

# Financial Health Check



Client: EcoSphere Products Ltd

## Introduction





This Financial Health Check evaluates the current state of your finance function, identifying strengths and areas for improvement. It offers practical recommendations to support better decision-making, risk mitigation, and growth opportunities.

As a new service from Artemis Clarke, the report is structured around four key areas—Controls, Reporting, Compliance, and Performance—providing a tailored and actionable overview. We welcome your feedback on this new offering and are happy to discuss the recommendations in detail.

## About the Client







EcoSphere Products is a wholesale distributor of sustainable packaging materials. Their growth has outpaced their ability to manage cash flow and financial reporting effectively. Their finance function is managed by a junior bookkeeper, with limited oversight. Current challenges include lack of visibility of product profitability, no cash flow forecasting and no budget.

## Summary of Findings

Area	Key Points
<b>Controls</b> 	<ul style="list-style-type: none"><li>✓ Overall ledger management is strong, with timely payments for most clients and suppliers.</li><li>✗ One client has overdue invoices totaling £20k, affecting cash flow.</li><li>✗ No accruals recorded for pending supplier invoices, understating liabilities and there is a £15k dispute.</li></ul>
<b>Compliance</b> 	<ul style="list-style-type: none"><li>✓ PAYE and VAT submissions are generally timely and accurate.</li><li>✗ Director's responsibilities under the Companies Act may be at risk due to dividend payments exceeding distributable profits.</li></ul>
<b>Reporting</b> 	<ul style="list-style-type: none"><li>✓ Monthly management accounts are in place, offering useful insights.</li><li>✗ Lack of gross margin analysis by product line limits strategic decision-making.</li><li>✗ No formal budget or forecast to track performance and plan for growth.</li></ul>
<b>Performance</b> 	<ul style="list-style-type: none"><li>✓ Revenue growth of 25% YoY demonstrates strong sales momentum.</li><li>✗ Repeat customer rates dropped from 60% to 50%, potentially indicating customer retention challenges.</li></ul>



# Controls: Working Capital

<input type="checkbox"/> Debtor Ledger	✓ 85% of invoices are paid within 45 days.	
<input type="checkbox"/> Quality	✗ One client, "GreenPack," owes £20k, overdue for 90+ days.	
<input type="checkbox"/> Creditor Ledger	✓ Payments to suppliers are timely	
<input type="checkbox"/> Quality	✗ Aged payables of £15k relate to disputes over invoice discrepancies.	
<input type="checkbox"/> Inventory	✓ Stock aligns well with sales trends. ✗ Excess inventory of slow-moving items valued at £8k.	
<input type="checkbox"/> Cash Conversion* <small>*approximation</small>	Debtor Days (45) + Inventory Days (25) - Creditor Days (30) = 40 days.	

## Risks:






- Overdue invoices may require write-offs, reducing cash flow.
- Disputed invoices delay supplier payments, risking relationships.
- Excess inventory ties up cash unnecessarily.

## Recommendations:

- Improve credit control processes with early payment incentives for clients.
- Resolve supplier disputes promptly and establish clear processes for invoice approvals.
- Conduct monthly inventory reviews to reduce slow-moving stock.



# Controls: Other Reconciliations

<input type="checkbox"/> <b>Cash balance</b>	✓ Matches bank statements.	
<input type="checkbox"/> <b>Accruals</b>	✗ No accruals recorded for pending supplier invoices (£7k).	
<input type="checkbox"/> <b>Prepayments</b>	✓ Marketing expenses are properly spread across the campaign duration.	
<input type="checkbox"/> <b>Other Assets</b>	✗ Other assets include a suspense account amount of £22k	
<input type="checkbox"/> <b>Other Liabilities</b>	✗ VAT liability of £3k is overdue due to incorrect reconciliation.	

## Risks:







- Missing accruals understate liabilities and overstate current profits.
- Suspense account reconciliation may result in costs of £22k going to the P&L
- VAT overdue liability may incur penalties or interest charges.

## Recommendations:

- Record accruals for all outstanding invoices to ensure accurate financials.
- Encourage all invoices to be posted to correct accounts straight away and avoid using suspense account.
- Reconcile VAT liabilities monthly and automate filing reminders.



