

Financials

April 2024

Important Information:

This is an example of a monthly reporting pack and is intended for illustrative purposes only as all our monthly reporting packs are bespoke depending on your business needs.

The business names and numbers are fictional and bear no resemblance to a real company. Any similar names or likeness is coincidental.

As the information is fictional, there may be some inconsistencies between numbers seen on different pages.

Executive Summary

Key Numbers

Sales YTD

£740k ↑13%

Profit YTD

£132k ↓28%

Cash

£38k ↓85%

| | |
|---------------------------------------|---|
| Urgent Review of Cash | See page 12. Cash balance will be approx. -2k in next 10 days and recovers to +8k by end of May. Recommended actions to delay supplier payments and/or return 20k dividend payment from March. High focus needed on credit control as any overdues or delayed payments will make cash situation worse. |
| Cash Flow & Profit | <p>The business has not generated significant positive cash flow over the last 30 months. Despite the improvements in working capital (see page 13), the cash is not increasing, and this is due to profitability.</p> <p>There are no directors' salaries in the P&L as they take dividends, once these are accounted for the profit for the last 2 years is circa 5-10% of sales.</p> <p>With the investments in new employees, new machinery and marketing exceeding the last 2 years profits, cash flow is now becoming a permanent problem. We have made significant progress on cash flow in the last 18 months, and therefore this is unlikely to improve significantly further. The cause lies with profitability, increasing order value must be a priority to increase profits and therefore cash flow.</p> <p>Additionally see page 7 for suggestion regarding design services, and page 4 regarding capacity.</p> |
| Marketing ROI | Google PPC has been running 6 months now at a cost of £4k per month. No significant increase in new customers apparent. Average order value has also dropped. Further analysis needed to establish if PPC is working, and if these customers have a lower order value. See Page 5. |
| Down Time & Stock Accuracy | Production decreased and downtime increased mostly caused by missing stock. Happened in Dec 23 too, need to review stock processes urgently. Stock write offs impacting profit, but moreover customer cancelled £12k order due to delayed production. See Page 8 for more info. |
| Debtor Days | Page 13 shows a steady increase in debtor days. Overdues has decreased, therefore the increase is being caused by an increase in credit terms being given to customers. |

