Internship Report
on
Financial Performance Analysis of Hamletts Limited (HL)

(This Internship Report is submitted for the partial fulfilment of the Degree of Bachelor of Business Administration with a major in Accounting)

Submitted to:

Dr. Md. Masud Rana
Associate Professor & Head
Department of Business Administration
Sonargaon University

Submitted by:

Sadia Saffana
ID: BBA2203027115
Program: Bachelor of Business Administration
Major: Accounting
Sonargaon University (SU)

Date of Submission: January 07, 2025

Letter of Transmittal

January 07, 2025

To
Dr. Md. Masud Rana
Associate Professor & Head
Department of Business
Administration Sonargaon University (SU)

Subject: Submission of Internship Report on Financial Performance Analysis of Hamletts Limited

Respected Sir,

With humble honor and respect, I am submitting my internship report on "Financial Performance analysis of Hamletts Limited". As per partial accomplishment of the requirements for the BBA degree, this internship has been carried out under your supervision.

This report is an integral part of our academic courses in the completion of the BBA program, which has allowed me to gain an insight into the accounting procedure practiced by IAS (International Accounting Standards) & IFRS (International Financial Reporting Standards). I hope this report reflects the current accounting and financial practices employed by organizations all over the world.

In completing the report, I tried my best to blend all my knowledge and imparted every available detail, and also attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely,

Sadia Saffana
BBA2203027115
Department of Business
Administration Sonargaon University (SU)

Student's Declaration

I, Sadia Saffana, at this moment, declares that the presented report of "Financial Performance Analysis of Hamletts Limited" is uniquely prepared by me while working with Hamletts Limited as an Accountant.

I ensured full compliance with international copyright regulations. I also want to clarify that this report has not been submitted anywhere else for the purpose of obtaining a degree.

Sincerely,

Sadia Saffana
BBA2203027115
Department of Business Administration
Sonargaon University (SU)

Letter of Authorization

I hereby confirm that the project report titled **"Financial Performance Analysis of Hamletts Limited**" is a genuine effort by Sadia Saffana. The research was conducted under my guidance. I also affirm that, to the best of my knowledge, the content presented in this report has not been included in any other project report or dissertation that led to the award of a degree to any candidate earlier, whether in the same context or a different tone.

Dr. Md. Masud Rana
Associate Professor & Head
Department of Business Administration
Sonargaon University (SU)

Acknowledgment

First and foremost, I extend my heartfelt gratitude to the divine power for granting me the strength and perseverance to successfully complete this internship. I am deeply indebted to my internship supervisor, **Dr. Md. Masud Rana**, Associate Professor and Head of the Department of Business Administration at Sonargaon University, for his invaluable guidance, scholarly insights, and steadfast support throughout the duration of my study. His meticulous supervision, encouragement, and cooperation were instrumental in the successful completion of this research work.

I would also like to express my sincere appreciation to **Mr. Dipu Shutrodhor**, Lead of Accounts at Hamletts Limited, for his unwavering support in facilitating the collection of information and for his constant motivation during every step of the process. My heartfelt thanks extend to my colleagues at Hamletts Limited, whose inspiration and collaboration greatly contributed to my learning experience and the preparation of this report.

Furthermore, I am deeply grateful to the employees of Hamletts Limited for their kind cooperation and assistance, which played a significant role in the successful completion of this report. Lastly, I extend my appreciation to all my respected teachers in the Department of Business Administration, whose direct and indirect guidance, encouragement, and valuable suggestions greatly enriched this study.

Sincerely,

Sadia Saffana
BBA2203027115
Department of Business Administration
Sonargaon University (SU)

Executive Summary

This report analyzes the financial performance of Hamletts Limited, a UK company established in 2003. HL's head office is located at 236 Roman Rd, London E2 0RY, United Kingdom, with a branch in Navana Pristine Tower, Gulshan 2, Dhaka, Bangladesh. Specializing in property management, accommodation solutions, housing associations and private residential tenants.

The primary aim of this report is to offer an in-depth overview of financial performance analysis, with a particular focus on HL's financial performance over the current and previous year. The analysis is based on a combination of primary and secondary data sources.

The report is structured as follows:

Chapter One provides introduction of the report, while Chapter Two shares an overview of Hamletts Limited where I currently work as an Accountant. Chapter Three covers general definitions, nature, and core values of the company, followed by Chapter Four, which indicates HL's financial performance. Chapter Five presents the findings, highlighting both the positive and negative aspects of HL's financial performance. Chapter Six offers' recommendations based on the analysis, and Chapter Seven concludes the report with references.

To understand the measurement process, data was gathered through interviews with colleagues, analysis of annual reports, the company website, personal experience at HL,and relevant literature from books and online sources. This diverse approach ensures an accurate assessment of HL financial performance.

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Chapter One:

Introduction

1.1 Prelude

Financial performance analysis for a property management company focuses on assessing earnings, liquidity, and operational efficiency to ensure financial stability and competitiveness. Key metrics like profit margins, return on assets, and liquidity ratios reveal the company's ability to generate earnings and meet obligations. By analyzing trends in income, expenses, and cash flow, the evaluation supports strategic planning and risk management. Comparing performance with industry peers highlights strengths, weaknesses, and growth opportunities, enabling stakeholders to make informed decisions and drive long-term success in a competitive market.

