The report of financial analysis by using the company's genes, the evaluation of the employees' performance of the company, economic evaluation of the company, and investment evaluation of the company.

Company: ----------------------------

Index

First: Company Profile

First: Company profile

1- <u>Name and type of company</u>:

- **Company Name: ---**
- **Legal form of company: ---**
- **Subject to the law: ---**
- **Company Branches: --**
- **The company is recorded on the stock exchange: ------------------------**
- **Date of Establishment: ---**
- **Date of activity: --**

2- <u>Company Activity</u>:

- **Business Type: ---**
- **Value of resources that are available to the company: -------------------**
- **Production capacity of the company (annually): -------------------------**
- **Percentage of the company's share in the market activity: -------------**

3- <u>Company's capital rights</u>:

- **Value of authorized capital: ---**
- **Value of source capital : ---**
- **Value of paid up capital: --**
- **Nominal value per share: ---**
- **Book value per share: ---**
- **Market value per share: ---**

4- Company management:

- **Name of the Chairman: ---**
- **Name of the Director General (Executive): ------------------------------**

5- <u>Contact the company</u>:

- **Company Address: --**
- **Phone number: ---**
- **Email: ---**
- **Website: ---**

Second: Data that is been available for the evaluation of this company

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Value of sales	902174904
(-) Value of sales cost	751812420
Gross profit	150362484
+ Any other revenues (credit interest)	85006235
Total Revenue	235368719
(-) General and administrative expenses, and depreciation	60144994
(-) Financing Expenses (debit Interest)	81195741
Net Profit	94027984

Total Assets Value (Fixed and Current Assets)	2085852610
Total capital equity	1460096827
Nominal value per share	1
Book value per share	2.01
Market value per share	4
Number of shares of the company at the balance sheet date	726416332
The value of annual production capacity of the company	1188821291
Percentage of the company's share in the market activity	35 %

To make sure that this science has no parallel in the world, take the previous data and give it to specialists, they can’t provide such reports that are in this book

Third: Financial analysis by using the company's genes

Third: Financial analysis by using the company’s genes

Objective of the Company's financial analysis:

The objective of the company's financial analysis is to identify the strengths and weaknesses of the company that occurred with the identification of treatment to be followed to weakness points.

Note:

We do not use financial analysis by using financial ratios or other analytical theories because they do not give a complete picture of the company's activity, but they are explanations for each equation used in the analysis without a correlation between these rates and depends on the experience of the evaluator) and that we find uses the system of comparisons between the different figures, whether for different previous years or for similar companies figures to find out what ends his personal opinion as interpreted the outcome of these equations.

We use the financial analysis of the company in the so-called "company genes" to give us an integrated picture of the company's activity without human intervention that makes correct or mistakes.

Evaluation of the main genes (elements) of the company's activity:

1- **gene for measure of product elasticity efficiency**

- Product efficiency refers to the capacity of a single product unit and the extent of its contribution to cover administrative expenses and debit interest as well as they are relationship of product efficiency to the working capital turnover to achieve net profits is equivalent of the company's capital. The competence that determines the qualities to be met by the company's employees and tasks to be carried out through them as it described in the Job performance evaluation section of the Company's employees
- The products of this company have achieved **very good** efficiency which means that this products are able to cover expenses provided that they are proportional to the rate of turnover of the working capital of the company and this is what we will check through find out the result of the efficiency of the management of the main activity of the company, including debit facilities later.

2- **<u>Gene, which determines the presence of extravagant in general expenses or not</u>**:

The company has achieved **good** degree of activity related to general expenses, there is no extravagant in general and administrative expenses. This indicates that the volume of these expenses corresponds to the working capital turnover and this what happened in this company.

3- <u>Gene that concerns the impact of debit interest and their relationship to product cost:</u>

- The company has achieved a **very poor** degree of activity on the debit interest, so there is a negative impact on the cost of the product as the degree of activity has decreased from good to very poor due to:
- The company was unable to achieve a suitable working capital turnover in order to absorb the cost of interest. This is due to the failure to direct the value of the loan itself to raise the production capacity of the company as We will explain later when discussing the budget to treat this shortcoming, if the company did not direct value Loan to raise the company's production capacity, the company must use the capital increase instead of the loan even does not bear the burden of interest

4- <u>Gene that concerns the impact of other revenues on the results of the company:</u>

- The company has achieved a **good** degree of activity for other revenues, so there is a positive impact of other revenues (In this case, the credit interest) on the income statement result where the degree of activity improved from very poor to good.
- Here a question arises as long as there is liquidity used to generate credit interest, why liquidity does not use in increase the turnover rate of working capital especially that the product of this company achieved efficiency is very good. This means that this product is able to cover the expenses as mentioned above and by comparing the annual value of the cost of sales with the annual value of the company's production capacity and the proportion of market share of the company we find an opportunity to use liquidity in production which generates greater profits than credit interest.

