

Ann's Olde Tea Shoppe

31/03/2006 - 31/03/2007

The Key Measures of Business Performance

Profitability %

Current Period 9.57 . Last Period 11.64 . Negative trend downwards.
Can be further improved by improving Price, Volume, COGS and Administrative Expense management.

Activity

Current Period 1.49 . Last Period 1.58 . Negative trend downwards.
Can be maximised by efficient use of assets, minimise working capital and selling-off unused assets.

Working Capital %

Current Period 51.06 . Last Period 44.15 . Negative trend upwards.
If Turnover is growing, ensure Working Capital% is less than Gross Margin %.

ROCE %

Current Period 14.27 . Last Period 18.41 . Negative trend downwards.
The return earned on Net Operating Assets is less than cost of funding them.

Cash After Operations

Current Period 106,434 . Last Period 90,954 . Positive trend upwards.
The business has the ability to fund itself from operational activities.

Change in Net Debt

Current Period (217,342) . Last Period (365,073) . Positive trend upwards.
The business' Total Debt commitments have fallen.

Interest Cover

Current Period 1.23 . Last Period 1.41 . Negative trend downwards.
Interest Commitments can be met from operational profits.

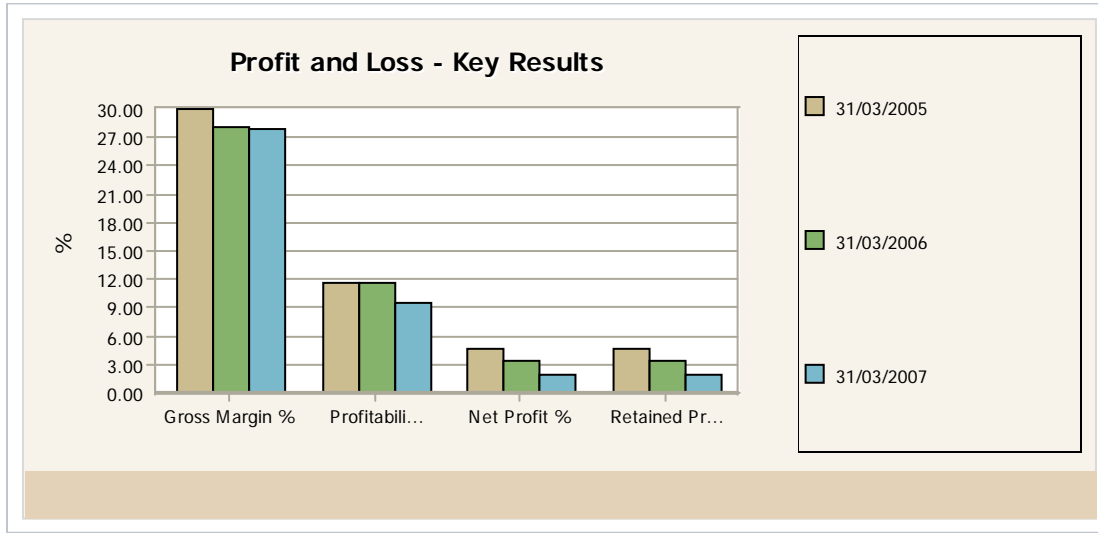
Debt Service Cover

Current Period 0.09 . Last Period 0.11 . Negative trend downwards.
Total Bank Commitments cannot be met from Net Cash After Operations.

Breakeven Point	Goalseek - Solve
Profitability % = 0	
Price Change %	Change by (9.57)
COGS %	Change by 9.57
Admin Expenses	Change by 411,826
Cash After Operations = 0	
Turnover Growth %	Change by 6.26
Price Change %	Change by (3.90)
COGS %	Change by 2.06
Admin Expenses	Change by 106,434
Change in Net Debt = 0	
Turnover Growth %	Change by (11.56)
Price Change %	Change by 7.21
COGS %	Change by (3.81)
Admin Expenses	Change by (196,622)

Key Driver Movements	31/03/2007
Turnover Growth %	Down 12.23
COGS %	Up 0.07
Price Change %	Up 0.00
Admin Expenses %	Up 2.00
Effect Interest %	Down 4.01
Effect Tax %	Up 0.00
Debtor Days	Up 12.49
Stock Days	Up 16.31
Creditor Days	Down 1.28

Profit and Loss - Key Results



Financial Highlights 31/03/2007

Gross Margin %	27.93	Down 0.07
Profitability %	9.57	Down 2.06
Net Profit %	1.80	Down 1.61
Retained Profit %	1.80	Down 1.61
Turnover	4,301,602	Up 201,602

