

February 25, 2016

Giorgio's Fine Parisian Cuisine Restaurant Ltd.
123 - 8th Avenue S.W.
Calgary Alberta T2N 1Z6

Attention: Mr. Giorgio Fontaine, President

Dear Mr. Fontaine:

We are pleased to provide you with our in-depth analytical Strategic Client Operations Results Evaluator (SCORE) report of your operations for the year ended August 31, 2016. The SCORE report has been prepared based on financial information, assumptions and estimates provided by management, and from external data sources where available. While every attempt has been made to ensure the completeness and accuracy of the SCORE report, please be advised that all of the information contained herein is obtained from sources believed to be accurate as the data and methodologies will allow. However, because of the possibilities of human and mechanical errors beyond our firm's control, readers are advised that the information is provided without warranty of any kind and are advised to proceed with caution.

PURPOSE

The purpose of this SCORE report is to provide you, our valued client, with answers concerning the health of your business. We accomplish this task by completing an in-depth look at your business using financial analytical tools. This report will highlight areas of strengths and weaknesses in your business, while keeping in mind that the ultimate goal is for you to turn those weaknesses into strengths. The SCORE report will also provide answers to important questions including;

- What areas in the business need focus and improvement?
- Is the business able to meet short-term obligations when they come due?
- Are there historical trends that you are not aware of?
- Does the business have the ability to expand its operations through additional borrowing?
- If the need for additional financing is required, do the current financial statements look favourable to the lender?
- How does the business's performance stack up against similar competitors in the industry?

INTRODUCTION

Financial statements contain a wealth of information which can be used to assess past performance, current financial condition, future potential, and the risk associated with that potential.

Ratio analysis is a valuable tool for understanding financial statements and the interpretation of ratios is fundamental to determining the causes of business problems or successes. Ratio analysis consists of determining certain relationships among financial items and comparing the results with those of prior years, other companies, and industry averages. It also assesses a business against industry standards or benchmarks. Ratio analysis also provides a benchmark to measure future performance and target future goals. Ratios are most effective when they are used to highlight trends and should be compared with each other over several years. The absolute number is not as important as the direction of the trend. In summary, ratio analysis can provide useful insight into investment return, financial structure and management performance.

There are different types of financial ratios for different purposes which generally fall into four categories:

Liquidity ratios:

Liquidity is a measure of a business's ability to pay its current obligations as they become due. They are commonly used by bankers and suppliers to measure the creditworthiness of a business. These would include bank overdrafts, trade accounts payable and income taxes. Liquidity is of critical importance because of the severe consequences that may occur if the bills are not paid on time. Consequences can include creditors refusing to provide further goods or services; creditors can sue for payment and may go as far as to force the business into receivership or bankruptcy.

Coverage ratios:

Most businesses have short-term and long-term debt obligations, therefore coverage ratios measure the extent of debt used to finance operations by showing the relative use of borrowed funds as compared to resources invested by shareholder's. One area of concern is long-term debt obligations which require payment of fixed interest charges. Too much long-term debt can severely restrict management and increase risk to creditors because of the fixed interest charges that must be paid from earnings. Once a business exceeds a certain threshold, financing will no longer be available at conventional rates which will force them to seek out long-term financing at significantly higher interest rates.

Profitability ratios:

Profitability ratios are primarily "return on" ratios which measure "profit" against other significant financial statement items, such as shareholder's equity, sales and total assets. In other words, profitability ratios relate profit to management's performance by assessing how well management has employed assets to generate a profit on sales, and thereby create a return on shareholder's equity. Ratios such as return on sales help determine if a business is maximizing the bottom line. It is most common to analyze these ratios in light of the performance of competitors.

Activity ratios:

Often referred to as management performance ratios, they evaluate how effectively management uses assets to generate income. The ratios can also inform you of cash flow, inventory efficiency, and how quickly products or services sell. For example, a business can tell how well its collections policies are working by analyzing the company's receivables turnover ratio or average collections period.

REPORT FORMAT

The report is separated into two distinct segments as follows:

Segment 1

Segment 1 focuses on what are identified and considered as "key ratios" by financial executives, commercial banks, corporate controllers, and creditors. The report defines each ratio, and determines your present year value and comparable industry benchmark if available. It also indicates when to apply each ratio, and gives you our recommendations if warranted.

Segment 2

Segment 2 contains various schedules containing comprehensive data including:

Ratio components	the individual ratio components of your financial statements with up to a five year comparison.
Balance sheet	a key of balance sheet accounts are listed with comparable benchmarks.
Expenses as a % of total revenue	a schedule that compares income statement items with benchmarks. There is also a schedule showing up to five years for trends analysis.
Variance from expected expenses	a schedule that effectively illustrates what deviations from the benchmarks can mean in dollar amounts to a business. The schedule shows extracted benchmarks and a completed reverse calculation using your total revenues to extrapolate what the expected expenses should be.
Key ratios	a schedule that shows ratios and benchmarks where available. There is also a schedule showing up to five years for trends analysis.

All benchmark information contained within the following schedules are either from benchmarks supplied by our firm or from data supplied by Industry Canada, where available. Industry Canada has compiled the benchmark data from tax returns submitted to Canada Revenue Agency (CRA) from the reporting division that is responsible for revenue filings between \$30 thousand and \$5 million inclusive.

Current Ratio (times)

Type of ratio: Liquidity

Ratio definition: [Current Assets / Current Liabilities]

Ratio status: Your current ratio is 0.28 times, whereas the prior year was 0.31 times.

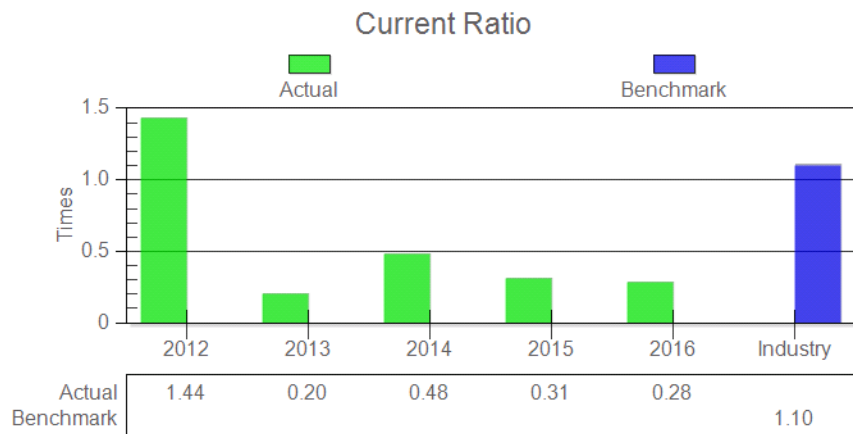
Desired trend: An increasing number

What it is:

The current ratio is one of the standard measurements of any business's financial health. The current ratio helps you determine if you have enough working capital to meet your short term financial obligations. Although high liquidity may indicate a good ability to meet short-term obligations, it is not always desirable. Liquid assets may generate returns in the form of interest on short-term securities. However, these returns are generally lower than what can be obtained from investing the funds in the normal operations of the firm. The general benchmark for the current ratio of a healthy business is 1.5 to 2 times, meaning it has about twice as many current assets as current liabilities. This should be compared to other companies in the same industry. A current ratio under 1.5 times may indicate an inability to pay current financial obligations with a measure of safety. A number above 2.0 times may indicate that current assets are excessive and capital is under employed, which could indicate problems such as too much inventory. There are some businesses, especially cash businesses (no receivables), that can operate comfortably with a lower ratio. The importance of this ratio is that a declining current ratio over several years indicates that a business could be draining its working capital to pay for capital (long term) assets. Unless there was excess working capital to begin with, the company may find itself backed into a corner with a tight working capital position.

When to apply it:

The current ratio should be part of your business's basic financial planning strategy. It's important to keep a close eye on this figure as it is an early indicator if things start to get out of line. Early warning signs mean the ability to take early action on your part to prevent your business from ending up in a much more difficult situation later.



Quick Ratio (times)

Type of ratio: Liquidity

Ratio definition: [Quick Assets / Quick Liabilities]

Quick Ratio (Continued)

Ratio status: Your quick ratio is 0.12 times whereas prior year was 0.16 times.

