

CLIENT LOGO (optional)

[] Limited
SHARE/[BUSINESS] VALUATION REPORT

[]

Prepared by

YOUR LOGO ????

[]

[]

Attention:

Email:

VALUATION OF [] LIMITED

PART A: INTRODUCTION

Our Instructions

1. [] Limited (“[]” or “**the Company**”) have asked [] (“[????]”) to assess a current [fair market value/fair value] for all of the shares in the Company [and a fair value for a minority interest in the Company].
2. Our valuation is required for the purpose of [].

Standard of Value

3. The concept of “value” in this instance is based on a desire to be fair and equitable to all parties. A valuation of this nature recognises both the present and likely future relationship between the parties and, in the event of a sale, what one party is giving up and what the other is acquiring in value. It is the value itself that in particular must be seen to be fair and also to be equitable between the identified parties to the transaction.
4. On the other hand, fair market value is defined as the highest price available in an open and unrestricted market between informed, prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of money or money’s worth. Generally, in order to determine a fair value for individual share parcels it is first necessary to assess the fair market value of all of the shares.
5. Generally when valuing all of the shares in a company, fair value and fair market value will have the same value.

Or

“Fair market value” is defined as the highest price available in an open and unrestricted market between informed, prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of money or money’s worth.

Date of Valuation

6. Our valuation is prepared at the date of this report (“**the Valuation date**”). However, we necessarily rely on financial information compiled at [], being the Company’s most recent reporting date.

Independence

7. [????] does not have any interest in the outcome of matters which are the subject of this report at the date of its preparation. There are no relationships with the Company or the shareholders or directors, which would affect our ability to objectively provide the assistance required.

or

8. *[describe the association you have with the client which means the report is **not** independent]*
9. There are no pecuniary or other interests of [????], or its director, employees, consultants or affiliates, that could reasonably be argued as being capable of affecting our ability to give an unbiased and independent opinion in this matter.

or

10. [While, we note that we are not independent, and therefore cannot provide an independent valuation report in strict compliance with the Professional Standards of the New Zealand Institute of Chartered Accountants pertaining to Independent Business Valuation Engagements, our existing association will not impair our ability to provide the objective assistance required in this instance.]
11. The fee to be received for the preparation of this report is based on time spent at normal professional rates plus out-of-pocket expenses.
12. *[Although this valuation may not be independent]* [T]his [valuation] report has been completed in accordance with the Professional Standards of the New Zealand Institute of Chartered Accountants pursuant to Advisory Engagement Standard No. 2: Independent Business Valuation Engagements ("**AES-2**").

Valuation Conclusion

13. Based on the analysis set out in this report we assess a current value for all of the Company's shares ("the Equity Value") in a range from (rounded) \$[] to \$[]. The mid-point of the range is approximately \$[]. Our calculations are summarised in the following table:

Assessed Equity Value	Para	Lower \$000	Upper \$000	Midpoint \$000
Maintainable EBIT	64			
EBIT Multiple	72			
Enterprise Value				
Non-operating Assets	App 3			
Net Debt	App 3			
Equity Value				

14. Our assessed Equity Value implies goodwill in a range from \$[] to \$[] (refer paragraph 83). We are of the view that this is reasonable for the reasons explained later in our report.

A Fair Value for the Subject Shares

- 15.

Other Matters

16. Our valuation relies on the Company's reported financial position at []. As such, our assessment may vary were it determined at any subsequent date to reflect changes in surplus cash and other balances at that time.
17. We have not considered the taxation implications of any possible transfer of the Subject Shares in this report. You are advised to discuss this with your accountant or a tax advisor as appropriate.
18. Although the calculations set out in our report seek to reflect the underlying fair market value for the Company's shares (represented by what we perceive to be the long term income and discretionary cash flow potential of the business), it is important that shareholders understand that an arm's length, third party purchaser may be willing to pay a price for the subject asset (the shares) which differs from that assessed herein. It is our view that only when a business interest is exposed for sale to the market that the impact on "price" of arm's length, third party purchaser synergies can be quantified with any degree of certainty. Such quantification is usually more meaningful for the purchaser than for the vendor. Without exposure to the market, we cannot be sure the price that would be obtained in the open market for the subject asset (the shares) would not differ from that determined herein.
19. Qualifications, disclaimers and declarations pertaining to this report are set out in **Appendix 1**. For the purposes of preparing this report, we have reviewed and relied on the information listed in **Appendix 2**.
20. All monetary amounts in this report are expressed in New Zealand dollars and are stated exclusive of Goods and Services Tax ("GST"), unless indicated to the contrary. Generally, references to "year" should be taken as referring to the Company's financial year ending on 31 March. *[For example, references to "the 2019 year" refer to the financial year ending on 31 March 2019].*

Special Purchaser

21. In valuing the Company's Shares, we have taken no account of the possible existence of a special purchaser to whom the Company might have additional value because of, for example, economies of scale, reduction in competition or strategic or other perceived strategies. Whether or not such a buyer (if one exists) would be prepared to, or would need to, pay a significantly higher price would generally depend upon the number of such special purchasers.

