Performance Highlights

Prepared for

Quality-Built Construction

Period under review

2015

Created on

22nd December 2015

Basis of Preparation

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Executive Summary

OBSERVATIONS

Comparing 2015 with the prior year 2014.

REVENUE

Total Revenue $820,705 (Last Year $755,523)

Positive trend upwards. Average yearly revenue for the past 3 years is $408,991

PROFITABILITY

EBIT Margin % 13.08% (Last Year 6.44%)

Positive trend upwards. Strategies to improve profitability include: increasing price, increasing sales volume, reducing cost of sales and reducing operating expenses.

ACTIVITY

Activity Ratio 2.60 times (Last Year 3.61 times)

Negative trend downwards. Strategies to improve the activity ratio include seeking ways to optimise the balance sheet, ie. by reducing the investment in working capital, selling-off any unused assets or by increasing sales using the same asset base.

EFFICIENCY

Return on Capital Employed 34.00% (Cost of Capital 7.5%)

ROCE% is greater than the cost of capital (7.5%). When this is the case the business is creating value, when it is less than the cost of capital, value is destroyed.

WORKING CAPITAL

Cash Conversion Cycle -13.00 days (Last Year -35.00 days)

Negative trend upwards. Strategies to improve cash conversion include: collecting debt faster, reducing inventory levels, billing work in progress faster and paying creditors slower.

CASH FLOW

Free Cash Flow $43,547 (Last Year $114,124)

Free Cash Flow is positive. After paying its operating expenses and investing for future growth (capital expenditures) the business has generated cash. This cash is available to be paid back to the suppliers of capital.

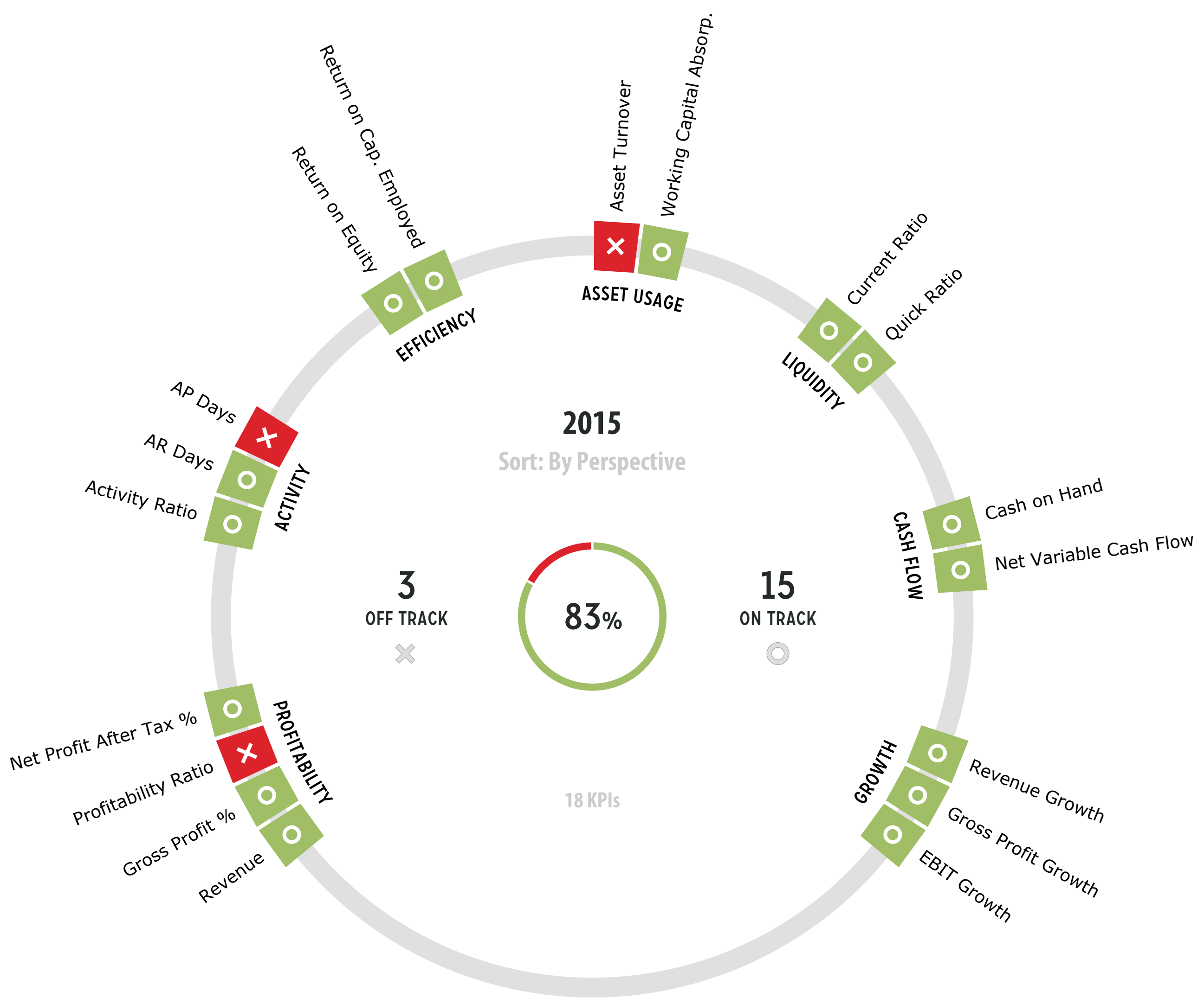
MARGINAL CASH FLOW

Net Variable Cash Flow 41.73% (Last Year 31.60%)

Net variable cash flow is positive. The business will generate cash from each additional $1 of products or services that the business sells.

