

Business Value Assessment

of

Worth Some More Ltd

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Introduction

The purpose of this report is to present, in an easily understood way, aspects of a business that are better or worse than other aspects of that same business. It is for the Executive (the business owner and/or senior managers) to decide which aspect is important and whether it merits any action. In order to aid understanding of whether an aspect is important, generic commentaries are given against extremes whether they be "good" or "bad". The reality is that there are no wrong answers to this assessment. Value is gained from time spent by the executive in considering the business and fairly assessing it to their own standards, then delivering actions to improve the business that arise from the consideration invested in the creation and study of this report.

This value assessment has been prepared from the answers submitted and reflects an interpretation solely from those answers. This report was prepared by Anchard Associates LLP and no liability is accepted by them for the accuracy or appropriateness of the material presented regardless of the purpose any user of this report may undertake.

Any valuation of a business is subjective by nature. This business valuation is based upon subjective questions but the answers are exact. The assessment can be replicated from period to period such that a business can target specific actions and re-assess at a later period to compare the growth in value.

This assessment views the value the business from an external view point where an investor may see it; with a heavy discount for the importance of the Executive. The Executive would be replaced in a buyout or retained if critical to the business. The free market cost of this critical service when set against the profits of the business adversely affect the investment returns and hence the business value.

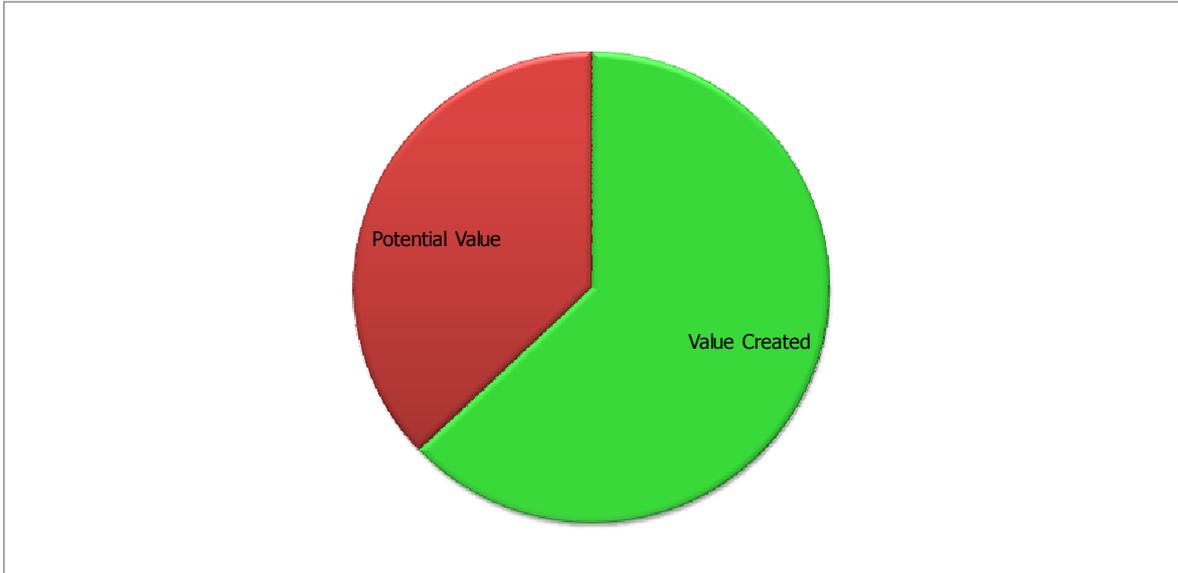
A business that employs good practices and has solid internal controls can enhance its value by incorporating these practices into the corporate memory and culture by systemising the good points. These positive factors become entrenched in the business and make achievement of objectives easier.

July 2011

Business Value

Potential Business Value

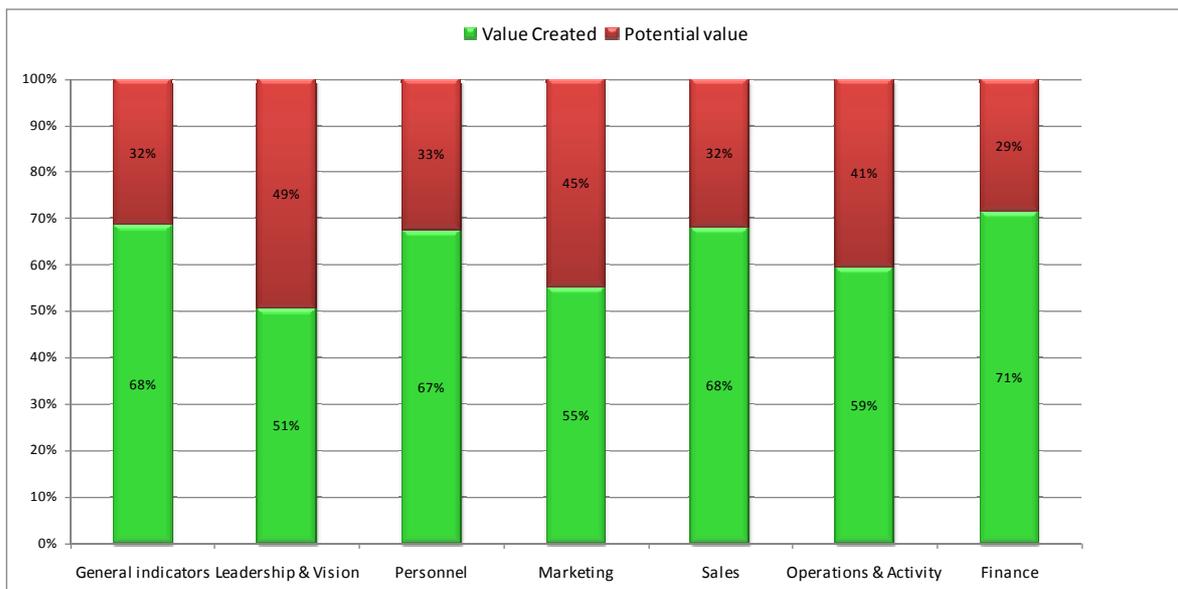
This chart shows a summary of the business value split between the created and the potential value as assessed in this report. This valuation assesses the value created at 63 %. To maximise the potential business value the score could be enhanced by 59 % from this base. The commercial forces that drive the free market value of this business should be positively affected by actions to improve on the business value potential.



Business Value analysed by principal categories

This report breaks down the business valuation assessment into the 7 categories that are summarised below. Each category is given deeper analysis further on in the report with an overall assessment for each section complimented by generic advice against the individual high and low scoring areas.

Before these 7 graphs, there follows 4 charts that give an overview of the analysis splitting the principle value quantifiers by the key areas of systemisation, evidence, application and functionality. Additionally the 7 categories are analysed by the degree of systemisation across each category.



