Monthly Performance Report

Demo Company (UK)
June 2022

pinkpig FINANCIALS

Basis of Preparation

This report is prepared solely for the confidential use of Demo Company (UK). In the preparation of this report Pink Pig Financials Ltd has relied upon the unaudited financial and non-financial information provided to them. The analysis and report must not be recited or referred to in whole or in part in any other document. The analysis and report must not be made available, copied or recited to any other party without our express written permission. Pink Pig Financials Ltd neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on the report or the analysis contained herein.

Introduction

Vision

To be industry leading digital accountants, who are ahead of the curve, driving innovation and change.

Mission/Purpose

To offer innovative digital accountancy services to ambitious business owners, so that they have more time to do more of what they love with who they love.

Values

- Lifestyle
- Excellence
- Simplicity

Long term goal

To build a business to give the director financial freedom and the opportunity to retire in Bali.

Goals for the year

(1st Jan 2022 - 31st Dec 2022 - this would be your financial year!)

- Goal 1 - Increase turnover by 50%
- Goal 2 - Employ 3 additional employees
- Goal 3 - Reduce director's working days to 4
- Goal 4 - Launch 4 new services/products

KPI Dashboard (These will be your top 3 KPIs to monitor)

TOTAL REVENUE

£11,453

▲ 153.1% from last month

A measure of the total amount of money received by the company for goods sold or services provided.

NET PROFIT AFTER TAX %

31.41%

▲ 15.01% from last month

A measure of the proportion of revenue that is left after all expenses, including tax, have been paid.

AR DAYS

16 days

▲ 78% from last month

A measure of how long it takes for your customer to pay you.

Actions

- Revisit your invoice and payment process to see what can be done to help customers to pay you quicker.
- Net profit has increased - continue review of suppliers to increase further

Highlights

Here we will talk through the story of your managment accounts, highlight key areas of things to note and address.

Upcoming Tax Dues

	Amount to be paid	Due By
Estimated Corporation Tax (YY)	£XXX	(DDMMYY)
Estimated VAT (MMYY)	£XXX	(DDMMYY)
PAYE (MMYY)	£XXX	(DDMMYY)
Estimated Personal Tax (YY)	£XXX	(DDMMYY)

FOR YOUR ACTION:

Here we will talk through any action points we recommend.

Additional comments for your review

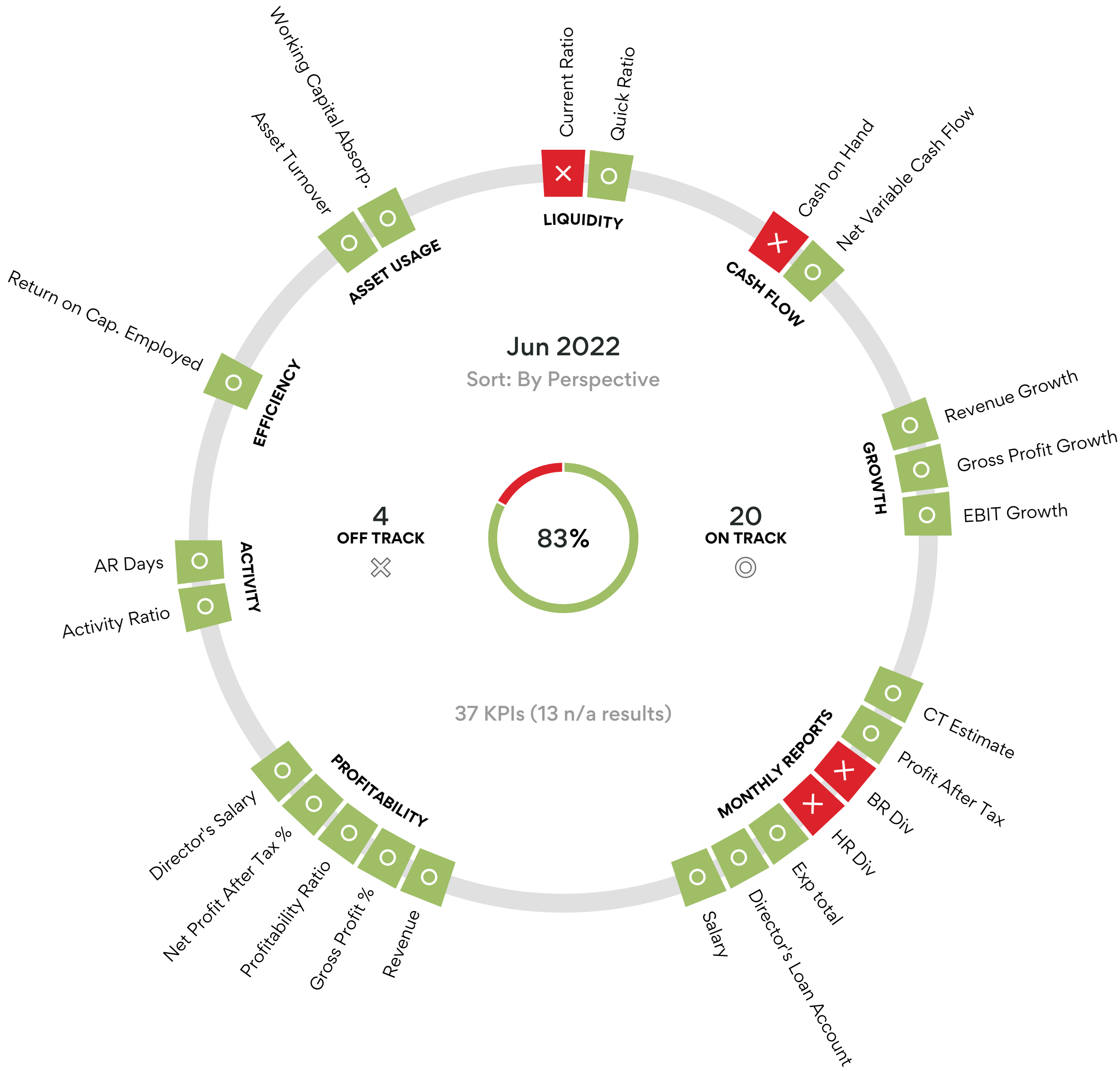
Annual Investment allowances are coming back to £200K in March 2023.