# Compliance

<input type="checkbox"/> <b>Accurate records</b>	<b>X</b> Discrepancies in accounts receivable records (£5k mismatch).	
<input type="checkbox"/> <b>Invoicing</b>	<b>✓</b> Invoicing appears to meet all the legal requirements	
<input type="checkbox"/> <b>Payroll</b>	<b>✓</b> All submissions are timely and accurate. Control accounts being used correctly.	
<input type="checkbox"/> <b>VAT</b>	<b>X</b> Late filings in Q2 and Q3 caused penalties (£1.5k).	
<input type="checkbox"/> <b>Dividends</b>	<b>X</b> Directors are responsible for ensuring dividends are only taking from distributable profits after tax. Appears to have paid in excess of retained earnings.	
<input type="checkbox"/> <b>Directors Loan</b>	<b>X</b> No documentation uploaded in respect of directors loan transactions	

## Risks:

- Mismatches in records could lead to audit challenges.
- Cashflow forecast and accounts misstated due to incorrect bookkeeping
- Late filings and illegal dividends damage reputation with HMRC and cause financial penalties.
- Risk of not meeting Director's responsibilities Companies Act 2006 re accurate accounting records

## Recommendations:

- Assign dedicated staff to monitor VAT filings and accounts receivable records.
- Invest in training to reduce manual errors in bookkeeping.
- Ensure dividends are only paid when there are sufficient reserves (and keep evidence of this)



# Reporting

<input type="checkbox"/> Accuracy	<b>X</b> Errors in cost-of-goods-sold (COGS) postings inflate expenses by £4k.	
<input type="checkbox"/> Actionable	<b>X</b> No gross margin analysis is available by product line.	
<input type="checkbox"/> Alignment	<b>✓</b> Monthly management accounts align with statutory filings.	

## Risks:

- Incorrect COGS reporting distorts profitability insights.
- Lack of margin analysis hinders decision-making for product portfolio optimization.

## Recommendations:

- Correct COGS postings to reflect true expense levels.
- Develop product-level gross margin analysis reports.



# Performance

<input type="checkbox"/> Revenue	<b>✓</b> Revenue has grown by 25% YoY.	
<input type="checkbox"/> Margin	<b>X</b> Gross margins declined by 4% due to rising raw material costs.	
<input type="checkbox"/> Profitability	<b>X</b> Operating profit decreased by £10k compared to prior year.	
<input type="checkbox"/> Other KPIs	<b>✓</b> Conversion rates for new clients improved by 15%. <b>X</b> Repeat customer rate fell from 60% to 50%.	

## Risks:

- Declining profitability may limit future growth opportunities.
- Lower repeat business may indicate declining customer satisfaction.

## Recommendations:

- Negotiate supplier contracts to address rising material costs.
- Introduce a customer loyalty program to improve repeat business rates.