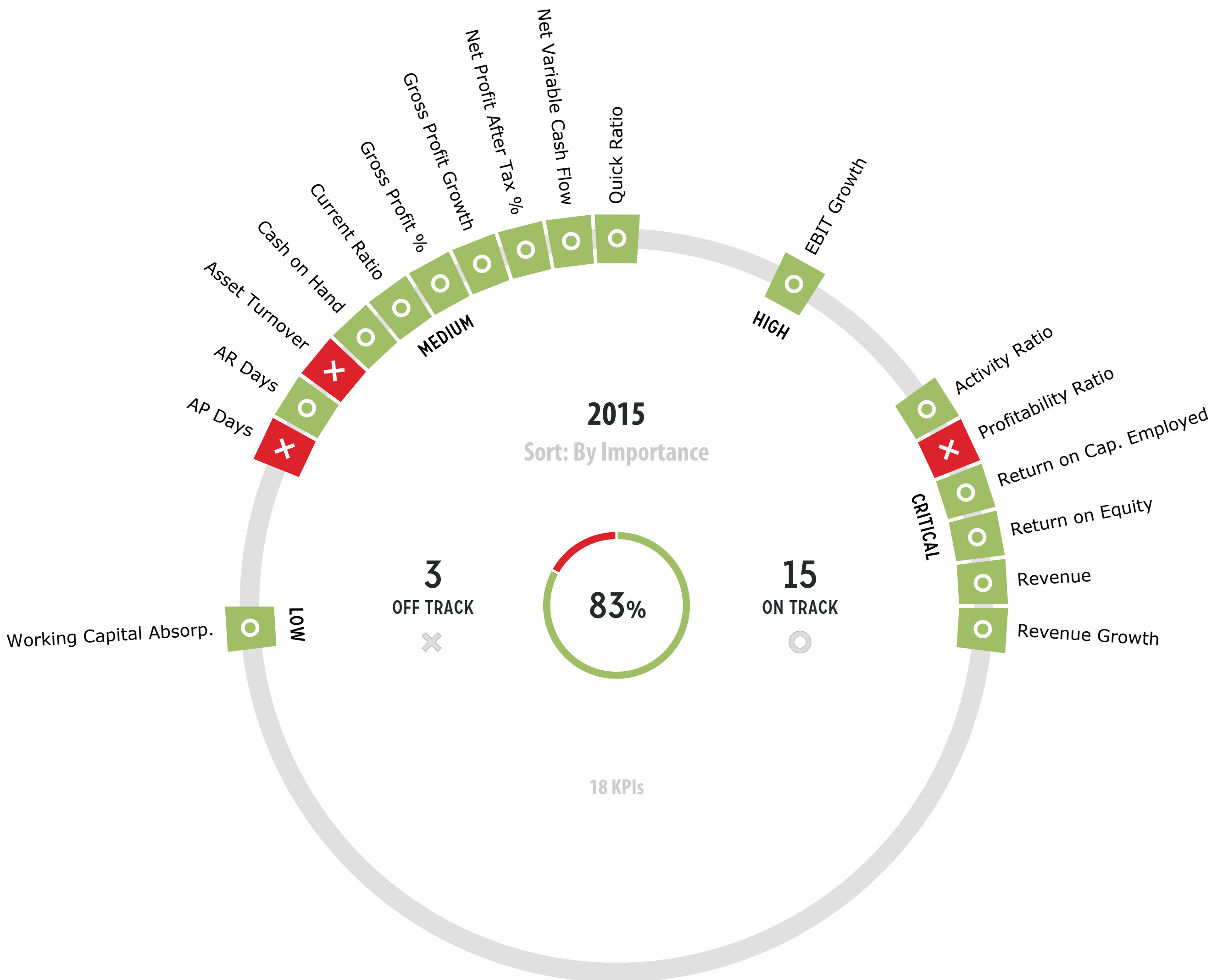
KPI Results

This chart shows KPIs grouped into performance **perspectives** - such as profitability, cash flow, growth, efficiency.



KPI Results

This chart shows KPIs sorted by degree of **importance**. KPIs are classified as either low, medium, high or critical importance.



KPI Results

	RESULT	TARGET			TREND	IMPORTANCE
A PROFITABILITY	2015				vs 2014	
Total Revenue	$820,705	$120,000	✓	▲	8.6%	Critical
Gross Profit Margin	41.96%	35.00%	✓	▲	17.31%	Medium
Profitability Ratio	13.08%	15.00%	✗	▲	6.64%	Critical
Net Profit After Tax Margin	13.08%	7.00%	✓	▲	6.64%	Medium
B ACTIVITY						
Activity Ratio	2.60 times	2.00 times	✓	▼	-1.01 times	Critical
Accounts Receivable Days *	19.00 days	40.00 days	✓	▲	12.00 days	Medium
Accounts Payable Days	32.00 days	45.00 days	✗	▼	-10.00 days	Medium
C EFFICIENCY						
Return on Equity	55.29%	15.00%	✓	▲	21.83%	Critical
Return on Capital Employed	34.00%	12.50%	✓	▲	10.72%	Critical
D ASSET USAGE						
Asset Turnover	2.12 times	5.00 times	✗	▼	-0.31 times	Medium
Working Capital Absorption *	0.23%	25.00%	✓	▲	7.18%	Low
E LIQUIDITY						
Current Ratio	4.37:1	2.00:1	✓	▲	2.03:1	Medium
Quick Ratio	4.31:1	1.00:1	✓	▲	1.98:1	Medium
F CASH FLOW						
Cash on Hand	$267,501	$10,000	✓	▲	19.1%	Medium
Net Variable Cash Flow	41.73%	0.00%	✓	▲	10.13%	Medium
G GROWTH						
Revenue Growth	8.63%	5.00%	✓	▼	-51.63%	Critical
Gross Profit Growth	84.92%	2.00%	✓	▲	75.15%	Medium
EBIT Growth	120.55%	2.00%	✓	▲	152.10%	High