1.2 Objective of the report

Broad Objectives

The primary objective is to evaluate the Financial Performance Analysis of Hamletts Limited which will assess key financial metrics to determine the company's earnings, liquidity, and operational efficiency.

Objectives of the Study:

- ✓ To gain in-depth knowledge of financial performance measurement procedures.
- ✓ To evaluate the current financial position of the company.
- ✓ To analyze the company's financial performance using ratio analysis and provide relevant interpretations.
- ✓ To understand the financial trends of the company.
- ✓ To propose recommendations for the improvement of HL.

1.3 Methodology

Methodology is a crucial part of the study, involving the process of collecting and organizing information relevant to the research objectives. It is structured to effectively achieve the goals of the study. As this research focuses on analyzing financial performance of a property management company it requires a detailed description of HL, entire operational procedures. The preparation of this report is based on the experience gained during the work at HL, as well as the guidance and assistance provided by teammates and supervisors.

1.4 Data Sources

The data for this report was collected from both primary and secondary sources:

Primary Sources:

- ✓ Direct observation and hands-on assessment.
- ✓ Consulting with immediate supervisors and staff members.

Secondary Sources:

- ✓ Analyzing and reviewing International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).
- ✓ Reading various online articles for additional perspectives.
- ✓ Exploring news articles and websites for relevant information.
- ✓ Examining auditor reports of different companies available online.
- ✓ Reviewing financial records and performance reports available online.

1.5 Data Analysis

The company's financial performance was evaluated through key ratios current ratio, net assets to total assets ratio, debt to net assets ratio, fixed asset turnover ratio, retained earnings to total asset ratio. These metrics offer valuable insights into the company's liquidity, and operational efficiency. Furthermore, a SWOT analysis was performed to assess internal strengths and weaknesses alongside external opportunities and threats. By combining ratio analysis with SWOT, a comprehensive understanding of the company's financial health and strategic position in the market was achieved.

1.6 Significance of Internship and a Report

Internships are essential for BBA graduates as they combine theoretical knowledge with practical experience, helping students develop professional skills, build networks, and understand workplace dynamics. They enhance employability, particularly in competitive job markets, by providing hands-on exposure and aligning academic learning with industry demands. The internship report reflects this experience, showcasing a graduate's readiness for professional challenges and career growth.

1.7 Limitations of the study

- ✓ **Confidentiality restrictions:** Upon joining, I signed a Non-Disclosure Agreement (NDA), which restricted me from disclosing certain information. As the research was conducted on a private limited company, I was unable to reference some data used in this report due to confidentiality obligations.
- ✓ **Time constraints:** Gathering all the necessary information within a limited timeframe proved to be a significant challenge.
- ✓ **Scope limitations:** The study focused primarily on key areas identified at the outset, which restricted the exploration of broader aspects such as competitor analysis, industry trends, and external economic factors that could have provided additional context to the findings.
- ✓ **Data Limitations:** The annual report and websites served as primary sources of secondary information but did not provide enough depth to fully complete the report.

Chapter Two:

Overview of Hamletts Limited

2.1 Brief about the organization

Hamletts Limited was established in London in 2003. It is a property management company of United Kingdom (UK). Since then, HL have steadily expanded its client base, fostering strong partnerships. To state numerically, 800+ properties are being managed by HL.

HL believes that effective property management stems from understanding the unique needs and goals of each property owner and tenants. HL tailors approach to every property, collaborating closely with the clients to create customized strategies that align with their objectives. The team of professionals combines technical expertise with industry knowledge, ensuring the highest standard of service. By being proactive, HL not only addresses current property management challenges but also anticipate future needs, positioning the clients for long-term success in the property market.

2.2 Origin of Hamletts Limited:

The registered office is in 236 Roman Road, London, United Kingdom (UK), with an additional operational office in Gulshan 2, Dhaka, Bangladesh. Presence in both locations allows HL to serve clients across diverse markets efficiently. HL is committed to offer high-quality property management services while leveraging the global expertise to meet local needs.

2.3 Nature of the Business:

- ✓ Specialize in managing residential, commercial, and mixed-use properties.
- ✓ Act as an intermediary between landlords and tenants, facilitating smooth communication and resolving issues.
- ✓ Provide property leasing, tenant management, and maintenance coordination services.
- ✓ Offer advice to tenants regarding accomodation.
- ✓ Focus on maximizing property value and returns while minimizing risks.
- ✓ Develop tailored solutions to meet the specific needs of each property.
- ✓ Work closely with property owners and investors to optimize their real estate portfolios.
- ✓ Proactively manage properties to ensure long-term performance and growth.

