Industry Benchmark & Performance Review

For the period ended 31/03/2013

Provided By

Kelvin Smith and Co.
Management Accountants

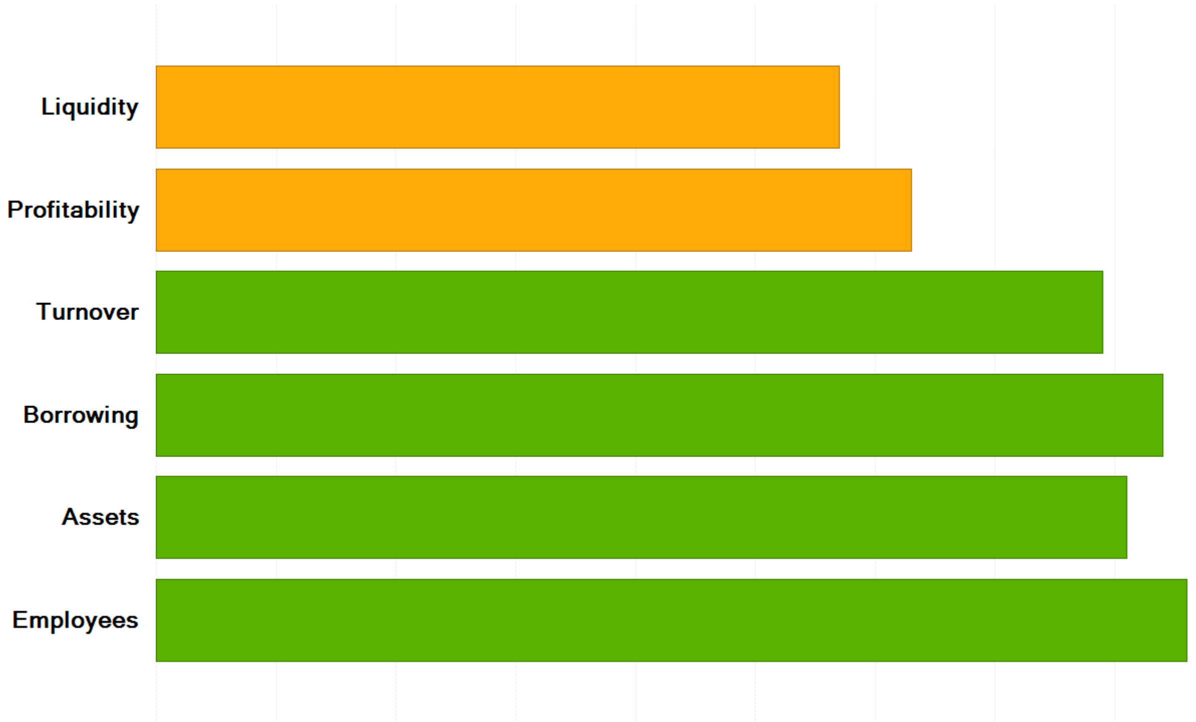
Kelvin Smith
013 3286-9294

Financial Score

Mill Street Construction Narrative Report

Industry: 41.20/1 - Construction of commercial buildings
Revenue: £1M - £10M
Periods: 12 months against the same 12 months from the previous year

Report Summary



Liquidity

A measure of the company's ability to meet obligations as they come due.

Operating Cash Flow Results
The company is profitable and is generating a healthy amount of cash flow from operations this period, and cash flow has even increased relative to turnover. These results suggest that the company is managing its working capital accounts effectively at this time.

General Liquidity Conditions
It could be possible that the company has a targeted liquidity position. Notice that turnover and profits have risen, yet the company still only has a fair position. It might be the case that management is pushing extra current asset resources into growing the company, which would be good.

The company's liquidity position has stayed about the same as it was last period. Liquidity is "**fair**" in several of the ways it is calibrated. Although it is not certain that it will be difficult to meet obligations as a result, it is often the case that only having "fair" scores here means that the firm may possibly have periodic trouble.

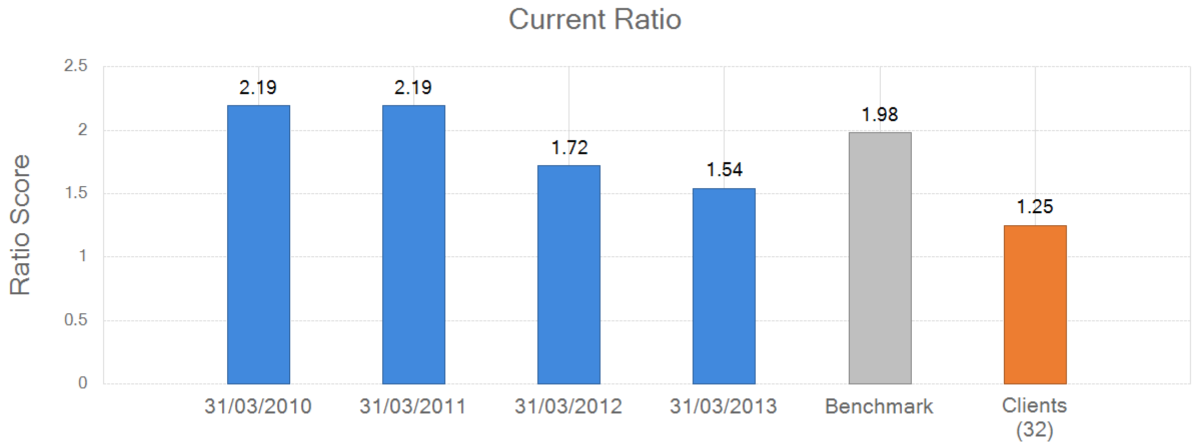
More importantly, in this current position the company may concede to the competition the ability to spend more money to grow their businesses. The true benefit of strong liquidity is the ability to invest in the "growth factors" that drive **future** profitability. Profits are necessary to have liquidity, but present liquidity is necessary to push future profits. Liquidity analysis is generally too limited to make broad conclusions.

Both the trade debtor days and trade creditor days for the company are relatively high right now. This indicates that the company is taking longer to collect the money it is owed and to pay its bills/trade creditors, which can have a definite impact on the cash account. It might be good to see these ratios float downwards over time, particularly since lenders typically will want to see a shorter payment period.

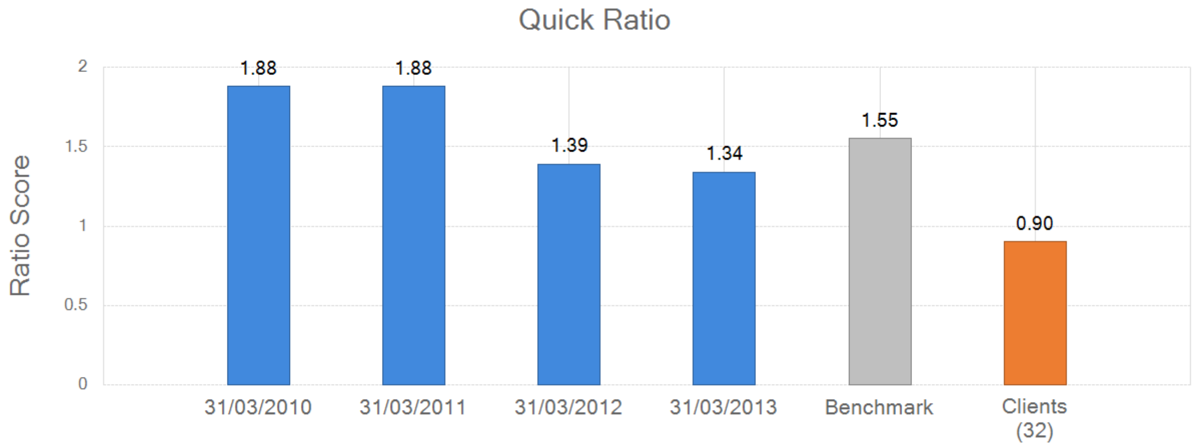
Tips For Improvement
Here are some ideas or "tips" that might be considered by managers to better manage cash and liquidity in the business:

- Establish contractual agreements that allow as much collection up front as possible for large jobs. This will ensure that the job is being completed with funds provided by the customer instead of the business.
- Keep an accurate creditors schedule on a week by week basis to help the business avoid any late charges or double billings.
- Eliminate or reduce unnecessary overhead or fixed costs to reduce monthly expenses.
- Rent rather than buy resources where appropriate. In the long term, this can help achieve an acceptable level of Balance Sheet obligations relative to liquid assets.

