

BUSINESS VALUE ASSESSMENT REPORT

Prepared for:

Anonymous Pty Ltd

Issue Date:

June 26, 2023

WE VALUATIONS

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1 Executive Summary

1.1 Business Name and Address

Business Name: Anonymous Pty Ltd

Address: XXXXXXXXX

1.2 Client and Instructions

John Smith, Director of Anonymous Pty Ltd has engaged us to complete a Business Value Assessment on the enterprise/business value of:

- Anonymous Pty Ltd.

We have not valued the issued shares/units of the business. We have agreed with the client on the approach to be taken and the methods and procedures used in preparing this report. The report is provided to the client for internal use only. This report is not to be used by any other person.

1.3 Purpose

We have prepared this Business Value Assessment for the following purpose:

- To assist owners in establishing a business value for internal strategic planning purposes.

1.4 Terms of Reference

This Business Value Assessment has been prepared specifically for the purpose as outlined in paragraph **1.3** above. It is not intended for any other use or purpose. Other than to the client, we do not accept any responsibility to any person in respect of this Report, including for any error or omission, however caused.

The statements contained in this Report are given in good faith. In preparing this Business Value Assessment Report we have relied on information provided by the client including:

- Financial Information, refer *Appendix 1*; and
- A completed client Risk and Value Driver Assessment (RAVDA), refer *Appendix 4*.

We emphasise that we have not carried out an independent confirmation of the information, and we have not conducted anything in the nature of an audit.

All valuations and assessments are only valid for three months from the Issue Date. If it is to be used after that period, please contact us to review or update the Business Value Assessment. We do not accept responsibility for the client (or any other person) relying on the Report after that period.

This Report is a **Calculation Engagement** (in the terms of APES 225 Valuation Services) which provides a **Calculated Value**. It is not a full Valuation Engagement (see paragraph **2.8** for further details).

1.5 Valuation Methodology

There are three key business valuation methods that are currently generally accepted:

1. **Asset Valuation Method** - calculates the value of tangible and intangible assets;
2. **Discounted Cash Flow Analysis** - determines the present value of future opportunities or cash flow;
3. **Capitalisation of Profit** - multiplies a business's adjusted net profit before tax by a capitalisation rate (or business cap rate), which is specific to each business and the particular point in time.

This Business Value Assessment adopts the **Capitalisation of Profits** method and values the business as a going concern (see paragraph 2.3 for further information). Accordingly this assessment establishes a valuation for the business in its current form, based on adjusted earnings - it does not incorporate future potential growth.

This valuation is based on the profits (before interest and tax) generated by the business over the most recent relevant years, adjusted for non-commercial transactions. A business cap rate/profit multiple is then applied to this amount to determine the business value assessment.

Impact of COVID 19 Pandemic

You acknowledge that the scope of this engagement is limited to the Valuation Methodology set out here.

Due to the significant, continuing impact on economic conditions of the COVID 19 Pandemic, the historic profits (before interest and tax) generated by the business may not be an accurate or useful guide to current or future business profits or performance.

It is reasonable to expect that the effect of the COVID 19 Pandemic on the estimate of value is, or may be, material.

As a result, this is a Limited Scope Calculation Engagement. It does not quantify the impact of the Pandemic or the changed economic conditions on the value of the business. Please also refer to paragraph 2.7 (Limitations).

1.6 Date of Assessment / Value Determined

This assessment provides an estimate of the enterprise/business value as at the Assessment Date. Due to possible changes in market forces and circumstances in relation to the business, this Report can only be regarded as relevant as at the Assessment Date of the assessment.

The Assessment Date is 30 June 2023.

1.7 Overview of Business

1.8 Business Value Assessment

Subject to the assumptions and qualifications contained within the body of this Report, we have assessed the current value (as at the assessment date) of the enterprise/business as:

Weighted Average Notional Earnings before Interest and Tax (WANEBIT)	\$420,448
Business Cap Rate/Profit Multiple	3.55
Business Value Assessment	\$1,492,590

1.9 Our Qualifications

The Preparer of this report has the following qualifications:

- Bachelor of Commerce in Accounting;
- Graduate Diploma in Applied Finance and Investment

Prepared by:

Rod Peters, Director
We Love Valuations Pty Ltd

Issue Date: June 26, 2023

2 Detailed Report

2.1 Scope and Methodology

The Business Value Assessment determines a value for the enterprise/business based on the business generating sufficient profits after tax to return total investment funds to an owner/investor over a defined term.

