

ABC CLIENT

Benchmark Results Analysis

For The Year Ended 31 March 2007

Ratios from the Statement of Financial Position

Profitability Ratios

Return on Sales Ratio (%)

This is the difference between what a business takes in and what it spends in the process of doing business. When you compare profit to sales volume, you can determine whether you're making enough of a profit.

formula:

Return On Sales (%) = (Net Profit ÷ Sales) × 100

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
23.82 %	11.70	19.78	29.62	24.10	20.33

Return on Equity Ratio

It is used as a general indication of the company's efficiency; in other words, how much profit it is able to generate given the resources provided by its shareholders.

formula:

Return on Equity = Net Profit ÷ Net Assets²

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
1.13 Times	0.26	0.96	2.40	22.48	12.55

Return on Assets Ratio

This number tells you how effective your business has been at putting its money to work. The ROA is a test of capital utilisation -- how much profit a business earned on the total capital used to make that profit. This ratio is most useful when compared with the interest rate paid on the company's debt. For example, if the ROA is .15 (15%) and the interest rate paid on its debt was 10%, the business's profit is 5 percentage points more than it paid in interest.

formula:

Return On Assets = Net Profit ÷ Total Assets

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
0.43 Times	0.20	0.41	0.67	0.71	0.54

Reference Industry (ANZSIC) - EXAMPLE ONLY (Sample Size 120)

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Liquidity Ratios

Analysing Liquidity Ratios

The issue of liquidity, as you might expect, concerns creditors. Liquidity is a company's ability to meet its debts as they come due. A company may have considerable total assets, but if those assets are difficult to convert to cash it is possible that the company might be unable to pay its creditors in a timely fashion. Creditors want their loans to be paid in the medium of cash, not in a medium such as inventory or factory equipment.

Cash Ratio

This measures the percentage of all assets that exist as cash.

formula:

Cash Ratio = Total Cash ÷ Current Liabilities

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
1.49 Times	0.12	0.27	0.66	0.58	0.57

Current Ratio

This is the standard measure of any business's financial health. You derive this ratio from the figures on your balance sheet. It tells whether a company has enough assets to cover its liabilities. The standard current ratio is 2:1.

formula:

Current Ratio = Current Assets ÷ Current Liabilities

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
3.98 Times	0.73	1.06	2.00	1.95	2.03

Quick Ratio, or "Acid Test"

This is a tougher measure of liquidity than the current ratio because it excludes inventories when counting assets. It calculates the company's liquid assets in relation to its liabilities. The higher the ratio, the higher the business' level of liquidity, which usually corresponds to its financial health. The quick ratio also indicates whether a business could pay off its debts quickly, if that becomes necessary. The desired quick ratio is 1:1.

formula:

Quick Ratio = (Current Assets - Inventories) ÷ Current Liabilities

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
3.51 Times	0.58	0.91	1.73	1.79	1.79

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Working Capital to Sales %

Working capital measures how much in liquid assets a company has available to build its business and this ratio shows the proportion this is to total sales.

A business that sells a lot of low-cost items, and cycles through its inventory rapidly (a grocery store) may only need 10-15% of working capital per dollar of sales. A manufacturer of heavy machinery and high-priced items with a slower inventory turn may require 20-25% working capital per dollar of sales.

formula:

Working Capital to Sales % = ((Current Assets - Current Liabilities) ÷ Total Revenue) × 100

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
21.55 %	970.00	109.00	-549.80	270.80	203.60

Management Efficiency Ratios

Days In Account Receivable Ratio

This number indicates how quickly your customers are paying you. The greater the number of times your receivables turn over during the year, the shorter the time between sales and cash collection. If this number is low compared to your industry average, it may mean your payment terms are too lenient or that you aren't doing a good enough job on collections.

formula:

Days in Accounts Receivable = (Accounts Receivable ÷ Credit Sales) × 365

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
15.00 Days	39.50	24.00	14.25	39.33	30.44

Days in Accounts Payable Ratio

This number tells how quickly you are paying your bills. The payables turnover ratio reveals how often your payables turn over during the year. A high ratio means a relatively short time between purchase of goods and services and payment for them. A low ratio may be a sign that the company has chronic cash shortages.

formula:

Days in Accounts Payable = (Accounts Payable ÷ Purchases³) × 365

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
26.00 Days	18.00	23.50	32.75	23.28	32.15

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Annual Inventory Turnover Ratio

This ratio tells how often your business' inventory turns over during the course of the year. Because inventories are the least liquid form of asset, a high inventory turnover ratio is generally positive. On the other hand, an unusually high ratio compared to the average for the industry could mean you are losing sales because of inadequate stock on hand.

formula:

Inventory Turnover = Cost of Goods Sold ÷ the Average Value of Inventory

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
14.93 Times P.A.	11.79	20.54	37.25	31.12	31.76

Days In Inventory

This ratio gives the number of days equivalent to the inventory turnover.

formula:

Days in Inventory = 365 ÷ Annual Inventory Turnover

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
24.44 Days	0.00	0.00	0.00	0.00	0.00

Operating Ratios

Asset Turnover

This is a measure of how well assets are being used to produce revenue. Also called total asset turnover.

formula:

Asset Turnover = Net assets ÷ Total assets

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
1.99 Times P.A.	1.53	2.42	3.55	3.12	2.73

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Sales to Fixed Assets

This is a measure of a company's profitability, it measures how much a company earns on each dollar sunk into assets. The number tells you how productively a business is using the physical resources that the company owns -- the higher the number the better.

formula:

Return on Assets = Total Revenue ÷ Total Assets

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
4.86 Times P.A.	3.69	7.92	12.33	14.28	9.91

Sales to Working Capital

A measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

formula:

Sales to Working Capital = Total Revenue ÷ (Current Assets - Current Liabilities)

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
4.63 Times P.A.	-14.43	2.21	11.27	70.18	4.30

Financing Ratios

Debt to Equity Ratio

This ratio indicates how much the company is leveraged (in debt). A high debt to equity ratio could indicate that the company may be over-leveraged, and should look for ways to reduce its debt.

formula:

Debt To Equity = Total Liabilities ÷ Net Assets⁴

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
1.62 Times	8.36	2.40	0.60	26.51	20.99

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Times Interest Earned

A measurement of a business's ability to pay its debts; a multiple by which recurring income provides for payment of interest income. If a business can keep current on its interest payments, the business can usually refinance principal and maintain the confidence of creditors.

Formula:

$$\text{Times Interest Earned} = (\text{Operating Profit}^5 + \text{Interest}) \div \text{Interest}$$

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
10.72 Days	3.39	6.26	18.20	133.87	46.78

Financial Results

Net Profit

This shows the amount of your sales dollar that remains for profit after all expenses.

formula:

$$\text{Net Profit} = \text{Operating Profit} + \text{Non Operating Revenue}$$

<u>Your Result</u>	Lower Quartile	Median	Upper Quartile	Rank'd Avg Upper Quartile	Average
\$38,175	\$19,458	\$49,791	\$81,665	\$168,952	\$67,638

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