Abbreviations

22. For simplicity, from this point forward, we will use the following abbreviations throughout our valuation report:

- AES-2 Advisory Engagement Standard No. 2: Independent Business Valuation Engagements
- Business the business of the Company
- CAPM capital asset pricing model
- Company/[] [] Limited
- DCF discounted cash flows
- EBIT Earnings Before Interest and Tax
- Enterprise Value the value of the Business
- Equity Value the value of all of the shares in the Company
- GST Goods and Services Tax
- NPAT Net Profit After Tax
- NPBT Net Profit Before Tax
- NTA Net Tangible Assets
- NTOA Net Tangible Operating Assets
- P/E Price to Earnings Ratio
- Subject Shares [*Describe*]
- [????] [*Firm's name*].
- Valuation date the date of this report
- WACC Weighted Average Cost of Capital

23. The balance of this report appears under the following headings:

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PART B: BACKGROUND**General**

24. In valuations of this nature, it is our usual practice to provide a comprehensive outline of the business activities conducted by the enterprise which is the subject of our report, together with an overview of the industry in which the enterprise operates. However, in this instance, the parties interested in this report are familiar with the activities of the Company. Accordingly, we briefly address Company-specific and industry information which is directly relevant to our assessment of value.

Capital Structure

25. The Company was incorporated on []. It's shares are currently owned as follows:

Shareholders	Shares	%
Total Number of Shares		100%

Source: New Zealand Companies Office

26. The Company's directors are [].

The Nature of the Company's Business

27.

28.

The Company's Clients

29.

30.

31.

32.

Business Location

33. The Company operates from.

34. The Company currently employs approximately [] staff including.....

[Constitutional Matters

35. *The Company's constitution records that pre-emptive rights will apply in the event of a share transfer. That is, any shares offered for sale must first be offered to existing shareholders and only if not purchased by existing shareholders at a fair value, may they then be offered to non-shareholders.*

36. *A shareholder intending to transfer any shares must submit a transfer notice in writing to the Company. The shares must first be offered to existing shareholders, and the offer must be in writing, be pro-rata according to the number of shares held by each shareholder, remain open for no less than 10 working days, and state the transferor's asking price.*

37. *The current shareholders have all executed a Shareholders Agreement[.*

Financial Background

The Company's Financial Performance

38. A summary of the Company's financial performance for the [] years ended [31 March 2019] and [2020] year [budget/forecast] is tabled as follows:

Summary of Financial Performance	2016 Actual \$000	2017 Actual \$000	2018 Actual \$000	2019 [Actual] \$000	2020 [Budget] \$000
Professional Fees					
Less: Operating Expenses					
Earnings Before Interest & Tax (EBIT)					
Interest Expense					
Other Income					
Net Profit Before Tax					
Less: Tax					
Net Profit After Tax	\$	\$	\$	\$	
Increase/(decrease) in sales	%	%	%	%	%
Operating expenses as a % of sales	%	%	%	%	%

Source: Unaudited Financial Statements/Budgets

39. Key points of note regarding the Company's historic trading performance include:

- ;
- .

The Company's Financial Position

40. The Company's financial position at [31 March 2019] is set out in **Appendix 3** and is summarised as follows:

Summary of Financial Position at [31 March]	[2019] \$000
Current Assets	
Current Liabilities	
Net Working Capital	
Fixed Assets	
Loans to Shareholders	
Employment of Capital	\$
Term Liabilities	
Trust Funds	
Share Capital	
Retained Earnings	
Trustee's Equity/Net Assets	
Total Capital Employed	\$

Source: Unaudited Financial Statements

41. Key points of note regarding the Company's financial position at [31 March 2019] include:

- ;
- ;

- ;
- ;
- .

