

The Key Measures of Business Performance

Profitability %

Current Period 10.71 . Last Period 16.32 . Negative trend downwards.
Can be further improved by improving Price, Volume, COGS and Operating Expense management.

Activity

Current Period 1.37 . Last Period 1.62 . Negative trend downwards.
Can be maximized by efficient use of assets, minimize working capital and selling-off unused assets.

Working Capital %

Current Period 37.20 . Last Period 37.76 . Positive trend downwards.
If Revenue is growing, ensure Working Capital% is less than Gross Margin %.

ROCE %

Current Period 14.69 . Last Period 26.50 . Negative trend downwards.
The return earned on Net Operating Assets is greater than cost of funding them.

Cash After Operations

Current Period 322,473 . Last Period 119,154 . Positive trend upwards.
The business has the ability to fund itself from operational activities.

Cashflow

Current Period (457,429) . Last Period (184,330) . Negative trend downwards.
The business' Total Debt commitments have fallen.

Interest Cover

Current Period 2.70 . Last Period 4.93 . Negative trend downwards.
Interest Commitments can be met from operational profits.

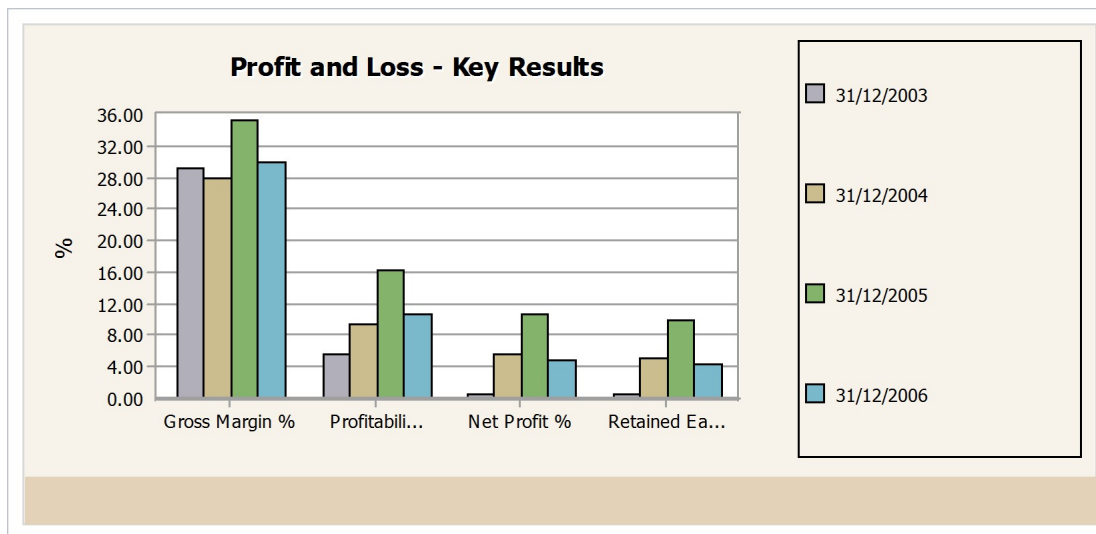
Debt Service Cover

Current Period 1.49 . Last Period 0.37 . Positive trend upwards.
Total Bank Commitments can be met from Net Cash After Operations.

Breakeven Point		Goalseek - Solve
Profitability % = 0		
Price Change %		Change by (10.71)
COGS %		Change by 10.71
Overheads		Change by 375,001
Cash After Operations = 0		
Revenue Growth %		Change by 38.65
Price Change %		Change by (11.40)
COGS %		Change by 7.33
Overheads		Change by 322,473
Cashflow = 0		
Revenue Growth %		Change by (47.12)
Price Change %		Change by 24.79
COGS %		Change by (13.16)
Overheads		Change by (629,867)

Key Driver Movements		31/12/2006
Revenue Growth %		Up 2.86
COGS %		Up 5.24
Price Change %		Up 0.00
Overheads %		Up 0.43
Effect Interest %		Up 0.18
Effect Tax %		Up 12.61
Days Receivable		Up 2.62
Days Inventory		Down 17.39
Days Payable		Down 2.58

Income Statement - Key Results



Financial Highlights 31/12/2006

Gross Margin %	30.00	Down 5.24
Profitability %	10.71	Down 5.60
Net Profit %	4.72	Down 6.03
Retained Earnings %	4.43	Down 5.52
Revenue	3,500,000	Up 350,000

Focus Points

A business can be broken down into 3 components: Sales/Marketing, Operations and Finance. Responsibility for each element of the Income Statement can be attributed to these areas:

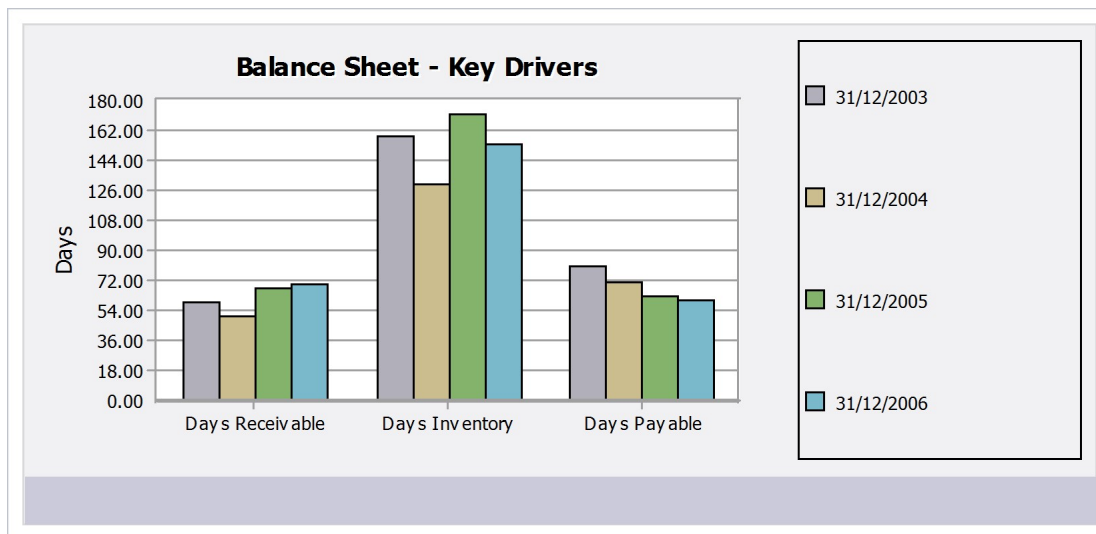
1. Gross Margin through Price and Volume - Sales/Marketing
2. Gross Margin through COGS minimization - Operations
3. EBIT through Operating Expense management - Operations and Finance
4. Net Profit through Interest and Tax minimization - Finance

Profitability% is one of the Key Business Measures and should be examined in conjunction with your Asset Turnover.

Strategy - Goalseek

To improve Profitability %	to 11.79
Change Price Change %	by (1.21)
Change COGS %	to 68.93
Change Overheads	to 637,499

Balance Sheet - Key Drivers



Financial Highlights 31/12/2006

Days Receivable	70.00
Average	61.60
Days Inventory	154.00
Average	153.24
Days Payable	60.02
Average	68.48

Focus Points

Days Receivable, Days Payable and Days Inventory are critical drivers of a businesses performance and thus management needs to be very aware of their trends over time.

Manufacturers focus on the elements of Inventory: Raw Materials, WIP & Finished Goods.

Distributors and Retailers focus on converting slow moving stock items to cash.

Service Industry focus on billing Work in Process as early as possible.

Tip: All businesses should assess the value of taking discounts versus paying creditors early.

Strategy - What If?

A decrease in Days Receivable by 1 day

Changes Working Capital % by (0.27)

Changes ROCE % by 0.06

Changes Cash After Operations by 9,589

A decrease in Days Inventory by 1 day

Changes Working Capital % by (0.19)

