

# Business Valuations Online

Your Business Valuation Report



A Ccountant  
Accountancy R Us  
Level 10  
1 Pitt St  
Sydney NSW 2000  
Australia

Our Ref: BVO000995  
28 Feb 2023  
Sent by email to: Accountant@accountant.com.au

## YOUR ENTITY VALUATION REPORT

Dear SIR/MADAM,

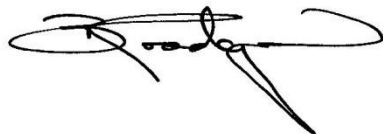
I refer to your instruction received via our website [www.businessvaluations.online](http://www.businessvaluations.online), and note that you have agreed with our terms of engagement by checking the “agreed” box.

I am a Director of Business Valuations Online Pty Ltd (BVO), and you have requested that I prepare a Limited Scope Entity Valuation Report, as defined by APES 225, pertaining to the value of the business known as XYZ ARCHITECTURE PTY LTD.

All analysis that has been conducted has been in accordance and as a result of the information and data provided by you. No audit or checking other than as specifically noted within the body of this report has been conducted. As such, BVO does not warrant the accuracy of any analysis where the errors are as the result of incorrect information supplied to us for the purposes of this report.

Please find attached your Business Valuation Report as requested. Please note the listing of information supplied and relied upon for the purposes is attached as Appendix A and Appendix B to the report.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Brett Goodyer', with a stylized flourish at the end.

Brett Goodyer  
Director  
FCPA B.Com MForAccy

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Limited Scope Entity Valuation Report

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**XYZ ARCHITECTURE PTY LTD**

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As requested by A Ccountant of Accountantcy R Us

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## Limited Scope Entity Valuation Report Overview

This report complies with the requirements of APES 225 – Valuation Services.

Note that this report does not constitute an independent expert report and it does not fully comply with the requirements of APES 215 – Forensic Accounting Services, the Professional Code of Practice of CPA Australia and the Institute of Chartered Accountants of Australia and New Zealand and is for providing an indicative market value of the subject business.

All inquiries have been made for the purposes of this report that the writer believes necessary and appropriate. No relevant matters have been omitted from this report unless specifically stated. It is the writer's belief that the facts within his knowledge stated in this report are true and the opinions expressed are independent and impartial.

If any of the information relied upon is found to be either inaccurate or incomplete, or further information is provided, the writer reserves the right to revisit any conclusions in this report and amend it if necessary.

As a 'limited scope' report the scope has intentionally been limited to provide an estimate of business and/or entity values for the purpose of negotiation and settlement. Analysis and investigations have been abbreviated and detailed discussion of key valuation points have been bypassed in the interests of brevity, moving instead directly to conclusions.

## The Valuation Process

As shown at Appendix A, the information provided has been collated and subsequently relied upon in this valuation engagement. This information consisted of both financial and non-financial information pertaining to the subject business' past financial performance (profit and loss reports), its current financial position (the most recent balance sheet), and various other information pertaining to both quantitative and qualitative aspects of the business.

The approach to valuing the business applied is to seek to determine what a hypothetical, informed, willing but not anxious buyer of the shares would pay to an informed, willing but not anxious seller in an open market, where the parties are acting on an arm's length basis. This valuation measure is referred to as 'fair market value'.

By adopting such an approach in relation to the valuation of the business, the report determines the fair market value of the business.

Every business is different and possesses its own idiosyncrasies, which means that no two business valuations are ever the same. However, the approach to valuing businesses is uniform and consists of the following steps:

- Peruse all materials provided prior to commencement of valuation calculations;
- Undertake research in relation to the current economic conditions facing the specific market of the subject business;
- Examine the financial performance of the business over recent years in the context of all materials provided (including any commentary provided by business owners, advisers or management as supplied);
- Select a valuation methodology that is most applicable to the business (refer to Appendix D for a listing of available methodologies);
- Undertake valuation calculations (including making any adjustments to financial statements to reflect a hypothetical arms-length transaction);
- Review and double-check valuation calculations; and,
- Provide the valuation report, including conclusions as to fair market value.

## Assumptions and Disclaimers

All information, including the financial statements and other financial reports that have been provided for the purposes of this report is true and correct, including those stated at Appendix A and Appendix B of this report.

Neither BVO, nor any of its related entities are the auditors of, or the accountants for, any of the entities or individuals referred to in this report. We have not audited or otherwise sought to verify any of the information with which we have been provided and utilised in preparing this assessment, no opinion is expressed with regard to the reliability of the information with which has been provided and upon which this valuation is based.

Further assumptions are discussed throughout this report as required.

This appraisal is based upon the relevant prevailing market, economic and other conditions. Conditions can vary significantly over short periods of time and any subsequent changes in these conditions could impact upon the value, either positively or adversely.

No attempt has been made to independently confirm the financial information upon which this report is based and accordingly express no opinion as to its truth or accuracy.

The financial information relied upon has been analysed and utilised for the purposes of the calculations and assessments herein. Where necessary, this information has been subject to various procedures and adjustments as considered necessary in the professional judgment of the writer of this report.

## Background

### **Main Business Location**

Sydney, NSW 2000

### **Entity Type**

Architectural Services in Australia

**ABN:** 11 222 333 444

### **Primary Business**

Per your responses to our online questionnaire, you have advised that XYZ ARCHITECTURE PTY LTD is located in Sydney, NSW 2000 and that it operates in the Architectural Services in Australia industry.

## Valuation of the Entity

This appraisal is based upon the relevant prevailing market, economic and other conditions. Conditions can vary significantly over short periods of time and any subsequent changes in these conditions could impact upon the value, either positively or adversely.

No attempt has been made to independently confirm the financial information upon which this report is based and accordingly express no opinion as to its truth or accuracy.

The financial information relied upon has been analysed and utilised for the purposes of the calculations and assessments herein. Where necessary, this information has been subject to various procedures and adjustments as considered necessary in the professional judgment of the writer of this report.



## Overview of the Industry

You have indicated that XYZ ARCHITECTURE PTY LTD operates in the Architectural Services in Australia industry. An analysis of the Architectural Services in Australia industry provides the following key industry insights:

**Revenue**

**\$6.85bn**

**Profit**

**\$1.16bn**

**Avg Turnover**

**\$520.00k**

**Businesses**

**13175.00**

**Avg # Employees**

**3.25**

**Avg Revenue / Employee**

**\$160.00k**

**Life Cycle Stage**

**Mature**

**Revenue Volatility**

**Steady**

**Capital Intensity**

**Low**

**Technology Change**

**Medium**

**Growth Risk Level**

**Medium - High**

**Sensitivity Risk Level**

**Medium**

**Structural Risk Level**

**Medium**

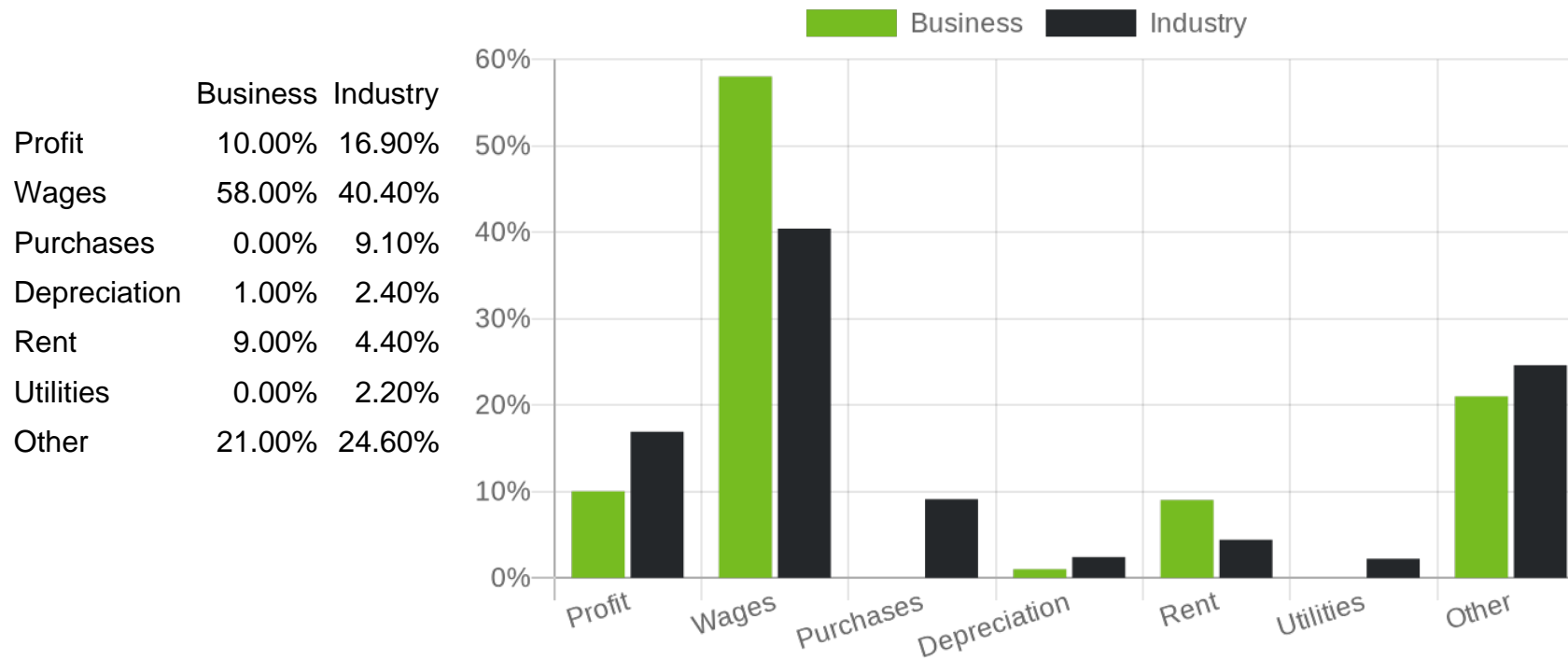
**Overall Risk Level**

**Medium - High**

## Overview of Business

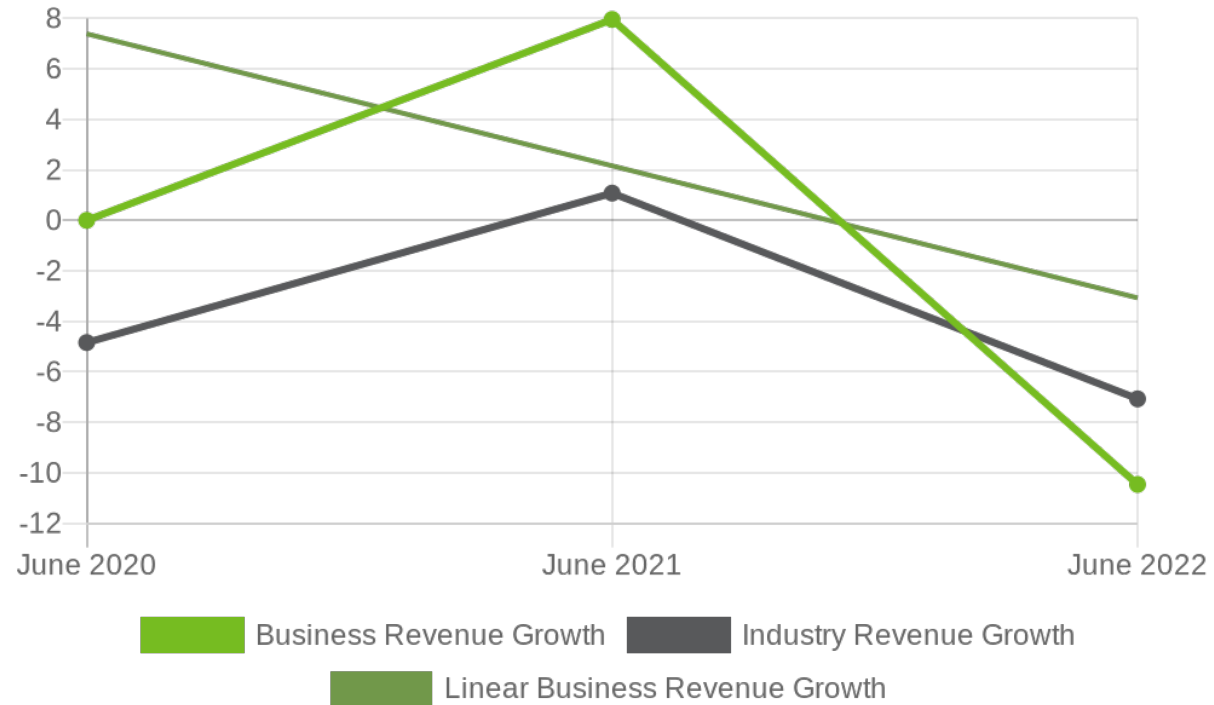
We have undertaken an assessment of XYZ ARCHITECTURE PTY LTD relative to the performance of the rest of the industry to allow us to consider the performance of XYZ ARCHITECTURE PTY LTD within the context of the rest of the industry.