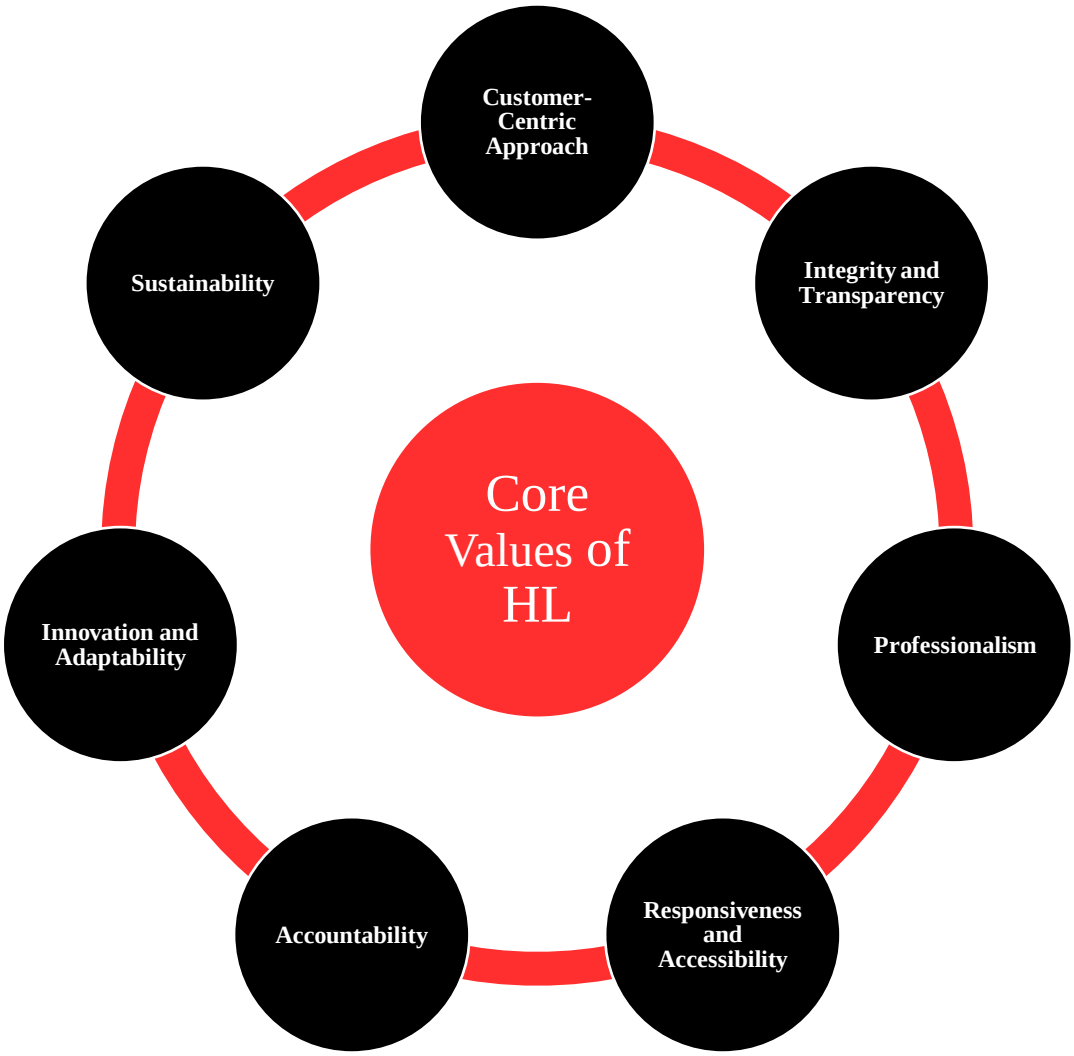
2.4 Mission

At the core of our business is a strong dedication to supporting the clients' success in property management every day. The mission is to become the most reliable and trusted property management partner globally, working with property owners and investors across various sectors and regions. The aim to help clients maximize the value of their properties, reduce operational costs, and ensure compliance with local regulations, while maintaining the highest standards of service and integrity.

HL also prioritizes fostering a sustainable, inclusive, and eco-friendly workplace where the team of professionals can thrive. By investing in their development and well-being, HL ensures that the clients benefit from a highly skilled and committed property management team. Through these efforts, which aim to build long-term, mutually beneficial partnerships with clients, delivering exceptional services at competitive rates and achieving shared success.

2.5 Core Values of Hamletts Limited

- ✓ **Customer-Centric Approach**: Prioritize the needs and satisfaction of both property owners and tenants by providing excellent service.
- ✓ **Integrity and Transparency**: Operate with honesty and clear communication, building trust with landlords, tenants, and vendors.
- ✓ **Professionalism**: Maintain high standards of conduct, ensuring properties are managed efficiently and ethically.
- ✓ **Responsiveness and Accessibility**: Respond promptly to tenant and owner needs, ensuring timely communication and resolutions.
- ✓ **Accountability**: Take responsibility for all aspects of property management, ensuring tasks are completed to the highest standard.
- ✓ **Innovation and Adaptability**: Continuously improve through innovative solutions and staying adaptable to market trends and technology.
- ✓ **Sustainability**: Focus on environmentally responsible property management practices to ensure long-term value and sustainability.