* For this metric, a result below target is favourable

Profitability

Revenue

$820,705

Represents all income associated with the normal business operations

Breakeven Point

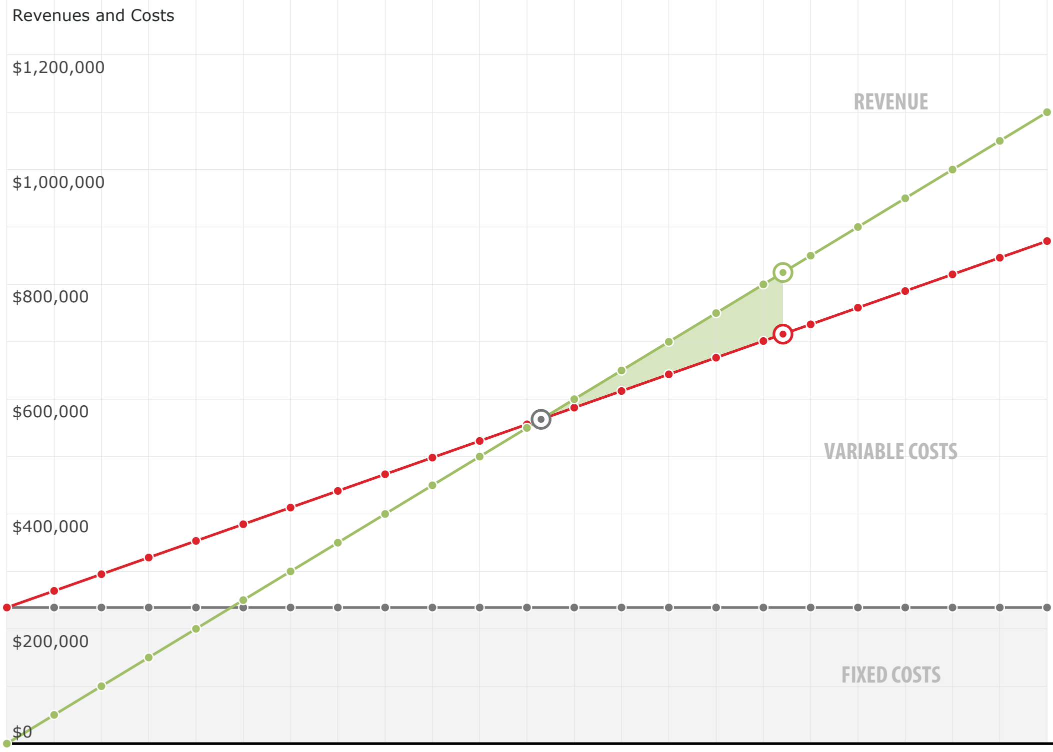
$564,912

The breakeven point is the revenue level at which the company will commence to make a profit

Margin of Safety

$255,793

Represents the margin between the actual revenue level and the breakeven point. The amount by which revenues can drop before losses begin to be incurred. The higher the margin of safety, the lower the risk of incurring losses.



Breakeven

REVENUE
$820,705

TOTAL EXPENSES
$713,362

BREAKEVEN POINT
$564,912

MARGIN OF SAFETY
$255,793

VARIABLE EXP
$0.58 PER $1 OF REV

FIXED COSTS
$237,064

Profitability can be further improved by improving Price, Volume, Cost of Sales and Operating Expense management.

TOP REVENUE ACCOUNT

Construction Income	$820,705

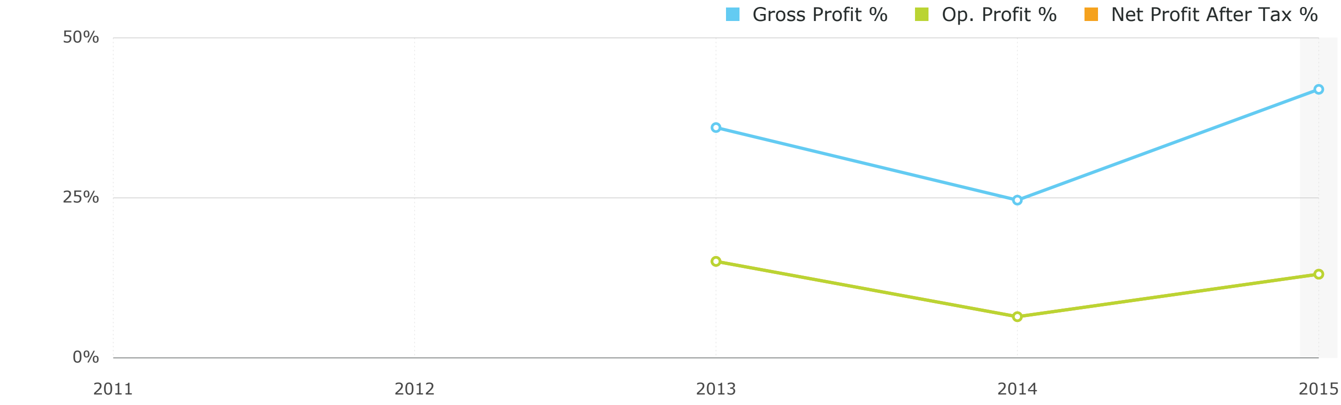
TOP 10 EXPENSE & COS ACCOUNTS

Job Related Costs	$318,282
Job Labor (Gross Wages)	$134,603
Officer's Labor	$122,200
Rent	$15,360
Worker's Compensation Costs	$12,854
Telephone	$12,756
Direct Payroll Taxes	$10,559
Advertising	$9,950
Office Supplies	$9,922
Training and Conferences	$9,900

