SHARPDATAFLOW

Meridian Trade Supply Pty Ltd

Business Risk and Stability Analysis

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Prepared for	Raymond Teo, Meridian Trade Supply Pty Ltd
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SECTION 01 · EXECUTIVE SUMMARY

Revenue Growth Is Masking a Business in Financial Distress

1.22×	92.8%	$9.43M	7	72%
INTEREST COVER · BREACH (MIN 2.0×)	FACILITY DRAWN · TECHNICALLY OVER	FY25 REVENUE · −$5K NPAT	COMPLIANCE EXPOSURES · DIRECTOR LIABILITY	CONFIDENCE · ESTIMATED ITEMS FLAGGED

Figure 1: How $192k of operating profit became a $265k drain on equity.

Figure 1 · Earnings-to-Cash Bridge — $192k of operating profit became a $265k drain on equity (AUD)

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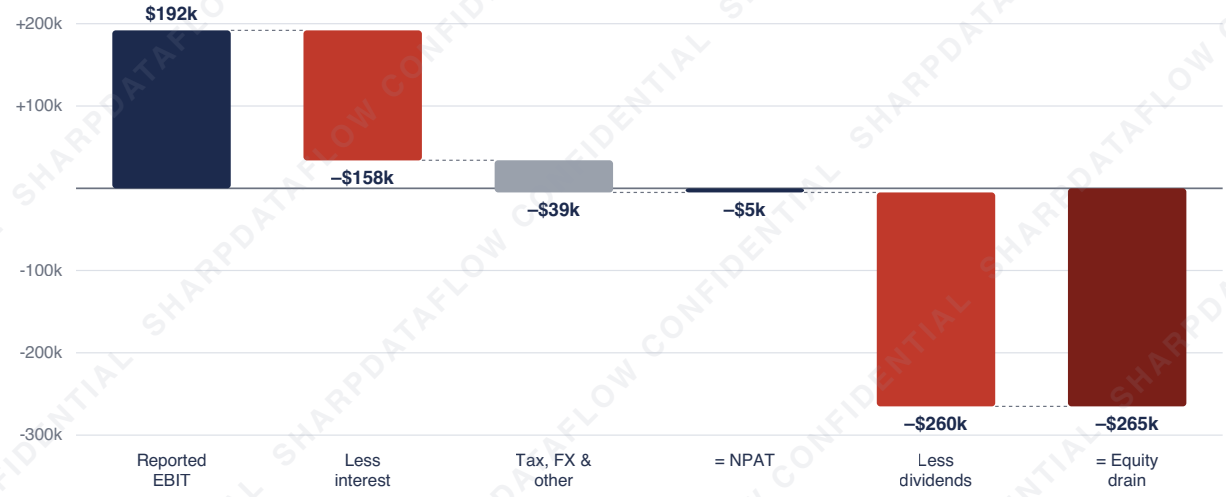

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Meridian Trade Supply Pty Ltd (ACN 619 472 318) has reached a structural inflection point where four intersecting risk categories now threaten the business's ability to operate under its current model.

Revenue grew to $9.43 million in financial year 2025 (FY25), yet net profit after tax (NPAT) contracted to negative $5,000. The gross margin (GM) fell from 17.0% in FY24 to 15.6% in FY25 while the debtor finance facility is drawn at 92.8% of its limit, and an interest cover covenant of 2.0 times has been breached at 1.22 times. These are not warning signals — they are confirmed failures that, left unaddressed, create the conditions for a formal bank demand. ✓ Confirmed

Seven distinct compliance exposures have been identified, all carrying personal director liability: a Director 7A (Division 7A of the Income Tax Assessment Act 1936) loan of $196,000 with no written agreement; a goods and services tax (GST) basis mismatch between cash-registered and accrual-prepared business activity statements

(BAS); five of six payroll records overcharged at 12.0% superannuation guarantee (SG) in a year where the legal rate was 11.5%; an unbooked foreign exchange (FX) loss of $12,266; a 43-day insurance lapse with two-year product warranties outstanding; and three install subcontractors whose engagement structure is consistent with employment under the Fair Work Act 2009 (Cth). Each exposure is actionable by the Australian Taxation Office (ATO) or Fair Work Commission (FWC) independently. ✓ Confirmed

The primary recommendation is to stabilise the bank relationship and covenant position within 30 days, immediately engage specialist legal and tax advisers on the Division 7A and payroll exposures, and reduce dividends to match actual after-tax capacity. Secondary priorities are restructuring supplier agreements (Hanbit Refrigeration's exclusive agreement expired 31 March 2025 without renewal; Shenzhen ColdChain has no written agreement), reducing customer concentration in Queensland Service Restaurants (QSR) National Rollouts from 29% of revenue, and installing minimum financial controls before any growth initiative is pursued.