Dividends [optional if relevant]

42. The Company has paid dividends [], as follows:

Historical Dividend Distributions	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
NPAT (prior year)						
Net Dividend						
Gross Dividend (fully imputed)						
<i>Net Dividend as % of NPAT Dividend/Share (\$.cc)</i>	%	%	%	%	%	%

43. In recent years the dividend has averaged in excess of [] of net profit after tax. Dividends are declared early in the financial year from the previous year's profits.

PART C: BASIS OF VALUATION

General

44. In general terms, the value of an interest in a business entity is essentially concerned with the net amount of cash which the owner, or prospective owner, can expect to derive from the holding whether by way of profits (or, more accurately, cashflows generated by the profits), sale of the business or shares to another person or entity or realisation piecemeal of the net tangible assets.
45. The best evidence of the value of a particular commodity is generally the price achieved in a recent dealing in the commodity itself, or an identical or very similar commodity, in a transaction between parties acting at arm's length.
46. In the absence of an observable market for dealings in the assets being valued, viable businesses are normally valued either by the discounted cashflow ("**DCF**") approach or the capitalisation of maintainable earnings ("**CME**") methodology. The DCF approach calculates the present value of a business by discounting future net cashflows (not profits) at a rate commensurate with the risk of the business.
47. When using the CME methodology one seeks to estimate the level of maintainable future earnings likely to be generated by the business being valued, and capitalise those cashflows at a suitable rate, that rate being determined mainly by reference to the risks of the investment as compared with alternative investments and allowing for likely growth. The CME approach is often seen as a proxy for the DCF approach with earnings (profits) taken to represent cashflow and allowance for growth built in to the capitalisation rate.
48. A full description of these valuation methods and other methods that may be appropriate in certain circumstances is set out in **Appendix 4** hereto.

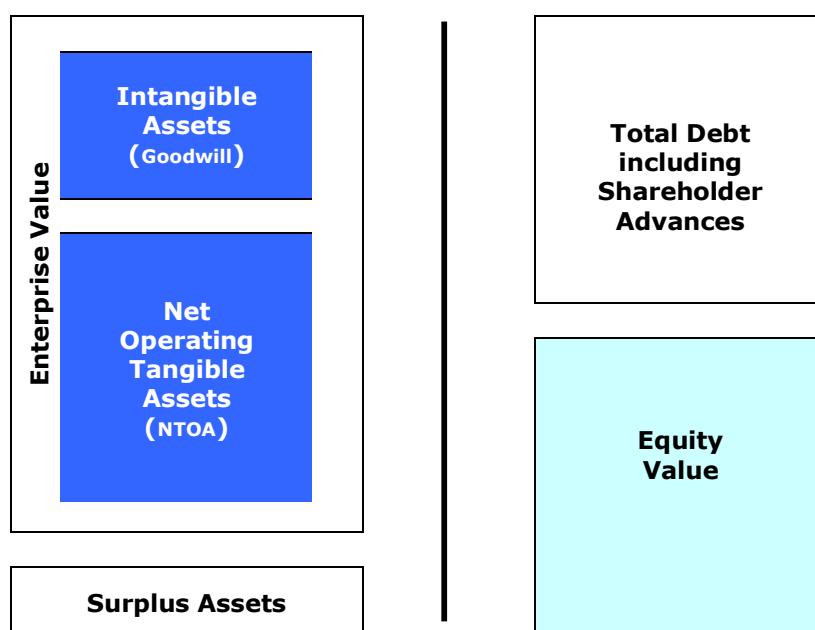
The Method of Valuation which we have Adopted

49. Valuation is not a science. Valuations are highly subjective and interpretative exercises, in which the valuer is required to apply judgement to estimate the future viability and likely performance of the company being valued. This necessitates a consideration of not only the company itself, but of the market in which it operates, macro-economic conditions, and any other factors material to the valuation.
50. Our preferred method of valuation to value the Company's Business ("**the Enterprise Value**") is a capitalisation of earnings before interest and tax ("**the EBIT approach**"). The EBIT approach is commonly used when valuing businesses as it eliminates the effect of gearing and tax which are driven by a company's capital structure. As already noted, this method involves capitalising the estimated future maintainable earnings of the business at a multiple which recognises the risks associated with the business.
51. Specifically, the application of this method involves:
 - estimating a level of earnings (or cashflows) which a purchaser would utilise for valuation purposes after considering historic and forecast operating results, the incidence of non-recurring items of income and expenditure and after allowing for known factors expected to impact on operating performances; and
 - considering an appropriate capitalisation multiple after researching the market-rating of reasonably comparable businesses, the extent and nature of competition, the quality of the Company's earnings, its growth prospects and other relative business risks.

