

## BUSINESS VALUATION REPORT

Valuation of Hart & Vale Studio Pty Ltd as at 31 December 2025

Matter	Hart & Hart
Court / Registry	Federal Circuit and Family Court of Australia (Division 2), Sydney Registry
File number	SYC 2025/004187
Expert	Andrew Pelham CA, Pelham Forensic Accounting
Engaged as	Single expert pursuant to Court order dated 9 December 2025
Subject entity	Hart & Vale Studio Pty Ltd (ACN illustrative) — architecture practice
Valuation date	31 December 2025
Date of report	8 April 2026
Purpose	To determine the fair market value of the equity for family law property proceedings

### 1. Engagement and scope

I have been engaged as a single expert to value the equity in Hart & Vale Studio Pty Ltd (“the Studio” or “the Company”) as at 31 December 2025. The Studio is a small architecture practice of which the Respondent, Daniel Hart, is the principal director and effective controller. The valuation is required for the purpose of the property proceedings between the parties.

I have prepared this report in accordance with my duty to the Court and the applicable expert evidence rules. My opinion is independent and is not influenced by either party. Where I have relied on assumptions or incomplete information, I have said so. My conclusions are sensitive to a number of disputed matters identified in this report.

### 2. Standard and premise of value

I have adopted fair market value — the price a knowledgeable, willing but not anxious buyer and seller would agree, dealing at arm's length. The Studio derives the majority of its value from the personal exertion, reputation and relationships of Mr Hart. Accordingly I have valued the business on a going-concern basis but with explicit regard to its dependence on a single key person, and I have considered both a capitalisation of future maintainable earnings approach and a net assets cross-check.

### 3. Information relied upon

- Financial statements for the years ended 30 June 2022, 2023, 2024 and 2025.
- Management accounts and a draft trial balance to 31 December 2025.
- Business Activity Statements and the general ledger extract provided by the Company bookkeeper.
- An aged debtors (accounts receivable) listing as at 31 December 2025.
- Director's drawings and loan account records.

- Correspondence and the bookkeeper's affidavit regarding the timing of invoicing in December 2025.

I note that a portion of the source material was produced late, in March 2026, and that the December 2025 accounts remained in draft at the valuation date. The implications are addressed in sections 6 and 9.

#### 4. Business overview

The Studio is a boutique residential and small-commercial architecture practice. Revenue is project-based and can be lumpy, with income recognised at project milestones. In February 2023 the practice lost a senior staff member, after which Mr Hart worked longer hours and took on more of the fee-earning work personally. The 2024 financial year reflected project delays and aged debtors, and trading in the 2025 year was affected by both genuine market softness and the timing of invoicing.

#### 5. Reported financial performance

Year ended 30 June	Revenue	Reported profit before tax	Director's remuneration
2022	\$842,000	\$118,000	\$95,000
2023	\$910,000	\$96,000	\$110,000
2024	\$735,000	\$41,000	\$120,000
2025	\$688,000	\$33,000	\$118,000
H1 2026 (6 mths)	\$352,000	\$22,000	\$60,000

Reported earnings declined over the period. The decline is partly genuine (loss of a senior fee-earner, project delays and a softer residential market) and partly a function of the timing of invoicing, in particular the deferral of invoices for two projects from December 2025 into January 2026.

#### 6. Normalisation adjustments (add-backs)

To estimate maintainable earnings I have normalised the reported results for non-recurring, discretionary and proprietorial items, and for a commercial salary for the working director. Several of these adjustments are disputed by Mr Hart and are flagged accordingly.

Adjustment	FY2025 (\$)	Status
Reported profit before tax	33,000	Agreed
Add back: director's remuneration	118,000	Agreed
Less: commercial salary for working director	(140,000)	Disputed quantum
Add back: owner's private motor vehicle / travel	14,000	Partly disputed
Add back: one-off legal and restructuring costs	9,000	Agreed
Add back: deferred December 2025 invoicing (timing)	38,000	Disputed
Less: non-recurring grant / rebate income	(6,000)	Agreed
Normalised EBIT (FY2025 basis)	66,000	—

The most contentious adjustment is the treatment of the deferred December 2025 invoicing. Mr Hart's position, supported in part by the bookkeeper, is that the deferral reflected genuine project timing and client sign-off delays. The Applicant's position is that the timing conveniently depressed earnings at the disclosure date. In my view the deferral has a partial commercial explanation but its effect on visible earnings is real, and I have therefore presented it as a sensitivity rather than a firm add-back.

## 7. Future maintainable earnings

Given the volatility of the reported results, I have assessed future maintainable earnings (FME) by weighting the normalised results of recent years, with greater weight on the most recent two years and an adjustment for the loss of the senior fee-earner. I assess normalised FME (EBIT) in the range of \$55,000 to \$75,000, with a point estimate of approximately \$65,000.

## 8. Capitalisation rate and valuation

Having regard to the small size of the practice, its dependence on a single key person, the lumpiness of project revenue and limited transferable goodwill, I have adopted a capitalisation multiple in the range of 2.0 to 2.75 times normalised FME (equivalent to a high required rate of return). Applying this multiple produces the following indicative enterprise value range, to which I add surplus assets and deduct interest-bearing debt to derive equity value.

Component	Low	Mid	High
Normalised FME (EBIT)	\$55,000	\$65,000	\$75,000
Capitalisation multiple	2.0x	2.4x	2.75x
Enterprise value (rounded)	\$110,000	\$156,000	\$206,000
Add: surplus cash / net working capital adj.	\$8,000	\$12,000	\$16,000
Less: interest-bearing debt	(\$35,000)	(\$35,000)	(\$35,000)
Indicative equity value (rounded)	\$83,000	\$133,000	\$187,000

On the basis set out above, I assess the fair market value of the equity in Hart & Vale Studio Pty Ltd as at 31 December 2025 to be in the range of approximately \$85,000 to \$185,000, with a preferred mid-point of approximately \$130,000. A net assets cross-check, after recognising aged debtors at a discount and the director's loan account, produces a figure toward the lower half of this range and does not displace my primary conclusion.

## 9. Key assumptions, caveats and matters affecting reliability

- The December 2025 accounts were in draft at the valuation date. If the final accounts differ materially, my opinion may require revision.
- Part of the source material was produced late (March 2026). I have assumed the records provided are complete; if further accounts or transactions emerge, my conclusion may change.
- The treatment of the deferred December 2025 invoicing is disputed. If the full \$38,000 is treated as maintainable revenue, the valuation moves toward the upper end of the range; if treated as a one-off timing benefit, toward the lower end.
- Aged debtors carry collection risk. I have applied a discount to overdue balances; actual recoveries may differ.

- The business is highly dependent on Mr Hart. A significant portion of the assessed value would not transfer to a purchaser without him, which I have reflected in the capitalisation multiple.
- I express no opinion on the parties' competing characterisations of director's drawings, on alleged post-separation expenditure, or on any other matter outside the valuation of the Company.

## 10. Declaration

I have made all the inquiries that I believe are desirable and appropriate, and no matters of significance that I regard as relevant have, to my knowledge, been withheld from the Court. The opinions in this report are my own and are based on the information available to me at the date of the report.

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**Andrew Pelham CA**

Pelham Forensic Accounting — Single Expert

8 April 2026