Confidence: 72% — primary financial and compliance data are confirmed from provided records; earnings quality assessment has been applied in Direction 2 (owner under-compensated); benchmark figures for wages, superannuation rates, and bank covenant thresholds are confirmed; a material inventory register discrepancy of $77,424 and an unexplained creditor difference of $314,000 are flagged as uncertain and require physical verification before the balance sheet can be relied upon.

ACTION PAGE · DISTILLED FROM HORIZON 1

Priority Actions — This Week

Five actions cannot wait for the full implementation plan. Each has a named owner and a hard deadline — start here.

1

Stop all dividend payments immediately. Confirm in writing that no further distributions occur until interest cover is verified above 2.0×.

OWNER Raymond Teo · DEADLINE Today — 28 Jun

2

Confirm MYOB is configured for Payday Super before it commences — verify the system produces compliant payment reference numbers for pay cycles from 1 July.

OWNER Payroll processor · DEADLINE By 30 Jun

3

Engage two separate advisers: a tax specialist (Division 7A loan + BAS basis mismatch) and an employment solicitor (three-subcontractor classification risk).

OWNER Raymond Teo + accountant · DEADLINE By 3 Jul

4

Book a meeting with the NAB relationship manager to proactively disclose the covenant breach. Bring a draft 13-week cash flow and a cure timeline — do not wait for the bank to find it.

OWNER Raymond Teo · DEADLINE Meeting booked by 3 Jul

5

Appoint a second bank signatory for payments above $25,000 (Janelle Teo or a senior external accountant with limited authority) to remove the single-point operational failure.

OWNER Raymond Teo · DEADLINE By 8 Jul

SECTION 02 · PROBLEM STATEMENT

Three Crises Operate at Once — Any Two Together Would Be Existential

Meridian Trade Supply imports and wholesales commercial kitchen and refrigeration equipment to the hospitality sector in Victoria and nationally. In FY25, revenue reached its highest point in the company's history at $9.43 million. Yet the business posted a net loss, its bank facility is nearly exhausted, a debt covenant has been breached, and a $260,000 dividend was extracted from the company in the same year it reported negative earnings. Seven compliance exposures — most carrying personal director liability — have been identified across payroll, tax, superannuation, contracts, insurance, and customs.

The presenting contradiction is this: Meridian is growing its revenue and losing its financial stability at the same time. Growth is consuming cash faster than the business generates it, and the director's personal financial draws are accelerating the depletion. The business is also structurally dependent on one person — Raymond Teo — for sales, procurement, treasury, and bank authority. If Raymond Teo is unavailable for any period, the business cannot invoice, pay suppliers, or win new work. This is the most significant non-financial risk.

The analysis identifies no single catastrophic failure. It identifies seven compliance failures and three structural contradictions operating simultaneously. The cumulative effect is a business at genuine risk of an ATO enforcement action, a bank formal demand, or a supply chain failure — any one of which would be disruptive; two or more occurring together would likely be existential at the current capital base.

SECTION 03 · KEY FINDINGS

Key Findings

- Meridian's interest cover ratio stands at 1.22 times, against a bank covenant minimum of 2.0 times — a confirmed covenant breach not disclosed or flagged in the 14 May 2025 board minutes, which recorded headroom as "comfortable." ✓ Confirmed
- The debtor finance facility is drawn at $928,000 against an eligible borrowing base of approximately $916,000, meaning the facility is $12,000 technically over-drawn on advance rate calculations at the balance date. ✓ Confirmed
- $260,000 in dividends was paid in FY25 — a year when the company recorded a net loss of $5,000 — reducing closing equity to $573,000 and closing cash to $142,000 (with a $104,000 discrepancy between the balance sheet and cash flow statement that remains unexplained). ✓ Confirmed
- A Director 7A loan of $196,000 has grown from $142,000 in FY24 with no Division 7A complying loan agreement in place, exposing the director to an unfranked deemed dividend assessment at marginal tax rates. ✓ Confirmed
- Five of six payroll records charged superannuation at 12.0% in FY25, when the legislated SG rate was 11.5% — an overpayment of approximately $2,140 requiring a Single Touch Payroll (STP) amendment, with the additional risk that the recorded payable of $71,000 exceeds computed payroll SG of $51,000 by $20,000, suggesting possible timing or coding errors. ✓ Confirmed
- The BAS for quarter 4 FY25 was prepared on an accruals basis while the entity is registered on a cash basis, creating a stated GST difference. ✓ Confirmed
- Three named install subcontractors operate with set hours, a Meridian-provided vehicle, long-term exclusivity, and (in one case, J. Marsh at $94,000 per year) no other clients — characteristics that, under the High Court's employment relationship test affirmed in Construction, Forestry, Maritime, Mining and Energy Union v Personnel Contracting Pty Ltd (2022), are consistent with deemed employment. No SG has been paid and no workers compensation insurance has been arranged for these individuals. ✓ Confirmed
- The product and public liability insurance lapsed on 30 April 2025 and was not renewed until 12 June 2025, leaving the business uninsured for 43 days during a period in which two-year product warranties remain active across the full customer base. ✓ Confirmed