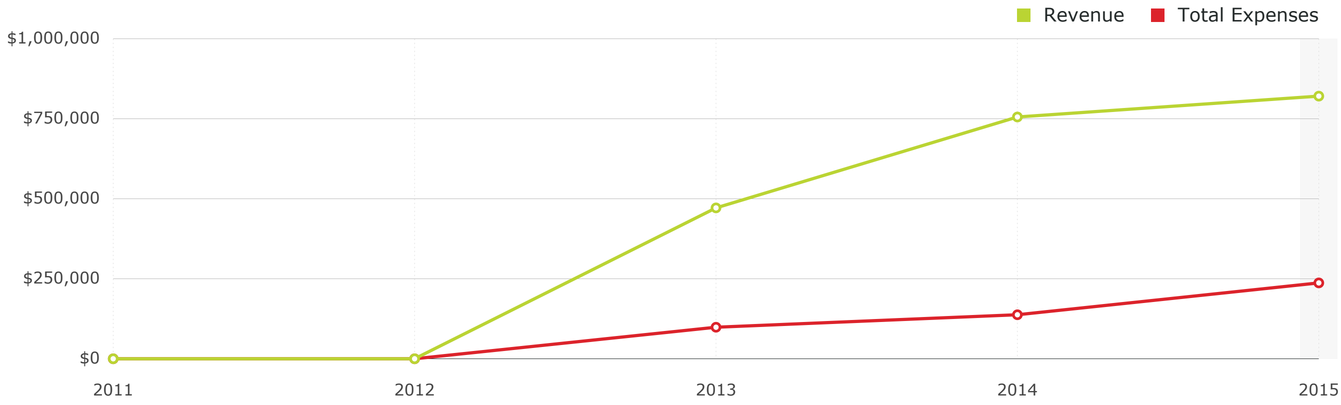
Profitability

	2015	% of Revenue	Last 3 Years 2012	2013	2014
Gross Profit	$344,407	41.96%	($345)	$169,668	$186,246
Operating Profit	$107,343	13.08%	($345)	$71,104	$48,670
Earnings Before Interest & Tax	$107,343	13.08%	($345)	$71,104	$48,670
Earnings After Tax	$107,343	13.08%	($345)	$71,104	$48,670

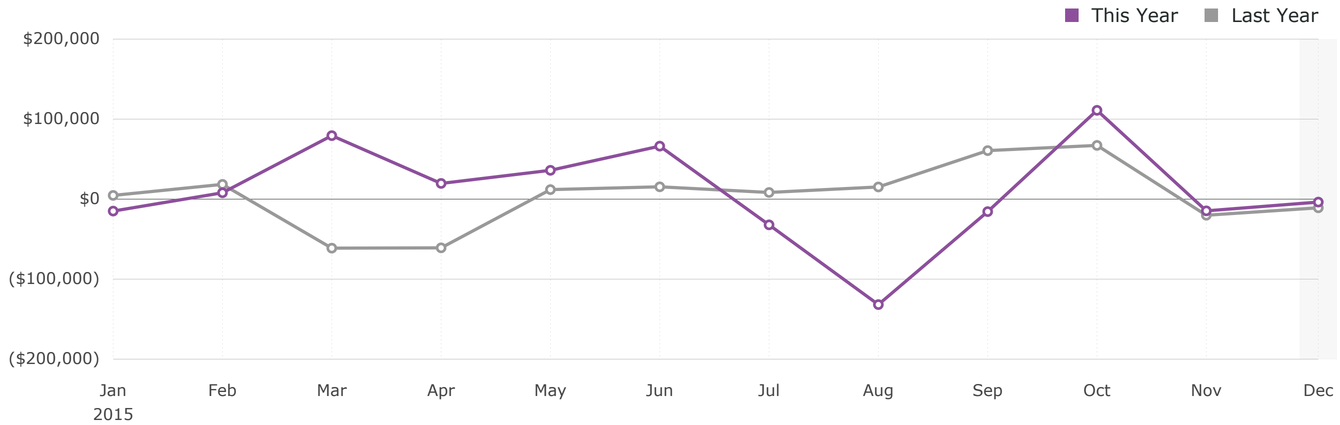
% Margins



Total Revenue vs Total Expenses Current Year Revenue **$820,705** vs Total Expenses **$237,064**



Earnings After Tax This Year vs Last Year Dec 2015 **($3,697).** Dec 2014 **($10,847)**



Cash Flow

Operating Cash Flow

$43,547

Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company's product and/or services as well as collecting payment from its customers and making payments to suppliers.