Focus Points

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

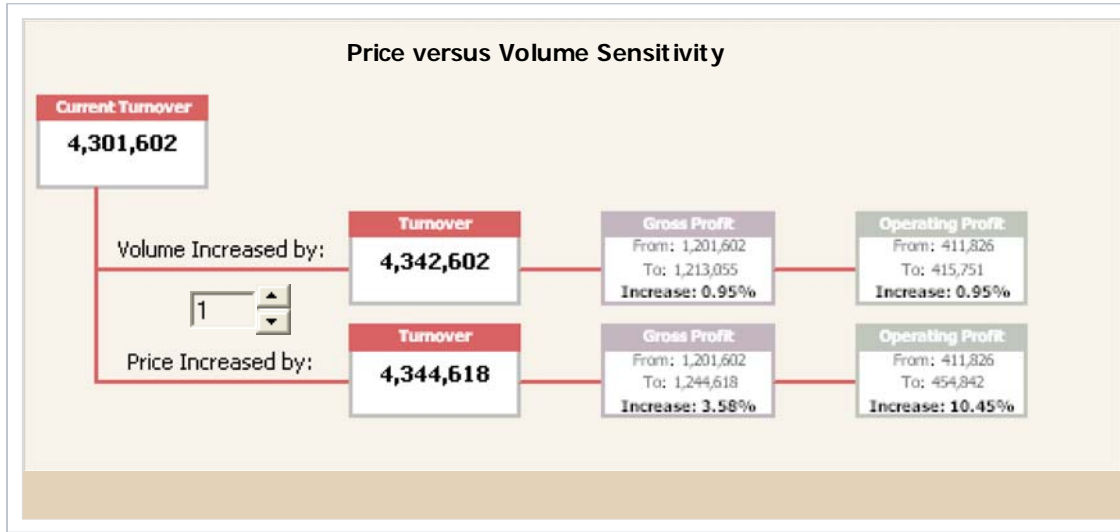
1. Gross Margin through Price and Volume - Sales/Marketing
2. Gross Margin through COGS minimisation - Operations
3. EBIT through Administrative Expense management - Operations and Finance
4. Net Profit through Interest and Tax minimisation - Finance

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

Strategy - Goalseek

To improve Profitability %	to 10.05
Change Price Change %	by 0.53
Change COGS %	to 71.59
Change Admin Expenses	to 769,185

Price Volume Sensitivity



Financial Highlights 31/03/2007

Gross Margin %: Price is more effective than Volume **by 1.03 times**

Profitability %: Price is more effective than Volume **by 1.09 times**

Net Profit %: Price is more effective than Volume **by 1.55 times**

Focus Points

To make intelligent price volume decisions ensure you understand the Price Volume relationship. An increase in Price will have a more favorable impact on business performance and more quickly improve operational results than an increase in Volume. This is because a 1% increase in price will NOT IMPACT COGS, Administrative Expenses or Stock as Volume does.

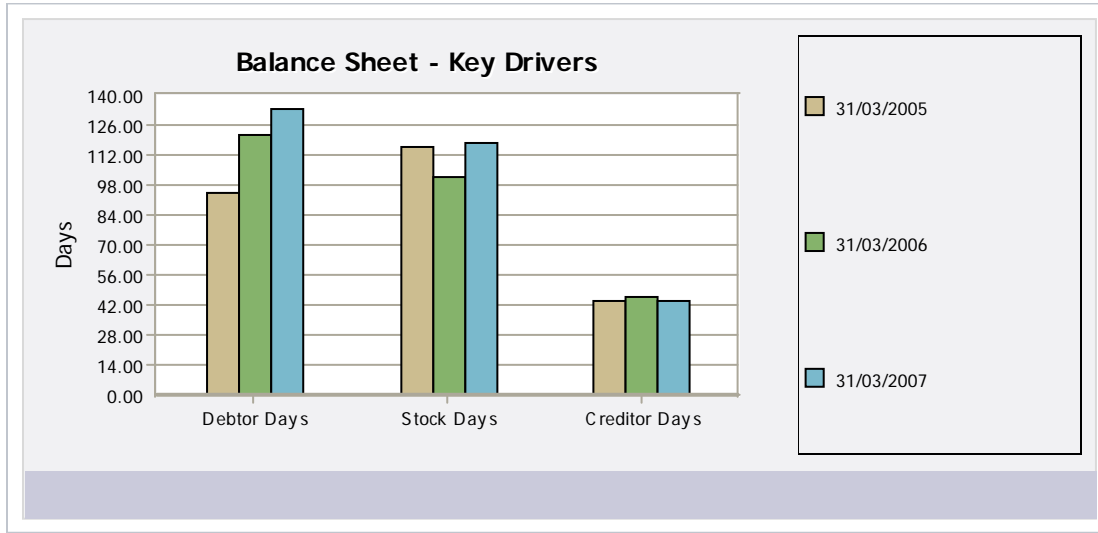
Tip: Changing the mix of Products or Services towards higher margin products/services will have a significant impact on Gross Margin and EBIT.