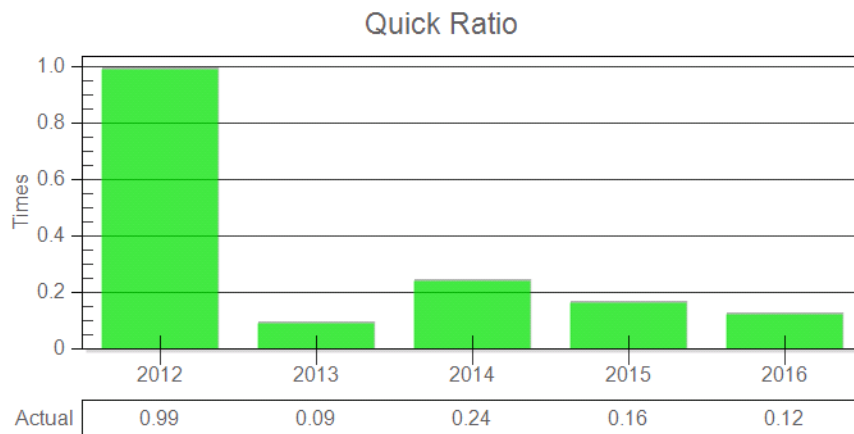
Desired trend: An increasing number

What it is:

Like the current ratio, the quick ratio (also sometimes called the acid test ratio) measures a business's liquidity. It provides a test of the ability to meet the immediate demands of creditors by excluding prepaids and inventory which is more difficult to turn into cash on a short notice than marketable securities and accounts receivable. It calculates a business's liquid assets in relation to its liabilities. The higher the ratio is, the higher your business's ability to meet its obligations. Such information is of particular significance to bankers and short-term creditors who look at the quick ratio to determine the business's ability to repay loans and weather financial crisis. Loans are often tied to a minimum quick ratio. A general benchmark is 1.0 times which indicates a good liquid position unless the majority of your "quick assets" are in accounts receivable and the pattern of accounts receivable collection lags behind the schedule for paying current liabilities. A consistently high ratio may indicate an unnecessary accumulation of funds that are not required for ongoing operations and therefore, are unproductive. You can also use the quick ratio to evaluate the financial health of potential customers since it also indicates whether a business can pay off its debts quickly.

When to apply it:

This is an important planning tool especially for businesses that can tie up a lot of assets in inventory. By tracking it monthly, you can keep an eye out for negative trends that could hamper your business's ability to meet its obligations.



Current Debt to Equity (percent)

Type of ratio: Liquidity

Ratio definition: $[(\text{Current Liabilities}) * 100] / \text{Owners' Equity}$

Ratio status: Your current debt to equity is 66.29% whereas prior year was 73.47%.

Desired trend: A decreasing number

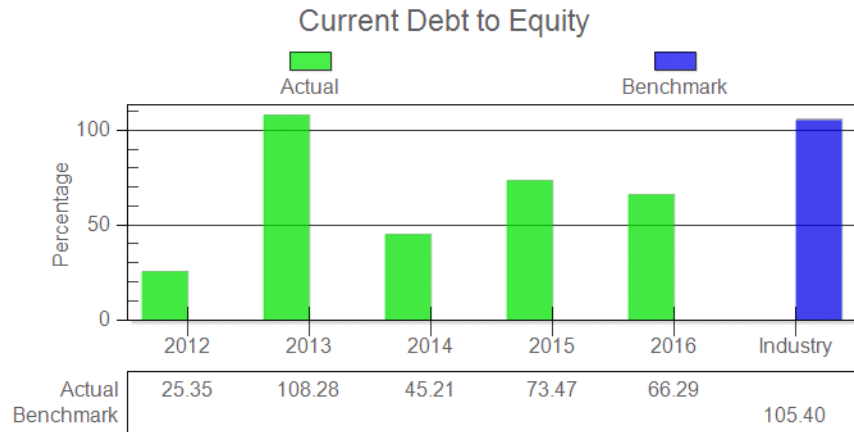
What it is:

This liquidity ratio indicates the relative proportion of debt to shareholder's equity used to finance a company's assets. This ratio provides guidance on the company's capital structure and its relative ability to meet short-term debt obligations.

Current debt to Equity (Continued)

When to apply it:

Apply this ratio to determine the company's relative ability to meet current debt obligations.



Working Capital

Type: Liquidity

Definition: [Current Assets - Current Liabilities]

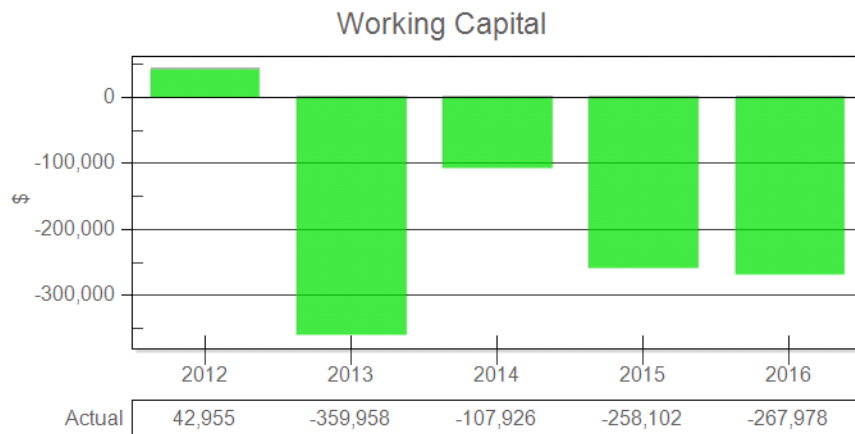
Status: Your working capital is \$(267,978), whereas the prior year was \$(258,102) .

Desired trend: An increasing number

What it is:

The working capital indicates whether a company has enough short term assets to cover its short term debt.

When to apply it:



Debt to Equity Ratio (times)

Type of ratio: Coverage

Debt to Equity Ratio (Continued)

Ratio definition: [Total Liabilities / Owners' Equity]

Ratio status: Your debt to equity ratio is 0.59 times whereas prior year was 0.77 times.

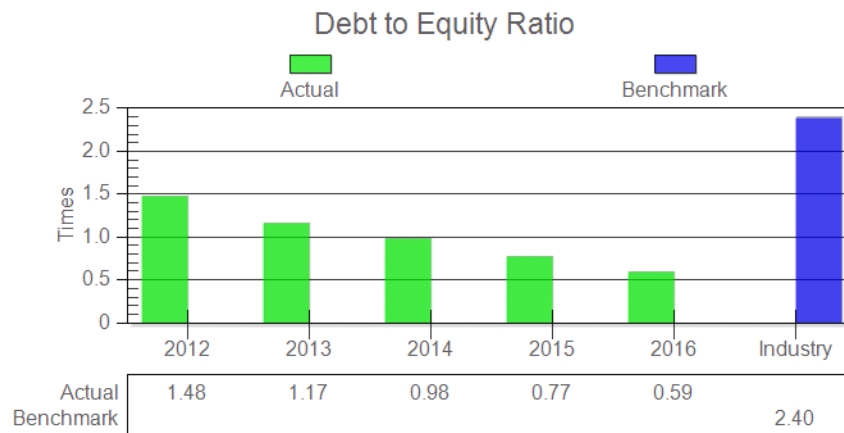
Desired trend: A decreasing number

What it is:

This ratio indicates how much the business relies on borrowed funds to finance its operations. The higher the ratio, the greater is the dependence on borrowed funds. A high debt to equity ratio could indicate that the company may be over-leveraged and should look at ways of reducing its debt. Generally, the higher the ratio, the greater the financial risk for creditors. Too much debt results in increased interest charges which reduces the earnings available for dividends. In times of recession, large interest charges or increasing interest rates could cause a financial crisis. A low ratio, which is generally regarded as an indication of financial strength and stability, may indicate that an entity is not realizing its profit potential. Conversely, a highly leveraged business may be maximizing profits but could also be courting financial disaster in an economic downturn. An increasing ratio indicates that a business is funding its growth primarily through debt. If this trend continues on a long-term basis, indicating weakness in the business, lenders will refuse to provide further credit. As a general rule, lenders could become concerned with a debt to equity ratio in excess of 3.0 times or even 2.0 times. Clearly, this ratio is important to lenders. Generally the higher this ratio, the more risky a creditor will perceive its exposure thereby making it correspondingly harder to obtain credit.

When to apply it:

Equity and debt are two key figures on a financial statement. Lenders or investors often use the relationship of these two figures to evaluate risk. The ratio of your business's equity to its long-term debt provides a window into how strong its finances are, so if you're considering obtaining credit for future expansion or operations, use this ratio to check the health and probability of securing that anticipated loan.



Interest Coverage Ratio (times)

Type of ratio: Coverage

Ratio definition: [(Net Income + Interest + Income Tax) / Interest]

Ratio status: Your interest coverage ratio is 44.02 times whereas prior year was 2.91 times.

