

**Confidential Performance Report for
Example Limited**

How your numbers compare with others in your industry

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Powered by
The Benchmarking Survey LLP Database



avn
changing
thenumbers

To help you identify the areas of your business where you are doing well, and those where you are doing less well, I have produced this summary benchmarking report for you.

It compares your financial performance for the period ended 31 March 2010 with 20 other businesses within the Manufacture of bodies (coachwork) for motor vehicles: manufacture of trailers and semi-trailers sector.

I have produced it using the data from the Benchmarking Survey LLP database.

I would also be delighted to use the AVN Benchmarking to produce a much more detailed and insightful full benchmarking report for you. Please give me a call on 01865 379272 if you would like me to also produce a full report for you.

How to interpret the charts in this report

The charts in this report show the relative position of your business for each measure compared with other businesses in your sector. For each measure, the higher your score on the charts the better your performance.

The scale for these charts is always 0-100, where:

- 100 = You are the best in the benchmark group for that particular measure.
- 50 = You are average for that particular measure.
- 0 = You are at the bottom of the group for that particular measure.

And to make it even easier to see how you are performing, and to help you to assess your performance at a glance, we have also colour-coded the chart:

- **Green** = areas where you perform best.
- **Yellow** = areas where your performance is around average, and
- **Red** = areas where you perform worst.

<p>Note For some measures, such as debtor days, a low number would be better than a higher number (i.e. it is better to have as few debtor days as possible). In these cases the data has been inverted so that the charts are consistent throughout. This means a score of 100 would relate to the company with the lowest debtor days, since that would be the best performance</p>
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How to interpret the tables in this report

Below each set of charts in the pages that follow you will also find a table.

These tables show the raw data for your company and the group. This raw data is classified into five categories:

- **Best** - This represents the best performance in the group.
- **Upper quartile** - This is the performance level that separates the top quarter of the group from the bottom three quarters i.e. the top quarter will have performed better than this score, while the bottom three quarters will have performed worse than this score.
- **Median** - This is an average. In other words, it is the performance level that separates the bottom half of the group from the top half. So the bottom half will have performed worse than this score, while the top half will have performed better than this score.
- **Lower quartile** - This is the performance level that separates the bottom quarter of the group from the top three quarters i.e. the bottom quarter will have performed worse than this score, while the top three quarters will have performed better than this score.
- **Worst** - This represents the worst performance in the group.

The tables also show you where you are ranked for each measure. For example, if you are ranked 13 and there are 83 companies in the group then you are the 13th best performing company out of 83.

Together all this information allows you to see not only which quartile you fall into, but also your placing amongst the other comparison companies.

AVN is a network of accountants helping UK owner managed businesses become the most successful and enjoyable to run in the world. AVN accountants have access to a suite of tools, software and resources to do exactly that by *changing the numbers that matter*.

Chapman, Robinson & Moore Limited is an AVN accountant. Please ask us about those tools, software and resources to change the numbers that matter most to you.

Other important explanatory notes

Note 1 - Missing data

If there is any data missing for any section of this report, either for your businesses or for the other businesses we are comparing you against, then that section of the report will still have been included for completeness. But, of course, there will be no actual data shown in that particular section of the report (i.e. it will either show zeros or blanks where the numbers should have been).

If you are very keen to benchmark your business in that missing area, please tell us, and we will do our very best to fill in the gaps for you.

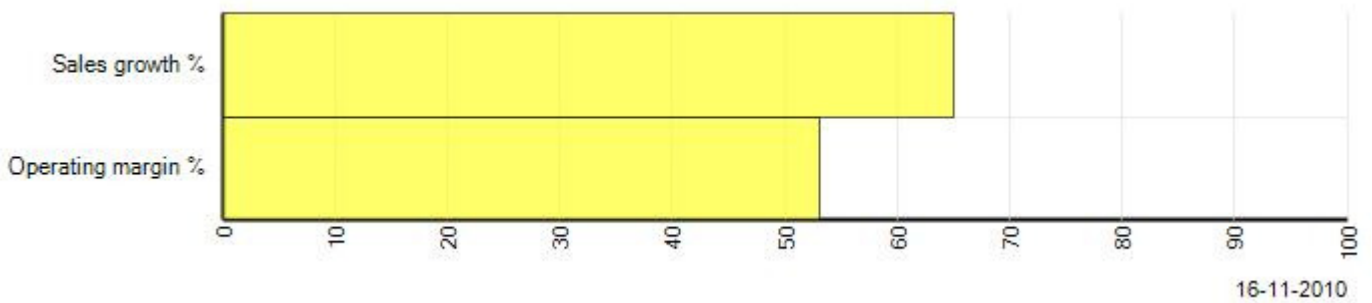
Note 2 - Data Protection

This report was powered by The Benchmarking Survey LLP Database. As such it fully complies with the Data Protection Act. Please visit www.avn.co.uk for full details of The Benchmarking Survey's privacy policy. Alternatively you can email them on dataprotection@avn.co.uk.