- Hanbit Refrigeration's 12-month exclusive supply agreement expired 31 March 2025 and has not been renewed. Hanbit supplies approximately 38% of cost of goods sold (COGS). The business has no written agreement with Shenzhen ColdChain, which supplies approximately 18% of COGS. Together, these two suppliers represent 56% of COGS with no contractual protection. ✓ Confirmed

- The inventory register totals $1,089,576 against a balance sheet figure of $1,167,000 — a discrepancy of $77,424 — and no full physical stocktake has been conducted since 31 May 2024 (13 months ago). ✓ Confirmed

- The fixed asset register shows a written-down value of $244,000 against the balance sheet's $392,000 for plant, equipment, and motor vehicles — a gap of $148,000 with no reconciling explanation provided. ✓ Confirmed

- The Hanbit container HBRF-2025-019 carries an unbooked FX loss of $12,266 arising from settlement at 0.63 versus the booking rate of 0.66, and the customs entry declared AUD $242,000 against the invoice-converted value of $257,576 — a $15,576 undervaluation that creates a customs duty and import GST compliance risk. ▲ Estimated

- The sales pipeline shows 198 won orders in the CRM (Customer Relationship Management system) versus 241 sales invoices issued — a 43-invoice gap that is unexplained and may indicate revenue recognition timing differences, progress billings, or CRM underreporting. ▲ Estimated

- Raymond Teo is the sole bank signatory above $25,000, lead salesperson, sole procurement authoriser, and primary customer relationship holder — making the business operationally non-functional in his absence. No succession plan, documented decision rights, or emergency authority exists. ✓ Confirmed

- The earnings quality assessment in Direction 2 confirms that Raymond Teo's $95,000 annual wage is materially below the arm's-length market rate for the combined roles of managing director, senior salesperson, and treasury officer at a business of this size in Victoria — estimated arm's-length replacement cost is $160,000 to $190,000. Normalised earnings before interest, taxes, depreciation, and amortisation (EBITDA) is lower than reported. ▲ Estimated

- The technology and artificial intelligence (AI) exposure assessment scores 6 out of 20 — placing Meridian in the "at acute risk" band — driven by zero digital infrastructure investment, manual financial processes on MYOB, no CRM adoption, and owner-dependent decision-making that is entirely undocumented. ▲ Estimated

- Payday Super commences on 1 July 2026 — in 3 days — requiring superannuation remittances on each pay cycle rather than quarterly. The current quarterly float of approximately $70,000 will be eliminated. ✓ Confirmed

