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# Monthly Performance Report

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Demo Company (UK)  
November 2023

Published on 6 Dec 2023

# Executive Summary

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## REVENUE

**Revenue £14,497** (Last month £11,420)

Positive trend upwards.



## PROFITABILITY

**Profitability Ratio 81.19%** (Last month 14.77%)

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 -330 days** (Last month -324 days)

Positive trend downwards. 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 -£9,160**

Free Cash Flow is negative. After paying its operating expenses and capital expenditure investments the business has not generated positive cash flow.



## MARGINAL CASH FLOW

**Net Variable Cash Flow 88.51%**

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



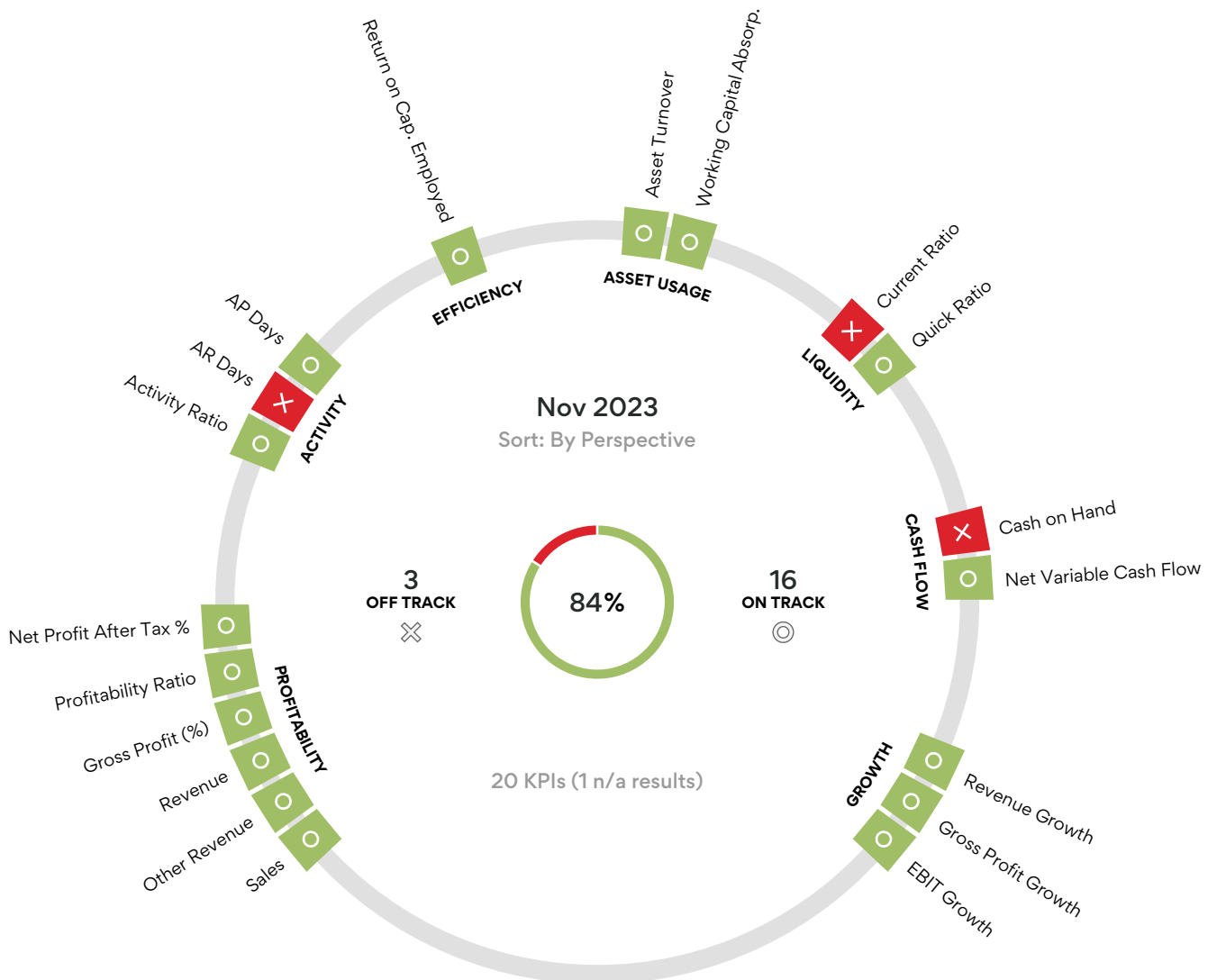
## DEBT

**Net Debt -£924** (Last month -£10,085)

Net debt levels have risen.