52. The choice between EBITDA, EBITA or EBIT measures of earnings is usually not critical to the outcome and should produce a similar result. All are commonly used in the valuation of industrial and service businesses. Generally, provision for depreciation or other non-cash charges are considered to be a reasonable proxy for future capital expenditure. For this reason, an EBIT or EBITA measure of earnings represents an appropriate approach in these circumstances.
53. To test the Enterprise Value determined according to an earnings based approach, we estimate a going-concern or “in-situ” value for the Company’s net operating assets at the valuation date and calculate a resultant goodwill value implied in our valuation assessment. Should the earnings-based approach derive a value for the business which is less than the value of the net operating assets which produce those profits, we adopt the higher net asset value after considering whether certain assets are likely to realise their reported values. In so doing, we adopt a “going concern” net asset value on the assumption that the Company is not likely to be liquidated.
54. In valuations of this type, it is our usual practice to present a range of values. This recognises the fact that in considering the parameters which affect a value for the Business, certain judgements about future performance and market conditions are required. Each of these judgements are subject to uncertainty. By presenting a range of values (rather than a single point value) we recognise the uncertainties of our judgements and their relative sensitivity to the assessed value.

A Value for the Company

55. A value for the Company (“**the Equity Value**”) may be more or less than the value for the Business operated by the Company. To assess the Equity Value, we add those assets not employed in producing the company’s operating earnings and deduct reported debt at the Valuation date. The relationship between “Enterprise Value” and “Equity Value” may be depicted as follows:



Assumptions

56. Our valuation relies on the following general assumptions:
- the Company will retain a capable and competent staff able to achieve estimated further earnings;
 - the Company is not involved in any material litigation, nor is any litigation pending or threatened;
 - financial information compiled for the year ended [31 March 2019], which we have relied on for the purposes of this valuation, fairly reflects the Company's annual results and position for the year then ended;
 - there are no material contingencies likely to affect the Company's future operations which have not been considered in this report; and
 - the New Zealand corporate income tax rate will remain at 28% for the foreseeable future.
57. Other specific assumptions which directly affect our valuation are referred to elsewhere in our report.

PART D: VALUATION BY REFERENCE TO MAINTAINABLE EARNINGS

Maintainable Earnings

58. Maintainable earnings are estimated based on an assessment of likely arm's length dealings going forward reflecting the net income which a buyer could reasonable anticipate. In the ordinary course a buyer would review past earnings and make adjustment for non-arm's length, or abnormal or unusual items, as a guide to future results.
59. Alternatively, maintainable earnings can be estimated with reference to forecast profits for the current or following financial year.
60. We have reviewed the Company's past trading results to identify any items of revenue or expenditure which require adjustment for the purposes of our valuation. The matters which we have considered include:

Directors/Shareholders Salaries:

Loss/Profit on the Sale of Non-current Assets:

Abnormal or Non-recurring Expenses:

Other Factors:

61. We also allow for the impact of inflation on the historically reported results.
62. The following table shows adjustments we have made to historical earnings. We note inflation is currently low so this adjustment has little material impact on earnings:

Normalisation of EBIT	2016 Actual \$000	2017 Actual \$000	2018 Actual \$000	2019 [Actual] \$000
Earnings Before Interest & Tax (EBIT)				
Adjustments				
Loss/Profit on sale of Non-current Assets				
Relocation Costs				
Normalised EBIT				
<i>Inflation index</i>	1146	1164	1174	1192
Inflation Adjusted EBIT	\$	\$	\$	\$

Source: Unaudited Financial Statements

63. The Company's normalised earnings in the [2019] year are approximately \$[]. By comparison, the weighted average over the past three years is approximately \$[].
64. Based on our investigations and analysis of the Company's historic results, [together with our consideration of management's financial projections for the year ended 31 March 2020], we adopt a level of maintainable earnings ranging from \$[] to \$[] for the purposes of our valuation.
65. Our estimated range of maintainable earnings is based on assumptions about future events which by their nature are not able to be independently verified. Some assumptions may not

materialise and unanticipated events and circumstances may occur. Actual results in the future will vary from the estimate which we have adopted. These variations may be material.

