



**VALUATIONS**  
UNLIMITED INC.



**ABC Ltd.**

Sample

*Prepared for the Exclusive Use of:*

**John & Sally Smith**

**Date: March 5, 2009**

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February, 2009

Mr. & Mrs. John Smith,  
Anystreet, Anytown,  
Any Province

Dear Mr. & Mrs. Smith:

We have been asked to provide an Opinion of Value of fair market value on ABC Ltd. as of December 31, 2008 for the purpose of selling the business.

The definition of fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under a compulsion to buy or to sell and both having reasonable knowledge of all relevant facts.

In providing our opinion, we have made the following assumptions:

1. We have relied upon and assumed, without verification, the accuracy and completeness of all financial and other information provided to us;
2. The various estimates of value presented herein apply to this opinion only and may not be used out of this context;
3. There are no regulations of any government entity that control or restrict the operations of the business;
4. There are no hidden or unexpected business conditions that would adversely affect our opinion.

Based on our review of the information provided, we are of the opinion a reasonable range of value for ABC Ltd. as of December 31, 2008 is between:

**\$190,000 to \$215,000**

Our opinion of value is subject to the restrictions, assumptions and limited conditions set forth in this report.

Valuations Unlimited

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Per:

**Note: This report is to be read in conjunction with the following documents.**

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**RESTRICTIONS:**

This report is not intended for general circulation, nor is it to be reproduced or used in any way other than as outlined herein. Our prior permission is required in each instance of reproduction or duplication, in whole or in part.

We do not assume any responsibility for losses occasioned to the Owners, as they are involved in this report, or to any reader of this report.

This report must be viewed as our independent opinion based on the information, explanations and material, which we have obtained from the shareholders.

Submission of this report does not imply an obligation on the part of VALUATIONS UNLIMITED INC. or its employees or agents to provide court testimony or to provide testimony before any arbitration body, without making prior written arrangements with us.

We reserve the right, but will be under no obligation, to review all calculations included or referred to herein and, if we consider it necessary, to revise our opinion of value and any other conclusions and recommendations in light of any information existing at the date of this report, which is made known to us after such date.

The financial statements referred to and included in our report were prepared by **Smith & Smith**, Chartered Accountants for the years December 31, 2006 to 2008. Said financial statements were prepared, based on information provided by management. Any financial proforma or projections presented herein were not audited or reviewed by third parties.

Should an audit subsequently be performed, any resulting adjustments could materially alter our opinion and comments on this business operation.

VALUATIONS UNLIMITED INC. and its employees have no present or contemplated investment in the business, and VALUATIONS UNLIMITED INC.'s business fees for this engagement are not contingent upon our findings or upon any other events.

**ASSUMPTIONS AND LIMITING CONDITIONS:**

This business analysis is subject to the following assumptions and limiting conditions:

- 1) Information, estimates and opinions contained in this report have been obtained from sources considered reliable. However, VALUATIONS UNLIMITED INC. has not independently verified such information and, therefore, assumes no liability for such sources;
- 2) All facts and data set forth in this report are true and accurate to the best of our knowledge and belief. We have not knowingly withheld or omitted anything from the report which might affect our opinions, conclusions, recommendations or estimate of value;
- 3) This report has been copyrighted by VALUATIONS UNLIMITED INC. and possession of this report, or a copy thereof, does not carry with it the right of publication of all or any part, nor may it be used for any purpose without the prior express written consent of VALUATIONS UNLIMITED INC., and in any event only with proper authorization;
- 4) No information concerning the contents of this report shall be conveyed to any third party, or to the public through any means without the express written consent of VALUATIONS UNLIMITED INC.;

