

Review of Financial Performance for Year Ended 30 September 2022

REVENUE (per requirement)

Overall revenue increased (decreased) impressively (disappointingly) by £k (x%) to £2022 which is above (below) the KPI of 4% and above (below) the target of £20,500k. This is a good (poor) performance in a market which is estimated to grow at an average of 2% (or market environment comment from exam scenario if provided). The economic slowdown and cost of living crisis may have had a negative impact, so the fact that the rate of growth is increasing (decreasing) (2021: 10.2%) is excellent (expected). Also, 2021 growth was artificially high due to the impact of COVID-19 in 2020. *All client types/product types have seen an increase/decrease in revenue.*

Retail revenue increased (decreased) impressively (disappointingly) by £k (x%) due to **reason** (reason from exam scenario). Trend/significance/further analysis (e.g. growth continues to be low/flat). Demand is affected by the property market so a downturn will reduce revenue/economic uncertainties have caused carpet buying decisions to be deferred.

Commercial revenue has increased (decreased) impressively (disappointingly) by £k (x%) due to **reason** (reason from exam scenario). Trend/significance/further analysis point (e.g. growth continues its upward trend). Commercial is lower margin due to price competition but high volumes result in production and distribution efficiencies.

Bespoke revenue has increased (decreased) impressively (disappointingly) by £k (x%) due to **reason** (reason from exam scenario/order numbers). Trend/significance/further analysis point (e.g. x% (2021: 30.8%) of bespoke revenue was for 100% wool and x% (2021: 15.4%) for rugs; both are higher-margin products / the increase (decrease) in bespoke revenue caused a x% increase (decrease) in 100% wool revenue and a x% increase (decrease) in rugs revenue / bespoke accounts for x% (2021: 73.2%) of 100% wool revenue and x% (2021: 57.2%) of rugs revenue showing that these products are dependent on bespoke work.

Retail accounts for x% (2021: 59%) of revenue, commercial accounts for x% (2021: 15%) and bespoke accounts for x% (2021: 26%). This shows the increasing (decreasing) importance of bespoke. As bespoke is higher margin, this will increase (decrease) GPM.

PP revenue has [REDACTED]
[REDACTED]
[REDACTED]

80:20 revenue has [REDACTED]
[REDACTED]
[REDACTED]

100% wool revenue has [REDACTED]
[REDACTED]
[REDACTED]

Rugs revenue has [REDACTED]
[REDACTED]
[REDACTED]

80:20 accounts for x% (2021: 81%) of revenue, [REDACTED]
[REDACTED]
[REDACTED]

Exhibit 4 and 5: Management accounts

Use in exam: primarily requirement 1 / context requirement 2 and 3

REVENUE	2021 (£k)	2020 (£k)	Change (£k)	%	Reasons	Trends/Significance/ Further Analysis
CLIENT						
Retail	9,905	9,902	3	0.0%	Economic uncertainties causing carpet buying decisions to be deferred	2020 growth: (10.6%) Seasonal: Q1 peak demand
Commercial	2,518	1,980	538	27.2%	Need to be competitive on price; Usually successful in tenders	2020 growth: (22.1%)
Bespoke	4,365	3,352	1,013	30.2%	2 large orders: £500k 14 medium orders: £2,100k 35 small orders: £1,750k 51 orders Demand more variable than other client types	2020 growth: (26.2%)
Total	16,788	15,234	1,554	10.2%	Very busy Q1 Business and consumer confidence; property market; economic and political stability	Market growth estimate: 2% KPI: 4% 2022 target: £20,500k 2021 target: £19,700k 2020 growth: (16.1%)
Retail	59.0%	65.0%				2019: 61.0%
Commercial	15.0%	13.0%				Lower margin but high volume so production and distribution efficiencies 2019: 14.0%
Bespoke	26.0%	22.0%				Higher margin 2019: 25.0%
PRODUCT						
80:20 mix	13,598	12,492	1,106	8.9%	Lower price than 100% wool	2020 growth: (11.8%)
100% wool	1,835	457	1,378	301.5%	Premium price Strongly influenced by bespoke clients (73.2% of revenue to bespoke clients) Fashions can change quickly	Higher margin 2020 growth: (79.0%)
Rugs	1,175	2,285	(1,110)	(48.6%)	Strongly influenced by bespoke clients (57.2% of revenue to bespoke clients) Fashions can change quickly	Higher mark-up than carpets 2020 growth: 25.8%
PP	180	0	180		Lower price Launched in Q4 (01.07.21)	Year 1: £1,400k (£10 m ²) Pilot expected to make loss
Total	16,788	15,234	1,554	10.2%		
80:20 mix	81.0%	82.0%			14% for bespoke clients	2019: 78.0%
100% wool	10.9%	3.0%			8% for bespoke clients	Higher margin 2019: 12.0%
Rugs	7.0%	15.0%			4% for bespoke clients (rugs to complement carpets)	Higher mark-up than carpets 2019: 10.0%
PP	1.1%	0.0%			0% for bespoke clients	Pilot expected to make loss

Exhibit 7: Strategic plan

Use in exam: requirement 2/3 proposal/issue / requirement 1 context

Key Narrative Points	Key Numerical Points
<p>Plan to achieve KPIs:</p> <ul style="list-style-type: none">○ Product innovation<ul style="list-style-type: none">▪ New design work▪ Synthetic (PP) carpets○ Process innovation:<ul style="list-style-type: none">▪ cutting, logistics, delivery speed▪ investment required as technology evolves○ Service innovation:<ul style="list-style-type: none">▪ expanded warehouse capability▪ holding more inventory for clients▪ increased client retention○ Addressing competitive risks.○ Seek opportunities for growth.○ Recognise importance of:<ul style="list-style-type: none">▪ employees (bonus and CPT)▪ clients▪ suppliers <p>Risks</p> <ol style="list-style-type: none">1. Cyclical<ul style="list-style-type: none">○ Economic cycle/recession<ul style="list-style-type: none">▪ Mitigation: financial planning, diversity of clients, innovation, low operating gearing2. Economic uncertainty<ul style="list-style-type: none">○ Price sensitive customers move to more affordable floor coverings<ul style="list-style-type: none">▪ Mitigation: diversity of clients, innovation3. Client concentration<ul style="list-style-type: none">○ Increasingly reliant on bespoke<ul style="list-style-type: none">▪ Mitigation: diversity of clients4. Competitors<ul style="list-style-type: none">○ Powerful UK rivals, low-priced overseas imports, innovative new entrants<ul style="list-style-type: none">▪ Mitigation: diversity of clients, innovation5. Suppliers<ul style="list-style-type: none">○ Single wool yarn supplier and single distributor<ul style="list-style-type: none">▪ Mitigation: supplier management6. Seasonality<ul style="list-style-type: none">○ Build inventory in anticipation of Q1 demand<ul style="list-style-type: none">▪ Mitigation: financial planning, diversity of clients, low operating gearing7. Sustainability<ul style="list-style-type: none">○ Challenge to be sustainable<ul style="list-style-type: none">▪ Mitigation: financial planning, innovation, environmental policies, communication, sustainable business model	<p>KPIs:</p> <ul style="list-style-type: none">○ Revenue growth: 4%○ GP growth: £250k○ Cashflow: positive <p>2022 target: £20,500k 2021 target: £19,700k</p> <p>Market revenue growth estimate:</p> <ul style="list-style-type: none">○ 2022-2027: 2% per year○ Market growth requires buoyant property market and favourable economic conditions.