Desired trend: An increasing number

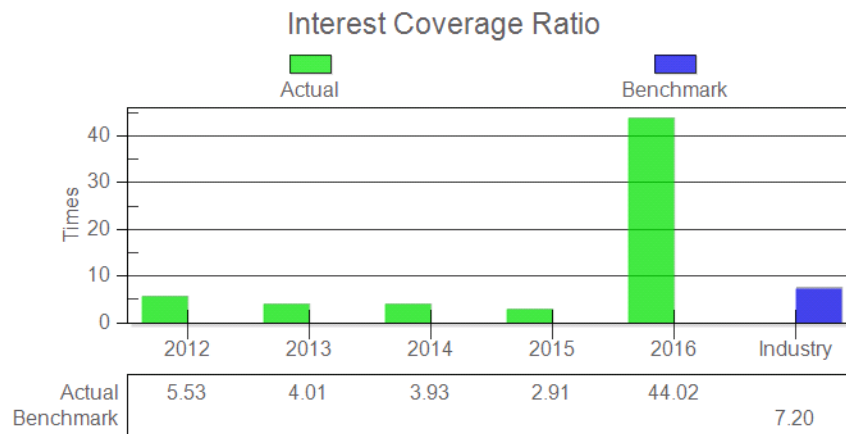
What it is:

Interest Coverage Ratio (Continued)

This ratio measures the ability to pay interest charges on debt and to protect creditors from interest payment default. The interest coverage ratio compares your net operating profit, before interest expense, to the interest expense for the year. Simply put, the interest coverage ratio assesses financial strength and stability and is of particular importance to businesses that are highly leveraged. When interest rates are rising, the interest coverage ratio is very important as it provides a measure of a business's ability to meet its interest commitments from earnings. A steady or rising trend is favourable whereas a weakening or declining trend is usually a danger signal. Acceptable interest coverage varies from industry to industry. This ratio must be least 1.0 times for the firm to be able to pay interest from operating profits, however, as there are other obligations that the firm must pay, in practice, the ratio should generally be higher than this.

When to apply it:

Use this ratio to evaluate if your business is carrying too much debt or paying too much in interest charges. Compare this ratio to benchmarks in your industry to see how you rank. Also, if you're considering borrowing funds for future expansion or operations, use this ratio to determine how much debt the business can potentially service.



Debt Ratio (times)

Type of ratio: Coverage

Ratio definition: [Total Liabilities / Total Assets]

Ratio status: Your debt ratio is 0.37 times whereas prior year was 0.44 times.

Desired trend: A decreasing number

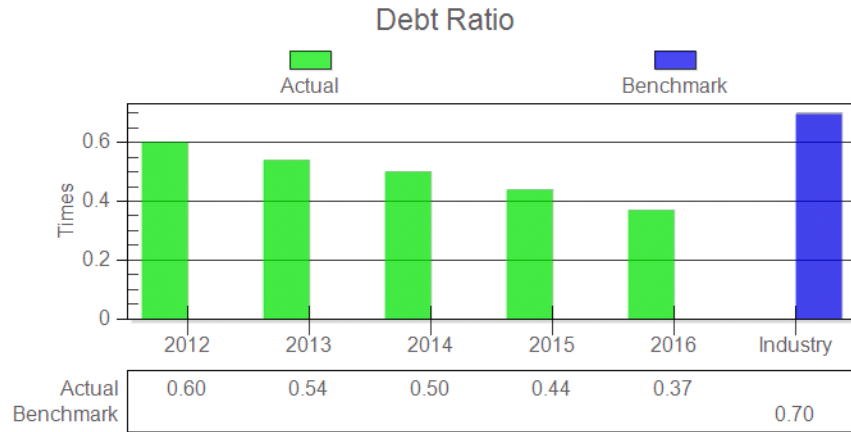
What it is:

This ratio indicates what portion of the total invested capital is being financed by long-term debt. This ratio varies widely from industry to industry and there is no benchmark for determining what is an acceptable debt component in the total invested capital structure. A firm with high debt ratio faces high interest charges on its income. During bad economic times, the firm may have difficulty in generating cash flow to cover these charges. The higher the ratio, the higher is the firm's exposure to risk. Therefore, too high a ratio is not desirable. On the other hand, it does make sense to have some debt especially if the rate of return is higher than the cost of borrowing. This ratio is of interest to investors, creditors and banks.

Debt Ratio (Continued)

When to apply it:

You will want to be vigilant as to how much you have leveraged your business. There may come a time in the near future where you require further financing to expand your business. If your debt ratio is too high, getting further financing will be difficult because of the increased risk to the lender. With any borrowing, one of your basic considerations is the return must be higher than the cost of borrowing.



Cash Flow From Operations to Total Debt (times)

Type of ratio: Coverage

Ratio definition: $[(\text{Net Income} + \text{Amortization} + \text{Non Cash Items}) / \text{Total Debt}]$

Ratio status: Your cash flow from operations to total debt is 0.27 times whereas prior year was 0.17 times.

Desired trend: An increasing number

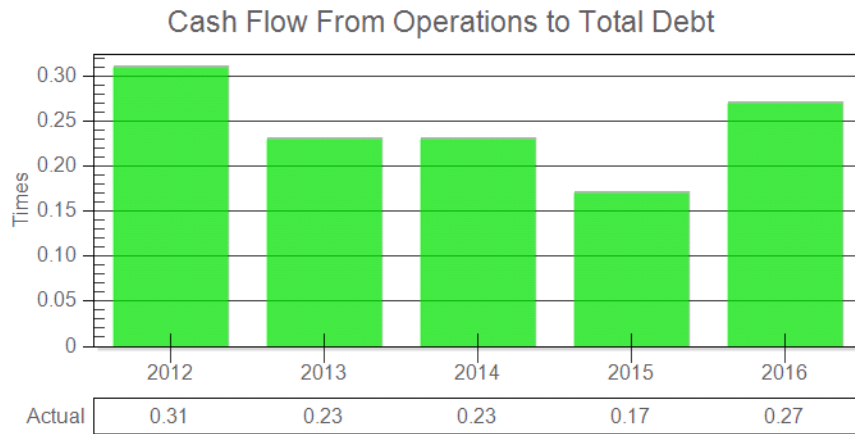
What it is:

This ratio measures a business's ability to repay borrowing and to leverage itself. The statement of income may include many non-cash deductions such as amortization, and therefore it does not necessarily reflect a clear picture of the business's cash flow. The cash flow is considered by many as a superior indicator of earning power which shows the business's ability to repay debts and finance expansion. Cash flow is considered a particularly useful measure for comparing entities in the same industry; it can reveal an entity's ability to repay debts even though there may be little or no net earning after amortization and write-offs. This ratio is of significant interest to many user groups including investors and creditors.

When to apply it:

If you are thinking about additional financing and want to know if you have the cash flow to service and repay the debt, this ratio will certainly assist you in making that determination.

Cash Flow From Operations to Total Debt (Continued)



Net Fixed Assets to Equity (percent)

Type of ratio: Coverage

Ratio definition: [((Net Fixed Assets)*100) / Owners' Equity]

Ratio status: Your net fixed assets to equity is 128.07% whereas prior year was 141.93%.

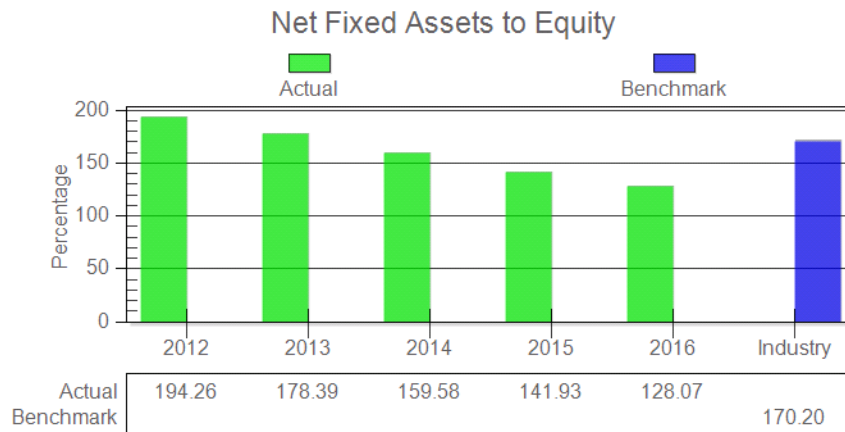
Desired trend: A decreasing number

What it is:

This percentage provides guidance regarding the company's relative ability to cover long-term assets with the business's equity.

When to apply it:

Employ this ratio to measure the relative extent to which the company has utilized debt to finance, typically non-liquid fixed assets. A percentage greater than 100% indicates at least some of these assets are financed by debt.



Collection Period for Accounts Receivable (days)

Type of ratio: Coverage

Ratio definition: [Accounts Receivable / Average Daily Revenue]

Collection Period for Accounts Receivable (Continued)

Ratio status: Your collection period for accounts receivable is 3.83 days whereas prior year was 2.97 days.