Our Assessment of an EBIT Multiple

66. The selection of an appropriate multiple to apply to the forecast cashflows of any business enterprise is fundamentally a matter of judgement. The valuation of a business involves judgements about the multiple that may be utilised by potential acquirers of that business. There is a body of theory which can be used to support that judgement. However, a mechanistic application of formulae derived from that theory can obscure the reality that there is no "correct" multiple.
67. An EBIT multiple (or range of multiples) is applied to the estimated maintainable EBIT to determine a value for the business (the Enterprise Value). EBIT multiples are influenced significantly by the size, strength, diversification and market share of a company, together with its prospects for sustained growth in future profitability.
68. The multiplier selected reflects risk and growth prospects. The selection of the multiplier must reflect, inter alia, the degree of confidence of achievement of the maintainable earnings figure selected.
69. As is our standard practice, we assess a multiple with reference to the Company's weighted average cost of capital ("**WACC**"). The methodology and input parameters we have used in assessing the Company's WACC are set out in **Appendix 5** hereto.
70. The key identifiable risk specific to the Company's business operations are:
- [Dependence on key management and employees];
 - ; and
 - .
71. On this basis, we assess the Company's (pre-tax) WACC to be approximately []% per annum. The inverse of this percentage derives an EBIT multiple of [] times EBIT.
72. Based on our review of the Company's business operations, our experience of valuing the shares in companies of a similar size, structure and nature and our own assessment of the Company's WACC, it is our opinion that an appropriate EBIT multiple in this instance is [] **times** earnings. This is equivalent to an after-tax return to equity holders of []% per annum. This implies a P/E multiple of [] times after tax earnings determined on a normalised basis.

Our Determination of an Enterprise Value

73. On this basis, we assess an Enterprise Value in a range from \$[] to \$[] as follows:

Assessed Enterprise Value	Para	Lower \$000	Upper \$000
Estimated Maintainable Annual EBIT	64		
Assessed EBIT Multiple	72		
Enterprise Value		\$	\$

Our Calculation of an Equity Value [Not relevant if valuing the Business only]

74. To assess a value for all of the shares in the Company (the Equity Value), we add back those reported assets not employed in producing the Company's operating earnings or demonstrate a risk profile which is distinguishable from the core business activities. From the result, we deduct the Company's reported debt at the valuation date.
75. As set out earlier in the summarised Statement of Financial Position (and in **Appendix 3**), the Company's net reported debt at [31 March 2019] was approximately \$[], being taxation of approximately \$[] and bank debt of approximately \$[]. Non-operating assets are valued at approximately \$[], being surplus cash and advances to shareholders.
76. Consequently, we assess a value for all of the Company's shares (the Equity Value) in a range from \$[] to \$[], determined as follows:

Assessed Equity Value	Para	Lower \$000	Upper \$000
Enterprise Value	73		
Add: Non-Operating Assets	App 3		
Less: Debt	App 3		
Equity Value		\$	\$

Calculated Goodwill Value

77. Goodwill is the value of a going concern in excess of its tangible asset value. It encompasses value not otherwise included in its tangible assets, such as intellectual property, brand names, market profile and reputation, distribution and supply contracts, staff and established infrastructure and customer base. These attributes are often collectively referred to as "goodwill".
78. It is generally accepted that for goodwill to have any commercial value, it must have an enduring nature and be transferable. Two main categories of goodwill can usually be identified - commercial and personal goodwill.
79. Commercial goodwill concerns the favourable attitudes of customers. The sum total of all contributing elements is embodied in commercial goodwill. Reasons for the existence of goodwill may include market share, barriers to entry, or other factors giving a competitive advantage. Goodwill is present when the business earnings exceed a fair return on the net tangible assets. Commercial goodwill generally follows the business. It can be transferred to different owners and therefore has material value.
80. Personal goodwill is related to the skills, contacts and reputation that an individual possess. Personal goodwill stays with the individual, is not transferable and therefore has little or no commercial value.
81. The goodwill value implied in our assessed value is the difference between the calculated Enterprise Value and the value of the Company's net tangible operating assets.
82. The Company's net tangible operating assets at [31 March 2019] include working capital and operating fixed assets with a value of approximately \$[] (refer Appendix 3). To estimate a value for the Company's net tangible operating assets, we assume that:
- all receivables are recoverable in the ordinary course of business;
 - the reported value of fixed assets is indicative of their net realisable value; and
 - reported liabilities will be repaid in full.