### Unadjusted Business Cost Structure Relative to Industry

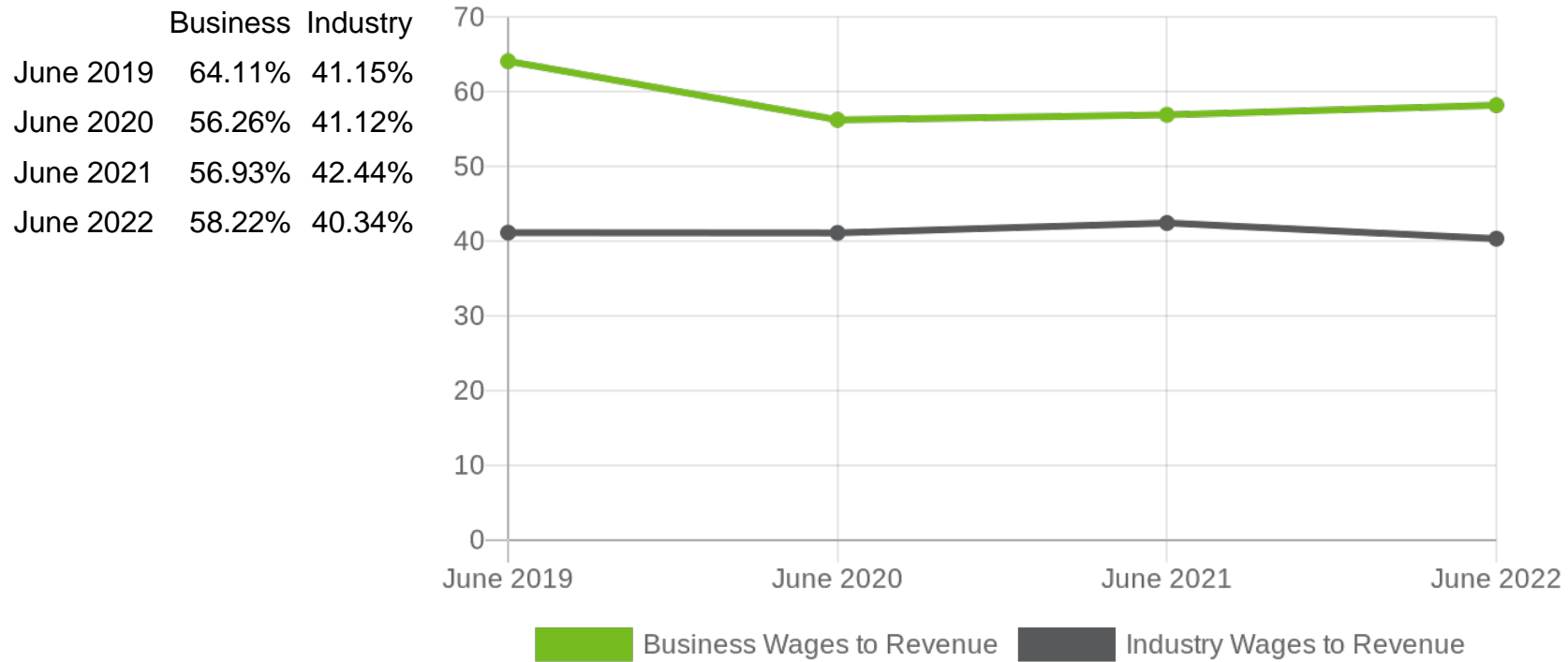


## Business vs Industry Revenue Growth

	Business	Industry
June 2020	0.00%	-4.84%
June 2021	7.96%	1.08%
June 2022	-10.46%	-7.07%



## Business vs Industry Wages to Revenue



## Consideration of the Financial Statements of the Entity

An examination of the key financial ratios of the entity has been undertaken for the Profit & Loss for the year ended 2022 and the Balance Sheet as at 2022, with the following results:

### Financial Statement Assessments

#### Efficiency and solvency tests

<b>Liquidity Ratio</b>	Current Assets	\$2,026,839.00	Based upon a simple assessment of Current Assets vs Current Liabilities, it appears that the business is solvent. This means that the business has sufficient means to pay all current debts as and when they fall due.
	Current Liabilities	\$1,716,823.00	
		1.18 : 1	
<b>Quick Ratio</b>	Quick Assets	\$1,749,145.00	The quick ratio allows a business to understand whether all current liabilities can be extinguished by quickly accessing the most liquid assets on hand. A good quick Ratio coverage (i.e. greater than 1) indicates that the business is able to pay their debts as and when they fall due as they are not reliant on future cashflows to settle existing debts.
	Current Liabilities	\$1,716,823.00	
		1.02 : 1	
<b>Net Asset Position</b>	Total Assets	\$5,588,566.00	Based upon a simple assessment of Total Assets vs Total Liabilities, it appears that the business is solvent on a balance sheet test of solvency. This means that the business has sufficient assets on hand to pay all of its debts, but it does not guarantee that it has sufficient liquid assets to pay all debts 'as and when they fall due'.
	Total Liabilities	\$1,744,417.00	
		3.20 : 1	

<b>Accounts Receivable Turnover Ratio</b>	Current Accounts Receivable	\$824,536.00	An accounts receivable turn of more than two is indicative that less than 50% of the total revenue of the entity for the entire year is tied up in invoices yet to be paid by the debtors of the business. The more monies tied up in debtors the more detrimental an effect on the cash flow of the business, and it would likely result in any profits from the business being tied up in the business as most businesses average less than 20% profit on revenue per annum. Taxes would still need to be paid on the profit made, even if it is 'only on paper'.
	Total Revenue	\$6,387,813.00	
		7.75 : 1	
<b>EBIT Margin</b>	Earnings Before Interest & Tax	\$653,534.00	An EBIT Margin of 10% to 20% indicates that the business is making a significant profit in the most recent financial year in real terms. That is to say that, once adjustments are made to allow for commercial rent and commercial salaries for owners and any other adjustments to reflect the business as a passive investment to a person who is not working in the business, there is significant return to the owner. A small to medium business ordinarily carries with it certain investments risks, and as such an investor should expect a return relative to these risks. Ordinarily a small business investor could expect a return of more than 20% per annum.
	Total Revenue	\$6,387,813.00	
		10.23%	
<b>Return on Assets</b>	Net Assets	\$3,844,149.00	The return on assets ratio indicates how effectively the assets of your business are working to generate profit. A return on assets of more than 10% indicates that the business is making a reasonable return on the business asset. Some further efficiencies may be found. Asset intensive businesses should strive to be in this category whilst service based businesses (which are ordinarily not asset intensive) should look to return in excess of 20%.
	Earnings Before Interest & Tax	\$653,534.00	
		17.00%	
<b>Gross Margin</b>	Gross Profit	\$6,390,089.00	A business' gross margin indicates what percentage of income it retains after paying the direct costs related to the sales it makes. The higher this percentage, the more money the business has to service its other costs and debt obligations. Due to the variances between business types, methods of service and product delivery, and various other variables, there is no 'one-size-fits-all' approach to what could be considered a 'good' or 'bad' gross margin. As a result, this information is given for consideration in the context of the overall analysis of the financial performance of the business.
	Total Revenue	\$6,387,813.00	
		100.00%	

**Operating Cash  
Flow to Current  
Liabilities**

Operating  
Cash Flow

\$667,147.00

Current  
Liabilities

\$1,716,823.00

0.39 : 1

An Operating Cash Flow to Current Liabilities ratio of less than one is indicative that the total annual free cash flows into the business (after all expenses except depreciation) of the entity are insufficient to pay the current debts of the business. It is likely that the business will become insolvent without significant additional cash resources being made available or where overall leverage against net assets is too high (that is, where the business doesn't have a net asset position significantly greater than net borrowings).