The methodology assesses the business in its current form, as represented by the most recent years' (adjusted) earnings, its after tax cash flow and risk profile. The valuation does not include an increase of current earnings to predict future potential growth - this Assessment values businesses based on their historical and existing performance.

The valuation methodology considers:

- **Profitability & Cash Flow** - the business generating sufficient available cash flows after tax (from profits) to provide a return and yield on the business's assessed value (this includes consideration of the free cash flow factor of the business, refer Appendix 2);
- **RAVDA** - an assessment of the business's qualitative risk and value drivers (refer Appendix 4);
- **Cost of Funds** - an acceptable yield rate to the owner/investor.

2.2 Business Cap Rate/Profit Multiple Calculation

A key component in calculating the enterprise/business value is the determination of an appropriate capitalisation rate. A patented and scientific business value assessment algorithm has been used to calculate the business cap rate/profit multiple for this business.

The algorithm caps the value of the business based on its after tax cash flow and risk profile. To determine this amount, the algorithm completes 3 simultaneous calculations:

1. Business Value Assessment Projection Calculation (BVAPC);
2. Weighted Average Annual Net After Tax Free Cash Flow Calculation (WAANATFCFC);
3. Business Value Assessment Confirmation Calculation (BVACC).

The algorithm, applying the assumptions listed in the Report, completes a series of simultaneous looping calculations to determine the maximum enterprise/business value for the business, that when calculated (BVAPC), and after taking into consideration the business's after tax free cash flow (WAANATFCFC) would result in:

- An annual 'yield' (cost of funds rate, applied to the BVAPC) being returned to the owner/investor;
- A total return of funds invested to the owner/investor over the agreed risk profile (RAVDA Score).

The algorithm confirms the Business Value Assessment.

2.3 Premise of Value

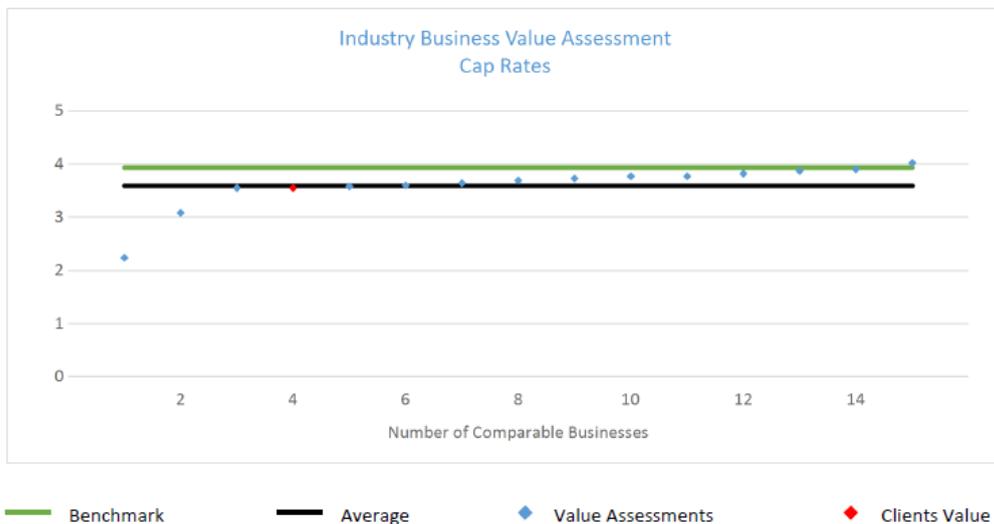
The premise of value identifies the grounds on which the valuation is based and is our assumption of the most likely set of transactional circumstances that are applicable to the business being valued.

This business is being valued on a 'going concern basis' which means the value reflects the business being carried on by either the current owner or a willing and able third party.

2.4 Financial Assumptions and Analysis

A key component of a valuation process is to benchmark the business’ key financial assumptions, non-financial performance indicators and results with comparable businesses in the business’s industry. The table, graph and comments below include an analysis of independent industry benchmarking information.

<i>Comparable Businesses Information - this Report has been prepared on the basis of:</i>			
Industry	Cafes, Restaurants and Takeaway Food Services		
Comparable Businesses	Turnover Range	Report Period	
14	\$916,000 - \$3.484m	2020 - 2023	
<i>Analysis Summary</i>			
	Clients Business	Industry Average	Benchmark <i>(average top 20%)</i>
Business Capitalisation Rate (BCR) <i>(Business Cap Rate or Profit Multiple)</i>	3.55	3.59	3.93



- After allowing for valuation adjustments the business’s Profit, Free Cash Flow Factor and Valuation Multiple were compared to similar businesses in the industry. The analysis is summarised below.
 - Profit: Business (18.4%), Industry Average (8.1%), Industry Benchmark (20.1%).
 - Free Cash Flow Factor: Business (1.13), Industry Average (1.17), Industry Benchmark (1.10).
 - Risk & Value Driver Score: Business (6), Industry Average (6.6), Industry Benchmark (7.8).
 - Valuation Multiple (Business Cap Rate/Profit Multiple): Business (3.55), Industry Average (3.59), Industry Benchmark (3.93).

