Annual Performance Report

Contractor Bookkeeping Review Sample

2018 (YTD to Jul 2018)

27 Sep 2018

Executive Summary

REVENUE

Revenue $686,076 (Last year $323,890)

Positive trend upwards.

PROFITABILITY

Profitability Ratio 62.63% (Last year 20.82%)

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

ACTIVITY

Activity Ratio 0.62 times (Last year 0.39 times)

Positive trend upwards. Strategies to improve the activity ratio include seeking ways to optimize 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 38.74% (Last year 8.11%)

Positive trend upwards. A higher ROCE% is favourable, indicating that the business generates more earnings per $1 of capital employed.

WORKING CAPITAL

Cash Conversion Cycle 39 days (Last year 66 days)

Positive trend downwards. 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 $1,038,870

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 56.83%

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

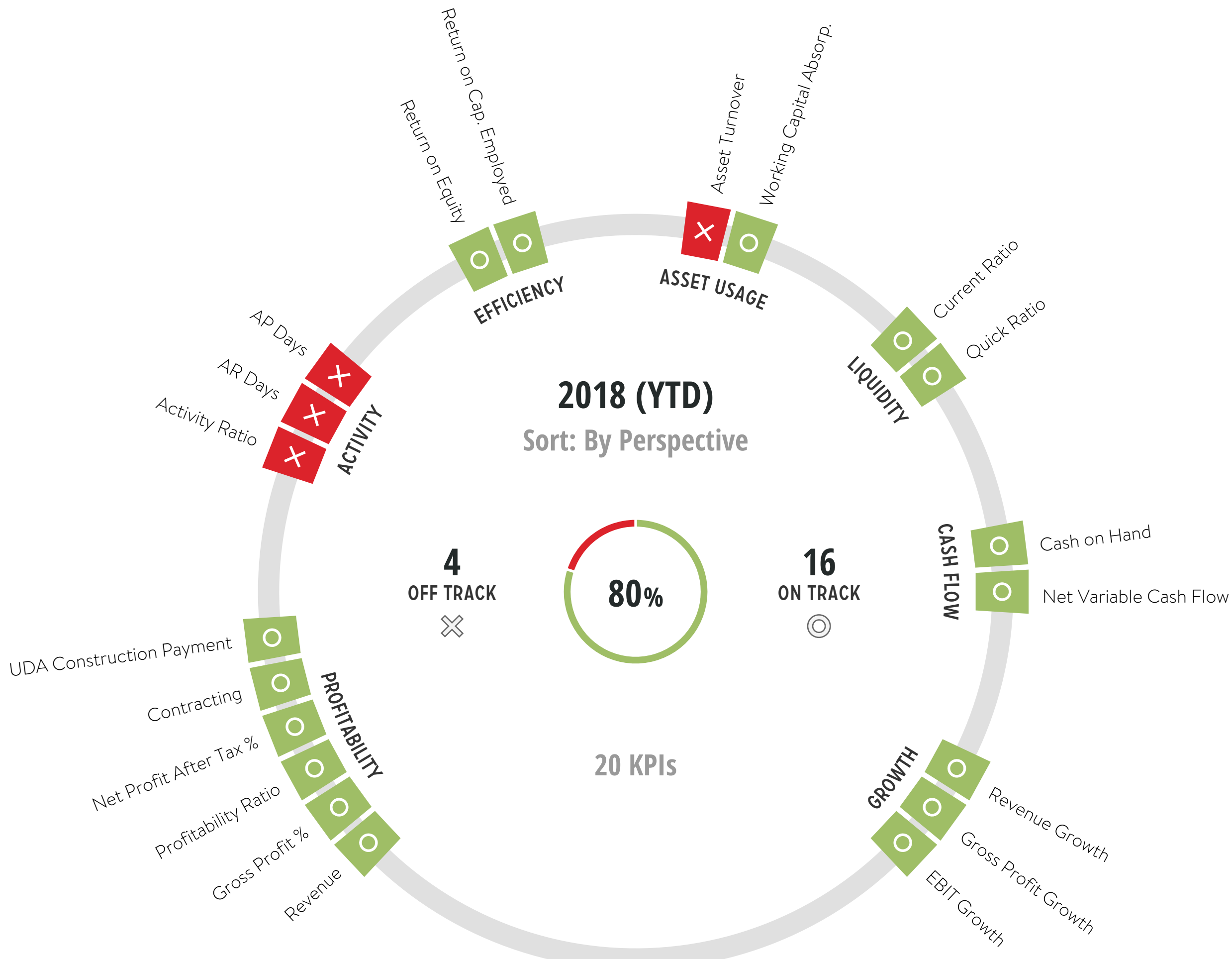
DEBT

Net Debt ($1,819,794) (Last year ($832,246))

Net debt levels have fallen.

