

# The composition of the companys equity

Finance



Metropole Plc Income statement/ statement of comprehensive income for the period ending 31 December 20xx £000s £000s £000s 2009 2008 Revenue (Notes 1)

1, 265. 34

1, 433. 80

1, 246. 80

Cost of sales

753. 46

889. 60

715. 30

Gross profit

511. 88

544. 20

531. 50

Operating expenses

258. 94

305. 80

295. 00

Operating profit

252. 94

238. 40

236. 50

Finance costs

25. 89

27. 80

33. 50

227. 04

210. 60

203. 00

Income tax

34. 06

34. 30

38. 00

Profit for the year

192. 99

176. 30

165. 00

Other comprehensive income

Revaluation

-

192. 80

-

Total comprehensive income for the year

192. 99

369. 10

165. 00

Metropole Plc

Statement of Financial Position

As of the year ending Dec 31, 20xx

£000s

£000s

£000s

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2010

2009

2008

Non current Assets

Intangible

43. 00

48. 00

53. 00

Tangible (Note 2)

1, 561. 06

1, 688. 30

1, 579. 40

1, 604. 06

1, 736. 30

1, 632. 40

Current Assets

Inventories

207. 68

188. 80

175. 00

Trade Receivables

304. 74

169. 30

128. 50

Short term deposits

238. 44

198. 70

22. 20

Cash

204. 27

0. 50

9. 30

955. 13

557. 30

335. 00

Total Assets

2, 559. 19

2, 293. 60

1, 967. 40

Equity

Ordinary share capital

498. 70

498. 70

427. 50

Share premium account

273. 20

273. 20

225. 70

Revaluation reserve

306. 70

306. 70

113. 90

Retained profits

816. 79

623. 80

535. 00

1, 895. 39

1, 702. 40

1, 302. 10

Liabilities

Non current liabilities

149. 04

186. 30

368. 60

Current liabilities (Note 3)

514. 77

404. 90

296. 70

663. 81

591. 20

665. 30

Total Equity and Liabilities

2, 559. 19

2, 293. 60

1, 967. 40

Metropole Plc

Statement of Cash Flow

31 December 20xx

£000s

£000s

£000s

2010

2009

2008

Profit before tax

227. 04

210. 60

203. 00

Interest

25. 89

27. 80

33. 50

Depreciation

127. 24

159. 20

123. 00

Goodwill impairment

5. 00

5. 00

5. 00

Profit/Loss of disposal of non current asset

-

(20. 80)

12. 00

385. 18

381. 80

376. 50

Decrease/ increase in trade receivables

(135. 44)

(40. 80)

30. 50

Decrease/ Increase in inventories

(18. 88)

(13. 80)

35. 00

Increase/ decrease in trade payables

76. 57

76. 30

(21. 00)

Increase/ decrease in accruals

14. 89

14. 60

(11. 00)

Cash generated from operations

322. 32

418. 10

410. 00

Finance costs paid

(26. 15)

(24. 90)



(22. 00)

Income tax paid

(38. 06)

(35. 70)

(32. 00)

Net cash flow from operating activities

258. 10

357. 50

356. 00

Cash flow from investing activities

Purchase of property plant and equipment

-

(200. 30)

(360. 00)

Sale of property plant and equipment

-

145. 80

30. 00

-

(54. 50)

(330. 00)

258. 10

303. 00

26. 00

Cash flow from financing activities

Dividends paid

-

(87. 50)

(60. 00)

Proceeds from share issues

-

118. 70

-

Debt reductions/ increase

(37. 26)

(182. 30)

20. 00

(37. 26)

(151. 10)

(40. 00)

220. 84

151. 90

(14. 00)

Net increase in cash and cash equiv

220. 84

151. 90

(14. 00)

Cash and cash equiv at start of year (Note 4)

177. 10

25. 20

39. 20

Cash and cash equiv at end of year (Note 4)

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397. 94

177. 10

25. 20

Metropole Plc

Statement of Changes in Equity

At 31 December 2010

Share

Share

Reval

Income

Capital

Premium

Reserve

Stat

Total

£000s

£000s

£000s

£000s

£000s

Balance at 31 December 2009

498. 70

273. 20

306. 70

623. 80

1, 702. 40

Share Issue

-

Revaluation

-

Profit for year

192. 99

192. 99

Dividends

-

Balance at 31 December 2010

498. 70

273. 20

306. 70

816. 79

1, 895. 39

Notes on the financial statements:

1. The following sales are projected for the year ending Dec 31, 2010.

Gross sales

Cost of Sales

Gross Revenue

Less Operating Exp

£000s

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£000s

£000s

£000s

Home Decorating

458. 80

321. 16

137. 64

96. 35

Household Goods

548. 42

329. 05

219. 37

131. 62

DIY stores

258. 12

103. 25

154. 87

30. 97

Total

1, 265. 34

753. 46

511. 88

258. 94

2. Analysis of movement of non-current assets

2010

Land and

Plant

Eqpt

Total

Property

Cost

Operating balance

1, 342. 80

300. 20

450. 00

2, 093. 00

additions

141. 60

58. 70

200. 30

disposals

(66. 70)

(200. 00)

(266. 70)

revaluation

-

-

1, 342. 80

375. 10

308. 70

2, 026. 60

Depreciation

Opening balance

115. 50

101. 00

121. 80

338. 30

disposals

Charge for the year

16. 35

54. 82

56. 07

127. 24

131. 85

155. 82

177. 87

465. 54

Net book value

1, 210. 95

219. 28

130. 83

1, 561. 06

3. Analysis of current liabilities

2010

2009

2008

trade payables

323. 57

247. 00

170. 70

accrued charges

95. 51

87. 60

73. 00

finance costs

12. 85

11. 60

8. 70

income tax

38. 06

36. 60

38. 00

bank overdraft

44. 77

22. 10

6. 30

514. 77

404. 90

296. 70

4. Cash and cash equivalents analysis

2010

2009



2008

Cash in bank

204. 27

0. 50

9. 30

Bank overdraft

(44. 77)

(22. 10)

(6. 30)

bank deposit

238. 44

198. 70

22. 10

397. 94

177. 10

25. 10

Operating Assumptions

Gross sales

Since there is a reported economic downturn for the year being projected, and economic prospects remain bleak for the rest of the year, it is anticipated that sales will be affected with the slowdown in the global economic activity. Presumably, consumers will be holding a bit on their purchases, especially luxury items, such as those being produced and sold by Metropole Plc. In this regard, the following assumptions have been made: Home decorating division – 20% decrease in sales compared to the year it preceded

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Household goods division – 15% decrease in sales since some items can be considered as necessary household appliances

DIY store division – 20% increase in sales, since this division has exhibited strong sales performance with a significant growth in the last four years.

Moreover, the division has attracted a type of consumers that seem to be a niche market, thus creating stable demand for the products

#### Cost of sales

Cost of sales has been assumed to follow a pattern from its previous performance. For the home decorating division, cost of sales was pegged at 70 percent, for the household goods at 60 percent, and for the DIY goods at 40 percent.

#### Operating expenses

Cost of operations for 2010 also followed the historical pattern based on 2009 and 2008 statements, and assumed the same percentage against gross sales of previous years. Given these assumptions, the gross operating income and the income before tax was derived and computed for the year 2010.

#### Comprehensive income for the year 2010

Since it was assumed that there was no revaluation occurring in 2010, the net income after tax for Metropole was projected to be at £193, 000. This income, compared to that of 2009 and 2008, is quite better than expected, given the bleak global economic outlook.

#### Current assets

Since there is an expected economic slowdown, the forecast decreased in sales will leave a bigger inventory of merchandise. Thus compared to 2009, the inventory for 2010 will be higher by about 10 percent. Trade receivables,

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on the other hand, will suffer a bit since receivables may not be collected on time. As a matter of fact, to push sales and in an effort to curtail inventory from piling up, sales on account are projected to rise giving more trade receivables to account for 2010. Thus, trade receivables account for 2010 ended with 80 percent higher than the previous year 2009.

What will save the day for Metropole during the economic downturn in 2010 will be the highly profitable and stable DIY stores. This division is expected to deliver the cash for the company. Thus, it is also forecast that an increase in cash account is expected, and some of them will be treated as short term savings deposit.

#### Retained earnings

Given the volatile nature of the economy, investments are forecast to be put on hold, as the company observes the direction that the economy will take in the next few months. Thus, retained earnings for 2010 will be plowed back entirely to its operations. It is going to withhold any dividend declaration during the volatile economic condition, as it would be very frugal in dispensing any excess liquidity. Acquisitions, purchases, and other major investments will be put on hold to avoid any unnecessary risk on the company's cash requirements.

#### Equity

No major change is expected in the composition of the company's equity. For the year 2010, a profitable operations will lead to a hefty income being retained in the company's balance sheet. No major source of income from other investments is being expected to provide a windfall.

#### Cash at the end of the year 2010

The company will be in a liquid position given a good amount of cash and other cash equivalents from operations by the end of the year.