The industry benchmark is the average of the top 20%.

- Other assumptions include the following supporting information: Statement explaining the add backs and deductions.
 - Addbacks: No Addbacks were required.
 - Deductions: Miscellaneous Income, as this is made of JobKeeper and Cashflow Boost, and was not gained in the ordinary course of business. Notional Owner’s salary, to reflect what an employee would have to be paid to perform the duties of the owner.

We have used the Profit and Loss and the Balance sheet to 30 April 2023. We did not adjust/Forecast for the full year as we were advised no material changes will develop in the days left until the end of the year.

2.5 Commercial Sustainable Earnings (WANEBIT)

The following adjustments to the 'accounting profit' were required to determine the 'commercial sustainable earnings' of the business (WANEBIT).

	30/06/2021	30/06/2022	30/06/2023
Earnings Before Interest and Tax (EBIT)	\$598,003	\$639,080	\$577,919
Add Backs:			
<i>Actual Owners salaries, on-costs and benefits</i>	\$0	\$0	\$0
TOTAL Add Backs	\$0	\$0	\$0
Less:			
<i>Notional Owners salaries, on-costs and benefits</i>	\$100,000	\$100,000	\$100,000
<i>Grants/Subsidies (one-off)</i>	\$187,232	\$0	\$0
<i>Marketing Expenses (paid by Head Office)</i>	\$50,000	\$50,000	\$50,000
TOTAL Deductions	\$337,232	\$150,000	\$150,000
TOTAL Net Adjustments*	(\$337,232)	(\$150,000)	(\$150,000)
Notional Earnings Before Interest and Tax (NEBIT)	\$260,771	\$489,080	\$427,919
Weighted Averaged Notional Earnings Before Interest and Tax (WANEBIT)			\$420,448

**All other amounts included in the accounting profit and loss account have been assumed to be 'commercial' and of a recurring nature. The accounting profit and loss account is assumed to include all income and expenditure amounts associated with running the business (except those identified above).*

The accounting profit and loss account has not been audited as part of this valuation.

2.6 BVA Assumptions

The assessment of enterprise/business value has been calculated using the following material assumptions:

Standard	BVA Result	Comments or basis for assumptions
Free Cash Flow Factor	1.13	<p>The Free Cash Flow Factor measures the business' ability to turn its profit into cash flow.</p> <p>The amount of after tax net operating profit generated by the business, expressed as a multiple in-excess of 1.1.</p> <p><i>See Appendix 2 - Free Cash Flow Factor</i></p>
Risk & Value Driver Assessment Score	6	<p>The assessed risk profile of the business, expressed in the maximum number of years for an owner/investor to receive a total return of the business value assessment calculation.</p> <p><i>See Appendix 4 - Client RAVDA</i></p>
Cost of Funds	6%	An acceptable 'yield' rate to be returned to the owner/investor when applied to the business value assessment calculation.
Notional Tax Rate	25%	A notional tax rate that is likely to be applied to the business's net profit.
Weighted Average Notional Earnings before Interest & Tax (WANEBIT)	\$420,448	<i>See section 2.5.</i>
Business Cap Rate/Profit Multiple	3.55	As determined by the above assumptions, using the patented business value assessment algorithm. <i>See section 2.2.</i>

2.7 Limitations

This Business Value Assessment was conducted with the following limitations:

- We have relied on the information supplied by the client and have not audited or checked that information;
- It is conducted at the Assessment Date only;
- We have not completed an assessment of the industry in which the business operates;
- We have not assessed and considered recent business sale activity and prices of businesses within the industry;
- We have not assessed the impact of the COVID 19 Pandemic and the changed economic conditions on the current and future performance of the business or the industry.

2.8 Compliance with Professional Standards

This is a **Calculation Engagement** and not a full **Valuation Engagement** (i.e. we do not have freedom to apply any valuation approach or method and we have not obtained external or audited information). If a full Valuation Engagement had been performed, the results may have been different.

This assessment constitutes a Calculation Engagement and complies with APES 225 requirements. I consider that I am independent in undertaking this Calculation Engagement and that I meet the requirements for independence under APES 225.