Strategy - What If?

An increase in Price by 1%
 Changes Cash After Operations by 27,287
 Changes Change in Net Debt by 30,163
 Changes ROCE % by 1.40

An increase in Volume by 1%
 Changes Cash After Operations by (17,010)
 Changes Change in Net Debt by (18,802)
 Changes ROCE % by 0.03

Balance Sheet - Key Drivers



Financial Highlights 31/03/2007

Debtor Days	133.46
Average	116.27
Stock Days	117.63
Average	111.67
Creditor Days	44.22
Average	44.54

Focus Points

Debtor Days, Creditor Days and Stock Days 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 Stock: 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 Debtor Days by 1 day

Changes Working Capital %	by (0.27)
Changes ROCE %	by 0.06
Changes Cash After Operations	by 11,785

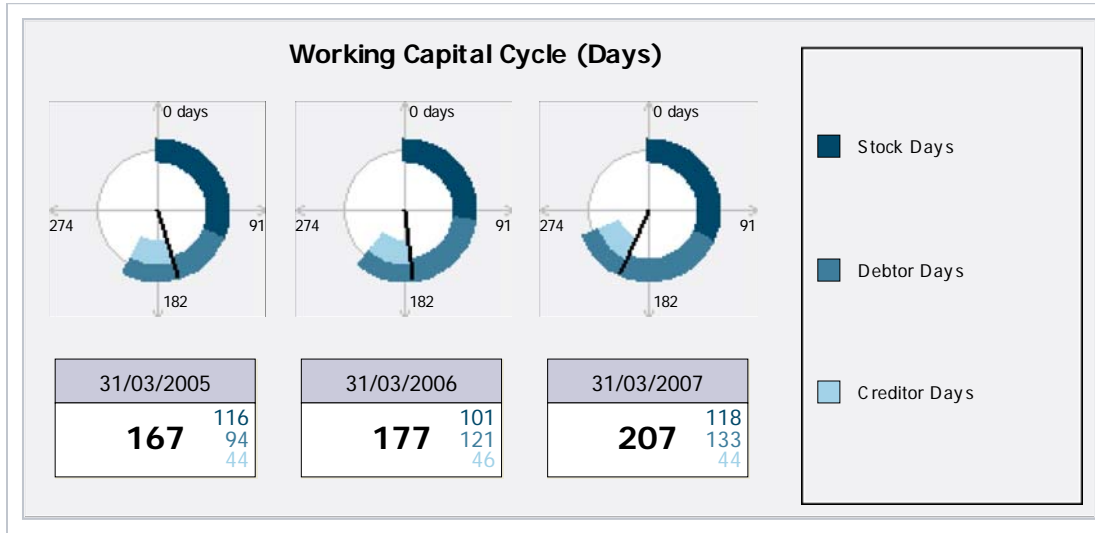
A decrease in Stock Days by 1 day

Changes Working Capital %	by (0.20)
Changes ROCE %	by 0.04
Changes Cash After Operations	by 8,493

An increase in Creditor Days by 1 day

Changes Working Capital %	by (0.20)
Changes ROCE %	by 0.04
Changes Cash After Operations	by 8,493

Working Capital Cycle



Financial Highlights 31/03/2007

Debtor Days Debtors	Up 12.49 Up 213,987
Stock Days Stock	Up 16.31 Up 179,642
Creditor Days Creditors	Down 1.28 Up 7,552
Working Capital Days Working Capital	206.88 2,196,422
Working Capital %	51.06
Gross Margin %	27.93