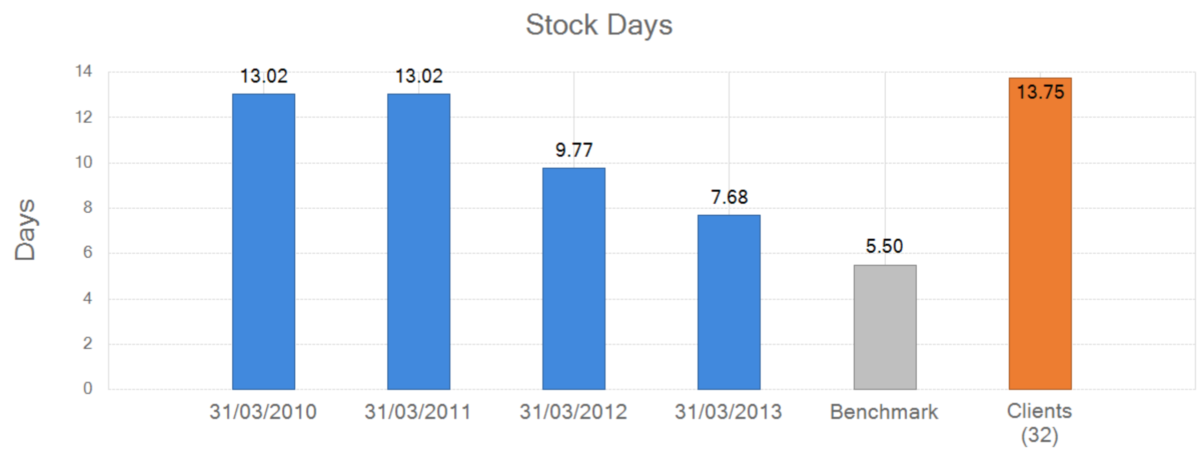
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



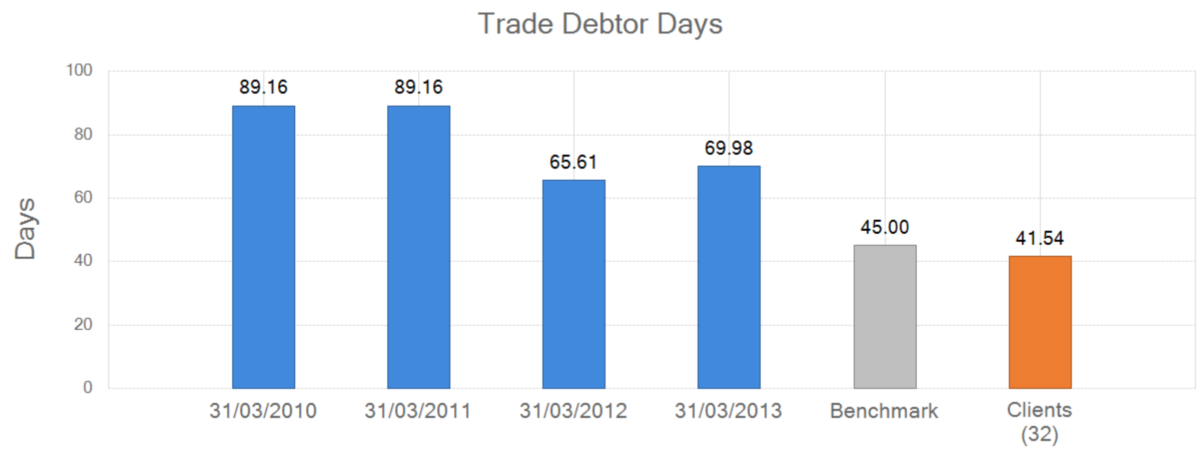
Generally, this metric measures the overall liquidity position of a business. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.



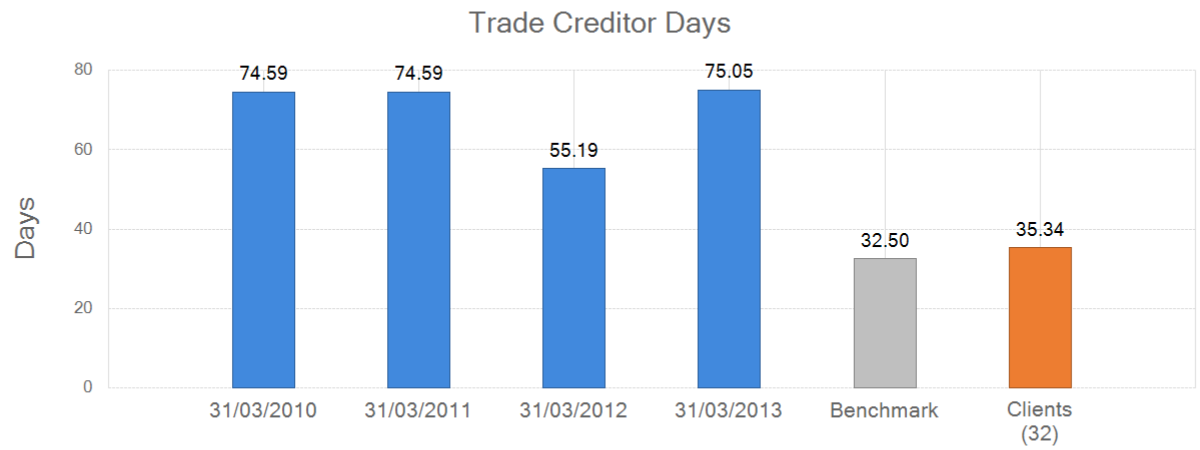
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are debtor accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.



This metric shows how much stock (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have stock for this metric. The lower the better.



This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.



This ratio shows the average number of days that lapse between the purchase of material and labour, and payment for them. It is a rough measure of how timely a business is in meeting payment obligations.

Profits & Profit Margin

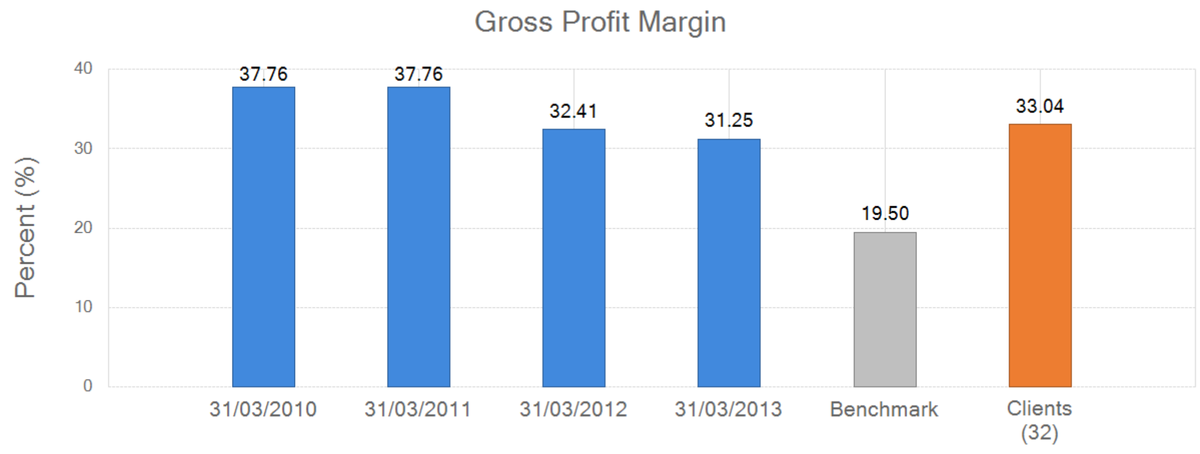
A measure of whether the trends in profit are favourable for the company.

The company has performed well in the profitability area this period, as its turnover has increased by 16.14% and its net profit margin has improved by 166.78% as well. When turnover increases are combined with better net margins, the result is always solid increases in net profits. This was the case for this company, as net profits in pounds rose significantly. The best implication here is that these results mean that the company is effectively managing its turnover growth. It might even imply that it is growing into its capacity, which is even better. It is always positive when a company can both grow (increase its turnover) and become more efficient (improve its profit margin) concurrently.