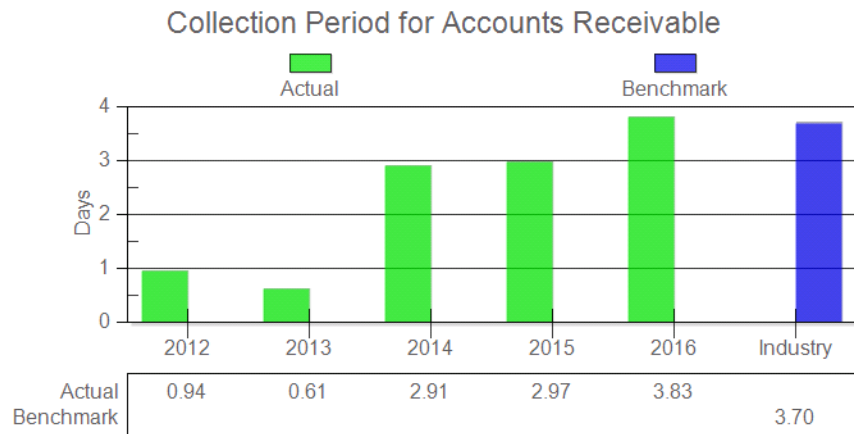
Desired trend: A decreasing number

What it is:

This ratio calculates the average number of days required to collect receivables from the date of the transaction. A lower figure indicates the company has an effective collection policy.

When to apply it:

This measurement is particularly useful when a company carries a material accounts receivable balance in the normal course of its operations. Use this relative measure to ensure that collection periods are within the company's policies and to detect a possible build-up of uncollectible receivables.



Return on Sales (percent)

Type of ratio: Profitability

Ratio definition: [Net Income / Total Sales]

Ratio status: Your return on sales is 10.34% whereas prior year was 5.38%.

Desired trend: An increasing number

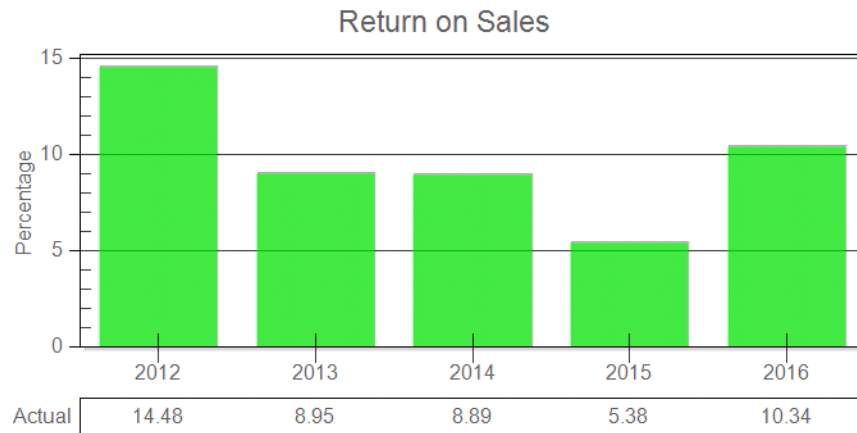
What it is:

Return on sales is also referred to as "net profit margin". This measurement is often referred to as the bottom line, taking into account all expenses including interest. It also reflects management's ability to effectively control the level of costs in relation to revenues generated from the business. The ratio is expressed as a percentage; for example 10% of sales is being generated as net earnings and is one of the most popular means of evaluating the profitability of a business because the data is readily available and easy to compute. This ratio varies widely from industry to industry. The average for companies is 5.5% but the figures vary from 0.75% for supermarkets to 40% for some software companies. This ratio is of interest to investors and creditors.

Return on Sales (Continued)

When to apply it:

One of the vital parts of a healthy business is to make sure your net profit margins are in line with industry norms. Looking at trends such as prior year's margins, the budgeted or anticipated margin is also important. An increasing net profit margin is a positive indicator. If the current profit margin is below a desirable level, management must seek ways of increasing revenues, decreasing cost of goods sold, decreasing operating expenses, or a combination of these items. A plan of action should only be taken once a detailed analysis of sales, cost of goods sold, and operating and administrative expenses has been completed.



Net Profit to Equity (percent)

Type of ratio: Profitability

Ratio definition: [Net Income / Owners' Equity]

Ratio status: Your net profit to equity is 15.61% whereas prior year was 9.30%.

Desired trend: An increasing number

What it is:

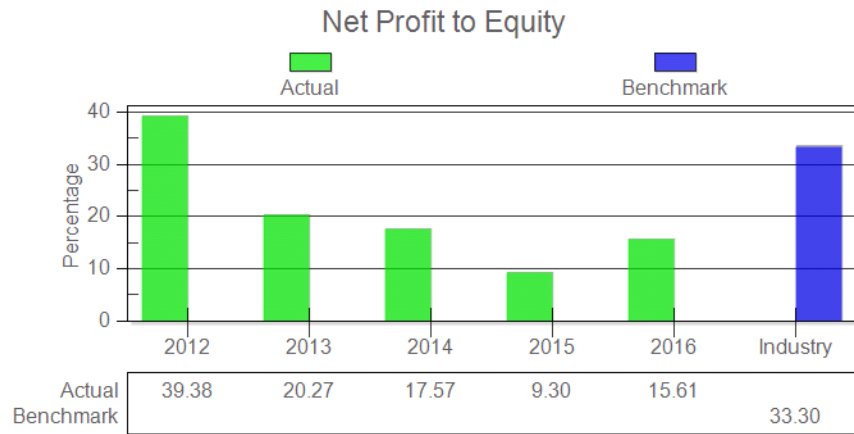
This ratio measures the adequacy of the return on capital invested by shareholder's and represents their measure of profitability and indirectly the business's performance in using assets to generate earnings. For example, net income after taxes of 15% is being generated on common shareholder's equity. When using this ratio, it is important to be aware that there is no general rule of thumb as it varies from industry to industry.

This ratio is being calculated based on a closing balance.

When to apply it:

You want to be sure that you are getting a fair return for your capital invested and the associated risks taken in the business. If you are getting a return of 4% on your equity and the financial institutions are paying 6% on term deposits where no risk is involved, it definitely is time to step back and re-evaluate the core business.

Net Profit to Equity (Continued)



Gross Profit Margin (percent)

Type of ratio: Profitability

Ratio definition: [Gross Profit / Net Sales]

Ratio status: Your gross profit margin is 59.03% whereas prior year was 60.21%.

Desired trend: An increasing number

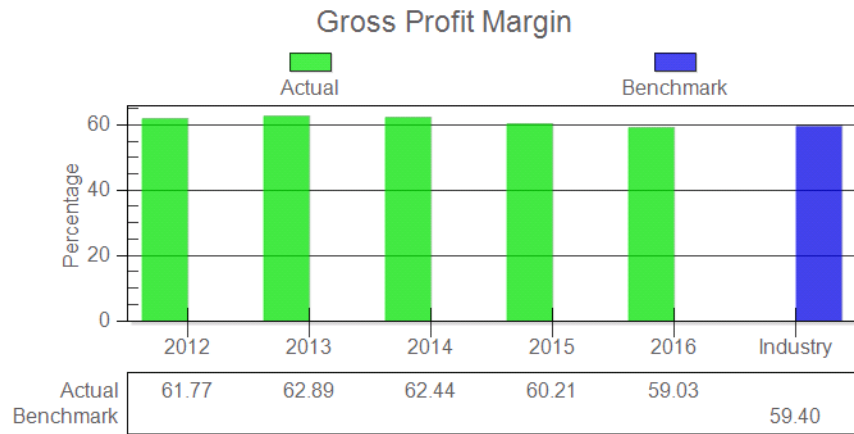
What it is:

The gross profit margin indicates the efficiency of management in using its materials and labour in the production process. It shows the percentage of net sales remaining after subtracting cost of goods sold. A high gross profit margin indicates that a business can make a reasonable profit on its sales, as long as it keeps overhead costs in control. This ratio varies from industry to industry depending on factors such as competition, capital investment, and level of expenses other than cost of sales. Unless a business has an adequate gross profit, it cannot be profitable or finance essential expenditures such as research and development, or advertising. A ratio less than one means you are selling your product for less than it costs to produce. If this ratio remains less than one, you will not achieve profitability regardless of your volume or the efficiency of the rest of your business.

When to apply it:

This figure answers the question, "Am I pricing the goods or services properly?" A low margin - especially in relation to industry norms - could indicate you are under-pricing. If sales are slow and profits weak, it could indicate overpricing due to a high margin. This is most useful when viewed in relation to the business's past performance and the industry average.

Gross Profit Margin (Continued)



Return on Total Assets (percent)

Type of ratio: Profitability

Ratio definition: $[(\text{Total Revenue} - (\text{Total Cost of Sales} + \text{Total Expenses} - \text{Interest Expenses})) / \text{Total Assets}]$

Ratio status: The return on total assets is 10.07% whereas prior year was 8.70%.