Profit & Loss

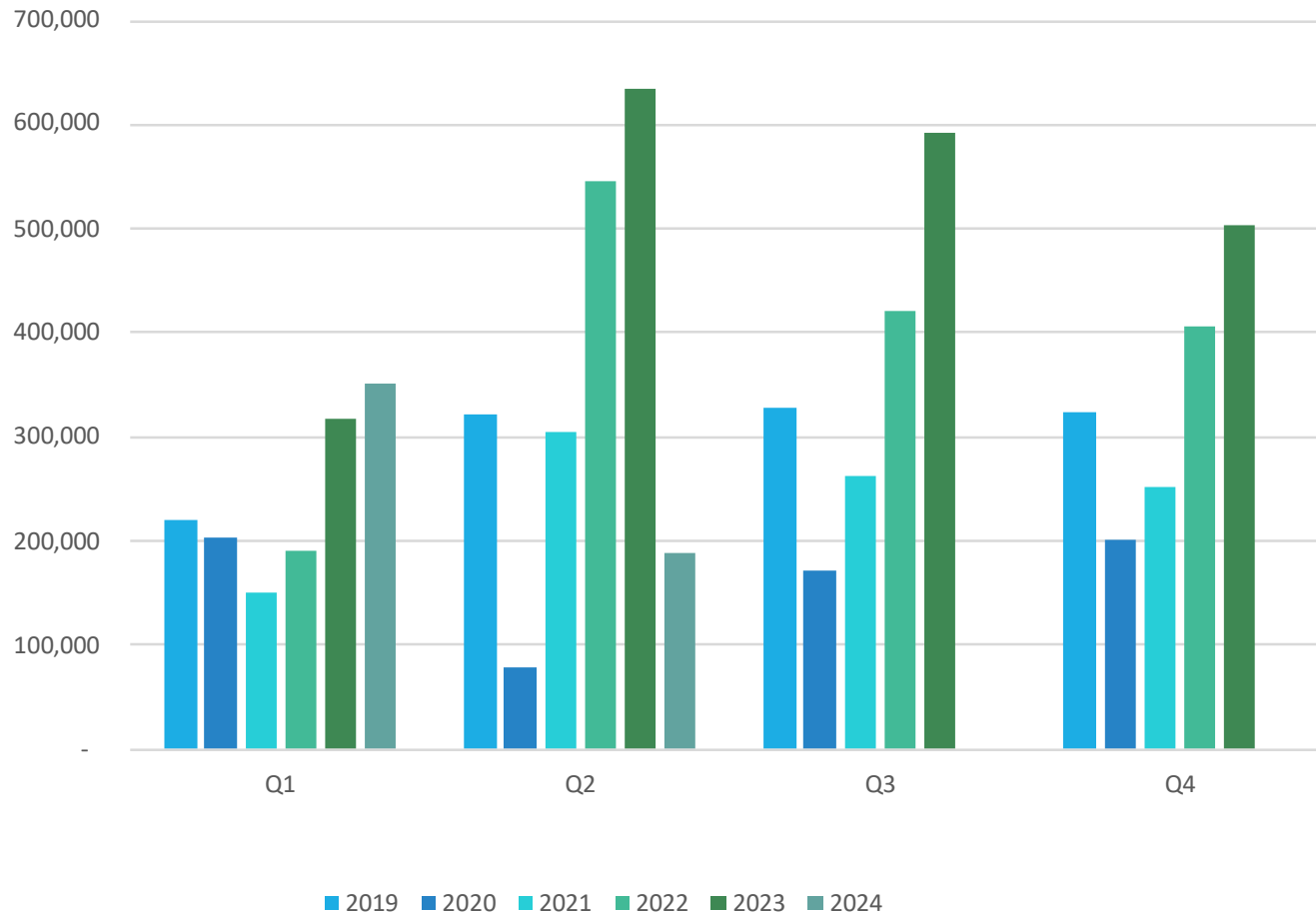
| | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | This YTD | Prior YTD | Var | Average of last 6 Months |
|-----------------------------|--------|--------|--------|--------|--------|--------|----------|-----------|--------|--------------------------|
| Sales | 203 | 112 | 147 | 230 | 174 | 189 | 740 | 657 | + 13% | 176 |
| Direct Costs | -77 | -52 | -57 | -78 | -67 | -62 | -264 | -198 | + 34% | -66 |
| Raw Materials | -41 | -23 | -31 | -44 | -42 | -33 | -150 | -117 | + 28% | -117 |
| Subcontract Labour | -5 | 0 | -6 | -10 | -5 | -5 | -26 | -6 | + 322% | -6 |
| Scrap & Stock Write Off | -3 | -13 | -1 | 0 | -2 | -6 | -9 | -8 | + 17% | -8 |
| Packaging | -9 | -4 | -5 | -3 | -3 | -2 | -13 | -13 | + 2% | -13 |
| Postage & Delivery | -19 | -12 | -14 | -21 | -15 | -16 | -66 | -54 | + 22% | -54 |
| Gross Profit | 126 | 60 | 90 | 152 | 107 | 127 | 476 | 459 | + 4% | 110 |
| | 62% | 54% | 61% | 66% | 62% | 67% | 64% | 70% | | 63% |
| Fixed Costs | -90 | -85 | -79 | -83 | -83 | -98 | -343 | -275 | + 25% | -86 |
| Factory Overheads | -58 | -54 | -42 | -49 | -52 | -58 | -200 | -185 | + 8% | -52 |
| Factory Salaries | -37 | -37 | -26 | -28 | -32 | -35 | -121 | -108 | + 12% | -32 |
| Machines Repairs & Maint. | -6 | -5 | -5 | -7 | -6 | -6 | -24 | -27 | - 12% | -6 |
| Depreciation | -8 | -8 | -8 | -8 | -8 | -11 | -36 | -33 | + 8% | -9 |
| Factory Consumables | -7 | -4 | -3 | -6 | -5 | -6 | -20 | -17 | + 18% | -5 |
| Admin Overheads | -32 | -31 | -37 | -34 | -32 | -40 | -143 | -90 | + 59% | -34 |
| Marketing | -4 | -4 | -9 | -4 | -4 | -9 | -25 | -12 | + 112% | -6 |
| Office Salaries | -11 | -11 | -11 | -11 | -11 | -11 | -44 | -20 | + 120% | -11 |
| Rent, Rates & Utilities | -9 | -8 | -9 | -10 | -9 | -9 | -37 | -34 | + 9% | -9 |
| Travel | -2 | -3 | -3 | -3 | -3 | -1 | -9 | -6 | + 52% | -2 |
| IT Costs | -2 | -1 | -1 | -2 | -1 | -3 | -7 | -6 | + 24% | -2 |
| Finance & Interest Expenses | -2 | -3 | -3 | -3 | -3 | -5 | -13 | -10 | + 29% | -3 |
| Other Admin Expenses | -2 | -1 | -1 | -2 | -1 | -3 | -7 | -2 | + 237% | -2 |
| Profit Before Tax | 36 | -25 | 11 | 69 | 24 | 29 | 132 | 184 | + 28% | 24 |
| | 18% | -22% | 7% | 30% | 14% | 15% | 18% | 28% | | 14% |

1. Sales have increased by 13% but raw materials have increased by 28%. This indicates that your pricing has not increased enough for the inflationary price increases from your suppliers.
ACTION: Review costings and pricings
2. In Apr 5k was written off as "lost" stock & a customer cancelled the order as could not manufacture to required date. A similar occurrence in Dec stock take where 12k of "lost" stock was written off.
ACTION: Review stock control processes. Consider monthly stock counts for critical products.
3. New starter on 18th of month. Only ½ salary in Apr. Full monthly cost for employee is £4,693.
4. Depreciation increase for new plastic moulding machine. Depreciation £2,150 per month for 10 years.
5. PPC ran for 6 months now at an additional cost of £4k per month or £24k total. Sales increased by 13% vs last year, which gives a GP increase of £17k. Therefore, marketing costing more than it is delivering.
ACTION: See comments on Customer analysis tab regarding PPC spend.
6. If you exclude the planned investments of 1 x new office staff, plastic machine depreciation, & PPC spend, YTD profit would be £181k or 24% of sales. Last years run rate was 28%, the decrease is due to the reduction in GP%.