Free Cash Flow

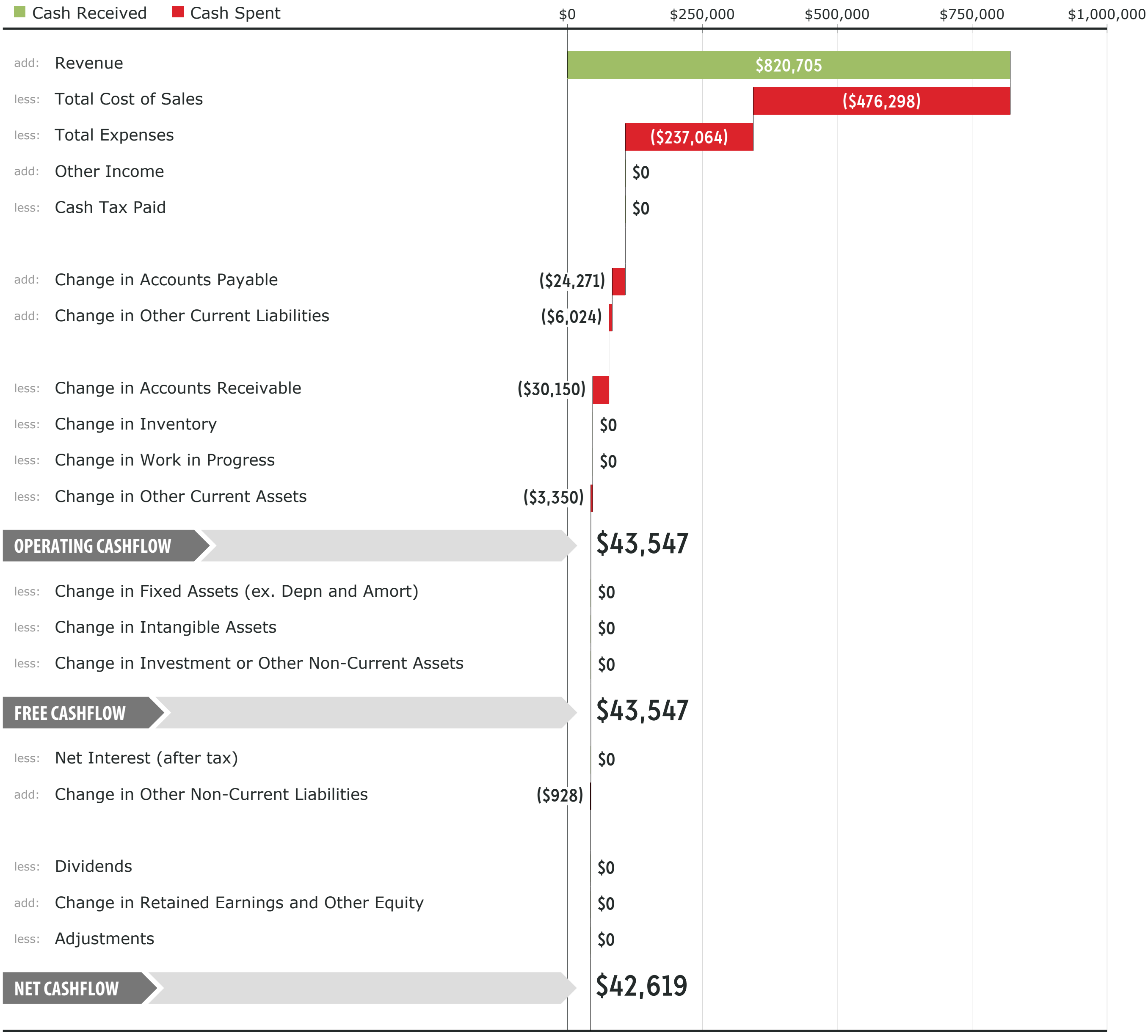
$43,547

Free cash flow is the cash generated by the business, after paying its expenses and investing for future growth. It is the cash left after subtracting capital expenditure from operating cash flow. The term "free cash flow" is used because this cash is free to be paid back to the suppliers of capital.

Net Cash Flow

$42,619

Net cash flow is the cash left after subtracting expenditures from financing activities from the free cash flow. This includes the cash impact from financing activities. Financing activities include the inflow of cash from investors such as banks or shareholders, as well as the outflow of cash to shareholders as dividends.

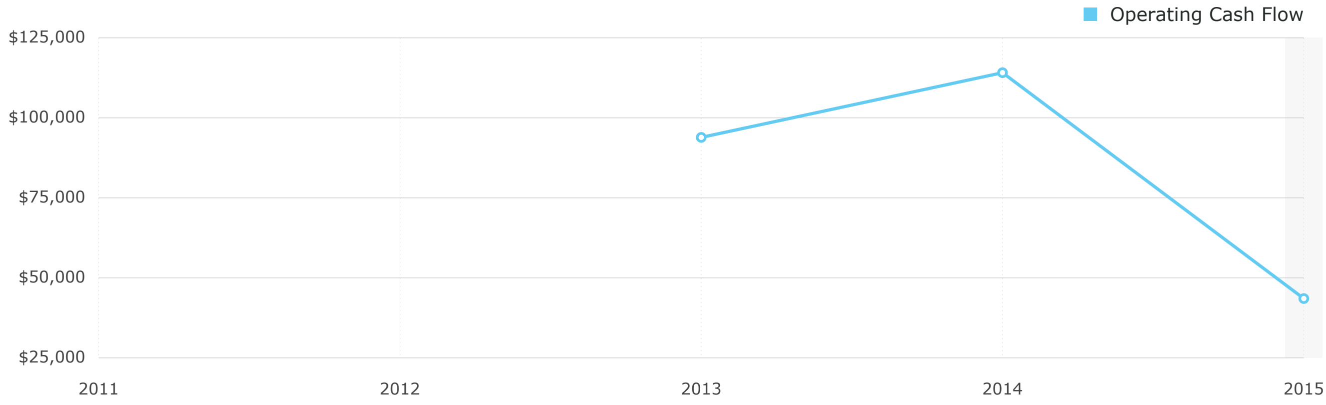


Net Cashflow = **Change in Cash on Hand** $42,831 (Opening: $224,670 Closing: $267,501) - **Change in Debt** $212 (Opening: $0 Closing: $212)