Changes ROCE % by 0.04

Changes Cash After Operations by 6,712

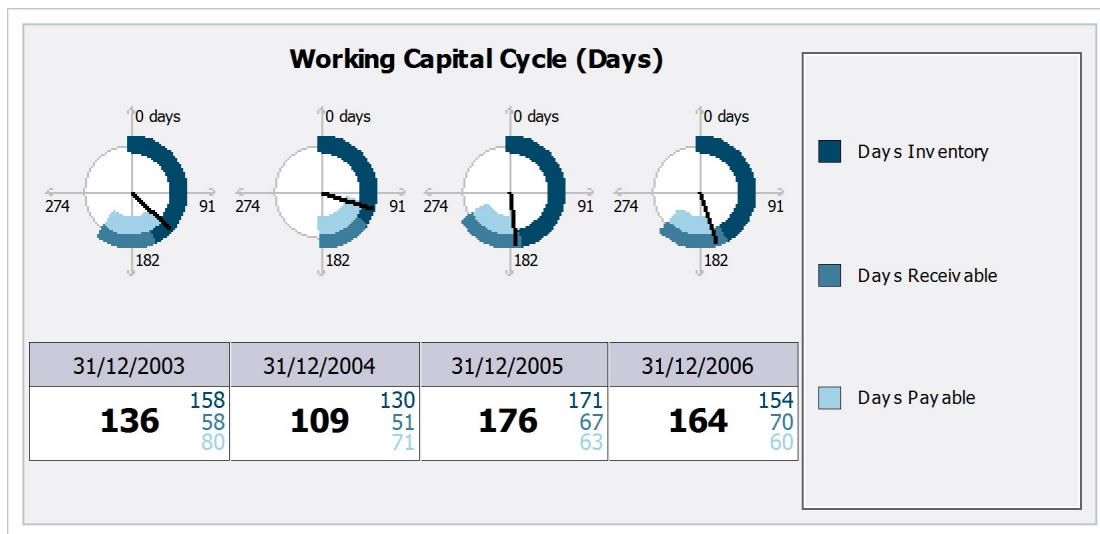
An increase in Days Payable by 1 day

Changes Working Capital % by (0.19)

Changes ROCE % by 0.04

Changes Cash After Operations by 6,712

Working Capital Cycle



Financial Highlights 31/12/2006

Days Receivable	Up 2.62
Accounts Receivable	Up 89,727
Days Inventory	Down 17.39
Inventory	Up 75,808
Days Payable	Down 2.58
Accounts Payable	Up 53,007
Working Capital Days	163.98
Working Capital	1,302,074
Working Capital %	37.20
Gross Margin %	30.00

Focus Points

The higher the Working Capital Cycle, the more costly it is to fund.

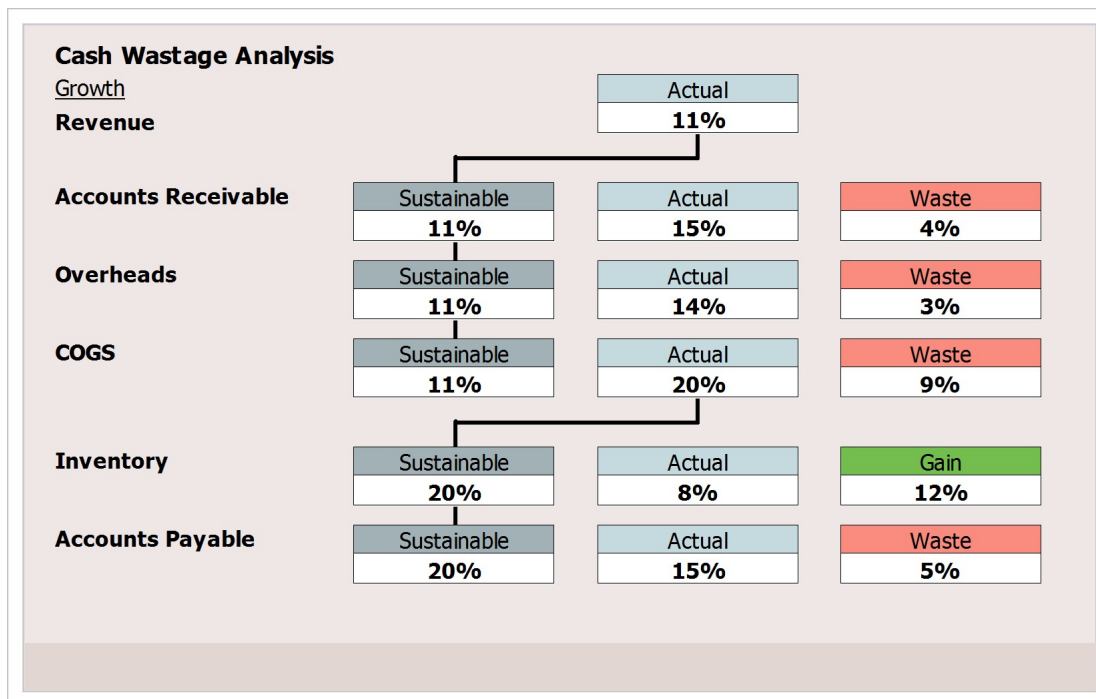
To minimize Working Capital Cycle: Ensure invoices are provided with a delivery or bill at the time work is performed; Utilize Inventory Management systems to control and minimize stock holdings; and constantly review supplier and customer terms of payment.

Working Capital % measures the investment a business has made in Working Capital for each unit of Revenue. Compare Working Capital % to Gross Margin % when a business increases Revenue. If Working Capital % is greater than Gross Margin %, for every additional unit of Revenue generated, cash will be required.

