

Historical Financial Data

	Last Year	2 Years Prior	3 Years Prior
Financial years	2015	2014	2013
Revenue	3,850,412	3,365,345	2,976,876
Gross Profit	1,231,080	1,146,013	898,765
Gross Profit Margin	32%	34%	30%
Pre-Tax Net Surplus	236,000	145,000	123,000
Depreciation Expense	27,092	33,432	38,098
Amortisation	10,000	10,000	10,000
Interest expense	4,357	4,500	5,342
Non-Recurring Expenses:			
Legal fees (lease)	0	0	4,500
Contractor Design work (website)	0	32,000	0
Software upgrade	0	2,500	0
Market Research	0	0	70,000
Business Coach	2,500	2,500	2,500
Total Non-Recurring Expenses	2,500	37,000	77,000
Discretionary Expenses:			
Client entertainment	3,498	4,500	3,298
Donations	3,400	4,000	3,100
Overseas travel (Business Class)	4,000	7,000	14,300
Total Discretionary Expenses	10,898	15,500	20,698
Actual Working Owners Salary	80,000	80,000	80,000
Market Working Owners Salary	68,000	68,000	68,000
2nd Working Owners Actual Salary	40,000	24,000	0
2nd Working Owners Market Salary	40,000	40,000	0
Salary Adjustments	-12,000	4,000	-12,000
Assets Value	261,000		
Stock Value	34,000		
	295,000		
EBPIDT (A)	370,847	309,432	354,138
EBIDT (A)	302,847	241,432	286,138
EBIT	275,755	208,000	248,040

Weighting Factors

What are the barriers to entry?

Would it be easy for a competitor to become established in this industry? (1 = Easy)

4

What is the risk profile of this business?

eg. Relies on 1 or 2 clients, supplier contracts not in place, relies on owner etc.

4

Is this an established business?

1 = less than 1 yr, 2 = 1 to 3 years, 3 = 3 to 10 years, 4 = 10 to 20 years, 5 = 20 years +

5

How unique is the business?

Does the business have a well-defined "niche"?

4

What is the risk profile of the industry?

Vulnerability of the industry as a whole (1 = High Risk)

3

Where is the business located?

1 = Remote, 2 = Rural, 3 = Provincial Town, 4 = City, 5 = Major City

5

What is the likely buyer demand?

Is this business likely to attract few or many buyers at the current time

1



Appraisal Output

Earnings Based

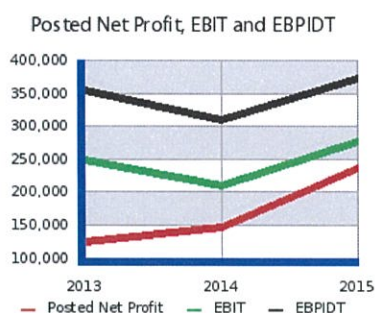
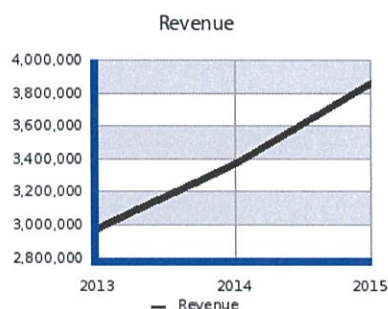
Multiplier	Period	Normalised (\$)	Multiple (%)	Appraised Value (\$)
EBPIDT (A)	3 year average	344,806	2.21	762,849
EBIDT (A)	3 year average	276,806	2.95	817,164
EBIT	3 year average	243,932	3.22	785,735

Average Earnings Based Value: \$788,583

Asset Based

Multiplier	Period	Normalised (\$)	Multiple (%)	Appraised Value (\$)
EBPIDT (A)	Last Year	344,806	0.71	539,812

Trends



Summary

Comments and Further Considerations

Revenue

Revenue for this business is trending upwards

EBPIDT

Normalised EBIT for this business is trending upwards

Add Backs account for less than 10% of Normalised EBIT, which is positive

The business has had a large increase in profit on the previous year (averages may be misleading)

Glossary of terms:

EBPIDT (A) Earnings before proprietors drawings, interest, depreciation and tax

EBIDT (A) Earnings before interest, depreciation, tax and amortisation after management costs

EBIT Earnings before interest and tax after management costs

Normalisation The process of adjusting net profit to accurately reflect real expenses attributable to the operation of the business

Add-Backs Non-business expenses that are added to net profit as part of normalisation