Chapter Three:

Key Insights into Financial Performance Analysis

3.1 Definition of Financial Performance Analysis

Financial Performance Analysis is the process of evaluating how effectively an organization utilizes its financial resources and handles its financial operations. It involves reviewing a variety of financial indicators to assess the company's ability to generate income, manage expenses, and create value for stakeholders. This assessment helps highlight areas of success, uncover potential challenges, and provide valuable insights for making decisions that improve financial stability and promote long-term growth.

3.2 Purpose of Financial Performance Analysis

The primary goal of financial performance analysis is to provide a clear and comprehensive view of an organization's financial health and overall performance. It offers critical insights that help stakeholders - such as investors, creditors, managers, and analysts to make informed and strategic decisions. This process is essential in identifying areas of strength and weakness, monitoring progress towards financial goals, and guiding strategic planning and decision-making.

Moreover, financial performance analysis plays a vital role in resource allocation, risk management, and enhancing long-term sustainability. By identifying financial trends and inefficiencies, it allows organizations to optimize operations, improve competitiveness, and position themselves for growth in a dynamic market.

3.3 Common Approach of the Financial Performance Analysis Process for a Property Management Company

3.3.1 Data Collection:

Gather all relevant financial documents, such as rent rolls, balance sheets, maintenance report, and property-specific financial reports. Accurate and up-to-date data is crucial to understand the company's financial health in property management.

3.3.2 Trend Analysis:

Analyze financial performance over different periods (monthly, quarterly, or annually) to identify trends. For example, examine changes in occupancy rates, rent collections, or maintenance costs over time. This will help spot any emerging issues or areas where improvements are being made.

3.3.3 Benchmarking:

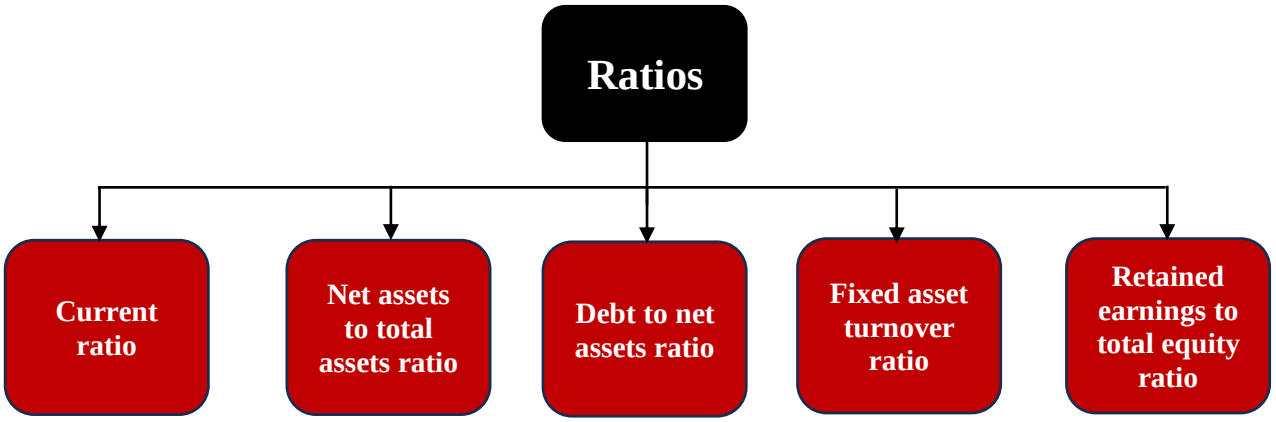
Compare the property management company's performance with industry standards or competitors. Benchmarking can help assess whether the company's rental rates, occupancy rates, operating costs, or other financial indicators are in line with the market or if adjustments are necessary.

3.3.4 Key Performance Indicator (KPI) Analysis:

Identify and evaluate specific KPIs that are critical for property management success, such as net operating income (NOI), gross rent multiplier (GRM), expense ratio, and tenant turnover rates. Regularly tracking and analyzing these indicators provides insight into the efficiency and profitability of the company's operations and highlights areas for improvement.

3.4 Ratio Analysis:

Using financial ratios to analyze the performance:



3.4.1 Identification of Strengths and Weaknesses:

Based on the financial analysis, identify areas where the company excels, such as high occupancy rates, low tenant turnover, or strong cash flow. Similarly, pinpoint weaknesses, such as high operating costs, low rent collection efficiency, or declining rental income, and prioritize areas for improvement.

3.4.2 Financial Forecasting:

Using the analysis to forecast future financial performance. For a property management company, this might involve predicting future rental income based on market trends, planned property investments, and potential changes in occupancy rates. This forecast helps guide budgeting and strategic planning.

3.4.3 Decision-Making and Strategy Development:

The insights gained from the financial performance analysis guide decision-makers in creating strategies to improve profitability and operational efficiency. For example, strategies may include optimizing rent rates, reducing maintenance costs, improving tenant retention, or investing in property upgrades to increase value.

3.4.4 Reporting and Communication:

Communicate the results of the financial analysis to key stakeholders, such as property owners, investors, and managers. Presenting the data in a clear and actionable format, using charts, graphs, and executive summaries to ensure the findings are understood and the next steps are clear.