5- <u>Gene for measure of the main activity management efficiency of the company</u>

  - We mean administration of the main activity of the company is working capital management of the company (in terms of product processing -

either produced or bought - and then sell it and collect its value) in order to achieve gross profit to be able to cover all administrative and debit expenses to reach net profit equivalent to The company's capital

- Efficiency of the main activity administration of the company is the ability of the company administrators to repeat the number of working capital turnover in the financial year in order to maximize the company's net profit
- The company has achieved efficiency of the main activity administration is an **acceptable** degree and this indicates a weak turnover of working capital and this due to two reasons:
  - Internal reasons for the company such as:

  A- The existence of an obstacle in one of the elements of working capital (the lack of sufficient liquidity for the activity - the lack of purchase of materials in the right time or the price and quality are not suitable - the presence of goods in warehouses without marketing - the existence of large credit periods - the lack of collection in the right timing) and this did not happen in this company.

  B- Lack of production capacity that must fit the size of the resources available. This is what happened in this company as what we will explain later.
  - Reasons beyond the control of the company (market saturation of products similar to the products of the company - the presence alternatives to the product - the difficulty of exporting and the applicable laws pertaining to this activity) this did not happen effectively in this company.

6- <u>Gene for measure of the main activity management efficiency of the company that includes the value of the credit facilities</u>

- We mean by including credit facilities is the ability of the success of the administrators to manage the value of these facilities in order to use them to achieve more profits for the company
- Here administrators of the company will know their efficiency in the management of the main activity of the company that includes the value of the credit facilities
- The company has achieved **poor** degree. Therefore, there is negative impact from the credit facility management. Where efficiency has fallen from acceptable to poor and this indicates a lack of good use of the credit resource (Loans) in improving the company's results but it weakened them.

7- **<u>Gene of efficiency of all available resources administration in the company</u>**

- We mean by all available resources that had obtained by the company, either through
  - Self-funding as capital of the company
  - The value of the credit facilities, which results in debit interest cost
  - The facilities, which had obtained by the Company from suppliers, these facilities are with no-cost
- We mean by exploitation all available resources in the company is achieving the maximum benefit from these resources in the form of profits are equivalent to the value of those available resources
- The company has achieved efficient of management of all available resources is an **acceptable** degree, so there is a positive impact of exploitation all available resources, where efficiency of all available resources management has improved from poor to acceptable and this indicates that the company exploited some of the available resources in the form of a deposit that get credit interest as we previously mentioned.

<u>To treatment of weakly the turnover of working capital that occurred in this company should apply these budgets</u>

Statement	budget that is equivalent the available resources	Credit budget to cover debit interest	Total budget to be achieved
Value of sales =	1,925,259,421	487,174,445	2412433866
Minus the cost of sales value =	1,604,382,851	405,978,704	2010361555
Gross profit =	320,876,570	81,195,741	402072311
Minus general expenses =	60,144,994	---	60144994
Minus debit interest =	---	81,195,741	81195741
Net profit =	260,731,576	0.00	260731576

Summary of Financial Evaluation

The points of the strengths that has achieved by this company

1- The products of this company have achieved **very good** efficiency and this means that this products are able to cover expenses.
2- The company achieved **good** degree of activity of general expenses so there is no wasteful in general and administrative expenses
3- The company achieved **good** activity degree for other revenues, so there is a positive impact of other revenues.

The points of weakness that hit this company

1- The company has achieved a **very poor** degree on debit interest so there is a negative impact on the cost of the product.
2- The company has achieved the main activity management efficiency of the company an **acceptable** degree, which indicates a weak turnover of working capital.

Recommendations:

Value of the loan must direct to increase the production capacity to achieve profits better than debit interest. So if you compare the cost of the product in the budget to be achieved (2010361555) with the value of annual production capacity of the company (1188821291) we find the value of annual production capacity of the company is less than the cost of the product in the budget to be achieved. Therefore, the company should use the value of the loan to raise the production capacity to equal the cost of the product in the budget in order to achieve a net profit equivalent to the available resources to this company. The question here is this company need this loan? The answer is yes why? The answer is as follows:

- Assuming that the debit interest rate (81195741) is at a 15% interest rate, then value of the loan will be (541304940).
- If we subtract the value of this loan from the total assets will become the value of assets (1544547670) If we prepare the budget, which is equivalent to the available sources after the repayment of the loan value we find as follows:

Value of sales =	1,519,280,716.38
Minus the cost of sales value =	1,266,067,263.63
Gross profit =	253,213,452.75
Minus general expenses =	60,144,994.00
Net profit =	193,068,458.75

We note that the cost of sales in the budget (1,266,067,263.63) is still higher than the company's current production capacity (1188821291). Therefore, the loan should be used to increase the production capacity of the company in order to achieve profits equivalent to the available resources.

