

KOZMINSKY

INVESTMENT INFORMATION, HISTORY & BACKGROUND ON AUSTRALIA'S ORIGINAL LUXURY BRAND,

A LUXURY BRAND
SUCH AS KOZMINSKY
ONLY COMES ALONG
ONCE IN A LIFETIME





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INVESTMENT PROPOSITION

AK Willis Accounting Pty Ltd is assisting with the sale of the business of Kozminsky.

The business is currently owned and operated by Managing Director, Kirsten Albrecht, who has been involved with the business for over 40 years.

We are seeking a sale of shares in the company.

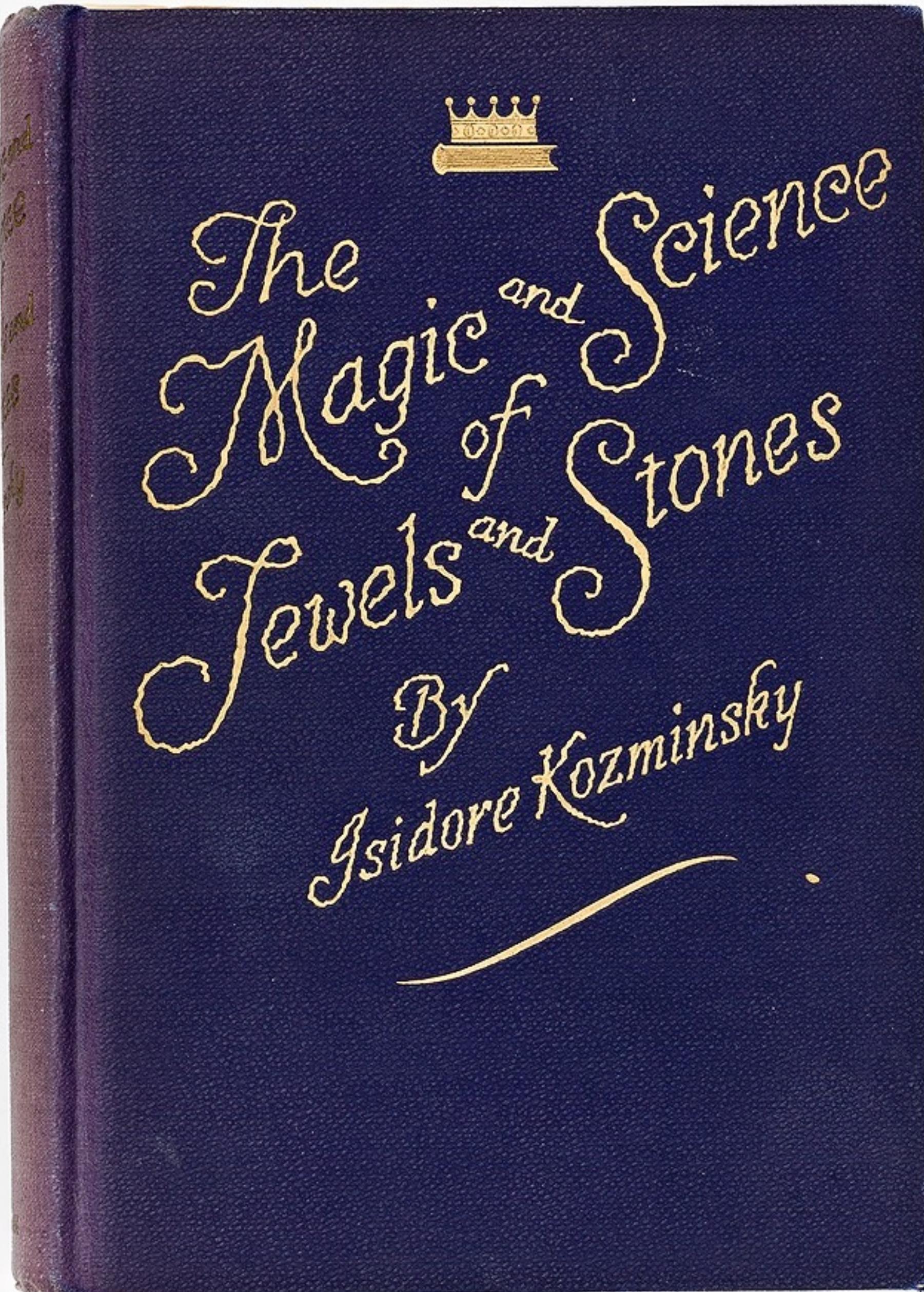
The incoming purchaser would have flexibility in implementing their preferred structure including management, operations and locations.

The business currently employs 4 full time, 4 part time and 2 casual staff.

The current lease of the premises at 421 Bourke Street expires on 12 May, 2017. The landlord has a long association with Kozminsky and has expressed its preparedness to enter into a new long term lease on similar terms. The incoming purchaser would need to be across negotiations with regard to renewal of the lease.

The sale will be co-ordinated by AK Willis Accounting Pty Ltd. Please contact Anthony Willis on 0401 393 66





WHY KOZMINSKY IS UNIQUE.

Isidore and Simon Kozminsky, co founders, were Gemology and Numerology experts and were published in London.

Kozminsky has been privately owned since 1851.

Historically Kozminsky had an “Emporium” like character housing an art gallery, furniture, carpets, paintings, porcelain and glass.

For over the last 40 years Kozminsky has been in the current building.

Owned by 3 generations of families.

Retains its crown as Melbourne’s oldest and most trusted jeweller by Australia’s elite.

WHAT DOES KOZMINSKY STAND FOR TODAY?

Pre-eminent destination for celebration and special occasion jewellery.

The jewels are sophisticated, unique, rare and enduring.

Kozminsky occupies a unique positioning of authentic luxury.

Intimate client relationships and valued connections.



WHAT DOES KOZMINSKY OFFER IT'S DISCERNING CLIENTELE?



Design



Create



Curate



Restoration



Global Sourcing

VINTAGE

Sourced from across the globe as well as a large inventory of original archival designs from lauded designer Ross Allan.



MODERN

Crafted in Melbourne. Our trusted jewellers have made and sourced our unique pieces for over 40 years.



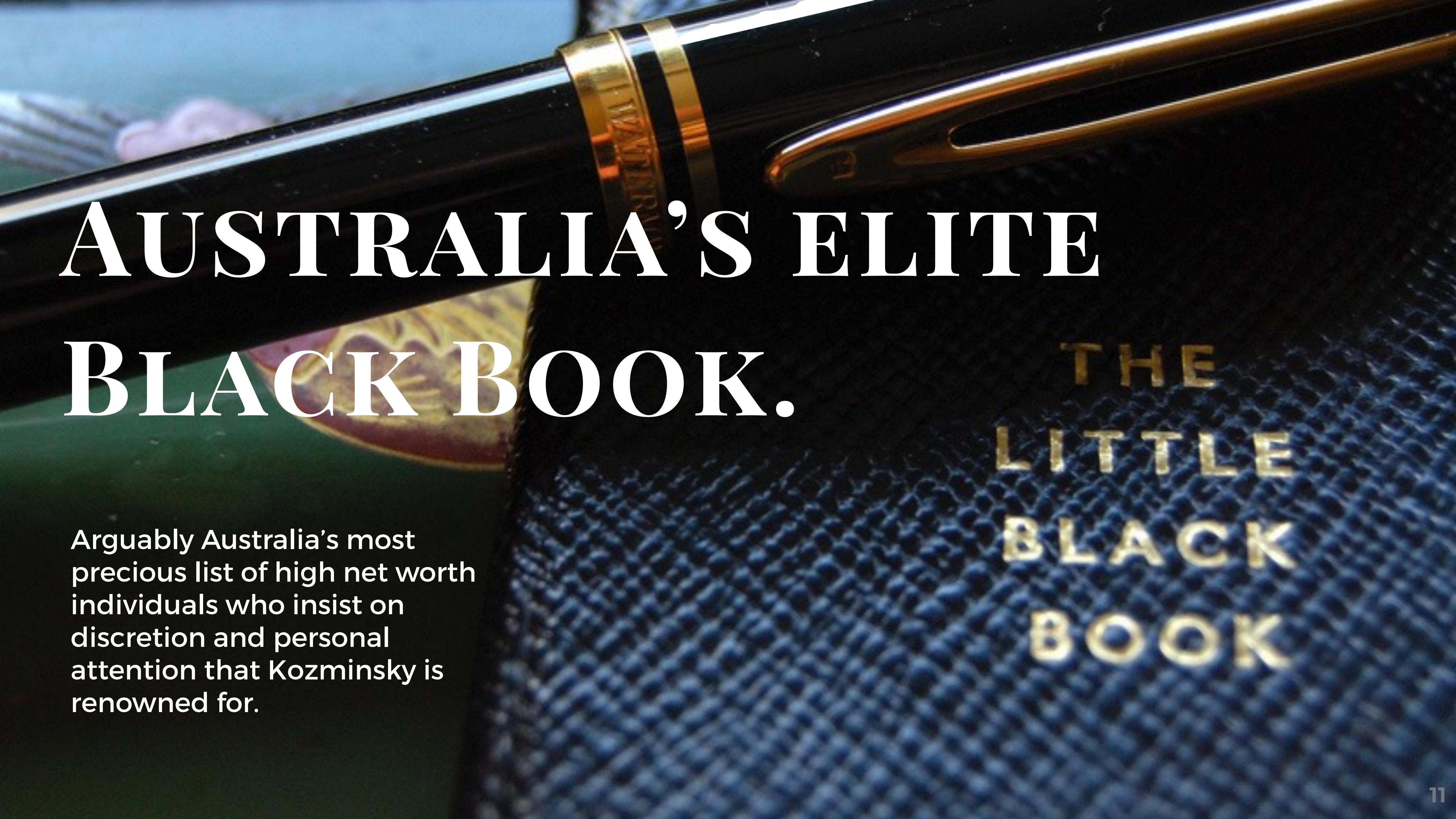
AN “A-LIST” CLIENTELE.





