

Overview

This process is used to assist the owners of the business in gaining insight into the underlying value of the business.

Valuation

The value of any business is its future cash flows discounted back to present value at its risk adjusted rate. All companies of note value their projects and capital expenditure (capex) decisions on this basis.

We use this method in calculating the intrinsic value of a business, whilst using a number of assumptions which are always listed in the report.

Method of Calculation

Future free cash flows (FFCF) are discounted back to present value at a risk adjusted rate, being the weighted average cost of capital.

Free cash flow is defined as net operating profit after tax and before interest (NOPAT) less the change in capital. The change in capital is the aggregate of the changes in working capital and fixed capital.

The cost of capital, or WACC, as it is commonly referred to, is the weighted average cost of capital. For calculations of the WACC refer to the table listed under weighted average cost of capital (WACC).

Confidential Information

This confidential information will be used to help assess the value of your business.

Purpose of Your Advisor

The purpose of your advisor during the process is to assist you in the process of having your business valued.

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General Business Details

Overview:

The following information is for the purpose of documenting the business's identity, structure, key people involved and key advisors. It is used to provide information for the introduction to the report, and to provide contact details and reference information for the valuation.

Item 1: **Your Legal Structure**

Select the current legal structure of your main trading entity:

- Limited Liability Company;
- Proprietary Limited Company,
- Non-Profit,
- Partnership,
- Sole Trader, or
- Other.

Item 2: **Director's / Partner's Names**

Record the current owners, directors, partner's names within the business and what percentage of the business they own.

	Person's Name	Position	% Owned
#1	<input type="text"/>	<input type="text"/>	<input type="text"/>
#2	<input type="text"/>	<input type="text"/>	<input type="text"/>
#3	<input type="text"/>	<input type="text"/>	<input type="text"/>
#4	<input type="text"/>	<input type="text"/>	<input type="text"/>
#5	<input type="text"/>	<input type="text"/>	<input type="text"/>
			<input type="text" value="100%"/>

Item 3: Description of Business Activities

Detail a brief description of your business below. This may be answered using the following question: "We are in the business of ..."

Item 4: Industry you operate in

List the industry that you operate in. If you operate in more than one industry please list them all and the percentage allocation of revenue

Industry	% of Total Revenue

Item 5: Style of Business

Please indicate what style of business you are operating:

Multiple-choice answers are accepted.

- | | | |
|---|----------------------|----------------------|
| <input type="checkbox"/> Primary Producer | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Manufacturer | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Wholesaler | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Distributor | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Retailer | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Service Based | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Professional | <input type="text"/> | % of annual revenue, |
| <input type="checkbox"/> Other _____ | <input type="text"/> | % of annual revenue. |

100%

Item 6: Name of Business Advisor

Place the name of the business advisor in the area provided.

Item 7: Purpose of Business Valuation

Please indicate the reason for the valuation:
Multiple-choice answers are accepted.

- | | | |
|---|----------------------|---------------------|
| <input type="checkbox"/> Sell parcel of shares/securities | <input type="text"/> | % or number of sale |
| <input type="checkbox"/> Sell Total Business externally | <input type="text"/> | |
| <input type="checkbox"/> Sell Total Business internally | <input type="text"/> | |
| <input type="checkbox"/> Business Loan | <input type="text"/> | amount |
| <input type="checkbox"/> Raise Capital | <input type="text"/> | amount |
| <input type="checkbox"/> Joint Venture | <input type="text"/> | |
| <input type="checkbox"/> Franchise Business | <input type="text"/> | |
| <input type="checkbox"/> Other _____ | <input type="text"/> | |

Item 8: Past Financial Information Required

Please provide a copy of your past Profit & Loss and Balance Sheets showing four financial year periods (e.g. for comparative statements 2 sets: 2004&2005; 2006&2007). Four Financial periods are preferable but less can be acceptable.

NOTE: The provision of the financial reports is critical.

Item 9: Currency used in Financial Statements, Projections & Questionnaire (E.g. £, \$, €).

Currency Used.....

Item 10: Personal Income or Expenditure included in Past Financial Information Required

List any personal income or expenditure that is included in the past years Profit and Loss statement that is outside of the normal commercial operations of the business.

.....

Item 11: Owners Salaries included in Financial Information Required

This question is looking at ascertaining what are the commercially based salary amounts for the business owners (what is the salaries required to employ external persons to take the place of the owners) and what amount of salaries have been included in the financial statements.

Note: The owners' salaries are the salaries actually included in the financial statements and forecasts. The commercially based salary amounts may be the same as the owners' salaries, but may often be different to the actual owner salaries paid. E.g. where the owners take all profits out of the business as salaries or where they take out no or minimal salaries and leave the profits in the business as retained income. Certainly in both these cases the Commercially Based Salaries would be different to the actual owner salaries.