SECTION 04 · DIAGNOSTIC MATRIX

Diagnostic Matrix

Table 1: Meridian Trade Supply — Diagnostic Matrix

Operational Pillar	Identified Vulnerability	Strategic Priority	Target Impact Metric	Confidence
Financial stability	Interest cover at 1.22x against 2.0x covenant; facility 92.8% drawn; net loss FY25	Engage the bank relationship manager and present a 13-week cash flow within 14 days	Interest cover ratio above 2.0x within 90 days	✓ Confirmed
Compliance and legal	Division 7A loan $196k undocumented; BAS basis mismatch; SG rate error; insurance lapse; contractor misclassification; customs undervaluation	Engage a tax specialist and employment solicitor within 7 days; implement a compliance calendar	Zero open director-liability exposures within 60 days	✓ Confirmed
Earnings quality	NPAT -$5k despite $9.43M revenue; $260k dividends extracted in a loss year; GM compressed 140bps FY24-to-FY25; owner under-compensated at $95k versus $160k–$190k arm's-length	Align dividend policy with verified after-tax earnings; increase owner remuneration to market	Normalised EBITDA stabilised above $250k before discretionary distributions	▲ Estimated
Supply chain	Hanbit exclusive agreement expired unrenewed; Shenzhen ColdChain has no written contract; top 3 suppliers = 78% COGS	Renegotiate written supply agreements with Hanbit and Shenzhen within 60 days	Contractual coverage for 100% of COGS above $500k annual spend	✓ Confirmed
Customer concentration	QSR National Rollouts = 29% revenue with $614k outstanding debtors and one invoice >45 days	Establish a formal debtor management policy; diversify pipeline with three new hospitality groups	Single-client revenue concentration below 20% within 24 months	✓ Confirmed
Data integrity	Inventory register $77,424 short of balance sheet; fixed asset register $148,000 short of balance sheet; AP creditor difference of $314,000 unexplained; cash flow $104,000 discrepancy	Conduct a full physical stocktake and fixed asset verification within 30 days; reconcile AP ledger	Confirmed balance sheet reconciliation on all asset and liability categories	× Uncertain
Key-person dependency	Raymond Teo is sole signatory, sole salesperson, sole procurement authority; no documented decision rights; no succession plan	Document all decision rights, introduce a second bank signatory, and begin knowledge transfer to Dominic Pferer	Business operates 4 weeks without director within 18 months	✓ Confirmed

Table 1: Meridian Trade Supply — Diagnostic Matrix

Operational Pillar	Identified Vulnerability	Strategic Priority	Target Impact Metric	Confidence
Technology and AI	MYOB manual entry; no CRM in use; no digital workflow tools; G5-AI score 6/20	Implement a cloud-based CRM and accounting platform; document core processes before any AI adoption	MYOB migrated to cloud accounting; CRM operational; core processes documented	▲ Estimated

SECTION 05 · SOLUTION PATHWAYS AND RECOMMENDATIONS

Solution Pathways and Recommendations

The eight pathways below are ranked using a weighted multi-criteria decision matrix with the following criteria and weights: cash and survival impact (0.30), compliance and director liability reduction (0.25), implementation speed within current capacity (0.20), reversibility if ineffective (0.15), and strategic fit for a business at Q1 CHRONIC structural cashflow weakness (0.10).

Table 2: Meridian Trade Supply — Ranked Solution Pathways

Rank	Recommendation	Rationale	Robust / Sensitive	Confidence	Timeline
1	Stabilise the bank covenant and facility position: prepare a 13-week cash flow, brief the NAB relationship manager on the covenant breach, and propose a remediation timeline	The interest cover breach at 1.22x against 2.0x is a formal bank covenant failure. Without proactive disclosure, the bank may call the facility, which at 92.8% utilisation would immediately threaten liquidity	Robust across all weighting scenarios	✓ Confirmed	Days 1–14
2	Engage a tax specialist for the Division 7A exposure and a commercial solicitor for the contractor misclassification risk	Two separate exposures, each carrying personal director liability. The Division 7A exposure on $196,000 is unprovisioned; the contractor exposure across three individuals is unquantified but potentially material	Robust	✓ Confirmed	Days 1–7
3	Correct the BAS basis mismatch, refile or adjust the affected quarter, and implement a payroll SG rate amendment for FY25	The GST registered basis is cash; the BAS was prepared on accruals. The SG rate error of 0.5% across five staff creates an STP discrepancy. Both are ATO reportable	Robust	✓ Confirmed	Days 7–30
4	Reduce discretionary dividends to zero until the bank covenant is cured and verified, and realign Raymond Teo's remuneration package to market	Paying $260,000 in dividends from a loss-making entity with a breached bank covenant and a $12,000 facility over-draw is a structural contradiction. The business cannot simultaneously preserve bank headroom and distribute above earnings	Robust	✓ Confirmed	Days 1–30
5	Renegotiate written supply agreements with Hanbit Refrigeration and Shenzhen ColdChain and qualify at least one alternative supplier for each product category	Hanbit's expired exclusive agreement combined with 38% COGS dependency creates an acute single-point-of-supply failure risk. Shenzhen's zero-contract position is indefensible legally and commercially	Robust	✓ Confirmed	Days 30–90