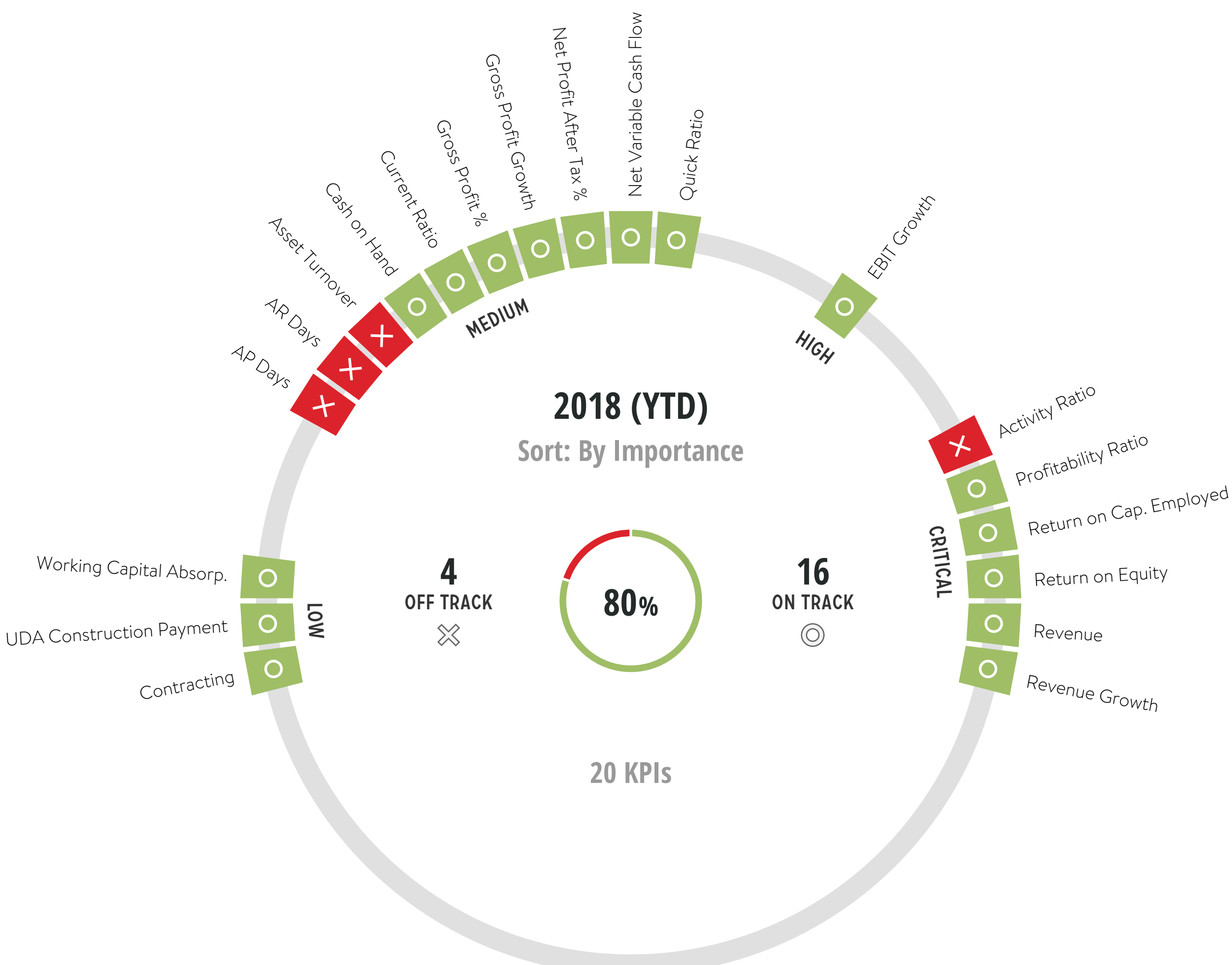
KPI Results

This chart shows KPIs grouped into performance perspectives.