- 5) No investigation of titles to property or any claims concerning ownership of property by any individuals or company has been undertaken. Unless otherwise stated in this report, title has been assumed to be clear and free of encumbrances and as provided to VALUATIONS UNLIMITED INC.;
- 6) Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of any liability for the completeness or accuracy of the data, opinions, comments, observations, recommendations or conclusions shall not exceed the amount paid to VALUATIONS UNLIMITED INC. for professional fees and, then, only to the party for whom this report was originally prepared;
- 7) The estimates of value presented in this report apply to this analysis only and may not be used out of the context presented herein. Any other use of this report may lead the user to an incorrect conclusion for which VALUATIONS UNLIMITED INC. assumes no responsibility;
- 8) The estimate of "Fair market value" reached in this report is based on the definition of "Fair market value" as stated herein. An actual transaction of all or part of the equity may be concluded at a higher value or lower value depending on the circumstances surrounding the transaction and/or the motivations and knowledge of both the buyers and sellers at the time. VALUATIONS UNLIMITED INC. makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction involving all or any part of the equity;
- 9) It should be specifically noted that this analysis assumes the business will be competently managed and maintained by financially sound owners over the expected period of ownership. Our engagement entails a limited evaluation of management's effectiveness; however, we are not responsible for future marketing efforts and other management or ownership actions upon which actual results will depend;
- 10) No opinion is intended to be expressed for matters which require legal, income tax or other specialized expertise, investigation or knowledge;
- 11) It is assumed that there were no regulations of any government entity, which controlled or restricted the use of the underlying assets, unless specifically referred to in this report. It was also assumed that underlying assets were not operated in violation of any applicable government regulations, codes, ordinances or statutes;
- 12) This report contains prospective financial information, estimates or opinions, which represent our view about reasonable expectations at a particular point in time. Such information, estimates or opinions have not been offered as predications or as assurances that a particular level of income or profit will be achieved or that specific events will occur;
- 13) We have assumed that there were no hidden or unexpected business conditions which would adversely affect the opinions, comments, observations, recommendations and conclusions expressed herein; and
- 14) Hazardous substances, if present, can introduce an actual or potential liability, which will adversely affect the marketability and value of a business. Such liability may be in the form of immediate recognition of existing hazardous conditions or future liability, which could stem from release of currently non-hazardous contaminants. In the development of our opinions, comments, observations, recommendations and conclusions no consideration has been given to such liability or its impact. We have not taken into account any and all future environmental considerations and associated potential liability.

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**ABC Ltd.**

**Business Summary**

<b>Owners</b>	<b>Percentage</b>
John Smith	50%
Sally Smith	50%

<b>Address:</b>	Anytown, Anywhere
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<b>Type of Business:</b>	Service
<b>Services:</b>	Direct Mail Services

**BUSINESS OVERVIEW**

**HISTORY OF COMPANY**

The company has been doing business as **ABC Ltd.** for approximately 11 years and continues to do business under that trade name as of the date of this valuation.

The company's primary business is direct mailing services to small business' and advertising agencies.

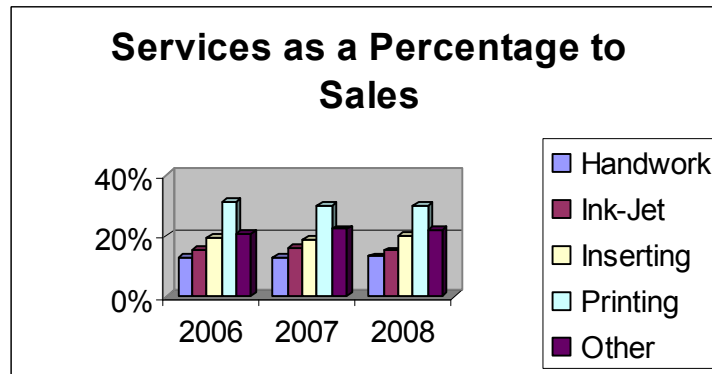
**SERVICES PROVIDED**

Types of services include:

- Inkjet envelopes or direct impression
- Inserting: automated and manual
- Folding: automated and manual
- Labeling
- Polybagging
- First Class mail
- Addressed/Unaddressed Admail and Publication mail
- Photocopying, Collating, Stapling, Cerlox Binding and Printing
- Laser printing

- Fulfillment services

A breakdown of services are shown in the graph below:



The company is a full service facility that provides a wide range of direct mailing services. These include automated folding and stapling, inserting, labeling, ink jetting, poly bagging, laser printing and photocopying 1<sup>st</sup> class, 2<sup>nd</sup> class and 3<sup>rd</sup> class mail preparations for both Canada and the United States.

#### MARKET SERVED

ABC Ltd. services primarily Anytown, Anywhere which has approximately 1500 small businesses and advertising agencies, of which ABC Ltd. estimates it has 25% of the overall market. For the most part, these are small businesses in the start up to growing stage.