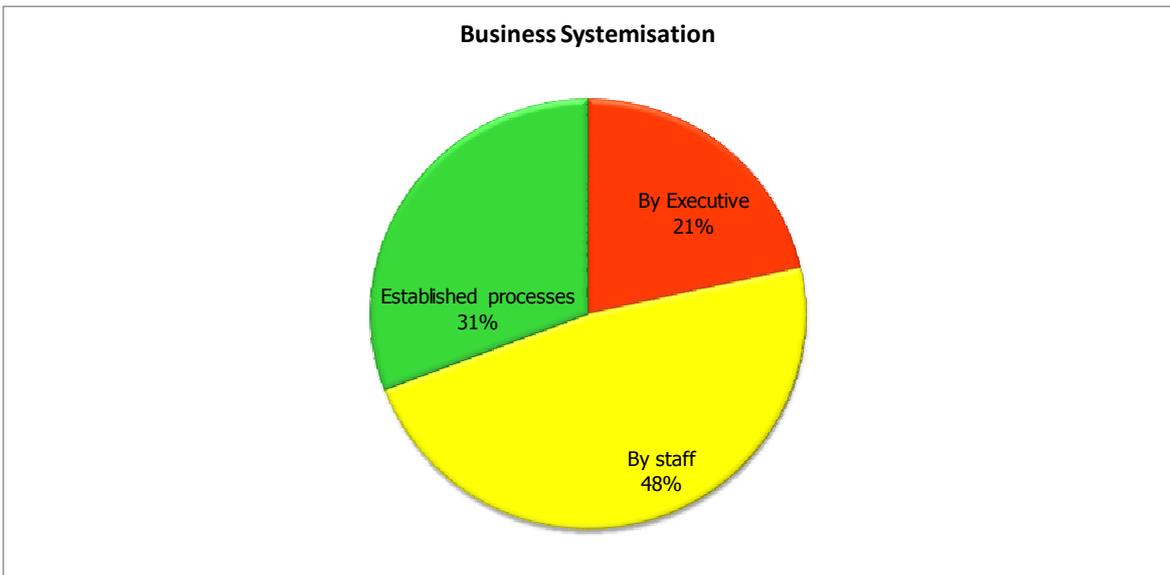
Analysis overview

Systemisation

This chart summarises where the foundation of the business systems lie. The Executive element represents the areas that are driven by the very top management of the business. The next element covers those areas that are handled by the staff under their own initiative, habit or training. To be an established process the systems will have been automated or computerised or incorporated into a defined and documented staffing task that is subject to independent measures or complementary controls.

This assessor gives greatest value to processes that are established and less to those areas driven by the Executive. It does not judge or quantify the impact of the Executive but attributes less value to the business where processes are inherently driven by the Executive.

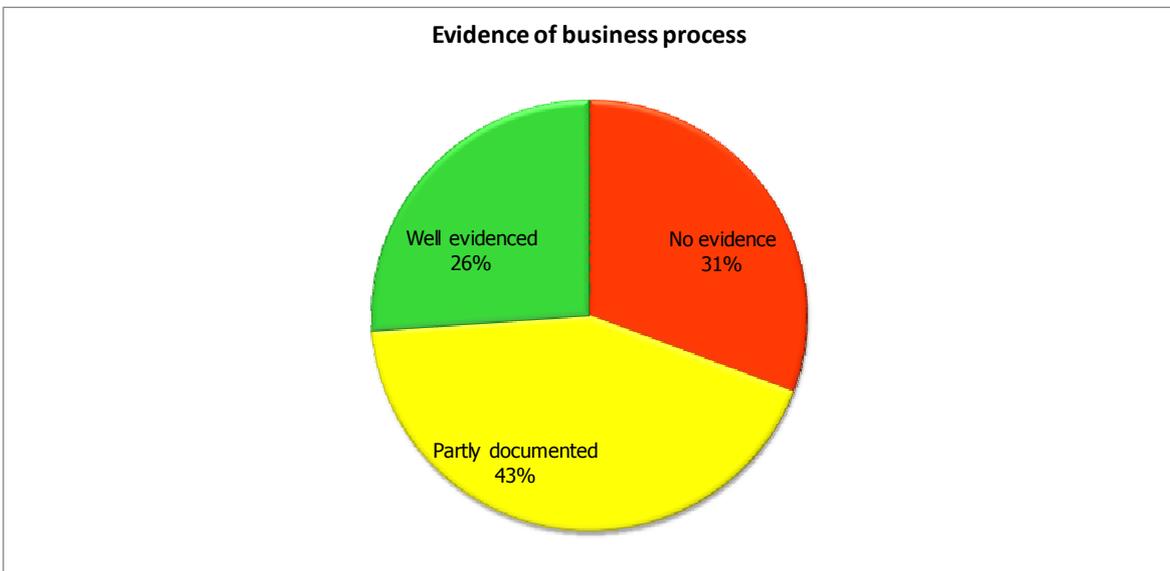
The more that systems are established the less volatile the business becomes. Generally this is a very good thing with clear benefits covering the areas such as quality control, customer handling, staff management and financial reporting to mention a few. Where the systemisation is high, compliant personnel practices are probably in place that reinforce the corporate culture. To improve or change systemisation from Executive to staff and into established processes will involve integrating any specific actions with related personnel management



Evidence

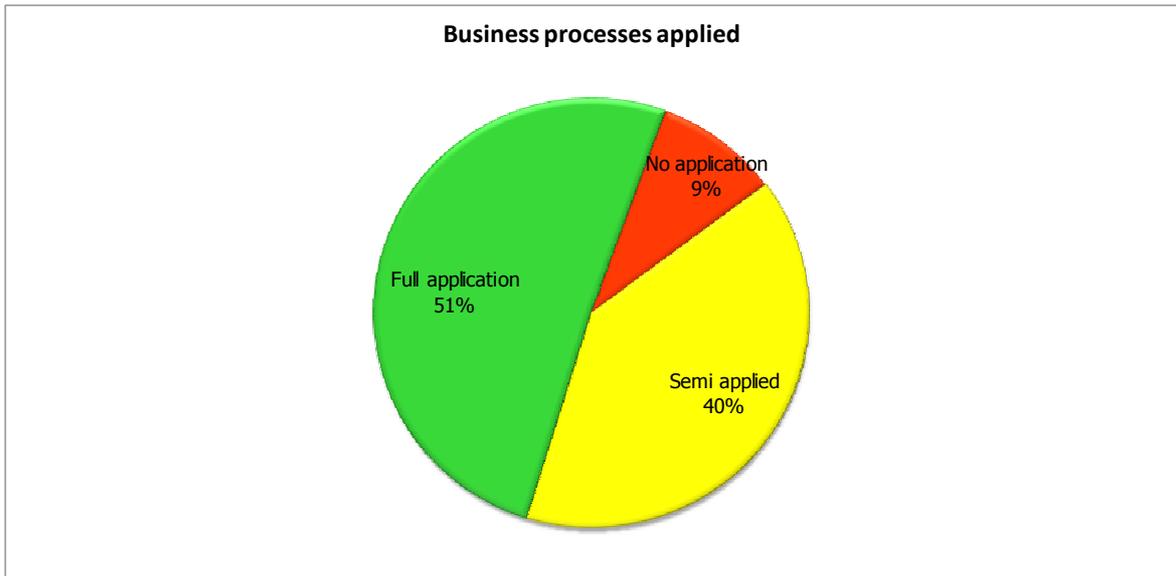
This chart shows how much of the business processes are evidenced by either documentation, retention and organisation of records or other supporting proofs. This evidence covers the systems and strategies of the business and the work functions and staff duties and responsibilities of those who work in the business.

Systems that exist within the business are of limited value if they are not properly documented. By simply documenting the processes, a system takes on a life of its own. At this point there is a golden opportunity to review the process for purpose and efficiency thereby adding extra value to the business on top of that generated by systemising the knowledge that exists.



Application

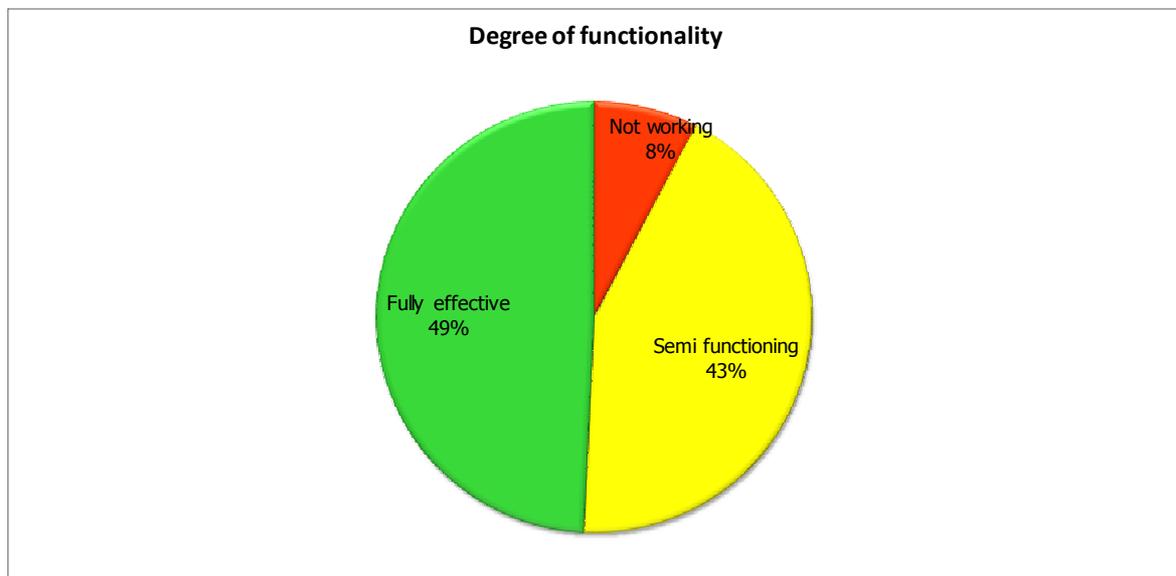
The business practices and processes exist whether they are documented or not. This chart below shows how far the business processes are being applied. A high proportion of application of business processes adds to the business value. It is assumed that the processes are generally correct and good for the business and if not, credit is given for being able to implement processes across the business!