Appendix 1 - Financial Information

The following sources of information for the business have been relied on in preparing this Business Value Assessment Report.

Financial Information, Statements and Income Tax Returns

- Management accounts for the relevant Reporting periods (unaudited);
- Financial accounts for the relevant Reporting periods prepared by the business's accountant (unaudited).

Other Documentation

- Business information supplied by the client as per the business valuation checklist;
- Business information disclosed on the clients' business website.

Meetings, Interviews, Emails and Discussions

- Discussion with the client and other parties that have been relied on to prepare this Business Value Assessment Report in relation to determining the business's sustainable earning amount (WANEBIT);
- Discussions with the client and other parties that have been relied upon to prepare this Business Value Assessment Report in relation to determining the business's RAVDA Score.

Appendix 2 - Free Cash Flow Factor

The calculation of the Business Cap Rate/Profit Multiple requires an appropriate Free Cash Flow Factor to be identified that, measures the ability of the business to turn its after tax profits into cash flow.

The Free Cash Flow Factor recognises that each business is unique and has varying demands on its post-tax profits.

Typically, a Free Cash Flow Factor will be within the range of 1.15 (a business with low demands, such as a well organised financial services business) to 2.0 (a business with high demands, e.g. high levels of stock, WIP and debtors).

With all other parameters remaining constant, a higher the Free Cash Flow Factor will result in a lower Business Cap Rate/Profit Multiple and enterprise/business value.

The business valuation assessment algorithm completes the following calculations to determine the Free Cash Flow Factor specific to the business:

- Weighted Average Notional Earnings before Interest and Tax
- Weighted Average Notional Net Operating Profit after Tax
- Weighted Average Trading Income
- Weighted Average Cost of Sales
- Weighted average Debtors/Stock amounts
- WANNOPAT as % of Weighted Average Trading Income
- The Amount of Profit After Tax tied up in Debtors
- WANNOPAT as % of Weighted Average Cost of Sales
- The Amount of Profit After Tax tied up in Stock
- Profit Tied Up as % of WANNOPAT
- Free Cash Flow Factor:
 - Base Factor
 - Increment Factor

Appendix 3 - Business Valuation Glossary

A list of common valuation terms found in this Report explained:

Assessment Date / Valuation Date – The specific point in time at which the valuer’s opinion of value applies.

Business enterprise – A commercial, industrial, service or investment entity (or a combination thereof) pursuing an economic activity.

Business risk – The degree of uncertainty of realising expected future returns of the business resulting from factors other than financial leverage.

Capitalisation of earnings method – A valuation method that forms an opinion on the business value based on the sustainable profits generated by the business relative to the risk return expected. This method is a widely used and accepted methodology in business valuations.

Capitalisation rate or cap rate – Any divisor used to convert anticipated economic benefits of a single period into value. May also be referred to as the capitalisation multiple which is the inverse of the capitalisation rate.

Cost of capital – the expected rate of return (discount rate) that the market requires in order to attract funds.

Discounted cash flow method – A valuation method where the present value of the business is reflected in the future expected net cash flows calculated after applying a discount rate.

Discount for lack of control – An amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for lack of marketability – An amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount for minority interest – An amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of control.

Economic life – The period of time over which property may generate economic benefits.

Fair market value – The price that would be negotiated in an open market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller dealing at arm’s length within a reasonable time frame.

Free Cash Flow Factor [FCFF] – A measure of the ability of the business to turn its after tax profits into cash flow. The higher the FCFF, the lower the business cap rate and enterprise value.

Going concern – An ongoing operating business enterprise.

Going concern value – The value of a business enterprise that is expected to continue to operate into the future.

Goodwill – That intangible asset arising as a result of name, reputation, customer loyalty, location, products and similar factors not separately identified.

Goodwill value – The value attributable to goodwill.

Independence – This is:

- (a) **Independence of mind** - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.

(b) **Independence in appearance** - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's or a member of the engagement team's integrity, objectivity or professional scepticism has been compromised.

Intangible assets – Non-physical assets that grant rights and privileges and have value for the owner. Examples of intangible assets include goodwill, trademarks, patents, copyrights and securities.

Issue Date – The date that this report is finalised and issued and conclusions are transmitted to the client.

Net book value – With respect to a business enterprise, the difference between total assets (net of depreciation and amortisation) and total liabilities as they appear on the balance sheet. With respect to a specific asset, the capitalised cost less accumulated depreciation or amortisation as it appears on the books of account of the business enterprise.

Net present value – The value, at a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.

Price / Earnings multiple – The price of a share of stock divided by its earnings per share.