The question here is who is responsible for the implementation of this recommendation and the answer we will know by evaluation the performance of the employees of this company.

Fourth: Evaluation of the employees' performance of the company

Fourth: Evaluation of the employees' performance of the company

The objective of evaluation of the employees' performance of the company

The objective of the evaluation of the performance of the employees of the company is to know who is responsible for the weakness points that have been achieved in the company in order to avoid this responsible those points in the future.

The employees' performance is divided into two main sections as follows:

First section: The personal characters that must be available in managers that must be compatible with the type of company activity:

First: The personal characters required in the production manager

1- He must be creative for producing product with high specifications and quality.
2- Required experience for production is not as important as what is required to improve the quality of the product.
3- He deals with the production team in a spirit of cooperation.
4- He does not spare on the product to show the product with specifications and quality required for marketing.
5- He does not need to work under pressure.
6- He takes his decision carefully for creativity.
7- He has more time for creativity.

Second: The personal characters required in the marketing manager

1- He has the ability to use negotiating style and persuasion in the marketing process.
2- He has ability to show the quality and specifications of the product.
3- He has ability to deal with the marketing team with spirit of cooperation.
4- He must be creative in dealing with available purchasing power in the market.
5- He has ability to use the product prices with high flexibility in the marketing process.
6- He has ability to use the facilities and discounts to promote products of the company.

Third: <u>The personal characters required in the financing manager</u>

1- He has logical thinking connecting between the causes and results.
2- He has patience that enables him to oversee and follow-up.
3- He must be creative in making the models that give the desired results.
4- He must bear the responsibility to face the obstacles that occur to the company.
5- He must be able to communicate with all departments of the company.

Fourth: <u>The personal characters required in the general manager</u>

<u>Personal characteristics:</u>

1- He must have the ability to read the results well in order to take the right decision to correct company's path.
2- He must be flexible depending on the situation, he shall be strict if necessary and be soft if it is required.
3- He has the full ability to lead others.
4- He handles the logic of a father in order to achieve the benefits for employees of the company and at the same time achieves the company's goals.
5- He has complete ability to communicate and deal with all departments of the company and others.

<u>The characteristics for the activity:</u>

1- He does not operate under a lot of pressure at work.
2- He must take decision slowly.
3- This activity does not require great experience.
4- He can use financial incentives in order to encourage the workers.

Second section: <u>The tasks that should be accomplished by the production, marketing, financial and general managers</u>

When conducting a field visit to the company, make sure that:

First: <u>The tasks that should be accomplished by the production manager</u>

<u>The relationship of production management to the turnover of working capital</u>

These questions are directed to find out executive errors that could disrupt the turnover of working capital as follows:

A- <u>For the money and technical :</u>

1- Is there the liquidity available to buy raw materials, pay wages and purchase of manufacturing requirements in a timely manner?
2- Are there available equipment and devices (productive assets) to accomplish what is required of production?
3- Are there problems in the maintenance of equipment and devices, which lead to a disruption of productivity?
4- Are there problems in buying specific quantity of raw materials as well as manufacturing requirements?
5- Does the company face the problem of high cost of purchasing the raw materials and manufacturing requirements?

B- <u>for workers:</u>

1- Are there sufficient number of trained employees for production?
2- Is there clear productive plan for production management?

C- <u>For the product:</u>

1- Is the company's product produced with the required specifications for marketing (to satisfy consumer desires) which is tested before going out to the market?
2- Is the cost of the product at the agreed limits with cost department in financial management?

Second: <u>The tasks that should be accomplished by the marketing manager</u>

<u>The relationship of marketing management to the turnover of working capital</u>

These questions are directed to find out executive errors that could disrupt the turnover of working capital as follows:

A- For the money:

1- Are there any available funds in order to make advertising campaigns for the product?
2- Are there any funds available to deliver the product in the right place for the consumer at the right time?

B- For workers:

1- Is there a sufficient number of employees in the marketing department (for sale and collection)?
2- What is the availability of the qualities required in the marketing team with the requirements of the company's products?
3- Is the marketing department able to market the excess amount of products when the company is dealing with all of the credit - discount on the sale price - or increasing the cost of the product?