Functionality

This chart displays the Executive's opinion on the degree of functionality of the business processes irrespective of the systemisation or documentation of those systems.

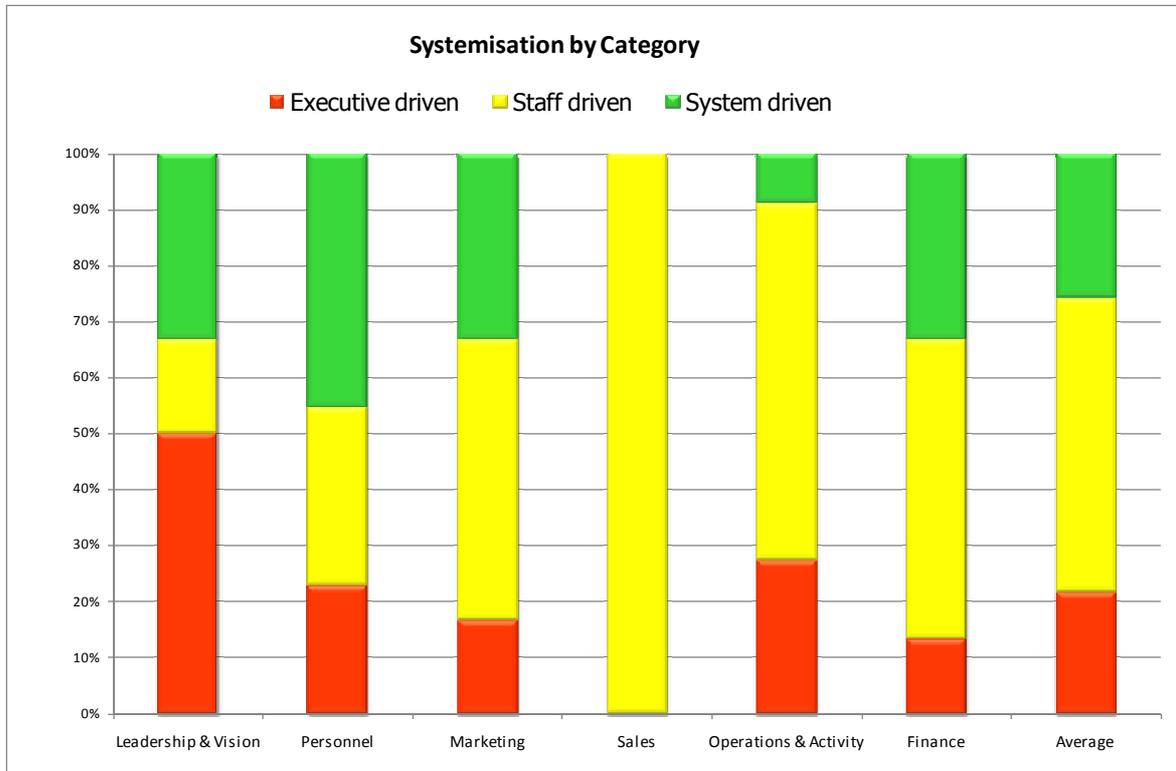
A business may be more valuable with correct processes semi functioning than inefficient processes that are in full effect. Where a high proportion of job descriptions, management practices and business strategies are not appropriate or not working then value is certainly being eroded.



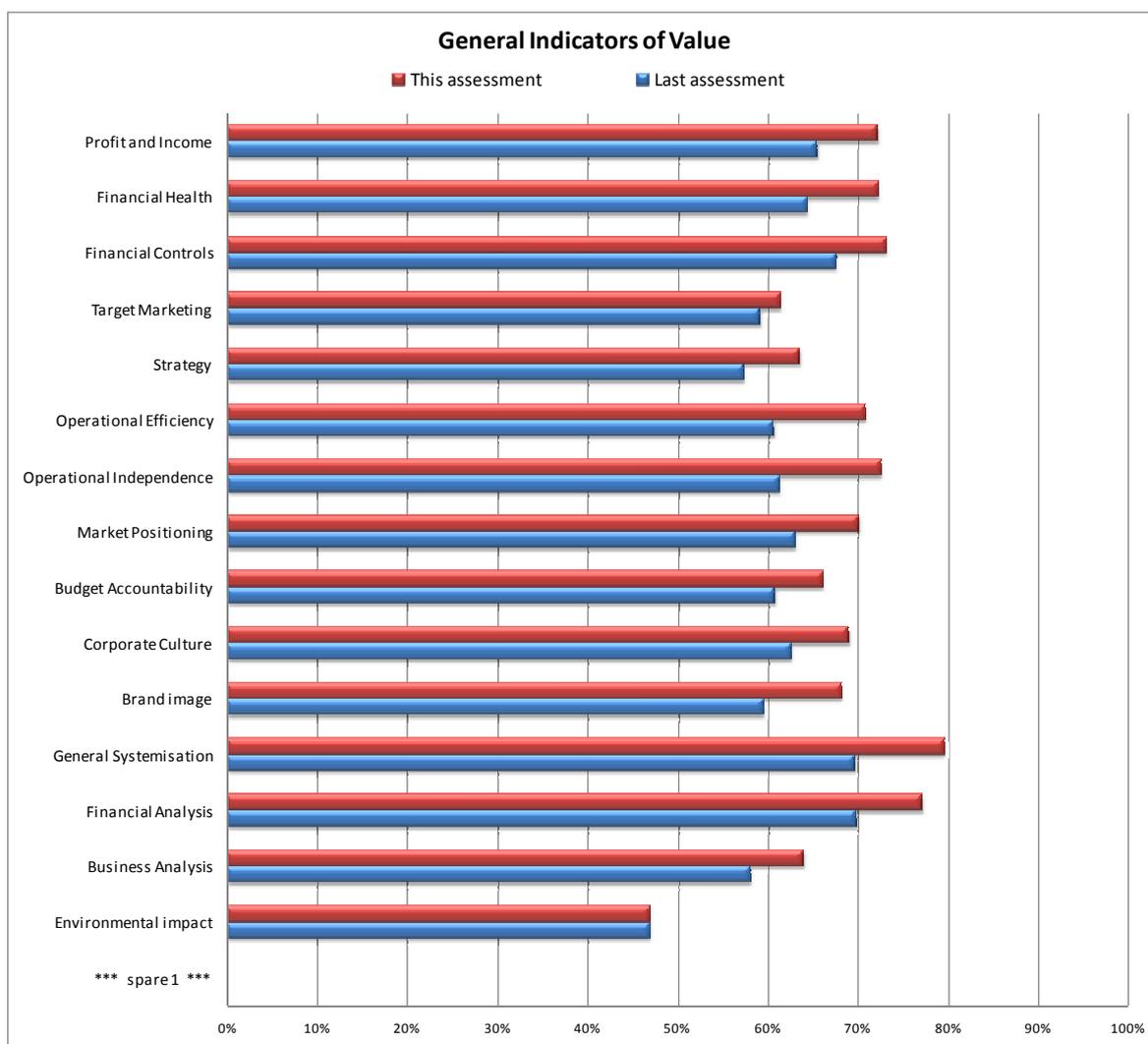
Business Systemisation by Category

In order to assist with the deeper analysis of the categories, which appear on the following pages, this systemisation graph is produced. It shows the degree of systemisation that exists across the business.