Focus Points

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

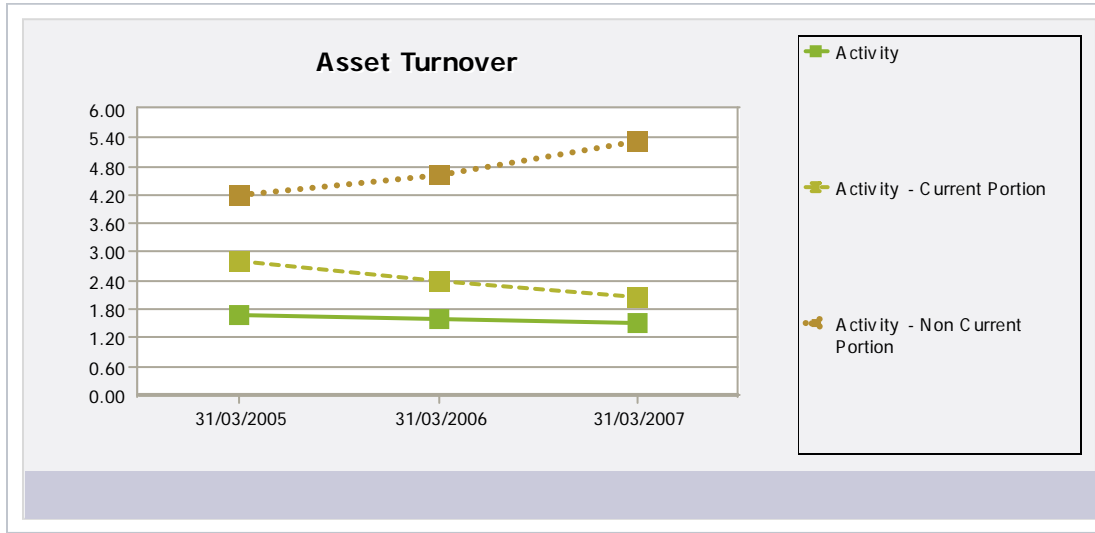
To minimise Working Capital Cycle: Ensure invoices are provided with a delivery or bill at the time work is performed; Utilise Stock Management systems to control and minimise stock holdings; and constantly review supplier and customer terms of payment.

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

Strategy - Goalseek

To improve Working Capital %	to 27.93
Change Debtor Days	to 49.05
Change Stock Days	to 0.50
Change Creditor Days	to 161.35
Change COGS %	to 72.07
Change Price Change %	to 0.00

Asset Turnover



Financial Highlights 31/03/2007

Activity	1.49
	Down 0.09
Average	1.58

Activity - Current	2.07
	Down 0.33
Average	2.43

Activity - Non Current	5.32
	Up 0.69
Average	4.70

Revenue	4,301,602
Net Operating Assets	2,886,716

Focus Points

Activity is a primary measure of balance sheet efficiency as it indicates how quickly Net Operating Assets are turned over in a single period. Activity is thus a function of Turnover. The higher the Activity, the less Net Operating Assets are required to fund growth.

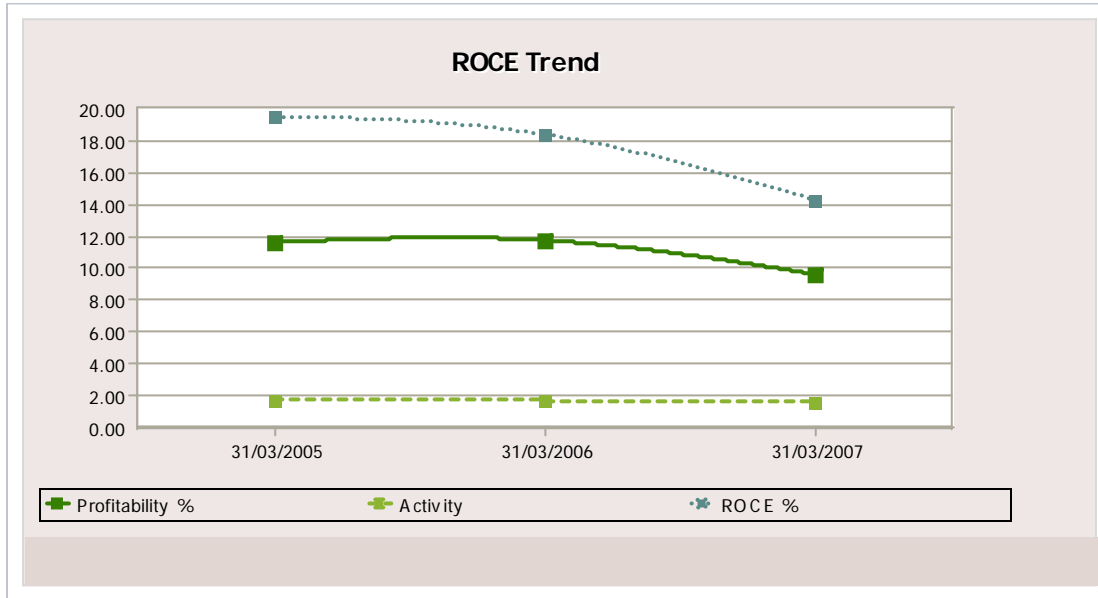
The relationship between the current and non current portions must also be understood. The current portion reflects the variable component and should not increase over time. Whereas, the non-current portion may increase over time, if the business invests in assets for the future.

