The Language

For directors in large organisations — the words themselves, without the jargon, and without the shame

A quiet truth first: a remarkable number of capable directors in large companies privately feel they "should" understand the finance better than they do. You were promoted for functional excellence — operations, technology, people, product — and somewhere on the way up, the meetings changed language. Now you sit in reviews where EBIT bridges and variance phasing are discussed as casually as the weather, and asking feels riskier than nodding.

If that is you, two things. First, you are in the majority — it is simply never admitted at director level, which is precisely what keeps it uncomfortable. Second, the fix is smaller than you think. You are not trying to become the CFO; the company employs hundreds of people for the numbers. You need to be fluent enough to follow the conversation, ask one sharp question, and never bluff — because at your level, bluffing is the only move that actually gets noticed.

This is the first of three short guides. Part One gives you the words. Part Two shows you how to read the monthly story — packs, variances, and how your function is really seen. Part Three turns fluency into authority: business cases, budget defences, and the questions that make you sound like the next level up.

One rule before we start: "talk me through how we calculate that here" is always a respectable sentence — every company's conventions differ, and your finance business partner would far rather explain once than watch you guess for a year.

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01

The P&L you're handed — "how are we doing?"

In a £45m–£100m organisation the P&L arrives pre-built, monthly, with your slice highlighted. The layers have names, and two distinctions matter more than all the definitions combined: which layer people are talking about, and which parts of it you actually own.

Revenue (turnover, sales, "the top line")

In plain English: Money earned from customers in the period — recognised when the work is delivered, not necessarily when cash arrives (finance calls this revenue recognition, and its rules explain several otherwise-baffling month-end behaviours).

Why it matters at your level: Even if you run a support function, know the company's revenue, its growth rate, and roughly where it comes from. Directors who can place their own function inside the revenue story get listened to differently from those who only speak about their department.

Gross margin, and "above or below the line"

In plain English: Revenue minus the direct costs of delivering it, usually expressed as a percentage. "Above the line" loosely means costs tied to delivering revenue; "below" means overheads and support functions.

Why it matters at your level: Where your costs sit changes how they are scrutinised. Above-the-line cost is challenged on efficiency ("cost to serve"); below-the-line cost is challenged on existence ("what do we get for it?"). Knowing which conversation you are in is half of defending well.

EBITDA, EBIT and operating profit

In plain English: EBITDA: operating profit before interest, tax, depreciation and amortisation — the raw engine output. EBIT (much the same as operating profit): the engine output after depreciation and amortisation — i.e. after the cost of assets wearing out. Larger companies tend to manage to EBIT or operating profit; "the number" in your company is whichever one the president is bonused on.

Why it matters at your level: You never calculate any of these. You need two things: to know which one your company treats as "the number," and to understand that the D and A are why finance cares so much about capex (Section 3) — today's capital spending becomes years of future depreciation inside EBIT.

In practice: *"We're two points of margin behind plan at EBIT level" means: after everything operational including depreciation, profit as a % of revenue is two percentage points below budget — on £50m, roughly £1m.*

Cost centre vs profit centre — what you actually own

In plain English: A profit centre owns revenue and costs (a business unit, a region). A cost centre owns only costs (most functions: IT, HR, operations support, marketing in many structures). "Owning a P&L" means running a profit centre.

Why it matters at your level: This is the quiet status architecture of every large company, and worth being unsentimental about: profit-centre leaders are measured on outcomes, cost-centre leaders on efficiency — and the path to the executive level usually runs through owning a P&L, or through making a cost centre speak the language of business outcomes. This series is substantially about the second skill.

Contribution

In plain English: What a unit, product or contract adds towards covering the company's shared costs — its revenue minus its own direct costs, before allocations land on it.

Why it matters at your level: The word to reach for when arguing something is more valuable than its post-allocation numbers suggest: "this line is contribution-positive; the loss is allocated cost, not performance." That sentence, used accurately, is director-level fluency in action.

02

Budget language — the corporate dialect

In an owner-managed firm the question is "did we make money?" At corporate scale the daily question is "are we where we said we'd be?" — which is why budget vocabulary dominates.

Budget, forecast, and the rolling forecast

In plain English: Budget: the plan agreed before the year started — fixed, and usually attached to targets and bonuses. Forecast: what you now expect, updated through the year. A rolling forecast always looks 12 (or 18) months ahead regardless of year-end.

Why it matters at your level: Two different conversations hide here. "Vs budget" is about accountability for the promise; "vs forecast" is about the truth of the trajectory. Executives increasingly live in the forecast — the budget is history by March. When someone asks "where will we land?", they are asking for your forecast and your confidence in it, never a recitation of budget.

Variance — favourable and adverse

In plain English: The gap between plan and actual. Favourable helps profit (revenue up, or cost under budget); adverse hurts it. Reported monthly, usually with a commentary column you may be asked to write.

Why it matters at your level: Variance commentary is where directors are silently graded. The failing version narrates ("travel was over due to more travel"); the passing version explains cause and action ("recruitment fees £40k adverse — two exits backfilled via agency; direct-sourcing pipeline in place, run-rate recovers from month 9"). Part Two covers this properly.

Phasing and run-rate

In plain English: Phasing: how the annual budget is spread across months (and how spend timing shifts against it). Run-rate: the annualised pace of current spending or revenue — this month × 12, roughly.