KPI Results

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



KPI Results

	1 ALERT	RESULT	TARGET		TREND	IMPORTANCE
A PROFITABILITY		2018 (YTD)			vs 2017 (YTD)	
Total Revenue		$686,076	$70,000	✓	▲ 111.8%	Critical
Gross Profit Margin		68.27%	35%	✓	▲ 35.47%	Medium
Profitability Ratio		62.63%	15%	✓	▲ 41.81%	Critical
Net Profit After Tax Margin		62.63%	7%	✓	▲ 41.81%	Medium
Contracting		$518,890	$455,000	✓	▲ 60.2%	Low
UDA Construction Payment		$167,186	$105,000	✓	▲ $167,186	Low
B ACTIVITY						
Activity Ratio		0.62 times	2.00 times	✗	▲ 0.23 times	Critical
Accounts Receivable Days *		43 days	40 days	✗	▼ -1,615 days	Medium
Accounts Payable Days	●	4 days	45 days	✗	▼ -1,588 days	Medium
C EFFICIENCY						
Return on Equity		49.99%	15%	✓	▲ 41.48%	Critical
Return on Capital Employed		38.74%	12.5%	✓	▲ 30.63%	Critical
D ASSET USAGE						
Asset Turnover		0.60 times	5.00 times	✗	▲ 0.44 times	Medium
Working Capital Absorption *		11.44%	25%	✓	▼ -149.53%	Low
E LIQUIDITY						
Current Ratio		27.68:1	2.00:1	✓	▲ 25.96:1	Medium
Quick Ratio		27.67:1	1.00:1	✓	▲ 25.95:1	Medium
F CASH FLOW						
Cash on Hand		$1,819,794	$10,000	✓	▲ 118.7%	Medium
Net Variable Cash Flow		56.83%	0%	✓	▲ 185%	Medium
G GROWTH						
Revenue Growth		111.82%	2.89%	✓	▲ 111.82%	Critical
Gross Profit Growth		340.96%	1.16%	✓	▲ 340.96%	Medium
EBIT Growth		537.09%	1.16%	✓	▲ 537.09%	High

* For this metric, a result below target is favourable

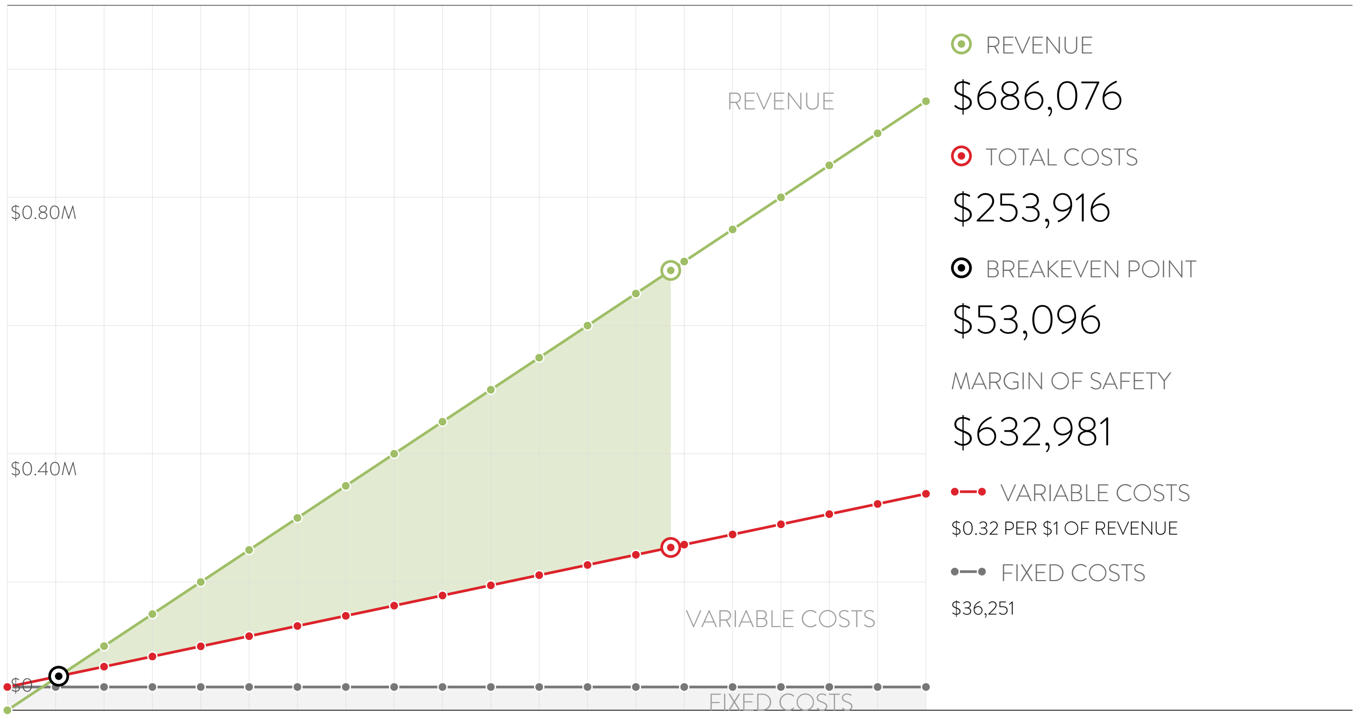
Alerts

Accounts Payable Days

Accounts Payable days are less than the alert level of 30 days. An immediate review of creditor payments or supplier terms of payment may be required.