Note 3 - Terms of use

This report was produced for general guidance only. Since it is based on a preliminary analysis of a small selection of data about your business, some of which may already have been superseded by more comprehensive and up to date information available to you and not to us, it cannot and must not be relied on as the basis for decision making. Before making any decisions you must therefore carry out further detailed investigations and analysis so that you possess all the facts and information you need to make a fully informed decision. As a result neither our firm nor The Benchmarking Survey LLP can be held responsible for the consequences of those decisions.

How your results compare with the rest



16-11-2010

Measure	Your results			Industry averages				
	Sample	Relative	Actual value	Worst	Lower quartile	Median	Upper quartile	Best
Sales growth %	18	7	9.5%	-49.4%	-12.5%	3.3%	21.4%	52.6%
Operating margin %	20	10	13.0%	-2.5%	1.2%	13.0%	27.5%	61.3%

Your sales growth

Most businesses want to grow their sales. And it is easy to benchmark this growth against previous years.

However, it is even more useful to benchmark your rate of sales growth against other businesses within your sector. This will tell you:

- If you are in a growing industry or a declining industry by looking at the average rate of growth in your sector, and
- By comparing your results against other businesses you will get a feel for how well your sales and marketing processes are working, and whether you are gaining market share or losing market share.

Since your last accounts, your sales – sometimes referred to as *turnover* or *revenue* – have increased by £200,000. This is a growth of 9.5% since last year. And as you can see from the first line on the chart above this is greater than the average growth for your sector as a whole. Although bottom-line profitability is much more important than top-line sales, it obviously makes sense to work hard to maintain, or even improve, your current strong level of sales growth.

If we can find ways to increase your sales growth to match the sales growth of the upper quartile, i.e. 21.4% a year, then with everything else being equal, including your sales margins, then this would generate an extra £162,150 in additional profit. If this is something you would like us to help you explore then please call me.

Your operating margin

Your operating margin is your net operating profit before interest and tax expressed as a percentage of sales.

It is usual in ratio analysis to talk of net profit *before* interest. And so any “Interest payable and similar costs” shown in your accounts – which may include bank interest, credit card interest, hire purchase interest and other loan interest – have not been taken into account when calculating operating margins. Likewise, interest receivable and similar income have not been taken into account either.

Your operating margin shows the proportion of your sales that is profit. As such it reflects the efficiency of your business processes in terms of their revenue-generating outcomes. As a result it is a very good benchmark to evaluate your overall performance.

Your operating margin of 13.0% is exactly average for your sector. But I imagine you don't want to be just an ‘average’ business.

So how can we improve your results to above average? We can look at improving your sales volume by improving the sales and marketing process. We can look at improving gross margin. Or we can look at your control over overheads and the cost structure of your business. Small improvements in any of these factors can have a profound impact on your bottom-line profit; particularly sales volume and gross margin.

If we can find ways to increase your operating margin to match the operating margin of the upper quartile, i.e. 27.5%, then with everything else being equal, including your current level of sales and gross margin, then this would generate an extra £334,490 in additional profit for you every single year.

How we have compared Limited companies and unincorporated businesses

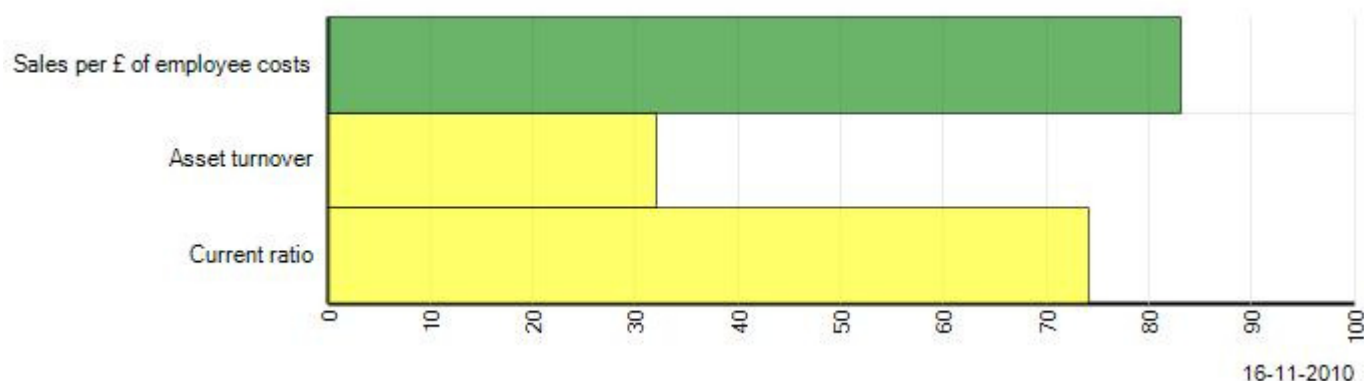
Unlike the directors of limited companies, the business owners of unincorporated businesses - *sole traders* and *partnerships* - do not receive a salary. Instead they take *drawings* which are not shown in the profit and loss account.

