

Summary

The result for March 2012 is significantly better than in previous months, showing above-trend growth in sales.

However, the company continues to struggle with the additional overhead taken on at the beginning of the year with the opening of the new premises.

The sales forecast for the next 12 months has been revised from an over-optimistic 40% year-on-year growth, to a more achievable 20%. However, this shows a major funding deficit opening up in the quiet summer months.

Results for the month

	£000
Turnover	370
Gross profit	98
Overheads	59
Net profit	39
Net profit compared to budget	+46

Variances against budget

	£000
Better margins on own work	16
Additional sales volume	14
Better margins on outsourcing	13
Lower overheads	3
Total	+46

Achievements

Profit for the month of £39,000

Excellent turnover has produced a profit of £39,000, significantly better than the budgeted loss of £7,000. The out-performance is mainly due to increased turnover, and recovering margin.

Recovery in outsourced margins

There has been a significant recovery in margins on outsourcing, to 14%. This follows the difficulties experienced earlier in the year when a combination of pricing pressures, and incorrect accrual of costs, led to several months in which outsourcing made a loss.

Margin on own-work is 39%

Margins on in-house work are substantially above the budget of 30%, reflecting a busy month and a largely fixed cost base.

Issues to watch

Loss of £174,000 for the year

Though this is in line with budget (the budget having reflected the known costs of the move and of the pricing pressures in outsourcing), it is now essential that the company achieves consistent profitability going forward.

£80,000 shortfall on available funding

The revised forecast shows that there will be a shortfall of available funding through the summer, peaking at £80,000 in September. Achieving the 20% projected growth in sales is critical, as without this the shortfall will be higher.

Review of costs and financing required

We need to assist you in undertaking an urgent review of costs through the summer, to eliminate the funding shortfall.

Net assets are close to nil

The directors need to have regard to the issues of possible insolvent trading, and also the legality of paying dividends.

Profit & loss	£000	March 2012			Year to Date		
		Actual	Budget	2010-11	Actual	Budget	2010-11
Turnover							
Outsourcing		190	161	140	1,076	1,099	900
Own work		180	142	120	1,131	1,109	1,000
		370	303	260	2,207	2,208	1,900
Cost of sales							
Outsourcing		163	149	125	1,047	1,036	800
Direct wages		51	54	50	445	469	400
Equipment		34	23	25	192	175	150
Supplies		24	22	20	177	189	130
		272	248	220	1,861	1,869	1,480
Gross profit		98	55	40	346	339	420
Overheads		59	62	47	520	526	400
Net profit		39	(7)	(7)	(174)	(187)	20
KPIs							
Year-on-year sales growth		42%	n/a	n/a	16%	n/a	n/a
Gross margin							
- Outsourcing		14%	8%	11%	3%	6%	11%
- Own work		39%	30%	21%	28%	25%	32%

Balance sheet	£000	March 2012		
		Actual	Budget	Variance
Fixed assets		295	308	(13)
Working capital		198	308	(110)
CID & bank balances		(376)	(504)	128
Director's loan		(32)	(33)	1
Leases		(72)	(95)	23
Net assets		13	(16)	29
Overdue debtors				
£000				
Theatres Direct			20	
Stop the Rot Ltd			17	
The Angels			5	
Christmastime Ltd			4	
Total overdue debtors			46	

Financing	£000	March	Feb
		Cash at bank	19
CID available (£400,000 facility)	5	20	
Available financing	24	60	
Budgeted	136	120	
Variance to budget	(112)	(60)	
KPIs			
Debtor collection		58 Days	50 Days
CID usage		72%	52%