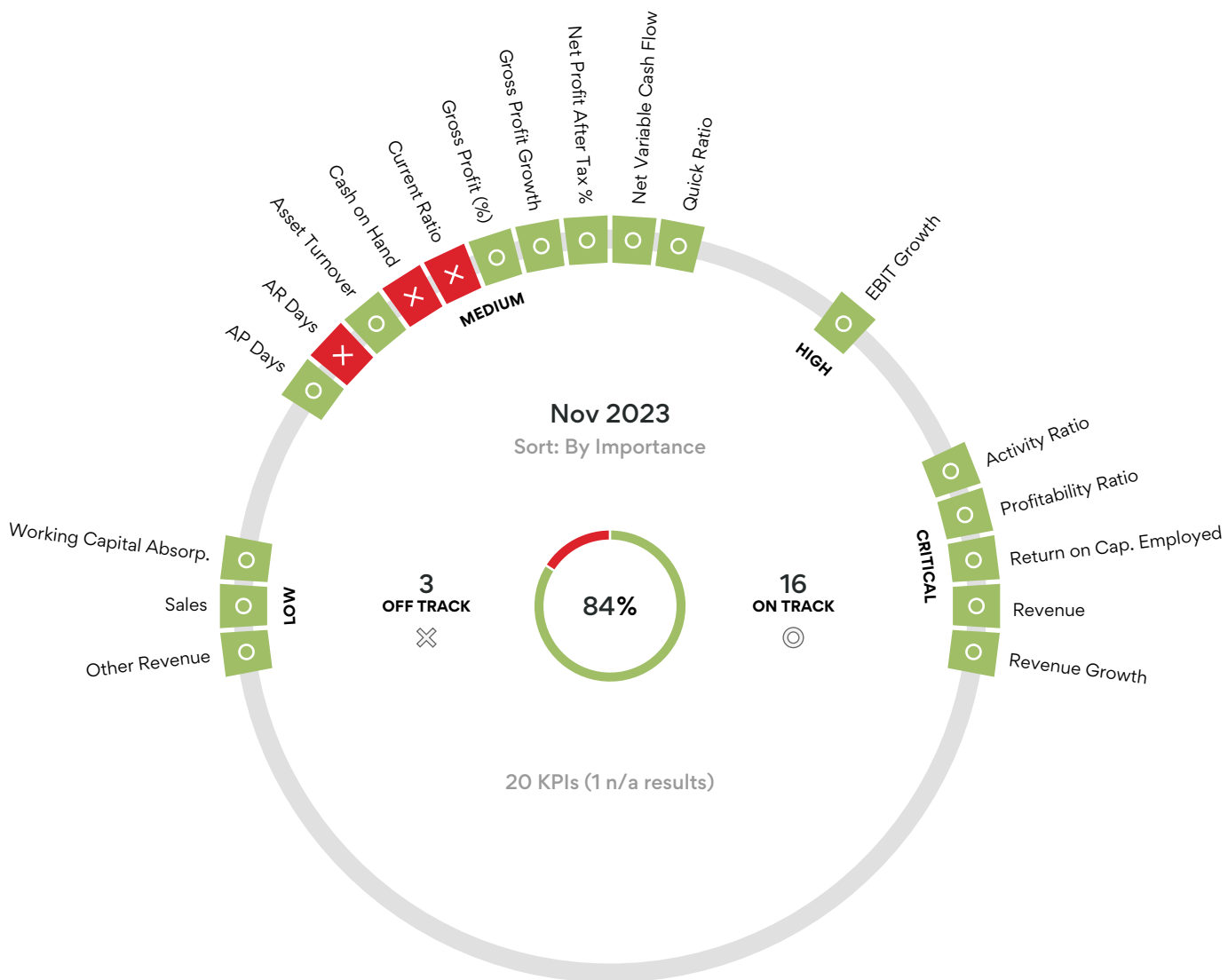
# KPI Results

This chart shows KPIs grouped into performance perspectives.



# KPI Results

This chart shows KPIs sorted by degree of importance. KPIs are classified as either low, medium, high or critical importance.



# KPI Results

	RESULT	TARGET		TREND	IMPORTANCE
<b>A PROFITABILITY</b>	NOV 2023			vs OCT 2023	
Sales	£14,497	£7,000	✓	▲ 26.9%	Low
Other Revenue	£0	£0	✓	£0	Low
Total Revenue	£14,497	£7,000	✓	▲ 26.9%	Critical
Gross Profit Margin	95.17%	92.86%	✓	▲ 6.12%	Medium
Profitability Ratio	81.19%	7.64%	✓	▲ 66.42%	Critical
Net Profit After Tax Margin	81.19%	7.64%	✓	▲ 66.42%	Medium
<b>B ACTIVITY</b>					
Activity Ratio	17.85 times	2.00 times	✓	-	Critical
Accounts Receivable Days *	42 days	40 days	✗	▲ 34 days	Medium
Accounts Payable Days	372 days	45 days	✓	▲ 40 days	Medium
<b>C EFFICIENCY</b>					
Return on Equity	-	15%	-	-	Critical
Return on Capital Employed	1,449.04%	12.5%	✓	-	Critical
<b>D ASSET USAGE</b>					
Asset Turnover	7.33 times	5.00 times	✓	▼ -1.81 times	Medium
Working Capital Absorption *	6.66%	25%	✓	▲ 14.36%	Low
<b>E LIQUIDITY</b>					
Current Ratio	1.51:1	2.00:1	✗	▲ 0.72:1	Medium
Quick Ratio	1.51:1	1.00:1	✓	▲ 0.72:1	Medium
<b>F CASH FLOW</b>					
Cash on Hand	£924	£10,000	✗	▼ -90.8%	Medium
Net Variable Cash Flow	88.51%	0%	✓	▼ -8.24%	Medium
<b>G GROWTH</b>					
Revenue Growth	26.94%	16.67%	✓	▼ -220.01%	Critical
Gross Profit Growth	35.66%	18.18%	✓	▼ -173.31%	Medium
EBIT Growth	598%	115.44%	✓	▲ 417.84%	High