Desired trend: An increasing number

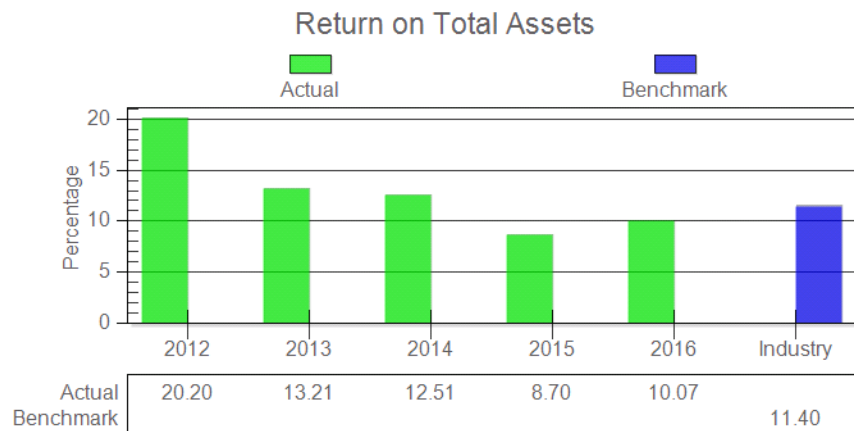
What it is:

This number tells you how effective your business has been at employing its assets to work. This ratio relates the operating performance to the investments that the business has made, without regard to how the acquisition of those investments was financed. This ratio is useful when compared with the interest rate paid on the company's debt. For example, if the return on total assets ratio is 15 percent and the interest rate paid on its debt was 10 percent, the business's profit is 5 percentage points more than it paid in interest. The return is of particular interest to lenders and creditors in assessing financial leverage. The return varies from industry to industry.

This ratio is being calculated based on a closing balance.

When to apply it:

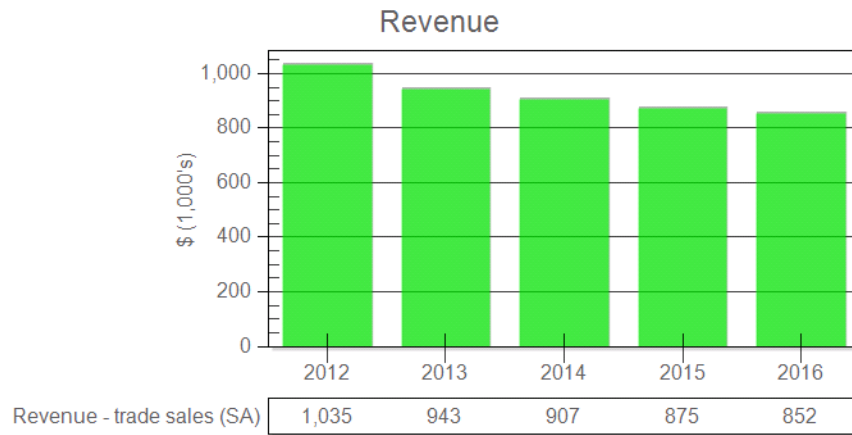
Return on total assets is an indicator of how profitable a company is. Use this ratio annually to compare your business's performance to your industry's norms. If your return on assets is lower than a competitor, it may be an indication that they have found a more efficient means to operate through financing, technology, quality control, or inventory management.



Revenue (\$)

What it is:

This indicates the level of sales activity during the period.



Revenue to Equity Ratio (times)

Type of ratio: Profitability

Ratio definition: [Total Revenue / Owners' Equity]

Ratio status: Your revenue to equity ratio is 1.51 times whereas prior year was 1.73 times.

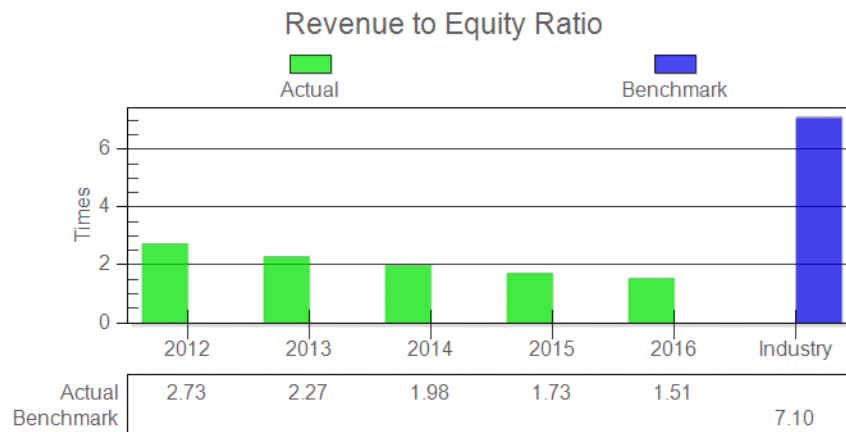
Desired trend: An increasing number

What it is:

This ratio measures the profitability of a business and indicates the level of revenue being supported by each \$1 of equity. The higher the percentage, the relatively better the profitability is.

When to apply it:

Use of this ratio can help to determine if the business has sufficient equity to support the current sales and projected growth in sales. It can also indicate when a business has accumulated too much equity (retained earnings) and may consider either a stock repurchase or dividend payout.



Revenue to Closing Inventory Ratio (times)

Type of ratio: Activity

Ratio definition: [Total Revenue / Closing Inventory]

Ratio status: Your revenue to closing inventory ratio is 17.9 times whereas prior year was 18.39 times.

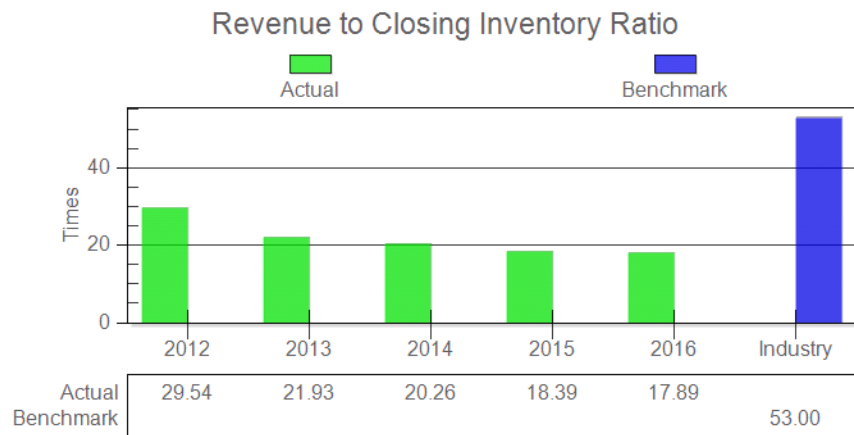
Desired trend: An increasing number

What it is:

This ratio, indicates how efficiently the company converts inventory into revenue over a period.

When to apply it:

Use this ratio to determine if the inventory on hand is sufficient to support the current sales level. If this ratio increases over time it may indicate that inventory is becoming obsolete.



Inventory Turnover (days)

Type of ratio: Activity

Ratio definition: [Cost of Sales / (Average Inventory/365 Days)]

Ratio status: Your inventory turnover is 49.80 days whereas prior year was 48.42 days.

Desired trend: A decreasing number

What it is:

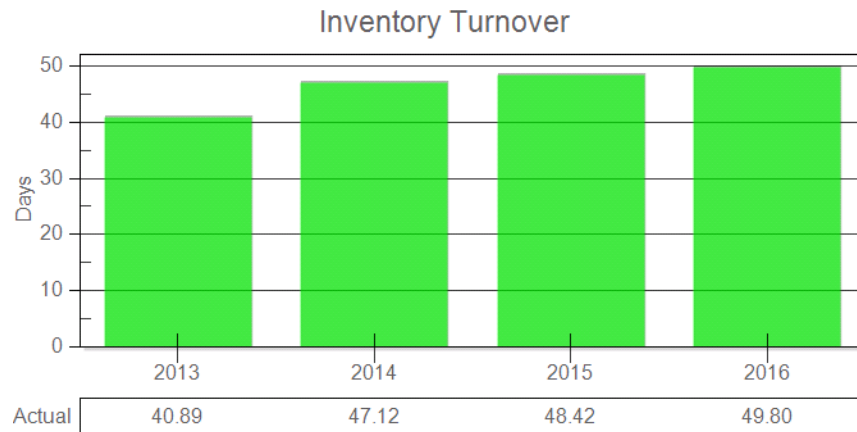
This ratio measures how efficiently a business turns over inventory during the course of the year. The ratio is often expressed in days by dividing the inventory turnover ratio into 365 days. For example, inventory turnover is 5 times during the year, which means it takes an average of 73 days to sell and replace the business's inventory. Inventory turnover ratio varies significantly from industry to industry. A high turnover ratio in comparison to the average for the industry usually means good inventory management. A high turnover ratio may result from a dramatic improvement in the economy or improved merchandising, but it could also mean lost sales because of inadequate inventory on hand.