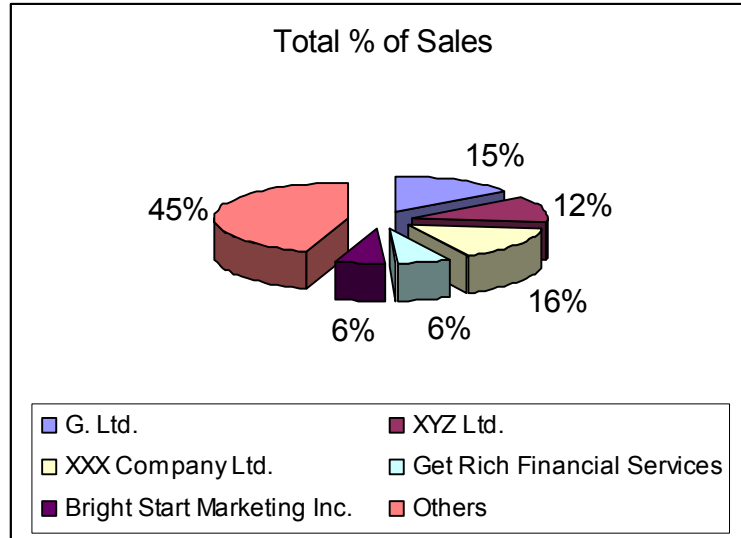
#### CUSTOMERS

The top five customers of ABC Ltd. are:

- G. Ltd.
- XYZ Ltd.
- XXX Company Ltd.
- Get Rich Financial Services
- Bright Start Marketing Inc.



The following graph demonstrates the percentage of sales each represent to ABC Ltd.



**COMPETITIVE ENVIRONMENT**

Most of the direct mail advertising is a shared market that no company dominates.

The following table lists the competitors of ABC Ltd. from largest to smallest.

Name	Location	Size
Competitor A	Anytown, Anywhere	Large
Competitor B	Anytown, Anywhere	Large
Competitor C	Anytown, Anywhere	Medium
Competitor D	Anytown, Anywhere	Small
Competitor E	Anytown, Anywhere	Small

**SUPPLIERS**

There are approximately 20 potential product suppliers to the Company of which they deal with approximately 15 at any given time. The Company orders its products in quantities considered necessary to its projected sales and to maximize the opportunity for quantity

discount pricing. Terms are net 30 days and the Company's accounts payable are current.

### **DESCRIPTION OF FACILITIES**

The company leases 5000 square feet of space in an industrial park that is close to the areas highway system.

### **FINANCIAL ANALYSIS**

The financial analysis is outlined on the following pages.

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**ABC Ltd.**  
**Balance Sheet Figures**  
**As At December 31**

	2008	2007	2006
<b>ASSETS</b>			
<b>Current</b>			
Bank	10,000	16,914	13,139
Accounts receivables	75,190	85,269	68,199
Prepaid expenses	18,870	16,627	15,912
<b>Total Current Assets</b>	<u>104,060</u>	<u>118,810</u>	<u>97,250</u>
<b>Capital Assets</b>			
Processing equipment	450,000	450,000	450,000
Computer equipment	100,000	100,000	100,000
Less Accumulated Amortization	<u>(259,160)</u>	<u>(236,145)</u>	<u>(215,960)</u>
<b>Total Capital Assets</b>	<u>290,840</u>	<u>313,855</u>	<u>334,040</u>
<b>TOTAL ASSETS</b>	<u><b>394,900</b></u>	<u><b>432,665</b></u>	<u><b>431,290</b></u>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	125,130	155,145	119,125
Income taxes payable	1,416	3,950	-
<b>Total current liabilities</b>	<u>126,546</u>	<u>159,095</u>	<u>119,125</u>
<b>Due to related parties</b>			
Advances from shareholders	100,000	100,000	100,000
<b>Total due to related parties</b>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Total Current Liabilities</b>	<u>226,546</u>	<u>259,095</u>	<u>219,125</u>
<b>TOTAL LIABILITIES</b>	<u>226,546</u>	<u>259,095</u>	<u>219,125</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital</b>			
Common shares	100	100	100
<b>Retained earnings</b>	<u>168,254</u>	<u>173,470</u>	<u>212,065</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>168,354</u>	<u>173,570</u>	<u>212,165</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>394,900</b></u>	<u><b>432,665</b></u>	<u><b>431,290</b></u>