SPECIAL COMMISSIONS.

Ross Allan, Kozminsky's famed in house designer for over 45 years, created this Wattle Brooch which was presented to Her Majesty the Queen Mother in 1952.

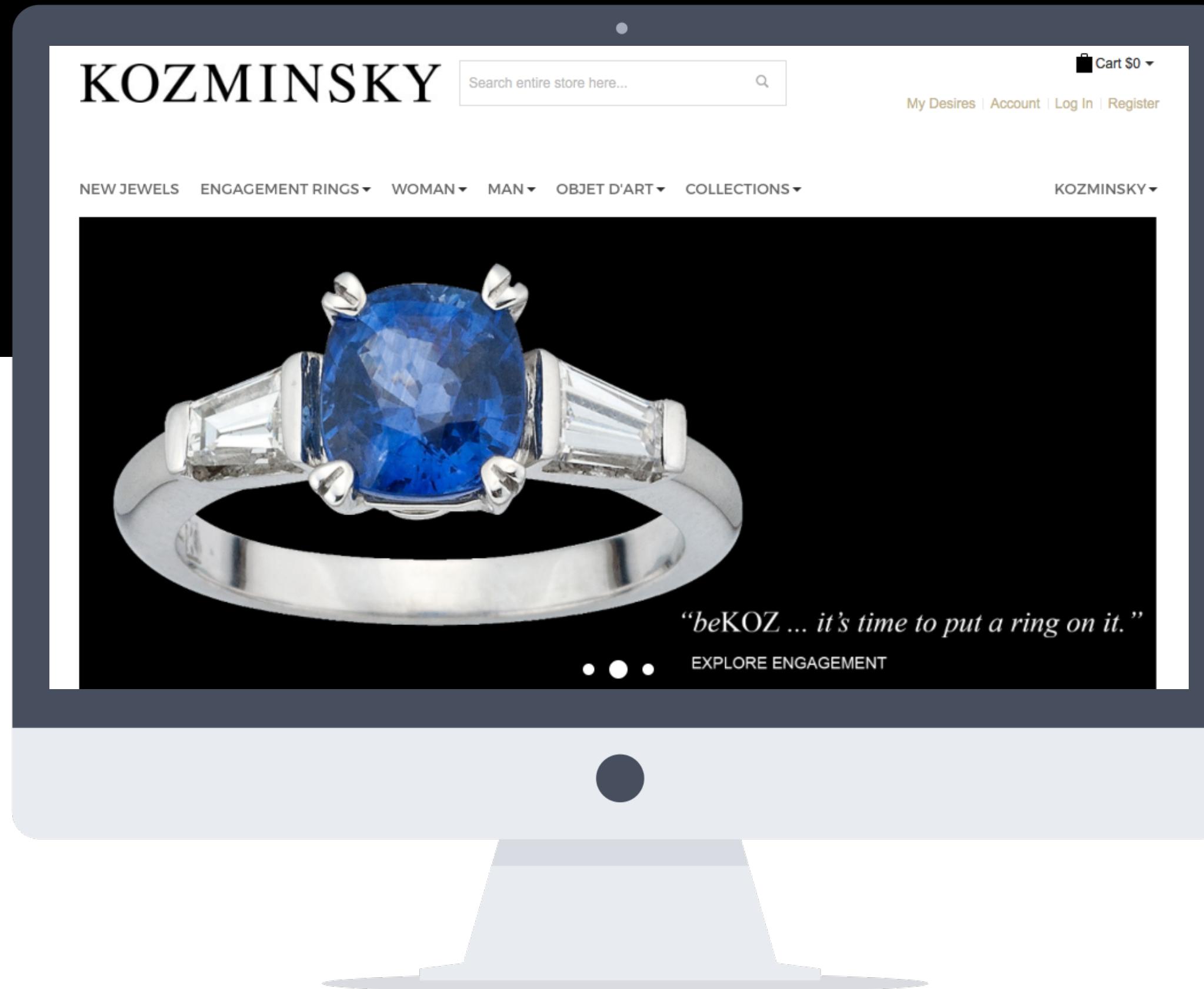


AUSTRALIA'S ELITE BLACK BOOK.

Arguably Australia's most precious list of high net worth individuals who insist on discretion and personal attention that Kozminsky is renowned for.

THE
LITTLE
BLACK
BOOK

MODERNISATION OF KOZMINSKY'S INTERNAL SYSTEMS.



E commerce Platform

True Clicks & Mortar

Insured International delivery

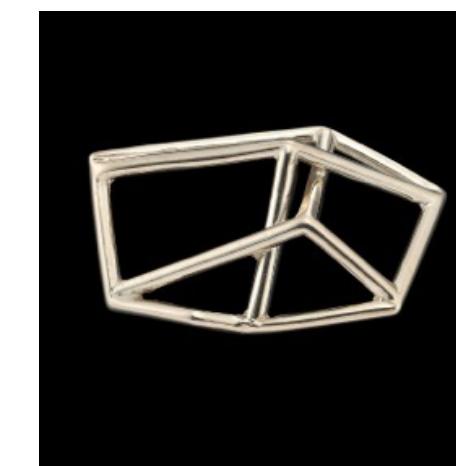
Global exposure via 1stDibs.com

Digital CRM



PHILANTHROPY. THE COMPANY WE KEEP.

Kozminsky supports and collaborates with a number of influential national and global organisations, donating, designing and making their unique lifetime achievement awards. As well as numerous other philanthropic pursuits.





UNIQUE KOZMINSKY EXPERIENCES.

THE KOZMINSKY BRIDAL EXPERIENCE.

Once a bride has purchased her engagement ring she is entitled to loan a suite of jewels for her wedding day. This is a unique service that creates lifelong clients. These clients return for annual purchases, celebrating everything from anniversaries to achievements.

KOZMINSKY ESTATE MANAGEMENT.

This is another offering that many of Melbourne's established families have engaged, thus ensuring generational patronage.

FINANCIAL SNAPSHOT.