Profit & Loss: The P&L shows you how much your business has had in revenues, expenses and net profit or loss over a given period. The P&L is the most widely known financial statement, and as well as telling you your profit or loss, it can help identify where there are opportunities to increase your profit further.

Sales per Quarter



Q1 sales are significantly lower than other quarters and you manufactured approximately 35% of your max capacity.

This means that you have under-utilised resources such as machinery and staff in Q2 & Q3 you are likely to struggle with capacity issues.

Further more, all of your growth has come from Q2 & Q3. Q4 has grown in line with inflation, and Q1 is -2% after adjusted for inflation.

This will be impacting your profit, but will also mean you are likely to experience cash flow difficulties in Q2 as your purchases increase significantly for the increased demand.

Suggested Actions:

- Investigate customer types to see if there are seasonal patterns that emerge.
- Move all annual machine maintenance to Q1
- Consider employee contracts and if a certain amount of holiday in Q1 should be mandatory.
- Look at “dynamic pricing” where you increase pricing in high demand and lower pricing in low demand. During Q1 you are often not breaking even from a profit perspective, dynamic pricing could help you to at least cover your overheads in these months.

Sales Analysis

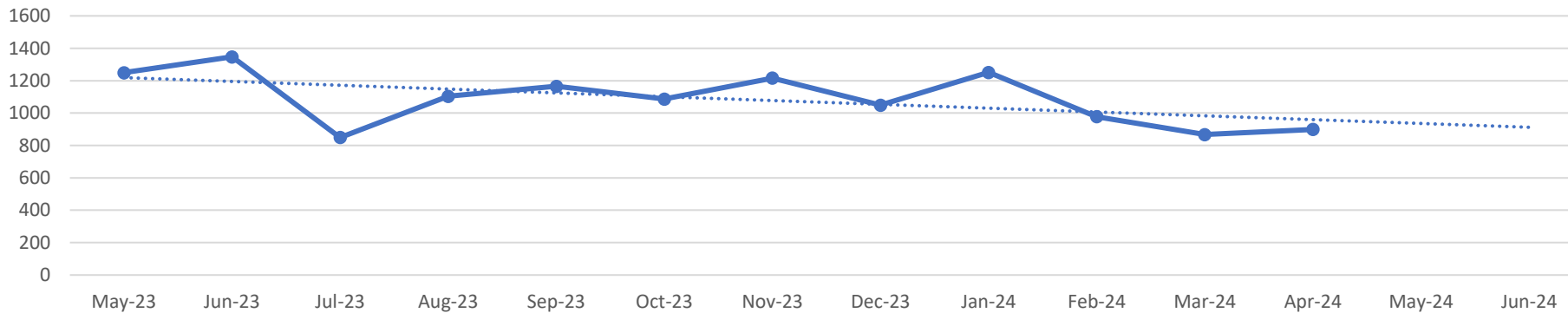
| | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | Target | Average |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 1 New Customers | 12 | 30 | 11 | 14 | 12 | 9 | 11 | 4 | 8 | 13 | 12 | 15 | 15 | 13 |
| Repeat Customers | 51 | 36 | 49 | 53 | 57 | 62 | 56 | 44 | 45 | 52 | 51 | 50 | 50 | 51 |
| Total | 63 | 66 | 60 | 67 | 69 | 71 | 67 | 48 | 53 | 65 | 63 | 65 | 65 | 63 |

1. We identified in 2023 that the business was not generating enough new customers, hence the introduction in PPC spend. ACTION: As per comments on P&L tab, urgently review PPC activity as it has not yet delivered a sustained increase in new customers after 6 months. PPC spend currently £4k per month.

2. Average order value is steadily declining.

ACTION: investigate if this is due to PPC customers.

Average Order Value



Sales Analysis: To grow your business, you need to attract new customers via marketing. Once you have acquired a new customer, you need to retain them for as long as possible to maximize the lifetime value. This increases your profit.