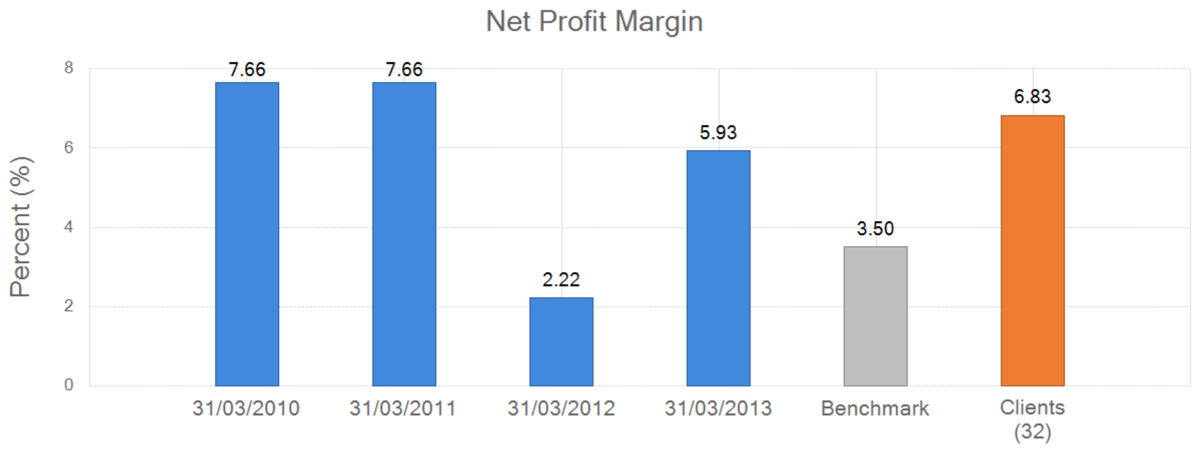
Now that the company is doing better than last period, it is earning about average net profits compared to the competition. This is highlighted in the graph area of the report. Keep in mind that all of the scores in this area are applied by evaluating where the company was last period, where it is now, and how it compares with other similar companies. It is good that the company's net profit margin is keeping up with industry standards -- the net profit margin is a company's most important measure of profitability and efficiency, as it measures the percentage that a company retains as profits from every pound it earns in turnover. If the company can continue to bring in higher profits and improve its net margin in the future, it will be among the top performers in the industry, which is a good goal. Ultimately, rates of return on assets and equity can only be average over the long run if a company only earns average net profits in this area.

Tips For Improvement
It is a challenge to generate strong profitability in any business over the long run. Here are some ideas managers might find useful to leverage even greater results in the future (these are "tips" or ideas to think about):

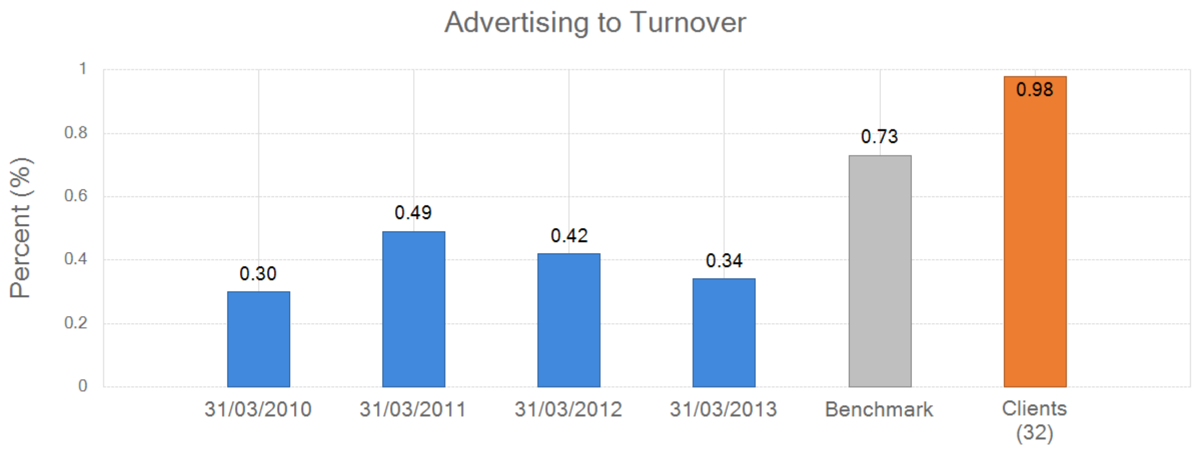
- Track the effectiveness of advertising by the additional jobs generated from the campaign. Send surveys to customers to determine where to find new business and then focus advertising efforts there.
- Implement a "neighbourhood watch" program to reduce theft of tools, materials, and equipment on construction sites. Talk with nearby residents and businesses and provide them with a contact number in the event that they notice a disturbance. This also gives the company exposure, which may lead to additional business.
- Enroll the business in an insurance program that provides appropriate coverage at a good cost. Meet with insurance agents to determine ways to reduce costs by evaluating coverage and deductibles.
- Generate accurate financial reports on a timely basis -- within 40 days of the end of the financial period. This will help ensure the usefulness of the data for examination purposes.



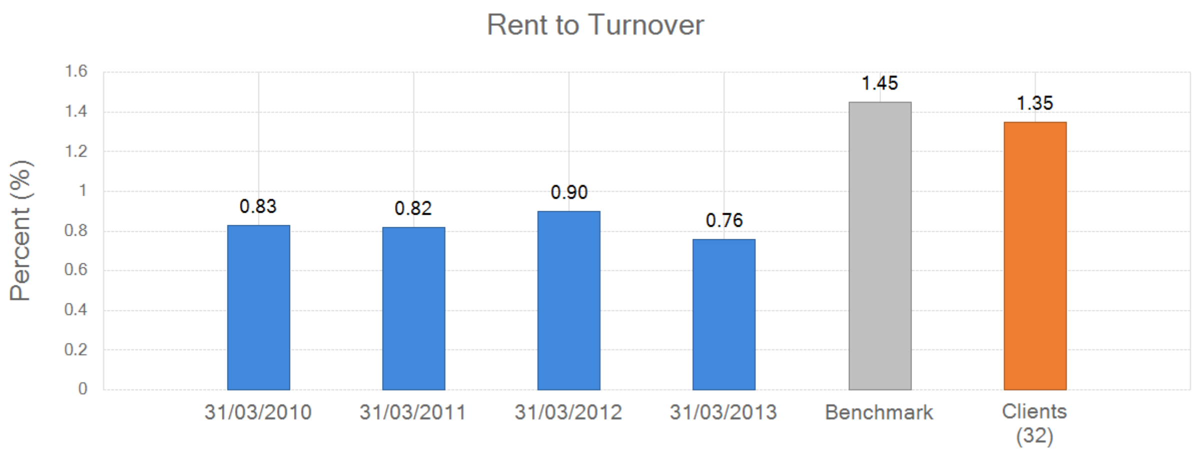
This number indicates the percentage of turnover that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates what percentage of gross profit can be generated by future turnover. Higher is normally better (the company is more efficient).



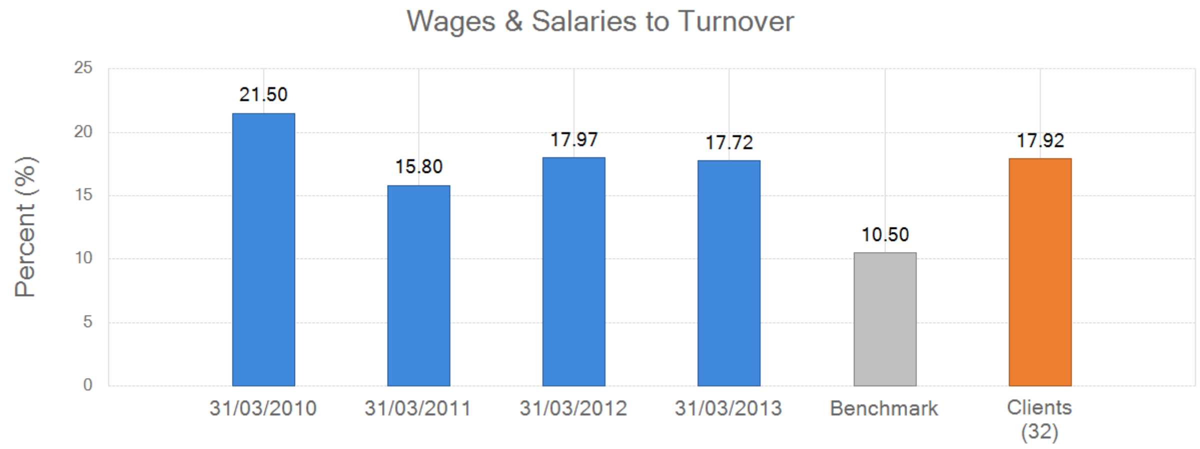
This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures what percentage of profit the company is generating for every pound of turnover it earns. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.



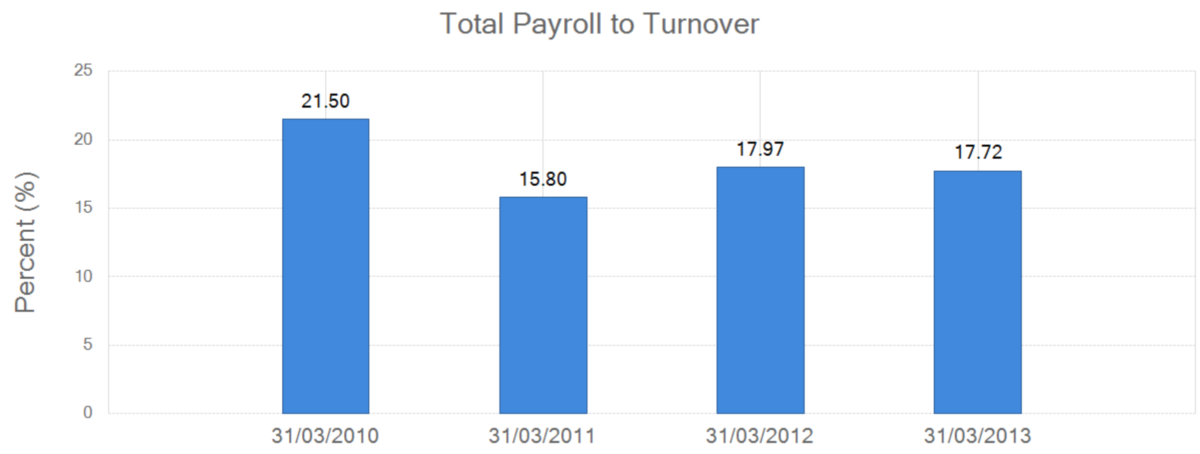
This metric shows advertising expense for the company as a percentage of turnover.