C- For the product:

1- What is the duration of the stay of the full product in order to be sold?
2- What is the period to collect the value of sales after the sale?
3- Does marketing team commit with the company's policies in terms of pricing?
4- Does marketing team commit with the company's policies in terms of granting discounts on sales prices?
5- Does marketing team commit with the company's policies in terms of granting facilities to customers?
6- Is there a clear marketing plan for the marketing management?
7- How does marketing management deal with the purchasing power of the consumer?

D- The market requirements:

1- Is the marketing gap that is available within a state allowing selling more from this product or requiring opening new markets outside the country?
2- Does Product fill the desires of the consumer or not?
3- Is the product with specifications and quality required for marketing?
4- Does the product reach to the consumer at the right time?
5- Does the product reach to the consumer at the right place?
6- Was the product define correctly to the consumer?
7- Does the product reach to the consumer with competition prices?
8- Is the product able to deal with various consumer purchasing power?

Third: **<u>The tasks that should be accomplished by the financial manager</u>**

<u>The relationship of financial management with other departments</u>

These questions are directed to find out executive errors that could fall by financial department as follows:

A- <u>The follow-up to production management:</u>

1- Does the company have the control system for stocks (wither stores of raw materials or goods ready for sale)?
2- Does the financial management have a special section for the actual costs and the standard costs for the company's products or not?
3- Does the company have the necessary liquidity for working capital turnover or not?
4- Does the financial management have assistant ledger of suppliers in order to know the balances that must be paid?
5- Does the financial management prepare productive budgets for follow-up in order to verify the production management productivity?

B- <u>The follow-up to marketing management</u>

1- Does costs department execute the scientific pricing for the company's products?
2- Are there follow-up models to know how long the full product takes to be sold?
3- Are there follow-up models to know how long the marketing department takes for the collection of sales value?
4- Does the financial management have book in order to analyze the sales to know volume of sales for each product that is sold and the periods when the product is sold?
5- Does the financial management own the customer assistant ledger to know balances that desired to be collected?
6- Is there sufficient liquidity in order to define the company's products?
7- Is there sufficient liquidity in order to provide the company's products at the right place at the right time?

8- Does the financial management prepare marketing budgets for follow-up in order to verify the marketing management productivity (marketing manager)?

C- The follow-up to general expenses

1- Is there a financial regulation specifies the following:

a) Who has the expenditure right and adopt aspects of expenditure.

b) How to determine the review before and after the expenditure.

c) It determines how to motivate employees and the company's workers.

2- Is there book for analysis the expenses to control it in order to take the appropriate decision?

D- **Follow-up the loan repayments and the debit interest**

1- Does the financial management advice to deal with banks or prefer to increase their capital?

2- Does the financial management know the effect of the debit interest on the production and marketing, as well as on the outcome of the income statement?

3- -Does the financial management prepare credit budget in order to cover the debit interest?

4- Is there analytic book to repay loans and debit interest?

E- Follow-up surplus liquidity of the company

1- Does the financial management exploit the surplus liquidity in the company's activity or outside the company's activity?

2- What is the effect of achieving other revenue on the company's results?

F- **Follow-up the results of accounting system**

1- Does the financial management check on the movement and balances of the Treasury?

2- Does the financial management monitor the movement and balances of the bank?

3- Does the financial management monitor the assets values of the company?
4- What is the period at which the financial statements are extracted (income statement- the balance sheet - the list of rights of the owners of capital - cash flow statement)?
5- What are the recommendations of the financial manager as a result of his reading to the financial statements, which improve operational performance of the company?

G- **The company's funds management and insurance of this funds**

1- Does the financial manager do insurance policies on the company's assets as well as their liquidity?
2- Is there appropriate liquidity in the company for working capital turnover (for purchasing raw material and preparation of the product until it becomes full product to be sold - and then sell the product - then the collection of value of the sales to come back into new working capital turnover)?

Third: The tasks that should be accomplished by the general manager

1- Accreditation of the employment plan in the company according to the company's needs with specifications that mentioned in genetic economy models for production management, marketing management and financial management.
2- He must participate with senior management in decision-making about the directed funds to increase investment (fixed assets), these funds can be financed through self-financing or the bank.
3- He must participate with senior management in decision-making about the directed funds for working capital turnover as these funds can be financed through self-financing or the banks.
4- He must accredit the budgets for each of:

A- Budget.
B- The credit budget, if found.
C-budget of discount on the sale price, if Found.

D- Budget of increasing product cost, if found.

5- He must participate or accredit the company's regulations (financial regulations - the regulations of the company's work).