As a guide, a business should seek a broad balance of its systemisation across the categories and this graph should easily identify action areas for consideration.



General Indicators of Value



The average assessment of the general indicators of value is 68.4 %. (Previously 61.7 %) Listed below is a quick guide to the General Indicators of Value, the scores achieved against each area and an indication of their generic importance.

Profit and Income

72%

Profit is the number one indicator of value. Cash generation follows closely by. Together they are measures for the residue from income after all costs have been paid. To score well here the business needs to show strong income focus with intention and achievement of cash and profit generation.

Financial Health

72%

Financial health refers to how well (or sick) the business is taking into account all assets and liabilities. Obviously, better scores in this area indicate a good financial position.

Financial Controls

73%

Financial Controls are the means by which an organisation's resources are directed, monitored, and measured. All organisations should strive for good scores in this area.

Target Marketing

61%

Target marketing refers to the strategic approach to creating a marketing mix for a specific, targeted market segment and set of buyers. Good scores in this area suggest that target markets are understood and marketed to appropriately.

Strategy

63%

Strategy means to have a plan of action designed to achieve a defined goal or set of goals. The higher the score in this area, the better those plans are formulated, communicated and implemented and therefore more likely to reach those goals.

General Indicators of Value (continued)

Operational Efficiency

71%

Operational efficiency refers to how well the business performs in producing outputs from given inputs. Improving operational efficiency leads to higher scores in this area.

Operational Independence

73%

Here we look at how separate the Executive is from the business. The higher the score, the more independent the business is. A low score would indicate that the Executive is very involved in the day-to-day running of the business and not spending time on strategic matters.

Market Positioning

70%

Market position refers to strength of the image or identity that is held in the minds of their target market. Good scoring in this area would indicate a clearly understood and relatively safe situation.

Budget Accountability

66%

Budget accountability refers to the way in which budgets and real life interact. Businesses scoring well in this area tend to have personnel who take responsibility for their budgets and a corporate culture that supports this.

Corporate Culture

69%

Corporate culture describes the psychology, attitudes, experiences, beliefs and values of an organisation. A good score in this area indicates that your people enjoy working within the business and are dedicated to maintaining the high standards set and expected of them.

Brand image

68%

Brand image is the impression held in consumers' minds of a brand's total personality (real and/or imaginary qualities and/or shortcomings). It is developed over time using consistent, complementary themes which are then authenticated through the consumers' direct experiences. High scores in this area suggest that the brand image is a very good one that fully supports the brand identity and market position of the business.

General Systemisation

79%

General systemisation refers to how well a business has implemented either automated or documented ways of going about that business. Greater systemisation generally means that company value is retained even when key staff leave, hence a greater score.

Financial Analysis

77%

Financial analysis is used to assess the viability, stability and profitability of a business, sub-business or project. Good scores in this area indicate that this business knows where it is and where it is going.

Business Analysis

64%

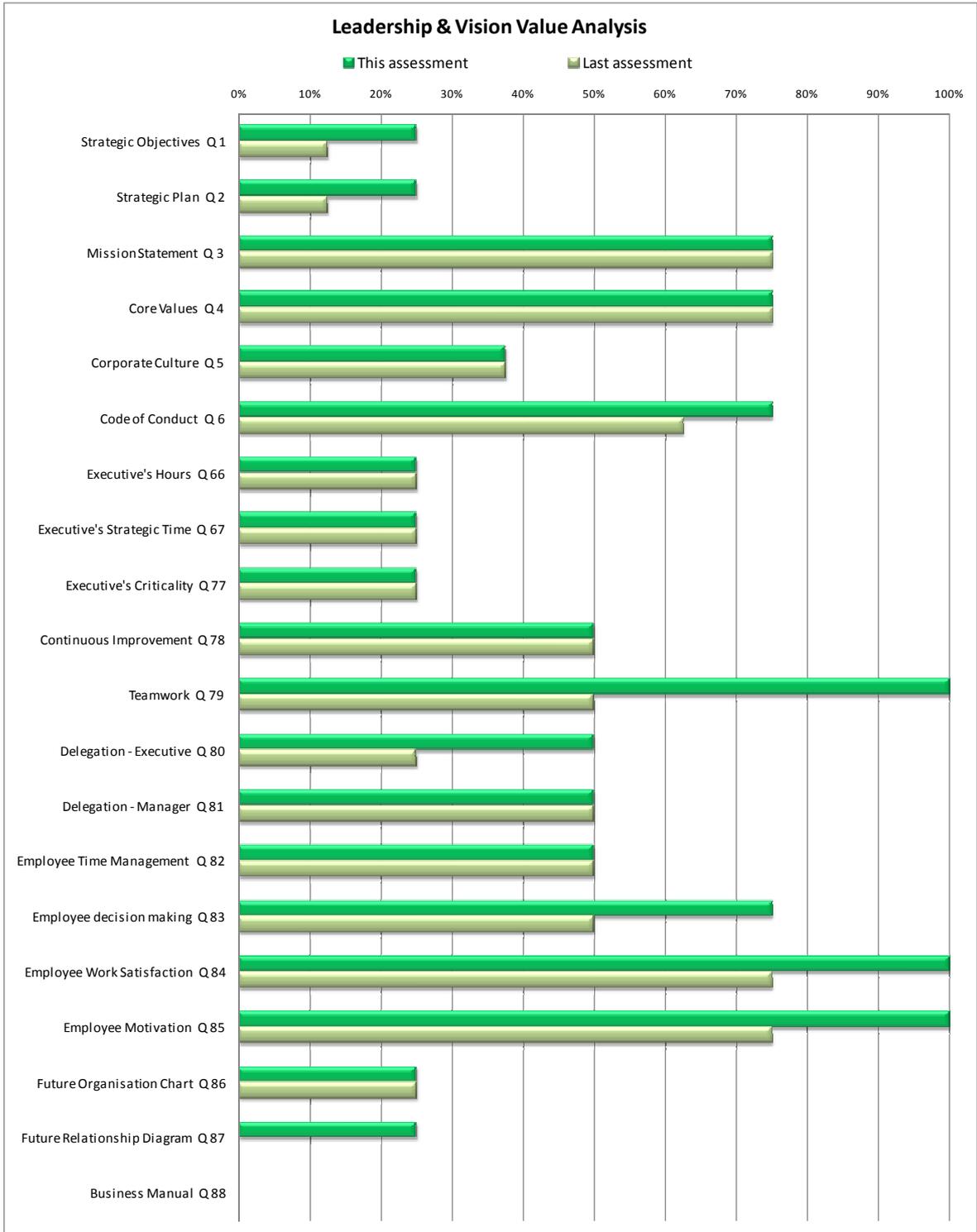
Business analysis is the process of identifying business needs, determining solutions to business problems and monitoring the plans put in place to make sure the strategic objectives are being met. All businesses should strive for high scores in this area.

Environmental impact

47%

Understanding the environmental impact that a business has is an increasingly important function. Historically, this was seen as a set of red-tape to be avoided, but now that commercial advantages can be gained, it is a vital component for business to embrace. All businesses should be seeking to increase their score in this area.

Leadership & Vision



Vision - The overall average score ranks at 50.6 %. This business shows average to fair leadership traits with room for significant improvement. Effort put in here will increase the value of the business.