This metric shows rent for the company as a percentage of turnover.



This metric shows wages and salaries for the company as a percentage of turnover.



This metric shows total payroll expense for the company as a percentage of turnover.

Turnover

A measure of how turnover is growing and whether this is satisfactory for the company.

Turnover increases by themselves do not mean much; companies are typically more interested in net profitability results. Turnover changes are also relatively easy to interpret -- turnover is either up or down. However, this company's turnover results for this period are a bit deeper and more intriguing. The company has increased turnover with about the same amount of assets. Basically, the company is increasing turnover through relatively the same amount of resources. This is a positive result in the turnover area that will **potentially** yield higher net profitability in the long run.

Borrowing

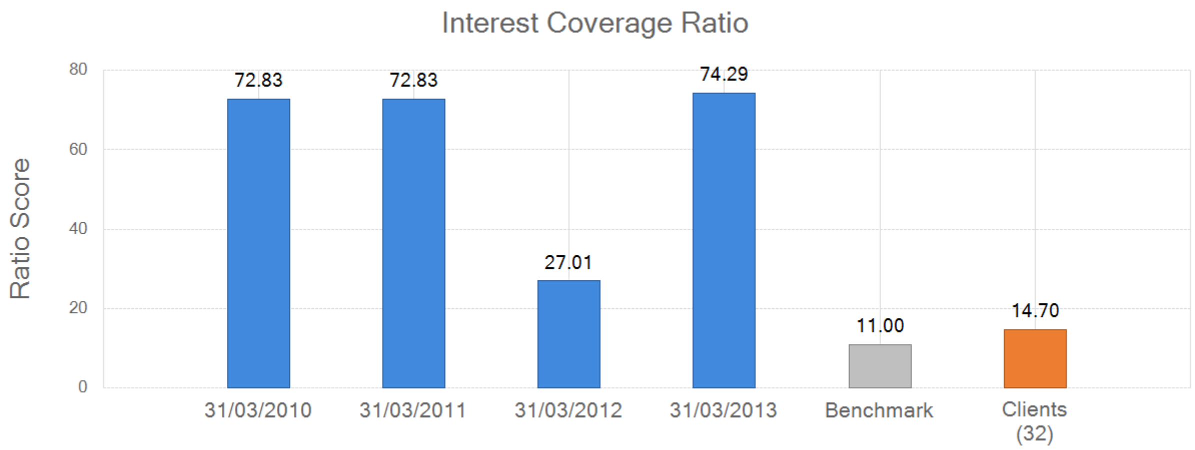
A measure of how responsibly the company is borrowing and how effectively it is managing debt.

Borrowing (using leverage) is a valuable tool for a business. Borrowing can improve profitability significantly. The only problem is that the effectiveness of leverage depends upon how well the company is using it. Borrowing has great power. However, it must be applied under the right terms, for the right assets, and in the right environment.

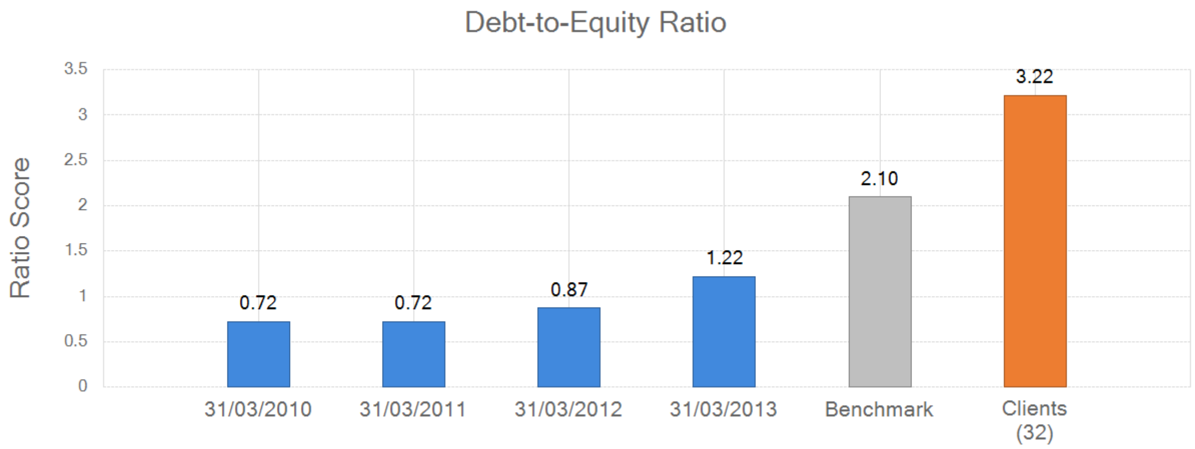
This company has performed well in this area. Profitability was substantially improved by 209.83% as significant debt was added. In fact, even though there is more debt on the books this period, the net profit margin improved as well. It is always positive to not lose margin when adding either short-term or long-term debt.

When a company receives a good score in this area, it is still quite important to evaluate real returns. For example, the trend here is good, but the company will still want to determine the rates of return on assets and borrowed money. This report only indicates trends, not acceptable rates of return on borrowed funds.

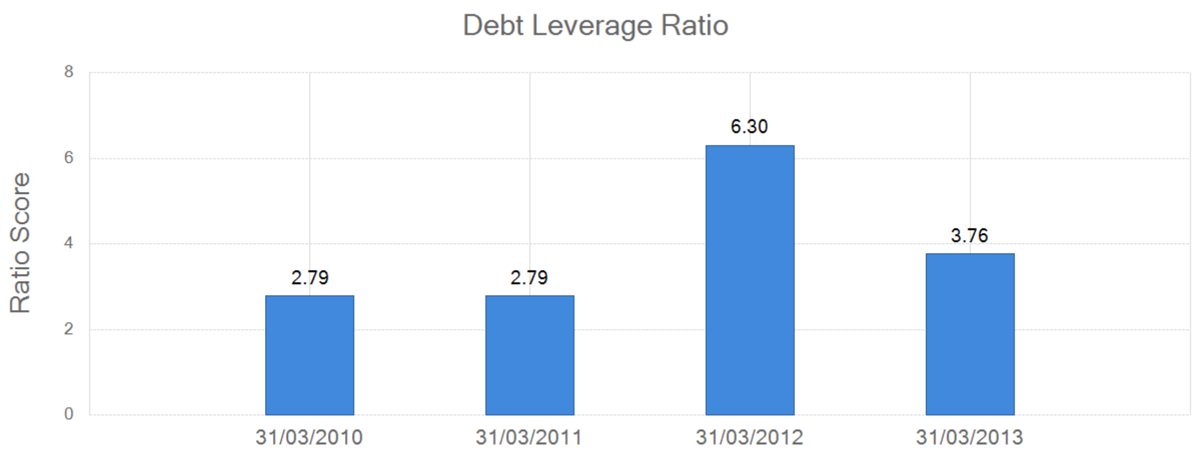
There are a few other thoughts to consider. Right now, it seems that the company may be able to borrow effectively to sustain, and possibly grow, its operations. It has generated good earnings (before interest and non-cash expenses) relative to its cost of debt expenses, and when compared with its industry peers, it has a moderate amount of debt as compared to equity.