Included in Financial statements:

	2004	2005	2006	2007
Owners Salaries				
Commercially Based Salaries would be				

Included in Projected Forecasts:

	2008	2009	2010	2011
Owners Salaries				
Commercially Based Salaries would be				

Item 12: Projected Financial Information Required.....

4 years forecasted Profit and Loss and Balance Sheet information. Four Financial periods are preferable but less can be acceptable. **Sample template that is attached can be used.**

If Balance Sheet information is not available please list the forecasted Capital expenditure over the next four years and note if there will be any changes to the last period accounts receivable, inventory and accounts payable days (refer to further information on page 7).

Item 13: Contingent Liabilities.....

List any contingent liabilities not shown in the financial statements supplied that exist at this completion date and include the estimated amount of the liability if known.

No statement assumes that there are no contingent liabilities:

Item 14 Other Events.....

At this completion date list any other events or items not listed in the financial statements supplied that may affect the future value of this business.

No statement assumes that there are no contingent liabilities:

Item 15 Constitution.....

Provide a copy of the constitution or at least a copy of the clauses pertaining to "disposal of shares or securities"

Item 16: Signature of Completion & Provision of Financial Reports.....

Completion Date	<input type="text"/>
Your Name	<input type="text"/>
Your Business	<input type="text"/>

Your Contact Details:

Email:

Street Address:

.....

.....

Phone:

.....

Your signature of completion

Information on completing the Attached Financial Forecasts.....

You may use the electronic excel spreadsheet (if we have not given you an electronic version please ask us for one) if you find this easier.

In the attached schedule the formulae are shown in the “Ref” column. You do not need to do the summations but our preference is that you do the summations as this will give you a clearer picture of Financial Forecasts. In the electronic excel spreadsheet the rows highlighted in grey are either headings or formulae and are cell protected.

It is most important that you complete the Profit and Loss section of the Financial Forecasts. If you have difficulty in completing the Balance Sheet information there are the following options available to you (remember that completing the schedule is the preferable option).

1. We can assume that the future Balance Sheets are the same as the last historical Balance Sheet on the following basis:

- The following working capital parameters will remain constant (i.e. at the same number of days as the last historical Financial Statements):

Trade Debtor days
Inventory days
Trade Creditor days

Also remember that Trade Creditors do not include other creditors (over head expenditure type creditors) and that the days calculation relates the “trade” creditors component to the Cost of Goods Sold figure. Similarly with Trade Debtors; these relate directly to Sales whereas other sundry type debtors do not (i.e. are not taken into the days calculation).

- Property, Plant & Equipment will remain constant, meaning that the depreciation and amortisation amounts in the last financial statements will be re-invested as Capital expenditure.

OR

2. Nominate the following working capital parameters to be used:

	2008	2009	2010	2011
	Days	Days	Days	Days
Trade Debtor Days				
Inventory Days				
Trade Creditor Days				

AND

Enter the amounts for Property, Plant & Equipment year end balances after depreciation and Amortisation will be as follows:

	2008	2009	2010	2011
Property, Plant&Equipment				

Business. . .					
Financial Forecasted Information					
Year	Ref	2008	2009	2010	2011
No Months		12	12	12	12
PROFIT & LOSS					
Sales	A				
Less Cost of Goods Sold	B				
Gross Profit	C=A-B				
Fixed Expenses	D				
Depreciation Expense	E				
Total Expenses	F=D+E				
EBIT	G=C-E				
Less Net Interest paid	H				
Operating Profit (before tax)	I=G-H				
Income Tax	J				
Operating Profit After Tax	K=I-J				
Retained Profit Beg. of Year	L				
Retained earnings end of year	M=K+L				
Less Dividend	N				
Retained Profit End-of-Year	O=M-N				
BALANCE SHEET					
Current Assets					
Net Trade Debtors	a				
Inventory	b				
Other Current Assets	c				
Total Current Assets	d=a+b+c				
Non Current Assets					
Property Plant & Equip.(Net)	e				
Other Non Current Assets	f				
Total Non Current Asset	g=e+f				
TOTAL ASSETS	h=d+g				
Less Liabilities					
Current Liabilities					
Trade Creditors	i				
Bank Overdraft	j				
Leases	k				
Other Current Liabilities	l				
Total Current Liabilities	m=i+j+k+l				
Non Current Liabilities					
Assoc. Co. Loans - Debt	n				
Employee Provisions	o				
Total Non Current Liabilities	p=n+o				
TOTAL LIABILITIES	q=m+p				
TOTAL NET ASSETS	r=h-q				
SHAREHOLDERS EQUITY					
Issued Capitals	s				
Retained Profits	=O				
Total Shareholders Equity	t=s+O				
No. of Issued Shares					