GREGORY ANALYTICS

Business and Financial Review

Ashdown Reeve Advisory Ltd

Five-year review, FY22 to FY26 · Management consultancy; 14 staff, mostly fee-earning

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Illustrative example. Fictional business. The figures are invented to show the format of the report and are not drawn from any real company. Financial years end 31 March.

Executive summary

Ashdown Reeve Advisory Ltd · Management consultancy; 14 staff, mostly fee-earning

£1.92m	16.7%	£131k	Net cash
Revenue FY26 · 14% a year since FY22	EBITDA margin FY26 (FY22: 21.4%)	Closing cash FY26 (FY22: £222k)	Net debt ÷ EBITDA FY26

The headline. Revenue has grown 14% a year, but profit has not kept pace. Revenue is up 71% since FY22 while EBITDA is up only 34%, and EBITDA margin has fallen from 21.4% to 16.7%. Cash has fallen from £222k to £131k even though the firm made £974k of cumulative profit after tax.

WHAT THE FIVE YEARS SHOW

- Gross margin after delivery staff fell from 58.0% to 47.0% as the firm hired ahead of work.
- Debtor days (invoiced work, including unbilled time) rose from 48 to 67. At FY26 revenue each day is worth about £5.3k, so the 19-day slip holds back about £99.9k of cash.
- Dividends of £785k over five years took 81% of profit after tax. That left little to fund the slower collection of fees.
- The balance sheet is strong: no bank debt and a current ratio of 4.0. The risk is the trend, not today's position.
- Return on invested capital is high (67%) because the firm needs little capital, so small changes in margin matter more than asset turnover.

RECOMMENDATIONS IN BRIEF

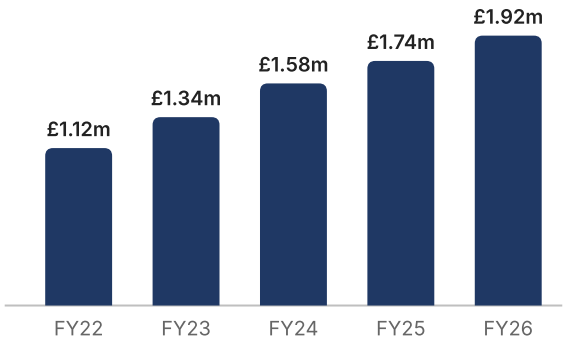
#	Action	Priority
1	Review day rates and scope	High
2	Bring debtor days back to 50	High
3	Link dividends to cash	High
4	Hire to demand	Medium
5	Report lock-up monthly	Medium

Five years at a glance

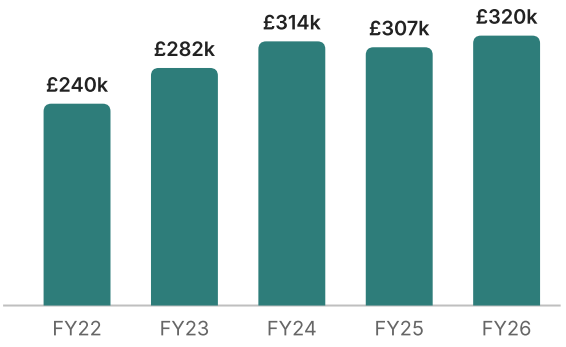
Profit and loss account, financial years ended 31 March.

£	FY22	FY23	FY24	FY25	FY26
Revenue	£1,120,000	£1,340,000	£1,580,000	£1,740,000	£1,920,000
growth		19.6%	17.9%	10.1%	10.3%
Cost of sales	(£470,400)	(£603,000)	(£758,400)	(£887,400)	(£1,017,600)
Gross profit	**£649,600**	**£737,000**	**£821,600**	**£852,600**	**£902,400**
gross margin	58.0%	55.0%	52.0%	49.0%	47.0%
Management and support pay	(£260,000)	(£285,000)	(£318,000)	(£340,000)	(£362,000)
Premises	(£54,000)	(£58,000)	(£64,000)	(£68,000)	(£70,000)
Other overheads	(£96,000)	(£112,000)	(£126,000)	(£138,000)	(£150,000)
EBITDA	**£239,600**	**£282,000**	**£313,600**	**£306,600**	**£320,400**
EBITDA margin	21.4%	21.0%	19.8%	17.6%	16.7%
Depreciation	(£22,000)	(£24,000)	(£30,000)	(£34,000)	(£36,000)
Operating profit	**£217,600**	**£258,000**	**£283,600**	**£272,600**	**£284,400**
Interest	(£5,400)	(£4,900)	(£4,000)	(£2,550)	(£1,275)
Profit before tax	**£212,200**	**£253,100**	**£279,600**	**£270,050**	**£283,125**
Corporation tax	(£52,483)	(£63,275)	(£69,900)	(£67,512)	(£70,781)
Profit after tax	**£159,717**	**£189,825**	**£209,700**	**£202,538**	**£212,344**