Profitability

Revenue	Expenses to Revenue Ratio	Margin of Safety
$686,076	37.01%	$632,981
A measure of the total amount of money received by the company for goods sold or services provided.	A measure of how efficiently the business is conducting its operations.	The breakeven safety margin represents the gap between the actual revenue level and the breakeven point.



Profitability can be further improved by improving price, volume, cost of sales and operating expense management.

Top 10 Revenue Accounts

Contracting	$518,890
UDA Construction Payment	$167,186
Heavy Equipment	$0
Reimbursed Costs	$0
Markup	$0
Overhead & Profit	$0
Consulting	$0
Management Fee	$0
Service Work	$0
Design Fee	$0

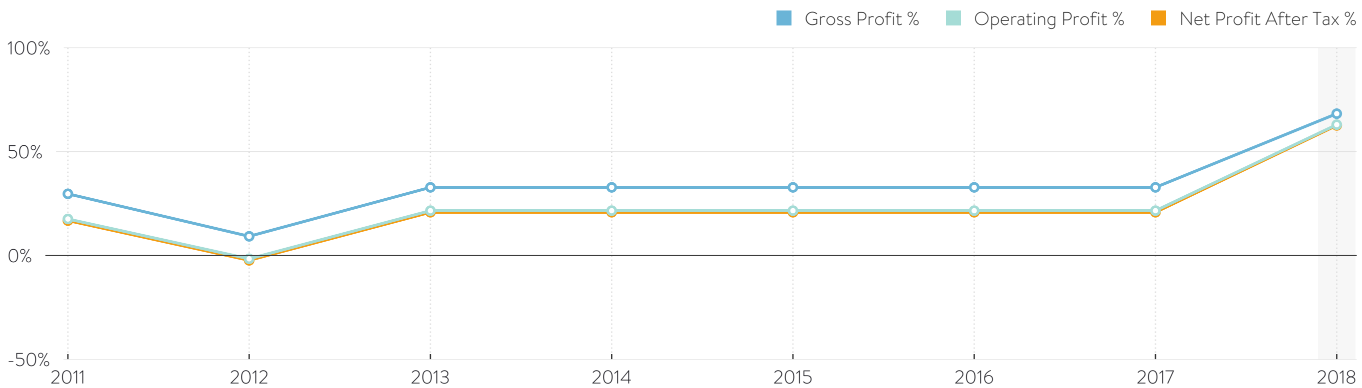
Top 10 Expense Accounts

Office	$15,400
Shop	$7,000
Referral Service	$6,895
Accounting	$2,450
Utilities	$1,636
Telephone	$1,400
Meals	$1,050
Internet	$420
Disposal Fees - R	$0
Payroll Tax Allocation	$0

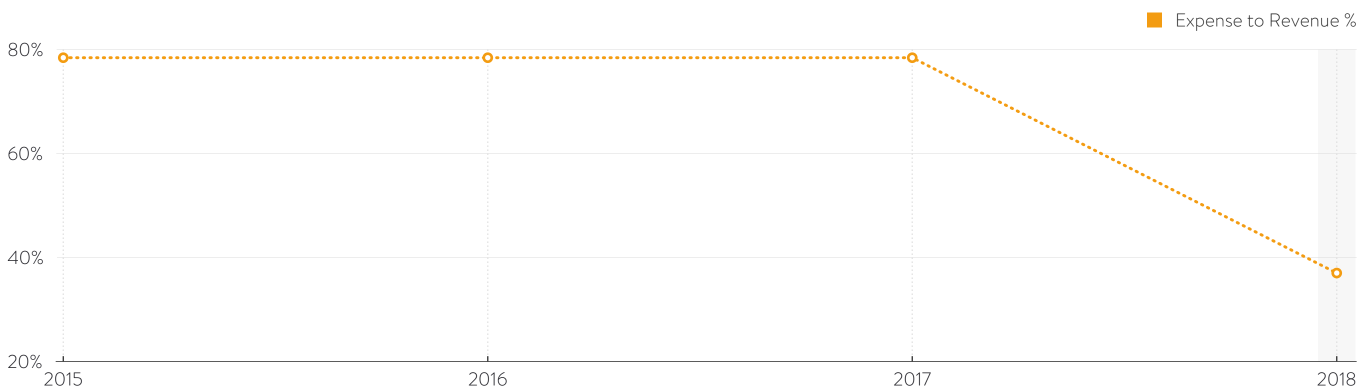
Profitability Charts

	2018 (YTD)	% of Revenue	2015 (YTD)	2016 (YTD)	2017 (YTD)
Gross Profit	$468,411	68.27%	$106,225	$106,225	$106,225
Operating Profit	$432,161	62.99%	$69,899	$69,899	$69,899
Earnings Before Interest & Tax	$429,711	62.63%	$67,449	$67,449	$67,449
Earnings After Tax	$429,711	62.63%	$67,449	$67,449	$67,449