Return on investment – The reasonable return level that an investor would expect from a business.

Risk & value driver assessment [RAVDA] – An Assessment of risk and value drivers of the business. The higher the RAVDA, the higher the enterprise/business value.

Risk free rate – The rate of return available in the market on an investment free of default risk.

Rule of thumb – A mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

Surplus assets – Assets that a business holds, but which are not necessary for the operation of the business, ie. they are not contributing to the core income-generating activities of the business.

Valuation method – within approaches, a specific way to determine value.

Valuation procedure – the act, manner, and technique of performing the steps of an appraisal method.

WANEBIT – Weighted Average Notional Earnings Before Interest and Tax. The commercial sustainable earnings of the business, which gives a higher weighting to the most recent year's financial results.

Appendix 4 - Client RAVDA

The calculation of the Business Cap Rate/Profit Multiple requires an assessment of risk and value drivers of the business.

The RAVDA recognises that each business is unique and owners/investors associate different levels of risk with different businesses.

Typically, a RAVDA score will be within the range of 1 (a business with high levels of perceived risk) to 10 (a business with low levels of perceived risk). Only a very small number of industries include businesses that achieve a RAVDA score in excess of 10.

With all other parameters remaining constant, a higher RAVDA score will result in a higher Business Cap Rate/Profit Multiple and higher enterprise/business value.

An independent assessment of key business risks and value drivers for any business can be determined from the RAVDA. The RAVDA requires responses to up to 90 risk related questions. A review of these responses provides the RAVDA score that relates to the particular business at that particular point of time, based on its level of perceived risk.

Based on the responses, a Score is determined, **expressed as the number of years an owner/investor would be prepared to wait to get a total return of their funds invested in the business.**

Below is a copy of the completed Risk and Value Driver Assessment for the clients business that has been relied on to prepare this Business Value Assessment Report.

Industry				
1. Business operates in a well-established, stable industry				
Yes, very stable & predictable	Yes, low levels of instability	Mature, little change anticipated	No, moderate change/disruption is evident	Subject to significant change/disruption
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
2. The industry/market the business operates in is growing				
Definitely, at a good rate	At a steady rate	Slowly	Marginally/not really	No, it's contracting
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
3. Business is well positioned to take advantage of future industry trends				
Yes, constantly evolving to keep ahead	Yes, reacting to change	Started planning	Not sure	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
4. Future government policies and/or industry trends will negatively affect the business				
Not at all, policy changes will benefit	Planning in place to reduce impact	No impact, N/A	Yes, limited negative impact	Yes, strong negative impact
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
5. Adapting the business to advancements in technologies (e.g. A.I., Virtual Meetings, Online Solutions, Robotics etc.)				
Yes, we are an industry tech leader	Yes, but we can still improve	To a small degree, needs more focus/resources	We are behind where we need to be	Unsure where to start
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Industry: Main observations/comments (Client)

There are two New Mexican venues opening near by in an already very small area, one of them is Guzman and Gomez. I'm very concerned as there will now be 5 Mexican all within a few hundred meters of each other.

Performance / Benchmarks

6. Number of years' experience in owning/managing the business

> 20	11 to 20	6 to 10	3 to 5	< 3
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

7. Years the business has been trading profitably

> 10	6 to 10	3 to 5	1 to 2	< 1
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

8. Balance sheet, equity in the business and personal financial net worth position

Very healthy, major strength	Good and growing	On par with expectations/requirements	OK, needs improving	Poor, restricting business operations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

9. Current year increase in sales

> 20%	11 - 20%	6 - 10%	0 - 5%	< 0%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

10. Current year increase in gross profit (sales less cost of goods sold) as a % of sales

> 20%	11 - 20%	6 - 10%, or N/A	0 - 5%	< 0%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

11. Current year increase in staff/labour costs (wages & other labour on-costs) as a % of sales

< 0%	0 - 5%	6 - 10%, or N/A	11 - 20%	> 20%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

12. Current year increase in net profit (Earnings Before Interest & Tax) as a % of sales

> 20%	11 - 20%	6 - 10%	0 - 5%	< 0%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

13. Cash flow is

Very good	Good	A sporadic issue	A bit of a worry	A continual headache
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

14. Business is achieving key industry benchmark standards (growth, profit, costs, liquidity etc.) when compared to similar businesses

Well above	Slightly above	Average	Slightly below	Unknown or well below
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

15. Ability of the business to control its operating costs

Excellent	Good	Fairly good	OK	Poor
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Performance / Benchmarks: Main observations/comments (Client)

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Performance / Benchmarks: Main observations/comments