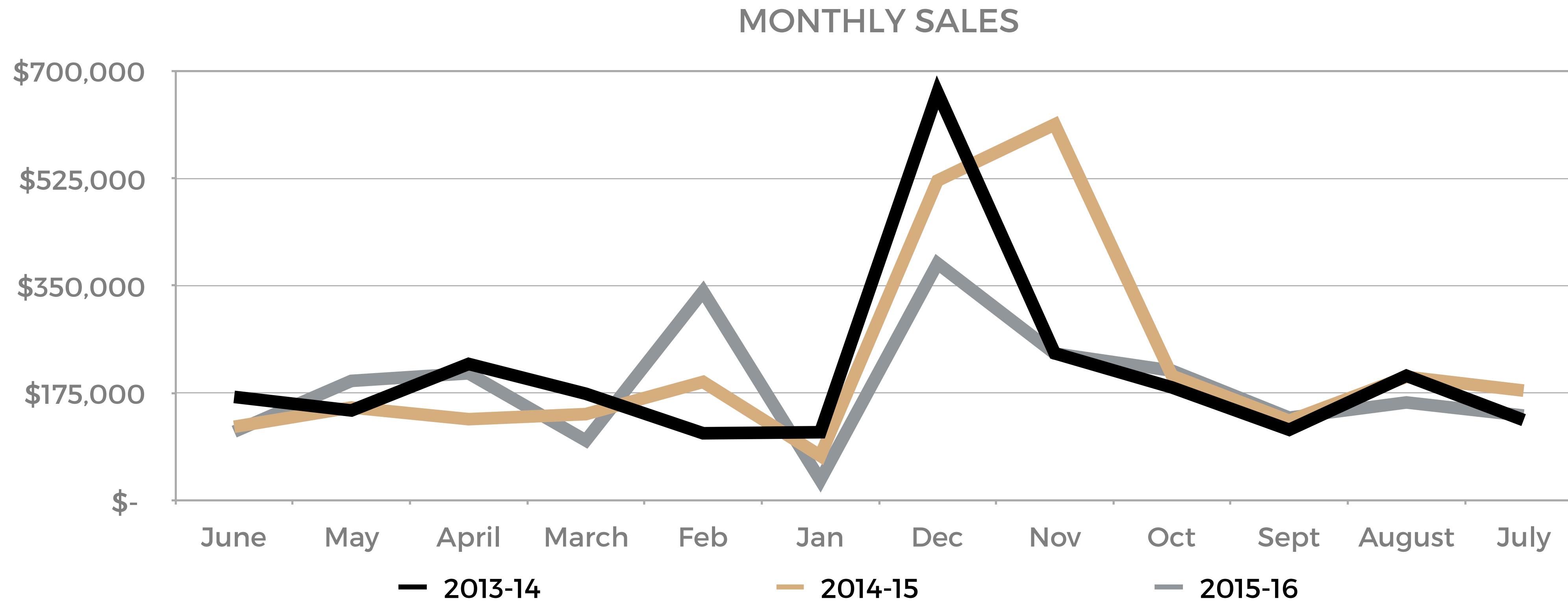
FINANCIAL SNAPSHOT.

	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Financial Snapshot	Actual	Actual	Actual	Budget	Budget
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenues					
Sales	2,470,595	2,667,444	2,257,653	2,688,000	3,010,560
COGS	1,019,251	1,217,018	866,976	1,209,600	1,354,752
Gross Profit	1,451,344	1,450,426	1,390,681	1,478,400	1,655,808
Gross Profit Ratio	58.7%	54.4%	61.6%	55.0%	55.0%
Expenses					
Wages	367,175	420,159	440,961		
Advertising	213,216	273,775	209,103		
Rent	194,776	199,826	202,226		
Other	426,330	330,963	317,894		
Total Expenses	1,201,407	1,224,723	1,170,184	1,184,806	1,228,885
Net Profit (normalised)	249,847	225,703	220,497	293,594	426,923
Net Profit %	10.1%	8.5%	9.8%	11.0%	14.1%

FINANCIAL SNAPSHOT.

Sales statistics	Fin Year 2016	Fin Year 2015	Fin Year 2014	Balance Sheet	\$
Total Sales (\$)	2,257,653	2,660,228	2,472,498	Current Assets	
Stock Items Sold	1,053	1,100	974	Cash at Bank	37,553
Purchasing customers	897	981	940	Accounts Receivable	19,662
Average spend per item (\$)	2,144.19	2,418.39	2,538.50	Inventory @ Cost	814,921
Average spend per purchasing customer (\$)	2,517.09	2,711.75	2,630.32	Other	6,825
				Total Current Assets	878,961
				Non Current Assets	
				Fixed Assets @ wdv	162,613
				Intangibles	1,061,461
				Total Assets	2,103,373
				Current Liabilities	
				Accounts Payable	275,100
				Employee Entitlements	16,549
				Other	268,455
				Total Current Liabilities	560,104
				Non Current Liabilities	
				Related party contributions	1,913,207
				Total Liabilities	2,473,311
				Net Assets	-370,276

FINANCIAL SNAPSHOT.



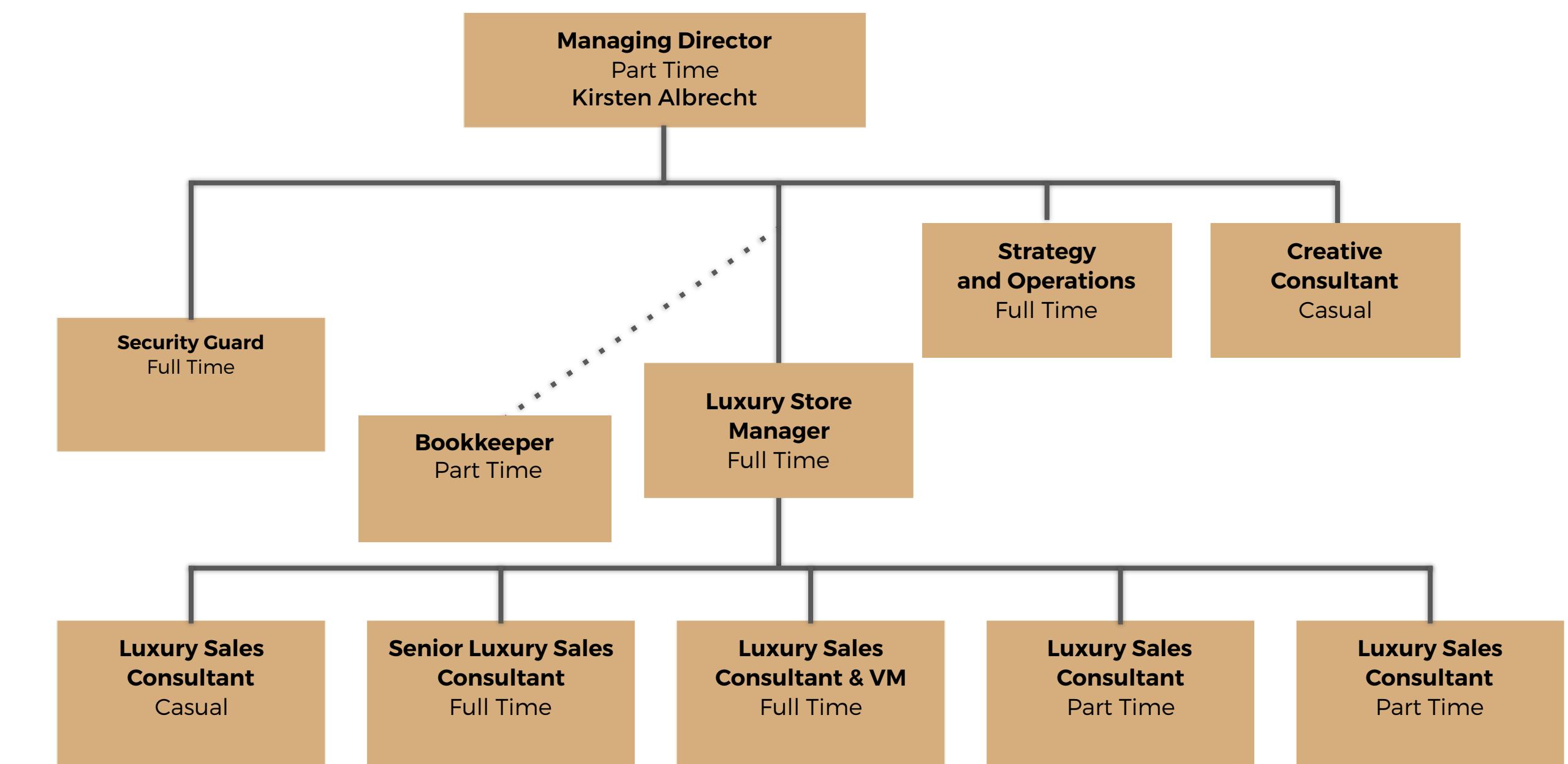
Monthly sales	June (\$)	May (\$)	April (\$)	March (\$)	Feb (\$)	Jan (\$)	Dec (\$)	Nov (\$)	Oct (\$)	Sept (\$)	August (\$)	July (\$)
2013-14	168,930	146,818	222,609	174,059	109,690	111,386	664,796	239,936	184,349	115,407	203,395	131,125
2014-15	120,281	151,686	132,656	140,893	193,373	73,020	521,286	612,743	203,380	130,099	201,638	179,174
2015-16	112,320	195,025	207,301	97,875	340,677	33,522	386,348	239,630	211,636	135,095	159,886	138,514

ORGANISATIONAL STRUCTURE.