3.4.5 Continuous Monitoring:

Financial performance analysis should be an ongoing process. Regularly review financial metrics and adjust strategies based on changes in market conditions, tenant behavior, or operational challenges. This ensures that the property management company remains financially healthy, competitive, and sustainable in the long term.

Chapter: Four

Detailed Financial Performance Analysis

4.1 Screening of Financial Reports

To develop an effective plan, it is essential to thoroughly review the financial reports. For my analysis, I have utilized data extracted directly from the company's Annual Report for the financial years ending August 2023 and August 2022.

4.2 Requirement of a small company:

1. According to the requirements for small companies, the directors **must**:

   a) Submit a copy of the balance sheet, prepared as of the final day of the financial year, to the registrar.

   b) Additionally, they **may choose** to submit the following documents to the registrar:

      - ✓ A copy of the company's profit and loss statement for that year.
      - ✓ A copy of the directors' report for that year.

2. When directors provide the registrar with a copy of the company's profit and loss statement, they are also required to include the auditor's report on the accounts. This requirement, however, does not apply to **companies exempt from audit** where the directors have opted for the exemption.

4.3 Reason for assessing unaudited financials:

As per UK Company Act 2006, company will be 'small' if it has any 2 of the following:

- ✓ a turnover of £10.2 million or less. £5.1 million or less on its balance sheet.
- ✓ 50 employees or less.

If we closely look at the notes of the Financials attached it mentions in Note 3 that the number of employees for the period was 18, which is less than 50. Hence, it falls under the head small companies.

4.4 Reason for not providing profit and loss

As per the UK law, a small company is not required to provide the profit and loss along with the balance sheet. That is the reason the assessment of the report is based solely on balance sheet.

4.5 Comparative Financial Analysis

In-depth Ratio Analysis with Interpretation

Liquidity Ratios

Current Ratio

Formula: *Current Assets / Current Liabilities*

Year	Current Assets	Current Liabilities	Ratio
YE August 2023	3,131,671	1,332,198	2.35
YE August 2022	2,826,759	1,210,815	2.33

Interpretation:

- ✓ The current ratio indicates the company's ability to cover its short-term liabilities with its short-term assets. A ratio above 2 is considered healthy, showing the company has more than enough current assets to meet its obligations. The slight improvement from 2022 to 2023 suggests marginally better liquidity.

Net Assets to Total Asset Ratio

Formula: *Net Assets / Total Assets*

Year	Net Assets	Totals Assets	Ratio
YE August 2023	1,832,832	3,193,919	0.57
YE August 2022	1,619,488	2,869,171	0.56

Interpretation:

- ✓ This ratio shows the proportion of the company’s total assets funded by equity rather than liabilities. The slight rise and a stable ratio around 0.57 reflects a strong capital structure, with over half of the assets financed by the company’s own equity.

Debt to Net Assets Ratio

Formula: *Total Liabilities / Net Assets*

Year	Total Liabilities	Net Assets	Ratio
2023	(1,332,198+28,889)	1,832,832	0.74
2022	(1,210,815+38,868)	1,619,488	0.77

Interpretation:

- ✓ This ratio measures how leveraged the company is, comparing its total liabilities to its net assets. A decrease in this ratio from 0.77 to 0.74 indicates a slight reduction in financial leverage, meaning the company is relying less on debt and has strengthened its equity position.

Fixed Asset Turnover Ratio

Formula: *Net Current Assets / Fixed Assets*

Year	Net Current Assets	Fixed Assets	Ratio
2023	1,799,473	62,248	28.91
2022	1,615,944	42,412	38.11

Interpretation:

- ✓ This ratio shows how efficiently the company uses its fixed assets to generate net current assets. The decline in this ratio suggests the company may not be using its fixed assets as efficiently in 2023 compared to 2022. This could indicate underutilization or increased investment in fixed assets without a proportional increase in current assets.

Retained Earnings to Total Equity Ratio

Formula: *Retained Earnings / Total Equity (Net Assets)*

Year	Retained Earnings	Total Equity	Ratio
2023	1,832,742	1,832,832	1.00
2022	1,619,398	1,619,488	1.00

Interpretation:

- ✓ This ratio indicates that nearly all of the company's equity is derived from retained earnings, rather than external capital injections. This is a positive sign, as it suggests the company is self-sufficient and relies on reinvested profits to grow. The stability over the years reflects consistent profitability.

4.6 SWOT Analysis Based on the Ratios

Strengths

1. **Strong Liquidity Position (Current Ratio: 2.35)**
   - ✓ The company has sufficient current assets to cover short-term liabilities, ensuring it can meet its financial obligations without liquidity concerns.
2. **Strong Equity Financing (Net Assets to Total Assets: 0.57)**
   - ✓ More than half of the company's assets are financed by equity rather than debt, demonstrating financial stability and reduced dependency on external financing.
3. **Self-Sufficient Growth (Retained Earnings to Equity: 1.00)**
   - ✓ The company is reinvesting all its profits into the business, showing a healthy reliance on internally generated funds for growth rather than external injections.