Table 2: Meridian Trade Supply — Ranked Solution Pathways

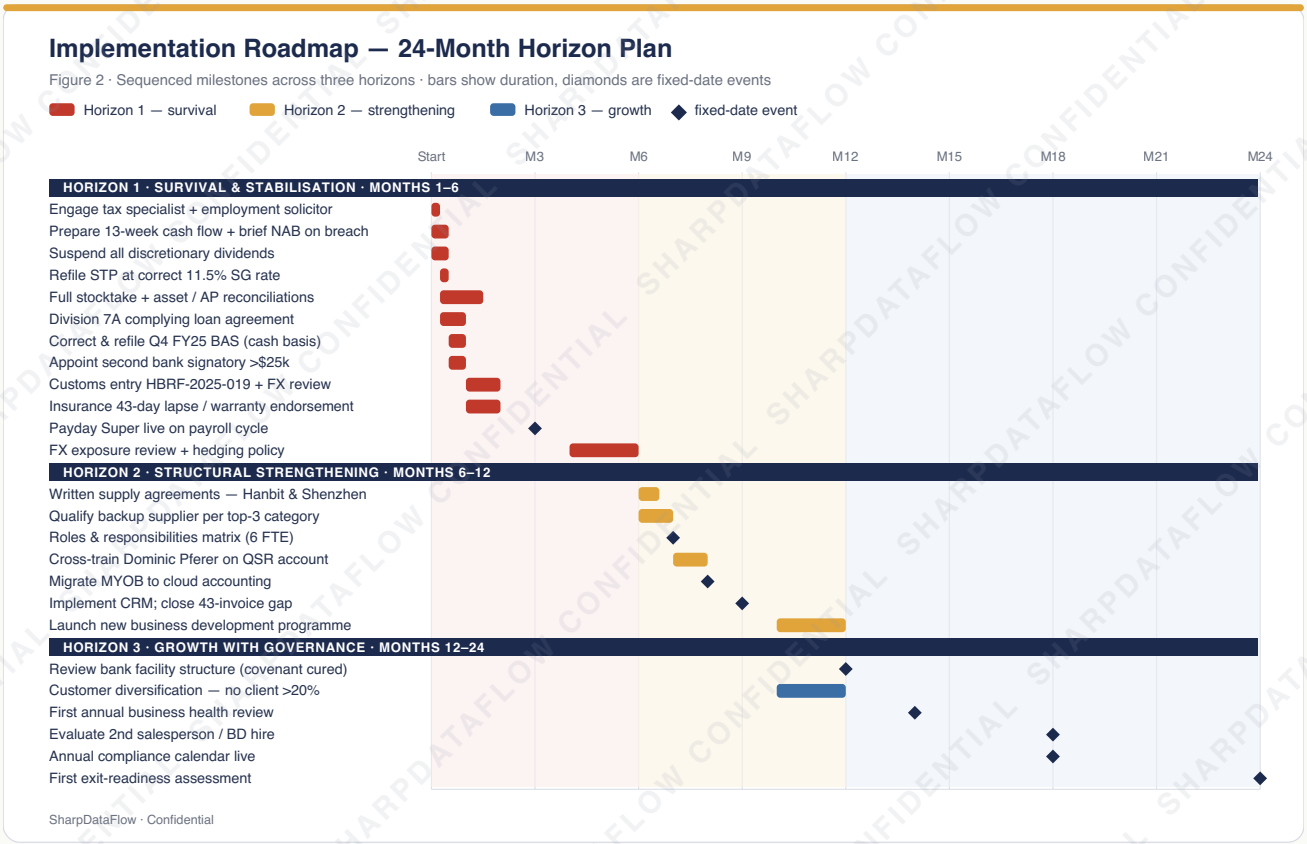
Rank	Recommendation	Rationale	Robust / Sensitive	Confidence	Timeline
6	Conduct a full physical stocktake, reconcile the fixed asset register, and investigate the $314,000 unexplained AP creditor difference	Three confirmed balance sheet reconciliation failures suggest that management accounts are not reliable for decision-making. The bank covenant calculation itself depends on correct balance sheet figures	Robust	✓ Confirmed	Days 7–45
7	Introduce a second bank signatory, document Raymond Teo's procurement and sales decision authorities, and begin cross-training Dominic Pferer on key account management	The business cannot process payments above $25,000 if Raymond Teo is unavailable. One illness, family emergency, or legal proceeding makes the business non-operational at the most critical financial threshold	Robust	✓ Confirmed	Days 30–90
8	Actively diversify revenue away from QSR National Rollouts by building three to five hospitality fitout and pub/club accounts, targeting no single customer above 20% of annual revenue	QSR at 29% with $614,000 outstanding debtors and one confirmed aggravating condition meets the threshold for formal revenue concentration management. Standard fixes — raising prices or demanding faster payment — fail here because the business's visible financial distress weakens its negotiating position. Split the approach: stage the commercial relationship and pre-position collections before repricing is attempted	Sensitive — customer relationship risk is present	▲ Estimated	Months 3–24