Alternatively, a low turnover ratio in comparison to the average for the industry usually means poor inventory management, possibly signalling a weakening economy, obsolete or damaged inventory, unsalable goods, overstock or overvalued inventory. In addition, if a large amount of capital is tied up in inventory, it may be more efficiently used elsewhere, such as reducing short term borrowing to reduce interest carrying costs.

Inventory Turnover (Continued)

When to apply it:

If your business has significant assets tied up in inventory, tracking your turnover is critical to successful financial planning. If a trend indicates a continual increasing ratio, this is a red flag for management to give more attention to inventory control, which may indicate current marketing efforts are inadequate and possibly market share is being lost, and a change is necessary.



Working Capital Turnover Ratio (times)

Type of ratio: Activity

Ratio definition: [Cost of Sales / Net Working Capital]

Ratio status: Your working capital turnover ratio is (1.30) times, whereas the prior year was (1.35) times.

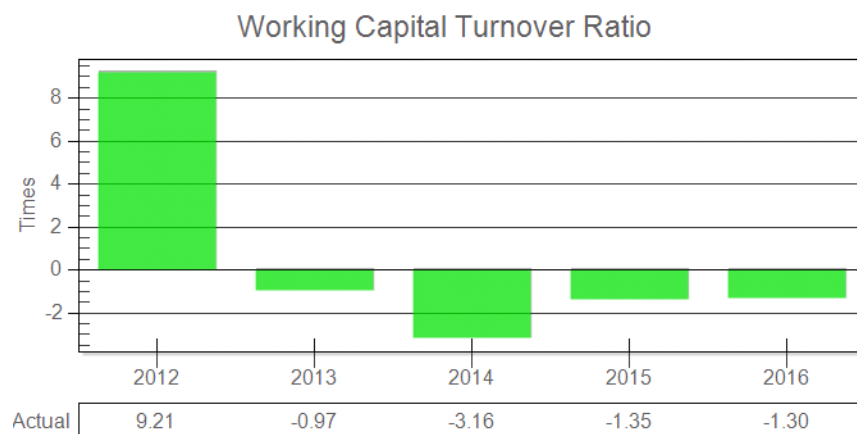
Desired trend: An increasing number

What it is:

The working capital turnover ratio measures the efficiency with which the working capital is being used by a firm. A high ratio indicates efficient utilization of working capital and a low ratio indicates otherwise. A very high working capital turnover ratio may also mean lack of sufficient working capital which is not a good situation.

When to apply it:

Use this ratio to analyze how effectively a company is using its working capital to generate sales.



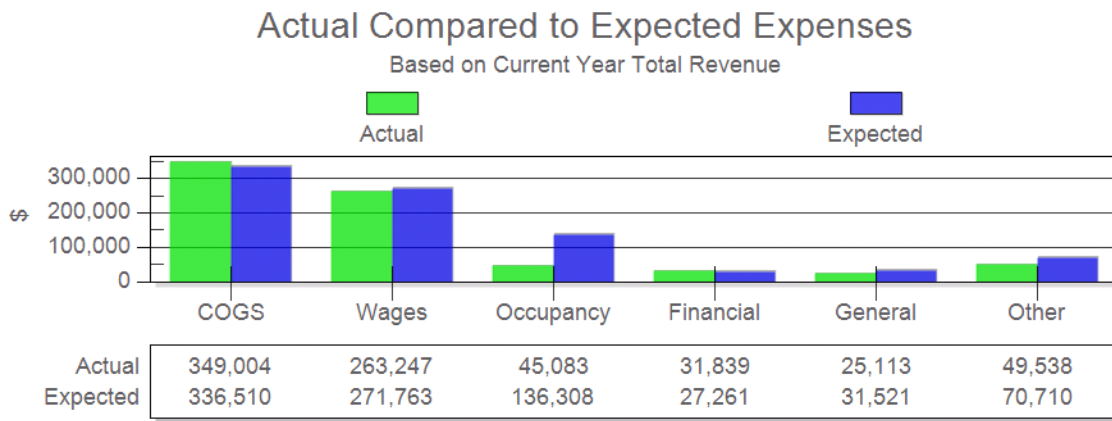
Actual Compared to Expected Expenses Based on Total Revenue (dollars)

What it is:

This is a measurement of key expenses including cost of goods sold, occupancy (includes amortization, repairs and maintenance, utilities, and rent), financial (includes interest and professional fees), general (includes advertising, delivery, and insurance), and wages (includes wages, salaries and benefits) in comparison to benchmark or expected expenses based on this year's actual total revenue. Total revenue includes revenue from the sale of goods and services, interest, dividends, commissions, rent and other sources of revenue. It excludes capital gains or losses, extraordinary gains or losses, and equity in net income of related parties.

When to apply it:

To see if your expenses are in the "ball park" in relation to comparable industry benchmarks, the graph below illustrates a comparison of expected expenses to your actual expenses. Large variations will indicate that further investigation is warranted.



Current Year Expenses (percent)

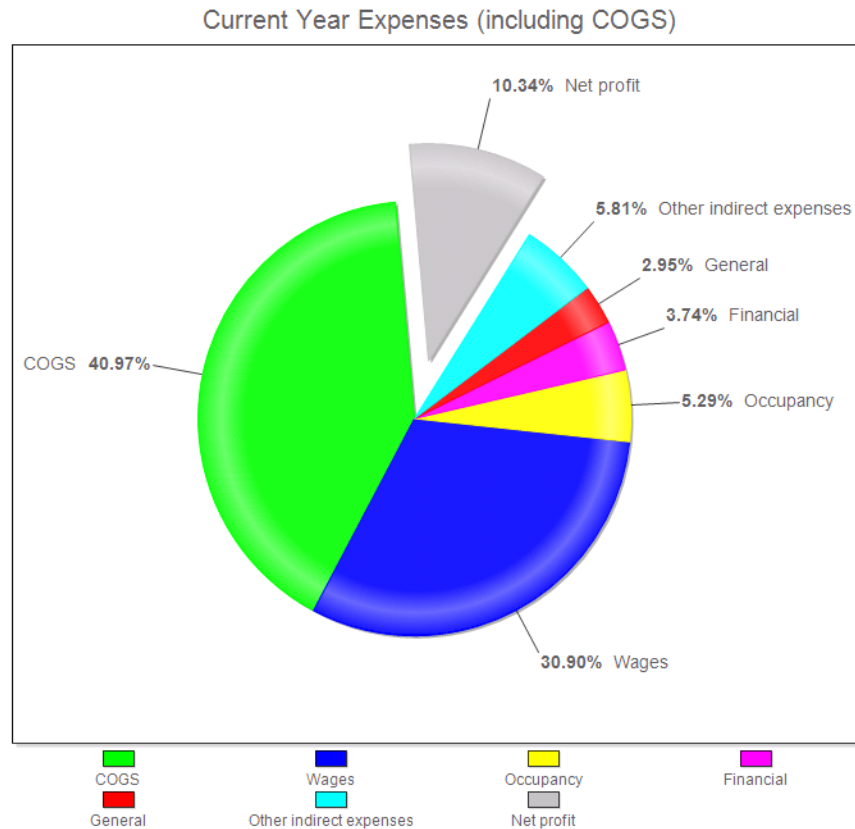
What it is:

This is a summary of key expense areas in the income statement for the current year. The operating expense ratios measure the efficiency of management in controlling operating expenses. They are expressed as a percentage by dividing expenses, including cost of goods sold, occupancy (includes amortization, repairs and maintenance, utilities, and rent), financial (includes interest and professional fees), general (includes advertising, delivery, and insurance), wages (includes wages, salaries and benefits) and other indirect expenses by total revenue. Total revenue includes revenue from the sale of goods and services, interest, dividends, commissions, rent and other sources of revenue. It excludes capital gains or losses, extraordinary gains or losses, and equity in net income of related parties.

When to apply it:

It is of importance that you keep an eye on the expense ratios to make sure they are in line with your budgets and expectations. An excellent example is in the area of "cost of sales". Businesses generally want to see this ratio decreasing which means their direct costs to produce sales are costing less, thereby resulting in increased profitability.

Current Year Expenses (Continued)



Altman Z Score

Type of ratio: Other

Ratio definition: $[((\text{Working Capital} / \text{Total Assets}) \times 6.56) + ((\text{Retained Earnings} / \text{Total Assets}) \times 3.26) + ((\text{Earnings Before Interest \& Taxes} / \text{Total Assets}) \times 6.72) + ((\text{Total Equity} / \text{Total Liabilities}) \times 1.05)]$

Ratio status: Your Altman Z score is 2.56 whereas prior year was 1.99.