Further, there is a super deduction in place until March 2023 which allows companies to claim 130% capital allowances on qualifying plant and machinery investments.

Also maintaining a limit on entertainment expenses incurred through the business will help to reduce the corporation tax.

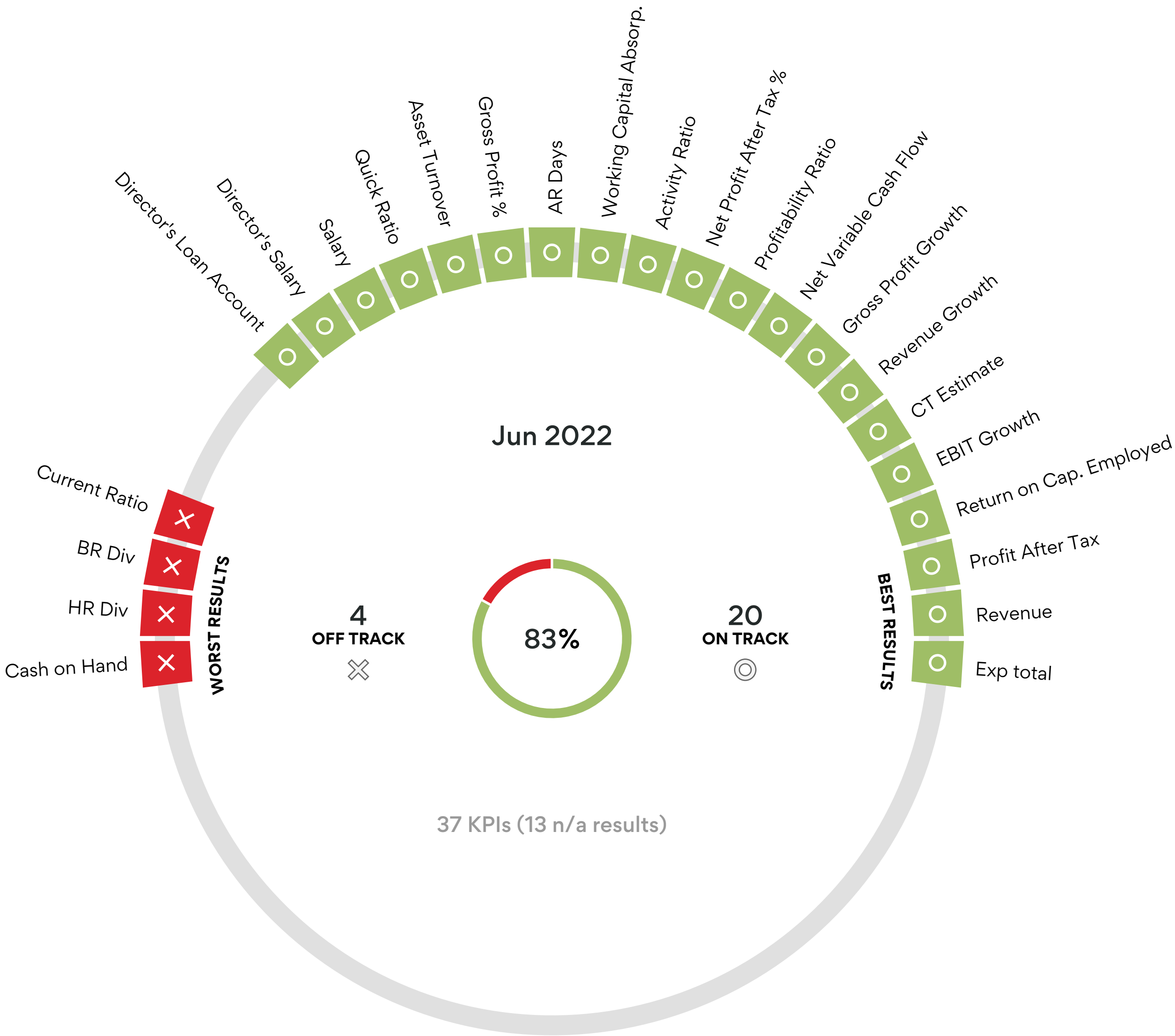
KPI Results

This chart shows KPIs grouped into performance perspectives.



KPI Results

This chart shows KPIs sorted by result. KPIs are categorised into best and worst results.



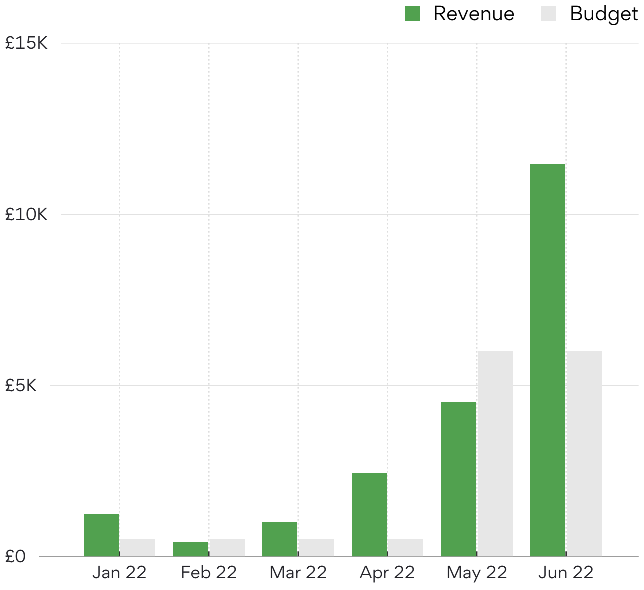
KPI Results

	RESULT	TARGET		TREND	IMPORTANCE
A PROFITABILITY	**JUN 2022**			**vs MAY 2022**	
Total Revenue	£11,453	£6,000	✓	▲ 153.1%	Critical
Gross Profit Margin	100%	91.67%	✓	0%	Critical
Profitability Ratio	31.41%	-57.75%	✓	▲ 15.01%	Critical
Net Profit After Tax Margin	31.41%	-57.75%	✓	▲ 15.01%	Critical
Director's Salary	£0	£0	✓	£0	Low