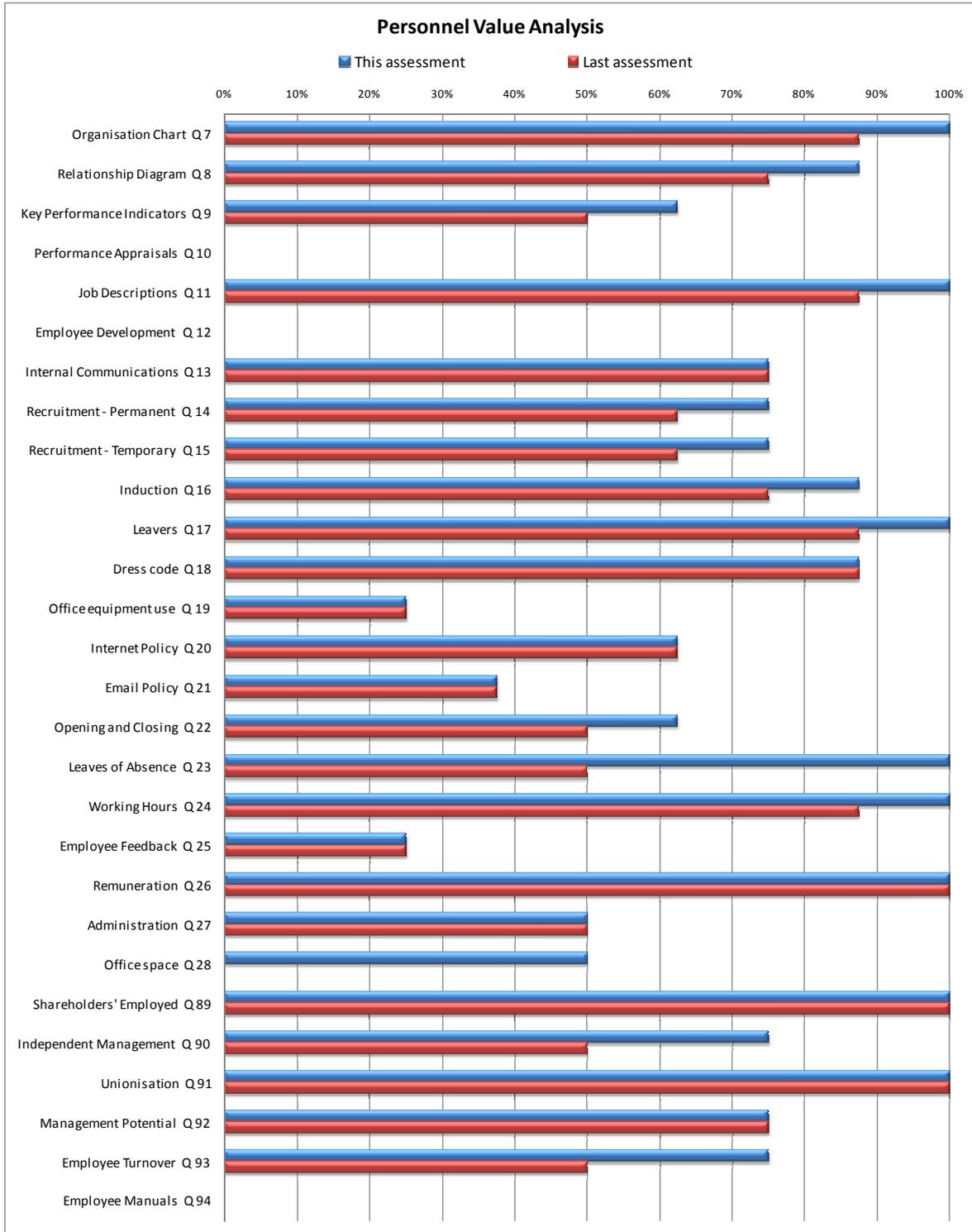
Vision Highs

- There is a convincing mission statement for the business. This gives benefits to staff, customers and the corporate culture in general.
- You have a clear set of Corporate Values. This is good for motivation of staff; it engenders a positive culture within the organisation and is an excellent driver for the business.
- A comprehensive code of conduct reinforces company culture and motivates people to do well.
- The employees work well as a team without the requirement of the Executive to gel them together.
- Employees are able to make good decisions on their own freeing management of the requirement to monitor staff.
- Employees enjoy their work and are proud of the business. This has a positive effect on operational efficiency and will assist with potential growth of the business.
- Employees are self-motivated which will make them more efficient and free management time.

Vision Lows

- There is no specific timeline in place for the implementation of the businesses strategic objectives. This will limit the business's ability to stay on course with its development plans.
- You do not have a good step-by-step route to achieve your Strategic Objectives. This means that you have limited means of monitoring your progress. You will therefore not be able to make any adjustments or corrections on time to keep you on course.
- The business absorbs too much of the Executive's daily time and attention. Movements must be made towards greater delegation by management and increased employee accountability.
- Too little attention is currently given by the Executive to strategic and long-term planning for the company. The inevitable result of this is that the business will eventually run into a glass ceiling concerning its growth. Strategies for improving this situation include the Executive's proper management of time, improved delegation of tasks, and the promotion of key employees.
- The Executive's presence is required for the ongoing management of this company. Transferring this accountability to senior management will have a significant impact on the value of the business, especially for
- (Previously) The Executive has trouble delegating. As delegation is one of the main tools for leveraging one's time, this issue will likely make it difficult for the business to grow beyond the Executive's capacity to do
- The lack of a future organisational chart means that hiring personnel will not be systematic and aimed at achieving the company's strategic objectives. This needs to be done.
- A "future Relationship Diagram" is needed to show the working relationships necessary for achieving the company's Strategic Objective. This will help provide clarity concerning hiring priorities as the company grows.
- Policies and procedures are not properly organised, making them difficult to implement. This means that operational inefficiencies are likely and reliance on key-workers who know what to do.

Personnel



Personnel - The overall average score ranks at 67.4 %. The management of this business is good. Whilst there is room for improvement across certain areas, attention should be applied to weaker areas first. This is because the good management that the business demonstrates should allow for development in other areas to be effective.