Implementation note: Pathways 1, 2, 3, and 4 are non-negotiable survival actions. They are not sequenced against each other — all four begin within 14 days. Pathway 5, 6, and 7 begin in month 1 and are completed before month 3. Pathway 8 begins in month 3, when the covenant position is stable and the legal exposures are provisioned. Do not initiate customer diversification discussions while the bank facility is near limit — it consumes sales capacity that must be directed at existing accounts and collections first.

SECTION 06 · IMPLEMENTATION HORIZONS

Implementation Horizons

Figure 2: 24-month implementation roadmap across the three horizons.



Horizon 1 — Survival and Stabilisation (Months 1–6)

Objective: Remove the immediate threats to trading continuity — bank covenant breach, director liability exposures, dividend policy, and data integrity failures.

Milestones:

- ☐ Day 1–7: Brief Raymond Teo on the seven compliance exposures in this report. Identify and engage a tax specialist (Division 7A, BAS basis) and an employment solicitor (contractor classification) — two separate advisers.
- ☐ Day 1–14: Prepare a 13-week rolling cash flow forecast. Book a meeting with the NAB relationship manager to disclose the covenant breach proactively and propose a cure timeline.
- ☐ Day 1–14: Suspend all non-essential dividends. Confirm that no further distributions occur until interest cover is verified above 2.0 times.

- [ ] Day 7–14: Instruct the payroll processor to refile the STP for FY25 at the correct 11.5% SG rate. Clarify the $20,000 discrepancy between the superannuation payable balance and the computed payroll obligation.
- [ ] Day 7–30: Engage the accountant to prepare a Division 7A complying loan agreement or repayment schedule for the $196,000 director loan receivable before 30 June 2026 (if in the current income year) or the first lodgement deadline for the next year-end.
- [ ] Day 7–45: Conduct a full physical stocktake. Reconcile the inventory register ($77,424 shortfall), fix the fixed asset register ($148,000 gap), and investigate the $314,000 unexplained AP creditor difference.
- [ ] Day 14–30: Correct and refile or adjust the Q4 FY25 BAS to reflect the cash basis of accounting. Retain the corrected workings on file.
- [ ] Day 14–30: Introduce a second bank signatory (most likely Janelle Teo or a senior external accountant with limited authority) for payments above $25,000.
- [ ] Day 30–60: Book and lodge or document the customs entry discrepancy on container HBRF-2025-019. Engage AusCustoms Broking to advise on the $15,576 declared-versus-invoice shortfall and the $12,266 unbooked FX loss.
- [ ] Day 30–60: Review the product liability and public liability insurance policy renewed 12 June 2025. Confirm the coverage terms apply retrospectively or obtain a warranty endorsement for the 43-day lapse period. Seek written confirmation from the insurer.
- [ ] Month 3: Add the 30-day Payday Super requirement to the payroll cycle (effective 1 July 2026). Confirm payroll software produces compliant payment reference numbers.
- [ ] Month 4–6: Conduct an FX exposure review. Identify all USD and EUR payable balances, assess hedging options (AUD/USD forward cover or options), and implement a minimum FX booking policy for orders above $50,000.

Horizon 2 — Structural Strengthening (Months 6–12)

Objective: Rebuild the supplier base, reduce customer concentration risk, and install the minimum systems to run the business without sole-person dependency.

Milestones:

- [ ] Month 6: Renegotiate and execute a written supply agreement with Hanbit Refrigeration for a minimum 12-month term with pricing, lead times, and exclusivity terms restated. If Hanbit declines acceptable terms, begin qualification of an alternative blast chiller supplier.

