

K.i.M MIDAS - Efficiency and Productivity Management Report

GROUP

Job Number: 1153909518

Industry Code: MF

Summary: Overall efficiency strength

	ER	2006	2005	ER
Return on Assets (%)	3.00	3.06%	2.27%	3.00
Opex to revenue (%)	1.00	2.39%	3.15%	1.00
Average LR Score (single-year)	2.0			2.0
Weighted Efficiency rating	2.0			

ABOVE AVERAGE UTILISATION OF ASSETS TO GENERATE PROFITS, WITH OPERATING COSTS DECLINED AND FORMING A RELATIVELY SMALL COMPONENT OF SALES DURING THE PERIOD.

The firm is generally exhibiting fairly satisfactory efficiency levels, in terms of its asset utilization and cost management. This is however, constrained by a negative operating cashflow position which may inhibit its ability to meet its core obligations from its core operations. The firm may not be inclined to invest significantly towards boosting its overall productivity and asset utilization levels looking based on its current liquidity and efficiency position.

Poor overall profitability. There is severe inadequacy of earnings at the operational and net level. The firm needs to urgently review its marketing and product mix in order to improve its profitability position. The issue may extend more than just quality of workforce; it may be the result of a weak revenue model and poor market positioning. Keeping the firm's existing clientele base is highly imperative – while seeking new customers or markets require an empowered workforce/talents.

That said, Management may not have the internal capacity and/or willingness to enhance its workforce needs. It is more inclined to firstly address the inherent weaknesses found in its existing business model and revenue structure. This may even entail cost reduction measures as part of rationalizing its operations.

Performance assessment: asset turnover

Asset turnover: Sales/total

<u>2006</u>	<u>2005</u>
1.91	1.83

Meanwhile, the firm posted a slight decline in asset growth, at -1.04% or -1,908,876 compared to the amount of sales change 10,171,702. As a result, the firm's asset turnover higher than the previous period. In this instance, a higher asset turnover implies that the firm has been more successful in utilizing its assets to generate revenue. ie. for every dollar of asset invested by the firm, it generates a revenue \$1.91.

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Performance assessment: profitability

	PR	2006	2005	PR
Gross profit margin (%)	6.00	5.86%	6.17%	6.00
Operating margin (%)	6.00	3.48%	3.01%	6.00
Net profit margin (%)	6.00	1.61%	1.24%	6.00
Average PR Score (single-year)	6.0			6.0
Wtd Average PR Score (2-year)	6.0			

In nominal terms, GROUP's operating costs declined by -22.05%, to stand at 2.39% of sales - an improvement vs the previous 3.15%. The change in revenue and total costs resulted in the firm attaining net operating profit/(loss) 12,070,833, or 3.48% of sales, compared to 3.01% in 2005.

The company experienced a surge in profits on the back of a revenue change of 3.02%. Net profits registered a 33.40% rise for the period, totaling 5,578,523 in 2006 compared 4,181,804 in 2005. With the rise in net profits for the period, net margins were also higher for the period. This was however low compared to total sales that were being generated in the past two years.

Assessing workforce development budget capacity Ability and willingness to adopt workforce development exercise

	2006	<i>Hypothetical amt set aside for training and development (as a % of most recent sales figures)</i>		
		<u>0.50%</u>	<u>1.00%</u>	<u>5.00%</u>
Sales	347,264,132.00			
Operating	8,285,011.00	1,736,320.66	3,472,641.32	17,363,206.
Profit after tax	5,578,523.00			
Impact on net profits (new)		3,842,202.34	2,105,881.68	-11,784,683
Impact on net profit margin (new)		1.11%	0.61%	-3.39%
Impact on total cashflows		10,931,182.	9,194,861.68	-4,695,703.
Impact on operating		-8,205,636.	-9,941,957.	-23,832,522

Should the company set aside 0.50% of its revenue base to improve the productivity and efficiency level of its workforce, the level is unlikely to create a major impact on its net profit margin. This would decline slightly from 1.6% to 1.1%. however, increasing its budget on its net profit margin, as can be seen above. Total and operating cashflows would subsequently enter the negative territory.