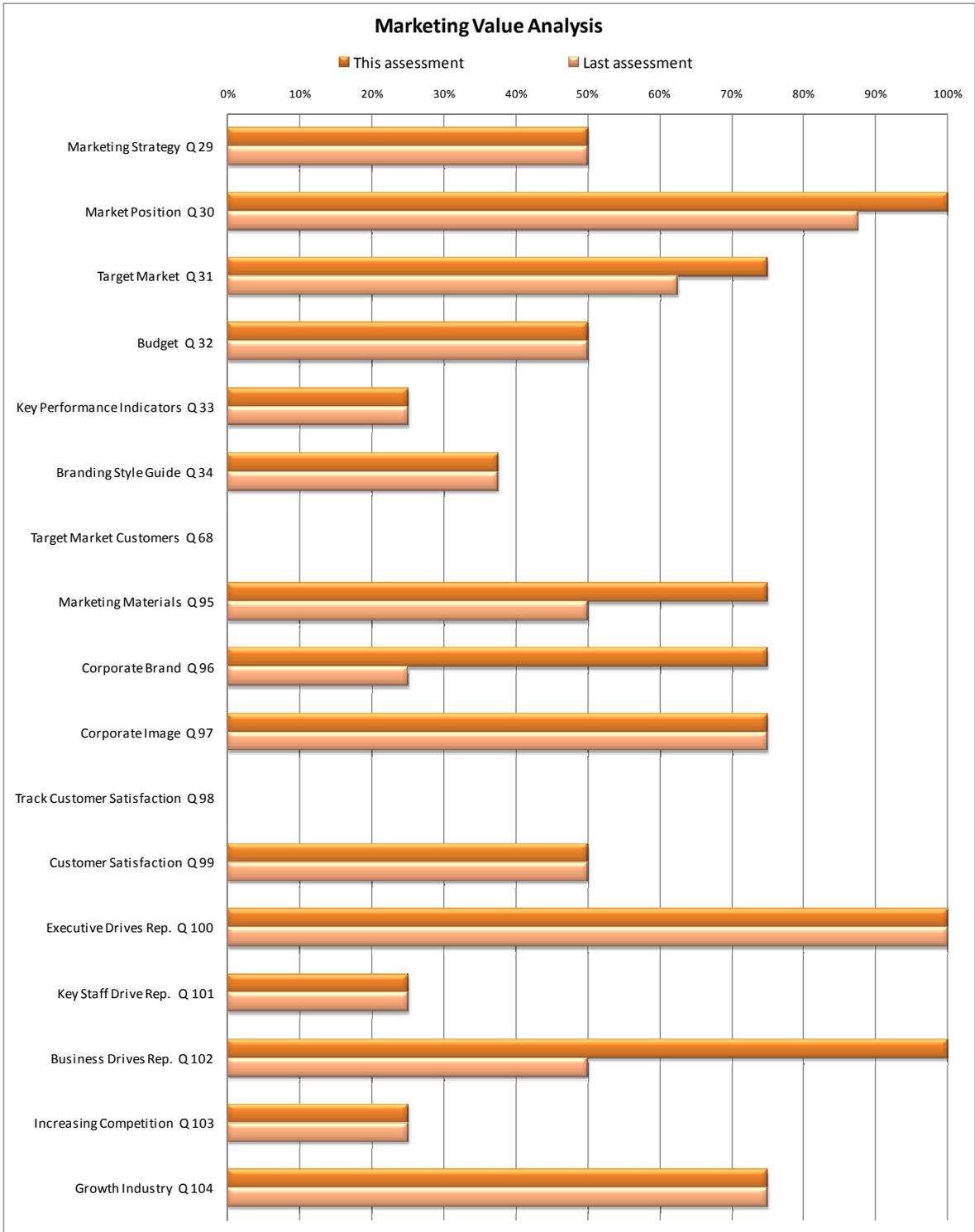
Personnel Highs

- There is good structure to your staff reporting. With well defined roles the business is capable of effective management.
- Everyone knows how to collaborate together to move the company forward. This has a very beneficial effect on the corporate culture and efficiency within the organisation.
- Employees have relevant job descriptions. The significance being that Executive independence is facilitated, actions are systemised leading to greater operational efficiency.
- Internal communication is well organised. This aids general operational efficiency, business analysis, data security and management impact.
- The importance of attracting good quality candidates for employment is recognised. Identifying the key roles and responsibilities is understood so good quality candidates can be attracted.
- There is a well developed system for hiring of temporary or subcontract staff. The effective integration of external staff contributes to operational success.
- A good system of employee induction will familiarise them with the way the company operates and make them productive much quicker than would otherwise be the case.
- The business has good practices for managing employee departures. These systems help to protect the business against employee dispute litigation, position handover difficulties and provide an opportunity to learn from valid criticisms.
- Having a published and regulated dress code can aid morale and motivation within any organisation thus helping productivity and minimising employee disputes.
- Employee absence is well managed. This is beneficial to the management of the business and its operational efficiency.
- Having systems/procedures in place to record and monitor hours worked is not just a legal requirement but assists with ensuring people get paid correctly and take their holiday entitlement etc.
- Having a clearly defined pay and benefits structure has significant advantages including better morale and motivation.
- Ownership of and employment within the business are separated. This will assist the potential sale of the business.
- A good management team is in place that is independent of the executives. This means that the sale of the business will have less impact on the business and increase the value to a buyer.
- The business is not unionised. This avoids any potential problems that can arise from conflicts with management.
- The best organisations attract and develop employees from within the organisation. They tend to know it better and care about its future more.
- You benefit from good employee loyalty borne out by low staff turnover. This has benefits from not having to train new people all the time and allows them to develop within the organisation.

Personnel Lows

- The lack of a good staff appraisal system can have a very negative impact on the organisation as a whole. Grievances don't get aired; training issues are not picked up; General disgruntlement with an "us and them" attitude can develop. All of which will affect badly the overall efficiency and culture of the company.
- Not having a programme of employee development has a negative impact on both the individuals concerned and the company as a whole. Poorly trained people are less motivated, less confident and less efficient at what they do. They will be less likely to contribute fully to achieving the strategic objectives.
- There are no systems in place for the use of office equipment.
- The business has no mechanism for collecting employee feedback or ideas for improving the company. Missing the benefits of collecting this type of information could be significant, especially where the payroll cost is a major expense item.
- (Previously) By not having a clear policy on the use of office space there is a risk of inappropriate use thereof as well as significant confusion, resentment and/or embarrassment.
- Employee/Training manuals are a key ingredient to a successful business. By not having them in place a regularly maintained/updated is a problem in the making.

Marketing



Marketing - The overall average score ranks at 55.1 %. The marketing effort and result is of a medium standard and likely to produce corresponding average results. Improvements in this area should improve profits from better margins or increased sales or both. Furthermore, the future income stream can be strengthened which will improve overall confidence in the business.

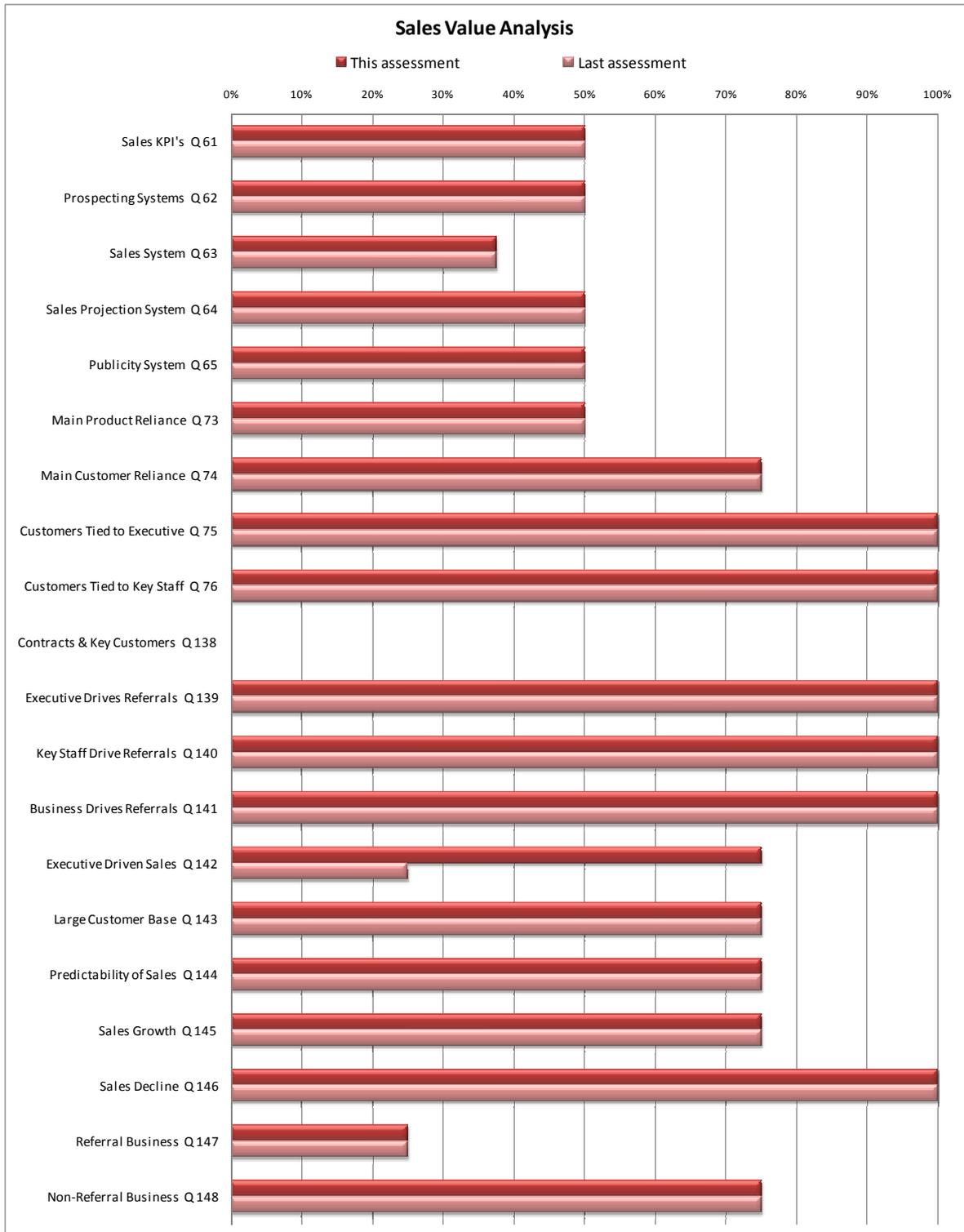
Marketing Highs

- Having a unique identifier within a market adds significant value to any business. The bigger it is, the better it can be exploited.
- The business has a clear understanding of its "ideal" customer. This brings clarity to the sales process and gives direction to the marketing activities.
- Professional quality marketing materials are utilised for all external communications. This gives a consistent and powerful message to the outside world.
- A professional quality corporate ID/Brand is in place for both internal and external communications. This gives a consistent and powerful message to all stakeholders.
- The corporate image reflects the brand associated with it. A consistent and powerful message is being delivered.
- The reputation of the business is not linked specifically to the executive.
- The reputation of the business rests with the business itself. This is the ideal situation to have as no individual is responsible for a particular customer.
- The business is in a growth industry. This should create increased opportunities for expansion.