Desired trend: An increasing number

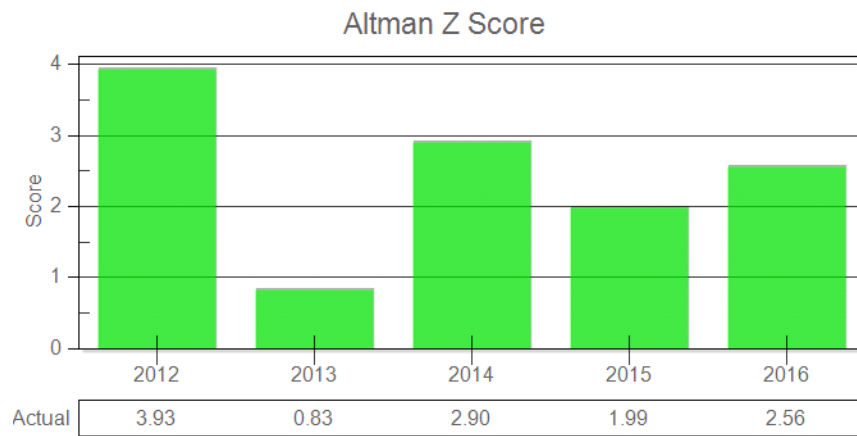
What it is:

This analytical procedure was developed by Edward Altman by combining various ratios to produce Z-scores. Z-scores below the threshold value of 2.6 indicate that the overall financial condition of the company and continued existence is questionable. Z-scores below 1.8 indicate that there is a strong potential for the business to be bankrupt within the next two years. A score between 1.8 and 2.6 is inconclusive. Remarkably, Altman's procedure has a proven 95% accuracy within the first year and 83% accuracy within two years. For any business, a Z-score above 3.0 is desirable as it indicates a healthy business.

When to apply it:

Use this procedure to assess your business's financial risk. Rather than looking at this procedure as a predictor of business failure, view it more as a procedure that raises red flags to help identify which individual ratios warrant a closer look. Once identified, take immediate action to mitigate the potential business failure looming on the horizon.

Altman Z Score (Continued)



Conclusion

We trust you will find SCORE valuable in assisting you in understanding your business more fully. Should you have further questions or require further clarification, please do not hesitate to contact us by email at sbrown@jazzit.com or call 403.670.7385.

Yours truly,

Mr. Brown, CPA, CA

JAZZIT FUNDAMENTALS

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

Ratio Components

	2016	2015	2014	2013	2012
Assets					
Current - trade receivable (TR)	\$ 8,944	\$ 7,118	\$ 7,230	\$ 1,589	\$ 2,694
Current - other quick (QA)	35,758	52,414	43,051	38,142	92,949
Current - inventory (IN)	47,613	47,613	44,776	43,162	35,261
Current - other (CA)	13,929	6,807	4,664	8,280	8,621
Capital - amortized cost (FD)	357,622	353,402	346,209	333,573	304,751
Capital - non amortized cost (FN)	510,271	510,271	510,271	510,271	510,271
Capital - accumulated amortization (FA)	(144,886)	(144,886)	(123,481)	(100,605)	(75,102)
Intangible assets (IA)	-	-	-	-	-
Other asset (OA)	66,019	66,019	76,977	70,214	66,153
Total Assets	\$ 895,270	\$ 898,758	\$ 909,697	\$ 904,626	\$ 945,598
Liabilities					
Current - trade payable (TP)	\$ 36,460	\$ 36,460	\$ 35,300	\$ 38,266	\$ 44,794
Current - other (CL)	337,762	335,594	172,347	412,865	51,776
Long term (LL)	(43,482)	20,272	242,715	36,853	468,145
Total Liabilities	330,740	392,326	450,362	487,984	564,715
Equity					
Equity - share capital (EQ)	40	40	40	40	40
Equity - retained earnings (RE)	594,489	506,392	497,294	465,302	396,094
Equity - dividend (DI)	(30,000)	-	(38,000)	(48,700)	(15,251)
Total Equity	564,529	506,432	459,334	416,642	380,883
Total Liabilities and Equity	\$ 895,269	\$ 898,758	\$ 909,696	\$ 904,626	\$ 945,598

* Indicates adjustments have been applied in current or prior periods.

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

Ratio Components

	2016	2015	2014	2013	2012
Revenue					
Revenue - trade sales (SA)	\$ 851,844	\$ 875,105	\$ 906,686	\$ 943,325	\$ 1,035,218
Revenue - other sales (SO)	79	508	593	799	959
Revenue - other (RO)	-	-	-	2,439	5,348
Total Revenue	851,923	875,613	907,279	946,563	1,041,525
Expenses - Cost of Sales					
Amortization (CD)	-	-	-	-	-
Change in inventory (CN)	-	-	-	-	-
Interest (CI)	-	-	-	-	-
Purchase (PU)	-	-	-	-	-
Repairs and maintenance (CR)	-	-	-	-	-
Other costs of sales (CS)	349,004	348,209	340,568	350,049	395,774
Total Cost of Sales	349,004	348,209	340,568	350,049	395,774
Expenses - Other					
Amortization (OD)	-	21,404	22,877	25,503	23,309
Non-cash (ON)	-	-	-	-	-
Income tax expense (IT)	-	12,453	16,397	20,885	35,769
Interest (OI)	2,048	31,138	33,090	35,029	41,025
Repairs and maintenance (OR)	18,883	5,855	20,109	29,688	7,051
Other expenses (OE)	393,890	409,456	393,547	400,950	388,587
Total Expenses	414,821	480,306	486,020	512,055	495,741
Operating Income (Loss) (NI)	\$ 88,098	\$ 47,098	\$ 80,691	\$ 84,459	\$ 150,010

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.**Jazzit Score**

Year end: August 31, 2016

Balance Sheet ('000) **Industry:** Full service restaurant - 7221 **Benchmark:** AB, Whole Industry (Reliability), 2008 year

Description	Current Year Actual	Benchmark	Previous Year Actual	Comments
Total assets	895.3	399.6	898.8	
Total current assets	106.2	135.4	114.0	
Accounts receivable and notes	8.9	8.4	7.1	
Closing inventory	47.6	15.7	47.6	
Other current assets	49.7	111.3	59.2	
Net capital assets	723.0	200.5	718.8	
Other assets and adjustments	66.0	63.7	66.0	
Total liabilities	330.7	281.6	392.3	
Total current liabilities	374.2	124.3	372.1	
Current bank loans	324.0	10.4	324.0	
Other current liabilities	50.2	113.9	48.1	
Long-term liabilities	(43.5)	157.3	20.3	
Total equity	564.5	117.9	506.4	

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

Expenses as a Percentage of Total Revenue

Industry: Full service restaurant - 7221

Benchmark: AB, Whole Industry (Reliability), 2008 year

Expenditure	Current Year Actual				Benchmark	Variance	Previous Year Actual				Comments		
Cost of goods sold (direct)	349,004	/	851,923	=	41.0	39.5	1.5	348,209	/	875,613	=	39.8	
Wages and benefits	-	/	851,923	=	-	7.3	(7.3)	-	/	875,613	=	-	
Purchase, materials & sub-contracts	349,004	/	851,923	=	41.0	32.3	8.7	348,209	/	875,613	=	39.8	
Opening inventory	-	/	851,923	=	-	1.8	(1.8)	-	/	875,613	=	-	
Closing inventory	-	/	851,923	=	-	1.9	(1.9)	-	/	875,613	=	-	
Operating expenses (indirect)	414,820	/	851,923	=	48.7	55.8	(7.1)	467,852	/	875,613	=	53.4	
Labour and commissions	263,247	/	851,923	=	30.9	24.6	6.3	262,116	/	875,613	=	29.9	
Amortization and depletion	-	/	851,923	=	-	2.8	(2.8)	21,404	/	875,613	=	2.4	
Repairs and maintenance	18,883	/	851,923	=	2.2	2.3	(0.1)	5,855	/	875,613	=	0.7	
Utilities and telephone/telecom	25,077	/	851,923	=	2.9	3.2	(0.3)	26,593	/	875,613	=	3.0	
Rent	1,123	/	851,923	=	0.1	7.7	(7.6)	313	/	875,613	=	-	
Interest and bank charges	2,048	/	851,923	=	0.2	0.8	(0.6)	31,138	/	875,613	=	3.6	
Professional and business fees	29,791	/	851,923	=	3.5	2.4	1.1	29,548	/	875,613	=	3.4	
Advertising and promotion	15,934	/	851,923	=	1.9	2.8	(0.9)	17,832	/	875,613	=	2.0	
Delivery, shipping and warehouse exp	-	/	851,923	=	-	0.1	(0.1)	-	/	875,613	=	-	
Insurance	9,179	/	851,923	=	1.1	0.8	0.3	9,270	/	875,613	=	1.1	
Other expenses	49,538	/	851,923	=	5.8	8.3	(2.5)	63,783	/	875,613	=	7.3	
Total expenses	763,824	/	851,923	=	89.7	95.3	(5.6)	816,061	/	875,613	=	93.2	
Net profit / loss	88,099	/	851,923	=	10.3	4.7	5.6	59,552	/	875,613	=	6.8	