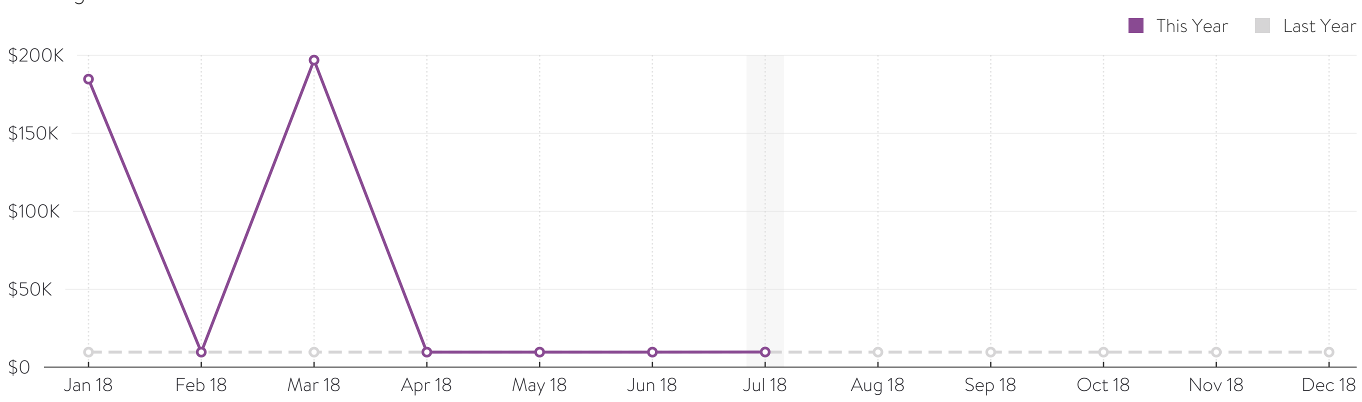
% Margins



Expense-to-Revenue (%)