Weaknesses

1. **Declining Asset Efficiency (Fixed Asset Turnover: 28.91, down from 38.11)**
   - ✓ A decrease in this ratio indicates potential inefficiencies in utilizing fixed assets to generate revenue or net current assets. This may suggest over-investment in fixed assets without proportionate returns.

2. **Limited Flexibility in Asset Composition**
    - ✓ The reliance on retained earnings for equity funding, while positive, may limit flexibility if significant external capital is needed for expansion or unforeseen challenges.

Opportunities

1. **Optimize Fixed Asset Utilization**
    - ✓ The company can explore strategies to better utilize its fixed assets, such as increasing productivity, improving operational processes, or divesting underperforming assets.

2. **Leverage Strong Equity Base for Expansion**
    - ✓ With low debt levels and strong equity financing, the company has the opportunity to take on strategic, manageable debt to fund growth initiatives or diversify operations.

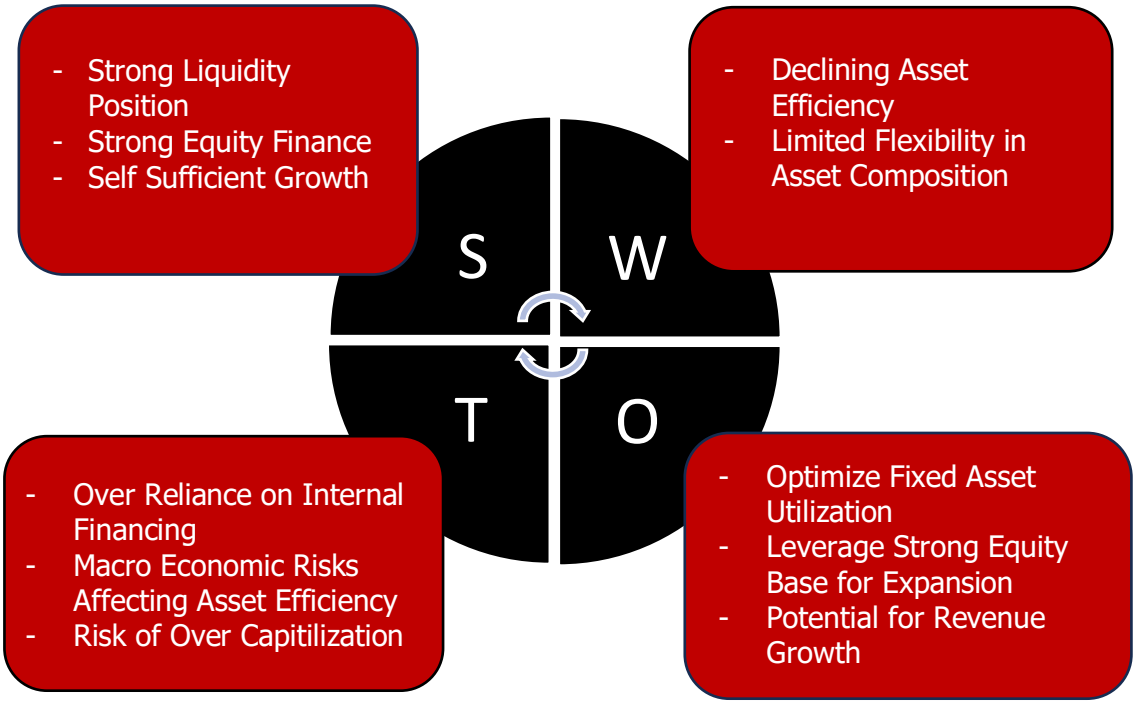
3. **Potential for Revenue Growth via Liquidity Management**
    - ✓ The high current ratio can support investments in short-term revenue-generating projects or improve operational efficiency through better working capital management.

Threats

1. **Over-reliance on Internal Financing**
    - ✓ While reliance on retained earnings is currently a strength, it may become a constraint in scenarios where significant capital expenditure is required, potentially leading to slower growth or missed opportunities.

2. **Macroeconomic Risks Affecting Asset Efficiency**
    - ✓ A decline in fixed asset turnover could be indicative of broader economic challenges or sectoral downturns that may further reduce asset productivity.

3. **Risk of Overcapitalization in Fixed Assets**
    - ✓ The declining efficiency in fixed asset utilization may lead to sunk costs if those assets are not aligned with the company's strategic objectives or market demands.



Summary

The company is **financially stable** with strong liquidity, equity, and self-sufficient growth capabilities. It should focus on addressing declining **asset efficiency** and carefully balance reliance on retained earnings with potential external financing to **seize growth opportunities** while guarding against external and internal risks.

Chapter: Five

Findings

5 Observations

The financial ratios analyzed underscore the company's strong liquidity and equity-driven capital structure, making it well-positioned to weather short-term obligations and financial risks. However, the declining efficiency in fixed asset utilization highlights an area for improvement, presenting opportunities for optimizing operational performance. The consistent reliance on retained earnings demonstrates self-sufficiency but could pose limitations in pursuing aggressive growth strategies. Overall, the company exhibits sound financial health, with opportunities to refine efficiency and expand its growth potential.