\* For this metric, a result below target is favourable

# Revenue Analysis

TOTAL REVENUE

£14,497

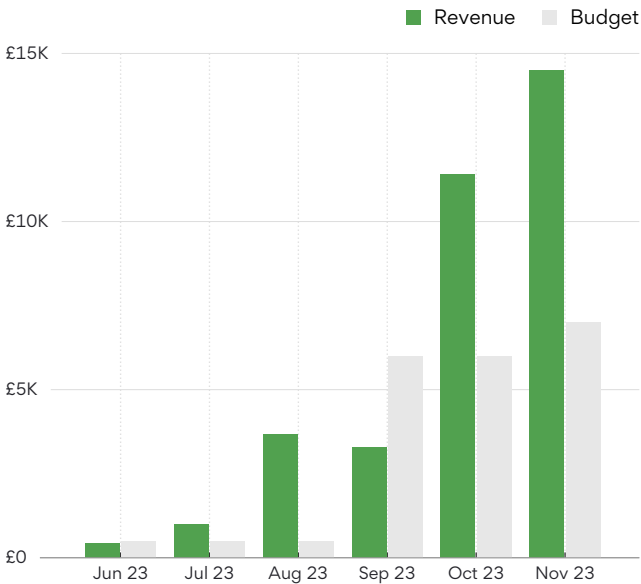
TARGET

£7,000

LAST MONTH (Oct 23)

£11,420

Last 6 months vs Budget



Revenue Mix - Top 10 Accounts



YTD ACTUAL (2023/2024 YTD)

£35,970

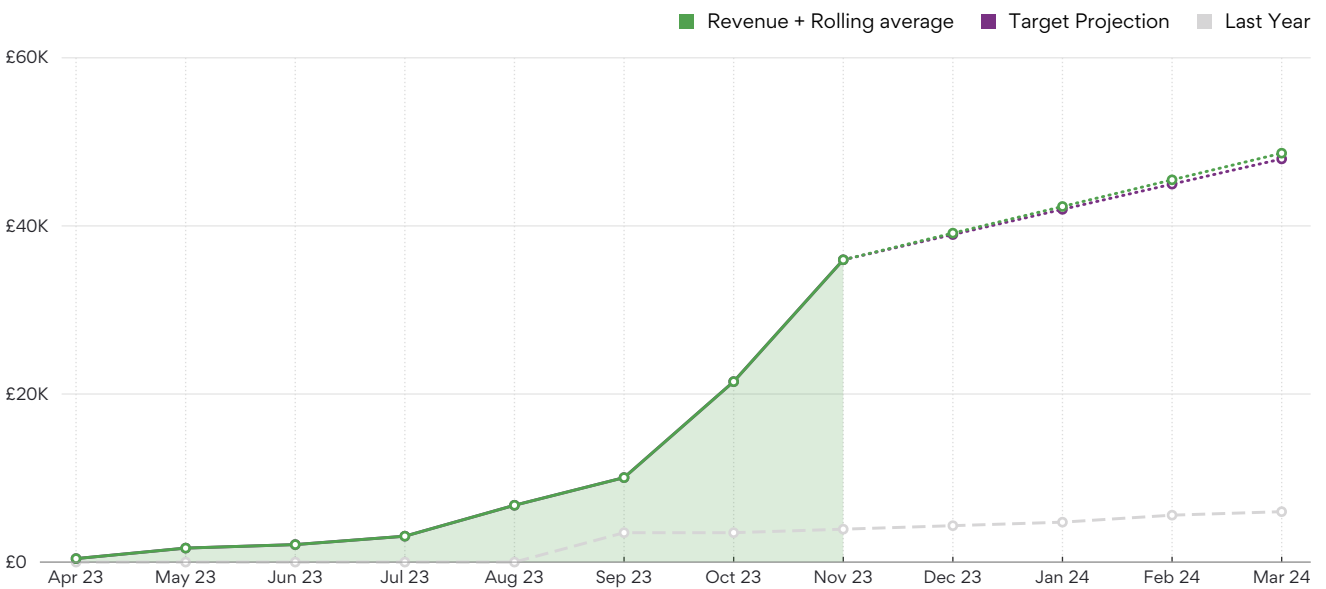
YTD BUDGET (2023/2024 YTD)