Earnings After Tax This Year vs Last Year



Cash Flow

Operating Cash Flow

$1,038,870

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

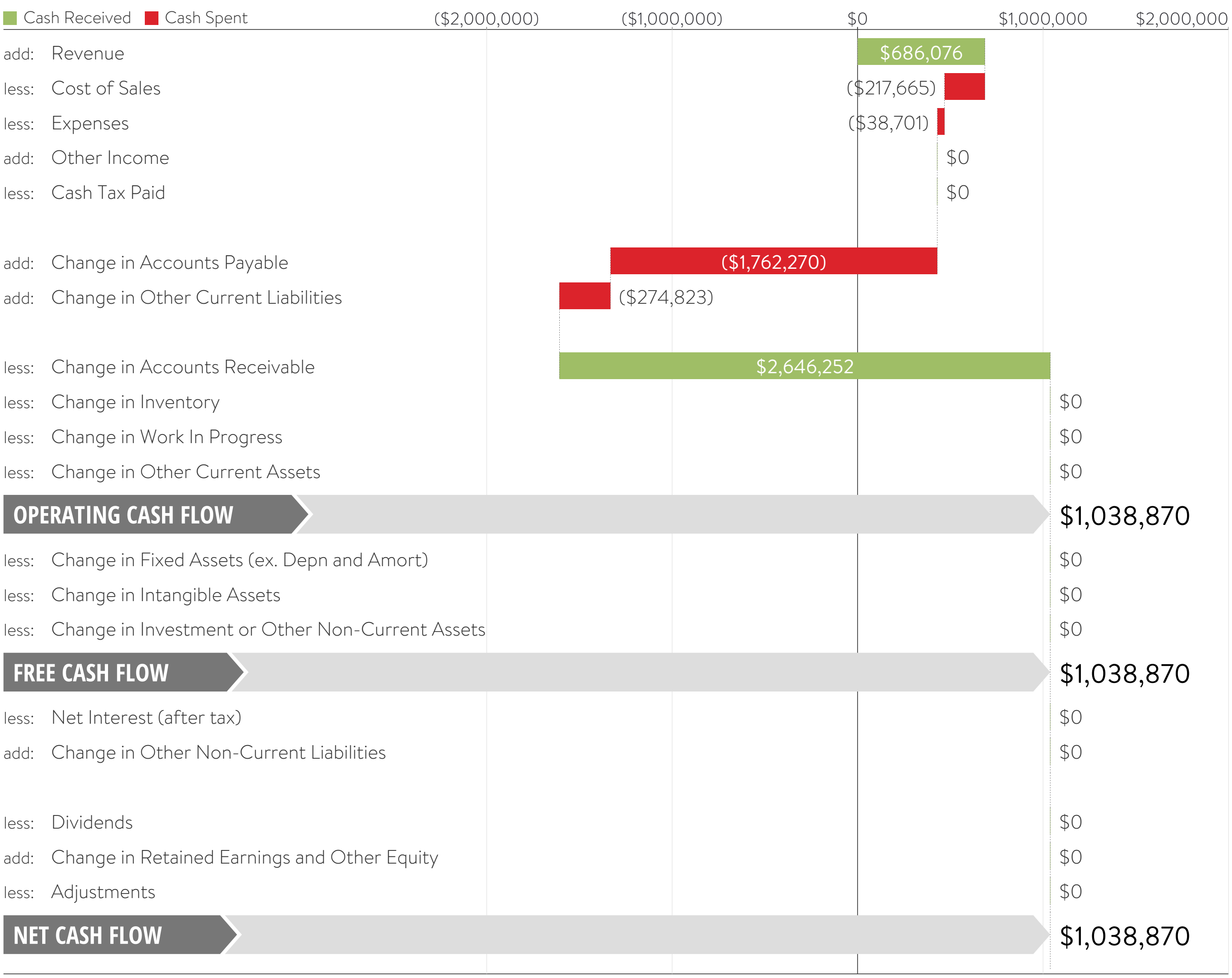
$1,038,870

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

$1,038,870

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.



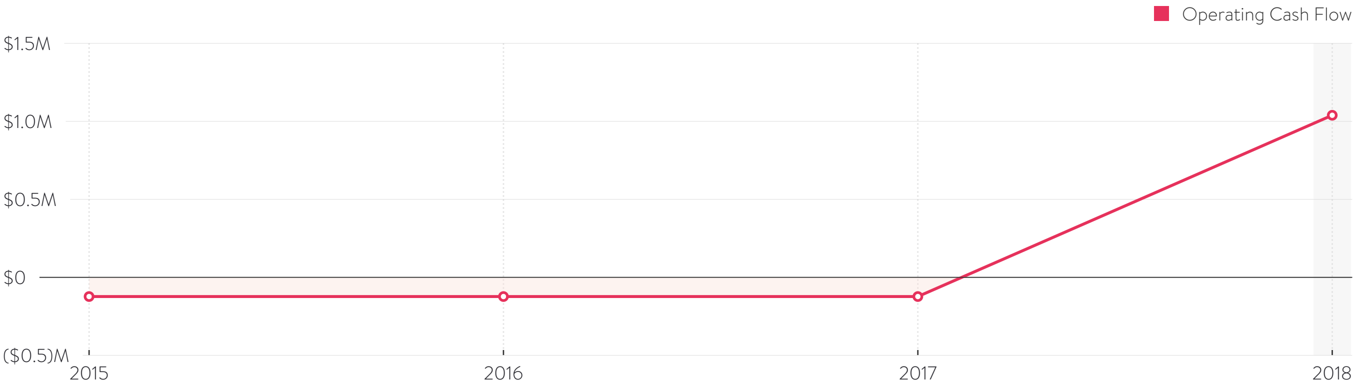
Net Cash Flow can also be calculated as:

Change in Cash on Hand $1,038,870 (Open: $780,924, Close: $1,819,794) — Change in Debt $0 (Open: $0, Close: $0)