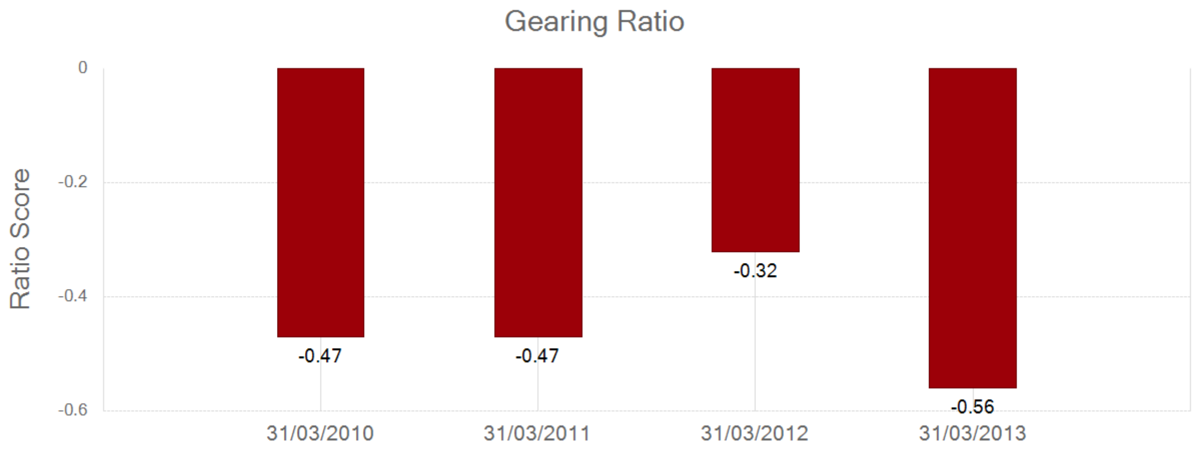
This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.



This Balance Sheet leverage ratio indicates the composition of a company’s total capitalisation -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realise the return benefits of financial leverage.



This ratio compares a business's total borrowings to the cash flow generated by the business available to pay back these borrowings. It is a rough measure of the company's capacity to incur additional borrowings.



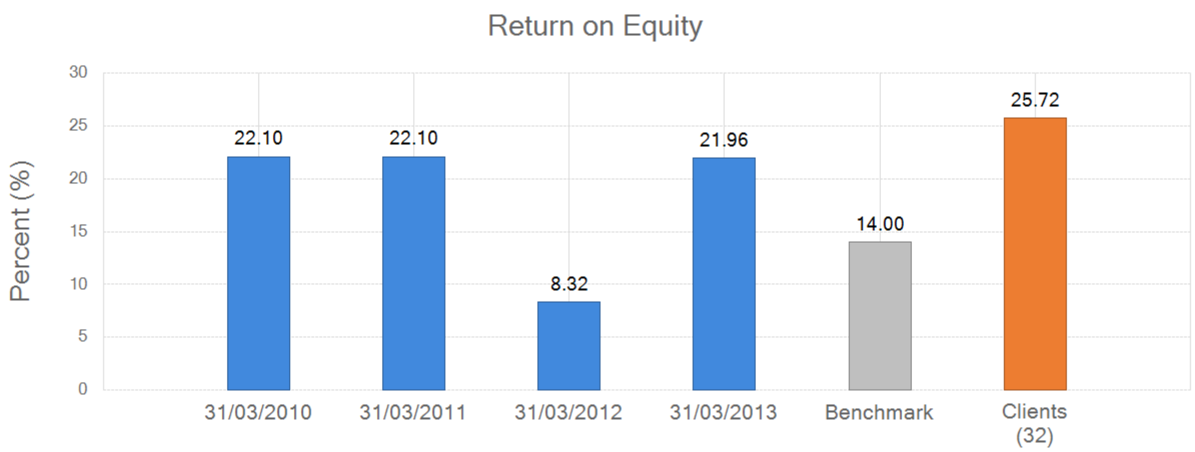
The Gearing Ratio is Net Borrowings divided by Shareholders funds. It is an expression of the amount of external borrowing versus the amount invested by shareholders. Net borrowings are bank loans and overdrafts minus cash in hand and other deposit balances. A lower ratio is generally better as it shows a the company mainly financed by equity. Higher gearing rates show an overdependence on debt for a large portion of the company's capital needs.

Assets

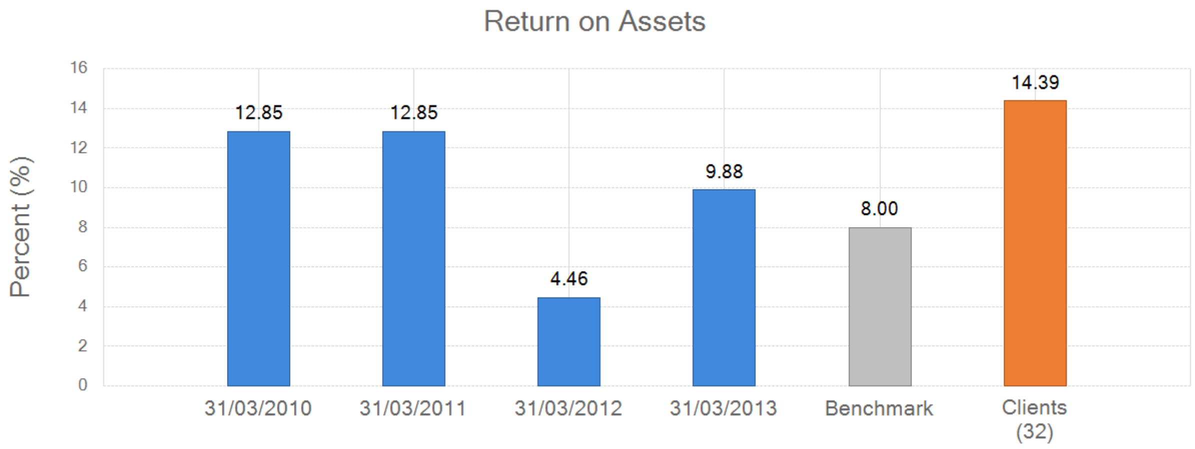
A measure of how effectively the company is utilising its tangible assets.

These are some very good results, at least for this section. The company considerably improved profitability with about the same level of resources (fixed assets). This means that the company is now using its assets more effectively. It **may** also indicate that the company might have some room to grow within its current operating environment (while maintaining relatively the same level of assets). Furthermore, note the improvement in the net profit margin. The company has become more efficient within its present structure.

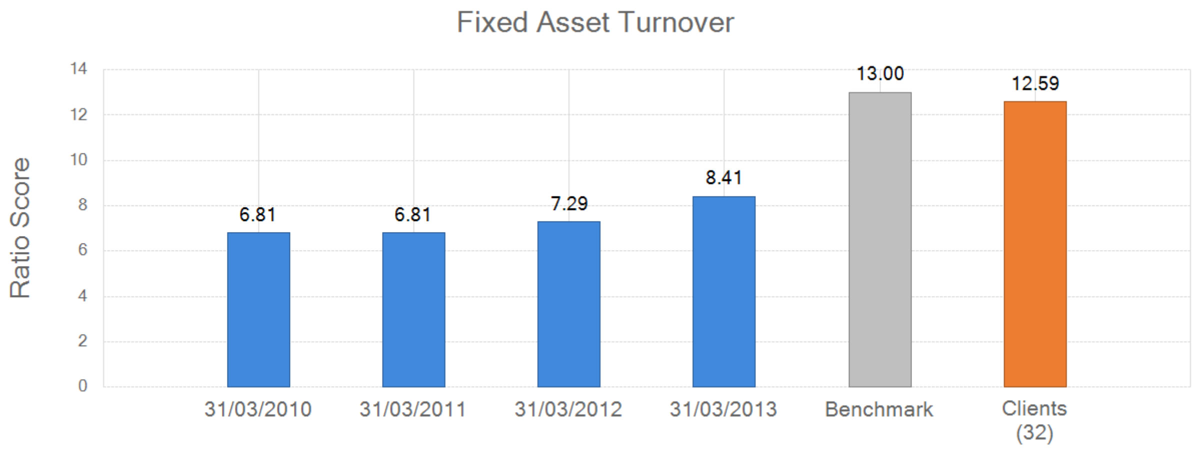
It is important to also review some other static numbers. While the company's score in this area is quite good, it is only generating a **normal** or average return on assets. Over time, this score can be elevated as the company improves profitability as compared to assets. Another item that might be improved over time is the company's fixed asset turnover ratio, which is also only about **average**. Return on assets is a function of how managers are using fixed and current assets to generate profits.



This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.



This calculation measures the business's ability to use its assets to create profits. Basically, ROA indicates what percentage of profit each pound of assets is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.