**ABC Ltd.**  
**Statement of Earnings**  
**For the years ended December 31**

	2008	2008 %	2007	2007 %	2006	2006 %
<b>TOTAL REVENUE</b>	<b>501,125</b>	<b>100.00</b>	<b>525,890</b>	<b>100.00</b>	<b>481,556</b>	<b>100.00</b>
<b>TOTAL COST OF SALES</b>	260,585	52.00	268,204	51.00	260,040	54.00
<b>GROSS PROFIT</b>	<b>240,540</b>	<b>48.00</b>	<b>257,686</b>	<b>49.00</b>	<b>221,516</b>	<b>46.00</b>
<b>OPERATING EXPENSES</b>						
<b>TOTAL OPERATING EXPENSES</b>	130,059	25.95	135,579	25.78	121,890	25.31
<b>Operating Income</b>	110,481	22.05	122,107	23.22	99,626	20.69
<b>Officers Compensation</b>						
Management salaries	85,000	16.96	85,000	16.16	80,000	16.61
<b>Total Officers Compensation</b>	<b>85,000</b>	<b>16.96</b>	<b>85,000</b>	<b>16.16</b>	<b>80,000</b>	<b>16.61</b>
<b>Operating EBITDA</b>	<b>25,481</b>	<b>5.08</b>	<b>37,107</b>	<b>7.06</b>	<b>19,626</b>	<b>4.08</b>
<b>Depreciation and Amortization</b>						
Depreciation	23,015	4.59	20,185	3.84	18,053	3.75
Amortization	-	-	-	-	-	-
<b>Total Depreciation and Amortization</b>	<b>23,015</b>	<b>4.59</b>	<b>20,185</b>	<b>3.84</b>	<b>18,053</b>	<b>3.75</b>
<b>Operating Income/(Loss) EBIT</b>	<b>2,466</b>	<b>0.49</b>	<b>16,922</b>	<b>3.22</b>	<b>1,573</b>	<b>0.33</b>
<b>Provision for income taxes</b>						
Current	493	0.10	3,384	0.64	315	0.07
-	-	-	-	-	-	-
<b>Total Provision for Income Taxes</b>	<b>493</b>	<b>0.10</b>	<b>3,384</b>	<b>0.64</b>	<b>315</b>	<b>0.07</b>
Interest on long-term debt	5,160	1.03	-	-	-	-
<b>Net Income/(Loss)</b>	<b>(3,187)</b>	<b>(0.64)</b>	<b>13,538</b>	<b>2.57</b>	<b>1,258</b>	<b>0.26</b>

### MARKET VALUATION METHOD

Data for this method was obtained from The Institute of Business Appraisers, Inc. (IBA) market database.

A search for data in Standard Industrial Classification (SIC) code 7331 was requested and received from The Institute of Business Appraisers (IBA) database. The following shows the modified report.

**SIC CODE: 7331**

**Notice: This information is to be used only with the Direct Market Data Method or a similar method of appraising. The data on this report may not contain all the IBA Transaction data for this SIC Code.**

The information below is supplied in response to your request for data to be used in applying the "Market Data Approach" to business appraisal. Because of the nature of sources from which the information is obtained, we are not able to guarantee its accuracy. Neither do we make any representation as to the applicability of the information to any specific appraisal situation.

The following is an explanation of the entries in the data table:

Business Type Principal line of business.  
 SIC CODE Principal Standard Industrial Classification number applicable to the business sold.  
 Annual Gross Reported annual sales volume of business sold.  
 Discretionary Earnings Reported annual earnings, excluding owner's compensation and before interest and taxes.  
 Owner's Comp. Reported owner's compensation.  
 Sale Price Total reported consideration; i.e. cash, liabilities assumed, etc. excluding real estate.  
 Price/Gross Ratio of total consideration to reported annual gross.  
 Price/Earnings Ratio of total consideration to reported annual earnings.  
 Yr/Mo of Sale Year and month during which transaction was consummated.

Business Type	Annual Gross \$000's	Discret. Earnings \$000's	Owner's Comp. \$000's	Sale Price \$000's	Price/ Gross	Price/ Earnings
Direct mail	330	90		130	0.39	1.44
Mail order	796	146		449	0.56	3.08
Coupon Advertising	257	92		50	0.19	0.54
Pack/ship service	130	40		75	0.58	1.88
Direct Mail Advert	259	21		100	0.39	4.76
Direct Mail	253	91		200	0.79	2.2
Postal/Mailbox/Misc	673	88		135	0.2	1.53
Direct Mailing	445	142		260	0.58	1.83
Direct Mail/Printing	622	166		358	0.58	2.16
Advertising	336	86		83	0.25	0.97
Direct Mailing	407	75		125	0.31	1.67
Direct Mailing	446	142		260	0.58	1.83
Advertising Direct Mailing	446	142	93	260	0.58	1.83
Advertising Direct Mailing	407	75	18	125	0.31	1.67

Number of Entries	14	Median	Price /Gross	Price / Earnings
Average Annual Sales	415	Mean	0.475	1.83
Average Sale Price	186		0.449	1.956

As shown there are several companies included in this database. It is expected that companies within a size factor of five of the subject company can be used to determine an indication of value for the subject company.