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Growth

16. Continual investment in developing 'soft skills' within business (e.g. business development, sales & service culture)

Absolutely, strong sales/service culture exists	Yes, we are improving	Informally	No, need more information	No, not a priority
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

17. New and existing markets - practical opportunities for business growth currently exist

Excellent opportunities being pursued	Good opportunities being considered	Fairly good, need to be developed	Some, but not being pursued	No realistic growth opportunities
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

18. New products/services - practical opportunities for business growth currently exist

New product/services being rolled out	Opportunities being considered/developed	Fairly good, need to be developed	Some, but not being pursued	No realistic new product/services opportunities
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

19. Business is likely to make mergers/acquisitions, under a structured well managed process, in the short to mid term

Yes, underway/being planned	Good opportunities being considered	Some opportunities exist, need to be considered	Unlikely, not being actively pursued	No realistic prospects for merger/acquisition
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

20. Business is staying ahead of changes in customer trends and buying habits

Yes, it is a strength	Yes, in key areas	Some planning exists	Reactive only	No planning in this area
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

21. Business has continually invested in research and development

Formal R & D plan/s in place	In some key areas	N/A	Not for a while	No
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

22. Plant & equipment in good working order and able to meet future demand

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Yes, supporting growth	Excellent, some excess capacity	Good, no excess capacity	OK, due for a refurbishment	No, poor condition or hampering business
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

23. Premises - ability to support growth

Yes, capacity for expansion	Moderately, can cope with growth	Somewhat or "Growth is not influenced by premises"	OK for now, but not for growth	Premises need improvement or renovations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

24. Business Planning: Formal Business Plans (including SWOT, Growth, Budgets, Cost Centre Analysis, Strategic Plan, Marketing Plan etc.) exist and are actively managed and updated

Excellent, current plans in place & well managed	Good, regular planning, reviews & reporting in place	OK, informal planning	Discussed, but not actioned	No plans exist or don't see the need
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

25. Up-to-date website including customer e-commerce and social media functionalities

Yes, continually updating content	Partially, not updated in the last 12 months	Partially, not updated in the last 3 years or N/A	No, needs a major overhaul	Business does not have web site
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Growth: Main observations/comments (Client)

Growth: Main observations/comments

Risk

26. Cash reserves exist to protect business from economic downturns, seasonal conditions etc.

Large reserves exist and continue to grow	Reserves exist to fund the next 3 years	Limited reserves, operations are cash flow positive	No reserves, operations are cash flow neutral	Business is not viable with its current revenue/cost structure
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

27. Sales (existing and future) threatened by new technologies, web or other innovations

Not at all	Slightly, needs future consideration	Slightly, needs consideration now	Moderately	Significantly
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

28. Existing and target customers are located in a depressed geographical region

Not at all	Customer spread, minimises risk	Small %	Medium to large %	Large %
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

29. Government legislation protects existing products/services (e.g. statutory licences)

Yes, strong regulatory barriers exist	Yes, and regulation is expected to increase	No more than any other business	Slightly	Not at all
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LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
30. Products/services threatened by imports or new competitors				
Not at all	Not in the medium to long-term	Not now, but a future risk could emerge	To a small degree	Significantly
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
31. Insurance policies are adequate and current (property, general, business interruption, public liability, PI, staff etc.)				
Yes, detailed review conducted annually	Yes, some policies/agreements need updating	Work in progress	Risks understood, but some shortfalls exist	Not reviewed or don't align with current operations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
32. Last 5 years: number of legal claims/complaints that are > 1% of that year's sales				
0	1	2 or 3	4 or 5	> 5
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
33. Premises - where location is important, tenure is secured on favourable terms				
Long term, favourable conditions	Mid term, favourable conditions	In between or "Business is not influenced by location"	For short term or not favourable conditions	No, poor conditions or no security of tenure
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
34. Cost of supplies are subject to inflationary pressures and/or exchange rates/fuel prices				
Not at all	Slightly	Any impact is managed, or N/A	Some supplies or increasing impact	Significantly
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
35. How reliant is the business on its major suppliers				
Not at all, can substitute suppliers easily	To a small degree	In between, or N/A	In quite a few areas	Totally
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
36. Measures to prevent Cyber Attack, Data Breach and protect security of personal information				
Strong data protection measures in place	IT risk management procedures are being updated	Started to review risks	More information required	Unsure of responsibilities/actions to take
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
37. Management of online presence (e.g. website, social media profile & online reviews)				
Online profiles/reviews up to date & actively managed	Online presence managed and generally positive	Planning to develop a social media/online strategy	Managed when there's a problem	Don't see the need to manage social media
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
38. Governance - controls, policies, procedures & training programs in place (e.g. for directors, executives and key staff)				
Yes, best practice standard	Yes, close to best practice	Yes, meeting expectations	Some, but minor review required	No, need more information
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Risk: Main observations/comments (Client)