B ACTIVITY					
Activity Ratio	82.31 times	2.00 times	✓	-	Medium
Accounts Receivable Days *	16 days	40 days	✓	▲ 7 days	Medium
Accounts Payable Days	–	45 days	–	–	Medium
C EFFICIENCY					
Return on Equity	–	15%	–	–	Low
Return on Capital Employed	2,585.5%	12.5%	✓	-	Low
D ASSET USAGE					
Asset Turnover	9.30 times	5.00 times	✓	▼ -7.42 times	Low
Working Capital Absorption *	-2.38%	25%	✓	▼ -2.18%	Low
E LIQUIDITY					
Current Ratio	1.01:1	2.00:1	✗	▲ 0.69:1	Low
Quick Ratio	1.01:1	1.00:1	✓	▲ 0.69:1	Low
F CASH FLOW					
Cash on Hand	£7,344	£10,000	✗	▲ 2,800%	Medium
Net Variable Cash Flow	102.38%	0%	✓	▲ 2.18%	Medium
G GROWTH					
Revenue Growth	153.11%	0%	✓	▲ 66.84%	Critical
Gross Profit Growth	153.11%	0%	✓	▲ 66.84%	Critical
EBIT Growth	384.79%	-359.55%	✓	▲ 423.66%	Critical
H QUARTERLY REPOR					
Estimated Profit for the year	–	£0	–	–	Low
Estimated Corporation Tax for year	–	£0	–	–	Low

