



The Role of Finance

Best Meeting Rules

- ✓ Stay focused on information update
- ✓ Ensure information is relevant
- ✓ No repeating points from meeting to meeting
- ✓ Absolutely ALL electronics off
- ✓ Start on time
- ✓ Everyone participate
- ✓ Be open and honest
- ✓ No one dominate
- ✓ Be respectful
- ✓ Drop old baggage at the door
- ✓ Take small stuff off-line
- ✓ No side bars (distracts group)
- ✓ Have fun

The Role of Finance

- Report to the CEO, but we all work for BB
- It's not only about the numbers: Finance provides a service to the business

Great analysis won't do much good, unless you're prepared to act on it or persuade others to act on it.

- In order to be an effective financial manager, you need proven business skills like leadership and communication. You need to be able to effectively communicate about more than just financial matters with people in marketing, research, IT and other departments. Financial management isn't just about accounting or internal audits. As a financial manager, you will have to work with business professionals of many different disciplines to find solutions to their needs and provide them with the best tools to do their jobs well.
- Financial managers also need to be able to see past the models and metrics and understand what drives business. It's not enough to create a model for the product team/department that helps them negotiate prices and payment terms with factories. You need to be able to understand how your company as a whole works in order to become a successful financial manager

The Role of Finance

- Who is your customer:
 - CEO; Buying; Merch Planning; Operations; Dept Heads
 - What can Finance do to assist the business ?

- No surprises

- Cash is King
 - Expense everything – don't capitalise
 - Cash is the measure that matters most

- Measure and Manage

The Role of Finance

- CFO's role is not to prevent the business from operating, but
 - CFO's must report breaches, major issues, etc to BB
 - This is not an expectation but part of the role

- CFO to be Gatekeeper

- Ensure internal controls are maintained

- “Police” the OTB
 - CEO to be made aware of purchases exceeding the OTB target
 - Capex in line with Group principles

The Role of Finance

- Signatories
 - Two signatories, proper division of duties
 - All CFO's and Finance Managers are trained to understand internal controls and the proper authorisation processes that are required
- Reconciliations
 - Monthly (never quarterly or half-yearly)
 - Outstanding items cleared
 - Rhythm
 - Stay ahead of issues
- Test your teams processes
 - Test check invoices (pull a random invoice)
 - Sit at your teams desk

The Role of Finance

- Things to be aware of:
 - Duplicate and over payments
 - Limit scanning and copying of invoices: it increases the risk of duplicate payments
 - Emailed invoices (increases the risk of duplicate payments)
 - Controls over processing invoices: Invoice numbers are entered into the system to ensure the same invoice cannot be processed or paid twice
 - Deliberate multiple invoicing, fictitious invoices
 - When there is an urgent need to have something done (eg obtain a signature), it means that there is an issue that needs attention
 - Again, test the system, processes and your team regularly

The Role of Finance

- Expense reduction vs CODB (as a % of sales)
- The cost reduction approach finds ways to improve earnings by reducing operational store costs or overhead support – it's internally focussed.
- CODB looks outside the organisation to competitors and what is happening in other markets.
 - Includes new or improved management practices; applying shared learning and collective experience to improve outputs; finding efficiency and productivity improvements to dated processes or methodology.
 - How can we do things differently to make us better than last year.

The Role of Finance

- **Business Improvement Plan**
 - Identify initiatives from; Strategy days, BBRC Academy's, CODB opportunities, workshops and incorporate into the BIP,
 - This is not meant to be the accountants taking LY numbers and adjusting them either up or down.

- **Read (and then read again) the article from Jack Welch on Budgeting:**
 - Leaner is better
 - Eliminate bureaucracy
 - Cut waste relentlessly
 - Operations should be fast and simple
 - Value each other's time
 - Invest in infrastructure
 - We should know our business best. We don't need consultants to tell us what to do

- **Support centre costs are applied to all stores**
 - Profits after Support centre costs is the only profit measure
 - The idea that a new store does not change Support centre costs is delusional and is never found to be true



BBRC – What's Important

Nico to lead the next session



BBRC – What's Important

- i. Six monthly audit
- ii. CODB
- iii. Forecasts
- iv. OTB
- v. KPI's
- vi. MBO/QBO report
- vii. Tips and Traps

BBRC – What's Important

Six monthly audit:

- Provides an independent view of the Finance team
- Objective opinion
- Constructive: to help Brands
- For every item discovered, there are 10 items not discovered
- Ensures compliance with BBRC policies, legislation, Tax, ASIC, etc
- Company secretarial

BBRC – What's Important

CODB:

- Lower than Last year
 - By day
 - By week
 - By month

- By department
(some departments may need to compensate for others)

- FY15 BIP by month to show lower CODB

- CODB graph:
 - Month and YTD compared against Last Year

BBRC – What’s Important

Forecasts:

- Forecasts should reflect the view of business, but if CFO’s disagree this needs to be highlighted.
- Update each month - **must do! Should be changing – otherwise need to answer why not...**
- To “look” forward at least 3 months (even at year end!)
- Eg, In May of each year – show June, July, August
- Cash flow
 - Lowest balance each month – minimum of \$500k (**should also be documented on KPI page, Actual vs forecast, no more than \$500k. Make use of overdraft for inter-month shortfalls**)
 - Ensure no “excess” cash left in business
- When making distributions: send email or remittance advising **all** shareholders – **courtesy**

BBRC – What's Important

OTB:

- Excess inventory takes a long time to correct
- CFO to act as “devil’s advocate”
- Ensure forecasts are debated
- CFO’s are Gatekeeper to the business
- Buyers must buy to current trend (plus 1% or minus 1%).
- Targets based on closing inventory units: simple and easy to understand
- Monthly meetings
 - Inventory levels: Show Actual vs Target
- Weekly follow up to ensure OTB is on track

BBRC – What's Important

KPI's:

- KPI indicators to be colour coded
- KPI's to be on one page
 - See Lovisa example

BBRC – What's Important

MBO/QBO reports and Purpose

- Reporting works for the Brand not for the MBO report (Board)
 - If the business does not use it, raise it with the Board
- The Brand sets the Agenda
- CEO runs the business – sets the strategy
 - The Board either approves or not
- There should be no variance between the June MBO and the Statutory accounts
 - No period 13
- Business Improvement Plan (BIP) **Do not use the term Budget**
- Waterfall graphs: Actual compared to BIP and LY

BBRC – What's Important

MBO/QBO reports and Purpose

- Timing
 - Flash report: 8 days after month end **Make sure this is being done! It is used for Group consolidation.**
 - Monthly report: 10 days after month end
- Inventory table: compare against 3 months ago
- WHS – no longer called OHS (change the title in the report)
- If there's a large variance (against BIP or LY) provide the explanation
- Bank covenants to be colour coded – e.g. **Bold red vs Green!**

BBRC – What's Important

Tips and Traps: (cont...)

- **Do not become complacent**
 - never pay cash on delivery
 - resist corporate credit cards
 - Depreciation: Accounting and Tax to use the same rates
 - rental rebates, document and chase
 - Legal and secretarial compliance

- **Finance is a service department to the business**

- **When the Board raises an issue – it's important**

BBRC – What's Important

Tips and Traps: (cont...)

- **Rhythm**

- Reconciliations
- Stocktakes (up to Christmas set-up)
- Forecasts: monthly
- OTB meetings
- Archiving

- **Attendance records**

- Update weekly

- **Internal Brand Policies**

- make sure up to date – to be checked at each semi annual review

BBRC – What's Important

Tips and Traps (cont):

- Archiving - **to be done properly**
- Internal controls – electronic banking **more than 1 administrator, proper division of duties**
- Internal audit checklist – sent to me monthly
- Agreements – no longer than 12 month's – otherwise Board approval
- Invitations to events (cricket) – **it's a conflict of interest**
- Holiday approvals and process

BBRC – What's Important

Tips and Traps (cont):

- 3 quotes
- Payroll errors: measure and manage
- Lastly,
 - Our role is to remove the impediments that stop our team from doing a good job
 - Don't let systems and processes get in the way of doing business
 - Importance of Weekly one on one's / Objective meetings

BBRC – What's Important

Tracey's tips:

- Ten plus one culture commitments and how they are as relevant to the finance department as they are to the stores, also that they are responsible for living and breathing them and maintaining the standards above all else.
- Training and development of their relevant teams, CFO shouldn't wait to be told to do PARS, Appraisals, Salary reviews, and letters of thanks or performance council an individual. They should have there own yearly schedule that is worked out in conjunction with the CEO. The importance of everyone taking there leave and no one to have more then 3 weeks outstanding and why this is good policy.
- Keeping there teams motivated and giving thanks.
- What expenses are not necessary
- How they should monitor and actively get involved in the major tender processes and what expenses should be put out to tender on a regular bases.
- Challenge themselves to set new goals and what can be improved, don't accept the status quo. e.g. I believe sanity but out a weekly P/L
- Don't forget that list of things we put together years ago that need to be checked, such as phone lines, credit cards, data lines. Electricity, fuel cards etc 3 quotes



One
Question?