Marketing Lows

- Marketing KPI's are not in place. This prevents progress towards achievement of the business marketing strategy and does not give any useful management control indicators.
- A large proportion of the customer base falls outside the ideal. This will limit the businesses ability to exploit them fully and will limit growth potential.
- (Previously) Not having professional quality corporate ID/brand opens the possibility of inconsistent, chaotic and erroneous messages being given to ALL stakeholders both internal and external.
- By not tracking and analysing what your customers' experience is with the business, you will not be able to react appropriately when things go wrong and will miss the opportunity to build customer loyalty.
- The reputation of the business is closely linked to key employees. Although not necessarily a problem, it may cause concern to a potential buyer.
- Competition is increasing in your market place, reducing opportunities for acquiring market share.

Sales



Sales - The overall average score ranks at 68.1 %. This business is good at managing its sales. The depth of proficiency across the sales processes should reflect in above average sales with corresponding profitability by avoiding weakness in critical sales areas.

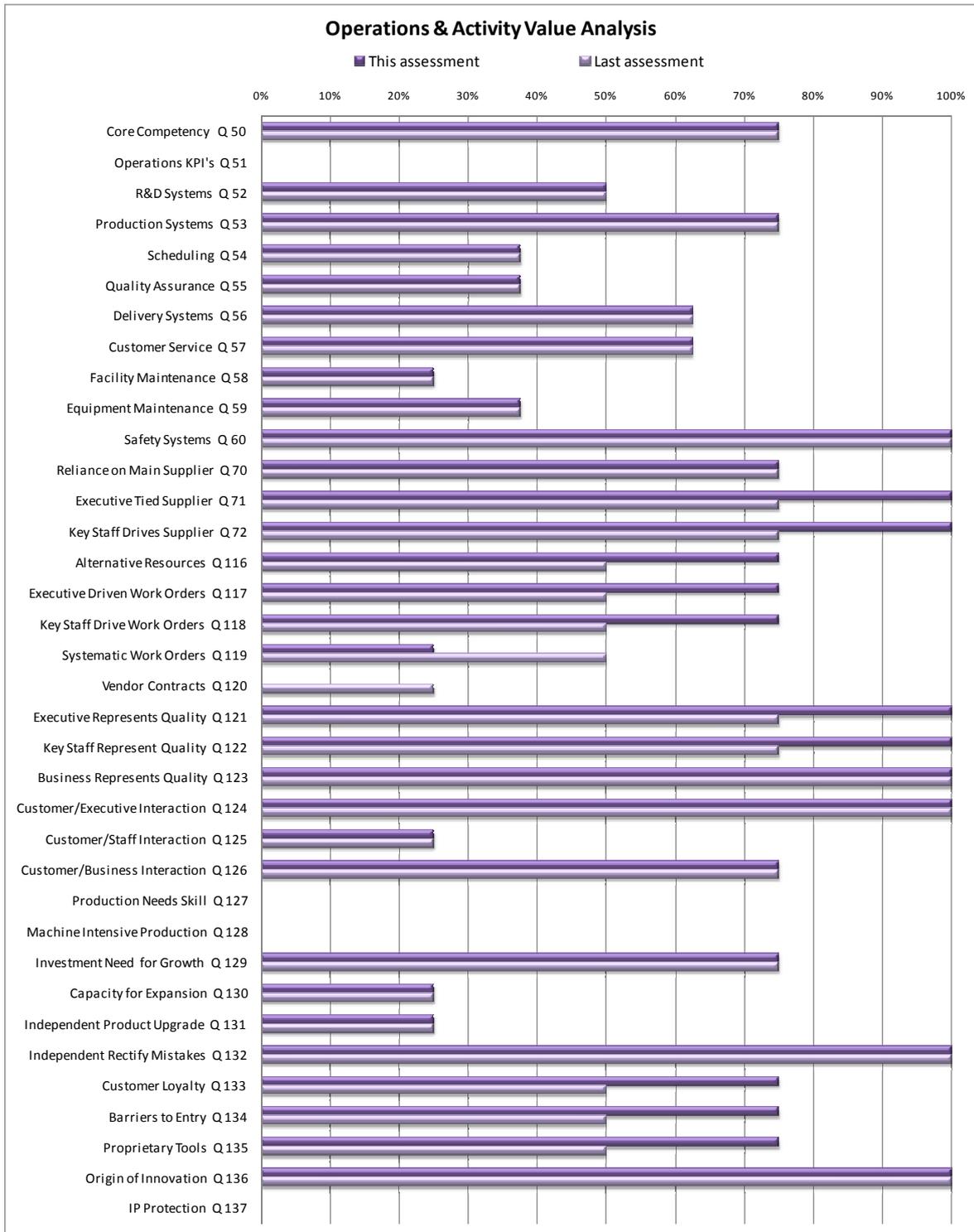
Sales Highs

- The business has a good spread of customers with no reliance on one of them.
 - Customers' relationships are not reliant on the executive. This will help significantly in increasing the value of the business and aide in a sale.
 - The extent to which customer relationships are linked to key employees is negligible.
 - The executive is not the primary source of referrals to the business.
 - Key employees are not the primary source of referrals to the business.
 - Referrals come into the business as a whole instead of the executive or key personnel. This systematic approach is good for the value of the business.
 - Sales are unaffected by the Executive's absence. There is no reliance on the Executive for their achievement.
-
- You have a large enough customer base that the loss of a few would not significantly impact on the bottom line.
 - Monthly sales are predictable and borne out by historical data.
 - A rising trend in sales is beneficial to the business. The reasons for the increase should be analysed so that they can be maintained.
 - In the absence of positive factors, sales levels tend to reduce in volume over time. The fact that yours have not reduced indicates positive factors at work. There should be identified and nurtured.
 - You have a system for generating new business, other than referral. This should be monitored for its effectiveness.

Sales Lows

- Key customer contracts are not in place thus exposing the business to fickle or whimsical customers who could purchase elsewhere.
- (Previously) Sales would be severely affected by the Executive's absence. There is a significant reliance on the Executive to achieve sales. The process should be automated as far as possible and exclude the Executive's involvement is achievable.
- Your existing customers are not sufficiently satisfied with the business to want to refer any work to it. This should be investigated and appropriate measures taken to improve the situation.

Operations & Activity



Activity - The overall average score ranks at 59.4 %. The operational performance indicators show that the business is only average in this area. There are aspects to be addressed highlighted in the list of activity lows.