Low Spending Orders & Customers

| | | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 |
|----------------------------------|----------------------|--------|--------|--------|--------|--------|-----------------|
| Sales Orders < £409 GP | Count | 24 | 14 | 35 | 29 | 31 | 41 ¹ |
| | Average GP Per Order | 301 | 299 | 287 | 224 | 322 | 271 |

Average Order Cost

This is all overhead costs associated with an order (design & set up, order entry, credit control, other overheads).
Mathematically, orders with GP under this value make a loss

£409

| | | 12 Months To | | | | | |
|--|--------------------------------|--------------|--------|--------|---------|--------|--------------------|
| | | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 |
| Customer's With Annual GP < £409 | Count | 217 | 189 | 154 | 181 | 201 | 194 |
| | % Of total Number of Customers | 54% | 47% | 42% | 63% | 51% | 53% |
| | Average GP Per Customer | 205 | 228 | 254 | 387 | 341 | 396 |
| | Total Sales ('000) | 63,550 | 61,560 | 55,880 | 100,067 | 97,916 | 109,749 |
| | % of Total Sales | 8.0% | 7.8% | 6.5% | 8.9% | 10.1% | 11.3% ² |

1. Number of orders that are making a "loss" is increasing. Suggestion to add these stats to your monthly team meeting to make the team more aware of their importance. Discuss tactics for increasing order spend.

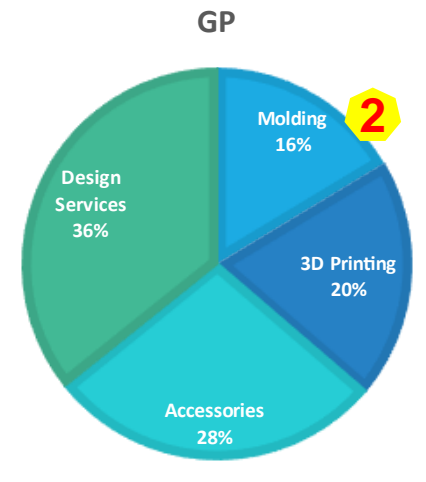
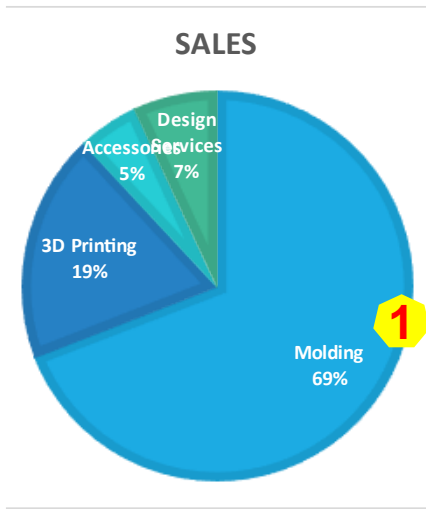
2. Suggest investigating if the increase here is due to customers sourced via PPC.

Look at a marketing strategy for nurturing existing customers to increase their lifetime value and sell more products to them.



Low Spending Accounts: Low spending accounts/orders have 2 impacts on your financials. Firstly, they are often not profitable as the cost to serve the customer (process orders, ships products, liaise with customer etc. are similar regardless of the customer spend. Secondly, these accounts are often where there is a big opportunity to grow these customers and increase your profit without adding additional marketing spend.

Product Analysis



| Product Line | Month | | | | YTD | | | |
|-----------------|----------------|------------|------------|------------------|----------------|------------|------------|------------------|
| | Sales | GP | Orders | Unique Customers | Sales | GP | Orders | Unique Customers |
| Moulding | 128,700 | 28% | 95 | 41 | 512,000 | 34% | 392 | 164 |
| 3D Printing | 32,480 | 47% | 20 | 16 | 139,850 | 41% | 105 | 61 |
| Accessories | 19,852 | 62% | 6 | 5 | 37,584 | 58% | 19 | 13 |
| Design Services | 7,500 | 65% | 3 | 3 | 51,050 | 74% | 11 | 7 |
| Total | 188,532 | 36% | 124 | 65 | 740,484 | 39% | 527 | 245 |

Molding accounts for 69% **(1)** of your sales but only 16% of your overall gross profit **(2)**. Molding is a notoriously difficult industry for GP, and therefore it is unlikely there will be significant GP increases for this product range.

Instead to overall increase the GP I would recommend focusing heavily on design services which has the highest GP of all your products **(3)**.

I would suggest looking at the customers that have already purchased design services and seeing what attributes they have, to see what can be learnt about the type of customer that would purchase these services.



Product Analysis: Understanding which products make what GP is important when it comes to building a profitable business. It is often the case that your most profitable product lines will not be your core offering, and therefore you want to try and find ways to cross sell and upsell, to increase the GP% on each order.

