**CASE STUDY ON FINANCIAL PERFORMANCE ANALYSIS.**

The following information refers to the period 1 January 2019 to 31 December 2020

*S plc*

*Income Statements (in £000)*

*2020 2019*

|  |  |  |
| --- | --- | --- |
| Sales revenues | 25,500 | 17,250 |
| Cost of sales | (14,800) | (10,350) |
| Gross profit | 10,700 | 6,900 |
| Administrative expenses | (3,300) | (1,850) |
| Selling & Distribution costs | (1,500) | (1,450) |
| Operating profit | 5,900 | 3,600 |
| Interest on long term loans | (650) | (100) |
| Profit before tax | 5,250 | 3,500 |
| Tax payable | (2,250) | (1,000) |
| Profit after tax (SHAREHOLDERS’ PROFITS) | 3,000 | 2,500 |
| Dividends | (750) | (1,500) |
| Retained profit for the year | 2250 | 1000 |

*S plc*

*Summarised position statements (in £000)*

*2020. 2019*

|  |  |  |
| --- | --- | --- |
| **Non-current assets** | 15,700 | 5,400 |
| **Current assets** |  |  |
| Inventory | 3,600 | 3,200 |
| Receivables | 1,200 | 2,000 |
| Bank & Cash | 3,200 | 2,000 |
|  | 8,000 | 7,200 |
| **Total assets** | 23,700 | 12,600 |
|  |  |  |
| **Equity** |  |  |
| Share capital (20 pence ordinary shares) | 4,000 | 4,000 |
| Share premium | 1,000 | 1,000 |
| Retained profits | 4,500 | 2,250 |
| Shareholders’ funds | 9,500 | 7,250 |
| **Non-current liabilities** |  |  |
| Long term loan (2030) | 9,000 | 2,000 |
| **Current liabilities** | 5,200 | 3,350 |
| **Total equity and liabilities** | 23,700 | 12,600 |

Additional Information: Current liabilities include payables of £1,200,000 and £900,000 in 2020 and 2019.

**Required: Using the information in the question, compare and comment on the financial performance in terms of profitability, liquidity and working capital management (efficiency) of S plc for the above 2 years ended 31/12/2020.**