Activity is a component of ROCE%, thus you should consider it when examining ROCE%.

Strategy - Goalseek

To improve Activity	to 1.64
Change Price Change %	to 24.92
Change COGS %	to 41.62
Change Turnover Growth %	to 69.06
Change Debtor Days	to 111.11
Change Stock Days	to 86.62
Change Creditor Days	to 75.23
Change Fixed Assets	to 722,285

ROCE %



Financial Highlights 31/03/2007

ROCE %	14.27
	Down 4.14
Average	17.37
Profitability %	9.57
	Down 2.06
Activity	1.49
	Down 0.09
Effect Interest %	19.07
	Down 4.01

The Return on Capital is **less than** the Cost of Borrowing in the current period.

Focus Points

ROCE% is one of the Key Business Measures of business performance. ROCE% measures the return (EBIT) on the Capital Employed (Net Operating Assets) .

The higher ROCE% is, the better the business is performing. Manufacturers should aim for a ROCE% greater than 20%, Distribution companies greater than 30% and Service businesses greater than 40%.

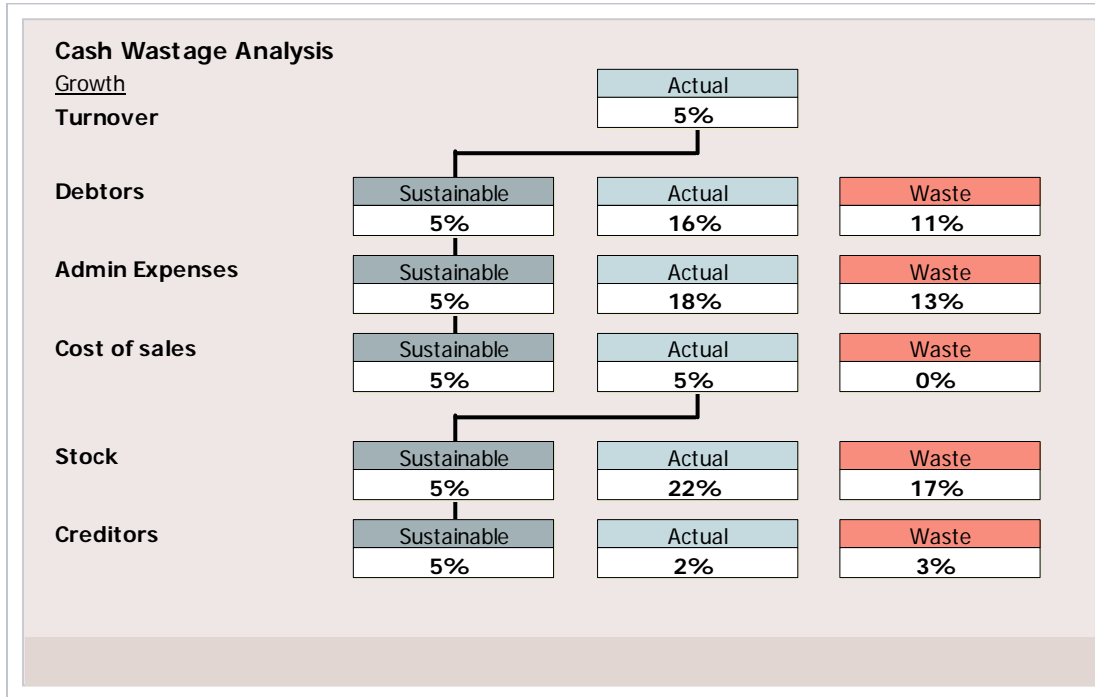
Profitability% is a measure of EBIT and Activity is a measure of NOA. Therefore, focus on the elements within EBIT and NOA to improve ROCE.

ROCE% can also be compared to the Effective Interest %, where the return on the capital must be more than the cost of borrowing.

Strategy - Goalseek

To improve ROCE %	to 19.07
Change Price Change %	to 3.46
Change COGS %	to 68.96
Change Admin Expenses	to 651,190
Change Turnover Growth %	to 4.92
Change Debtor Days	to 71.78
Change Stock Days	to 32.05
Change Creditor Days	to 129.80
Change Fixed Assets	to 258,810

Cash Wastage



Financial Highlights 31/03/2007

Actual Cash Flow (217,342)

Total Cash Waste (385,397)

Sustainable Cash Flow 168,055

Focus Points

Cash Wastage indicates how the Business has managed its growth.