Production KPI's

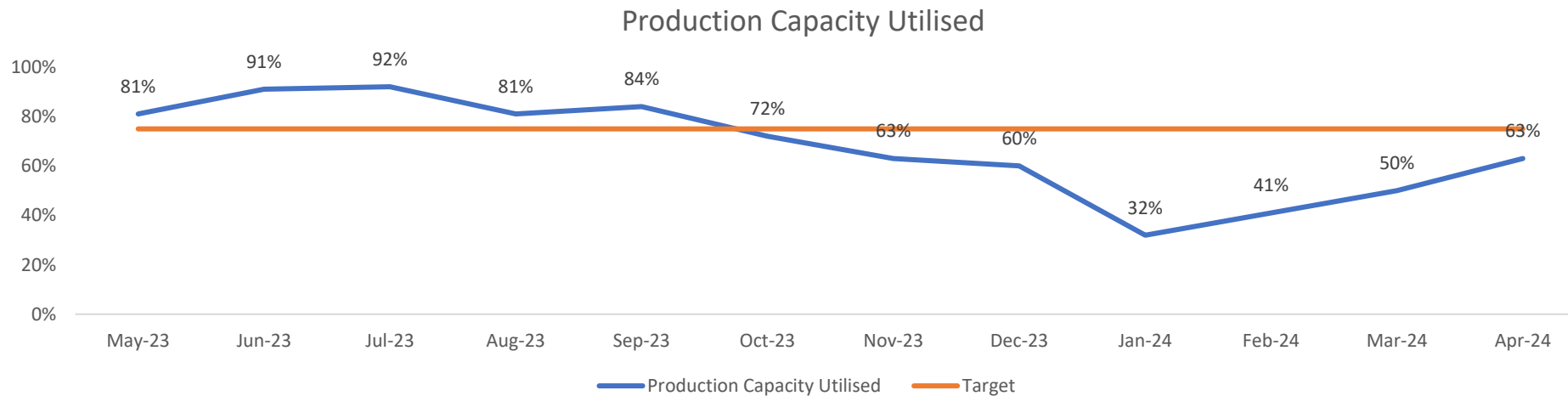
| | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | Target | Average |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Down Time (Hours) | 3.20 | 3.83 | 5.82 | 1.93 | 2.90 | 1.57 | 2.30 | 7.20 | 1.40 | 3.10 | 0.90 | 6.96 | 3.0 | 3.4 |
| Scrappage/Defects (Units) | 3 | 2 | 4 | 3 | 1 | 0 | 4 | 1 | 1 | 2 | 1 | 3 | 5 | 2 |
| Output (Units) | 395 | 401 | 422 | 486 | 444 | 459 | 522 | 379 | 354 | 547 | 402 | 411 | 485 | 435 |

1. Down time was impacted due to missing stock. This meant that a job could not be completed and the machine stood idle for many hours.

ACTION: look at stock control processes as this is having a significant impact on productivity, customer satisfaction and profitability.

2. scrappage/defects is very positive. Can you share these results with your customers as a reason to work with your business over competitors?

3. Output was impacted by point 1 relating to down time.



KPI's: Are the most important metrics for keeping the business on track for success. They should ideally cover the most critical areas for the business, and are not necessarily linked to the financials, although they do result in long term financial success.

Balance Sheet

| | Mar-23 | Mar-24 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 |
|-------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------------|--------------------------|
| Assets | 1,540 | 1,803 | 1,800 | 1,644 | 1,629 | 1,729 | 1,757 | 1,850 |
| Fixed Assets | 1,154 | 1,276 | 1,248 | 1,248 | 1,248 | 1,248 | 1,498 ¹ | 1,496 |
| Cash at Bank | 144 | 247 | 236 | 189 | 158 | 132 | 12 | 38 ² |
| Stock | 105 | 95 | 54 | 79 | 85 | 54 | 62 | 74 |
| Owed From Customers | 137 | 185 | 262 | 128 | 138 | 295 | 185 | 242 |
| Liabilities | -948 | -943 | -760 | -841 | -734 | -769 | -915 | -934 |
| Mortgages | -519 | -499 | -485 | -483 | -481 | -479 | -478 | -476 |
| Asset Finance | -147 | -123 | -136 | -133 | -129 | -126 | -302 | -299 |
| Owed to Suppliers | -132 | -110 | -84 | -154 | -95 | -117 | -115 | -126 |
| Owed to HMRC - VAT, PAYE & Corp Tax | -97 | -124 | -43 | -64 | -21 | -39 | -12 | -22 |
| Other Short Liabilities | -2 | -1 | 0 | 0 | 0 | 0 | -0 | -3 ³ |
| Directors Loan | -51 | -87 | -12 | -8 | -8 | -8 | -8 | -8 |
| Shareholders Funds | -592 | -860 | -1,041 | -803 | -895 | -960 | -842 | -917 ⁴ |

1. You can see the purchase of the new machinery in March, and the first month's depreciation in Apr.
2. Cash has dropped significantly due to the down payments made on new machinery, plus a drop in sales means less cash from customers. See more info on cash flow slide.
3. Services received from ABC Legal in Apr 24 but they have not yet sent an invoice. I have accrued for it which means you can see the liability in the balance sheet, and you can see the cost in the P&L, but we have not yet received the invoice.
4. Shareholders funds is 917k. This is historical and current profits the business has made and is available for dividends distribution or reinvestment. The cash balance is far below this, and therefore we need to focus on increasing the cash balance to close the gap between these numbers.