Examples of Comparable Sales

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Matching Comparables

18

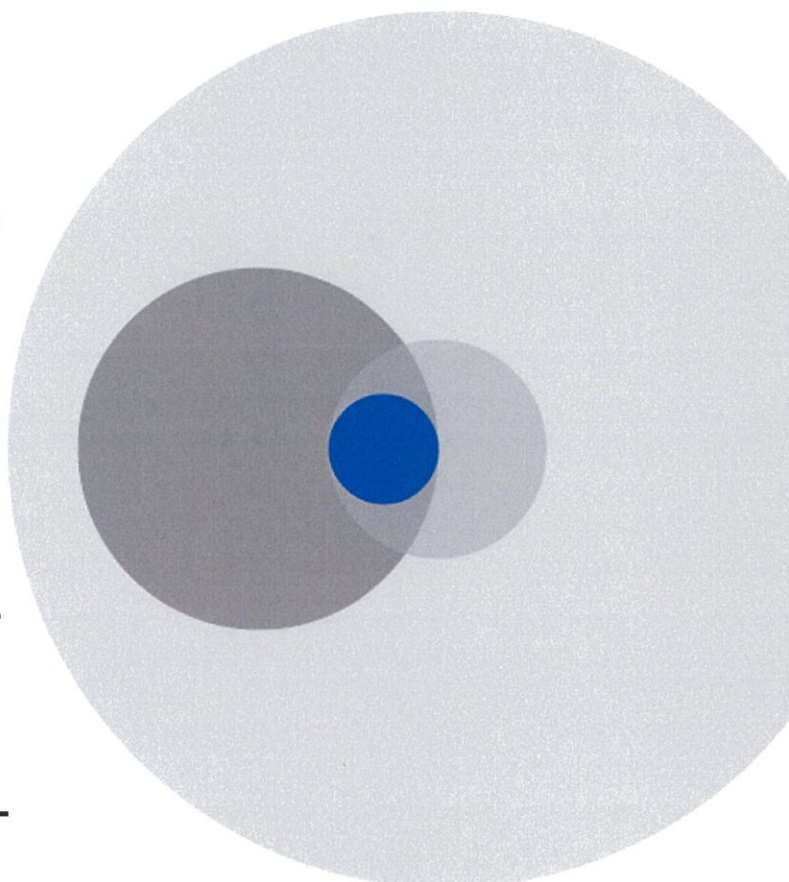
Acceptable EBPIDT Variance 50% From \$172,403 to \$517,209

30

Acceptable Multiple Variance 20% From 1.768 to 2.652

73

Database of Other Manufacturing



Revenue (\$)	EBPIDT (\$)	Multiple (%)	Price (\$)
2724317	339808	2.32	790,000
1722714	269435	2.21	596,735
480000	245000	2.12	520,000
1316354	265346	1.93	511,000
360000	200000	2.33	465,000
718000	200000	2.28	455,000
482149	200990	1.93	388,448
2115000	490000	2.55	1,250,000
1720268	473000	2.45	1,158,500

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The results of this appraisal are for the sole purpose of assisting a LINK broker in completing an appraisal of the market value of the business for the business owner. Both the input of data into this form and interpretation of subsequent results require a trained LINK broker. This is not a registered valuation and does not purport to be such. This tool and all data, algorithms, coefficients and formulas contained within it are the intellectual property and copyright of LINK Intellectual Property Limited

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- a) This report is an opinion on the appraised fair market value of **Manufacturing Sample** on a going concern basis.
- b) The report is based on information provided by the Vendor and incorporates no warranty or guarantee as to the accuracy or otherwise of the information which the Vendor has provided.
- c)
 - (i) The report is not a site, structural or engineering survey of any property belonging to the business. It is not a valuation. It does not purport to provide any information available under S44A of the Local Government Official Information and Meetings Act 1987. It is not an opinion about the legal status of any property belonging to the business. It does not constitute an audit of the financial status of the business and contains no professional evaluation of the financial management of the business or any taxation implications arising from the business or its sale.
 - (ii) Any information of the nature described in (c)(i) should be obtained from an appropriately qualified professional advisor.
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3. Had an examination of the underlying financial statement been performed by a Chartered Accountant in accordance with generally accepted auditing standards, and/or other procedures to independently confirm representations made to the appraiser, significant matters that would alter the amounts used in the determination of the final valuation might have come to the attention of the appraiser.
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5. The distribution of total value among the various elements of the business applies only for the purpose or purposes stated herein, and any separate value estimated for individual elements of the business should not be used for any other purpose, and are invalid if so used.
6. Should values be assigned for individual assets, or groups of assets, said asset values are intended only to represent the appraised Fair Market Value. Nothing within this report is intended to represent the tax implications of the allocation of the assets; the estimation of Fair Market Values in an appraiser expertise, while the tax impact of the allocation is an expertise of a Tax Consultant. The value of Fixed Assets are as reported in the financial accounts and does not purport to be an independent valuation of those assets.
7. Neither this appraisal nor any part of it shall be used in connection with any other appraisal.
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13. The fee for this report is for our expressed opinion of value, as of the date of this appraisal, without warranties or guarantees as to the outcome at any future date, or any contrary opinions of value as of the same date.
14. All reference to the value of any intangible assets of the business are estimates of Fair Market Values, based upon the use of those assets as elements in the Going Concern. Comments regarding the condition and/or state of the art of any assets are based upon the layperson observations of the appraiser, the representations of management, or as may be specified within the report. LINK are business brokers and appraisers and claim no expertise as registered valuers.
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16. This report is further subject to any other contingencies, assumptions, and limiting conditions set out elsewhere within this report.
17. Should the client or any relevant party be incorporated, this appraisal assumes there are no restrictions or other qualifications within the Articles of Incorporation, Bylaws, Constitution, Minutes, Buy-Sell Agreements or any other agreements that could materially affect the value of the business appraised, including but not limited to, its transferability.