REVENUE



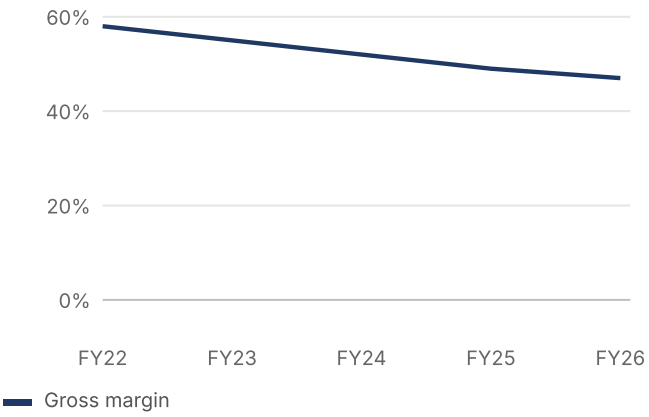
EBITDA



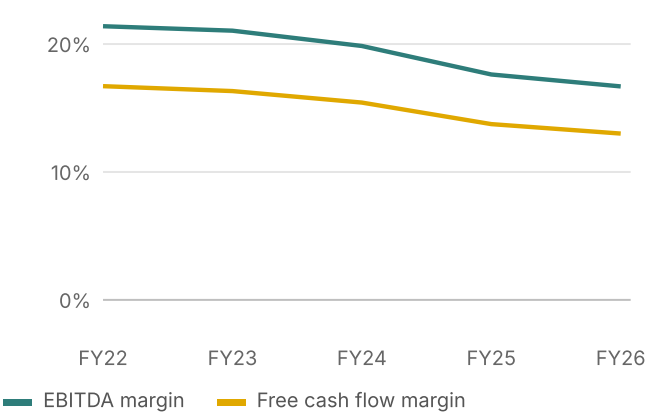
Margins and costs

Gross, EBITDA and free cash flow margins. Free cash flow here is EBITDA less corporation tax.

GROSS MARGIN



EBITDA AND FREE CASH FLOW MARGINS



WHERE EACH POUND OF REVENUE WENT

% of revenue	FY22	FY23	FY24	FY25	FY26	Change FY22 to FY26
Cost of sales	42.0%	45.0%	48.0%	51.0%	53.0%	+11.0 pts
Management and support pay	23.2%	21.3%	20.1%	19.5%	18.9%	−4.4 pts
Premises	4.8%	4.3%	4.1%	3.9%	3.6%	−1.2 pts
Other overheads	8.6%	8.4%	8.0%	7.9%	7.8%	−0.8 pts
Total costs before depreciation	**78.6%**	**79.0%**	**80.2%**	**82.4%**	**83.3%**	**+4.7 pts**

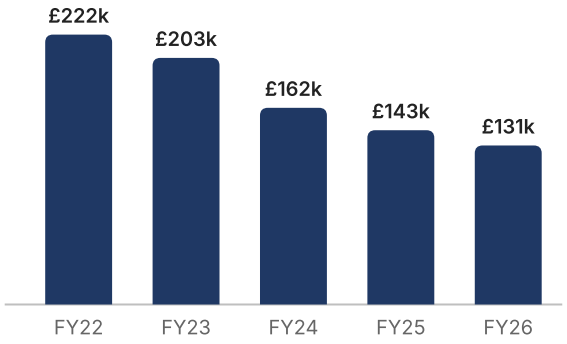
EBITDA margin moved −4.7 pts over the period. Costs have risen faster than sales. Each 1 point of margin is worth about £19.2k a year at FY26 revenue.