## Selection of Valuation Methodologies

The approach to valuing a business applied in this report is to seek to determine what a hypothetical, informed, willing but not anxious buyer of the shares would pay to an informed, willing but not anxious seller in an open market, where the parties are acting on an arm's length basis. This valuation measure is referred to as 'fair market value'.

By adopting such an approach in relation to my valuation of the business, one is determining the fair market value of the business.

There are several commonly applied valuation methods that are used to establish fair market valuations of businesses. A description of these methodologies is set out in Appendix C.

In determining an appropriate method to adopt in my valuation of the business, the following factors have been considered:

- The business has been operating since 1993
- Total revenue has grown an average of 2.16% since June 2019
- Revenue earned by the entity has shown volatility since year June 2019
- Total profit less interest generated by the entity has increased an average of 42.76% since June 2019
- Wages as a proportion of revenue for the entity has decreased an average of 2.93% since June 2019
- The business operates in the Architectural Services in Australia industry

Based upon the factors discussed above, the Future Maintainable Earnings ("FME") method of valuation (refer to Appendix D) provides the most appropriate method to determine the value of the business.

Measures of earnings, such as Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA"), and similarly EBITA and EBIT, are measures of earnings before recognising interest payments to financiers and lenders and are more applicable to methods of valuing the enterprise as it is a matter of owner discretion as to whether the business uses external finance options.

In the absence of available forecasts, it is common practice to consider the historical operating performance and earnings of a business and potential normalisation adjustments when constructing the FME.

When determining FME under the FME Method, historical earnings need to be normalised. That is, items that are 'abnormal', one-off, not of a commercial nature or not expected to recur in the future should be removed from the earnings for the period in which the FME was assessed.



## Calculation of the Value of the Business

In forming my opinion as to an appropriate level of FME to be adopted for the business, I have reviewed the reported and unaudited financial statements for the business for the June 2019, June 2020, June 2021 and June 2022 financial years as provided by you.

On the basis of information made available to me, it is my opinion that the 2019, 2020 and 2022 financial years are the most indicative of the business' maintainable future earnings. Based upon the observed trends in the business, including growth trends, observed profitability and margins, I have weighted the calculation of the FME on the basis of 33.00% for 2019, 33.00% for 2020 and 34.00% for 2022.

I note that I have not relied upon the 2021 financial year results due to the anomalous results caused by COVID 19.

## Normalisation Adjustments

General profit and loss statement adjustments are made to account for items that are assessed as 'abnormal', one-off, not of a commercial nature or not expected to recur in the future.

I have made normalisation adjustments to the profit and loss statements of XYZ ARCHITECTURE PTY LTD as follows:

- Add Practice Director 1 - Actual: Add back actual Director salary paid
- Add Practice Director 2 - Actual: Add back actual Director salary paid
- Add Practice Director 3 - Actual: Add back actual Director salary paid
- Add Practice Director 4 - Actual: Add back actual Director salary paid
- Add Practice Director 5 - Actual: Add back actual Director salary paid
- Add Car Allowance - Directors: Discretionary payment of non-business related expense
- Add Christmas Party: Discretionary payment of non-business related expense
- Add Credit Card Fees: Not incurred in the ordinary course of business
- Add Entertainment - Client: Discretionary payment of non-business related expense
- Add Entertainment - Non Client: Discretionary payment of non-business related expense
- Add Filing fees: Not incurred in the ordinary course of business

- Add Minor Capex: Extraordinary item (unlikely to repeat in the future)
- Add Team Bonding: Discretionary payment of non-business related expense
- Less Practice Director 1 - Commercial Salary: Deduct commercial salary for Director
- Less Practice Director 2 - Commercial Salary: Deduct commercial salary for Director
- Less Practice Director 3 - Commercial Salary: Deduct commercial salary for Director
- Less Practice Director 4 - Commercial Salary: Deduct commercial salary for Director
- Less Practice Director 5 - Commercial Salary: Deduct commercial salary for Director
- Less ATO Cash Flow Boost: Extraordinary item (unlikely to repeat in the future)
- Less ATO JobKeeper Payment: Extraordinary item (unlikely to repeat in the future)
- Less Services NSW Covid-19 Grant: Extraordinary item (unlikely to repeat in the future)
- Less Services NSW JobSaver Payment: Extraordinary item (unlikely to repeat in the future)
- Less Other Income: Remove sublease income
- Less Sublease Income: Remove sublease income

## Determination of FME

Based on the performance of the business per its financial statements and the adjustments made (as detailed at Appendix A), I have determined a weighted average EBIT FME of \$716,000.00.

The Following table provides a summary of the calculation of the FME for XYZ ARCHITECTURE PTY LTD.

XYZ ARCHITECTURE PTY LTD	June 2022	June 2021	June 2020	June 2019
<b>Profit before Income Adjustments</b>	<b>\$628,116.00</b>	<b>\$1,036,153.00</b>	<b>\$1,317,428.00</b>	<b>\$430,744.00</b>
Add: Interest Paid	\$27,694.00	\$10,618.00	\$34,654.00	\$47,157.00
Less: Interest Received	\$2,276.00	\$5,058.00	\$10,886.00	\$12,005.00
<b>EBIT</b>	<b>\$653,534.00</b>	<b>\$1,041,713.00</b>	<b>\$1,341,196.00</b>	<b>\$465,896.00</b>
<b>Normalisation Adjustments</b>				
<b>Add</b>				
Practice Director 1 - Actual	\$197,400.00	\$197,400.00	\$197,400.00	\$197,400.00
Practice Director 2 - Actual	\$197,852.00	\$197,852.00	\$197,852.00	\$197,852.00
Practice Director 3 - Actual	\$182,844.00	\$182,844.00	\$182,844.00	\$182,844.00
Practice Director 4 - Actual	\$174,514.00	\$174,514.00	\$174,514.00	\$174,514.00
Practice Director 5 - Actual	\$182,844.00	\$182,844.00	\$182,844.00	\$182,844.00
Car Allowance - Directors	\$20,800.00	\$21,600.00	\$20,800.00	\$20,800.00
Christmas Party	\$6,203.00	\$0.00	\$0.00	\$0.00
Credit Card Fees	\$364.00	\$390.00	\$0.00	\$0.00
Entertainment - Client	\$3,830.00	\$23,753.00	\$32,892.00	\$40,349.00
Entertainment - Non Client	\$2,409.00	\$0.00	\$0.00	\$0.00
Filing fees	\$293.00	\$466.00	\$791.00	\$263.00