KOZMINSKY FINANCE COMMITTEE

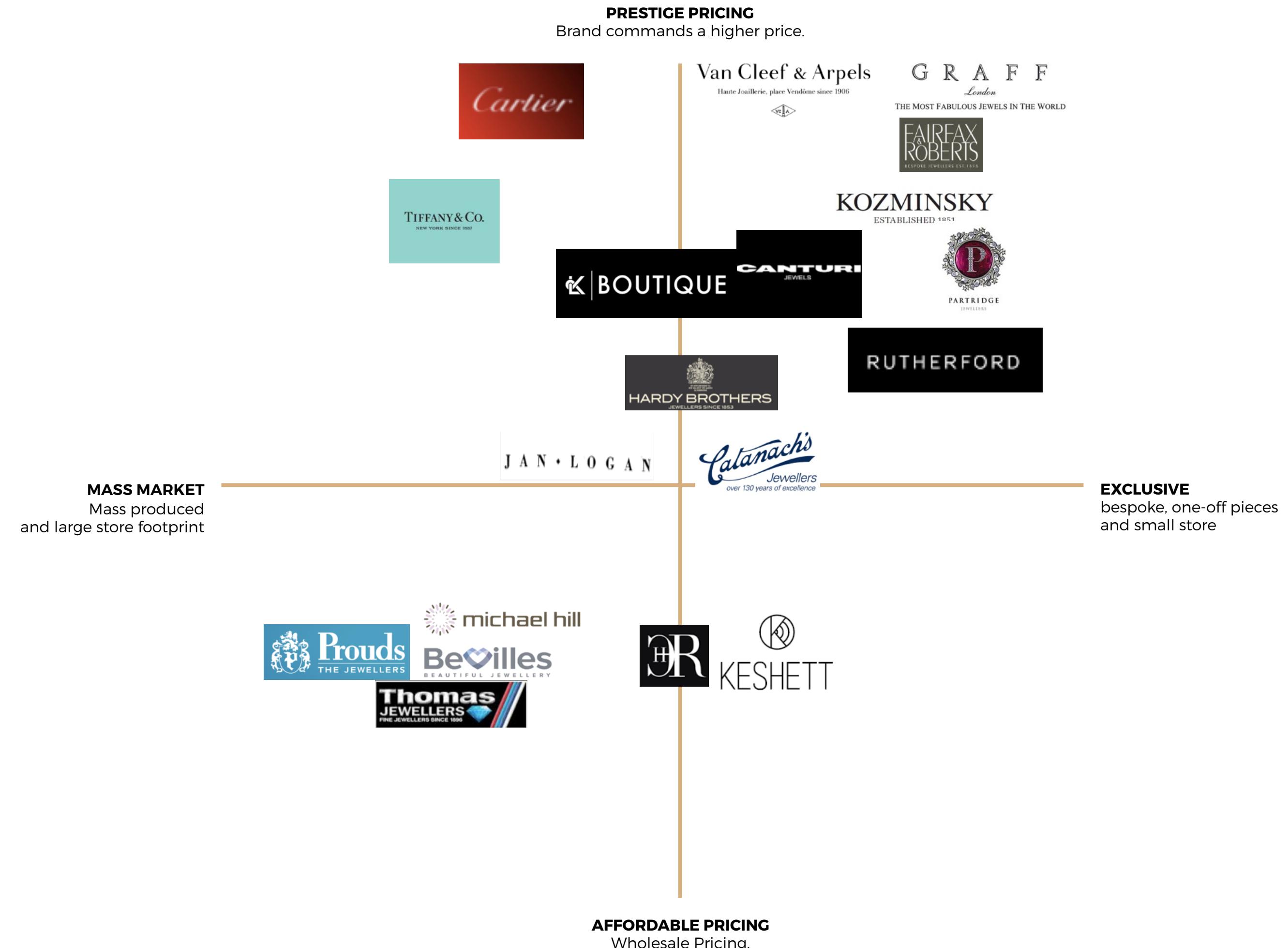


KOZMINSKY ORGANISATIONAL CHART

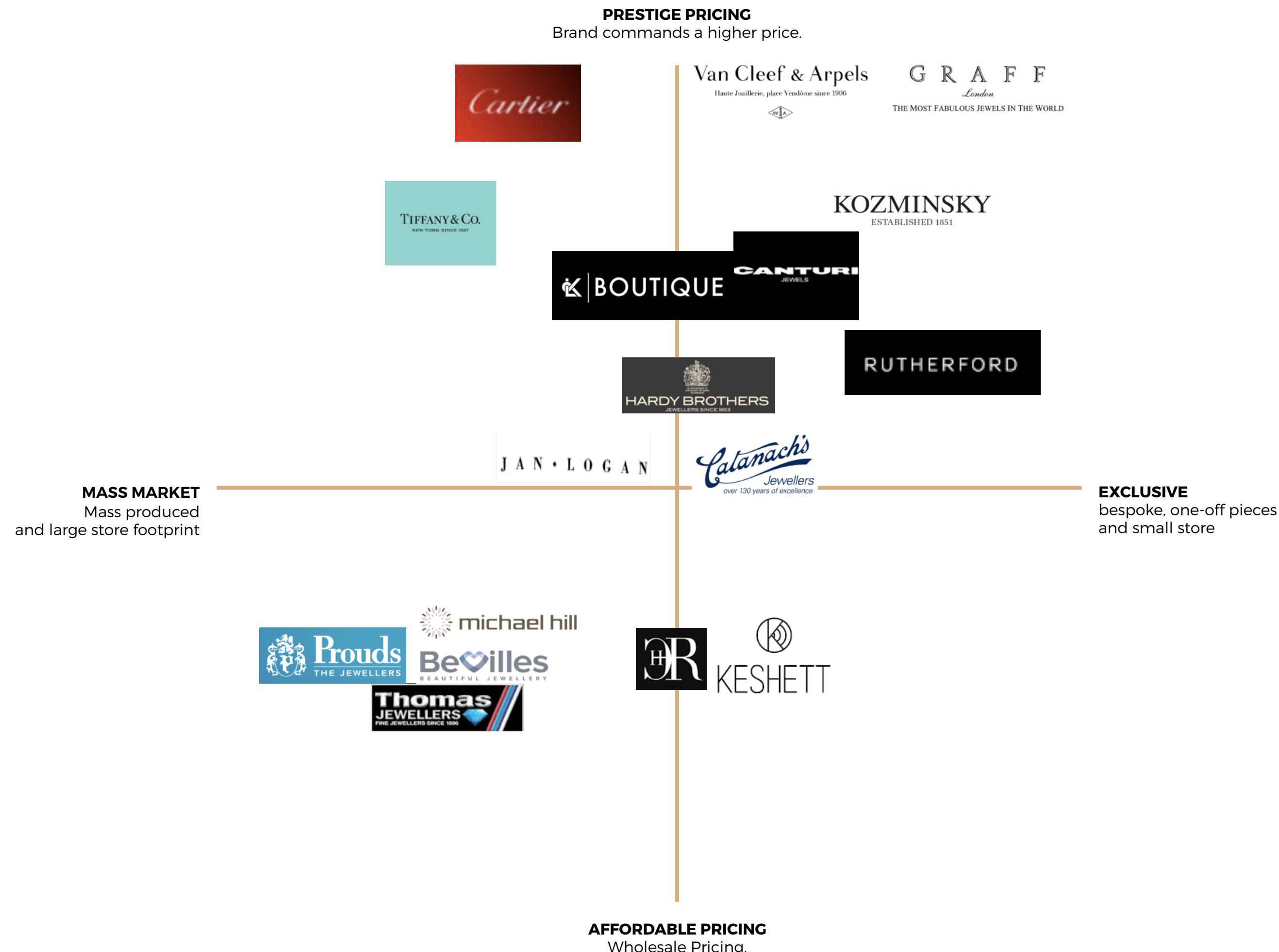


COMPETITOR ANALYSIS.

