

# KAMEL POTTERIES - DUAL P&L; WITH MEMO ENTRIES

## COMPREHENSIVE DUE DILIGENCE FINANCIAL ANALYSIS

**Report Date:** October 22, 2025  
**Analysis Period:** October 2024 - September 2025  
**Prepared For:** Due Diligence Review

### EXECUTIVE SUMMARY

#### Key Financial Adjustments:

- 1. Owner A Drawings:** R1,415,856 added back as memo entry (personal expenses)
- 2. FinFloat Rental Income:** R1,141,451 excluded (property not in sale)
- 3. Actual Transferable EBITDA:** R568,100

#### Business Valuation Impact:

- As-Reported EBITDA:** R293,695 (2.8% margin)
- Normalized EBITDA:** R568,100 (6.1% margin)
- Recommended Valuation:** R2.0M - R2.5M (3.5x - 4.5x EBITDA)

### DUAL PROFIT & LOSS STATEMENT

**Line Item**	**As-Reported (Xero)**	**Memo Adjustments**	**Normalized (Buyer)**	**Notes**
**REVENUE**				
Sales Revenue	R9,303,610	-	R9,303,610	Core pottery sales
Rental Income (FinFloat)	R1,141,451	(R1,141,451)	-	Property not included
**Total Revenue**	**R10,445,061**	**(R1,141,451)**	**R9,303,610**	
**COST OF SALES**				
Raw Materials	R3,503,166	-	R3,503,166	Clay, glazes, chemicals
Direct Labor	R1,752,084	-	R1,752,084	Production wages

**Line Item**	**As-Reported (Xero)**	**Memo Adjustments**	**Normalized (Buyer)**	**Notes**
Manufacturing Overhead	R584,220	-	R584,220	Factory costs
**Total COGS**	**R5,839,470**	**_**	**R5,839,470**	
**GROSS PROFIT**	**R4,605,591**	**(R1,141,451)**	**R3,464,140**	
**Gross Margin %**	**44.1%**		**37.2%**	Industry avg: 35-40%
**OPERATING EXPENSES**				
*Business Operations:*				
Salaries & Wages	R1,247,856	-	R1,247,856	Admin & sales staff
Rent & Utilities	R398,472	-	R398,472	Factory & office
Marketing & Advertising	R215,688	-	R215,688	Digital & print
Professional Fees	R187,344	-	R187,344	Legal, accounting
Insurance	R134,892	-	R134,892	Business coverage
Office Expenses	R98,765	-	R98,765	Supplies, IT
Vehicle Expenses	R156,234	-	R156,234	Delivery fleet
Other Operating	R456,789	-	R456,789	Misc business costs
**Subtotal Business OpEx**	**R2,896,040**	**_**	**R2,896,040**	
*Owner Personal (Memo):*				
Entertainment	R383,676	(R383,676)	-	Personal dining/events
Travel (Personal)	R421,032	(R421,032)	-	Family trips/vacation
Personal Vehicle	R289,872	(R289,872)	-	Personal transport
Home Office	R197,964	(R197,964)	-	Home expenses
Other Personal	R123,312	(R123,312)	-	Misc personal items
**Subtotal Personal**	**R1,415,856**	**(R1,415,856)**	**_**	**OWNER A DRAWINGS**
**Total Operating Expenses**	**R4,311,896**	**(R1,415,856)**	**R2,896,040**	
**EBITDA**	**R293,695**	**R274,405**	**R568,100**	
**EBITDA Margin %**	**2.8%**		**6.1%**	Target: 10-15%
Interest Expense	R167,184	-	R167,184	Business loans
Depreciation	-	-	-	Already excluded
**NET PROFIT**	**R126,511**	**R274,405**	**R400,916**	
**Net Margin %**	**1.2%**		**4.3%**	

# MEMO ADJUSTMENTS DETAIL

## 1. OWNER A DRAWINGS - PERSONAL EXPENSES

Total Annual: R1,415,856 | Monthly Average: R117,988

Category	Monthly	Annual	Description
Entertainment	R31,973	R383,676	Personal dining, social events
Travel (Personal)	R35,086	R421,032	Vacations, family trips
Personal Vehicle	R24,156	R289,872	Non-business transport
Home Office	R16,497	R197,964	Personal home expenses
Other Personal	R10,276	R123,312	Miscellaneous personal
**TOTAL**	**R117,988**	**R1,415,856**	**Added back to EBITDA**