Minor Capex	\$0.00	\$0.00	\$3,251.00	\$0.00
Team Bonding	\$3,490.00	\$0.00	\$0.00	\$0.00
<b>Less</b>				
Practice Director 1 - Commercial Salary	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00
Practice Director 2 - Commercial Salary	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00
Practice Director 3 - Commercial Salary	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00
Practice Director 4 - Commercial Salary	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00
Practice Director 5 - Commercial Salary	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00
ATO Cash Flow Boost	\$0.00	\$50,000.00	\$50,000.00	\$0.00
ATO JobKeeper Payment	\$0.00	\$850,800.00	\$210,000.00	\$0.00
Services NSW Covid-19 Grant	\$15,000.00	\$0.00	\$0.00	\$0.00
Services NSW JobSaver Payment	\$81,110.00	\$0.00	\$0.00	\$0.00
Other Income	\$116,179.00	\$0.00	\$1,703.00	\$2,839.00
Sublease Income	\$0.00	\$108,853.00	\$92,199.00	\$0.00
<b>Adjusted EBIT</b>	<b>\$514,088.00</b>	<b>\$113,723.00</b>	<b>\$1,080,482.00</b>	<b>\$559,923.00</b>
EBIT Margin	8.05%	1.94%	16.50%	9.23%
Weighting	34.00%	0.00%	33.00%	33.00%
Calculated FME	\$716,123.57			
<b>FME Value</b>	<b>\$716,000.00</b>			

## Determination of Capitalisation Rate (Multiple)

Having considered the attributes of the business, including the industry and sub-industry classification, the nature, length of trade, asset base and profitability, as well as the EBIT multiples achieved in the Industry over the previous year, I consider the most appropriate EBIT multiple range for this business to be 3.79 to 4.19 times normalised EBIT.

The selection of an appropriate multiple to apply to FME is a matter of professional judgment. Under the FME Method, a multiple should reflect both the expected returns from investments in the relevant industry and the expected risks in achieving those returns. In determining the multiple to use in a valuation of the business, the following factors must be considered and assessed:

- Observed transaction multiples relating to takeover or acquisition situations involving businesses that are, to some extent, comparable with the company being valued;
- The financial results and information relating to businesses sold in recent periods;
- Consideration of the potential differences between the selected multiple ranges experienced by the marketplace, including differences in size and diversification of operations;
- The extent and nature of competition in the Architectural Services in Australia;
- The consistency and reliability of the business current earnings and any future growth opportunities; and,
- The relative risk compared to other investments.

In general terms, a FME multiple incorporates the following factors:

- Rates of returns
- Time value of money
- Future growth prospects
- The general economic conditions as at the date of valuation
- The changes in the legislative structure in which the business operates (if any); and
- The relative risk of the industry in which the business operates

An FME based valuation utilising these multiples is therefore shown in the below Table:

	FROM	TO
Future Maintainable EBIT	\$716,000.00	\$716,000.00
EBIT Multiple	3.79	4.19
Enterprise Value	\$2,713,640.00	\$3,000,040.00
Entity Value	\$5,423,576.00	\$5,423,576.00
Share Percentage Valued	100.00%	100.00%
Value of 100.00% shares	\$5,423,576.00	\$5,423,576.00

Based upon the calculation in the above table, it is my opinion that the business that is known as XYZ ARCHITECTURE PTY LTD is valued at between \$2,713,640.00 and \$3,000,040.00. Expressed as a midpoint, the business of XYZ ARCHITECTURE PTY LTD is valued at \$2,856,840.00, as at the indicated date.

On the basis of a calculated business value of \$2,856,840.00 and a net tangible business assets of \$987,413.00, the goodwill of the business of XYZ ARCHITECTURE PTY LTD is \$1,869,427.00. Details of this calculation are shown in Appendix C.

On the basis of the foregoing, the equity value of XYZ ARCHITECTURE PTY LTD can be calculated by reference to the above valuation of the business and the value of any surplus assets and/or liabilities carried by the entity. Therefore, the total equity value of the entity XYZ ARCHITECTURE PTY LTD is \$5,423,576.00, including a calculated value of \$1,869,427.00 of goodwill.

Further, you have requested a valuation of 100.00% of the shares in XYZ ARCHITECTURE PTY LTD which is \$5,423,576.00.

## Conclusion

This Limited Scope Entity Valuation Report is based upon the relevant prevailing market, economic and other conditions. Conditions can vary significantly over short periods of time and any subsequent changes in these conditions could impact upon the value, either positively or adversely.

No attempt has been made to independently confirm the financial information upon which this report is based and accordingly no opinion is expressed as to its truth or accuracy.

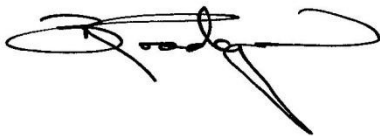
Based upon the foregoing, the business that is known as XYZ ARCHITECTURE PTY LTD is valued at \$2,856,840.00, as at 30 Jun 2022.

On the basis of the above business valuation I have calculated the total goodwill held within the business as \$1,869,427.00, as shown at Appendix C.

On this basis, the total value of all shares in XYZ ARCHITECTURE PTY LTD is \$5,423,576.00 as at 30 Jun 2022.

Based upon the above calculations, I consider the value of 100.00% of the shares in XYZ ARCHITECTURE PTY LTD to be \$5,423,576.00.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Brett Goodyer', is positioned below the 'Yours faithfully,' text. The signature is fluid and cursive.

Brett Goodyer  
Director  
FCPA B.Com MForAccy

# APPENDIX A

## Client information as provided via businessvaluations.online

Client Details	
Name	Accountancy R Us
Address	Level 10 1 Pitt St Sydney NSW 2000 Australia
Phone	
Email	
Your Accountants Details	
Accountant details are the same as my details	Yes
Subject Entity	
I am the entity contact	Yes
Name	XYZ ARCHITECTURE PTY LTD
Address	Level 11 1 Pitt Street Sydney NSW 2000 Australia
Website	www.architecture.Online
ABN or ACN	11 222 333 444
Business operates at the same location	Yes



## Valuation Overview

Purpose of valuation	Sale of shares/units in the controlling entity
Require a valuation of the business that is operated by the entity	Yes

## Entity Business Overview

Year Commenced Trading	1993
Industry Classification	Other services
Business Description	Architectural Services in Australia
Does the business keep stock?	No
Are the premises leased or owned?	Leased
Is the landlord a related party?	No
Lease expiry date	31 Jul 2024
How long are the further options on the lease (in years)?	4

## Business Risks

Does the business have a business plan?	Yes
Business plan is reviewed and updated	Yes
Does the business have a succession plan in place?	Yes
Does the business set annual budgets / forecasts	
Does the business have a major supplier who provides >30% of the product requirements?	No
Is the current location critical to the operation of the business?	Yes
Are the internal controls, systems and processes documented, acknowledged and followed by staff?	Yes
Does the business have any known unresolved legal disputes?	No
Does the business keep accurate and up-to-date financial	Yes

records on at least a monthly basis?