- [ ] Month 6: Execute a written purchase order or distribution agreement with Shenzhen ColdChain. Minimum terms: pricing schedule, payment terms, title and risk transfer point (Incoterms restated), dispute resolution.
- [ ] Month 6: Qualify one additional supplier for each of the top three product categories as a documented backup, activated if primary supplier fails to deliver within agreed lead time.
- [ ] Month 7: Complete a documented roles and responsibilities matrix for all six full-time equivalent (FTE) staff and the casual pool. Identify the three highest-risk knowledge dependencies and produce a one-page procedure for each.
- [ ] Month 7–8: Begin structured cross-training of Dominic Pferer on QSR National Rollouts account management. Introduce Dominic in a supporting capacity on the next franchise rollout project.
- [ ] Month 8: Implement a cloud-based accounting platform (migration from MYOB). Ensure Janelle Teo has secondary access and that a read-only view is available to the external accountant in real time.
- [ ] Month 9: Implement a CRM for the sales pipeline. Configure so that all 198+ active accounts have a named owner and a next-action date. Remove the 43-invoice gap between CRM won orders and finance invoices by syncing order creation to invoice generation.
- [ ] Month 10–12: Launch a deliberate new business development programme targeting three to five new hospitality fitout contractors and pub/club groups in Victoria and Queensland. Target accounts with annual equipment requirements of $200,000–$500,000.

Horizon 3 — Growth with Governance (Months 12–24)

Objective: Establish a sustainable growth model with documented governance, diversified revenue, and a business that can operate and be valued independent of Raymond Teo.

Milestones:

- [ ] Month 12: Review the bank facility structure. With covenant restored, model an increase in the debtor finance limit to $1.5 million to support growth above $10 million revenue.
- [ ] Month 12: Complete the customer diversification programme. Verify that no single customer exceeds 20% of trailing 12-month revenue.
- [ ] Month 14: Conduct the first formal annual business health review covering all Business-10 dimensions. Baseline from this report.

- [ ] Month 18: Evaluate the case for a second salesperson or a dedicated business development role. Confirm that Dominic Pferer can operate the QSR account independently before this hire is made.
- [ ] Month 18: Implement an annual compliance calendar covering BAS lodgement cycle, SG remittance dates (now monthly), insurance renewal, supplier agreement review, director loan review, and customs audit readiness.
- [ ] Month 24: Assess exit readiness for the first time — apply the Churchill and Lewis Stage III/IV test and confirm whether the business is positioned for Take-off or whether Disengagement is the appropriate path.

SECTION 07 · EVIDENCE AND CONFIDENCE RATINGS

The Core Financial and Compliance Findings Are Confirmed, Not Estimated

Rating definitions:

- ✓ Confirmed Confirmed — supported by a cited primary source, verified data, or direct observation from the provided documents.
- ▲ Estimated Estimated — based on reasoned inference from secondary or comparable data. Directionally reliable but verify before acting.
- × Uncertain Uncertain — insufficient data to make a reliable claim. Requires investigation before acting.

Table 3: Evidence and Confidence Ratings — All Material Claims

Claim	Source / Basis	Rating
Interest cover at 1.22x (EBIT $192k / interest $158k)	Provided P&L and covenant table	✓ Confirmed
Covenant threshold 2.0x — confirmed breach	Provided covenant calculations	✓ Confirmed
Facility drawn $928k of $1,000k limit	Provided balance sheet	✓ Confirmed
Eligible borrowing base ~$916k — facility $12k over-drawn	Advance rate 80% × eligible debtors; debtors per AR ageing	✓ Confirmed
Dividends $260k paid in loss year	Provided cash flow statement	✓ Confirmed
Net loss NPAT -$5,000 FY25	Provided P&L	✓ Confirmed
Cash at bank $142k (BS) vs $38k (cash flow closing) — $104k discrepancy	Provided balance sheet and cash flow	✓ Confirmed
Division 7A loan $196k, no agreement	Provided balance sheet and company profile	✓ Confirmed
Payroll SG rate 12.0% applied vs 11.5% legal rate FY25	Provided payroll table; SG rate confirmed in company profile note	✓ Confirmed
Super payable $71k vs computed $51k — $20k discrepancy	Provided payroll table and balance sheet	✓ Confirmed