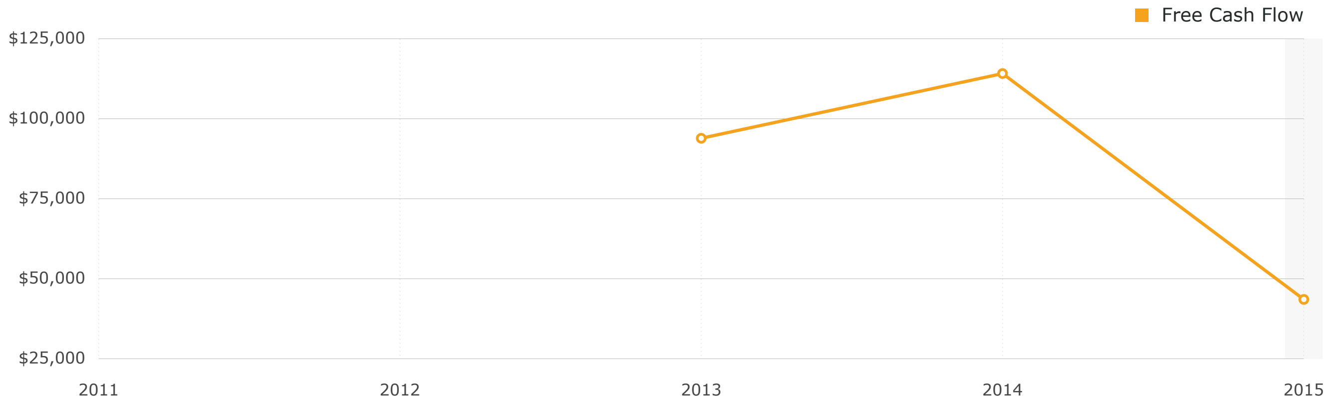
Cash Flow

	Last 3 Years			
	2015	2012	2013	2014
Operating Cash Flow	$43,547	-	$93,904	$114,124
Free Cash Flow	$43,547	-	$93,904	$114,124
Net Cash Flow	$42,619	-	$91,078	$111,340
Cash on Hand	$267,501	$22,251	$113,329	$224,670

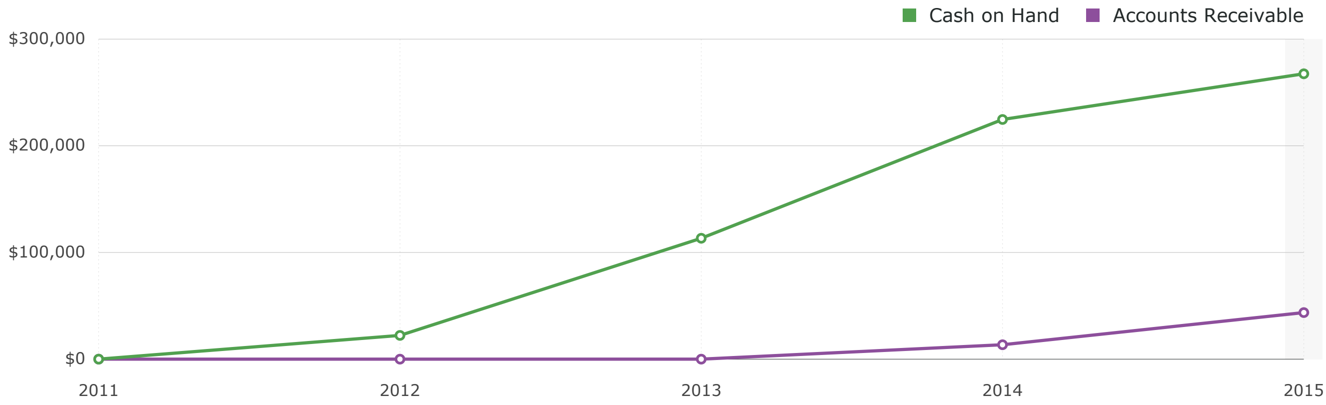
Operating Cash Flow Current Year **$43,547.** Prior Year **$114,124**



Free Cash Flow Current Year **$43,547.** Prior Year **$114,124**



Cash on Hand vs Accounts Receivable Current Year Cash on Hand **$267,501** vs Accounts Receivable **$43,650**



Growth

Revenue Growth

8.63%

A measure of the percentage change in Revenue for the period.

EBIT Growth

121%

A measure of the percentage change in EBIT for the period.