83. On this basis, we calculate the Company's goodwill in a range from \$[] to \$[] as follows:

Allocation of Enterprise Value	Para	Lower \$000	Upper \$000
Net Working Capital at 31 March 2018	App 3		
Operating Fixed Assets	App 3		
Calculated Goodwill Value		\$	\$
Enterprise Value	73	\$	\$

84. Based on estimated maintainable annual EBIT of approximately \$[] (mid-point), we calculate maintainable NPAT at approximately [\$] per annum, after providing for normalised interest and taxation. Interest is an estimate based on an assumed debt level equivalent to []% of net tangible assets at the valuation date. Accordingly, the goodwill value forming part of our assessed Enterprise Value represents a multiple of approximately [] times estimated annual NPAT. That is, the assessed goodwill value has an NPAT 'payback' period of [] years sustainable future NPAT.
85. It is our view that the goodwill value we determine as part of our overall assessment of value is commercial in nature – and therefore transferable. It is our opinion that our assessed goodwill value is entirely reasonable in the circumstances given that the goodwill [].

[Return on Investment

86. We have also given consideration to [] apparent dividend policy. The net after-tax dividend of \$[] to be paid in respect of the 2018 year represents an after tax return to shareholders of approximately []% on invested capital. This is close to the expected after-tax return to equity of []% (refer paragraph 72). The difference is a reflection of a need to invest in increasing working capital requirements as the Company grows.]

PART E: OUR VALUATION OF THE SUBJECT SHARES

87. We have been asked to assess a fair value for the []% equity inherently held by [] in the Company. We understand that this shareholding may be sold [].
88. [possibly explain the nature of the sale etc].

Valuation Theory

89. A specific parcel of shares may not necessarily be valued on a pro-rata basis according to the value of a company as a whole. A discount for lack of control, or in some cases, a premium for control, may well apply. It is generally accepted that a shareholder (or group of shareholders) with a 75% interest will have 'control' of a company, primarily because a 75% voting block is able to pass a special resolution. A special resolution will legitimately approve a major transaction.
90. Generally, a minority interest in a company will attract a discount to recognise the lack of control inherent therein. In the case of listed companies, this seeks to reflect the fact that a minority shareholder has virtually no control over the economic direction of the equity investment, and no control over the rate of return directly realisable from that investment.
91. With unlisted, privately-owned companies, the nature and extent of a minority shareholder's lack of influence or control may differ. Factors which are likely to affect the level of discount (if any) that may be applied to assess a value for a minority interest is likely to include:
- the size of the minority shareholding and its importance relative to other shareholdings;
 - existing shareholder agreements;
 - a company's constitution or articles of incorporation and by-laws;
 - shareholder relationships;
 - familial relationships;
 - whether a shareholding has a nuisance value; and
 - whether an organised market exists for minority shareholdings.
92. The restrictions and limitations attaching to a minority interest are most severe where the interest represents less than 25% of the issued shares. In general, the more severe the restrictions and limitations which attach to a minority interest, the greater the discount.

Our Apportionment of Value

93. On the important question of whether or not to apply a discount to [] minority interest which is the ultimate subject of our report, [we have referred to the Company's Constitution and the Shareholders' Agreement. Section [] of the Shareholders Agreement addresses the situation where a shareholder seeks to transfer their shares], and;
- ;
 - ;
 - .
94. [[] of the Constitution, dictates that any transfer of shares should be based on "a fair value". However, the Constitution does not offer any guidance on how "fair value" should be determined].
95. As already noted earlier in our report, the concept of fair value is based on a desire to be fair and equitable to the parties affected by the transaction. It is most likely to apply when the

parties are not free to go into the market and strike the best price for the purchase or sale. A valuation under such circumstances will be required to take into account what the vendor is giving up and what the purchaser is acquiring in value. In practice, this requires an equitable sharing of any control premium or minority discount between buyer and seller.

96. After considering the relevant valuation theory and appropriate case law, we assess a current fair value for the []% minority interest without allowing initially for any discount to recognise the lack of control inherent therein. [or allow for a discount not too deep] [We do so, on the basis that it is our view that it would be “unfair” to penalise a minority shareholder for the benefit of remaining shareholders who will purchase [] shares].
97. [However, no individual shareholder holds a controlling interest].
98. On this basis, we assess a current fair value for [] interest (on a strictly pro-rata basis) in a range from \$[] to \$[]. The mid-point (rounded) is approximately \$[] equivalent to a value per share of approximately \$[].
99. [Our assessed value for the Subject Shares is distinct from the value of any outstanding advances owed *[to/by]* the [] interests **[to/by]** the Company at the Valuation date]. *[or any other date]*

* * * *

We trust that our report responds fully to the matter set for our consideration.