Does the business (or proprietor) of the business possess necessary licensing, permit and registration requirements for the business? Yes

## Owners and Employees

Business senior management team A team of employees

Senior management team has employment contracts with restriction of competition clauses Yes

How many employees does the business have (including owners if they work in the business) on a Full Time Equivalent basis? 45

Does the business undertake annual employee performance reviews? Yes

Are all employment contracts up-to-date? Yes

Do the owner(s) work in the business? Yes

Is the business reliant upon the skills, knowledge and/or contacts of the owner? Yes

Owner 1 role Practice Director

Owner 1 current pay \$197,400.00

Owner 1 equivalent commercial salary \$190,000.00

Owner 2 role Practice Director

Owner 2 current pay \$197,852.00

Owner 2 equivalent commercial salary \$190,000.00

Owner 3 role Practice Director

Owner 3 current pay \$182,844.00

Owner 3 equivalent commercial salary \$190,000.00

Owner 4 role Practice Director

Owner 4 current pay	\$174,514.00
Owner 4 equivalent commercial salary	\$190,000.00
Owner 5 role	Practice Director
Owner 5 current pay	\$182,844.00
Owner 5 equivalent commercial salary	\$190,000.00
Are there any related parties (such as family, partners, etc) who are paid by the business?	No

## Key Expenses

Has all outstanding superannuation due to be paid in relation to superannuation guarantee contributions been paid up to date?	Yes
Does the entity have an outstanding tax liability?	No
Is workers compensation insurance paid and up to date?	Yes
Are all other insurances up to date?	Yes
Are all revenue and expenses that are received or paid in cash accounted for?	Yes
What type of customers does the business sell to?	Business
Does the business own any registered trademarks?	No
What percentage of the motor vehicle expense is related to the operation of the business?	0 %
What percentage of your turnover does your biggest customer represent?	10 %

## Financial Statements

Financial statements were uploaded, and are summarised in subsequent appendices

Are there any motor vehicles or other assets on the balance sheet that are not used in generating income for the business?	No
--	----

Are all loans from third parties to the entity collectible at their carried value?

Yes

Further information that would be useful to this process

# APPENDIX B

## Financial Information Supplied

### Profit and Loss Statements

Item	June 2022	June 2021	June 2020	June 2019
<b>INCOME</b>				
ATO Cash Flow Boost	0.00	50,000.00	50,000.00	0.00
ATO JobKeeper Payment	0.00	850,800.00	210,000.00	0.00
Disbursements Recovered	439,448.00	126,889.00	130,876.00	253,086.00
Fees Received	5,736,076.00	4,725,292.00	6,061,698.00	5,808,108.00
Interest Received	2,276.00	5,058.00	10,886.00	12,005.00
Other Income	116,179.00	0.00	1,703.00	2,839.00
Services NSW Covid-19 Grant	15,000.00	0.00	0.00	0.00
Services NSW JobSaver Payment	81,110.00	0.00	0.00	0.00
Sublease Income	0.00	108,853.00	92,199.00	0.00
<b>TOTAL INCOME</b>	<b>6,390,089.00</b>	<b>5,866,892.00</b>	<b>6,557,362.00</b>	<b>6,076,038.00</b>
<b>GROSS PROFIT</b>	<b>6,390,089.00</b>	<b>5,866,892.00</b>	<b>6,557,362.00</b>	<b>6,076,038.00</b>
<b>LESS OPERATING EXPENSES</b>				
Accommodation - Local	964.00	0.00	0.00	0.00
Accountancy Fees	46,688.00	39,000.00	39,000.00	44,000.00
Admin Fee	94,178.00	83,021.00	64,295.00	0.00

Airfares - Local	3,018.00	0.00	0.00	0.00
Assets under \$20,000	0.00	0.00	0.00	2,489.00
Bank Charges	27,753.00	27,117.00	26,795.00	24,249.00
Books & Publications	0.00	0.00	77.00	0.00
Car Allowance - Directors	20,800.00	21,600.00	20,800.00	20,800.00
Christmas Party	6,203.00	0.00	0.00	0.00
Cleaning	26,638.00	31,116.00	25,968.00	21,674.00
Computer Software, Consumables and Services	83,748.00	74,137.00	46,424.00	104,177.00
Consultants Fees	87,920.00	58,013.00	51,627.00	92,003.00
Contractors	636.00	0.00	0.00	14,292.00
Copying	0.00	0.00	0.00	42,614.00
Couriers	45.00	488.00	652.00	891.00
Credit Card Fees	364.00	390.00	0.00	0.00
Depreciation	39,031.00	40,684.00	80,403.00	54,945.00
Directors Meetings	2,350.00	0.00	0.00	0.00
Disbursements Expensed	457,865.00	152,284.00	107,188.00	226,633.00
Entertainment - Client	3,830.00	23,753.00	32,892.00	40,349.00
Entertainment - Non Client	2,409.00	0.00	0.00	0.00
Events	2,621.00	0.00	0.00	0.00
Filing fees	293.00	466.00	791.00	263.00
Fringe Benefits Tax	17,405.00	10,071.00	15,641.00	23,204.00
General Expenses	0.00	2,118.00	0.00	0.00
General Stationery	7,491.00	7,543.00	6,330.00	0.00
Group Salary Continuance	31,119.00	11,002.00	32,062.00	0.00

Insurance	0.00	0.00	0.00	81,405.00
Insurance - Business Protection	0.00	882.00	3,779.00	0.00
Insurance - Office	11,573.00	7,645.00	3,336.00	0.00
Insurance - Professional Indemnity	59,409.00	63,511.00	50,302.00	0.00
Insurance - Travel	1,464.00	0.00	0.00	0.00
Interest	27,694.00	10,618.00	34,654.00	47,157.00
Internet - Office	4,389.00	10,484.00	14,448.00	0.00
Internet - Remote	2,550.00	2,352.00	2,089.00	0.00
IT Support	56,180.00	38,887.00	25,490.00	0.00
Legal and Statutory Costs	38,322.00	16,025.00	11,355.00	23,598.00
Magazines, Journals and Periodicals	54.00	851.00	1,530.00	3,566.00
Management Conferences	1,522.00	0.00	25,229.00	0.00
Marketing, Advertising and Promotional Expenses	1,891.00	89.00	13,186.00	11,390.00
Minor Capex	0.00	0.00	3,251.00	0.00
Mobiles	15,250.00	7,252.00	13,314.00	0.00
Motor Vehicle	5,950.00	6,366.00	9,130.00	21,131.00
Newspapers	2,041.00	594.00	1,755.00	0.00
Office Clean Up	0.00	0.00	599.00	0.00
Other Memberships	3,175.00	0.00	3,122.00	0.00
Parking	29,610.00	0.00	0.00	0.00
Payroll services	8,529.00	8,753.00	9,794.00	9,593.00
Payroll Tax	133,465.00	99,563.00	91,733.00	159,366.00
Photography	2,210.00	2,500.00	1,500.00	0.00
Postage	157.00	490.00	630.00	1,207.00