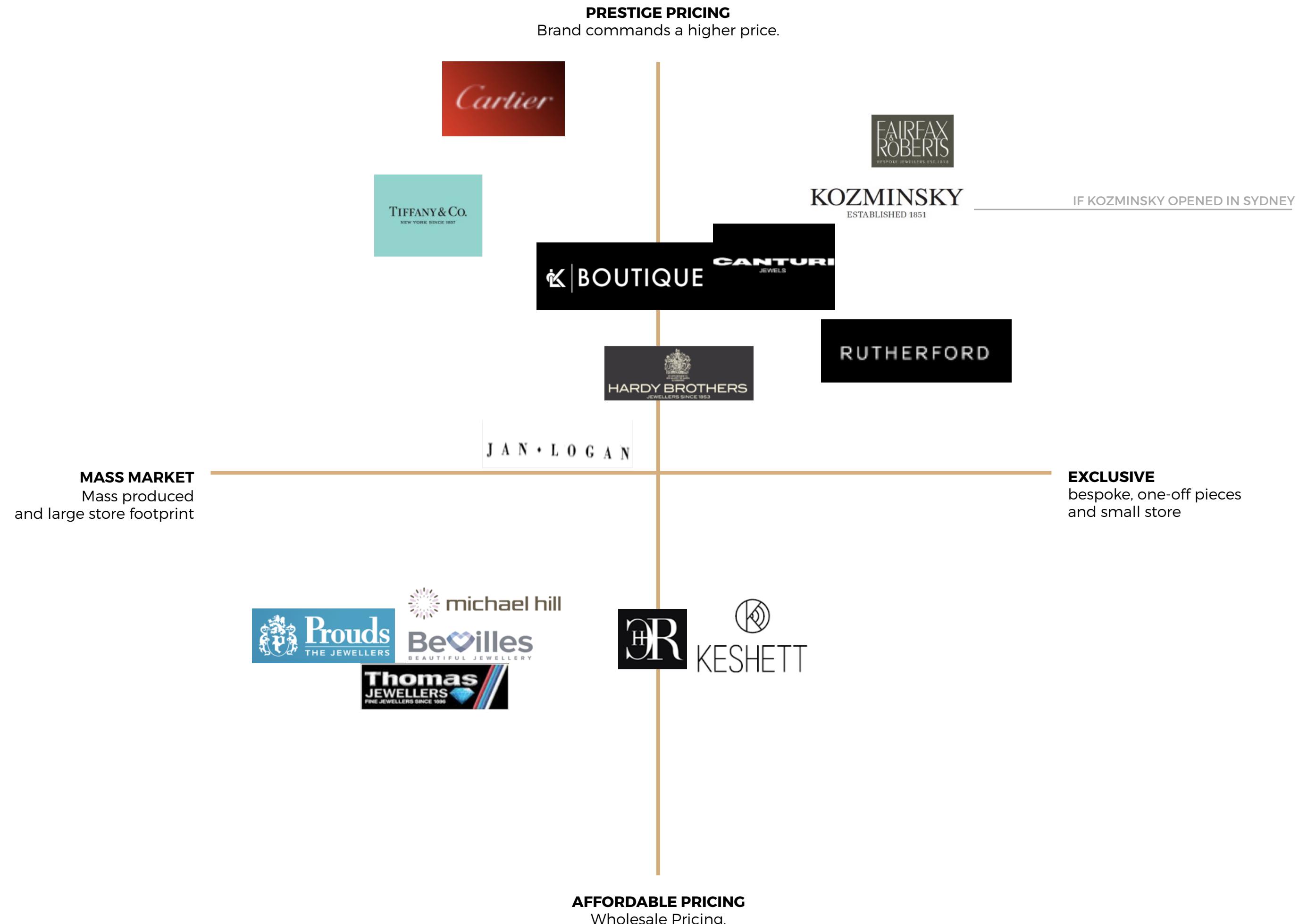
AUSTRALIAN & NEW ZEALAND COMPETITOR ANALYSIS.



MELBOURNE COMPETITOR ANALYSIS.



SYDNEY COMPETITOR ANALYSIS.





DISCLAIMER

This document has been compiled primarily on information provided from the management of Kozminsky.

Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the report without having an audit or review conducted.

The report was prepared for the purpose identified above. We do not accept responsibility to any other person for the contents of the report.

APPENDICES

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**FOR FURTHER ENQUIRIES PLEASE CONTACT
ANTHONY WILLIS 0401 393 664**

APPENDICES.

ASIC Company Search Document



ASIC

Australian Securities & Investments Commission

Current Company Extract

Name: KOZMINSKY JEWELLERY PTY LTD
ACN: 149 172 403

Date/Time: 19 August 2016 AEST 08:41:50 AM

This extract contains information derived from the Australian Securities and Investments Commission's (ASIC) database under section 1274A of the Corporations Act 2001.

Please advise ASIC of any error or omission which you may identify.

Current Company Extract

KOZMINSKY JEWELLERY PTY LTD
 ACN 149 172 403

Organisation Details		Document Number
Current Organisation Details		
Name:	KOZMINSKY JEWELLERY PTY LTD	5E2617381
ACN:	149 172 403	
ABN:	51149172403	
Registered in:	Victoria	
Registration date:	07/02/2011	
Next review date:	07/02/2017	
Name start date:	07/02/2011	
Status:	Registered	
Company type:	Australian Proprietary Company	
Class:	Limited By Shares	
Subclass:	Proprietary Company	

Address Details		Document Number
Current		
Registered address:	421 Bourke Street, MELBOURNE VIC 3000	5E2617381
Start date:	07/02/2011	

Principal Place Of Business address:	421 Bourke Street, MELBOURNE VIC 3000	5E2617381
Start date:	07/02/2011	
Contact Address		

Section 146A of the Corporations Act 2001 states 'A contact address is the address to which communications and notices are sent from ASIC to the company'.
Address: PO BOX 8209, CAMBERWELL NORTH VIC 3124
Start date: 21/01/2014

Officeholders and Other Roles		Document Number
Director		
Name:	KIRSTEN JANE ALBRECHT	2E3154245
Secretary		
Address:	Unit 202, 502 Rathdowne Street, CARLTON VIC 3053	
Born:	22/07/1957, MELBOURNE, VIC	
Appointment date:	07/02/2011	
Name:	KIRSTEN JANE ALBRECHT	2E3154245
Address:	Unit 202, 502 Rathdowne Street, CARLTON VIC 3053	
Born:	22/07/1957, MELBOURNE, VIC	
Appointment date:	06/06/2012	

Share Information

Share Structure

Current Company Extract

KOZMINSKY JEWELLERY PTY LTD
 ACN 149 172 403

Class	Description	Number issued	Total amount paid	Total amount unpaid	Document number
ORD	ORDINARY SHARES	12	12.00	0.00	1E8501607

Members

Note: For each class of shares issued by a proprietary company, ASIC records the details of the top twenty members of the class (based on shareholdings). The details of any other members holding the same number of shares as the twentieth ranked member will also be recorded by ASIC on the database. Where available, historical records show that a member has ceased to be ranked amongst the top twenty members. This may, but does not necessarily mean, that they have ceased to be a member of the company.

Name: KIRSTEN ALBRECHT PTY LTD
 ACN: 091 420 414
 Address: 421 Bourke Street, MELBOURNE VIC 3000

Class	Number held	Beneficially held	Paid	Document number
ORD	12	yes	FULLY	1E8501607

Documents

Note: Where no Date Processed is shown, the document in question has not been processed. In these instances care should be taken in using information that may be updated by the document when it is processed. Where the Date Processed is shown but there is a zero under No Pages, the document has been processed but a copy is not yet available.

Date received	Form type	Date processed	Number of pages	Effective date	Document number
02/06/2015	484E Change To Company Details Appointment Or Cessation Of A Company Officeholder	02/06/2015	2	29/05/2015	2E1920780
17/02/2016	484A1 Change To Company Details Change Officeholder Name Or Address	17/02/2016	2	17/02/2016	2E3154245

End of Extract of 2 Pages

APPENDICES.

Lease Schedule

THE THIRD SCHEDULE

(Term Rental)

Column 1. (Term) Until the 12th day of May 2007

Column 2. (Commencing The 12th day of May 1987
date)

Column 3. (Initial \$97,519.00 per annum payable at a rate
annual rent) of \$8,126.58 per calendar month.

Review Period On the 12th day of May in each year
commencing 12th May 1988

THE FIFTH SCHEDULE

(Lessee's name and address)

KOZMINSKY GALLERIES PTY. LTD.

421 Bourke Street,

Melbourne.

IN WITNESS WHEREOF this Lease has been duly executed by the parti
hereto on the date and year first above written.

THE COMMON SEAL of ETHON INVESTMENTS LTD.

PTY. LTD. was hereunto affixed in
accordance with its Articles of
Association in the presence of:

Effel C. Shaw Director
Donald C. Shaw Director



THE COMMON SEAL of KOZMINSKY

GALLERIES PTY. LTD. was hereunto
affixed in accordance with its
Articles of Association in the
presence of:

J. A. [Signature] Director
P. [Signature] Secretary



APPENDICES.