Cash flow and funding

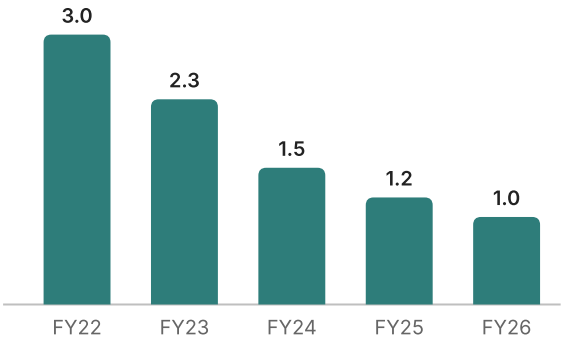
How the cash moved each year. Corporation tax is shown as paid in the year it is charged, for simplicity.

£	FY22	FY23	FY24	FY25	FY26
EBITDA	£239,600	£282,000	£313,600	£306,600	£320,400
Corporation tax paid	(£52,483)	(£63,275)	(£69,900)	(£67,512)	(£70,781)
Interest paid	(£5,400)	(£4,900)	(£4,000)	(£2,550)	(£1,275)
Working capital movement	£40,203	(£28,984)	(£40,747)	(£34,959)	(£37,887)
Capital expenditure	(£30,000)	(£34,000)	(£60,000)	(£40,000)	(£38,000)
Loans drawn	–	–	–	–	–
Loans repaid	(£20,000)	(£20,000)	(£20,000)	(£15,000)	(£15,000)
Dividends	(£140,000)	(£150,000)	(£160,000)	(£165,000)	(£170,000)
Net cash movement	**£31,920**	**(£19,159)**	**(£41,047)**	**(£18,421)**	**(£12,543)**
Opening cash	£190,000	£221,920	£202,761	£161,714	£143,293
Closing cash	**£221,920**	**£202,761**	**£161,714**	**£143,293**	**£130,750**

CLOSING CASH



MONTHS OF COSTS COVERED BY CASH



Over five years the business made £974k profit after tax, paid £785k in dividends and spent £202k on equipment and fit-out, and cash fell by £59.3k. Loans drawn were £0 and repaid £90.0k.

Balance sheet and working capital

Position at 31 March each year. The balance sheet balances in every year and closing cash agrees to the cash flow on page 5.

£	FY22	FY23	FY24	FY25	FY26
Fixed assets	£78,000	£88,000	£118,000	£124,000	£126,000
Debtors	£147,288	£190,904	£251,068	£300,329	£352,438
Cash	£221,920	£202,761	£161,714	£143,293	£130,750
Total assets	**£447,207**	**£481,665**	**£530,783**	**£567,622**	**£609,188**
Trade creditors	£59,490	£74,123	£93,541	£107,842	£122,065
Bank loans	£70,000	£50,000	£30,000	£15,000	–
Equity	£317,717	£357,542	£407,242	£444,780	£487,123
Total liabilities and equity	**£447,207**	**£481,665**	**£530,783**	**£567,622**	**£609,188**

WORKING CAPITAL

Days	FY22	FY23	FY24	FY25	FY26
Debtor days (incl. unbilled work)	48	52	58	63	67
Creditor days	35	35	36	36	36
Cash conversion days	**13**	**17**	**22**	**27**	**31**
Cash tied up in working capital	£87,797	£116,781	£157,528	£192,487	£230,374

One day of debtors is worth about £5.3k of cash at FY26 revenue.

Benchmarks and returns

The ranges below are indicative figures from published guides, not a comparison with a named peer group. They are a prompt for questions, not a verdict.

Measure (FY26)	This business	Indicative range	Position	Source
Gross margin (after delivery staff)	47.0%	40% to 60%	**Within range**	3
Debtor days	67	45 to 60 days (business customers, standard terms)	**Above range**	3
Creditor days	36	30 to 60 days	**Within range**	3
Current ratio (excluding loan instalments)	4.0	1.5 to 2.0 (comfortable)	**Better than range**	3
Interest cover (EBITDA ÷ interest)	>50x	Lenders typically require at least 2x to 4x	**Better than range**	3
Net debt ÷ EBITDA	-0.4x	2x to 4x is typical for mid-sized firms	**Better than range**	3

RETURNS AND LEVERAGE

£	FY22	FY23	FY24	FY25	FY26
NOPAT (operating profit less tax)	£163,781	£193,500	£212,700	£204,450	£213,300
Capital invested at start of year	£198,000	£165,797	£204,781	£275,528	£316,487
Return on invested capital	**82.7%**	**116.7%**	**103.9%**	**74.2%**	**67.4%**
Free cash flow (EBITDA less tax)	£187,117	£218,725	£243,700	£239,088	£249,619
Interest cover (EBITDA ÷ interest)	44.4x	>50x	>50x	>50x	>50x
Net debt ÷ EBITDA	-0.6x	-0.5x	-0.4x	-0.4x	-0.4x

Capital invested is measured on the financing side: equity plus debt less cash. NOPAT is operating profit multiplied by one minus the effective tax rate.