Printer & Stationery	0.00	0.00	0.00	10,285.00
Printer Leasing & Supplies	24,881.00	26,860.00	33,430.00	0.00
Printing Expenses	720.00	827.00	1,155.00	0.00
Professional Memberships	12,922.00	1,998.00	3,042.00	24,176.00
Promotions	0.00	0.00	0.00	7,700.00
QA audit & certification	8,494.00	6,165.00	8,004.00	15,214.00
Recruitment Fees	90,635.00	31,409.00	38,967.00	40,968.00
Rent	586,862.00	544,408.00	555,473.00	500,374.00
Repairs and Maintenance	8,699.00	2,839.00	2,350.00	3,830.00
Salaries - Directors	310,753.00	290,631.00	281,471.00	0.00
Salaries - Staff	2,926,711.00	2,672,100.00	2,992,392.00	3,427,143.00
Security	0.00	0.00	469.00	0.00
Seminars & Training	-3,206.00	8,392.00	13,810.00	0.00
Shared Travel - Accommodation Domestic	1,421.00	0.00	0.00	0.00
Shared Travel - Accommodation Overseas	4,725.00	0.00	0.00	0.00
Shared Travel - Airfares Domestic	4,528.00	0.00	0.00	0.00
Shared Travel - Airfares Overseas	733.00	0.00	0.00	0.00
Shared Travel - Car Hire	1,429.00	0.00	0.00	0.00
Staff Amenities	13,510.00	15,761.00	15,398.00	21,908.00
Stamp Duty	8,664.00	3,428.00	1,040.00	0.00
Standards & Subscriptions	10,425.00	10,463.00	9,844.00	36,042.00
Storage expenses	7,590.00	6,961.00	6,682.00	6,754.00
Sundry Travel Expenses	5.00	0.00	0.00	0.00
Superannuation Expense	317,203.00	263,591.00	282,184.00	301,037.00



Taxis & Trains	16,998.00	0.00	0.00	0.00
Team Bonding	3,490.00	0.00	0.00	0.00
Team Meetings	872.00	0.00	0.00	0.00
Telephone. Fax & internet	0.00	0.00	0.00	46,890.00
Telephones	12,719.00	12,190.00	15,718.00	0.00
Temporary Admin Staff	0.00	0.00	3,524.00	0.00
Tolls	1,997.00	0.00	0.00	0.00
Travel & Accommodation	0.00	52,722.00	76,343.00	109,048.00
Utilities	9,271.00	13,564.00	17,959.00	13,078.00
Website Maintenance	2,018.00	1,200.00	0.00	0.00
Worker's Compensation Insurance	8,100.00	5,565.00	9,508.00	9,851.00
<b>TOTAL OPERATING EXPENSES</b>	<b>5,761,973.00</b>	<b>4,830,739.00</b>	<b>5,239,934.00</b>	<b>5,645,294.00</b>
<b>NET PROFIT</b>	<b>628,116.00</b>	<b>1,036,153.00</b>	<b>1,317,428.00</b>	<b>430,744.00</b>

## Balance Sheet Statements

Item	June 2022	June 2021	June 2020	June 2019
<b>BANK</b>				
Bank - Working Account	924,509.00	943,500.00	702,268.00	458,472.00
<b>TOTAL BANK</b>	<b>924,509.00</b>	<b>943,500.00</b>	<b>702,268.00</b>	<b>458,472.00</b>
<b>CURRENT ASSETS</b>				
Accounts Receivable	824,536.00	883,699.00	719,213.00	1,352,002.00
PAYG instalment Payable	235,639.00	-77,405.00	-98,000.00	-96,632.00
Petty Cash	100.00	100.00	100.00	100.00
Prepayments	0.00	112,920.00	99,559.00	80,681.00
Security Deposits/Rental Bond	42,055.00	25,551.00	25,551.00	25,551.00
<b>TOTAL CURRENT ASSETS</b>	<b>1,102,330.00</b>	<b>944,865.00</b>	<b>746,423.00</b>	<b>1,361,702.00</b>
<b>NON-CURRENT ASSETS</b>				
Bank Guarantee	0.00	352,873.00	352,873.00	352,873.00
Goodwill	290,000.00	0.00	0.00	0.00
Low cost pool	24,063.00	24,063.00	24,063.00	24,063.00
Low cost pool Less: Accumulated Depreciation	-23,476.00	-23,124.00	-22,560.00	-21,659.00
O/S Interentity Account 2	9,813.00	9,813.00	9,813.00	9,813.00
O/S Interentity Account	2,051,093.00	1,620,350.00	1,079,938.00	690,302.00
Premises 1 - Bank Guarantee	158,397.00	0.00	0.00	0.00
Premises 2 - Bank Guarantee	293,504.00	0.00	0.00	0.00
Prepayments	102,291.00	0.00	0.00	0.00

Small Business Asset	376,357.00	310,855.00	258,314.00	229,483.00
Small Business Asset Less: Accumulated Depreciation	-137,121.00	-110,121.00	-81,738.00	-52,151.00
Small Business General Asset Pool	90,782.00	90,782.00	90,782.00	90,782.00
Small Business General Asset Pool Less: Accumulated Depreciation	-90,782.00	-90,782.00	-90,782.00	-52,972.00
Sydney Improvements	612,264.00	612,264.00	612,264.00	612,264.00
Sydney Improvements Less: Accumulated Depreciation	-195,458.00	-183,780.00	-172,042.00	-159,937.00
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,561,727.00</b>	<b>2,613,193.00</b>	<b>2,060,925.00</b>	<b>1,722,861.00</b>
<b>TOTAL ASSETS</b>	<b>5,588,566.00</b>	<b>4,501,558.00</b>	<b>3,509,616.00</b>	<b>3,543,035.00</b>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	76,946.00	108,731.00	73,128.00	113,968.00
Accrued Expenses	76,541.00	28,756.00	0.00	0.00
AMEX #1	27,840.00	4,286.00	0.00	0.00
AMEX #2	1,110.00	629.00	0.00	0.00
AMEX #3	4,411.00	13.00	0.00	0.00
AMEX #4	1,698.00	0.00	0.00	0.00
Bank - Overdraft	1,164,323.00	531,323.00	170,426.00	864,558.00
GST	74,638.00	111,185.00	76,166.00	96,329.00
Paid Parental Leave	0.00	0.00	7,406.00	0.00
PAYG withholding tax payable	104,504.00	107,109.00	50,985.00	70,270.00
Professional Indemnity Finance	51,634.00	51,634.00	55,822.00	44,807.00
Provision for company tax	0.00	74,708.00	24,048.00	-234,727.00
Provision for Employees's Leave	78,327.00	0.00	0.00	0.00
Salary Sacrifice Super	6,760.00	0.00	0.00	0.00
Sundry Creditors	0.00	5,146.00	0.00	0.00

Superannuation Payable	43,402.00	52,144.00	22,968.00	34,648.00
Visa Credit Card #1	79.00	0.00	0.00	0.00
Visa Credit Card #2	60.00	0.00	0.00	0.00
Visa Credit Card #3	179.00	0.00	0.00	0.00
Visa Credit Card #4	2,541.00	0.00	0.00	0.00
Visa Credit Card #5	1,830.00	0.00	0.00	0.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,716,823.00</b>	<b>1,075,664.00</b>	<b>480,949.00</b>	<b>989,853.00</b>
<b>NON-CURRENT LIABILITIES</b>				
Bank Loan - Office Fitout	0.00	22,787.00	66,824.00	109,782.00
Interest Component of Hire Purchase Lease	0.00	-1,108.00	-2,186.00	0.00
Sublease Rental Bond NCL	27,594.00	27,594.00	27,594.00	0.00
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>27,594.00</b>	<b>49,273.00</b>	<b>92,232.00</b>	<b>109,782.00</b>
<b>TOTAL LIABILITIES</b>	<b>1,744,417.00</b>	<b>1,124,937.00</b>	<b>573,181.00</b>	<b>1,099,635.00</b>
<b>NET ASSETS</b>	<b>3,844,149.00</b>	<b>3,376,621.00</b>	<b>2,936,435.00</b>	<b>2,443,400.00</b>