Asset Change

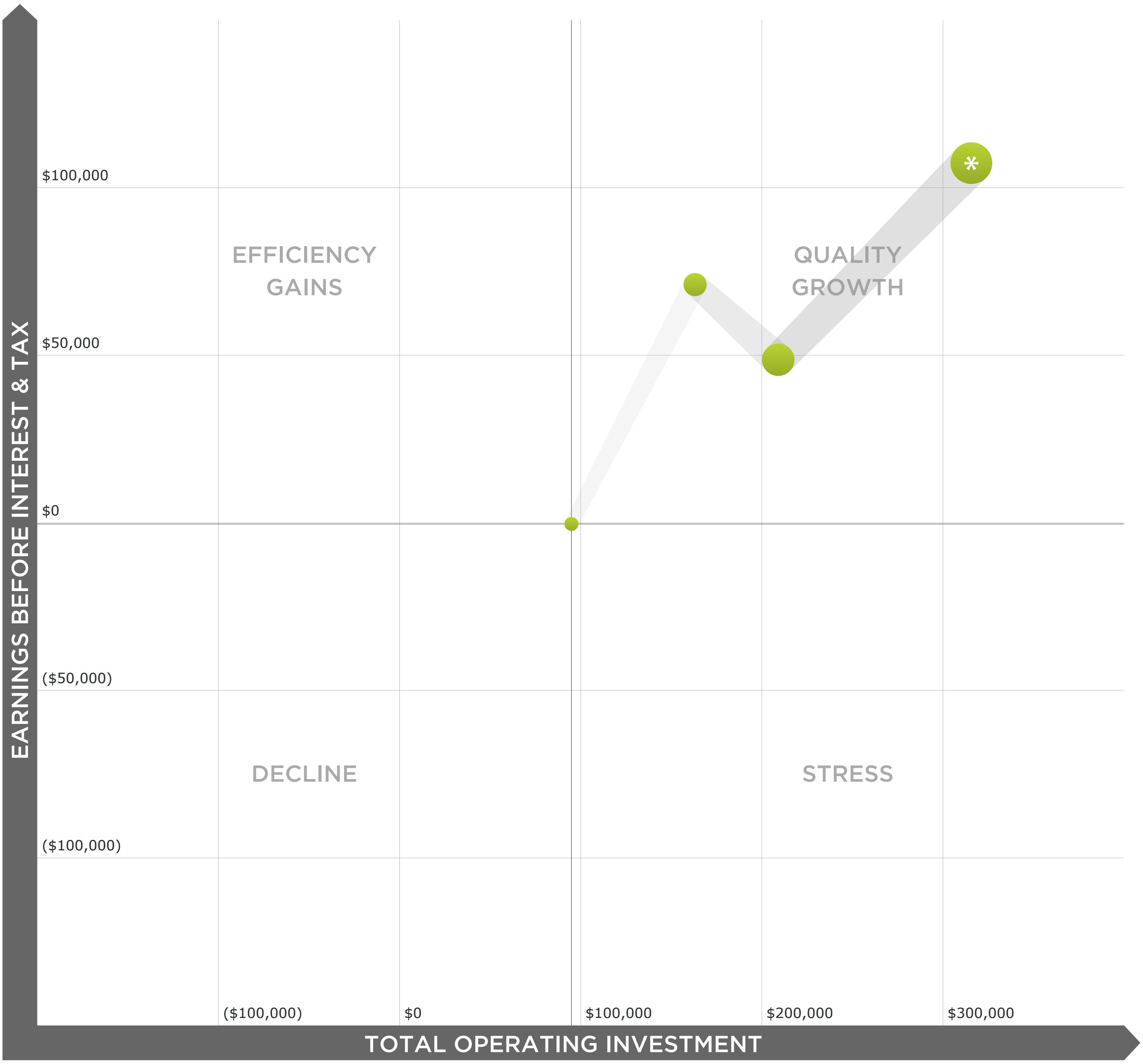
25%

A measure of the percentage change in Total Assets for the period.

Change in Key Drivers (from prior year)

Revenue	Total Cost of Sales	Expenses	Receivable Days	Inventory Days	Payable Days
Up 8.6%	Down -16.3%	Up 72.3%	Up 12 days	-	Down -10 days

GROWTH FROM 2012 to 2015



* EBIT $107,343; Total Operating Investment $315,672

Size of the circle shows the recency of the result.

Vertical position of the circle shows the growth in EBIT

Horizontal position of the circle shows the growth in Operating Investment

Financials

INCOME STATEMENT	2015	2014	Variance %
Revenue	$820,705	$755,523	8.6%
Total Cost of Sales	$476,298	$569,277	-16.3%
Gross Profit	**$344,407**	**$186,246**	84.9%
Total Expenses	$237,064	$137,576	72.3%
Operating Profit	**$107,343**	**$48,670**	120.6%
Other Income	$0	$0	-
Other Expenses	$0	$0	-
Earnings Before Interest & Tax	**$107,343**	**$48,670**	120.6%
Interest Income	$0	$0	-
Interest Expenses	$0	$0	-
Earnings Before Tax	**$107,343**	**$48,670**	120.6%
Tax Expenses	$0	$0	-
Earnings After Tax	**$107,343**	**$48,670**	120.6%
Adjustments	$0	$0	-
Net Income	**$107,343**	**$48,670**	120.6%
Dividends	$0	$0	-
Retained Income	**$107,343**	**$48,670**	120.6%

BALANCE SHEET	2015	2014	Variance %
Assets			
Cash & Equivalents	$267,501	$224,670	19.1%
Accounts Receivable	$43,650	$13,500	223.3%
Inventory	$0	$0	-
Work in Progress	$0	$0	-
Other Current Assets	$4,550	$1,200	279.2%
Total Current Assets	**$315,701**	**$239,370**	31.9%
Fixed Assets	$71,957	$71,957	0%
Intangible Assets	$0	$0	-
Investment or Other Non-Current Assets	$0	$0	-
Total Non-Current Assets	**$71,957**	**$71,957**	0%
Total Assets	**$387,658**	**$311,327**	24.5%
Liabilities			
Short Term Debt	$212	$0	-
Accounts Payable	$41,723	$65,994	-36.8%
Tax Liability	$0	$0	-
Other Current Liabilities	$30,263	$36,288	-16.6%
Total Current Liabilities	**$72,198**	**$102,282**	-29.4%
Long Term Debt	$0	$0	-
Deferred Taxes	$0	$0	-
Other Non-Current Liabilities	$13,985	$14,913	-6.2%
Total Non-Current Liabilities	**$13,985**	**$14,913**	-6.2%
Total Liabilities	**$86,183**	**$117,195**	-26.5%
Equity			
Retained Earnings	$0	$0	-
Current Earnings	$107,343	$48,670	120.6%
Other Equity	$194,132	$145,462	33.5%
Total Equity	**$301,475**	**$194,132**	55.3%
Total Liabilities & Equity	**$387,658**	**$311,327**	24.5%

KPIs Explained

Accounts Payable Days 32.00 days

A measure of how long it takes for the business to pay its creditors. A stable higher number of days is generally an indicator of good cash management. A longer time taken to pay creditors has a positive impact on Cash Flow. But an excessive lengthening in this ratio could indicate a problem with sufficiency of working capital to pay creditors. For this period, accounts payable days are below the target of 45.00 days.

Accounts Payable Days = Accounts Payable * Period Length / Total Cost of Sales

Accounts Receivable Days 19.00 days

A measure of how long it takes for the business to collect the amounts due from customers. A lower number indicates that it takes the business fewer days to collect its accounts receivable. A shorter time to collect debtors has a positive impact on Cash Flow. A higher number indicates that it takes longer to collect its accounts receivable. For this period, accounts receivable days are below the maximum target of 40.00 days.

Accounts Receivable Days = Accounts Receivable * Period Length / Revenue

Activity Ratio 2.60 times

A measure of the efficiency or effectiveness with which the business manages its resources or assets. This measure indicates the speed with which Net Operating Assets (Equity + Debt) are converted or turned into sales. This can be improved by optimising balance sheet efficiency, ie. by reducing the investment in working capital, selling-off any unused assets or by seeking ways to maximise the use of assets. For this period, the activity ratio has exceeded the target of 2.00 times.

Activity Ratio = Annualised Revenue / Total Invested Capital

Asset Turnover 2.12 times

A measure of how effectively the business has used its assets to generate revenue. The business makes $212.00 of sales for every $100 of its asset investment. The higher the number the better the turnover. Ways to improve this metric include increasing sales using the same asset base, using capital more efficiently, and/or improve cash management by reducing inventory and receivables. For this period, the Asset Turnover is less than the target of 5.00 times.