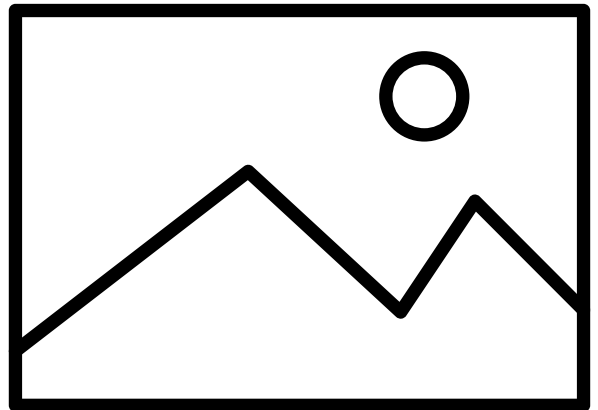
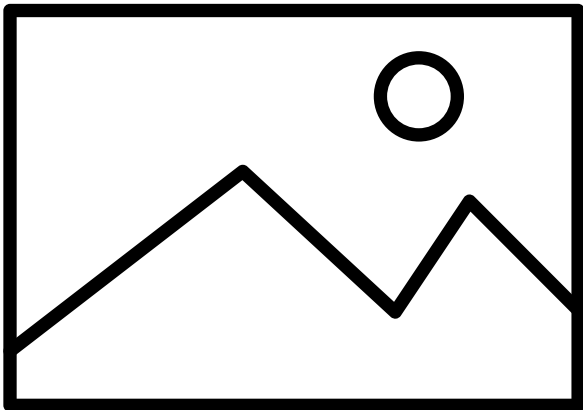
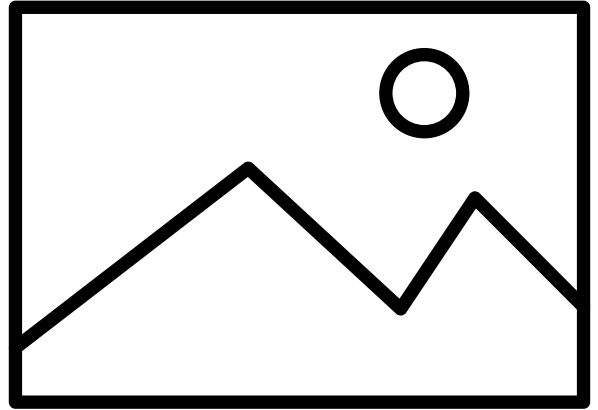
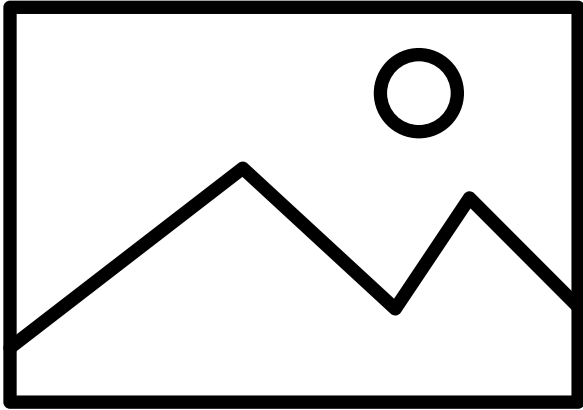
# Follow-Up Recommendations

A fractional finance director can offer flexible ongoing support, addressing your evolving needs. In this case, we have identified several priority areas that can be tackled as one-off assignments to address the most urgent challenges. Each of these recommendations comes with estimated hours and a capped fixed fee for clarity and cost control.

<b>Initial Recommendations</b>	<b>Priority</b>	<b>Hours Estimate</b>	<b>Cap</b>
Reconcile VAT liabilities and implement automated reminders to avoid penalties.	<b>1</b>	4	600
Investigate suspense account	<b>2</b>	6	900
Correct errors in COGS postings to improve financial insights.	<b>3</b>	4	600
Conduct monthly inventory reviews to optimize stock and free up cash.	<b>4</b>	2	BAU
Develop gross margin analysis reports for better decision-making.	<b>5</b>	8	1,200

# Reporting Templates

Below are examples of the reporting templates you would receive as part of our fractional finance director service. These templates are designed to provide clear, actionable insights into your financial performance, making it easier to track progress and make informed decisions.



# Disclaimers and Limitations

## Engagement and Data Protection Disclaimer

This financial health check is the result of a collaborative engagement between Artemis Clarke Ltd (the agent), Elephant Tree Ltd (the contractor), and Ecosphere Products Ltd (the client). All data provided is reviewed solely within our limited companies and is not shared externally. Data is securely managed and will not be retained beyond 12 months.

## General Disclaimer

The financial health check is for informational purposes only. It does not constitute financial, tax, or legal advice, and should not be relied upon as such. Individuals are advised to seek independent professional guidance for tailored advice.

## Accuracy Disclaimer

The review is based entirely on the information provided by the client. While every effort is made to ensure accuracy, no guarantees can be made regarding the completeness or reliability of the analysis.

Source	Status
Final year end accounts 23 + 24	Reviewed vs Xero
Xero accounts and ledgers	Reviewed basic reports and sample of documents
Director's Summary	Reviewed for reporting KPIs
Corporation tax calculation	Reviewed (unchecked)
VAT Returns	Reviewed a sample
Internal Cashflow	Reviewed for forecasting
Loans and liabilities	Reviewed vs Accounts
Expenses Policy	Not reviewed
Risk Register	Not reviewed

## Assurance Disclaimer

This financial health check does not constitute a formal audit and should not be regarded as assurance for third parties. Our review is based on the list of items received and does not include sources or areas not explicitly provided.

## Limitation of Liability

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# Appendix