Revenue Analysis

TOTAL REVENUE	TARGET	LAST MONTH (May 22)
£11,453	£6,000	£4,525

Last 6 months vs Budget

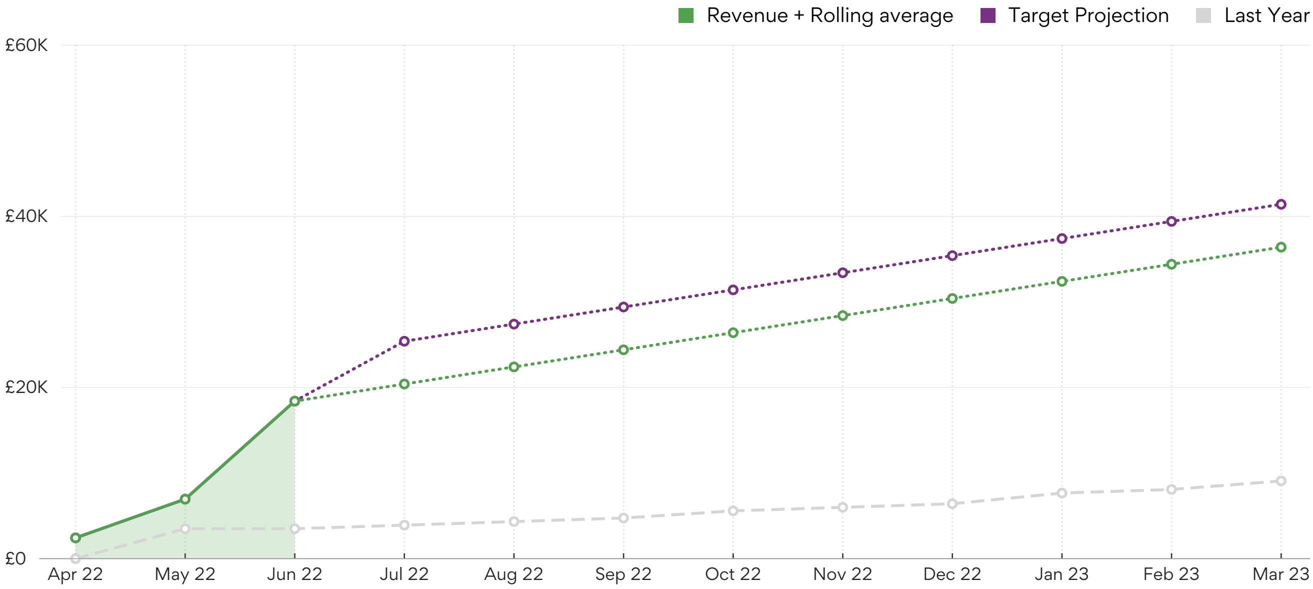


Revenue Mix - Top 10 Accounts

Sales	£11,453

YTD ACTUAL (2022/2023 YTD)	YTD BUDGET (2022/2023 YTD)	YTD LAST YEAR (2021/2022 YTD)
£18,407	£12,500 Budget	£3,500

Cumulative Revenue



Profitability

REVENUE

£11,453

A measure of the total amount of money received by the company for goods sold or services provided.

EXPENSES TO REVENUE RATIO

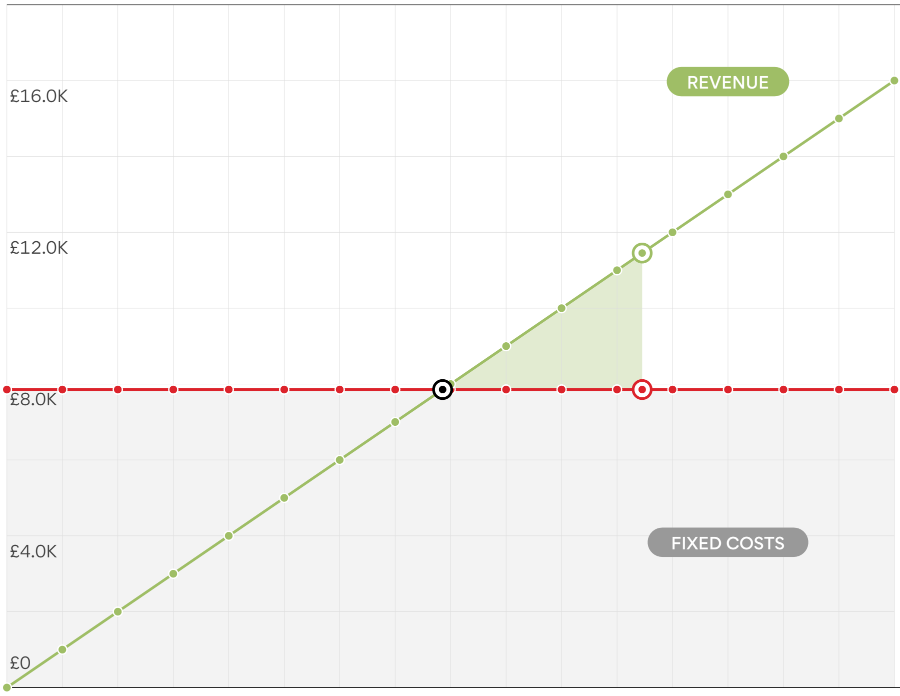
68.59%

A measure of how efficiently the business is conducting its operations.

MARGIN OF SAFETY

£3,598

The breakeven safety margin represents the gap between the actual revenue level and the breakeven point.