Why it matters at your level: The two words that separate timing from truth. "We're £100k under budget YTD" might mean genuine saving, or just phasing (the spend arrives next quarter). The self-respect question to ask of your own numbers before anyone else does: "is this variance timing, or is it real?"

Accruals, prepayments and commitments

In plain English: Accrual: recognising a cost in the month you consumed it, even if no invoice has arrived. Prepayment: the reverse — paid now, spread over the months it covers. Committed spend: contractually promised but not yet hit the ledger.

Why it matters at your level: This is why finance chases you at month-end for "anything to accrue": un-accrued costs make this month look artificially good and a later month artificially bad — and surprise is the cardinal sin of corporate finance. The director habit: know your committed-but-uninvoiced spend, so your own number never ambushes you.

03

Capex and opex — the distinction with a career impact

Capex vs opex

In plain English: Opex (operating expenditure): day-to-day running costs — hits the P&L now. Capex (capital expenditure): spending that creates an asset with multi-year life — sits on the balance sheet and enters the P&L gradually as depreciation. "Capitalising" a cost means treating it as capex; large projects, systems and fit-outs often qualify, and some project labour can be capitalised too.

Why it matters at your level: Three practical consequences. First, budgets for capex and opex are approved through different routes with different thresholds — know both processes before you need money. Second, the same £500k project lands completely differently on this year's number depending on its treatment, which is why finance sometimes cares more about the classification than the amount. Third, capex is never free later: it returns as years of depreciation inside EBIT — which is exactly what a president means by "we're still paying for that system."

In practice: *"Can we capitalise any of this?" in a project review is not accounting trivia — it is someone protecting the current-year number.*

04

The corporate layer — costs you didn't spend and money you don't see

Allocations and recharges

In plain English: Shared costs — property, IT, HR, group functions — carved up and charged to units and departments by formula (headcount, revenue share, usage).

Why it matters at your level: Your cost base can rise without you spending a pound, and your unit's "profitability" can be moved by an allocation-model change made two floors up. Fluency here is protective: know which of your costs are controllable versus allocated, and always discuss them separately — "my controllable costs are 3% under; the adverse variance is allocation, and I'd welcome a look at the driver."

Headcount language — FTE, backfill, freeze

In plain English: FTE: full-time equivalent, the standard unit of people-counting (two half-timers = one FTE). Backfill: replacing a leaver. Freeze: no new hires and often no backfill, a standard corporate cost lever.

Why it matters at your level: In most functions, people are 60–80% of controllable cost — which is why every serious budget conversation becomes a headcount conversation. Know your FTE number, its cost, and your vacancies at all times; a director fuzzy on their own headcount has lost the meeting before it starts.

Working capital at corporate scale — DSO and DPO

In plain English: DSO (days sales outstanding): how long customers take to pay the company. DPO (days payable outstanding): how long the company takes to pay suppliers. Corporate cousins of the debtor/creditor days an owner-managed business watches.

Why it matters at your level: Mostly context at your level — but when a year-end email urges invoice-chasing or asks you to hold supplier payments, this is why: group cash targets. Recognising the mechanism keeps you from mistaking a cash push for a crisis.

The financial calendar — periods, quarters, close

In plain English: Companies run on a fixed rhythm: monthly close (the books "close" a few working days into the new month), quarterly reviews, half-year and year-end. Some run 4-4-5 calendars — four-week, four-week, five-week "months" — which quietly distorts month-on-month comparisons.

Why it matters at your level: The calendar is leverage: decisions involving money are easiest before budgets lock and hardest mid-cycle. Directors who time their asks to the planning calendar succeed disproportionately — not because their cases are better, but because money genuinely is more available in October than in February.

05

The five numbers to know about your own area

You could track fifty. Don't. Walk into any review able to state these five — roughly, and with their direction — and you are ahead of most of your peer group:

- **Your YTD position vs budget** — the headline number and whether the gap is timing or real.
- **Your full-year forecast vs budget** — where you will actually land, and your confidence in it. This is the number the layer above you cares about most.
- **Your biggest single variance and its one-sentence story** — cause plus action, never narration.
- **Your FTE count, its cost, and open vacancies** — people are the budget; know yours cold.
- **The one company number your function moves** — revenue enabled, cost-to-serve, margin protected, risk avoided. The bridge between your world and theirs.

Direction beats precision every time. “We land about £120k favourable, roughly half timing” is an executive sentence; the pennies are FP&A’s job.

Three questions worth taking to your finance business partner this month:

- “Which number do the exec actually manage to — EBITDA, EBIT, operating profit — and what’s our current gap to plan?”
- “Of my cost base, what’s genuinely controllable by me versus allocated — can we see it split that way?”
- “When do next year’s budget assumptions lock — and when should I bring anything I want funded?”

Where Part Two takes you

You now have the words — which means the monthly pack, the variance column and the budget review no longer need live translation.

Part Two, “Reading the Story,” goes a level deeper: how to read the monthly pack in fifteen minutes, how to write variance commentary that reads like leadership rather than excuse, how your function is actually seen from above — and the five recurring patterns of corporate numbers, including the melting forecast and the hockey stick.

One observation from years inside large organisations: at director level, financial fluency is rarely about the finance. It is about trust — the layer above funds people whose numbers never surprise them. The words in this guide are how that trust starts being built.

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