Balance Sheet: The balance sheet shows your assets (what you own or is owed to you), and liabilities (what you owe). A balance sheet is useful for assessing the overall health of your business and ensuring that you can pay the money you owe, both in the short term and long term. The equity line is the shareholders money, and this could be taken out of the business in dividends, if the cash flow supports it.

Creditors Analysis

| Supplier | Payment Terms | Balance | Overdue | Due in | | | | |
|---------------------------------|---------------|----------------|------------------------|---------------|--------------|---------------|--------------|--------------|
| | | | | 0-10 Days | 10-20 Days | 20-30 Days | 30 + Days | 60+ Days |
| PrecisionMetal Works Ltd | 60 EOM | 27,489 | 25,489 | | | | | 2,000 |
| AeroFab Industries Ltd | 30 EOM | 24,000 | | | | 22,000 | 2,000 | |
| SteelCraft Manufacturing Ltd | 30 | 21,762 | | 16,458 | 1,250 | 4,054 | | |
| PrimeMachinery Ltd | 30 EOM | 15,870 | 8,450 | | | 7,420 | | |
| EcoForge Fabrications Ltd | 7 | 12,500 | 7,000 | 5,500 | | | | |
| TitaniumTech Ltd | 60 EOM | 8,000 | | | 6,500 | | | 1,500 |
| IronClad Manufacturing Ltd | 30 EOM | 7,800 | 4,575 | | | | 3,225 | |
| VertexIndustrial Ltd | 30 EOM | 4,350 | 1,350 | | | | 3,000 | |
| MetalWorks Solutions Ltd | 30 EOM | 2,500 | 750 | | | 1,750 | | |
| QuantumAssembly Ltd | 7 | 1,458 | | 1,458 | | | | |
| PowerMold Ltd | 0 2 | 1,200 | 1,200 | | | | | |
| AlloyTech Systems Ltd | 14 | 1,000 | 250 | | 750 | | | |
| FlexiPlastics Ltd | 30 | 900 | 475 | | 425 | | | |
| HydroDynamics Manufacturing Ltd | 45 | 60 | | | | | 60 | |
| SteelFlow Ltd | 30 3 | - 2,400 | - 2,400 | | | | | |
| MachinaPro Ltd | 7 | | | | | | | |
| Total | | 126,489 | 47,139 1 | 23,416 | 8,925 | 35,224 | 8,285 | 3,500 |

Average DPO

This is the average amount of days that you pay your suppliers within

34

- 1.** 47k is overdue and a further 23.5 due within 10 days. See cash flow tab for more info
- 2.** You have no agreed terms with this supplier but you are paying them 7 days. ACTION: try to negotiate 14 or 30 days with the supplier, you have been paying them consistently for 5 months now.
- 3.** Contact Steel Flow and request a refund for the credit note they have issued.



Aged Creditors: An aged creditors report provides an overview of the invoices your suppliers have issued to you and are unpaid. It is useful for managing cash flow as it allows you to see how much you owe, and helps you to make decisions about which suppliers to pay and when.

Debtors Analysis

| | | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 |
|--------------------------|-------------------|-------------|------------|------------|-------------|------------|-------------|
| Summary of Total Debtors | Overdue | 64,751 25% | 37,859 29% | 57,158 41% | 85,198 29% | 51,025 28% | 48,521 20% |
| | Due in 0-10 Days | 18,300 7% | 7,250 6% | 2,950 2% | 17,485 6% | 22,750 12% | 6,540 3% |
| | Due in 10-20 Days | 15,489 6% | 11,498 9% | 18,470 13% | 12,451 4% | 7,512 4% | 8,475 4% |
| | Due in 20-30 Days | 29,418 11% | 4,000 3% | 5,485 4% | 7,841 3% | 1,254 1% | 25,418 10% |
| | Due in 30+ Days | 109,584 42% | 67,841 53% | 54,125 39% | 159,872 54% | 95,012 51% | 124,000 51% |
| | Due in 60+ Days | 24,769 9% | - 0% | - 0% | 12,000 4% | 7,400 4% | 29,158 12% |
| Total | | 262,311 | 128,448 | 138,188 | 294,847 | 184,953 | 242,112 |

Average DSO
This is the average amount of days that your customers take to pay you