Strategy - Goalseek

To improve Working Capital %	to 30.00
Change Days Receivable	to 43.71
Change Days Inventory	to 116.45
Change Days Payable	to 97.57
Change COGS %	to 42.03
Change Price Change %	to 66.54

Cash Wastage



Financial Highlights 31/12/2006

Actual Cash Flow (457,429)

Total Cash Waste (124,044)

Sustainable Cash Flow (333,385)

Focus Points

Cash Wastage indicates how the Business has managed its growth.

Growth in Accounts Receivable, COGS and Operating Expenses are compared to Revenue Growth, where growth above Revenue Growth is considered Cash Wastage or Unsustainable Growth. If growth in Inventory is more than COGS growth it is considered Waste. Whilst a growth of Accounts Payable less than COGS is also considered Waste.

Total Waste or Gain is subtracted from Change in Net Debt to determine the level of cash flow that is Sustainable by the business.

Strategy - What If?

A decrease in Days Receivable by 1 day
Changes Total Cash Waste by (9,589)

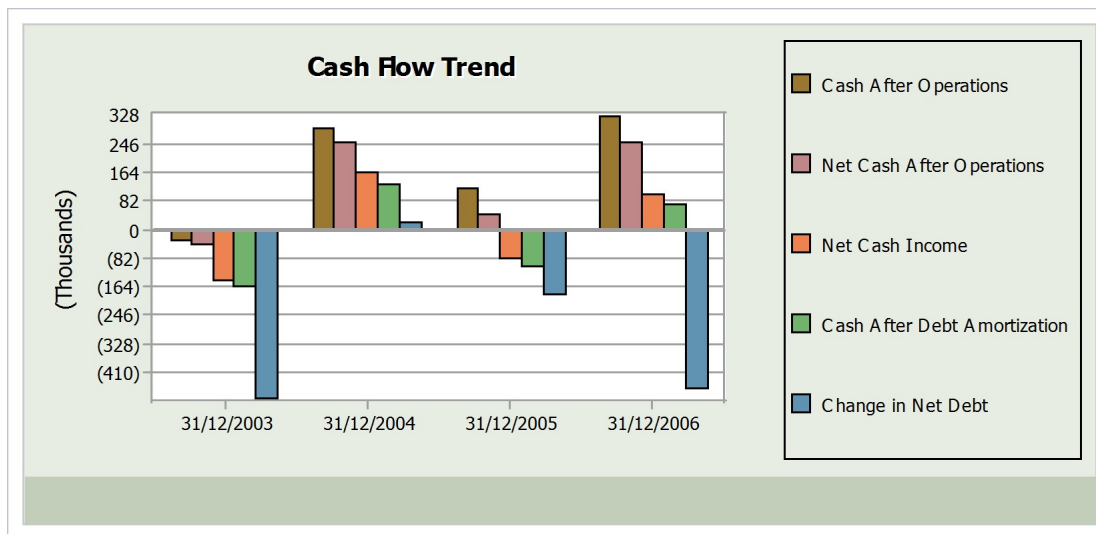
A decrease in Overheads % by 1
Changes Total Cash Waste by (35,000)

A decrease in COGS % by 1
Changes Total Cash Waste by (33,580)

A decrease in Days Inventory by 1 day
Changes Total Cash Waste by (6,712)

An increase in Days Payable by 1 day
Changes Total Cash Waste by (6,712)

Cash Flow



Financial Highlights 31/12/2006

Cash After Operations	322,473 Up 205,319
Net Cash After Operations	251,716 Up 205,823
Net Cash Income	102,571 Up 185,901
CADA	72,571 Up 175,901
NCIE	(487,429) Down 283,099

Focus Points

A business has five components from a cash flow perspective:

1. Operating - measured by Cash After Operations
2. Tax - measured by Net Cash After Operations
3. Financing (interest paid & current commitments) - measured by Net Cash Income & CADA
4. Asset Purchases - measured by Net Cash Income After Assets
5. Shareholder Funding - also measured by Net Cash Income After Equity

Tips:
 Management can only control Cash After Operations and hence it is an important measure.
 Tax, Interest, Dividends & Debt Repayments must be paid from Cash After Operations.
 If Fixed Asset purchases are made, sufficient CADA must be generated.

Strategy - Goalseek

To improve Cash After Operations	to 370,844
Change Price Change %	to 1.71
Change COGS %	to 68.90
Change Overheads	to 626,628
Change Revenue Growth %	to 5.31
Change Days Receivable	to 64.96
Change Days Inventory	to 146.79
Change Days Payable	to 67.22