Asset Turnover = Annualised Revenue / Total Assets

Cash on Hand $267,501

A measure of the cash and cash equivalents in actual possession by the company at a particular time. At the end of this period the company held $267,501 of cash and cash equivalents. Cash on Hand is above the required target of $10,000.

Cash on Hand = Cash & Equivalents

Current Ratio 4.37:1

A measure of liquidity. This measure compares the totals of the current assets and current liabilities. The higher the current ratio, the greater the 'cushion' between current obligations and the business's ability to pay them. Generally a current ratio of 2 or more is an indicator of good short-term financial strength. In other words, the current assets of the business should be at least double the current liabilities. For this period, the current ratio was 4.37:1, up from 2.34:1 last period and above the minimum target of 2.00:1.

Current Ratio = Total Current Assets / Total Current Liabilities

KPIs Explained

EBIT Growth 120.55%

A measure of the percentage change in EBIT for the period. A combination of growth in revenues and growth in profits presents a balanced measure of growth For this period, EBIT growth of 120.55% exceeded the target growth of 2.00%.

EBIT Growth = (Earnings Before Interest & Tax - Prior Earnings Before Interest & Tax) / Prior Earnings Before Interest & Tax

Gross Profit Growth 84.92%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of 84.92% exceeded the target of 2.00%.

Gross Profit Growth = (Gross Profit - Prior Gross Profit) / Prior Gross Profit

Gross Profit Margin 41.96%

A measure of the proportion of revenue that is left after deducting all costs directly related to the sales. For each $100 in sales the business retains $41.96 after deducting the cost of sales. The gross profit serves as the source for paying operating expenses. The gross profit margin can be further improved by improving price, volume and cost of sales management. For this period, the gross profit margin % is above the required target of 35.00%.

Gross Profit Margin = Gross Profit / Revenue

Net Profit After Tax Margin 13.08%

A measure of the proportion of revenue that is left after all expenses have been paid. The business makes $13.08 of net profit for every $100 it generates in revenue. For this period, the Net Profit After Tax margin is above the required target. A higher result indicates that the business is better prepared to handle down-turns.

Net Profit After Tax Margin = Earnings After Tax / Revenue

Net Variable Cash Flow 41.73%

A measure of the additional cash that will either be generated or used up by the next $100 of products or services that the business sells. If the Net Variable Cash Flow is positive then for every additional $100 of revenue the business will generate cash. If the Net Variable Cash Flow is negative then for every additional $100 of revenue the business will require additional cash funding. For this period, the Net Variable Cash Flow exceeded the target of 0.00%. The Net Variable Cash Flow is 41.73% of gross revenue. Each additional $100 of Revenue will generate $41.73 of cash.

Net Variable Cash Flow = (Annualised Revenue - Annualised Variable COS - Annualised Variable Expenses - Operating Working Capital) / Annualised Revenue

Profitability Ratio 13.08%

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes $13.08 of EBIT for every $100 it generates of revenue. The profitability ratio can be further improved by improving price, volume, cost and expense management. For this period, the Profitability ratio is below the required target of 15.00%.

Profitability Ratio = Earnings Before Interest & Tax / Revenue

KPIs Explained

Quick Ratio 4.31:1

The Quick Ratio measures the availability of assets which can quickly be converted into cash to cover current liabilities. Inventory and other less liquid current assets are excluded from this calculation. The Quick Ratio is a measure of the ability to pay short-term creditors immediately from liquid assets. A quick ratio of 1:1 or more is considered 'safe'. For this period, the quick ratio was 4.31:1, up from 2.33:1 last period and above the minimum target of 1.00:1.

Quick Ratio = (Cash & Equivalents + Accounts Receivable) / Total Current Liabilities

Return on Capital Employed 34.00%

A measure of the efficiency and profitability of capital investment (ie. funds provided by shareholders & lenders). ROCE monitors the relationship between the capital ('inputs') used by the business and the earnings ('outputs') generated by the business. ROCE is arguably one of the most important performance measures. The higher the result the greater the return to providers of capital. For this period, the business has generated a ROCE of 34.00%. This return exceeds the target of 12.50%.

Return on Capital Employed = Annualised Earnings Before Interest & Tax / Total Invested Capital

Return on Equity 55.29%

A measure of how effectively the business has used the resources provided by its owners to generate profits. The higher the ratio the greater the rate of return for shareholders. For this period, the business has generated a Return on Equity of 55.29%. This return exceeds the target of 15.00%.

Return on Equity = Annualised Net Income / Opening Total Equity

Revenue Growth 8.63%

A measure of the percentage change in revenue for the period. Management should ensure that revenues increase at rates higher than general economic growth rates (ie. inflation). For this period, revenue growth of 8.63% exceeded the target growth of 5.00%.

Revenue Growth = (Revenue - Prior Revenue) / Prior Revenue

Total Revenue $820,705

A measure of the total amount of money received by the company for goods sold or services provided. The business has earned total revenues of $820,705. Strategies to improve revenue may include increasing prices, increasing the volume of sales through marketing initiatives or finding alternative sources of income. For this period, the revenue earned is above the required target of $120,000.

Working Capital Absorption 0.23%

A measure of the adequacy of working capital to support sales activity. This measure indicates the investment made in working capital for each unit of revenue. The trend of this ratio is particularly useful for growing businesses. If sales increase rapidly but working capital levels remain constant, the business may be at risk that insufficient working capital is available to support this growth. Moreover, if the result for this metric is greater than the Gross Profit Margin %, then for every additional unit of Revenue generated, additional cash will be required. For this period, Working Capital Absorption is less than the target of 25.00%.

Working Capital Absorption = Operating Working Capital / Annualised Revenue