Activity Highs

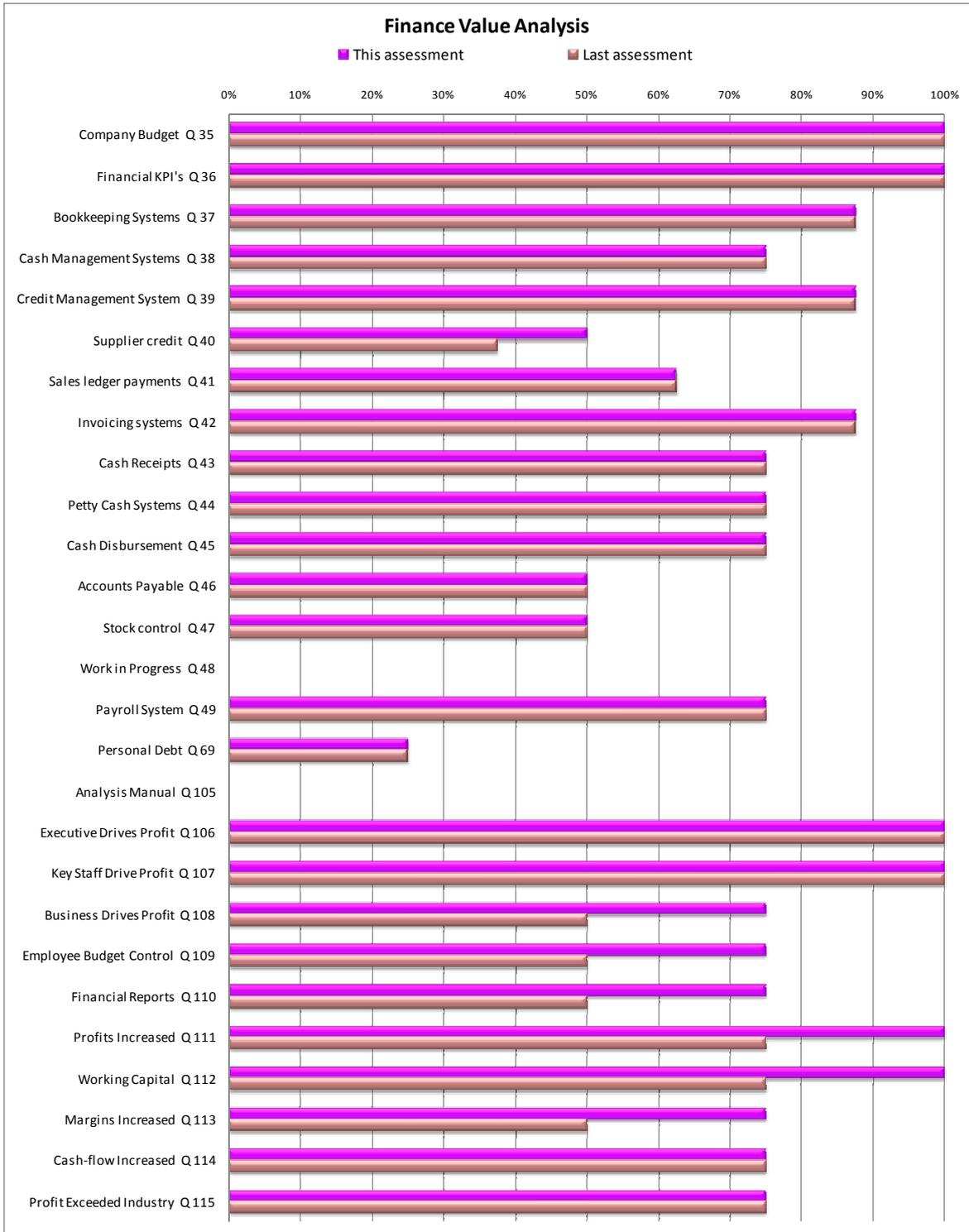
- What the business does better than its competitors is clearly expressed in its core competency statement. This has a positive effect on the corporate culture, market positioning and brand image.
- The business has good production systems in place. These will assist in making the company more efficient through better productivity and less waste.
- The business has good systems for safety. This is representative of current good practice and will help to reduce the levels of accident and any subsequent corporate liability for responsibility.
- There is little or no reliance on a single large supplier. A diverse supplier base is desirable for business
- Supplier relationships are not significantly tied to the executive. This is helpful to potential buyers as there are no "special terms" that would be lost on a sale.
- The extent to which vendor relationships are linked to key employees is negligible.
- There is little or no reliance on single sources of products/services vital to the business. They can be sourced easily from alternative sources if required.
- Work orders are received and do not require the Executive input to be actioned.
- Work orders are received and do not require key employees input to be actioned.
- The product/service quality is not linked to the Executive.
- The product/service quality is not linked to key employees.
- Customers associate the quality of the service with the business rather than the Executive or key
- Customers do not directly interact with the Executive.
- Customers interact with the business rather than the Executive or key employees. This adds to the overall value of the business.
- Little or no capital investment would be needed to exploit future growth. This makes it easier and quicker to achieve.
- Errors/rectifications happen without the Executives involvement/intervention.
- Customer loyalty is above average. The reasons for this should be identified and analysed so that this can be maintained.
- There are significant barriers to entry into the market place, thus providing some protection or comfort for the business.
- Competitive advantage is gained from the proprietary tools/technology used within the business. Consideration should be given for ways to further exploit this advantage.
- Company innovation comes from within the business and does not rely on the Executive.

Activity Lows

- Operational/production trends are difficult to pick up without tracking the company's operational KPI's. The operation could be heading for disaster, but who would know!
- There is a lack of concern about the management of the business premises. This may give a negative impression to visitors and undermine any value of care in the corporate culture.
- Work orders are not automatically/systematically scheduled and therefore rely on individuals to do this. The system needs analysing to try and correct this.
- Contracts are not in place with key suppliers. This leaves the business exposed to varying terms and prices.

- Customers primarily interact with key employees. If they are not there, potential business is lost. This will depress the value to a buyer in a sale unless their retention is guaranteed.
- There is significant reliance on human skill to deliver the product/service. "To err is human"! Measures should be sought to minimise this reliance.
- The business is heavily reliant on human labour. Consideration should be given to automation as far as is practical.
- There is little or no spare capacity within existing resources to exploit new opportunities. Therefore more capacity must be sourced, financed and brought online to do so. This will take time and money.
- Products and services are not normally upgraded without the Executive's initiative or involvement. This reliance needs to be removed if possible and a general corporate culture of continuous improvement
- The company's IP is not properly protected by trademarks etc. Measures to try and secure them should be taken.

Finance



Finance - The overall average score ranks at 71.3 %. There is good financial control in this business. This is generally indicative of good practices elsewhere and is crucial for management of a business.

Finance Highs

- The business has sound financial budget systems. This provides a strong tool for profit monitoring.
- You understand the importance of keeping an eye on financial KPI's and the benefits that flow from monitoring them over time.
- There are comprehensive bookkeeping systems in place.
- You know that the management of cash flow is key to running the business. Having good systems in place ensures the smooth running of the business day-to-day.
- The business has well established systems for the management of credit given to debtors.
- There are robust systems in place for the management of invoicing.
- There are robust systems in place for the management of cash receipts.
- Petty cash controls can be as important as general cash controls depending on the throughput. Good systems such as yours will mitigate any misappropriation of funds.
- There are strong systems in place for the management of cash disbursements or expenses.
- You understand that people are the key to any business and that making sure that they get paid correctly is vital.
- Profit growth is not reliant on the business executive.
- Profit growth is not reliant on key employees.
- Profit growth is the responsibility of all and is engendered within the corporate culture.
- Employees take budgets seriously and is engendered within the corporate culture.
- Accurate and up-to-date financial reports are delivered on a regular basis. This allows management to analyse and monitor the business in a timely manner.
- A rising trend in profits is beneficial to the business, either for investment opportunities or distribution.
- A rising trend in working capital is an indicator of cash profit generation and is beneficial to the business.

- A rising trend in gross margins is beneficial to the business, representing increased efficiencies gained that should be analysed to be able to continue them.
- A rising trend in cash flow is beneficial to the business. The reasons need to be understood so that the benefits can be maintained.
- Profit growth exceeds the industry average. This is good news but the reasons for it need to be ascertained and understood so that they can be maintained.

Finance Lows

- The processes for controlling work in progress are not effective. Correct assessment of work in progress value directly affects the business profit. Poor control of work in progress absorbs cash and reduces profit.
- The debt carried in the business is largely secured against personal guarantees of the Executive. Depending on the circumstances, this can limit the value of the business and restrict its growth potential.
- Good financial reporting systems are not in place. This makes it difficult for management to analyse data in a timely fashion.