In order to make a meaningful comparison between incorporated and unincorporated businesses, these drawings have been treated as salary and therefore have been added to the costs of all the unincorporated businesses included in these comparisons.

Obviously this has the effect of adjusting the profits of unincorporated businesses downwards so that they are comparable with those of limited companies.

These adjustments have been made to the operating profit and employee cost figures used in this report.

How your results compare with the rest



Measure	Your results			Industry averages				
	Sample	Relative	Actual value	Worst	Lower quartile	Median	Upper quartile	Best
Sales per £ of employee costs	19	4	£9.20	£2.63	£4.08	£4.84	£7.78	£41.62
Asset turnover	20	14	1.73	0.99	1.60	2.39	3.24	7.62
Current ratio	20	6	1.50	0.37	0.93	1.19	1.75	6.37

Your sales per £ of employee costs

The sales per £ of employee costs is a good measure of productivity.

Your business is generating sales of £9.20 per £ of employee costs, which is above average compared with other businesses within your sector. This is a good indication that you are managing people well within your business, and indicates an efficiently run business. But even here, small changes can make a very worthwhile difference.

If we can find ways to increase your sales per £ of employee costs by 10% to £10.12, then with everything else being equal, this would generate an extra £150,000 in additional profit for you every single year.

Your asset turnover

The asset turnover ratio measures the number of pounds worth of sales your business generates from each £1 of assets – and therefore measures the efficiency with which your business uses its assets.

The higher the level of sales generated for each £1 of assets, the more efficiently your business is performing. As a result, your asset turnover is a key driver of your *return on investment*.

Your business is generating an asset turnover of 1.73 times, which is worse than average compared with other businesses within your sector.

This suggests that you are not getting the best out of your assets. Perhaps this is down to your sales being too low. Or perhaps you have too much money tied up in assets for the size of your business. The latter could suggest poor asset management within the business. What is clear is that others in your industry are proving that there is scope to improve the management and effective use of those assets.

If you can find ways to increase your asset turnover to match the asset turnover of the upper quartile, i.e. 3.24 times, then with everything else being equal, your assets should be able to generate additional sales of £2,003,348. And – again with everything else being equal – this in turn would generate additional bottom-line annual profits of £1,306,531.

Your current ratio

The current ratio compares your current assets (those assets that can be turned into cash relatively quickly) and your current liabilities (those amounts you owe and which are payable within a year). It shows the extent to which amounts that are due and payable by you within twelve months are covered by amounts which are receivable by you within the same time.

Your business has a current ratio of 1.50, which is above average compared with other businesses within your sector. And this ratio means that those amounts you owe, and which are payable within a year, are covered by those assets that can be turned into cash relatively quickly. And so this is an area where you are performing well.

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An overview of what your full report will contain

Your comprehensive full benchmarking report will contain...

- At least 25 pages containing 19 key benchmarking measures to help you see where you are performing well and where there are areas for improvement.
- Sensitivity analysis showing you the effect on your bottom-line profit and the cash in your bank account from making small changes in some key areas.
- An analysis of your breakeven sales and how at risk your business is from fluctuations in sales compared with other businesses in your sector.
- A comparison of your gross margin against other businesses in your sector. This analysis will give you an invaluable insight into, among other things, whether you are charging the right prices.
- An analysis of your net profit margin as well as your operating margin - and how your growth in net profit compares with other businesses.
- Additional measures of productivity and employee costs, including average employee costs. These will give you further insights into how productive you are and how much your employee costs compare to those of other businesses in your industry.
- You will see how your stock turnover compares. This will give you an insight into how efficiently you manage your stock levels compared with other similar businesses.
- You will gain further insights into how well you perform in managing debtors through a comparison of your debtors to total assets ratio and vitally important debtor day's ratio.
- There will also be other cash and gearing ratios that will give you an insight into the financial risk your business faces compared with other similar businesses.
- And finally you will see how you compare in what is arguably the most important ratio of all... your return on investment.
- And not only will the report benchmark your business against your competitors for all the key measures, but it will also help you to create an action plan for improving your performance even further.