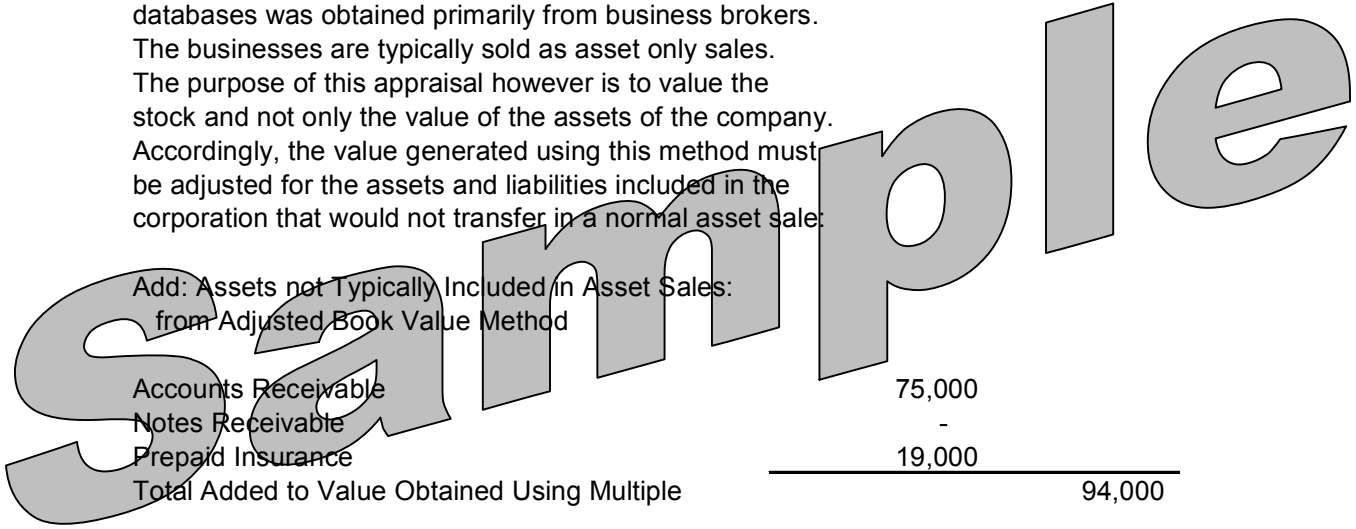
The median for the Price / Gross Sales was calculated. The median was selected for use as it tends to minimize the effects of outliers that may be included in the average. The Price / Sales ratio is typically a much better indication of value than the Price / Earnings ratio. This is because business brokers who have submitted this information to the IBA all have different understandings of what should be included in earnings.

**PRICE / GROSS SALES MULTIPLE METHOD**

Forecasted Sales	501,125
Price / Gross Sales Multiple	<u>0.48</u>
Gross Value	238,034

Adjustments:

The information shown in the table from the various databases was obtained primarily from business brokers. The businesses are typically sold as asset only sales. The purpose of this appraisal however is to value the stock and not only the value of the assets of the company. Accordingly, the value generated using this method must be adjusted for the assets and liabilities included in the corporation that would not transfer in a normal asset sale.



Add: Assets not Typically Included in Asset Sales:  
 from Adjusted Book Value Method

Accounts Receivable	75,000
Notes Receivable	-
Prepaid Insurance	<u>19,000</u>
Total Added to Value Obtained Using Multiple	94,000

Less: Liabilities not Typically Transferred in Asset Sales:  
 from Adjusted Book Value Method

All Liabilities	<u>(126,000)</u>
Total Subtracted from Value Obtained Using Multiple	<u>(126,000)</u>

Estimated Value - Price / Gross Sales Multiple Method 206,034

**Estimated Value - Price / Gross Sales Multiple Method - Rounded 210,000**

Using the Market Valuation Method, the estimated value of ABC Ltd. is approximately **210,000**.

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