REVENUE

£11,453

TOTAL COSTS

£7,855

BREAKEVEN POINT

£7,855

MARGIN OF SAFETY

£3,598

VARIABLE COSTS

£0.00 PER £1 OF REVENUE

FIXED COSTS

£7,855

Profitability can be further improved by improving price, volume, cost of sales and operating expense management.

Top 10 Revenue Accounts

Sales	£11,453

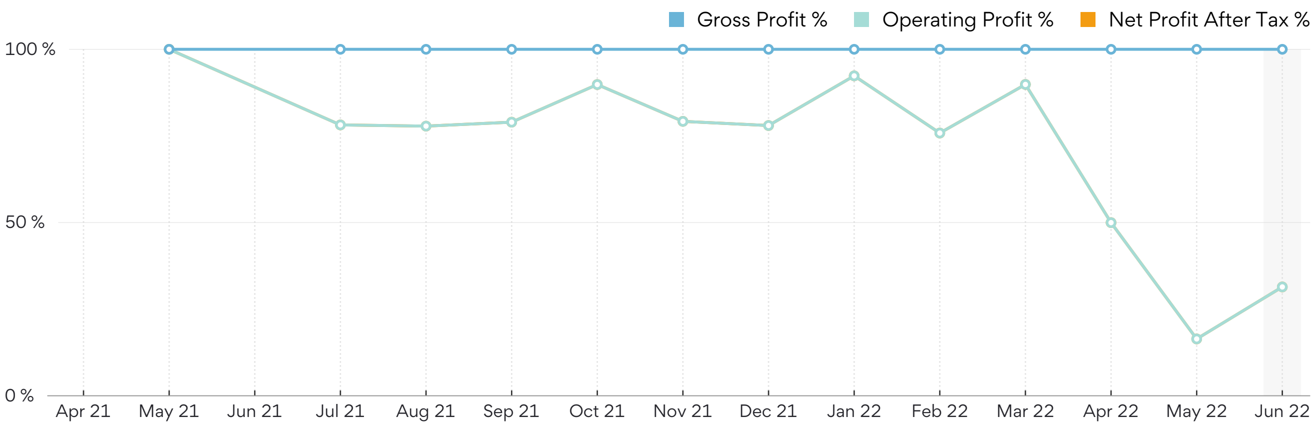
Top 10 Expense Accounts

Advertising & Marketing	£6,628
Rent	£984
Light, Power, Heating	£103
General Expenses	£50
Audit & Accountancy fees	£47
Telephone & Internet	£43

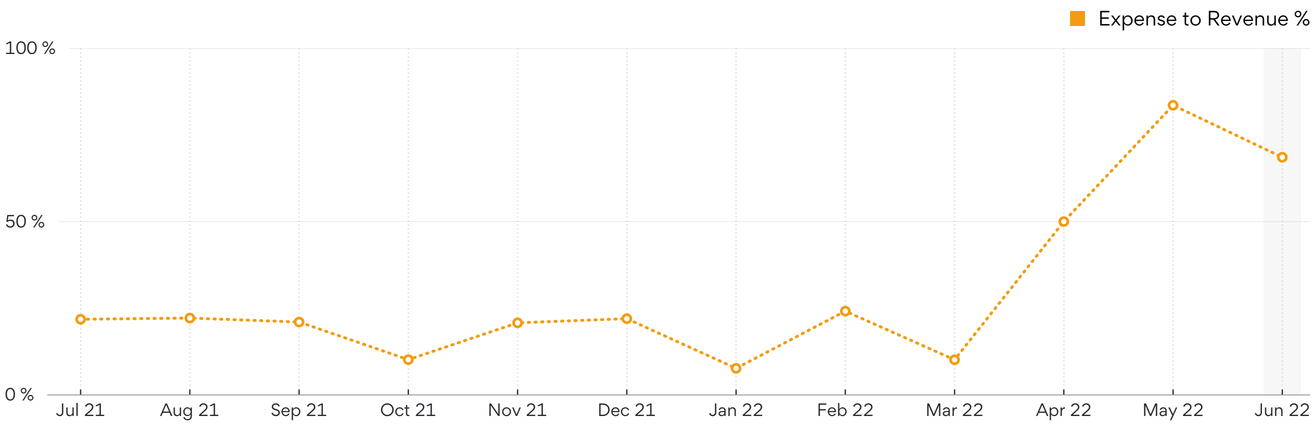
Profitability Charts

	Jun 2022	% of Revenue	Mar 2022	Apr 2022	May 2022
Gross Profit	£11,453	100.0%	£1,000	£2,429	£4,525
Operating Profit	£3,598	31.4%	£899	£1,214	£742
Earnings Before Interest & Tax	£3,598	31.4%	£899	£1,214	£742
Earnings After Tax	£3,598	31.4%	£899	£1,214	£742

