

VALUATION AUDIT REPORT

**MADIBA MANUFACTURING
ENTERPRISES (PTY) LTD**

ENTERPRISE AND EQUITY VALUATION

VALUATION DATE 30 June 2013

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Sample Report

Value your Business... Value your Company

INPUT VARIABLES

UNLISTED ENTITY

COUNTRY	SOUTH AFRICA
CURRENCY	SOUTH AFRICAN RAND
MARKET EXPECTED RATE OF RETURN	15%
ANNUAL FORECAST GDP GROWTH	2%
BUSINESS SPECIFIC RISK PREMIUM	4%
ADDITIONAL BUSINESS SPECIFIC RISK FACTOR	0%
TRADABILITY/LIQUIDITY RISK PREMIUM	2%
PAYBACK PERIOD	5 YEARS
FORECAST PERIOD	5 YEARS

FORECAST FINANCIAL PERFORMANCE AND FREE CASH FLOWS

DATE	NET PROFIT AFTER TAX	(+) NON-CASH EXPENSES	(-) CAPEX	(-) WORKING CAPITAL	FREE CASH FLOW
30 JUN 2013	2 148 851				
30 JUN 2014	1 288 800	250 000	0	(132 535)	1 671 335
30 JUN 2015	1 562 400	250 000	0	225 000	1 587 400
30 JUN 2016	1 764 000	250 000	0	225 000	1 789 000
30 JUN 2017	2 237 760	250 000	500 000	247 500	1 740 260
30 JUN 2018	2 556 000	250 000	500 000	277 500	2 028 500

DISCOUNT RATE CALCULATION

MARKET EXPECTED RETURN	15%
+ BUSINESS SPECIFIC RISK PREMIUM (PER QUESTIONNAIRE)	4%
+ ADDITIONAL USER SPECIFIC RISK PREMIUM	0%
+ TRADABILITY/LIQUIDITY RISK PREMIUM	2%
= DISCOUNT RATE	21%

CAPITALISATION RATE CALCULATION

DISCOUNT RATE	21%
- FORECAST GDP RATE	2%
= CAPITALISATION RATE	19%

Sample Report

VALUATION METHOD

PRIMARY VALUATION METHOD (METHOD 1)

CAPITALISED EARNINGS

NPAT (ADJUSTED) FORECAST NEXT 12 MONTHS AFTER LAST AFS DATE

SECONDARY VALUATION METHOD (METHOD 2)

DISCOUNTED FREE CASH FLOW

TERMINAL VALUE BASED ON EARNINGS IN PERPETUITY

REASONABILITY TEST (CHECK 1)

INTRINSIC ASSET VALUE

NPAT (ADJUSTED) FORECAST NEXT 12 MONTHS AFTER LAST AFS DATE

REASONABILITY TEST (CHECK 2)

PAYBACK PERIOD METHOD (PAYBACK PERIOD : 5 YEARS)

NPAT (ADJUSTED) FORECAST NEXT 12 MONTHS AFTER LAST AFS DATE

CAPITALISATION EARNINGS METHOD

NET PROFIT AFTER TAX	1 288 800
/ CAPITALISATION RATE	19%
= BUSINESS ENTERPRISE VALUE	6 783 158

DISCOUNT FREE CASH FLOW METHOD

YEAR	FORECAST FREE CASH FLOW
30 JUN 2014	1 671 335
30 JUN 2015	1 587 400
30 JUN 2016	1 789 000
30 JUN 2017	1 740 260
30 JUN 2018	2 028 500

DISCOUNT RATE	21%
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TERMINAL VALUE BASED ON EARNINGS IN PERPETUITY

BUSINESS ENTERPRISE VALUE	8 471 050
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INTRINSIC ASSET VALUE CHECK

TANGIBLE PRODUCTIVE ASSETS	3 230 000
+ INTANGIBLE PRODUCTIVE ASSETS	0
+ GOODWILL	3 553 158
= BUSINESS ENTERPRISE VALUE	6 783 158

PAYBACK PERIOD CHECK

NPAT	1 288 800
x PAYBACK PERIOD	5
= BUSINESS ENTERPRISE VALUE	6 444 000

VALUATION METHOD

PRIMARY VALUATION METHOD (METHOD 1)

CAPITALISED EARNINGS

NPAT (ADJUSTED) FORECAST NEXT 12 MONTHS AFTER LAST AFS DATE

SECONDARY VALUATION METHOD (METHOD 2)

DISCOUNTED FREE CASH FLOW

TERMINAL VALUE BASED ON EARNINGS IN PERPETUITY

REASONABILITY TEST (CHECK 1)

INTRINSIC ASSET VALUE

NPAT (ADJUSTED) FORECAST NEXT 12 MONTHS AFTER LAST AFS DATE

REASONABILITY TEST (CHECK 2)

PAYBACK PERIOD METHOD (PAYBACK PERIOD : 5 YEARS)

NPAT (ADJUSTED) FORECAST NEXT 12 MONTHS AFTER LAST AFS DATE

CONVERSION OF ENTERPRISE VALUE TO EQUITY VALUE AT VALUATION DATE

	METHOD 1	METHOD 2	CHECK 1	CHECK 2
TANGIBLE PRODUCTIVE ASSETS	3 230 000	3 230 000	3 230 000	3 230 000
INTANGIBLE PRODUCTIVE ASSETS	0	0	0	0
GOODWILL (IF ANY)	3 553 158	5 241 050	3 553 158	3 214 000
ENTERPRISE VALUE	6 783 158	8 471 050	6 783 158	6 444 000
OTHER NON-CURRENT ASSETS	0	0	0	0
CURRENT ASSETS	4 108 497	4 108 497	4 108 497	4 108 497
TOTAL ASSETS	10 891 655	12 579 547	10 891 655	9 121 987
LOANS FROM OWNERS/DIRECTORS	734 040	734 040	734 040	734 040
LONG-TERM LOANS	64 352	64 352	64 352	64 352
CURRENT LIABILITIES	632 118	632 118	632 118	632 118
TOTAL LIABILITIES	1 430 510	1 430 510	1 430 510	1 430 510
EQUITY VALUE (100% INTEREST)	9 461 145	11 149 037	9 461 145	9 121 987