Strengths, weaknesses and market

Strengths

- Revenue growth of 14% a year
- EBITDA margin of 16.7% is still healthy for a consultancy
- No meaningful debt and strong interest cover
- Low capital needs and high return on capital

Weaknesses

- Gross margin down 11.0 pts since FY22
- Debtor days up to 67
- Cash down to £131k despite profits
- Dividends are high relative to cash generated

Opportunities

- Review the rate card and day rates for new work
- Raise utilisation of delivery staff
- Bill monthly in advance or on milestones
- Set a dividend policy linked to cash, not profit

Threats

- A client downturn leaving unbilled work unrecoverable
- Pay inflation in a competitive recruitment market
- A tax bill falling due when cash is low
- Over-reliance on a few key people

The market and competition

Small advisory firms compete on specialist expertise and relationships, so pricing power depends on the quality of the people and the clarity of the offer. Margin is driven by utilisation (the share of paid time that is billed) and by how quickly fees are collected. Firms that grow headcount faster than billable work usually see margin fall first and cash second.

> This page is a general commentary written for the sample. In a real review it would use the client's own competitors, local data and sector reports, with sources listed on page 10.

Recommendations

Five actions in order of value. The sums use FY26 figures and are estimates of scale, not forecasts.

#	Action	Why it matters, with the numbers	Priority
1	**Review day rates and scope**	A 1 point rise in gross margin is worth about £19.2k a year. Raise rates on new work, and check each engagement against its quoted fee.	High
2	**Bring debtor days back to 50**	Debtor days are 67. Reducing to 50 would free about £89.4k of cash. Bill monthly, and chase every invoice at 7 days overdue.	High
3	**Link dividends to cash**	Dividends of £170k in FY26 took 80% of profit after tax, while cash fell by £12.5k. Set aside a tax and working capital reserve before paying out.	High
4	**Hire to demand**	Agree a utilisation target (for example 70% of paid time billed) and hire only when pipeline supports it.	Medium
5	**Report lock-up monthly**	Track unbilled time plus debtors as a single number each month, by client.	Medium

SUGGESTED FIRST 90 DAYS

- **Month 1:** agree the top two actions and put one owner against each.
- **Month 2:** put the monthly measures in place (margin, cash, days) and review them.
- **Month 3:** check progress against the numbers on this page and decide the next two actions.

> This review gives recommendations for management to consider. It is not a forecast, a valuation, or tax or legal advice.

Sources, scope and assumptions

WHAT THIS REVIEW COVERS

- Five years of annual accounts and management figures: profit and loss, balance sheet and cash flow.
- Trends, margins, cash, working capital and borrowing.
- Indicative sector ranges and a short market commentary.
- Recommendations, in writing. Up to 10 written follow-up questions are included.

WHAT IT DOES NOT COVER

- Tax advice, bookkeeping, audit or assurance, valuation, or a forecast.
- Calls or meetings, further questions beyond the 10, or carrying out the recommendations.

ASSUMPTIONS IN THIS SAMPLE

- The business and all figures are fictional and were built to tie out: the balance sheet balances and closing cash agrees to the cash flow.
- Corporation tax uses the UK main rates (19% to £50,000, 25% above £250,000, with marginal relief) and is shown as paid in the year charged.
- Interest is charged on the opening loan balance. Debtors, stock and creditors are derived from the days shown.

SOURCES FOR THE INDICATIVE RANGES

1. NetSuite UK, Restaurant benchmarks (food and beverage cost of sales typically 25% to 35% of turnover; prime cost 60% to 65%; UK net margin around 4%)
netsuite.co.uk/portal/uk/resource/articles/erp/restaurant-benchmarks.shtml

2. Sage, Understanding profit margins for restaurants (typical net margin 2% to 6%; UK average 4.2%; full-service 3% to 5%)
sage.com/en-gb/blog/understanding-profit-margins-for-restaurants/

3. FD Capital, Financial ratios: a UK CFO's guide (indicative gross margin by sector, debtor, creditor and stock days, current ratio, interest cover and leverage ranges)
fdcapital.co.uk/financial-ratios-a-uk-cfos-guide-to-company-performance-analysis/

The ranges come from general published guides and will differ for a particular business. A real review would add sector data matched to the client.