£21,500 Budget

YTD LAST YEAR (2022/2023 YTD)

£3,917

Cumulative Revenue



# Profitability

## REVENUE

**£14,497**

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

## EXPENSES TO REVENUE RATIO

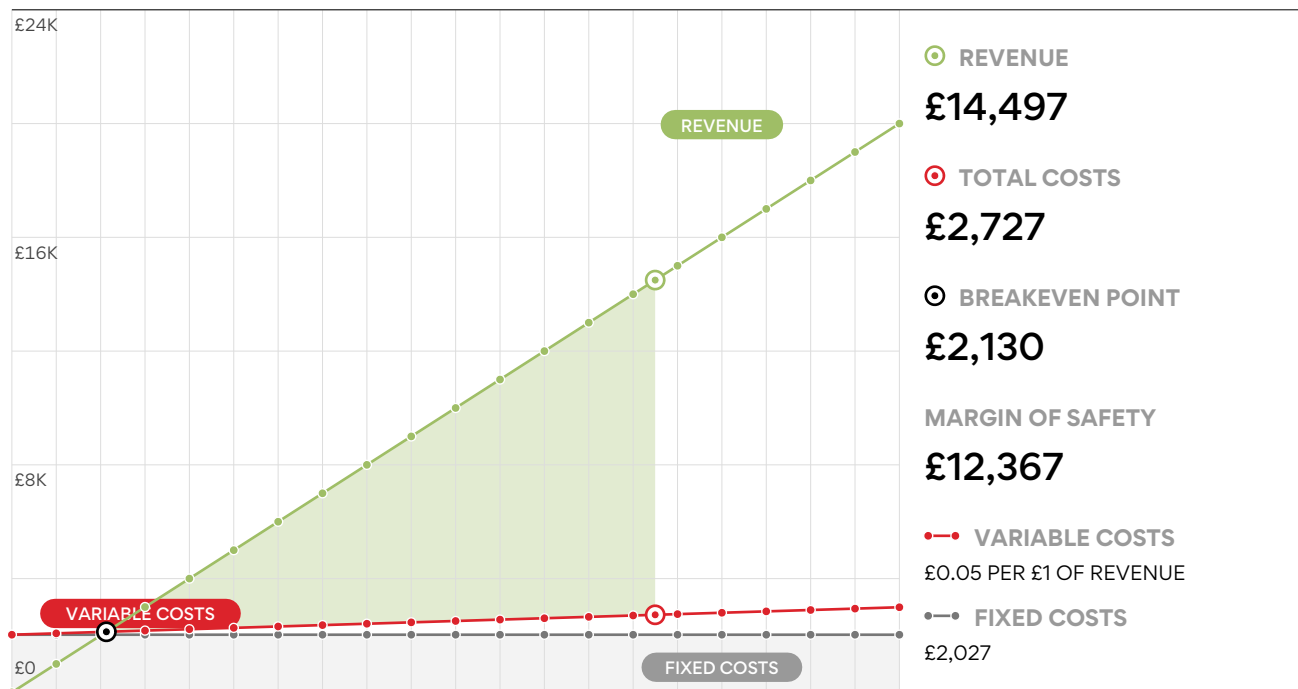
**18.81%**

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

## MARGIN OF SAFETY

**£12,367**

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



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

## Top 10 Revenue Accounts

Sales	£14,497
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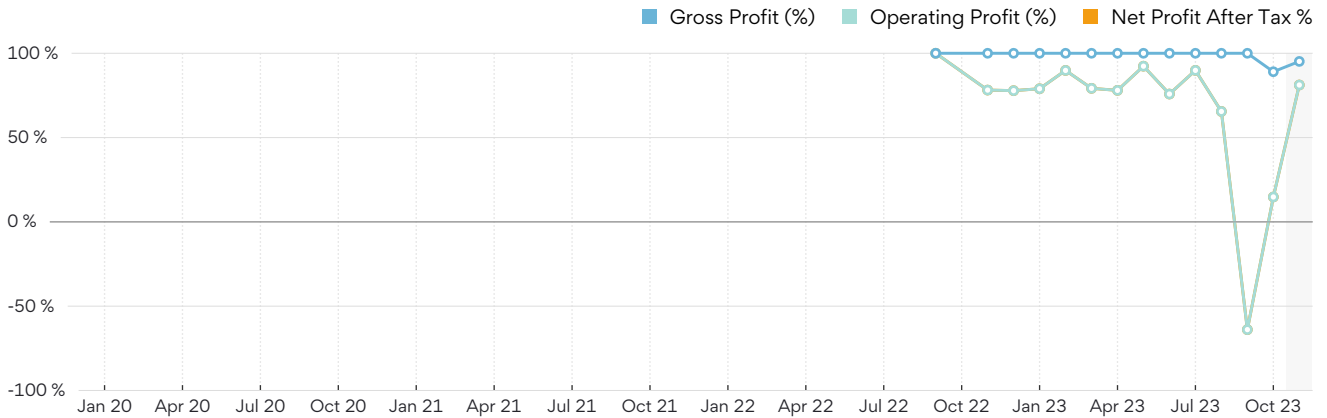
## Top 10 Expense Accounts