52

| Overdue Customers | Payment Terms | Balance | Overdue Amount | Number of Days Overdue | | | | | Actions |
|--------------------------|---------------|---------|----------------|------------------------|------------|------------|-----------|----------|---|
| | | | | 0-10 Days | 10-20 Days | 20-30 Days | 30 + Days | 60+ Days | |
| Masters Ltd | 30 | 65,489 | 14,000 | 30,548 | | | | | Call customer with gentle reminder |
| TitaniumForge Ltd | 60 EOM | 28,457 | 12,459 | | | | 18,459 | | Suspend new orders as customer not responding to calls |
| QuantumMold Technologies | 30 EOM | 24,000 | 8,000 | | | | 14,000 | | Check promised payment date still valid |
| SteelWave Industries | 30 EOM | 10,000 | 5,500 | | | | | 7,500 | Put on stop and send legal letter |
| IronWorks Solutions | 30 | 4,589 | 4,589 | | 4,589 | | | | Consider EOM terms, as always pays EOM |
| AlloyTech Enterprises | 30 EOM | 4,875 | 1,975 | | | | 1,975 | | |
| PrecisionFabrication Co. | 14 | 41,057 | 1,254 | | 1,254 | | | | Customer "lost" invoice. Check if paid in 7 days |
| HeavyDuty Manufacturing | 30 EOM | 425 | 425 | | | | 425 | | Put on stop and send legal letter as brand new customer |
| IndustrialEdge Systems | 7 | 319 | 319 | | | | 319 | | Promised payment date for 15th, check back |
| Total | | 179,211 | 48,521 | 30,548 | 5,843 | - | 35,178 | 7,500 | |



Aged Debtors: A debtors analysis gives an overview of the payment's habits of your customers. This report is helpful to understand your customer payment habits and identify any problem areas that need action such as overdue invoices or customers that regularly pay late.

Cash Flow

URGENT ACTION: Probable Cash Deficit in next 10 days

Cash balance = 38k; Debtors Due in next 10 days = 30.5k; Suppliers due in next 10 days = 70k

Review which supplier payments can be delayed.

Can £20k div payment from Mar be repaid temporarily

ACTION: Essential that all customers with overdue and due balances pay on time. Increase focus on credit control as a high priority.

| | Full Year | | Month | | | | | | Forecast for May 24 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|-------------|-----------|---------------------|
| | YE Mar 23 | YE Mar 24 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | |
| Starting Cash | 125 | 144 | 210 | 236 | 189 | 158 | 132 | 12 | 38 |
| Customers | 1,873 | 2,366 | 264 | 239 | 130 | 201 | 149 | 193 | 124 |
| Stock | -547 | -695 | -79 | -45 | -42 | -53 | -47 | -49 | -61 |
| Operational Costs | -513 | -649 | -34 | -53 | -57 | -49 | -53 | -51 | -54 |
| Payroll inc Pension & Taxes | -362 | -348 | -53 | -52 | -53 | -54 | -52 | -53 | -53 |
| VAT | -111 | -197 | -63 | 0 | - | -62 | - | - | - |
| Corp Tax | -23 | -42 | - | -52 | - | - | - | - | - |
| Finance Costs & Loan Repayments | -78 | -125 | -9 | -9 | -9 | -9 | -12 | -14 | 14 |
| Fixed Assets (Deposits/Down Payment) | -142 | -95 | - | -25 | - | - | -85 | - | - |
| Directors Loan & Dividends | -78 | -112 | - | -50 | - | - | -20 | - | - |
| Total Cash in/Out | 19 | 103 | 26 | -47 | -31 | -26 | -120 | 26 | -30 |
| Closing Cash | 144 | 247 | 236 | 189 | 158 | 132 | 12 | 38 | 8 |

The blue line shows the business has not generated a significant amount of cash for a few years now.

Approx. 1/3 of profits are being taken by the shareholders. This is not excessive considering the salary that would be in overheads if an external MD was recruited.

50% is being used for day to day working capital which leaves very little for reinvestment.

Any investment should be paid for with external financing.

Moreover, this indicates that profitability is an issue. It looks healthy as there is no director's salary. After this is adjusted profit is around 5% of sales.

ACTION: look at GP as this need increasing. & Marketing ROI becomes more urgent.



Cash Flow: The cash flow report shows you your cash at the start of the period, where all the money has gone in and out of your business, and how much cash you have at the end of the period. It is different to your profit as your profit is based of invoices, and many of these invoices will be paid in different months.

Working Capital

| | | Average of Year | | Average of Last 6 Months | | | | | | |
|------------------------------|---|-----------------|-----------|--------------------------|--------|--------|--------|--------|--------|-------|
| | | YE Mar 23 | YE Mar 24 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | Trend |
| DIO | <i>Days Inventory Outstanding: The average number of days you hold stock for. From goods in to dispatch.</i> | 46 | 42 | 42 | 41 | 39 | 34 | 35 | 32 | |
| DSO | <i>Days Sales Outstanding: The average number of days it takes your customers to pay you. From Sales invoice to cash.</i> | 39 | 37 | 38 | 38 | 44 | 42 | 39 | 41 | |
| DPO | <i>Days Sales Outstanding: The average number of days it takes you to pay suppliers. From Invoice receipt to payment.</i> | 46 | 45 | 45 | 46 | 47 | 43 | 48 | 46 | |
| Working Capital Cycle | <i>DIO + DSO - DPO The average number of days it takes you to convert stock into cash.</i> | 39 | 34 | 35 | 33 | 36 | 33 | 26 | 27 | |

Efforts to reduce DIO have had a positive impact, however I note on the production KPI's that down time has increased. Are the stock levels too low and impacting production? ACTION: Check this and monitor closely.