# APPENDIX C

## Goodwill Calculation

Item	Entity	Goodwill	June 2022
<b>BANK</b>			
Bank - Working Account	924,509.00	0.00	924,509.00
<b>TOTAL BANK</b>	<b>924,509.00</b>	<b>0.00</b>	<b>924,509.00</b>
<b>CURRENT ASSETS</b>			
Accounts Receivable	824,536.00	824,536.00	824,536.00
PAYG instalment Payable	235,639.00	0.00	235,639.00
Petty Cash	100.00	0.00	100.00
Prepayments	0.00	0.00	0.00
Security Deposits/Rental Bond	42,055.00	0.00	42,055.00
<b>TOTAL CURRENT ASSETS</b>	<b>1,102,330.00</b>	<b>824,536.00</b>	<b>1,102,330.00</b>
<b>NON-CURRENT ASSETS</b>			
Goodwill	1,869,427.00	0.00	0.00
Bank Guarantee	0.00	0.00	0.00
Goodwill	0.00	0.00	290,000.00
Low cost pool	24,063.00	24,063.00	24,063.00
Low cost pool Less: Accumulated Depreciation	-23,476.00	-23,476.00	-23,476.00
O/S Interentity Account 2	9,813.00	0.00	9,813.00
O/S Interentity Account	2,051,093.00	0.00	2,051,093.00

Premises 1 - Bank Guarantee	158,397.00	0.00	158,397.00
Premises 2 - Bank Guarantee	293,504.00	0.00	293,504.00
Prepayments	102,291.00	0.00	102,291.00
Small Business Asset	376,357.00	376,357.00	376,357.00
Small Business Asset Less: Accumulated Depreciation	-137,121.00	-137,121.00	-137,121.00
Small Business General Asset Pool	90,782.00	90,782.00	90,782.00
Small Business General Asset Pool Less: Accumulated Depreciation	-90,782.00	-90,782.00	-90,782.00
Sydney Improvements	612,264.00	0.00	612,264.00
Sydney Improvements Less: Accumulated Depreciation	-195,458.00	0.00	-195,458.00
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,141,154.00</b>	<b>239,823.00</b>	<b>3,561,727.00</b>
<b>TOTAL ASSETS</b>	<b>7,167,993.00</b>	<b>1,064,359.00</b>	<b>5,588,566.00</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	76,946.00	76,946.00	76,946.00
Accrued Expenses	76,541.00	0.00	76,541.00
AMEX #1	27,840.00	0.00	27,840.00
AMEX #2	1,110.00	0.00	1,110.00
AMEX #3	4,411.00	0.00	4,411.00
AMEX #4	1,698.00	0.00	1,698.00
Bank - Overdraft	1,164,323.00	0.00	1,164,323.00
GST	74,638.00	0.00	74,638.00
Paid Parental Leave	0.00	0.00	0.00
PAYG withholding tax payable	104,504.00	0.00	104,504.00
Professional Indemnity Finance	51,634.00	0.00	51,634.00
Provision for company tax	0.00	0.00	0.00

Provision for Employees's Leave	78,327.00	0.00	78,327.00
Salary Sacrifice Super	6,760.00	0.00	6,760.00
Sundry Creditors	0.00	0.00	0.00
Superannuation Payable	43,402.00	0.00	43,402.00
Visa Credit Card #1	79.00	0.00	79.00
Visa Credit Card #2	60.00	0.00	60.00
Visa Credit Card #3	179.00	0.00	179.00
Visa Credit Card #4	2,541.00	0.00	2,541.00
Visa Credit Card #5	1,830.00	0.00	1,830.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,716,823.00</b>	<b>76,946.00</b>	<b>1,716,823.00</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank Loan - Office Fitout	0.00	0.00	0.00
Interest Component of Hire Purchase Lease	0.00	0.00	0.00
Sublease Rental Bond NCL	27,594.00	0.00	27,594.00
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>27,594.00</b>	<b>0.00</b>	<b>27,594.00</b>
<b>TOTAL LIABILITIES</b>	<b>1,744,417.00</b>	<b>76,946.00</b>	<b>1,744,417.00</b>
<b>NET ASSETS</b>	<b>5,423,576.00</b>	<b>987,413.00</b>	<b>3,844,149.00</b>
<b>CFME</b>		<b>2,856,840.00</b>	
<b>GOODWILL</b>		<b>1,869,427.00</b>	

# APPENDIX D

## Business Valuation Methodologies

### FME

This method places a value on shares or a business by estimating the likely Future Maintainable Earnings (FME), capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach the most commonly applied valuation technique and is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as EBIT or EBITDA. The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

### DCF

The Discounted Cash Flow (DCF) methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

### NTA

Net Tangible Assets (NTA) is usually appropriate where the majority of assets consist of cash or passive investments. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall NTA valuation.

### FMD



The Future Maintainable Dividends (FMD) methodology applies particularly to minority holdings in private and unlisted public companies. FMD is similar in methodology to the FME and requires an estimation of the future maintainable dividends, a required rate of return and expected rate of dividend growth. While the use of benchmark methods is unwise in isolation, they can be helpful in providing a comparison or supporting valuation to the primary valuation methodology used.

#### NRV

Net Realisable Value (NRV) is usually appropriate when an asset or business is to be sold or wound up. The NRV should provide a realistic indication of the value that could be obtained in the event of an orderly realisation of assets.

#### COC

Cost of Creation is usually appropriate when there are limited barriers to entry to operating a business, apart from specific qualifications. For example, a doctor's practice or law practice can be established with the purchase of limited equipment, premises and an existing demand for the services. It may therefore be as cheap, or cheaper to create one's own business than to purchase an existing business. This method is often considered a proxy for the Net Asset Backing Method.

#### IRT

The Industry Rule of Thumb (IRT) methodology is a common procedure or practice used to value a company. These procedures are based on past valuation experiences and estimates in that industry, rather than specific calculations. Rule of thumbs typically involve using multiples that are relevant to whichever industry the valued firm is in. For example, small to mid-sized accounting firms are often valued on the basis of X times revenue (often in the range of 0.8 to 1.2). Often, the IRT valuation methods relate to packages of fees, such as a number of accounting clients or rental properties that produce a certain level of fees on an annual basis. It is not necessarily the entire business that is being valued, rather the recurrent revenue that is being valued as an asset of the business or entity.