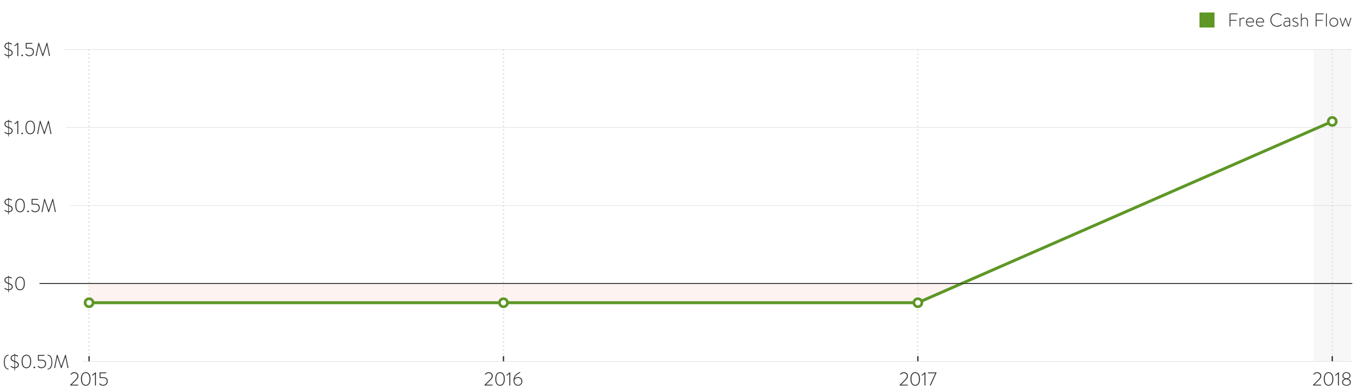
Cash Flow Charts

	2018 (YTD)	2015 (YTD)	2016 (YTD)	2017 (YTD)
Operating Cash Flow	$1,038,870	($71,851)	($71,851)	($71,851)
Free Cash Flow	$1,038,870	($71,851)	($71,851)	($71,851)
Net Cash Flow	$1,038,870	($71,851)	($71,851)	($71,851)
Cash on Hand	$1,819,794	$1,078,590	$955,418	$832,246

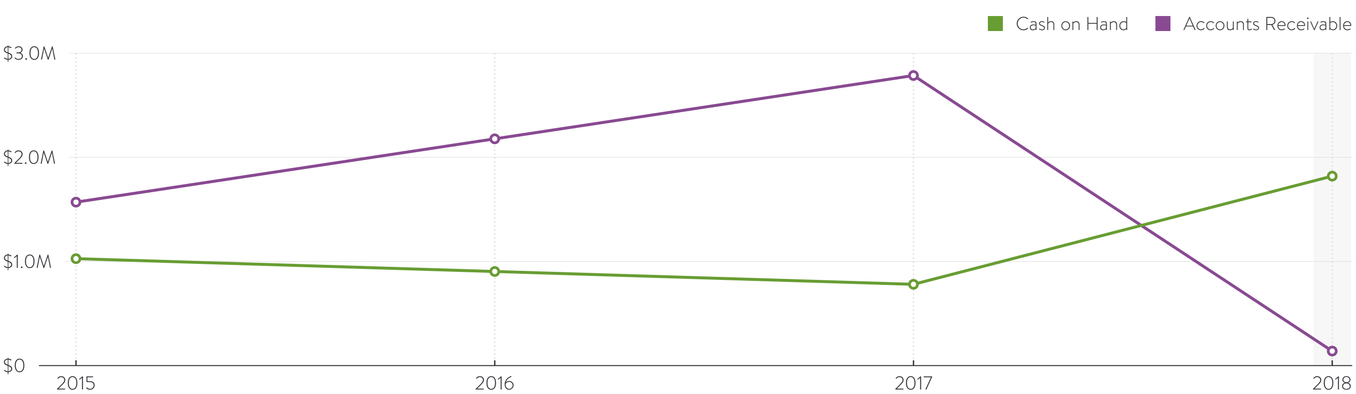
Operating Cash Flow



Free Cash Flow



Cash & Receivables



Growth

Revenue Growth	EBIT Growth	Asset Change
111.82%	537.09%	-44.8%
A measure of the percentage change in Revenue for the period.	A measure of the percentage change in EBIT for the period.	A measure of the percentage change in Total Assets for the period.

Change in Key Drivers (from prior year)

Revenue	Cost of Sales	Expenses	Receivable Days	Inventory Days	Payable Days
Up 111.8%	–	Down -0.2%	Down -97.4 days	–	Down -99.7 da

GROWTH FROM 2014 to 2018

* Total Operating Investment $1,909,724; Earnings Before Interest & Tax $429,711

Size of the circle shows the recency of the result

Vertical position of the circle shows the growth in Earnings Before Interest & Tax

Horizontal position of the circle shows the growth in Total Operating Investment

Financials

PROFIT & LOSS	2018 (YTD)	2017 (YTD)	Variance %
Revenue	$686,076	$323,890	111.82%
Cost of Sales	$217,665	$217,665	0%
Gross Profit	**$468,411**	**$106,225**	**340.96%**
Expenses	$36,251	$36,326	-0.21%
Operating Profit	**$432,161**	**$69,899**	**518.26%**
Other Income	$0	$0	–
Other Expenses	$2,450	$2,450	0%
Earnings Before Interest & Tax	**$429,711**	**$67,449**	**537.09%**
Retained Income	**$429,711**	**$67,449**	**537.09%**