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Risk: Main observations/comments

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Competition**39. Your business brand, profile and reputation when compared to competitors**

Well ahead	Slightly ahead	About the same	Slightly behind	Well behind
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

40. The market can sustain the current level of competition

Definitely	Probably	Possibly	Unlikely	No, competitors are reducing and/or merging
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

41. New competitors have high barriers to entry

Yes, prohibitive to many	Yes, some	In between	To a small degree	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Competition: Main observations/comments (Client)

two New Mexican venues about to open. 1 is Guzman and Gomez

Competition: Main observations/comments

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Management Information Systems ("MIS")**42. Your commitment to maintaining up to date IT programs and infrastructure**

Totally, this is critical to our business	Totally, we upgrade every so often	Considerably, we are due for an upgrade	Somewhat, our business does well regardless	Not really, it has limited benefit for us
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

43. Your management accounting systems are able to produce accurate financial reports on a timely basis

Yes, 'best practice' reporting exists	Yes, can be improved	Systems need reviewing/updating	No, a minor worry	No, a major worry
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

44. Your financial accounting systems report on sales, cost of goods sold, employee and profit by major product/service categories

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Yes, across all areas of the business	In some, not all parts	Would like more information	Unsure if current systems produce this information	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

45. Data Analytics, Customer Relationship Management systems and processes are in place to manage customers, grow sales and attract new customers

Yes, 'best of breed' customer reporting	Yes, upgrade planned/underway	In part, feel we could be doing better	Informal	No, restricting growth
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

46. Best practice operating manual & system in place and used by staff

In place, actively managed	In place, requires updating	Work in progress	Informal	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Management Information Systems ("MIS"): Main observations/comments (Client)

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Management Information Systems ("MIS"): Main observations/comments

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Owner/s

47. Degree of owner(s) reliance

None, business runs well without owner(s)	Low	Medium	High	Very high
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

48. Owner(s) and key stakeholders are agreed and aligned on the future direction of the business and motivated to grow

All owner(s) share the same vision/motivation	Not all, but majority aligned/motivated	Work in progress, or N/A	Conflicts identified or need addressing	Major barriers exist
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

49. Owner(s) departure will cause loss of key customers and/or staff

No	To a small degree	Any impact can be managed	Minor impact expected	Major impact expected
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

50. Easy to transfer business knowledge, Intellectual Property, systems etc.

Very easy, scalable & transferable	Easy	Yes, but requires a planned approach	Hard	Very hard, specialist skills required
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

51. Business has strong management, leadership and financial skills internally - either owner(s), CEO or CFO

Very much so	In quite a few areas	In between or reliant on external skills	To a small degree	No, skills gap exists
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

52. Formal policies are in place that clearly state each owner(s) remuneration & incentive structure, areas of responsibility, outputs, lifestyle rewards and how the business will be managed (communication, budgets, targets etc.)

Yes, all of these issues are well documented	Most of these issues are documented	A general understanding exists	Not really	No
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

53. Business has a culture of balancing work and non-work activities as part of a healthy life balance for owner(s), managers and staff

Yes	Improving, changes underway	Started, not a current issue	Needs addressing	Negative culture affecting operations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Owner/s: Main observations/comments (Client)

Owner/s: Main observations/comments

Customers and Market Demand

54. Customer demographic information (gender, age, income ranges, location, opportunities) available and understood

Excellent	Good	Fairly good	OK, or in some areas	Poor, we don't collect or use customer data
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

55. Customer satisfaction rating

Excellent	Good	Not sure or not collected	Poor, minor problem	Poor, significant problem
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

56. Top 10 Customers: % of Total Sales

< 10%, diversified customer base	10 - 20%	21 - 30%	31 - 40%	> 40%, high reliance on key customers
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

57. Percentage of customers that generate 80% of profits

> 40%, profitability not reliant on key customers	21 - 40%	20%	10 - 19%	< 10%, key customers influence profitability
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

58. Sales Mix - % of revenue generated from recurring or repeatable sources

> 60%, strong annuity income	41 - 60%	21 - 40%	5 - 20%	< 5%, high reliance on transactional income, new customers
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

59. Degree of customer loyalty

Very high, with strong customer referrals	High	Medium	Low	Very low, few customer touch points
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