5.1 Liquidity Position

The company has demonstrated a **strong liquidity position**, with a Current Ratio consistently above 2 (2.35 in 2023 and 2.33 in 2022). This indicates the company's ability to comfortably meet short-term obligations using its current assets. The marginal improvement from 2022 to 2023 suggests an upward trend in financial health, albeit slightly.

5.2 Capital Structure

The **Net Assets to Total Assets Ratio** of 0.57 in 2023 (up from 0.56 in 2022) highlights a stable and robust equity structure. The company finances more than half of its total assets through its own equity, reducing its reliance on external debt. This strong equity base provides financial stability and reduces vulnerability to external financial shocks.

5.3 Leverage Management

The **Debt to Net Assets Ratio** decreased from 0.77 in 2022 to 0.74 in 2023, signalling a reduced dependency on liabilities. This improvement reflects the company's efforts to strengthen its equity position and lower financial risk. Such a trend is indicative of prudent financial management and a focus on maintaining a healthy balance sheet.

5.4 Efficiency of Asset Utilization

The decline in the **Fixed Asset Turnover Ratio** from 38.11 in 2022 to 28.91 in 2023 suggests reduced efficiency in utilizing fixed assets to generate net current assets. This could point to underutilization of existing assets or recent investments in fixed assets that have yet to generate proportional returns. Addressing this issue could unlock greater operational efficiency and profitability.

5.5 Potential Risks in Over-Reliance on Internal Financing

While the reliance on retained earnings is a strength, it could also pose a risk if the company needs substantial capital for future expansions or unforeseen challenges. Lack of external funding may limit the ability to scale operations rapidly, particularly in competitive or volatile markets.

5.6 Overall Financial Health

The company's ratios reflect a **financially stable entity** with strong liquidity, a well-balanced capital structure, and reduced leverage. However, the decline in asset utilization efficiency represents an area for improvement. Addressing this challenge could enhance profitability and overall performance.

5.7 Stability in Retained Earnings

The retained earnings make up almost the entirety of the company's equity in both years (Retained Earnings to Total Equity Ratio: 1.00). This consistency reflects sustained profitability and the company's ability to retain earnings rather than distribute them, ensuring internal funds are available for reinvestment. This approach provides financial flexibility and reduces dependence on external funding.

5.8 Improvements in Financial Leverage

The reduction in the **Debt to Net Assets Ratio** (from 0.77 in 2022 to 0.74 in 2023) highlights a cautious and strategic approach to financial leverage. This suggests the company has been able to manage its liabilities effectively, perhaps by repaying long-term debt or refinancing under more favorable terms. Reduced leverage enhances financial stability and lowers the risk of insolvency.

5.9 Resilience Against Short-Term Financial Risks

The **Current Ratio** above 2 for both years suggests that the company is well-protected against liquidity risks. This level of liquidity provides a safety net against unexpected expenses or short-term downturns, giving the company the flexibility to respond to operational challenges without resorting to high-cost financing.

5.10 Signs of Strategic Investment in Fixed Assets

The increase in tangible fixed assets from £42,412 in 2022 to £62,248 in 2023 indicates that the company may have made strategic investments in its long-term assets. While the **Fixed Asset Turnover Ratio** has declined, this may be temporary as such investments often take time to translate into higher returns. Future improvements in efficiency and revenue generation could reverse this trend.

5.11 Growth in Total Assets

The growth in total assets from £2,869,171 in 2022 to £3,193,969 in 2023 represents an increase of approximately 11.3%. This signals overall growth and expansion, whether through operational performance or strategic acquisitions. Such growth is a positive indicator of the company's ability to scale and expand its asset base over time.

5.12 Consistent Financial Discipline

The stability of the **Net Assets to Total Assets Ratio** (0.57 in 2023 and 0.56 in 2022) reflects a disciplined approach to maintaining a healthy capital structure. It demonstrates that the company has not over-leveraged itself and has maintained a stable balance between equity and total asset financing, which bodes well for long-term financial sustainability.

6 Opportunities to Improve Return on Assets

The company's stable **Net Assets to Total Assets Ratio** (0.57 in 2023) indicates a balance between equity and assets, but the company could work to ensure that its total assets generate better returns. This could involve better alignment of fixed assets with revenue goals, enhanced inventory turnover, or optimizing cash management.

Chapter: Six

Recommendation & Conclusion

6 Recommendation

The company's financial stability, liquidity, and self-sufficiency provide a strong foundation for future growth. By focusing on operational efficiency, diversifying revenue streams, and strategically utilizing external financing, the company can enhance its scalability and long-term profitability. Implementing these recommendations will position the company to sustain its competitive advantage while capitalizing on new opportunities in the market.

6.1 Optimize Fixed Asset Utilization

The decline in the Fixed Asset Turnover Ratio (from 38.11 in 2022 to 28.91 in 2023) indicates potential underutilization of fixed assets. The company should:

- ✓ Conduct a detailed review of fixed asset efficiency and identify underperforming properties.
- ✓ Invest in technologies or systems that can maximize the output from existing properties.
- ✓ Align fixed asset investments with revenue-generating activities.

