BUSINESS VALUE ASSESSMENT REPORT

Prepared for: ***Blue Sky Architecture***
Issue Date: 28th May 2025

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.

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 30th June 2018.

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)	$505,333
Business Cap Rate/Profit Multiple	3.72
Business Value Assessment	**$1,879,840**

OUR QUALIFICATIONS

Prepared by
Aleks Todorovic

Issue Date: 28th May 2025

COMMERCIAL SUSTAINABLE EARNINGS (WANEBIT)

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

	30/06/2016	30/06/2017	30/06/2018
Earnings Before Interest and Tax (EBIT)	$600,000	$625,000	$700,000
Add Backs:			
Actual Owners salaries, on-costs and benefits	$122,000	$625,000	$700,000
TOTAL Add Backs	**$122,000**	**$625,000**	**$700,000**
Less:			
Notional Owners salaries, on-costs and benefits	$175,000	$175,000	$175,000
Notional Owners salaries, on-costs and benefits	$0	$0	$200,000
TOTAL Add Backs	**$175,000**	**$175,000**	**$375,000**
TOTAL Net Adjustments*	**($53,000)**	**($53,000)**	**($253,000)**
Notional Earnings Before Interest and Tax (NEBIT)	**$547,000**	**$572,000**	**$447,000**
Weighted Averaged Notional Earnings Before Interest and Tax (WANEBIT)			**$505,333**

*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.

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	1.2	The Free Cash Flow Factor measures the business' ability to turn its profit into cash flow. The amount of after tax net operating profit generated by the business, expressed as a multiple in-excess of 1.1. *See Appendix 2 - Free Cash Flow Factor*
Risk & Value Driver Assessment Score	7	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. *See Appendix 4 - Client RAVDA*
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	27.5%	A notional tax rate that is likely to be applied to the business's net profit.
Weighted Average Notional Earnings before Interest & Tax (WANEBIT)	$505,333	*See section 2.4*
Business Cap Rate/Profit Multiple	3.72	As determined by the above assumptions, using the patented business value assessment algorithm. See section 2.2.

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.

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 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	Yes, very stable & predictable	Yes, very stable & predictable	Yes, very stable & predictable
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

2. The industry/market 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 positioned well 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 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., 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