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

5 Year Expenses as a Percentage of Total Revenue

	2016	2015	2014	2013	2012	
Expenditure	Actual	Actual	Actual	Actual	Actual	Comments
Cost of goods sold (direct)	41.0	39.8	37.5	37.1	38.2	
Wages and benefits	-	-	-	-	-	
Purchases, materials and sub-contracts	41.0	39.8	37.5	37.1	38.2	
Opening inventory	-	-	-	-	-	
Closing inventory	-	-	-	-	-	
Operating expenses (indirect)	48.7	53.4	51.8	52.0	44.4	
Labour and commissions	30.9	29.9	29.8	28.8	24.4	
Amortization and depletion	-	2.4	2.5	2.7	2.2	
Repairs and maintenance	2.2	0.7	2.2	3.1	0.7	
Utilities and telephone/tele-communications	2.9	3.0	2.6	2.4	2.2	
Rent	0.1	-	0.1	-	0.1	
Interest and bank charges	0.2	3.6	3.6	3.7	4.0	
Professional and business fees	3.5	3.4	3.6	3.6	3.3	
Advertising and promotion	1.9	2.0	1.2	1.5	0.9	
Delivery, shipping and warehouse expenses	-	-	-	-	-	
Insurance	1.1	1.1	0.9	0.9	0.8	
Other expenses	5.9	7.3	5.3	5.3	5.8	
Total expenses	89.7	93.2	89.3	89.1	82.6	
Net profit / loss	10.3	6.8	10.7	10.9	17.4	

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

Variance From Expected Expenses

Expenditure	Current Year Actual	Current Year Expected		\$ Variance	Comments
		<i>Total Revenue x Benchmark = Expected Expense</i>			
Cost of goods sold (direct)	349,004	851,923	x 0.395 =	336,510	12,494
Wages and benefits	-	851,923	x 0.073 =	62,190	(62,190)
Purchases, materials and sub-contracts	349,004	851,923	x 0.323 =	275,171	73,833
Opening inventory	-	851,923	x 0.018 =	15,335	(15,335)
Closing inventory	-	851,923	x 0.019 =	16,187	(16,187)
Operating expenses (indirect)	414,820	851,923	x 0.558 =	475,373	(60,553)
Labour and commissions	263,247	851,923	x 0.246 =	209,573	53,674
Amortization and depletion	-	851,923	x 0.028 =	23,854	(23,854)
Repairs and maintenance	18,883	851,923	x 0.023 =	19,594	(711)
Utilities and telephone / telecom	25,077	851,923	x 0.032 =	27,262	(2,185)
Rent	1,123	851,923	x 0.077 =	65,598	(64,475)
Interest and bank charges	2,048	851,923	x 0.008 =	6,815	(4,767)
Professional and business fees	29,791	851,923	x 0.024 =	20,446	9,345
Advertising and promotion	15,934	851,923	x 0.028 =	23,854	(7,920)
Delivery, shipping and warehouse exp	-	851,923	x 0.001 =	852	(852)
Insurance	9,179	851,923	x 0.008 =	6,815	2,364
Other expenses	49,538	851,923	x 0.083 =	70,710	(21,172)
Total expenses	763,824	851,923	x 0.953 =	811,883	(48,059)
Net profit / loss*	88,099	851,923	x 0.047 =	40,040	48,059

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

Key Financial Ratios

Industry: Full service restaurant - 7221 **Benchmark:** AB, Whole Industry (Reliability), 2008 year

Description	Current Year Actual		Benchmark	Previous Year Actual		Comments
Current ratio (times)	$\frac{106,244}{374,222}$	= 0.28	1.1	$\frac{113,952}{372,054}$	= 0.31	
Quick ratio (times)	$\frac{44,702}{374,222}$	= 0.12	-	$\frac{59,532}{372,054}$	= 0.16	
Current debt to equity (%)	$\frac{37,422,200}{564,529}$	= 66.29	105.4	$\frac{37,205,400}{506,432}$	= 73.47	
Debt to equity ratio (times)	$\frac{330,740}{564,529}$	= 0.59	2.4	$\frac{392,326}{506,432}$	= 0.77	
Interest coverage ratio (times)	$\frac{90,146}{2,048}$	= 44.02	7.2	$\frac{90,689}{31,138}$	= 2.91	
Debt ratio (times)	$\frac{330,740}{895,270}$	= 0.37	0.7	$\frac{392,326}{898,758}$	= 0.44	
Cash flow from operations to total debt (times)	$\frac{88,098}{330,740}$	= 0.27	-	$\frac{68,502}{392,326}$	= 0.17	
Net fixed assets to equity (%)	$\frac{72,300,700}{564,529}$	= 128.07	170.2	$\frac{71,878,700}{506,432}$	= 141.93	
Collection period for accounts receivable	$\frac{8,944}{2,334}$	= 3.83	3.7	$\frac{7,118}{2,399}$	= 2.97	
Return on sales (%)	$\frac{88,098}{851,923}$	= 10.34	-	$\frac{47,098}{875,613}$	= 5.38	
Net profit to equity (%)	$\frac{88,098}{564,529}$	= 15.61	33.3	$\frac{47,098}{506,432}$	= 9.30	
Gross profit margin (%)	$\frac{502,840}{851,844}$	= 59.03	59.4	$\frac{526,896}{875,105}$	= 60.21	
Return on total assets (%)	$\frac{90,146}{895,270}$	= 10.07	11.4	$\frac{78,236}{898,758}$	= 8.70	
Revenue to equity ratio	$\frac{851,923}{564,529}$	= 1.51	7.1	$\frac{875,613}{506,432}$	= 1.73	
Revenue to closing inventory ratio	$\frac{851,923}{47,613}$	= 17.89	53.0	$\frac{875,613}{47,613}$	= 18.39	
Inventory turnover (days)	$\frac{349,004}{47,613}$	= 49.80	-	$\frac{348,209}{46,195}$	= 48.42	

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.

Jazzit Score

Year end: August 31, 2016

Key Financial ratios

Industry: Full service restaurant - 7221
2008 year

Benchmark: AB, Whole Industry (Reliability),

Description	Current Year Actual	Benchmark	Previous Year Actual	Comments
Working Capital Turnover Ratio	$\frac{349,004}{(267,978)} = (1.30)$	-	$\frac{348,209}{(258,102)} = (1.35)$	
Altman Z score	2.56	-	1.99	

Prepared by	Reviewed by

Giorgio's Fine Parisian Cuisine Restaurant Ltd.**Jazzit Score**

Year end: August 31, 2016

5 Year Key Financial Ratios

	2016	2015	2014	2013	2012	
Description	Actual	Actual	Actual	Actual	Actual	Comments
Current ratio (times)	0.28	0.31	0.48	0.20	1.44	
Quick ratio (times)	0.12	0.16	0.24	0.09	0.99	
Current debt to equity(%)	66.29	73.47	45.21	108.28	25.35	
Debt to equity ratio (times)	0.59	0.77	0.98	1.17	1.48	
Interest coverage ratio (times)	44.02	2.91	3.93	4.01	5.53	
Debt ratio (times)	0.37	0.44	0.50	0.54	0.60	
Cash flow from operations to total debt (times)	0.27	0.17	0.23	0.23	0.31	
Net fixed assets to equity(%)	128.07	141.93	159.58	178.39	194.26	
Collection period for accounts receivable	3.83	2.97	2.91	0.61	0.94	
Return on sales (%)	10.34	5.38	8.89	8.95	14.48	
Net profit to equity (%)	15.61	9.30	17.57	20.27	39.38	
Gross profit margin (%)	59.03	60.21	62.44	62.89	61.77	
Return on total assets (%)	10.07	8.70	12.51	13.21	20.20	
Revenue to equity ratio	1.51	1.73	1.98	2.27	2.73	
Revenue to closing inventory ratio	17.89	18.39	20.26	21.93	29.54	
Inventory turnover (days)	49.80	48.42	47.12	40.89	N/A	
Working Capital Turnover Ratio	(1.30)	(1.35)	(3.16)	(0.97)	9.21	
Altman Z score	2.56	1.99	2.90	0.83	3.93	

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