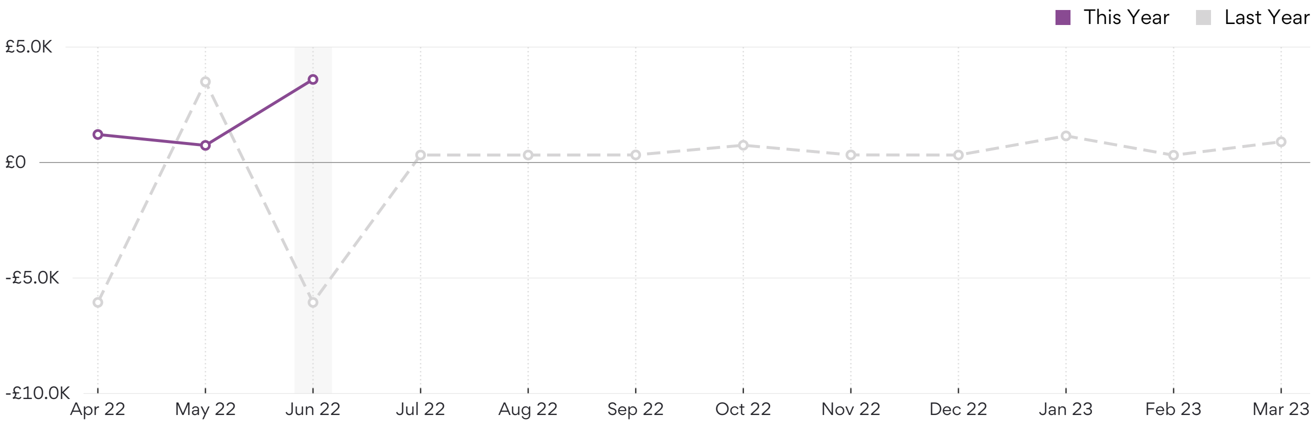
% Margins



Expense-to-Revenue (%)



Earnings After Tax This Year vs Last Year



Financials

PROFIT & LOSS	Jun 2022	May 2022	Variance %
Revenue			
Sales	£11,453	£4,525	153.11%
Gross Profit	**£11,453**	**£4,525**	**153.11%**
Expenses			
Advertising & Marketing	£6,628	£0	-
Audit & Accountancy fees	£47	£47	0.00%
Bank Fees	£0	£15	-100.00%
Cleaning	£0	£99	-100.00%
Entertainment-100% business	£0	£26	-100.00%
General Expenses	£50	£124	-60.12%
Light, Power, Heating	£103	£129	-20.06%
Motor Vehicle Expenses	£0	£183	-100.00%
Rent	£984	£984	0.00%
Repairs & Maintenance	£0	£886	-100.00%
Subscriptions	£0	£1,220	-100.00%
Telephone & Internet	£43	£39	9.99%
Travel - National	£0	£29	-100.00%
Total Expenses	**£7,855**	**£3,783**	**107.66%**
Operating Profit	**£3,598**	**£742**	**384.79%**
Net Income	**£3,598**	**£742**	**384.79%**

BALANCE SHEET	Jun 2022	May 2022	Variance %
ASSETS			
Cash & Equivalents			
Business Bank Account	£7,344	£253	2,799.99%
Accounts Receivable			
Accounts Receivable	£6,050	£1,350	348.14%
Total Current Assets	**£13,394**	**£1,603**	**735.42%**
Fixed Assets			
Office Equipment	£2,569	£0	-
Computer Equipment	-£986	£1,583	-162.25%
Total Fixed Assets	**£1,583**	**£1,583**	**0.00%**
Total Non-Current Assets	**£1,583**	**£1,583**	**0.00%**
Total Assets	**£14,977**	**£3,187**	**370.01%**
LIABILITIES			
Accounts Payable			
Accounts Payable	£9,363	£1,456	543.15%
Other Current Liabilities			
Unpaid Expense Claims	£35	£35	0.00%
VAT	-£244	-£530	53.93%
Historical Adjustment	£4,131	£4,131	0.00%
Total Other Current Liabilities	**£3,922**	**£3,635**	**7.87%**
Total Current Liabilities	**£13,284**	**£5,091**	**160.92%**
Total Non-Current Liabilities	**£0**	**£0**	**-**
Total Liabilities	**£13,284**	**£5,091**	**160.92%**
EQUITY			

	Jun 2022	May 2022	Variance %
Retained Earnings			
Retained Earnings	-£3,861	-£3,861	0.00%
Current Earnings			
Current Year Earnings	£5,554	£1,956	183.93%
Total Equity	**£1,693**	**-£1,905**	**188.88%**
Total Liabilities & Equity	**£14,977**	**£3,187**	**370.01%**

Executive Summary

REVENUE

Revenue £11,453 (Last month £4,525)

Positive trend upwards.

PROFITABILITY

Profitability Ratio 31.41% (Last month 16.4%)

Positive trend upwards. Strategies to improve profitability include: increasing price, increasing sales volume, reducing cost of sales and reducing operating expenses.