Yours sincerely

[]
[]

Phone
Mobile
Fax
Email

Appendix 1: Qualifications, Disclaimers and Declarations

This appendix forms part of, and should be read in conjunction with, the report of "[????]" dated [] relating to our assessment of a current fair market value for [] Limited and a fair value for a minority []% interest in the Company.

Use of the Report

This report has been prepared for the Directors of [] for the purpose described in paragraph 2 above and may be relied upon only by those parties and only for that purpose. [????] disclaims any liability to any other person relying on this report. This report may not be disclosed or copied to any person other than the parties mentioned without express written authority, other than for the purpose in relation to which it has been prepared.

Our assessment of a current fair market value for the Company *[and associated fair value for any share parcels, will not be appropriate for determining a value for any other associated interest or a value for the Company at any other date]*.

Declaration

In preparing this report we have relied essentially on information provided to us by the *[Directors]* and their accountants. We have made certain enquiries as explained in this report. While we have no reason to doubt the validity of the information provided to us, neither the author of this report nor [????] has conducted an audit or verification of the information provided to us.

We reserve the right to review any calculations included or referred to in this opinion and, if we consider it necessary, to revise our opinion in the light of any information existing at Valuation date which becomes known to us after the date of this report.

Review for Factual Accuracy

A copy of a draft of this report has been provided to the *[Directors]* with a request that they review the report for factual accuracy and advise if they believe there are any material errors of fact, or if there are any material matters not taken account of which they believe would make the factual contents inaccurate or misleading. The responses received have been incorporated into this report. We have finalised the report on the basis that the facts stated are accurate and not misleading.

[Disclaimer and Limitation of Liability]

This report has been prepared by [????] with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) is assumed by [????], its directors, employees or consultants for the preparation of this report. The absolute limit of [????]'s liability, regardless of the form of action, shall be an amount equal to the fees and expenses actually received in relation to the engagement] *[may require your own wording]*.

Independence

The following statements are made in accordance with the requirements of Advisory Engagement Standard No 2: Independent Business Valuation Engagements ("**AES-2**") *[if applicable]*:

- (a) This report has been prepared in accordance with the requirements of AES-2;
- (b) The author of this report is [] (...*qualifications*). *[Mr/Ms]* [] is a director of [????]. Professional work in which *[he/she]* is predominately engaged include *[financial investigations, business valuations and appraisals, financial dispute resolution and litigation support]*;
- (c) *[The valuation has been undertaken by [] [acting independently]]*; and
- (d) The compensation to be paid for the preparation of this report is not contingent on the conclusion, content or future use of this report.

Appendix 2: Sources of Information

Listed below are the sources of information reviewed and relied upon in reaching the conclusions outlined in the attached valuation report:

- Unaudited annual financial statements for the years ended [];
- Management - prepared financial forecast for the [] months ended [];
- Independent research which we have undertaken;
- Discussions which we have held with [];
- The Company's website
- Statutory information obtained from the New Zealand Companies Office;
- .

While we have taken care in our examination and use of the information and explanations provided to us, we are not in a position to verify such and, accordingly, we cannot accept responsibility for the consequences of any errors or omissions contained in that information. In particular, we have, of necessity, relied on representations made to us by []. Again, we cannot accept responsibility for the consequences of any errors or omissions contained therein.

Appendix 3: Statement of Financial Position as at [31 March 2019]

BALANCE SHEET ANALYSIS	Note	[2019] \$	Operating Assets \$	Non- operating Assets \$	Debt \$
CURRENT ASSETS	1				
Cash					
WIP					
Trade debtors					
CURRENT LIABILITIES	2				
Trade creditors					
Other creditors					
Tax liability					
Working Capital					
NON-CURRENT ASSETS	3				
Plant & equipment					
Loans to associates					
Total assets					
NON-CURRENT LIABILITIES					
Hire purchase/lease liability					
NET ASSETS					
SHAREHOLDERS FUNDS					
Issued capital					
Retained earnings					
Notes: 1: Of the cash on hand at [31 March 2019], \$[] is considered to be surplus. 2: Taxation liability is debt for valuation purposes. 3: Loans to shareholders are surplus for valuation purposes.					

Appendix 4: Methods of Valuation

In assessing the value of a business, or the shares in a company, the following usual methods of valuation are considered:

(a) *Discounted Cash flows*

The discounted cash flow method is the fundamental valuation method to assess the present value of future cash flows, recognising the time value of money and risk. The value of an investment is equal to the present value of the future cash flows arising from the investment, discounted at the investor's required rate of return.