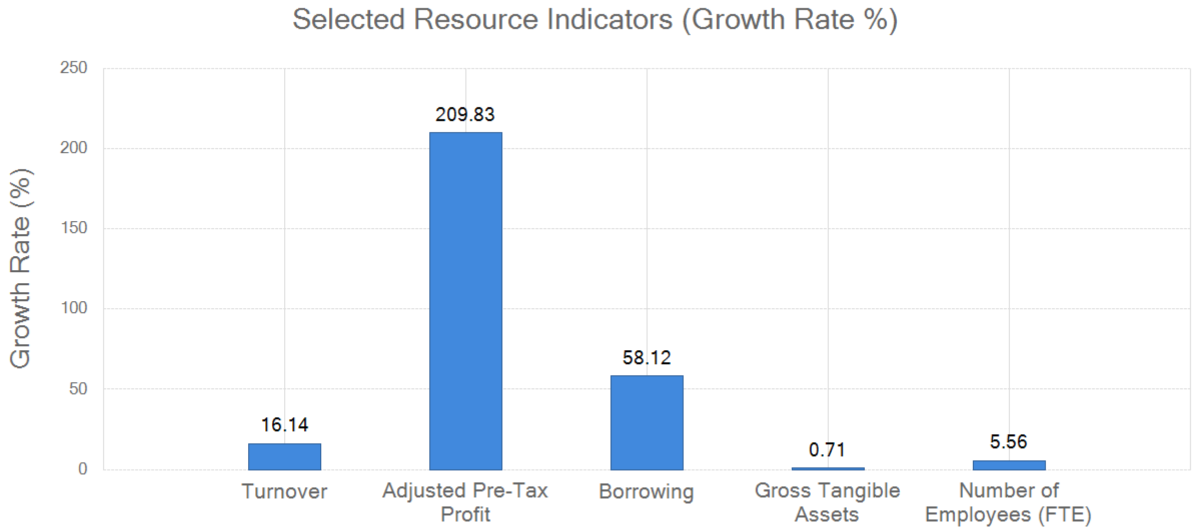
This asset management ratio shows the multiple of annualised turnover that each pound of tangible assets is producing. This indicator measures how well tangible assets are "throwing off" turnover and is very important to businesses that require significant investments in such assets. Readers should not emphasise this metric when looking at businesses that do not possess or require significant tangible assets. The higher the ratio, the more effective the company's investments in Net Property, Plant, and Equipment are.

Employees

A measure of how effectively the company is hiring and managing its employees.

This company has done strong work with respect to its employees. Net profitability has improved significantly, and the company has done this with relatively the same employee and asset bases. Essentially, this means that the company's resources are being managed more effectively. It also means that the key to success (at least in the short run) may be "off the books" -- that profitability may be driven by factors other than assets or employees. Both the company's assets and employee base stayed relatively stable -- the company did not require much more of either to improve net profitability. To put it simply, the company is now driving more profitability through its existing resources, which is excellent.

Managers should think about how net profitability improved without increasing assets or employees. This may be the way the company will want to expand in the short run because it will generally **not** involve the larger expenses incurred when hiring employees or purchasing fixed assets.

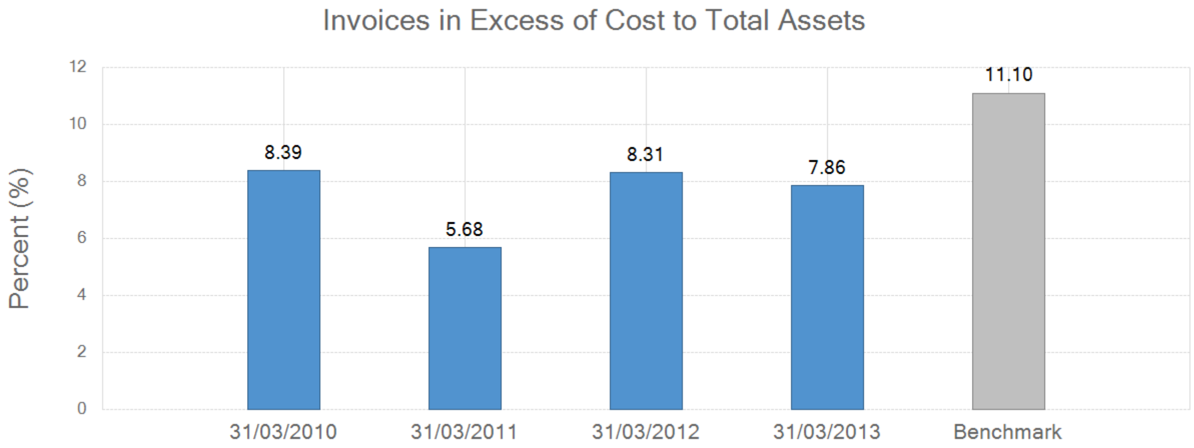


This data is based on the two most recent available periods.

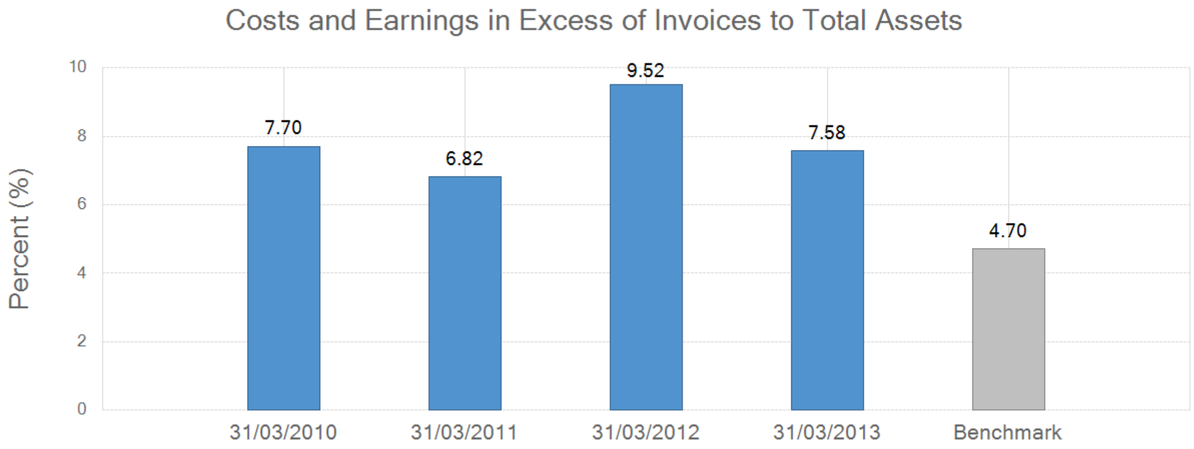
Industry-Specific Performance Ratios

What are the Key Performance Indicators for the business?

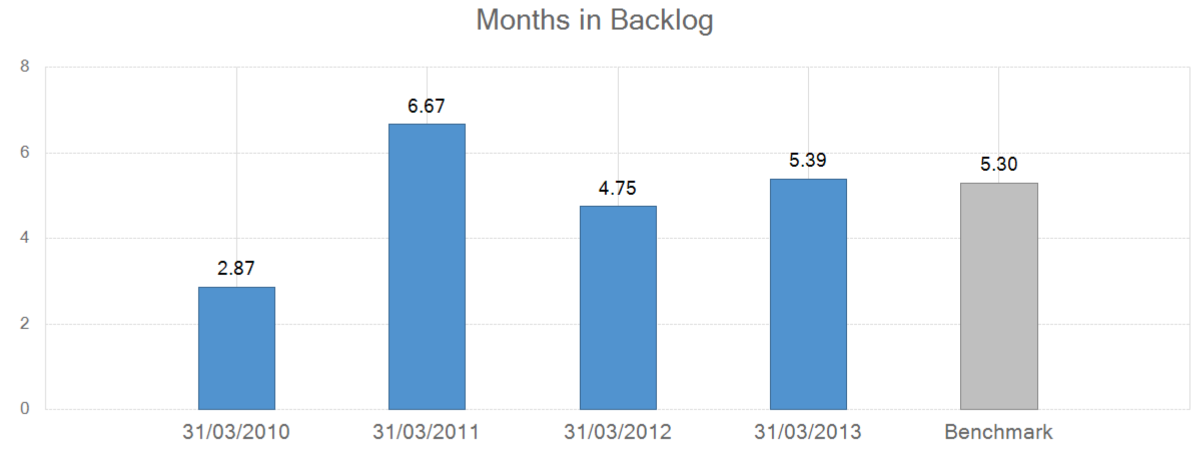
This section of the report provides **Key Performance Indicators** (or KPIs) for the business being analysed, and they are specific to the business's industry and revenue range. Track these KPIs over time and compare them to the industry averages to identify areas where the business might be able to improve operations.