WORKING CAPITAL

Cash Conversion Cycle 16 days (Last month 9 days)

Negative trend upwards. Strategies to improve cash conversion include: collecting debt faster, reducing inventory levels, billing work in progress faster and paying creditors slower.

CASH FLOW

Free Cash Flow £7,091

Free Cash Flow is positive. After paying its operating expenses and investing for future growth (capital expenditures) the business has generated cash. This cash is available to be paid back to the suppliers of capital.

MARGINAL CASH FLOW

Net Variable Cash Flow 102.38%

Net variable cash flow is positive. The business will generate cash from each additional £1 of products or services that the business sells.

DEBT

Net Debt -£7,344 (Last month -£253)

Net debt levels have fallen.

KPIs Explained

NA Accounts Payable Days

A measure of how long it takes for the business to pay its creditors. A stable higher number of days is generally an indicator of good cash management. A longer time taken to pay creditors has a positive impact on Cash Flow. But an excessive lengthening in this ratio could indicate a problem with sufficiency of working capital to pay creditors.

Accounts Payable Days = Accounts Payable x Period Length ÷ Cost of Sales

Accounts Receivable Days 16 days

A measure of how long it takes for the business to collect the amounts due from customers. A lower number indicates that it takes the business fewer days to collect its accounts receivable. A shorter time to collect debtors has a positive impact on Cash Flow. A higher number indicates that it takes longer to collect its accounts receivable. For this period, accounts receivable days are below the maximum target of 40 days.

Accounts Receivable Days = Accounts Receivable x Period Length ÷ Revenue

Activity Ratio 82.31 times

A measure of the efficiency or effectiveness with which the business manages its resources or assets. This measure indicates the speed with which Net Operating Assets (Equity + Debt) are converted or turned into sales. This can be improved by optimising balance sheet efficiency, ie. by reducing the investment in working capital, selling-off any unused assets or by seeking ways to maximise the use of assets. For this period, the activity ratio has exceeded the target of 2.00 times.

Activity Ratio = Annualised Revenue ÷ Total Invested Capital

NA Aged Creditors of more than 3 Months

Supplier bills outstanding more than 3 months

NA Aged Debtors of more than 3 Months

Sales invoices remaining unpaid after 3 months

Asset Turnover 9.30 times

A measure of how effectively the business has used its assets to generate revenue. The business makes £930.38 of sales for every £100 of its asset investment. The higher the number the better the turnover. Ways to improve this metric include increasing sales using the same asset base, using capital more efficiently, and/or improve cash management by reducing inventory and receivables. For this period, the Asset Turnover exceeds the target of 5.00 times.

Asset Turnover = Annualised Revenue ÷ Total Assets

Basic Rate Dividend Tax @ 8.75% -£175

Basic Rate Dividend Tax @ 8.75% = ((0 – Directors' Loan Account) – 2000) x 0.0875

NA Bookkeeping Healthscore

This is a healthscore showing the quality of your bookkeeping.

Cash on Hand £7,344

A measure of the cash and cash equivalents in actual possession by the company at a particular time. At the end of this period the company held £7,344 of cash and cash equivalents. Cash on Hand is below the required target of £10,000. Insufficient cash reserves may result in an inability to pay creditors and cover current liabilities.

Cash on Hand = Cash & Equivalents

Corporation Tax Estimate @ 19% £684

Corporation Tax Estimate @ 19% = Operating Profit x 0.19

Current Ratio 1.01:1

A measure of liquidity. This measure compares the totals of the current assets and current liabilities. The higher the current ratio, the greater the 'cushion' between current obligations and the business's ability to pay them. Generally a current ratio of 2 or more is an indicator of good short-term financial strength. In other words, the current assets of the business should be at least double the current liabilities. For this period, the current ratio was 1.01:1, up from 0.31:1 last period and below the minimum target of 2.00:1.

Current Ratio = Total Current Assets ÷ Total Current Liabilities

Director's Loan Account £0

Director's Loan Account = Directors' Loan Account x 1

Director's Salary £0

Director's Salary = Directors' Remuneration x 1

NA Duplicate Contacts

Contacts that are in Xero twice or more and need to be merged together.

EBIT Growth 384.79%

A measure of the percentage change in EBIT for the period. A combination of growth in revenues and growth in profits presents a balanced measure of growth For this period, EBIT growth of 384.79% exceeded the target growth of -359.55%.

EBIT Growth = (Earnings Before Interest & Tax – Prior Earnings Before Interest & Tax) ÷ Prior Earnings Before Interest & Tax x 100

NA Estimated Corporation Tax for year

Estimation of tax for the year based on profit estimate

Estimated Corporation Tax for year = Estimated Profit for the year x 0.19

NA Estimated Profit for the year

Estimation of profit for the year, based on revenue to date

Gross Profit Growth 153.11%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of 153.11% exceeded the target of 0%.

