we’ve failed, or we shouldn’t need to. The reality is, asking and using help will be the most liberating and motivating action you can take. Knowing you need help and using it wisely is a sign of strength, not weakness. For hundreds of years, leaders and entrepreneurs have sought counsel from people they trust and respect. If you read or listen to most of today's mega-entrepreneurs, they've all used coaches, non-executive directors and mentors to assist them on their journey. It's no different for major sports people, they have a coach. Many have more than one, with specialists to cover diet, fitness, mental and technical aspects.

If you like what I've shared with you here, Better Never Stops is here to enable you to implement the SECCESS® system in your business. We'll take you through the seven steps, guiding and helping you to fall back in love with your business, restoring your mojo and living your dream.

What's Next

1. Connect with me on Linked-in – https://www.linkedin.com/in/adrianjpeck/
2. See how fit your business is, take our business health check –

   www.myhealthcheck.biz

3. Go to B1G1 and make an immediate impact to someones life…