## 2. FINFLOOT RENTAL EXCLUSION

Total Annual: R1,141,451 | Monthly: R95,121

Detail	Amount	Impact
Property Address	5 Shaffer Street	Not included in sale
Tenant	FinFlood Pty Ltd	Commercial lease
Monthly Rent	R95,121	12-month contract
Annual Income	R1,141,451	Excluded from buyer P&L
% of Total Revenue	10.9%	Non-transferable

# EBITDA RECONCILIATION

**Calculation Steps**	**As-Reported**	**Adjustments**	**Normalized**
Net Profit per Xero	R126,511		
Add: Interest	R167,184		
Add: Depreciation	-		
**Xero EBITDA**	**R293,695**		

<b>**Calculation Steps**</b>	<b>**As-Reported**</b>	<b>**Adjustments**</b>	<b>**Normalized**</b>
<b>**Memo Adjustments:**</b>			
Remove Rental Income		(R1,141,451)	
Add Owner Drawings		R1,415,856	
<b>**Total Adjustments**</b>		<b>**R274,405**</b>	
<b>**FINAL EBITDA**</b>			<b>**R568,100**</b>

## KEY PERFORMANCE INDICATORS

<b>**Metric**</b>	<b>**As-Reported**</b>	<b>**Normalized**</b>	<b>**Industry Benchmark**</b>
<b>**Revenue Metrics:**</b>			
Total Revenue	R10,445,061	R9,303,610	-
Core Sales Only	R9,303,610	R9,303,610	-
Rental as % Revenue	10.9%	0%	N/A
<b>**Profitability Metrics:**</b>			
Gross Margin	44.1%	37.2%	35-40%
EBITDA Margin	2.8%	6.1%	10-15%
Net Margin	1.2%	4.3%	5-10%
<b>**Efficiency Metrics:**</b>			
OpEx as % Revenue	41.3%	31.1%	25-30%
Labor as % Revenue	31.8%	33.3%	25-30%
COGS as % Revenue	55.9%	62.8%	60-65%

## VALUATION ANALYSIS

**Based on Normalized EBITDA: R568,100**

<b>**Multiple**</b>	<b>**Valuation**</b>	<b>**Assessment**</b>	<b>**Probability**</b>
3.0x	R1,704,300	Distressed sale	Low
3.5x	R1,988,350	Below market	Medium

<b>**Multiple**</b>	<b>**Valuation**</b>	<b>**Assessment**</b>	<b>**Probability**</b>
<b>**4.0x**</b>	<b>**R2,272,400**</b>	<b>**Fair market value**</b>	<b>**High**</b>
4.5x	R2,556,450	Strategic buyer	Medium
5.0x	R2,840,500	Premium/synergies	Low

## Recommended Valuation Range:

**R2,000,000 - R2,500,000**

- Primary Target: R2,272,400 (4.0x EBITDA)
- Negotiation Range: 3.5x - 4.5x
- Justification: Stable business, customer concentration risk

## CRITICAL NOTES FOR BUYER

### ■ Key Risk Factors:

1. **Customer Concentration:** 93% revenue from 3 customers
2. **Low Margins:** 6.1% EBITDA margin vs 10-15% target
3. **Working Capital:** R560K VAT liability outstanding
4. **Seasonality:** Q4 represents 40% of annual sales

### ■ Opportunities:

1. **Cost Reduction:** R500K+ potential savings identified
2. **Price Increases:** 5-10% feasible with quality positioning
3. **Market Expansion:** Online/export opportunities untapped
4. **Operational Efficiency:** Automation could reduce labor 20%

### ■ Due Diligence Checklist:

- [ ] Verify Q4 2024 actual sales (critical for annual projection)
- [ ] Interview top 3 customers on future orders
- [ ] Review all employment contracts
- [ ] Confirm VAT payment plan with SARS
- [ ] Inspect production equipment condition
- [ ] Verify inventory valuation method
- [ ] Review supplier agreements and terms

## CERTIFICATION

This dual P&L; presentation accurately reflects:

- **As-Reported:** Actual Xero accounting records
- **Normalized:** Transferable business operations only

All memo adjustments have been:

- ✓ Identified from source documents
- ✓ Verified against bank statements
- ✓ Properly classified (personal vs business)
- ✓ Excluded from buyer's normalized P&L;

**Prepared by:** Financial Due Diligence Team

**Review Date:** October 22, 2025

**Status:** FINAL FOR DUE DILIGENCE