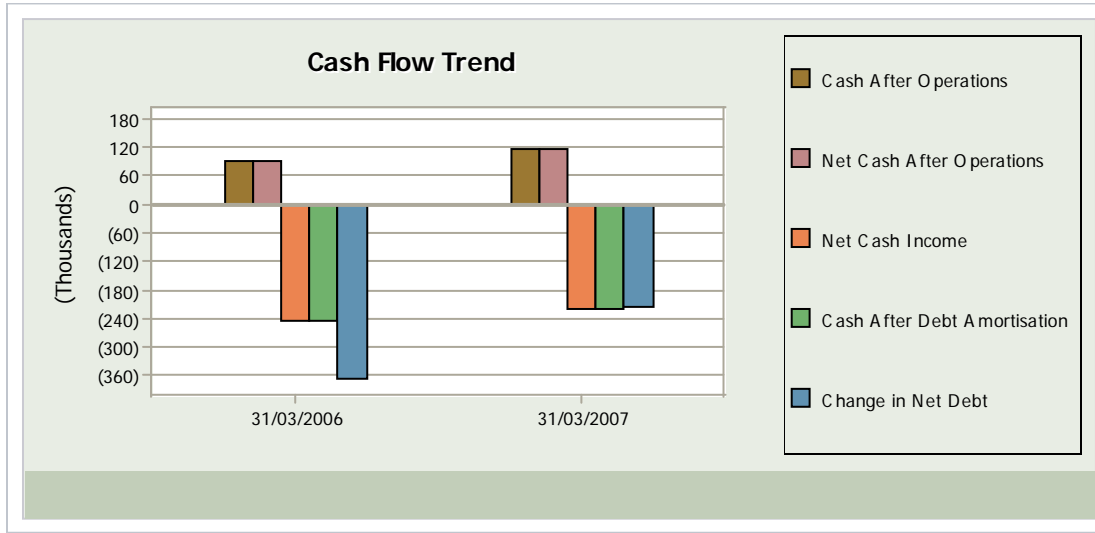
Growth in Accounts Receivable, COGS and Administrative Expenses are compared to Turnover Growth, where growth above Turnover Growth is considered Cash Wastage or Unsustainable Growth. If growth in Stock is more than COGS growth it is considered Waste. Whilst a growth of Creditors less than COGS is also 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 Debtor Days** by 1 day
Changes Total Cash Waste by (11,785)
- A decrease in Admin Expenses %** by 1
Changes Total Cash Waste by (43,016)
- A decrease in COGS %** by 1
Changes Total Cash Waste by (45,090)
- A decrease in Stock Days** by 1 day
Changes Total Cash Waste by (8,493)
- An increase in Creditor Days** by 1 day
Changes Total Cash Waste by (8,493)

Cash Flow



Financial Highlights 31/03/2007

Cash After Operations	106,434
	Up 15,480
Net Cash After Operations	116,032
	Up 25,078
Net Cash Income	(218,165)
	Up 28,208
CADA	(1,202,238)
	Down 436,865

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

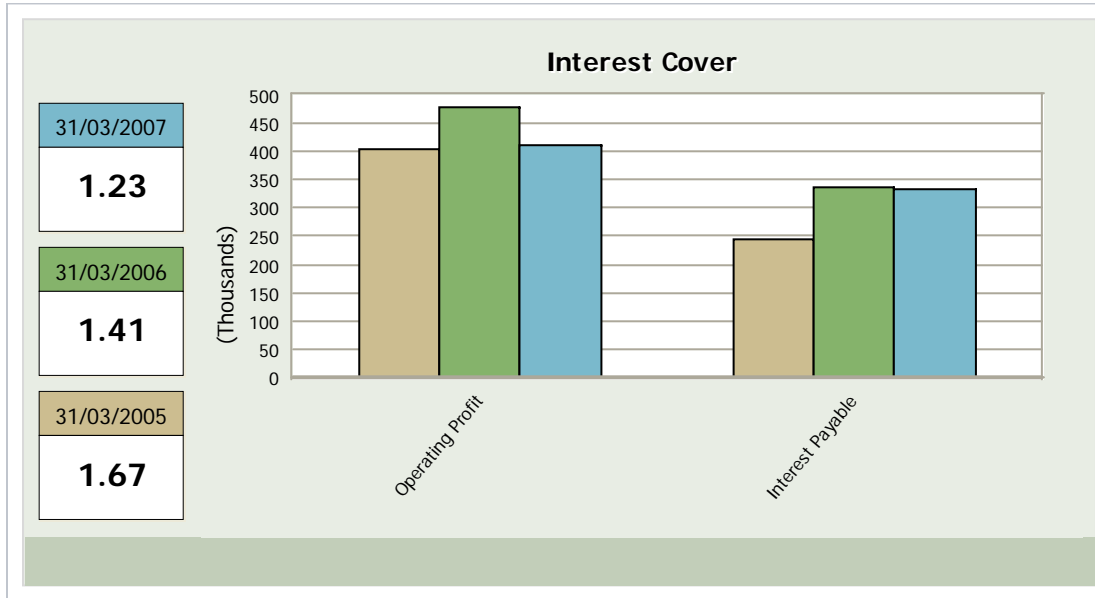
Tips:

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 200,000
Change Price Change %	to 3.43
Change COGS %	to 70.26
Change Admin Expenses	to 696,210
Change Turnover Growth %	to (0.58)
Change Debtor Days	to 125.52
Change Stock Days	to 106.62
Change Creditor Days	to 55.24

Interest Cover



31/03/2007
1.23

31/03/2006
1.41

31/03/2005
1.67

Financial Highlights 31/03/2007

Operating Profit 411,826
Down 65,311

Interest Payable 334,197
Down 3,130

Interest Cover 1.23
Down 0.18

Interest Commitments can be met from Operational Profit in the current period.

Focus Points

Banks look at this ratio to determine whether a business has the ability to generate operating profits sufficient to cover immediate banking commitments.

Businesses should aim to maximise Interest Cover.

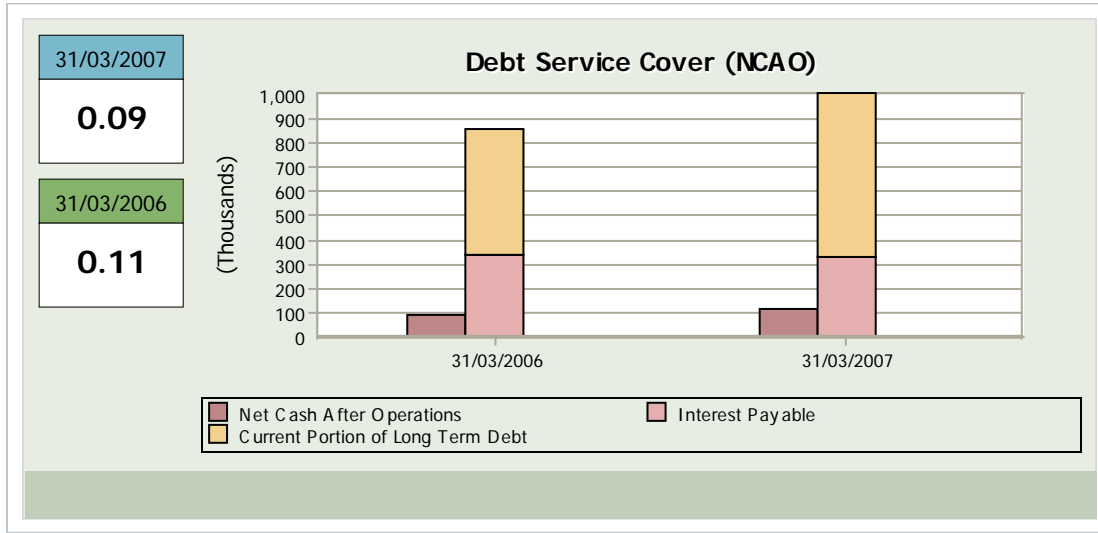
A minimum interest Cover of 1 is required to ensure that the business can meet its immediate interest commitments.

Aim for an Interest Cover greater than 2, to provide a margin of safety for prudent financial management.

Strategy - Goalseek

To improve Interest Cover	to 2.00
Change Price Change %	to 5.26
Change COGS %	to 67.31
Change Admin Expenses	to 577,941
Change Turnover Growth %	to 754.30
Change Debtor Days	to 30.18
Change Stock Days	to (25.69)
Change Creditor Days	to 187.54
Change Fixed Assets	to (231,539)

Debt Service Cover



Financial Highlights 31/03/2007

Net Cash After Operations 116,032

Total Commitment to Bank 1,318,270

Debt Service Cover 0.09

Total Bank Commitments cannot be met from NCAO in the current period.

Focus Points

Debt Service Cover shows the ability of the business to fund its commitments to the bank. Commitments to the bank are defined as Interest and the Current Portion of Long Term Debt.

Net Cash After Operations (NCAO) is the Operating cash flow after tax. Businesses need to ensure they generate enough NCAO to cover their Debt.

On this basis, if this ratio is under 1 it indicates that there is insufficient cash to meet commitments to the bank.