60. Effect of 10% increase in prices on demand for your products/services

None at all	No material change	Not sure, need to assess price sensitivity	Lose some sales/customers	Major drop in sales/customers
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

61. Strong market demand exists for your products/services

Absolutely, now and into the future	Good, at this stage	OK	Trend is for slight decline	Trend is for major decline
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

62. Substitutes exist for your products/services

Not at all, different/unique offering	To a small degree, we have a strong brand	Yes, but we are taking business off competitors	Yes, a bit of a worry	Yes, majority of industry competes on price
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

63. Describe the nature of the products/services that you provide

Absolute necessity	Our customers would struggle without them	Some customers could reduce use of our products/services	Easy to do without for many of our customers	Luxury goods
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

64. Business has established and/or is developing a unique identity (specialist products/services, niche market/s etc)

Yes, our identity driving strong growth	Yes, moderate growth opportunities exist	Possibly, more planning is required	No	Losing market share due to competitors' specialisation
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

65. Effect on sales if a key customer sold their business

None at all, or N/A	Slight decline	Not sure, need to assess customer sensitivity risk	Operations would be disrupted in the short term	Major decline
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Customers and Market Demand: Main observations/comments (Client)

Customers and Market Demand: Main observations/comments

Staff

66. Formal strategies in place for staff attraction, retention and motivation

Excellent processes in place	Good	Fairly good	OK	Poor, no processes in place
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LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
67. Experienced staff retention history				
Excellent, considered an 'employer of choice'	Good, favourably viewed by the labour market	OK	A bit of a struggle	Problem area for the business
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
68. Current staff agreements adequately address remuneration, superannuation, insurances, taxes, restraint of trade, etc.				
Yes, up-to-date	Yes, not current but still ok	We are reviewing our agreements	Informal arrangements, requires documentation	No, will consider
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
69. Business offers innovative ways to retain & motivate key staff (e.g. non-cash incentives, flexible working conditions, performance bonuses)				
Yes	In some areas	Informal	No, will consider	Don't see the need
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
70. Staff commitment to business goals and visions				
100% buy-in	Strong buy-in from key staff	OK, needs improving	Little staff commitment	Large disconnect between business & its staff
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
71. Formal communication within business				
Excellent, vision and goals well understood by all	Good, regular communication	Fairly good	OK, ad hoc when necessary	Poor or no regular communication
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
72. Training plans in place for skilling, re-skilling and upskilling staff, key contractors and consultants				
Formal, for all people	Formal, for key people	Informal, could be managed better	Ad hoc, only when a skill gap identified	No, will consider
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
73. Programs in place to attract & retain future successors (Inc. dividend, ownership, valuation and funding models)				
Yes, in place and working	Yes, successors identified, work in progress	Informal discussions	No, will consider	Don't see the need
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
74. Using outsourcing, offshoring or contractors to fulfil resource gaps				
Yes, trusted relationships exist	Yes, further opportunities exist	In part, business needs a more structured process	No, hard to find qualified, external resources	Won't consider due to fear of losing customers/quality of work etc.
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Staff: Main observations/comments (Client)

Very hard to find staff in Hospitality

Finance, Valuation, Succession and Estate Planning

75. Surplus capital exists for future growth and succession				
Yes, generated from trading operations	Yes, excess borrowing capacity exists	No problems to date	Could be an issue	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
76. Relationship with bank(s) and other funding providers (e.g. finance/mortgage brokers)				
Very good	Good	OK	Experienced minor problems in the past	Difficult, impacted by current performance
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
77. Documented management and ownership succession plan				
Yes, and is actively managed	Yes, needs to be reviewed and updated	Informal	Discussed, but not actioned	No, not sure of the benefits
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
78. Excess assets and income to fund owner(s) retirement or next business venture				
Yes, not reliant on sale of the business	Not yet, plans exists to grow business value	Unsure, need more information on business value	No, low to medium 'value gap' risk	No, major shortfall (high 'value gap' risk)
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
79. Current business operating model and future growth prospects are attractive to a buyer				
Yes, been approached by buyers	With some modifications	Unsure, need to develop a plan for sale	No, business is not 'sale ready'	No, major barriers exist to sell the business
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
80. Personal, family & business arrangements in place for asset protection/estate planning to protect against disputes, relationship breakdowns, TPD, death, retirement, ill health etc.				
Yes, up-to-date	Yes, needs updating	In progress	Discussed, but not actioned	Not a priority
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Finance, Valuation, Succession and Estate Planning: Main observations/comments (Client)

Finance, Valuation, Succession and Estate Planning: Main observations/comments

Risk & Value Driver Assessment Score:	6
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