Lease Schedule

Schedule 1

1. Date: The 18th day of September 2003
2. Existing Lessee: The Decoration Company Pty Ltd ACN 004 438 199 (formally called Kozminsky Galleries Pty Ltd ACN 004 438 199) of 421 Bourke Street, Melbourne, Victoria, 3000.
3. New Lessees: Northdaw Pty Ltd ACN 105 905 128 in its capacity as trustee of the Ben Albrecht Family Trust and Dotart.com Pty Ltd ACN 091 420 414 in its capacity as trustee of the Kirsten Albrecht Family Trust both of 421 Bourke Street, Melbourne, Victoria, 3000.
4. Premises: The premises described in the Lease and known as 421 Bourke Street, Melbourne, Victoria, 3000
5. Lease: Deed of lease between the Lessor and the Existing Lessee dated 30 November 1987
6. Assignment Date: The 1st day of September 2003
7. Variations: The variations contained in Schedule 2
8. Guarantors: Kirsten Jane Albrecht of 5 Pleasant Avenue, Kew, Victoria, 3101 and Benjamin David Albrecht of Unit 2 134 Anderson Street, South Yarra, Victoria, 3000.

Schedule 2

Variations to Lease

The Lease is varied on and from the Assignment Date as follows:

1. The Third Schedule is amended by deleting the words 'until the 12th day of May 2007' and inserting the words 'the 12th day of May 2017'.
2. Clauses 1 and 2 of the First Schedule of the Lease are deleted and replaced with the following clauses:
 1. The annual rent will be adjusted at the commencement of each review period to an amount equal to the annual rent payable immediately prior to the review period multiplied by the Current CPI and divided by the Previous CPI.
 2. For the purposes of this Lease, the following words have the meanings set out below:
 - 2.1 CPI means the Consumer Price Index – All Groups Melbourne or if this index is not available or is discontinued or suspended, such other index that represents the rise in the cost of living in Melbourne as the Lessor reasonably determines;
 - 2.2 Current CPI means the CPI number for the quarter ending immediately prior to the relevant review period;
 - 2.3 Previous CPI means the CPI number for the quarter ending immediately prior to the last date that the rent was adjusted.

3. The following clause is inserted as clause 11 in the Lease:

11. GST
 - 11.1 GST Exclusive
Except as otherwise provided by this clause, all Consideration payable under this Lease in relation to any Supply is exclusive of GST.
 - 11.2 Increase in Consideration
To the extent that any Supply under this Lease constitutes a Taxable Supply, the Consideration payable by the Recipient to the Supplier will be increased by the applicable amount of GST (GST Amount), which must be calculated by multiplying the amount upon which GST is payable by the prevailing rate of GST.
 - 11.3 Payment of GST
Any GST Amount must be paid by the Recipient to the Supplier at the same time and in the same manner as the relevant Consideration is paid or given under this Lease, without any right of set-off or deduction (unless otherwise provided in this Lease).
 - 11.4 Reimbursements
If this Lease requires the Recipient to pay, reimburse or contribute to any expense, loss or outgoing suffered or incurred by the Supplier

KOZMINSKY SALE ANALYSIS PAST THREE YEARS.

2015-16 FY															TOTAL SALES
	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15			
Total Sales	\$ 112,319.79	\$ 195,025.46	\$ 207,300.86	\$ 97,875.44	\$ 340,676.79	\$ 33,522.49	\$ 386,347.69	\$ 239,629.53	\$ 211,636.40	\$ 135,095.48	\$ 159,886.39	\$ 138,513.65	\$ 2,257,829.97		
Stock Items Sold	51	86	71	69	117	26	209	127	100	62	62	73	1053		
Purchasing Customers	43	69	50	61	94	27	173	102	91	57	64	66	897		
Walk ins	575	605	480	414	564	651	777	734	561	538	592	611	7102		
Trading days	25	26	25	23	25	23	23	24	26	26	26	27	299		
Average number of walk ins per day	23.00	23.27	19.20	18.00	22.56	28.30	33.78	30.58	21.58	20.69	22.8	22.6	23.8		
Average spend per item	\$ 2,202.35	\$ 2,267.74	\$ 2,919.73	\$ 1,418.48	\$ 2,911.77	\$ 1,289.33	\$ 1,848.55	\$ 1,886.85	\$ 2,116.36	\$ 2,178.96	\$ 2,578.81	\$ 1,897.45	\$ 2,144.19		
Average spend per purchasing customer	\$ 2,612.09	\$ 2,826.46	\$ 4,146.02	\$ 1,604.52	\$ 3,624.22	\$ 1,241.57	\$ 2,233.22	\$ 2,349.31	\$ 2,325.67	\$ 2,370.10	\$ 2,498.22	\$ 2,098.69	\$ 2,517.09		
Average spend per walk in	\$ 195.34	\$ 322.36	\$ 431.88	\$ 236.41	\$ 604.04	\$ 51.49	\$ 497.23	\$ 326.47	\$ 377.25	\$ 251.11	\$ 270.08	\$ 226.70	\$ 317.91		
Strike rate of purchasing walk in	13.4	8.8	9.6	6.8	6.0	24.1	4.5	7.2	6.2	9.4	9.3	9.3	7.9		
2014-15 FY															TOTAL SALES
	Jun-15	May-15	Apr-15	Mar-15	Feb-15	Jan-15	Dec-14	Nov-14	Oct-14	Sep-14	Aug-14	Jul-14			
Total Sales	\$ 120,280.91	\$ 151,686.36	\$ 132,656.38	\$ 140,892.74	\$ 193,372.69	\$ 73,020.48	\$ 521,286.05	\$ 612,743.19	\$ 203,379.57	\$ 130,098.50	\$ 201,637.57	\$ 179,173.97	\$ 2,660,228.41		
Stock Items Sold	73	106	71	92	89	50	225	126	75	76	66	51	1100		
Purchasing Customers	50	82	63	90	84	47	201	108	70	58	57	71	981		
Walk ins	555	640	482	549	585	677	962	591	667	615	685	735	7743		
Trading days	24	26	22	25	23	25	26	22	27	26	26	27	299		
Average number of walk ins per day	23.13	24.62	21.91	21.96	25.43	27.08	37.00	26.86	24.70	23.7	26.3	27.2	25.9		
Average spend per item	\$ 1,647.68	\$ 1,431.00	\$ 1,868.40	\$ 1,531.44	\$ 2,172.73	\$ 1,460.41	\$ 2,316.83	\$ 4,863.04	\$ 2,711.73	\$ 1,711.82	\$ 3,055.11	\$ 3,513.22	\$ 2,418.39		
Average spend per purchasing customer	\$ 2,405.62	\$ 1,849.83	\$ 2,105.66	\$ 1,565.47	\$ 2,302.06	\$ 1,553.63	\$ 2,593.46	\$ 5,673.55	\$ 2,905.42	\$ 2,243.08	\$ 3,537.50	\$ 2,523.58	\$ 2,711.75		
Average spend per walk in	\$ 216.72	\$ 237.01	\$ 275.22	\$ 256.64	\$ 330.55	\$ 107.86	\$ 541.88	\$ 1,036.79	\$ 304.92	\$ 211.54	\$ 294.36	\$ 243.77	\$ 343.57		
Strike rate of purchasing walk in	11.1	7.8	7.7	6.1	7.0	14.4	4.8	5.5	9.5	10.6	12.0	10.4	7.9		
2013-14 FY															TOTAL SALES
	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13			
Total Sales	\$ 168,929.55	\$ 146,817.80	\$ 222,609.10	\$ 174,059.05	\$ 109,689.82	\$ 111,386.37	\$ 664,795.53	\$ 239,936.35	\$ 184,349.36	\$ 115,406.71	\$ 203,394.77	\$ 131,124.58	\$ 2,472,498.99		
Stock Items Sold	66	63	45	85	72	42	262	80	59	74	67	59	974		
Purchasing Customers	63	63	51	83	72	42	238	78	59	70	64	57	940		
Walk ins	739	653	432	641	642	787.5	1088	715	698	484	733	758	8371		
Trading days	24	27	22	26	24	25	24	25	27	25	27	27	303		
Average number of walk ins per day	30.8	24.2	8.5	7.7	8.9	31.5	45.3	28.6	25.9	19.4	27.1	28.1	27.6		
Average spend per item	\$ 2,559.54	\$ 2,330.44	\$ 4,946.87	\$ 2,047.75	\$ 1,523.47	\$ 2,652.06	\$ 2,550.10	\$ 2,999.20	\$ 3,124.57	\$ 1,559.55	\$ 3,035.79	\$ 2,222.45	\$ 2,538.50		
Average spend per purchasing customer	\$ 2,681.42	\$ 2,330.44	\$ 4,364.88	\$ 2,097.10	\$ 1,523.47	\$ 2,652.06	\$ 2,807.26	\$ 3,076.11	\$ 3,124.57	\$ 1,648.67	\$ 3,178.09	\$ 2,300.43	\$ 2,630.32		
Average spend per walk in	\$ 228.59	\$ 224.84	\$ 515.30	\$ 271.54	\$ 170.86	\$ 141.44	\$ 614.09	\$ 335.58	\$ 264.11	\$ 238.44	\$ 277.49	\$ 172.99	\$ 295.38		
Strike rate of purchasing walk in	11.7	10.4	8.5	7.7	8.9	18.8	4.6	9.2	11.8	6.9	11.5	13.3	8.9		

VALUATION REPORT JULY 2016

KOZMINSKY JEWELLERY PTY LTD.