BALANCE SHEET	2018 (YTD)	2017 (YTD)	Variance %
ASSETS			
Cash & Equivalents	$1,819,794	$832,246	118.66%
Accounts Receivable	$139,657	$2,532,581	-94.49%
Inventory	$0	$0	–
Work in Progress	$0	$0	–
Other Current Assets	$1,100	$1,100	0%
Total Current Assets	**$1,960,551**	**$3,365,927**	**-41.75%**
Fixed Assets	$0	$0	–
Intangible Assets	$0	$0	–
Investment or Other Non-Current Assets	$20,000	$20,000	0%
Total Non-Current Assets	**$20,000**	**$20,000**	**0%**
Total Assets	**$1,980,551**	**$3,385,927**	**-41.51%**
LIABILITIES			
Short Term Debt	$0	$0	–
Accounts Payable	$4,520	$1,634,940	-99.72%
Tax Liability	$0	$0	–
Other Current Liabilities	$66,307	$319,152	-79.22%
Total Current Liabilities	**$70,827**	**$1,954,092**	**-96.38%**
Long Term Debt	$0	$0	–
Deferred Taxes	$0	$0	–
Other Non-Current Liabilities	$0	$0	–
Total Non-Current Liabilities	**$0**	**$0**	**–**
Total Liabilities	**$70,827**	**$1,954,092**	**-96.38%**
EQUITY			
Retained Earnings	$0	$0	–
Current Earnings	$429,711	$67,449	537.09%
Other Equity	$1,480,013	$1,364,385	8.47%
Total Equity	**$1,909,724**	**$1,431,835**	**33.38%**
Total Liabilities & Equity	**$1,980,551**	**$3,385,927**	**-41.51%**

KPIs Explained

Accounts Payable Days 4 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 days.

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

Accounts Receivable Days 43 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 above the maximum target of 40 days.

Accounts Receivable Days = Accounts Receivable * Period Length / Revenue

Activity Ratio 0.62 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 is less than the target of 2.00 times.

Activity Ratio = Annualised Revenue / Total Invested Capital

Asset Turnover 0.60 times

A measure of how effectively the business has used its assets to generate revenue. The business makes $60.00 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 $1,819,794

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 $1,819,794 of cash and cash equivalents. Cash on Hand is above the required target of $10,000.

Cash on Hand = Cash & Equivalents

Contracting $518,890

A measure of the 'Contracting' account from your general ledger. This is an account watch KPI. For this period, the account Contracting is above the required target of $455,000

Current Ratio 27.68:1

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 27.68:1, up from 1.72:1 last period and above the minimum target of 2.00:1.

Current Ratio = Total Current Assets / Total Current Liabilities

EBIT Growth 537.09%

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 537.09% exceeded the target growth of 1.16%.

EBIT Growth = (Earnings Before Interest & Tax - Prior Earnings Before Interest & Tax) / Prior Earnings Before Interest & Tax * 100

Gross Profit Growth 340.96%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of 340.96% exceeded the target of 1.16%.

Gross Profit Growth = (Gross Profit - Prior Gross Profit) / Prior Gross Profit * 100

Gross Profit Margin 68.27%

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 $68.27 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%.

Gross Profit Margin = Gross Profit / Revenue * 100

Net Profit After Tax Margin 62.63%

A measure of the proportion of revenue that is left after all expenses have been paid. The business makes $62.63 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 * 100

Net Variable Cash Flow 56.83%

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%. The Net Variable Cash Flow is 56.83% of gross revenue. Each additional $100 of Revenue will generate $56.83 of cash.

Net Variable Cash Flow = (Annualised Revenue - Annualised Variable COS - Annualised Variable Expenses - Operating Working Capital) / (Annualised Revenue) * 100

Profitability Ratio 62.63%

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes $62.63 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 above the required target of 15%.

Profitability Ratio = Earnings Before Interest & Tax / Revenue * 100

Quick Ratio 27.67:1

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 27.67:1, up from 1.72:1 last period and above the minimum target of 1.00:1.

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

Return on Capital Employed 38.74%

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 38.74%. This return exceeds the target of 12.5%.

Return on Capital Employed = Annualised Earnings Before Interest & Tax / Total Invested Capital * 100

Return on Equity 49.99%

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 49.99%. This return exceeds the target of 15%.

Return on Equity = Annualised Net Income / Opening Total Equity * 100

Revenue Growth 111.82%

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 111.82% exceeded the target growth of 2.89%.

Revenue Growth = (Revenue - Prior Revenue) / Prior Revenue * 100

Total Revenue $686,076

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 $686,076. 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 $70,000.

Total Revenue = Revenue

UDA Construction Payment $167,186

A measure of the 'UDA Construction Payment' account from your general ledger. This is an account watch KPI. For this period, the account UDA Construction Payment is above the required target of $105,000

Working Capital Absorption 11.44%

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%.

Working Capital Absorption = Operating Working Capital / (Annualised Revenue) * 100