Gross Profit Growth = (Gross Profit – Prior Gross Profit) ÷ Prior Gross Profit x 100

Gross Profit Margin 100%

A measure of the proportion of revenue that is left after deducting all costs directly related to the sales. For each £100 in sales the business retains £100.00 after deducting the cost of sales. The gross profit serves as the source for paying operating expenses. The gross profit margin can be further improved by improving price, volume and cost of sales management. For this period, the gross profit margin % is above the required target of 91.67%.

Gross Profit Margin = Gross Profit ÷ Revenue x 100

Higher Rate Dividend Tax @ 33.75% -£675

Higher Rate Dividend Tax @ 33.75% = ((0 – Directors' Loan Account) – 2000) x 0.3375

NA Multi-Coded Contacts

Contacts that have been coded to more than one nominal code or tax rate - can highlight incorrect coding that needs to be corrected.

Net Profit After Tax Margin 31.41%

A measure of the proportion of revenue that is left after all expenses have been paid. The business makes £31.41 of net profit for every £100 it generates in revenue. For this period, the Net Profit After Tax margin is above the required target. A higher result indicates that the business is better prepared to handle down-turns.

Net Profit After Tax Margin = Earnings After Tax ÷ Revenue x 100

Net Variable Cash Flow 102.38%

A measure of the additional cash that will either be generated or used up by the next £100 of products or services that the business sells. If the Net Variable Cash Flow is positive then for every additional £100 of revenue the business will generate cash. If the Net Variable Cash Flow is negative then for every additional £100 of revenue the business will require additional cash funding. For this period, the Net Variable Cash Flow exceeded the target of 0%. The Net Variable Cash Flow is 102.38% of gross revenue. Each additional £100 of Revenue will generate £102.38 of cash.

Net Variable Cash Flow = (Annualised Revenue – Annualised Variable COS – Annualised Variable Expenses – Operating Working Capital) ÷ (Annualised Revenue) x 100

NA Number of Bank Transactions

Number of bank transactions for the last quarter

NA Number of Bills Processed

Number of bills & receipts for the last quarter

NA Number of Sales Invoices Raised

Number of sales invoices raised to customers in the last quarter

Profit After Tax £2,914

Profit After Tax = Operating Profit – Corporation Tax Estimate @ 19%

Profitability Ratio 31.41%

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes £31.41 of EBIT for every £100 it generates of revenue. The profitability ratio can be further improved by improving price, volume, cost and expense management. For this period, the Profitability ratio is above the required target of -57.75%.

Profitability Ratio = Earnings Before Interest & Tax ÷ Revenue x 100

Quick Ratio 1.01:1

The Quick Ratio measures the availability of assets which can quickly be converted into cash to cover current liabilities. Inventory and other less liquid current assets are excluded from this calculation. The Quick Ratio is a measure of the ability to pay short-term creditors immediately from liquid assets. A quick ratio of 1:1 or more is considered 'safe'. For this period, the quick ratio was 1.01:1, up from 0.31:1 last period and above the minimum target of 1.00:1.

Quick Ratio = (Cash & Equivalents + Accounts Receivable) ÷ Total Current Liabilities

Return on Capital Employed 2,585.5%

A measure of the efficiency and profitability of capital investment (ie. funds provided by shareholders & lenders). ROCE monitors the relationship between the capital ('inputs') used by the business and the earnings ('outputs') generated by the business. ROCE is arguably one of the most important performance measures. The higher the result the greater the return to providers of capital. For this period, the business has generated a ROCE of 2,585.5%. This return exceeds the target of 12.5%.

Return on Capital Employed = Annualised Earnings Before Interest & Tax ÷ Total Invested Capital x 100

NA Return on Equity

A measure of how effectively the business has used the resources provided by its owners to generate profits. The higher the ratio the greater the rate of return for shareholders.

Return on Equity = Annualised Net Income ÷ Opening Total Equity x 100

Revenue Growth 153.11%

A measure of the percentage change in revenue for the period. Management should ensure that revenues increase at rates higher than general economic growth rates (ie. inflation). For this period, revenue growth of 153.11% exceeded the target growth of 0%.

Revenue Growth = (Revenue – Prior Revenue) ÷ Prior Revenue x 100

Salary £0

Salary = Directors' Remuneration x 1

Total Expenses (COS & Overheads) £7,855

Total Expenses (COS & Overheads) = Expenses + Cost of Sales

Total Revenue £11,453

A measure of the total amount of money received by the company for goods sold or services provided. The business has earned total revenues of £11,453. Strategies to improve revenue may include increasing prices, increasing the volume of sales through marketing initiatives or finding alternative sources of income. For this period, the revenue earned is above the required target of £6,000.

Total Revenue = Revenue

NA Unreconciled Items

The number of transactions not yet reconciled in Xero. The higher the number the less accurate your data will be.