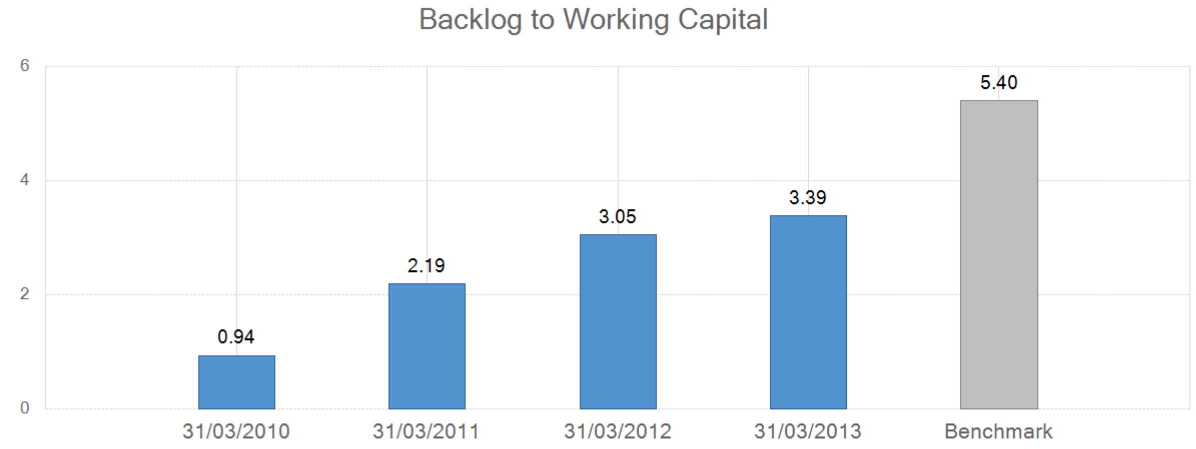
Invoices in Excess of Cost to Total Assets = Invoices in Excess of Costs / Total Assets



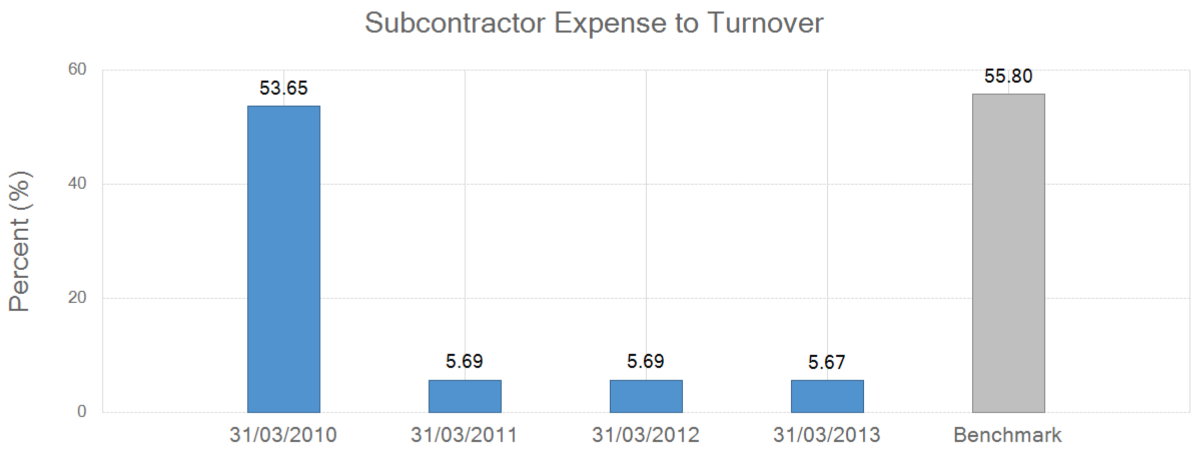
Costs and Earnings in Excess of Invoices to Total Assets = Costs and Earnings in Excess of Invoices / Total Assets



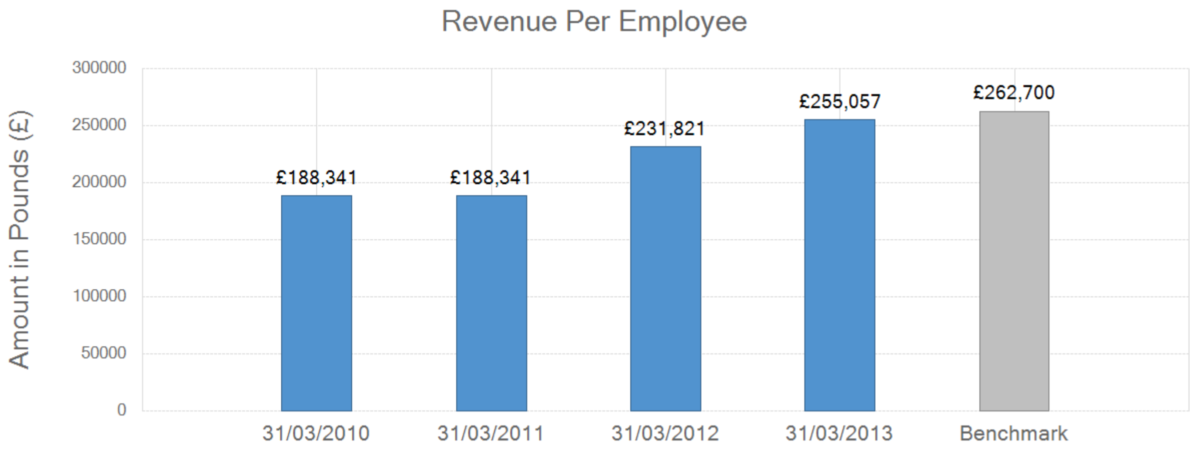
Months in Backlog = (Backlog / Turnover) * 12



Backlog to Working Capital = Backlog / (Current Assets - Current Liabilities)



Subcontractor Expense to Turnover = Subcontractor Expense / Turnover



Revenue Per Employee = Turnover / Employees

Raw Data

Profit and Loss Statement Data	31/03/2010	31/03/2011	31/03/2012	31/03/2013
Turnover	£7,910,301	£7,910,301	£8,345,571	£9,692,151
Cost of Sales (COGS)	£4,923,446	£4,923,446	£5,640,893	£6,663,462
Depreciation (COGS-related)	£0	£0	£0	£0
Government Royalties	£0	£0	£0	£0
Direct Materials	£0	£0	£0	£0
Direct Labour	£0	£0	£0	£0
Subcontractor Expense	£4,243,534	£450,000	£475,000	£550,000
Gross Profit	£2,986,855	£2,986,855	£2,704,678	£3,028,689
Gross Profit Margin	37.76%	37.76%	32.41%	31.25%
Depreciation	£44,990	£44,990	£49,107	£53,012
Amortisation	£0	£0	£0	£0
Overhead and Administrative Expenses	£2,362,197	£2,362,197	£2,477,528	£2,393,040
Wages and Salaries	£1,701,039	£1,250,000	£1,500,000	£1,717,226
Rent	£65,294	£65,000	£75,000	£73,564
Advertising	£24,063	£39,000	£35,000	£33,193
Other Operating Income	£35,720	£35,720	£16,630	£1,123
Other Operating Expenses	£0	£0	£0	£0
Operating Profit	£615,388	£615,388	£194,673	£583,760
Interest Payments	£9,068	£9,068	£9,027	£8,571
Other Income	£0	£0	£0	£0
Other Expenses	£0	£0	£0	£0
Pre-Tax Profit	£606,320	£606,320	£185,646	£575,189
Adjusted Pre-Tax Profit	£606,320	£606,320	£185,646	£575,189
Net Profit Margin	7.66%	7.66%	2.22%	5.93%
EBITDA	£660,378	£660,378	£243,780	£636,772
Taxation	£40,817	£40,817	£38,164	£144,832
Extraordinary Gain	£0	£0	£0	£0
Extraordinary Loss	£0	£0	£0	£0
Net Income	£565,503	£565,503	£147,482	£430,357
Balance Sheet Data	**31/03/2010**	**31/03/2011**	**31/03/2012**	**31/03/2013**
Gross Tangible Assets	£1,160,813	£1,160,813	£1,144,706	£1,152,840
Accumulated Depreciation	£463,502	£463,502	£423,407	£463,427
Net Tangible Assets	£697,311	£697,311	£721,299	£689,413
Gross Intangible Assets	£0	£0	£0	£0
Accumulated Amortisation	£0	£0	£0	£0
Net Intangible Assets	£0	£0	£0	£0
Stock	£175,643	£175,643	£150,986	£140,286
Trade Debtors	£1,932,377	£1,932,377	£1,500,124	£1,858,345
Cash (Bank Funds)	£1,256,785	£1,256,785	£600,125	£1,336,771
Miscellaneous Current Assets	£338,974	£338,974	£335,123	£329,876
Costs and Earnings in Excess of Invoices	£338,974	£300,000	£315,000	£329,876
Other	£0	£0	£0	£0
Total Current Assets	£3,703,779	£3,703,779	£2,586,358	£3,665,278
Miscellaneous Assets	£0	£0	£0	£0
Total Assets	£4,401,090	£4,401,090	£3,307,657	£4,354,691
Trade Creditors	£1,006,126	£1,006,126	£852,878	£1,370,081
Short Term Bank Loans & Overdrafts	£46,463	£46,463	£28,306	£245,220
Current Portion of Long Term Bank Loans & Overdrafts	£0	£0	£0	£0
Miscellaneous Current Liabilities	£639,772	£639,772	£624,672	£765,830
Invoices in Excess of Costs	£369,084	£250,000	£275,000	£342,356
Other	£0	£0	£0	£0
Total Current Liabilities	£1,692,361	£1,692,361	£1,505,856	£2,381,131
Notes Payable / Senior Debt	£0	£0	£0	£0
Notes Payable / Subordinated Debt	£0	£0	£0	£0