Rent	£984
Motor Vehicle Expenses	£343
General Expenses	£216
Travel - National	£202
Light, Power, Heating	£103
Postage, Freight & Courier	£94
Telephone & Internet	£45
Printing & Stationery	£25
Subscriptions	£15

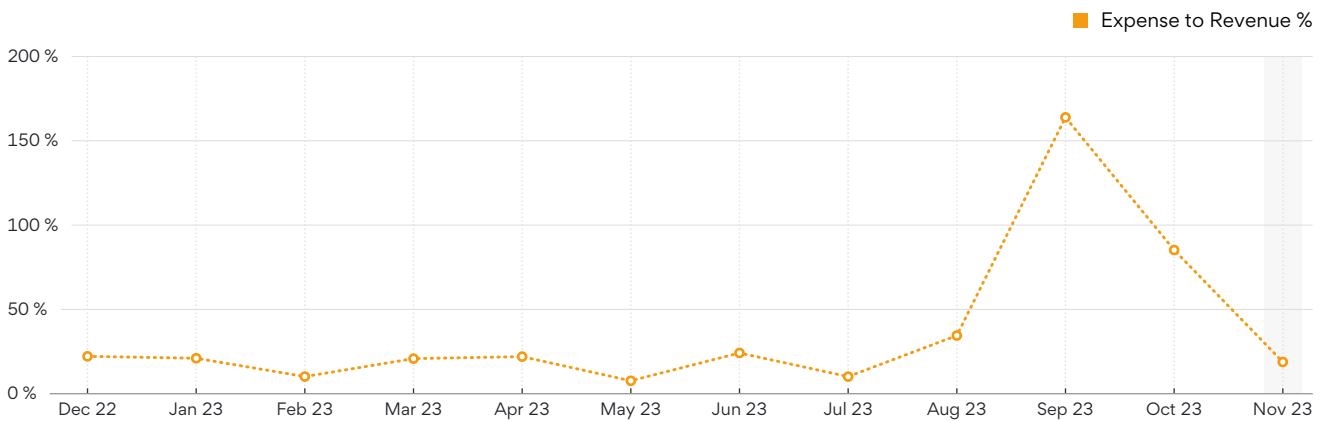
# Profitability Charts

	Nov 2023	% of Revenue	Aug 2023	Sep 2023	Oct 2023
Gross Profit	£13,797	95.2%	£3,679	£3,291	£10,170
Operating Profit	£11,770	81.2%	£2,410	£-2,104	£1,686
Earnings Before Interest & Tax	£11,770	81.2%	£2,410	£-2,104	£1,686
Earnings After Tax	£11,770	81.2%	£2,410	£-2,104	£1,686

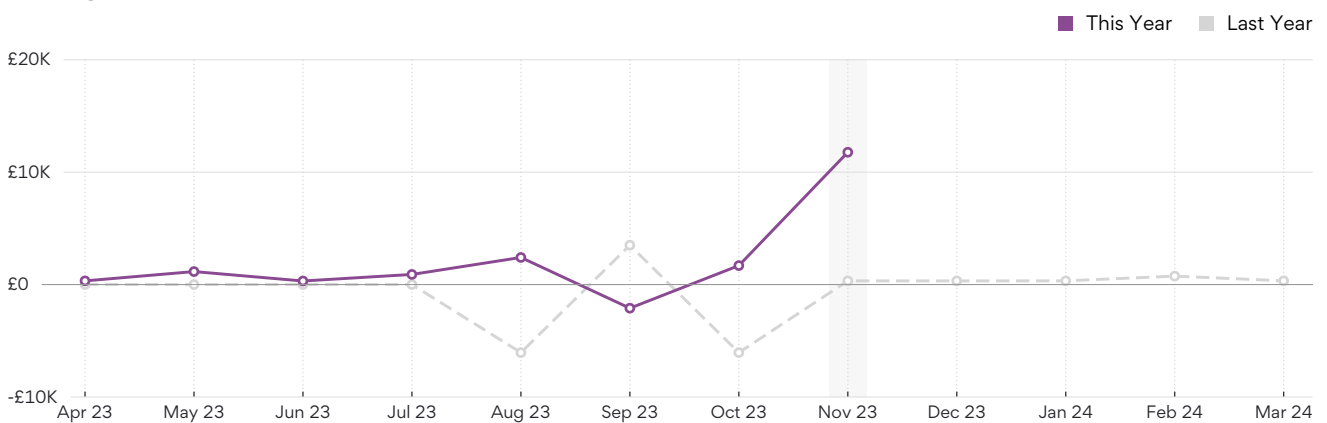
## % Margins



## Expense-to-Revenue (%)



## Earnings After Tax This Year vs Last Year





# Cash Flow

## OPERATING CASH FLOW

**-£8,064**

Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company's product and/or services as well as collecting payment from its customers and making payments to suppliers.