6- He must be able to read the actual financial statements in order to know what extent the company has achieved its goals and whether there are obstacles that must be identified and dealt with to be removed in order to achieve the company's goals. The obstacles are summarized as follows:

A- There is slow in working capital turnover and this is due to one of the following elements:

- Shortening in the work of the human element.
- There is lack in private cash of working capital turnover.
- The product is not with the required specifications and quality or it has not right price or it is not identified for the consumer or it does not reach to the consumer in the right place or the right time or the market is saturated from this product.
- There is not good deal with Consumer purchasing power.

<u>Summary of Evaluation of the employees' performance of the company</u>

By reviewing the tasks of the managers of this company and the weakness points that hit this company which were:

1- The company has achieved a **very poor** degree of activity on the debit interest, so there is a negative impact on the cost of the product
2- The company has achieved efficiency of the main activity administration is an **acceptable** degree and this indicates a weak turnover of working capital

We find that what happened is at the core of the tasks of the general manager and finance manager where they should:

1- They had to know that the company's production capacity is insufficient to reward the available resources to the company that the financial manager had to know through the preparation of the budgets and follow-up them

2- They must direct the value of the loan to increase the company's production capacity instead of depositing it in the bank to generate credit interest thus increasing the turnover of working capital that company suffers from slow.

Fifth: Economic evaluation of the company

Fifth: Economic evaluation of the company

<u>What is mean the economic evaluation of the company?</u>

It is to know the impact of the economic environment on the administrative decision of the company in terms of dealing with both the financial and monetary policy of the State on which the company operates on its territory, for examples:

1- Increasing the customs tariff, which affects the cost of the product in case of importing some of the company needs from abroad
2- Currency depreciation against foreign currencies (exchange rate)
3- Increasing the debit interest

We can be clarified through the treatment budget, which was mentioned at the end of the financial evaluation, which was as follows:

Statement	budget that is equivalent the available resources	Credit budget to cover debit interest	Total budget to be achieved
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<u>From the above we note the following:</u>

The production capacity of this company (1188821291) is less than the budget of production capacity that is reward available resources (1,604,382,851), when the company had deal with an element of the financial policy (debit interest rate) required an additional production capacity of (405,978,704) to be added to total required production capacity of this company (2010361555) This means that there is no economic flexibility for this company in order to face the developments in the environment Its economic.

Sixth: Investment evaluation of the company

Sixth: Investment evaluation of the company

What is mean the investment evaluation of the company?

It is to know the company's ability to attract investments by shares offering in the stock exchange to increase its capital.

There are three questions that must be asked by the investor before buying shares of any company. These questions summarized in the following:

1- Is the company that has the shares to be purchased on the outskirts of liquidation or not?
2- What are the recovery years per share?
3- What is efficient of the company that has this shares?

To answer these questions for this company are as follows:

For the first question: Is the company that has the shares to be purchased on the outskirts of liquidation or not? The answer is the following:

- The company made profits that made the book value bigger than the nominal value and therefore, this company does not liquidate legally
- Where the company made a profit of 101% over its nominal share value.

For the second question: What are the recovery years per share? The answer is the following:

Definition of the recovery year's number for share

- Recovery years' number of share is the years' number when the book value of share reaches to market value of share, assuming the stability of the market price of the share with the achievement of the company's annual profit is equivalent to the value of other opportunity (safe limit to the number of recovery years is two years)
- The question is: do you satisfy to deal with company shares that its number of recovery year is very big, like someone who makes a deal during the fall from the clouds and does not know to any abyss will stabilize?
- In this case, the number of recovery years for the shares was 12.38 years
- When buying these shares, the buyer will wait 12.38 years for the book value to arrive market price (assuming the constant of the market price and the company will achieve annual profits equal to the opportunity value) or the

buyer is exposed to loss when he is forced to sell these shares, this loss will be to size of recovery years when the market price of shares falls after buying them.

For the third question: What is efficient of the company that has this shares?

To answer these questions for this company are as follows:

It is the company's ability to achieve profits and thus distribute coupons on the shares where the distribution of coupons on the shares to support the buying and selling operations not only in the case of investment, but also in the case of speculation where the speculator does not have to sell his shares in the event of falling prices, but he compensates by obtaining coupons until the shares prices improve

- In this case, the company achieved poor efficiency.

Summary of the investment evaluation of the company

- Although the company doubled the nominal value (the book value became twice the nominal value) however, the market value of the shares is very high as the number of recovery years for these shares is 12.38 years.
- The efficiency of the company is poor degree, meaning that the company would not spend coupons

From the above we can say that the opportunity of this company in investment is weak.