

Annual Report

In the example below, you can explore the annual report for 2016 by Burberry. Take a look and see if you can identify the number (£ millions) of :

- *Revenues*
- *Total assets*
- *Shareholder's equity*
- *Cash flow from operating activities*

Based on the annual report, the following were the correct answers: From [Report_burberry_annual_report_2015-16](#)

Revenues	Total Assets	Shareholder's Equity	Cash Flow from Operating Activities
2514.7	2314.3	1620.9	411.3

Financial ratios:

When looking at annual reports, the numbers within the various statements will enable you to calculate financial ratios. Below are some of the most commonly used ones:

➔ ***Current Ratio = Current Assets / Current Liabilities***

The current ratio measures a company's ability to pay short-term obligations or liabilities. A higher current ratio indicates more liquidity and financial health.

➔ ***Debt-Equity Ratio = Total Liabilities / Total Shareholders' Equity***

The debt-equity ratio measures financial leverage and shows the proportion of equity and debt used to finance a company's assets. A higher ratio indicates more leverage and financial risk.

➔ ***Profit Margin = Net Income / Revenue***

Profit margin measures how much net profit a company generates as a percentage of revenue. A higher profit margin indicates a company is more efficiently generating income from revenue.

It's important to remember that these insights about an organisation's finances can help understand the ***financial health of the company***.

For instance higher current ratio, lower debt-equity ratio, and ***higher profit margin tend to indicate stronger financial health and performance***.