Businesses have very little control over interest and the ability to retire debt, and thus should focus on managing NCAO via drivers such as Price, Debtor Days, Creditor Days and Fixed Assets.

Strategy - What If?

An increase in Turnover Growth % by 1%
Changes Debt Service Cover to 0.08

An increase in Price Change % by 1%
Changes Debt Service Cover to 0.11

A decrease in COGS % by 1%
Changes Debt Service Cover to 0.13

A decrease in Admin Expenses % by 1%
Changes Debt Service Cover to 0.12

A decrease in Debtor Days by 1 day
Changes Debt Service Cover to 0.10

A decrease in Stock Days by 1 day
Changes Debt Service Cover to 0.09

An increase in Creditor Days by 1 day
Changes Debt Service Cover to 0.09

Glossary

Activity	Turnover/Net Operating Assets
Activity - Current Operating Assets	Turnover/Current Operating Assets
Activity - Non Current Operating Assets	Turnover/Non-Current Operating Assets
Asset Turnover	This is the analysis of balance sheet efficiency.
Borrowed Funds	Short Term Debt + Long Term Debt
Cash after Debt Amortisation (CADA)	Net Cash After Operations - Financing Costs - Current Portion of Long Term Debt
Cash After Operations	Cash From Sales - Cash Production Costs - Cash Operating Costs
Cash From Sales	Turnover + Change in Accounts Receivables
Cash Production Costs	COGS (excluding Amort / Depn) + Change in Inventories + Change in Creditors
Cash Operating Costs	Administrative Expenses (excluding Depreciation and Amortisation) + Other Administrative Expenses + Change in Other CA + Change in Other NCA + Change in Other CL + Change in Other NCL
Cash Wastage	This concept shows how effectively a business has managed its growth. A Waste is where the business has performed inadequately, where a Gain demonstrates the business has managed its growth adequately.
Cost of Goods Sold (COGS)	These are costs that are incurred directly in the production of Turnover.
Current Operating Assets (COA)	Current Assets - Current Liabilities (excluding Short Term Debt)
Stock Days	Stock / COGS x Number of Days in Period
Creditor Days	Creditors / COGS x Number of Days in Period
Debtor Days	Accounts Receivable / Turnover x Number of Days Period
Debt Service Cover (NCAO)	NCAO / (Interest Paid + Current Portion LTD)
Earnings Before Interest and Tax (EBIT)	Turnover - COGS - Administrative Expenses - Other Administrative Expenses
Effective Interest %	Annualised Interest Payable / (Previous Borrowed Funds + Current Borrowed Funds)/2 x 100
Effective Tax %	Tax / Net Profit x 100
Fixed Assets	Fixed Assets are items held by the business for more than one year. These items would usually be used in the day to day operations of the business. Examples of Fixed Assets would be land and buildings, plant & equipment, motor vehicles, office equipment and furniture and fixtures.
Gross Margin	Turnover - COGS
Interest Cover	EBIT / Interest Payable
Interest Payable	This is the financing cost associated with the businesses Long Term and Short Term Debt.
Net Cash After Operations (NCAO)	Cash After Operations - Taxes Paid
Net Cash Income After Equity (NCIE)	Cash after Debt Amortisation - Change in Current Assets - Change in Shareholders Funds
Net Cash Income	Net Cash After Operations - Financing Costs
Net Operating Assets (NOA)	Current Assets + Non Current Assets - Current Liabs (excluding Short Term Debt) - Non Current Liabs (excluding Long Term Debt)
Net Profit %	Net Profit / Turnover x 100
Non Current Operating Assets (NCOA)	Non Current Assets - Non Current Liabilities (excluding Long Term Debt)
Administrative Expenses	Admin Exps are the costs that are incurred in the day to day operations of a business. These costs may include administration, marketing, selling or distribution costs.
Price	Is a driver which increases or decreases Turnover without impacting COGS or Admin Exps.
Profitability %	EBIT / Turnover x 100
Turnover	Turnover is the entity's primary source of income.

Retained Profit %	Retained Profit for the Period / Turnover x 100
ROCE %	EBIT / Net Operating Assets x 100
Sustainable Cash Flow	Net Change in Borrowings - Total Waste or Gain. It is the cash flow the business could have generated if they had not experienced the Waste or Gain.
Volume	Is a driver indicating the change in the number of units sold, thereby impacting Turnover, and also COGS and Admin Exps.
Working Capital %	$[(\text{Account Receivable} + \text{Stock} - \text{Account Payable}) / \text{Turnover} \times 100] \times 365 / \text{Number of Days Period}$
Working Capital Cycle	Stock Days + Debtor Days - Creditor Days