DSO is steadily increasing which is having a negative impact on your cash flow as more cash is tied up with unpaid sales invoices. We know from the debtor's analysis that overdues is decreasing. This means the increase in DSO is being caused by longer payment terms being given to customers. ACTION: Review process for setting customer terms and check that team are not granting extra payment terms too often.



Cash Flow: The cash flow report shows you your cash at the start of the period, where all the money has gone in and out of your business, and how much cash you have at the end of the period. It is different to your profit as your profit is based of invoices, and many of these invoices will be paid in different months.

Risk Review — Updated Quarterly

| Risk | Likelihood | Impact | Response (Action) |
|--|------------|--------|--|
| Key Man Risk: MD sole person who has contact with certain customers accounting for 45% of sales. Sickness or absence can cause sales to decrease. | Low | Med | Recruit/Promote sales manager and introduce to all customers > £10k. Consider basic spreadsheet/CRM process for capturing key information about customers to ensure continuity of cover |
| Recruitment: Long term difficulties recruiting staff in all areas of business, especially manufacturing. If staff cannot be sourced production capacity will be impacted and wont keep up with demand. | Med | Low | Keep close relationships with subcontractors who can fill production gaps. Look at recruitment adverts and ensure they are attractive to candidates and display culture and benefits beyond salary. |
| Competitor B - Has been bought by a much larger company. Has significant funds behind it and aggressive marketing strategy that they will beat any quote. Some customers have been lost due to pricing. | High | Med | Monitor closely by logging quotes/customers lost to this competitor. Purchase goods from supplier as a "mystery shopper" to understand their service in more detail. |
| Cash Flow: Long term investments not delivering a return on sales and therefore cash flow declines | High | High | Increase proactive focus on credit control. No Dividends to be taken. Speak to broker re options to refinance/remortgage existing assets to boost cash flow. |
| Supply Chain Interruption. Global supply chain issues are impacting supply of raw materials, and key parts for machinery repairs & maintenance. | Med | Med | This is an industry wide problem and competitors are in a similar situation. Keep close relationships with key suppliers (including on time payments) so we are prioritised for deliveries. |



Risk review: The risk review shows the most important risks and threats there are to your business's success. If these risks did occur, they would be significant enough to dramatically alter the course of your business, or even result in your business not being financially viable. Therefore it is important to monitor them closely and reduce the risk where possible.

Tax Estimates — Updated Quarterly

| Corporation Tax Estimate for Current Financial Year | |
|---|------------|
| Expected Year End Profit | 449 |
| Add Back Disallowable <i>Disallowable are not allowed to be deducted from your profit. The most common are client entertaining and depreciation</i> | + 109 |
| Estimated Trading Profit for Tax | 558 |
| Annual Investment Allowance Utilised <i>Allows full cost of qualifying assets to be deducted from taxable profits. Up to £1m</i> | 267 |
| Other Adjustments | - |
| Total Taxable Profit | 291 |
| Corporation Tax Estimate | 73 |
| Effective Tax Rate Paid | 25% |

| Class 1A National Insurance for Employee benefits Inc. company cars | |
|---|-----------|
| Medical Insurance Benefits | 2 |
| Company cars | 12 |
| Other | - |
| Total Benefit in Kind Value | 14 |
| Class 1a Employers National Insurance Due | 2 |

Corporation Tax for current FY ending Mar 25 will be due 1st Jan 26.

Class 1a National Insurance for tax year ending Apr 24 will be due Oct 24.



Tax Estimate: This is an estimate of the year end taxes your business will have to pay. This helps you to plan your cash flow, and reduce your tax liabilities where possible by utilizing tax schemes available to you.

Legislation Changes— Updated Quarterly

National Minimum Wage Increases by 9.8% to £11.44 per hour for 21 and over. See [here](#) for more info on all rates.

Employment Laws including carers leave, paternity leave, flexible working and predictable working patterns all have changes effective Apr 24. Visit [Acas](#) for more info.

Increase to Companies House fees for filing annual confirmation statement (CS01) which is mandatory for all ltd companies. Fee goes from £13 to £34 effective 01/05/24.

Employee National Insurance rate reduces to 8% effective 06/04/24. This will increase employees net pay, and reduce the PAYE payments to HMRC. No changes to employers national insurance.

Dividends Allowance tax free allowance reduces from £2,000 to £1,000 effective from 6th Apr 24 for tax year 24/25.

Brexit Import Checks introduced on 30th April. It applies mostly to fresh products, and costs will be up to £145 per consignment. Find out more info [here](#).



Legislation Changes: This is an over of legislation changes that could impact your business. It is not an exhaustive list and it remains our responsibility to ensure you are always compliant with all applicable laws and regulations.