ABN 51 149 172 403

SCOPE

We have been requested by the managing director of Kozminsky Jewellery Pty Ltd ("Kozminsky"), for their use, to provide an assessment of the market valuation of the Kozminsky business. This valuation has been prepared for the purpose of a potential business sale.

This report has been compiled primarily on information provided from the director and internal finance team.

Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the report without having an audit or review conducted.

The report was prepared for the purpose identified above. We do not accept responsibility to any other person for the contents of the report.

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- Page 39 Valuation Conclusion

VALUATION REPORT JULY 2016

KOZMINSKY JEWELLERY PTY LTD.

ABN 51 149 172 403

EXECUTIVE SUMMARY

We undertook to value the business of Kozminsky using the capitalisation of future maintainable profits method, to be added to the value of goodwill in the business.

Our analysis concluded that a value of \$2,720,000 is a reasonable valuation for the company.

Given the stage of the company's lifecycle, we consider this method of valuation appropriate. This valuation should be considered in conjunction with the assumptions included in this report.

COMPANY BACKGROUND AND COMPANY OPERATIONS

Kozminsky is one of Melbourne's oldest stores having been founded in 1851. A deep history with some of Melbourne's biggest names finding their way onto the client list, it is a trusted jeweller of Melbourne's elite. The store has one shop front at 421 Bourke Street, Melbourne, a short walk from the centre of Melbourne, being the General Post Office.

It is a unique store with a wide range of offerings of jewellery. Sales are dominated by rings, earrings, necklaces, etc. amongst other items such as giftware, art and furniture items. All items are one-offs giving a buyer an exclusive feel when choosing their modern or antique piece from a collection of owned and consigned stock.

The business is family run, by managing director Kirsten Albrecht, who has been involved at the current premises for 40 years.

SUMMARY OF RECENT SALES HISTORY OF KOZMINSKY.

A summary of the recent history of Kozminsky, including the last three completed financial years, is outlined to the right.

	Year Ended 30/06/2014	Year Ended 30/06/2015	Year Ended 30/06/2016 <i>(draft)</i>		Year Ended 30/06/2014	Year Ended 30/06/2015	Year Ended 30/06/2016 <i>(draft)</i>
Sales	\$2,470,595	\$2,667,444	\$2,257,653				
Less: Cost of Goods Sold:				Postage	\$2,758	\$5,166	\$3,207
Opening Stock	\$967,287	\$1,148,931	\$1,066,060	Printing & Stationery	\$9,171	\$2,605	\$5,432
Purchases	\$1,194,683	\$1,126,944	\$608,278	Provision for Annual Leave	-\$130	\$2,395	-\$1,853
Freight Paid	\$6,212	\$7,203	\$7,555	Provision for Long Service Leave	-\$2,130	\$460	-\$3,900
Other	\$0	\$0	\$0	Rates & Taxes	\$16,564	\$23,793	\$16,058
Closing Stock	-\$1,148,931	-\$1,066,060	-\$814,921	Reference Books & Journals	\$0	\$0	\$133
Total Cost of Goods Sold	\$1,019,251	\$1,217,018	\$866,972	Rent	\$194,776	\$199,826	\$202,226
Gross Profit	\$1,451,344	\$1,450,426	\$1,390,681	Repairs & Maintenance	\$22,271	\$11,203	\$11,110
Gross Profit Ratio	58.7%	54.4%	61.6%	Security Costs	\$29,940	\$34,646	\$45,726
Other Income:				Staff Training & Welfare	\$3,638	\$4,521	\$14,965
Interest Received	\$0	\$0	\$2,321	Storage Fees	\$3,244	\$4,778	\$3,880
Employee Contributions	\$26,533	\$23,220	\$25,000	Subscriptions	\$2,724	\$1,843	\$8,888
Profit on Sale of Non-current Assets	\$0	\$4,814	\$0	Superannuation Contributions	\$29,584	\$29,976	\$34,286
Total Other Income	\$26,533	\$28,034	\$27,321	Superannuation Contributions - Director	\$0	\$0	\$0
				Telephone & Internet	\$25,812	\$24,629	\$23,591
				Travelling Expenses	\$34,256	\$21,808	\$8,419
				Wages	\$367,175	\$390,183	\$406,675
				Workcover	\$1,206	\$2,964	\$2,388
				Total Expenses	\$1,496,618	\$1,523,383	\$1,306,716
				Net Profit/(Loss)	-\$18,741	-\$44,923	\$111,286
Expenses:							
Accountancy Fees	\$290	\$10,150	\$8,580	EBITDA Add Backs:			
Advertising	\$213,216	\$273,775	\$209,103	Depreciation	\$48,190	\$44,870	\$38,800
Bad Debts	\$0	\$395	\$0	Interest Paid	\$120,983	\$111,419	\$4,669
Bank Charges	\$38,357	\$37,575	\$32,741	Total EBITDA Add Backs	\$169,173	\$156,289	\$43,469
Bookkeeping Expenses	\$71,955	\$73,710	\$73,710				
Cleaning	\$20,549	\$24,730	\$17,417	EBITDA	\$150,432	\$111,366	\$154,755
Gift Vouchers	\$0	\$0	\$1,031				
Collection Costs	\$1,282	\$0	\$0	Owner Personal Expenditure Add Backs:			
Consultancy Fees	\$74,335	\$3,900	\$5,800	40% of Accountancy Fees	\$116	\$4,060	\$3,432
Computer Expenses	\$11,620	\$10,565	\$11,255	30% of Bookkeeping Fees	\$21,587	\$22,113	\$22,113
Depreciation	\$48,190	\$44,870	\$38,800	25% of Cleaning Expenses	\$5,137	\$6,183	\$4,354
Sponsorships/Donations	\$1,062	\$3,045	\$15,157	90% of Entertainment	\$17,163	\$17,187	\$9,650
Employees' Entitlements	\$8,336	\$9,686	\$8,605	80% of Legal Fees	\$7,304	\$24,955	\$1,702
Entertainment Expenses	\$19,070	\$19,097	\$10,722	100% of Fines & Penalties	\$0	\$148	\$683
Filing Fees	\$236	\$722	\$729	100% of Motor Vehicle Expenses	\$28,546	\$29,548	\$28,676
Fines & Penalties	\$0	\$148	\$683	less Employee Contributions	-\$26,533	-\$23,220	-\$25,000
General Expenses	\$2,587	\$660	\$0	25% of Repairs & Maintenance	\$5,568	\$2,801	\$2,778
Insurance	\$71,775	\$62,159	\$45,457	100% of Storage Fees	\$3,244	\$4,778	\$3,880
Interest Paid	\$120,983	\$111,419	\$4,669	100% of Superannuation Contributions - Director	\$0	\$0	\$0
Leasing Charges	\$6,893	\$6,622	\$3,020	25% of Telephone & Internet Expenses	\$6,453	\$6,157	\$5,898
Legal Costs	\$9,130	\$31,194	\$2,127	90% of Travelling Expenses	\$30,830	\$19,627	\$7,577
Light & Power	\$7,347	\$8,617	\$7,160	Total Owner Personal Expenditure Add Backs	\$99,415	\$114,337	\$65,742
Motor Vehicle Expenses	\$28,546	\$29,548	\$28,676				
Parking Costs - Clients	\$0	\$0	\$43	Final Normalised EBITDA	\$249,847	\$225,703	\$220,497
Permits, Licences & Fees	\$0	\$0	\$0				

PROJECTIONS.

Kozminsky has undergone a major change of strategy and focus over the past one to two years, as the business has evolved to run on its own two feet, and not rely heavily on managing director Kirsten, which has been the case historically.

The following positive outcomes have been deployed over the past 12 months, and/or are currently being deployed:

- Internet website launch, including online sales kozminsky.com
- New accounting and IT systems in place, creating efficiencies.
- Current deployment of a Customer Relationship Manager (CRM) which will lead to greater use of database.
- First Melbourne jeweller to be accepted to 1st Dibs international online platform.
- Social media presence.
- A more strategic marketing plan, with a team employed to act on behalf of the store.
- Online, catalogue, print media, and internal visual merchandise focus of marketing.