## FREE CASH FLOW

**-£9,160**

Free cash flow is the cash generated by the business, after paying its expenses and investing for future growth. It is the cash left after subtracting capital expenditure from operating cash flow. The term "free cash flow" is used because this cash is free to be paid back to the suppliers of capital.

## NET CASH FLOW

**-£9,160**

Net cash flow is the cash left after subtracting expenditures from financing activities from the free cash flow. This includes the cash impact from financing activities. Financing activities include the inflow of cash from investors such as banks or shareholders, as well as the outflow of cash to shareholders as dividends.

	-£10K	£0	£10K	£20K
add: Revenue			£14,497	
less: Cost of Sales				-£700
less: Expenses			-£2,027	
add: Other Income				£0
less: Cash Tax Paid				£0
add: Change in Accounts Payable			-£4,694	
add: Change in Other Current Liabilities			£2,267	
less: Change in Accounts Receivable		-£17,406		
less: Change in Inventory	£0			
less: Change in Work In Progress	£0			
less: Change in Other Current Assets	£0			
<b>OPERATING CASH FLOW</b>		<b>-£8,064</b>		
less: Change in Fixed Assets (ex. Depn and Amort)		-£1,097		
less: Change in Intangible Assets	£0			
less: Change in Investments or Other Non-Current Assets	£0			
<b>FREE CASH FLOW</b>		<b>-£9,160</b>		
less: Net Interest (after tax)	£0			
add: Change in Other Non-Current Liabilities	£0			
less: Dividends	£0			
add: Change in Retained Earnings and Other Equity	£0			
less: Adjustments	£0			
<b>NET CASH FLOW</b>		<b>-£9,160</b>		

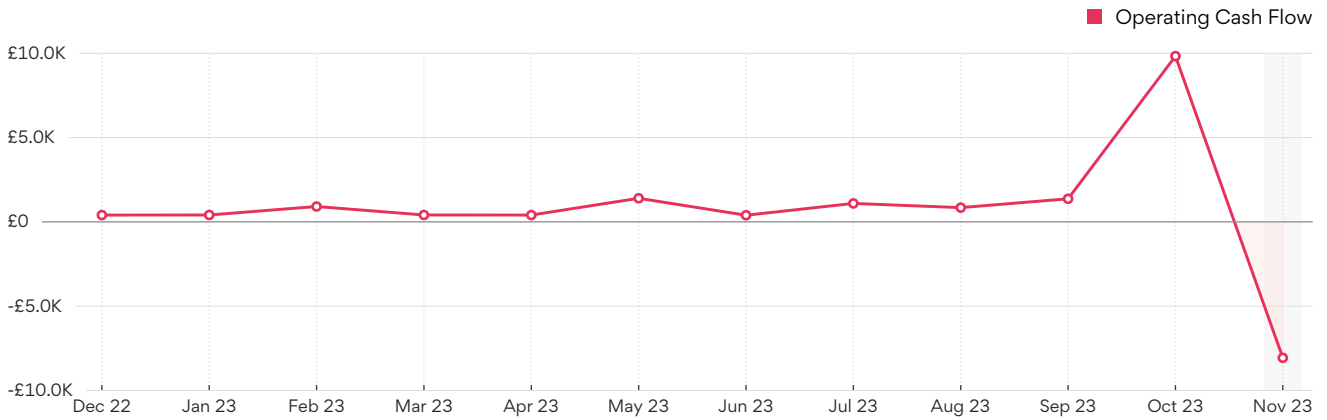
Net Cash Flow can also be calculated as:

**Change in Cash on Hand** -£9,160 (Open: £10,085, Close: £924) — **Change in Debt** £0 (Open: £0, Close: £0)

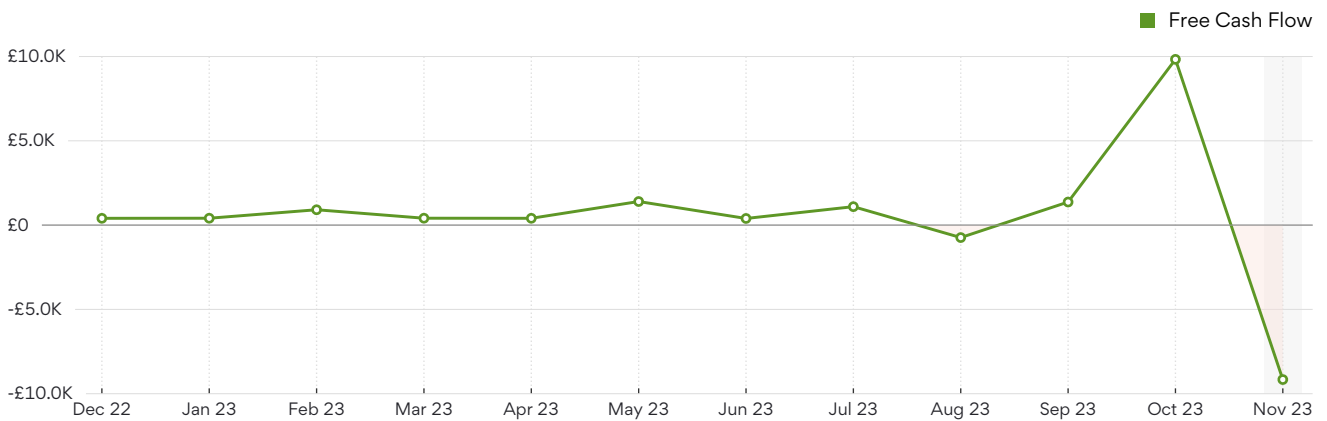
# Cash Flow Charts

	Nov 2023	Aug 2023	Sep 2023	Oct 2023
Operating Cash Flow	-£8,064	£845	£1,369	£9,831
Free Cash Flow	-£9,160	-£739	£1,369	£9,831
Net Cash Flow	-£9,160	-£739	£1,369	£9,831
Cash on Hand	£924	-£1,116	£253	£10,085

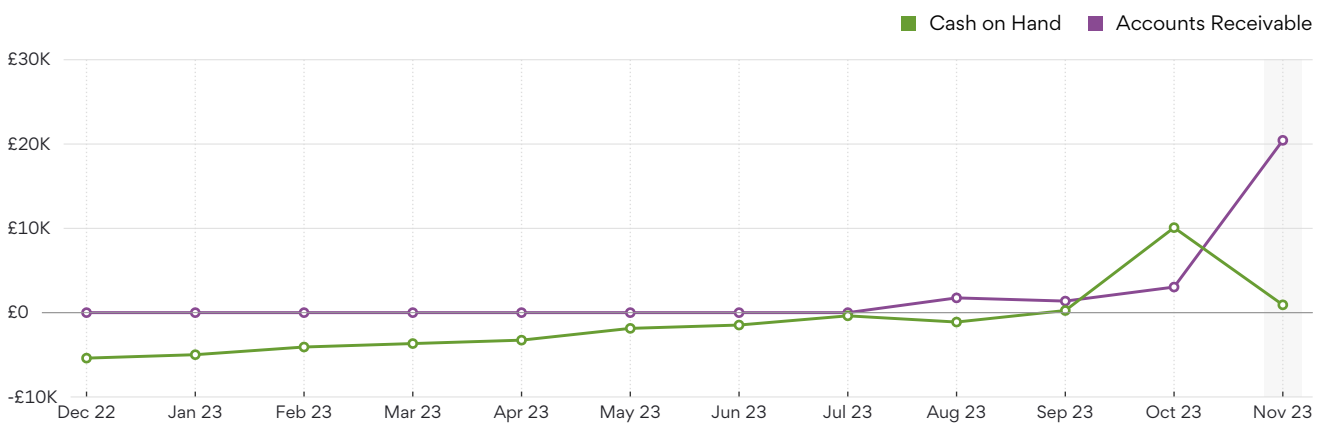
## Operating Cash Flow



## Free Cash Flow



## Cash & Receivables



# Growth

## REVENUE GROWTH

26.94%

A measure of the percentage change in Revenue for the period.

## EBIT GROWTH

598%

A measure of the percentage change in EBIT for the period.

## ASSET CHANGE

63.54%

A measure of the percentage change in Total Assets for the period.

### Change in Key Drivers (from prior month)

Revenue  
Up 26.9%

Cost of Sales  
Down 44%

Expenses  
Down 76.1%

Receivable Days  
Up 34 days

Inventory Days  
-

Payable Days  
Up 40 days

### Growth from Nov 2022 to Nov 2023



\* Total Operating Investment £9,882; Earnings Before Interest & Tax £11,770

Size of the circle shows the recency of the result

Vertical position of the circle shows the growth in Earnings Before Interest & Tax

Horizontal position of the circle shows the growth in Total Operating Investment

# Financials

<b>PROFIT &amp; LOSS</b>	<b>Nov 2023</b>	<b>Oct 2023</b>	<b>Variance %</b>
Revenue	£14,497	£11,420	26.94%
Cost of Sales	£700	£1,250	-44.00%
<b>Gross Profit</b>	<b>£13,797</b>	<b>£10,170</b>	<b>35.66%</b>
Expenses	£2,027	£8,484	-76.11%
<b>Operating Profit</b>	<b>£11,770</b>	<b>£1,686</b>	<b>598.00%</b>
Dividends	£0	£0	-
<b>Net Income</b>	<b>£11,770</b>	<b>£1,686</b>	<b>598.00%</b>

