





### 3. Analyzing the Financial Statements

The financial statements hold key information about the company's financial performance. When reviewing the statements, consider the following metrics:

- Are net profits positive and increasing?
- Are sales increasing?
- Is the operating cash flow after working capital adjustments positive?
- Is net debt increasing?
- Are dividends increasing as a percentage of net profits?

Answering "no" to any of these questions should raise concern, but don't jump to conclusions. The company may have addressed the issue, or there may be a logical explanation.

### 4. Seeking Clarity

If any areas of deterioration are identified in the financial statements, seek clarification from the company by reviewing the management discussion and analysis (MD&A) section. This section provides a comprehensive overview of the company's financial performance and offers insight into management's perspectives on the company's financial position and future prospects.

If there is any area of concern, the MD&A section is often where a company will provide an explanation or clarification, giving you a deeper understanding of the situation and allowing you to make informed investment decisions.

In conclusion, analysing financial reports is an important aspect of making informed investment decisions. By following these steps, you can gain a comprehensive understanding of a company's financial health and make informed investment decisions with confidence.