This method requires a formal business model and discounts free cash flows after excluding depreciation and allowing for expenditure on capital items. As a prerequisite, it requires long term forecasts. This approach is particularly suitable where the future performance of a company is likely to be significantly different from its past performance or where cash flows are expected to fluctuate substantially over time, due to major capital expenditure or for other reasons.

(b) *Capitalisation of Earnings*

This method is a proxy for the discounted cash flow method. It requires an assessment of the maintainable earnings of the company, together with the determination of a rate of return relative to the particular business for the purpose of capitalising the maintainable earnings amount. This approach is normally applied when valuing large or controlling interests in a company.

The capitalisation of earnings approach is most readily applied when the historic earnings pattern of a business is sufficiently stable that it can be used to predict future earnings, or where other factors such as available forecasts or other indicators of likely future results are considered sufficiently reliable to allow reasonable estimates of future earnings to be made.

(c) *Capitalisation of Dividends*

This method requires an assessment of a maintainable dividend, together with the determination of a dividend yield appropriate to that company for the purpose of capitalising the maintainable dividend. This approach is normally applied when valuing small or minority shareholdings.

(d) *Net Asset Value*

This method requires an assessment of the realisable value of a company's assets and liabilities, together with expenses (including taxation) that may be incurred. Some net asset methods of valuation assume that a company will be liquidated, and therefore include additional costs and the assessment of a profit required by a purchaser. Other net asset methods of valuation assume that the business will continue as a going concern. The distinction will depend on the particular circumstances.

(e) *Industry Rules of Thumb*

Industry rules of thumb are sometimes used in particular industries. These rules of thumb may offer a secondary market-based approach to test values determined according to a capitalised earnings or discounted cash flow method, or, in certain instances, they may provide a primary valuation method. As such, industry rules of thumb must be considered where appropriate.

Appendix 5: Assessment of an EBIT Multiple by Reference to WACC

WACC weights the risk-adjusted returns required by a company's equity investors (those providing equity capital) and financiers (those providing debt capital) with reference to the respective proportions of equity and debt in the company's capital structure. The formula conventionally used to calculate WACC is as follows:

$WACC = R_e \frac{E}{V} + R_d (1 - t) \frac{D}{V}, \quad \text{Where:}$			
-	R_e	=	Cost of Equity
-	R_d	=	Cost of Debt
-	E	=	Value of Equity
-	D	=	Value of Debt
-	V	=	Value of Equity Plus Debt
-	t	=	Corporate Tax Rate

The cost of a company's debt capital is determined by assessing the average rate at which it can borrow in the market.

Where the cost of a company's equity capital cannot be assessed by examining market indicators, it must inevitably be estimated. The capital asset pricing model ("CAPM") provides an accepted basis for estimating the cost of a company's equity capital. This model assumes that the cost of equity is represented by the aggregate of the company's risk-free rate of return, plus a premium to recognise market risk associated with the investment opportunity. While the CAPM is not a perfect model for calculating the cost of equity, numerous empirical tests of the CAPM support the model's main implications (that the systematic measure of risk, the beta co-efficient, does appear to be related to past returns; that a positive risk/return trade-off does exist; and that this risk/return relationship does appear to be linear).

However, CAPM in its basic form does not necessarily recognise specific risks associated with the business which is the subject of this report. Accordingly, it is necessary to modify CAPM by incorporating the Company specific factors of risk, including those relating to the size of the Company and the fact that it is unlisted. This approach is variously described as a modified CAPM formula or a "Build-up Model". The formula conventionally used to calculate the cost of equity in these circumstances is as follows:

$K_c = R_f + \text{beta} \times (K_m - R_f) + RP_s + RP_u, \quad \text{Where:}$			
-	K_c	=	risk-adjusted discount rate (cost of equity)
-	R_f	=	rate of a "risk-free" investment (such as government bonds)
-	K_m	=	expected market return
-	beta	=	measure of an investment's volatility, relative to an appropriate asset class
-	RP_s	=	size and unlisted premium
-	RP_u	=	company specific risk premium

Listed below are the formula variables which we have adopted to estimate an EBIT multiple for the purposes of this valuation:

- Risk-Free Rate (post-tax) [2.38]%
- Post Tax Market Risk Premium ($K_m - R_f$) 7.5%
- Equity Beta 1.00
- Optimum Debt/Net Tangible Assets Ratio 50:50
- Small Company and Unlisted Risk Premium 6.00%
- Marketability and Specific Risk Discount [11.10]%
- Cost of Debt [7.00]%
- Long-Term Annual Growth Rate [2.50]%