<b>BALANCE SHEET</b>	<b>Nov 2023</b>	<b>Oct 2023</b>	<b>Variance %</b>
<b>ASSETS</b>			
Cash & Equivalents	£924	£10,085	-90.83%
Accounts Receivable	£20,441	£3,036	573.39%
Inventory	£0	£0	-
Work In Progress	£0	£0	-
Other Current Assets	£0	£0	-
<b>Total Current Assets</b>	<b>£21,366</b>	<b>£13,120</b>	<b>62.85%</b>
Fixed Assets	£2,680	£1,583	69.26%
Intangible Assets	£0	£0	-
Investments or Other NCAs	£0	£0	-
<b>Total Non-Current Assets</b>	<b>£2,680</b>	<b>£1,583</b>	<b>69.26%</b>
<b>Total Assets</b>	<b>£24,046</b>	<b>£14,703</b>	<b>63.54%</b>
<b>LIABILITIES</b>			
Short Term Debt	£0	£0	-
Accounts Payable	£8,687	£13,382	-35.08%
Tax Liability	£0	£0	-
Other Current Liabilities	£5,476	£3,209	70.64%
<b>Total Current Liabilities</b>	<b>£14,163</b>	<b>£16,591</b>	<b>-14.63%</b>
Long Term Debt	£0	£0	-
Deferred Taxes	£0	£0	-
Other Non-Current Liabilities	£0	£0	-
<b>Total Non-Current Liabilities</b>	<b>£0</b>	<b>£0</b>	<b>-</b>
<b>Total Liabilities</b>	<b>£14,163</b>	<b>£16,591</b>	<b>-14.63%</b>
<b>EQUITY</b>			
Retained Earnings	-£6,573	-£6,573	0.00%
Current Earnings	£16,455	£4,686	251.17%
Other Equity	£0	£0	-
<b>Total Equity</b>	<b>£9,882</b>	<b>-£1,887</b>	<b>623.58%</b>
<b>Total Liabilities &amp; Equity</b>	<b>£24,046</b>	<b>£14,703</b>	<b>63.54%</b>

# KPIs Explained

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## ✓ Accounts Payable Days 372 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. For this period, accounts payable days are above the target of 45 days.

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

## ✗ Accounts Receivable Days 42 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 above the maximum target of 40 days.

Accounts Receivable Days = Accounts Receivable x Period Length ÷ Revenue

## ✓ Activity Ratio 17.85 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

## ✓ Asset Turnover 7.33 times

A measure of how effectively the business has used its assets to generate revenue. The business makes £733.50 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

## ✗ Cash on Hand £924

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 £924 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

## ✗ Current Ratio 1.51:1

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 1.51:1, up from 0.79:1 last period and below the minimum target of 2.00:1.

Current Ratio = Total Current Assets ÷ Total Current Liabilities

✓ **EBIT Growth** 598%

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 598% exceeded the target growth of 115.44%.

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

✓ **Gross Profit Growth** 35.66%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of 35.66% exceeded the target of 18.18%.

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

✓ **Gross Profit Margin** 95.17%

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 £95.17 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 92.86%.

Gross Profit Margin = Gross Profit ÷ Revenue x 100

✓ **Net Profit After Tax Margin** 81.19%

A measure of the proportion of revenue that is left after all expenses have been paid. The business makes £81.19 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** 88.51%

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 utilise cash reserves, or need additional cash funding. For this period, the Net Variable Cash Flow exceeded the target of 0%. The Net Variable Cash Flow is 88.51% of gross revenue. Each additional £100 of Revenue will generate £88.51 of cash.

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

✓ **Other Revenue** £0

A measure of the 'Other Revenue' account from your general ledger. This is an account watch KPI. For this period, the account Other Revenue is below the required target of £0

✓ **Profitability Ratio** 81.19%

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes £81.19 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 7.64%.

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

### ✔ Quick Ratio 1.51:1

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 1.51:1, up from 0.79:1 last period and above the minimum target of 1.00:1.

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

### ✔ Return on Capital Employed 1,449.04%

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 1,449.04%. 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 26.94%

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 26.94% exceeded the target growth of 16.67%.

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

### ✔ Sales £14,497

A measure of the 'Sales' account from your general ledger. This is an account watch KPI. For this period, the account Sales is above the required target of £7,000

### ✔ Total Revenue £14,497

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 £14,497. 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 £7,000.

Total Revenue = Revenue

### ✔ Working Capital Absorption 6.66%

A measure of the adequacy of working capital to support sales activity. This measure indicates the investment made in working capital for each unit of revenue. The trend of this ratio is particularly useful for growing businesses. If sales increase rapidly but working capital levels remain constant, the business may be at risk that insufficient working capital is available to support this growth. Moreover, if the result for this metric is greater than the Gross Profit Margin %, then for every additional unit of Revenue generated, additional cash will be required. For this period, Working Capital Absorption is less than the target of 25%.

Working Capital Absorption = Operating Working Capital ÷ (Annualised Revenue) x 100