6.2 Maintain Liquidity While Improving Working Capital Efficiency

The Current Ratio (2.35 in 2023) is healthy, but further optimization of working capital could enhance cash flow:

- ✓ Tighten credit control policies to reduce debtor days and improve cash collection.
- ✓ Explore opportunities to manage rent more effectively, ensuring minimal idle properties.
- ✓ Negotiate better payment terms with tenants.

6.3 Leverage Financial Stability for Growth

The Debt to Net Assets Ratio indicates decreasing financial leverage (from 0.77 in 2022 to 0.74 in 2023). While this is positive, the company could strategically use its strong equity position to:

- ✓ Secure low-cost external funding for expansion or innovation projects.
- ✓ Consider moderate leverage to accelerate growth in high-potential areas, such as new markets or product lines, while maintaining a safe debt-to-equity balance.

6.4 Diversify Revenue Streams

The company's reliance on retained earnings as the primary driver of equity is a sign of self-sufficiency but may limit the ability to fund large-scale expansion. The company should:

- ✓ Explore partnerships, mergers, or acquisitions to diversify income streams.
- ✓ Invest in new properties, services, or geographic location to reduce dependence on existing revenue sources.

6.5 Focus on Operational Efficiency

With stable Net Assets to Total Assets Ratios and growing total assets, there is an opportunity to increase operational efficiency:
`

- ✓ Implement performance tracking systems to monitor property utilization and cost control.
- ✓ Train employees and management on best practices for optimizing resource use.
- ✓ Regularly review operational processes to eliminate inefficiencies.

6.6 Balance Retained Earnings and External Financing

While retaining earnings is a strength, over-reliance may limit flexibility. The company should:

- ✓ Evaluate the potential benefits of external financing for specific projects or investments that have high growth potential.
- ✓ Strike a balance between reinvesting profits and provide benefit to landlords to maintain confidence.

6.7 Plan for Long-Term Growth

Leverage the company's strong equity base and stable capital structure to focus on sustainable, long-term growth:

- ✓ Develop a strategic investment plan that prioritizes scalable opportunities.
- ✓ Explore technological advancements or digital transformation to drive innovation and cost efficiencies.
- ✓ Build reserves to withstand potential economic downturns or market disruptions.

6.8 Monitor and Benchmark Performance

Regularly assess the company's financial ratios and benchmark them against industry standards:

- ✓ This will ensure the company remains competitive and identify areas needing improvement.
- ✓ Use ratio trends as a performance tracking tool to measure the success of strategic initiatives.

7.1 Conclusion

The financial analysis highlights a company that is well-positioned for growth, with a strong equity base, healthy liquidity, and reliance on retained earnings as its primary driver of equity. The stability of the **Net Assets to Total Assets Ratio** and a declining **Debt to Net Assets Ratio** indicate that the company has successfully reduced its financial leverage while maintaining its operational resilience. However, areas such as declining **Fixed Asset Turnover Ratio** suggest underutilization of resources, highlighting opportunities to improve efficiency.

The company's ability to maintain a consistent **Current Ratio** above 2 demonstrates sound liquidity management, ensuring it has sufficient resources to meet short-term liabilities. This provides a solid foundation for exploring growth opportunities. Additionally, the reliance on retained earnings reflects self-sufficiency, but it may limit flexibility for scaling operations or pursuing large-scale expansion projects. A balanced approach, incorporating moderate external financing, could enhance the company's growth potential without compromising its financial stability.

While the company has shown marginal improvement in financial metrics from 2022 to 2023, strategic interventions are necessary to address inefficiencies and leverage its strong financial position. By optimizing asset utilization, diversifying revenue streams, and exploring sustainable growth strategies, the company can enhance its operational efficiency, profitability, and competitive positioning in the market.

In summary, the company's financial stability, coupled with its untapped potential, positions it as a strong contender for future growth. However, a proactive approach to addressing inefficiencies and leveraging external opportunities will be critical for achieving long-term success and sustainability. This thesis concludes that with strategic alignment and robust financial management, the company can navigate challenges and capitalize on emerging opportunities effectively.

Appendix

Balance Sheet Extract as at 30 August 2023

Balance Sheet
30 August 2023

	Notes	30.8.23 £	£	30.8.22 £	£
FIXED ASSETS					
Tangible assets	4		62,248		42,412
CURRENT ASSETS					
Debtors	5	1,381,241		785,791	
Cash at bank and in hand		1,750,430		2,040,968	
		3,131,671		2,826,759	
CREDITORS					
Amounts falling due within one year	6	1,332,198		1,210,815	
NET CURRENT ASSETS			1,799,473		1,615,944
TOTAL ASSETS LESS CURRENT LIABILITIES			1,861,721		1,658,356
CREDITORS					
Amounts falling due after more than one year	7		28,889		38,868
NET ASSETS			1,832,832		1,619,488
CAPITAL AND RESERVES					
Called up share capital			90		90
Retained earnings			1,832,742		1,619,398
			1,832,832		1,619,488

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 30 August 2023.

The members have not required the company to obtain an audit of its financial statements for the year ended 30 August 2023 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and

(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 28 May 2024 and were signed on its behalf by:

N RAHMAN - Director

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- Hamletts Limited's internal financial database.
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