Other Long Term Finance	£150,000	£150,000	£28,877	£13,719
Total Long Term Liabilities	£150,000	£150,000	£28,877	£13,719
Total Liabilities	£1,842,361	£1,842,361	£1,534,733	£2,394,850
Preference Shares	£0	£0	£0	£0
Ordinary Shares	£459,675	£459,675	£652	£170,212
Called Up Share Capital	£0	£0	£0	£0
Other Stock / Equity	£771,057	£771,057	£565,241	£565,425
Ending Retained Earnings	£1,327,997	£1,327,997	£1,207,031	£1,224,204
Total Equity	£2,558,729	£2,558,729	£1,772,924	£1,959,841
Number of Employees (FTE)	42.0	42.0	36.0	38.0

Common Size Statements

Profit and Loss Statement Data	31/03/2010	31/03/2011	31/03/2012	31/03/2013	Clients (32)
Turnover	100%	100%	100%	100%	100%
Cost of Sales (COGS)	62%	62%	68%	69%	67%
Depreciation (COGS-related)	0%	0%	0%	0%	N/A
Government Royalties	0%	0%	0%	0%	N/A
Direct Materials	0%	0%	0%	0%	N/A
Direct Labour	0%	0%	0%	0%	N/A
Subcontractor Expense	54%	6%	6%	6%	N/A
Gross Profit	38%	38%	32%	31%	33%
Depreciation	1%	1%	1%	1%	2%
Amortisation	0%	0%	0%	0%	0%
Overhead and Administrative Expenses	30%	30%	30%	25%	23%
Wages and Salaries	22%	16%	18%	18%	N/A
Rent	1%	1%	1%	1%	N/A
Advertising	0%	0%	0%	0%	N/A
Other Operating Income	0%	0%	0%	0%	0%
Other Operating Expenses	0%	0%	0%	0%	0%
Operating Profit	8%	8%	2%	6%	8%
Interest Payments	0%	0%	0%	0%	1%
Other Income	0%	0%	0%	0%	0%
Other Expenses	0%	0%	0%	0%	1%
Pre-Tax Profit	8%	8%	2%	6%	7%
Adjusted Pre-Tax Profit	8%	8%	2%	6%	7%
EBITDA	8%	8%	3%	7%	10%
Taxation	1%	1%	0%	1%	0%
Extraordinary Gain	0%	0%	0%	0%	0%
Extraordinary Loss	0%	0%	0%	0%	0%
Net Income	7%	7%	2%	4%	6%
Balance Sheet Data	**31/03/2010**	**31/03/2011**	**31/03/2012**	**31/03/2013**	**Clients (32)**
Gross Tangible Assets	26%	26%	35%	26%	52%
Accumulated Depreciation	11%	11%	13%	11%	10%
Net Tangible Assets	16%	16%	22%	16%	41%
Gross Intangible Assets	0%	0%	0%	0%	0%
Accumulated Amortisation	0%	0%	0%	0%	0%
Net Intangible Assets	0%	0%	0%	0%	0%
Stock	4%	4%	5%	3%	10%
Trade Debtors	44%	44%	45%	43%	30%
Cash (Bank Funds)	29%	29%	18%	31%	11%
Miscellaneous Current Assets	8%	8%	10%	8%	8%
Costs and Earnings in Excess of Invoices	8%	7%	10%	8%	N/A
Other	0%	0%	0%	0%	N/A
Total Current Assets	84%	84%	78%	84%	57%
Miscellaneous Assets	0%	0%	0%	0%	2%

Total Assets	100%	100%	100%	100%	100%
Trade Creditors	23%	23%	26%	31%	18%
Short Term Bank Loans & Overdrafts	1%	1%	1%	6%	1%
Current Portion of Long Term Bank Loans & Overdrafts	0%	0%	0%	0%	1%
Miscellaneous Current Liabilities	15%	15%	19%	18%	28%
Invoices in Excess of Costs	8%	6%	8%	8%	N/A
Other	0%	0%	0%	0%	N/A
Total Current Liabilities	38%	38%	46%	55%	48%
Notes Payable / Senior Debt	0%	0%	0%	0%	0%
Notes Payable / Subordinated Debt	0%	0%	0%	0%	0%
Other Long Term Finance	3%	3%	1%	0%	5%
Total Long Term Liabilities	3%	3%	1%	0%	22%
Total Liabilities	42%	42%	46%	55%	69%
Preference Shares	0%	0%	0%	0%	0%
Ordinary Shares	10%	10%	0%	4%	1%
Called Up Share Capital	0%	0%	0%	0%	0%
Other Stock / Equity	18%	18%	17%	13%	0%
Ending Retained Earnings	30%	30%	36%	28%	12%
Total Equity	58%	58%	54%	45%	31%

Industry Scorecard

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities	1.54	1.35 to 2.60	0.00%
Explanation: Generally, this metric measures the overall liquidity position of a business. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.			
Quick Ratio = (Cash + Trade Debtors) / Total Current Liabilities	1.34	1.10 to 2.00	0.00%
Explanation: This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are debtor accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.			
Stock Days = (Stock / COGS) * 365	7.68 Days	1.00 to 10.00 Days	0.00%
Explanation: This metric shows how much stock (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have stock for this metric. The lower the better.			
Trade Debtor Days = (Trade Debtors / Turnover) * 365	69.98 Days	30.00 to 60.00 Days	-16.63%
Explanation: This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.			
Trade Creditor Days = (Trade Creditors / COGS) * 365	75.05 Days	15.00 to 50.00 Days	-50.10%
Explanation: This ratio shows the average number of days that lapse between the purchase of material and labour, and payment for them. It is a rough measure of how timely a business is in meeting payment obligations.			
Gross Profit Margin = Gross Profit / Turnover	31.25%	14.00% to 25.00%	+25.00%
Explanation: This number indicates the percentage of turnover that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates what percentage of gross profit can be generated by future turnover. Higher is normally better (the company is more efficient).			
Net Profit Margin = Adjusted Pre-Tax Profit / Turnover	5.93%	1.00% to 6.00%	0.00%
Explanation: This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures what percentage of profit the company is generating for every pound of turnover it earns. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.			
Advertising to Turnover = Advertising / Turnover	0.34%	0.20% to 1.25%	0.00%
Explanation: This metric shows advertising expense for the company as a percentage of turnover.			
Rent to Turnover = Rent / Turnover	0.76%	0.10% to 2.80%	0.00%
Explanation: This metric shows rent for the company as a percentage of turnover.			
Wages & Salaries to Turnover = Wages & Salaries / Turnover	17.72%	6.00% to 15.00%	-18.13%
Explanation: This metric shows wages and salaries for the company as a percentage of turnover.			
Total Payroll to Turnover = (Direct Labour + G & A, Wages & Salaries) / Turnover	17.72%	N/A	N/A
Explanation: This metric shows total payroll expense for the company as a percentage of turnover.			
Interest Coverage Ratio = EBITDA / Interest Payments	74.29	7.00 to 15.00	+395.27%

Explanation: This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.

Debt-to-Equity Ratio = Total Liabilities / Total Equity	1.22	1.20 to 3.00	0.00%

Explanation: This Balance Sheet leverage ratio indicates the composition of a company's total capitalisation -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realise the return benefits of financial leverage.

Debt Leverage Ratio = Total Liabilities / EBITDA	3.76	N/A	N/A

Explanation: This ratio compares a business's total borrowings to the cash flow generated by the business available to pay back these borrowings. It is a rough measure of the company's capacity to incur additional borrowings.

Return on Equity = Net Income / Total Equity	21.96%	8.00% to 20.00%	+9.80%

Explanation: This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.

Return on Assets = Net Income / Total Assets	9.88%	6.00% to 10.00%	0.00%

Explanation: This calculation measures the business's ability to use its assets to create profits. Basically, ROA indicates what percentage of profit each pound of assets is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.

Fixed Asset Turnover = Turnover / Tangible Assets	8.41	6.00 to 20.00	0.00%

Explanation: This asset management ratio shows the multiple of annualised turnover that each pound of tangible assets is producing. This indicator measures how well tangible assets are "throwing off" turnover and is very important to businesses that require significant investments in such assets. Readers should not emphasise this metric when looking at businesses that do not possess or require significant tangible assets. The higher the ratio, the more effective the company's investments in Net Property, Plant, and Equipment are.

NOTE: Exceptions are sometimes applied when calculating the Financial Indicators. Generally, this occurs when the inputs used to calculate the ratios are zero and/or negative.

READER:
Financial analysis is not a science; it is about interpretation and evaluation of financial events. Therefore, some judgment will always be part of our reports and analyses. Before making any financial decision, always consult an experienced and knowledgeable professional (chartered accountant, banker, financial planner, attorney, etc.).