To projections to the right are budgeted profit and loss statements for the upcoming three financial years:

	Year Ended 30/06/2017 (Budget)	Year Ended 30/06/2018 (Budget)	Year Ended 30/06/2019 (Budget)
Sales	\$2,688,000	\$3,010,560	\$3,371,827
Total Cost of Goods Sold	\$1,209,600	\$1,354,752	\$1,517,322
Gross Profit	\$1,478,400	\$1,655,808	\$1,854,505
Gross Profit Ratio	55.0%	55.0%	55.0%
Total Other Income	\$26,300	\$27,200	\$28,100
Total Expenses	\$1,317,869	\$1,362,598	\$1,409,873
Net Profit/(Loss)	\$186,831	\$320,410	\$472,732
Final Normalised EBITDA	\$293,594	\$426,923	\$577,995
2017-2019 forecasted average Normalised EBITDA			\$432,837

PROJECTIONS.

.Projections are determined on best estimates of recent revenue and expense trends, and based on the following assumptions:-

- Steady increase in sales revenue of 12% per annum.
- Maintain a consistent 55% gross margin.
- No interest paid.
- No owner expenditure in the accounts, hence expenses lower in 2017 budget.
- Steady increase in expenses of 4% per year, due to inflation and potential wages growth. It does not need to increase at same rate as revenue. Previous years have contained a significant 'wasted' expenditure.

A growth percentage on sales revenue is applied at 12% based on best estimates of forecasted growth.

This is reasonable based on the above mentioned positive outcomes, and the potential of new leadership which would result in new strategy, and fresh business ideas.

Expenses are forecasted to increase at 3-4% based solely on inflation and potential wages growth. We believe this to be a conservative approach, as there is still much expenditure in this business to be cut.

This application is based on director estimates given the current operations of the business. The gross margin is not too dissimilar with other retail/jewellery firms and industry standards, which are within this range.

BALANCE SHEET.

STOCK

This company is defined as a retail business, and therefore carries trading stock. As at 30 June 2016, stock on hand owned by the company was valued at \$814,921.

This valuation is a cost price valuation, which is assumed to be able to be realised at any point in time.

If the business was sold, it is expected that the current stock value at day of settlement would be invoiced in addition to the purchase price of the business. Stock would be counted in a stocktake at the conclusion of business on the day before settlement. This would be in keeping with normal business practice and would allow any new owner to maintain the current offering of stock which would be consistent with the current Kozminsky brand.

GOODWILL

Goodwill appears as an asset on the balance sheet as at 30 June 2016 for \$1,061,461. This amount has been created via the buyout of partners a number of years ago, when Kirsten bought out her brother.

This amount represents the brand of the business and with the strong name of Kozminsky with the upper echelon of Melbourne's society, mixed with the 165 year old history, we believe this is amount to be practical, if not conservative.

OTHER

In the event of a business sale, all other assets and liabilities would be the responsibility of the current owner. Some exceptions could be any of the following, which could be negotiated at the time of settlement to be a potential adjustment to the sale price, which would mean the Seller may receive less money at settlement if the Buyer takes responsibility of the liabilities:

- Credit notes
- Gift vouchers
- Employee entitlements

LEASE ON 421 BOURKE STREET, MELBOURNE

An important factor in the event of a potential business sale is the upcoming end of lease date, which is 12 May 2017. Any new owner would need to be made aware of this date, and the sale of business contract would be subject to the renewal of the lease with a new entity.

VALUATION METHODOLOGIES.

In assessing the value of the company we have considered the following valuation methodologies.

- Capitalisation of future maintainable profits
- Discounted cash flows
- Net Tangible Assets

These methods, together with the basis for utilising/not utilising is summarised below. We would consider that the Capitalisation of future maintainable profits is used, and compared to previous earnings.

CAPITALISATION OF FUTURE MAINTAINABLE PROFITS

The capitalization of future maintainable profits is appropriate where the earnings of the business are regular, maintainable and sufficient to justify a value exceeding the net assets of the business. When a future maintainable profits figure is determined, an appropriate capitalisation multiple is applied reflecting the risk involved in the income. Where a company has limited trading history and projections based on directors estimates (rather than locked in contracts, for example), the capitalisation multiple will be low.

DISCOUNTED CASH FLOWS

This method values a business on the net present value of its future cash flows. This is particularly relevant where the business has a finite life and cash flows are easily forecasted. Given the nature of Kozminsky's business, profit and cash flow should be closely aligned and therefore this is captured in our use of Future maintainable profits methodology.

NET TANGIBLE ASSETS

This method is particularly relevant where the business holds passive assets or has assets that can be easily valued and traded. Given that Kozminsky assets as listed above, namely trading stock, are primarily used for revenue generating purposes, and values that someone would be prepared to pay in an orderly sale are easily determined, this method is utilised to the point of adding trading stock value to the asking price of the business transaction.

VALUATION OF FUTURE MAINTAINABLE EARNINGS.

Given the characteristics of the Kozminsky business, we believe that the valuation will be best completed on the capitalisation of future maintainable earnings.

THE FORECASTED PROFIT IS AS FOLLOWS:-

	Year Ended 30/06/2017 (Budget)	Year Ended 30/06/2018 (Budget)	Year Ended 30/06/2019 (Budget)
Sales	\$2,688,000	\$3,010,560	\$3,371,827
Final Normalised EBITDA	\$293,594	\$426,923	\$577,995
2017-2019 forecasted average Normalised EBITDA			\$432,837

HISTORICAL PROFIT IS AS FOLLOWS:-

	Year Ended 30/06/2014	Year Ended 30/06/2015	Year Ended 30/06/2016 (draft)
Sales	\$2,470,595	\$2,667,444	\$2,257,653
Final Normalised EBITDA	\$249,847	\$225,703	\$220,497
2014-2016 average Normalised EBITDA			\$232,016

Based on forecasted profit, we determine an **average EBITDA of \$432,837**, which would form the high point of our valuation.

As discussed, revenue assumptions are included earlier in this report. Based on historical data, we determine an average **normalised EBITDA of \$232,016**, which would form the low point of our valuation.

RISK PROFILE OF KOZMINSKY

The following factors, together with those listed above, need to be considered in determining the capitalisation rate of the business valuation of Kozminsky (i.e. what would we consider relevant to determine our rate of return):-

- Kozminsky is a well-established business of nearly 165 years, servicing Melbourne's elite.
- The potential for increased sales revenue can be easily envisioned, with even a slight increase projecting healthy profit figures.
- Kozminsky is not traded on any stock exchange.
- High detail of sales transactions, and stock levels.
- Key man risk relating to the current managing director, being Kirsten, has reduced significantly in the business over the last 1 to 2 years.

VALUATION CONCLUSION.

Given the above, we would consider Kozminsky a low risk venture and therefore would propose for capitalisation of future maintainable profit a capitalisation multiplier rate of **5.0 times that of pre-tax profits** to be appropriate:

HIGH POINT VALUATION (BASED ON PROJECTIONS)

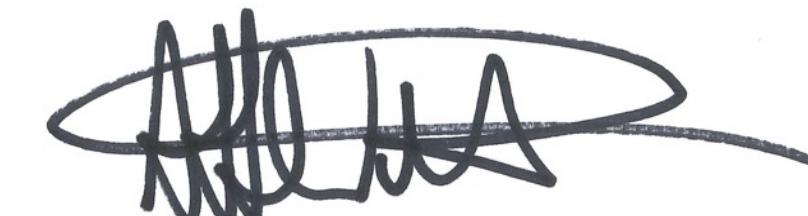
\$432,837 x multiplier of 5.0 = \$2,164,185

LOW POINT VALUATION (BASED ON HISTORICAL DATA)

\$232,016 x multiplier of 5.0 = \$1,160,080

We note that the director would like to ensure the transaction is fair for all parties and enables strong upside return for a Buyer. As a result this paper is intended to guide discussions rather than be prescriptive in any way.

If you would like to discuss this valuation further, do not hesitate to contact us.



Anthony Willis
Director
0401 393 664



Sam Kilkenny
Director
0433 121 993

Our valuation would therefore be in the range of \$1,160,080 to \$2,164,185

Accordingly, for the purposes of this report, we would adopt a midpoint valuation of \$1,662,132.

Business Value	\$1,662,132
Goodwill	\$1,061,461

Valuation **\$2,723,593 + Stock**