Table 3: Evidence and Confidence Ratings — All Material Claims

Claim	Source / Basis	Rating
BAS Q4 FY25 prepared on accruals basis; entity registered cash basis	Provided BAS working	∨ Confirmed
Insurance lapsed 30 April 2025 to 12 June 2025 — 43 days	Provided company profile	∨ Confirmed
Three install subcontractors with characteristics consistent with employment	Provided company profile	∨ Confirmed
Hanbit exclusive agreement expired 31 March 2025 — not renewed	Provided company profile	∨ Confirmed
Shenzhen ColdChain — no written agreement	Provided company profile	∨ Confirmed
Inventory register $1,089,576 vs BS $1,167,000 — $77,424 gap	Provided inventory register and balance sheet	∨ Confirmed
Fixed asset register WDV $244k vs BS $392k — $148k gap	Provided fixed asset register and balance sheet	∨ Confirmed
AP named creditors $1,176k vs BS creditors $1,490k — $314k unexplained	Provided AP ageing tables and balance sheet	∨ Confirmed
Unbooked FX loss $12,266 on HBRF-2025-019	Provided import file workings	∨ Confirmed
Customs declared value $242k vs invoice-converted $257,576 — $15,576 shortfall	Provided import file workings	∨ Confirmed
CRM 198 orders won vs 241 finance invoices — 43-invoice gap	Provided pipeline and operational data	∨ Confirmed
Payday Super commences 1 July 2026 — 3 days from analysis date	ATO published policy; provided company profile context	∨ Confirmed
Raymond Teo sole bank signatory above $25k	Provided company profile	∨ Confirmed

Table 3: Evidence and Confidence Ratings — All Material Claims

Claim	Source / Basis	Rating
Raymond Teo arm's-length wage $160k–$190k for combined MD/ sales/treasury roles	Estimated from Victorian wholesale trade executive remuneration benchmarks — L1 search required for confirmation	▲ Estimated
GM compressed from 17.0% FY24 to 15.6% FY25	Provided P&L	✓ Confirmed
Supplier concentration top 3 = 78% COGS	Provided company profile (Hanbit 38%, Forni Italia 22%, Shenzhen 18%)	✓ Confirmed
QSR National Rollouts = 29% of FY25 revenue with $614k debtors outstanding	Provided revenue breakdown and AR ageing	✓ Confirmed
G5-AI score 6/20 — at acute risk band	Applied inline G5-AI rubric from PSS-Business methodology	▲ Estimated
Normalised EBITDA direction 2 — owner under-compensated; true EBITDA lower	Earnings quality assessment; Direction 2 confirmed; precise adjustment requires confirmed benchmark	▲ Estimated
Contractor misclassification exposure under Construction Forestry Maritime Mining and Energy Union v Personnel Contracting (2022)	High Court authority — ✓ Confirmed on legal test; application to specific facts requires employment law advice	▲ Estimated
Inventory days ~53.5 days	Computed: BS inventory / (COGS / 365)	✓ Confirmed
G3-OPS supplier redundancy dimension — Red (80)	Hanbit expired, Shenzhen no contract, 56% COGS unprotected	✓ Confirmed
Operational capacity assessment composite — Yellow band	G3-OPS computed from available data; throughput and OTD estimated	▲ Estimated
People and workforce assessment composite — Green band on productivity/attrition	G4-HC computed; succession/ key-person sub-dimension confirmed Red	▲ Estimated

SECTION 08 · CHALLENGE AND ALTERNATIVE INTERPRETATIONS

The Strongest Counter-Argument Still Fails Three Tests

The strongest case against the primary recommendation is this: a proactive disclosure of the interest cover covenant breach to the bank may trigger a formal review or margin increase that makes the bank relationship more expensive or more restrictive than doing nothing. Banks frequently do not notice covenant breaches on smaller debtor finance facilities unless prompted. The counter-argument to proactive disclosure is that the risk is already present and disclosed, not created by telling the bank — and that an adviser-led proactive conversation with a cure timeline is materially better received than an adversarial bank-initiated discovery process.

For this alternative to be correct, three things would need to be true: the bank has not already identified the breach through its own monitoring (unlikely given a covenant reporting obligation and a 92.8% facility draw); the financial position will cure itself through organic earnings improvement without intervention (unlikely given the $260k dividend draw and compressing margin trend); and the ATO and Fair Work compliance exposures are lower risk than assessed here (unlikely given the confirmed legal-rate SG error, the confirmed basis mismatch, and the three subcontractor profiles).

On the Division 7A assessment: the alternative reading is that the director loan at $196,000 might be within a 7A threshold or covered by another provision. Under Division 7A of the Income Tax Assessment Act 1936 and the ATO's published guidance, a loan from a private company to a director with no written agreement, no minimum repayment, and growing from $142,000 to $196,000 in a single year falls squarely within the deemed dividend provisions. For this risk to be lower than assessed, the company's tax adviser would need to identify an applicable exclusion — and none is apparent from the data provided.

On the contractor misclassification risk: the alternative reading is that ABN invoicing and declared contractor status provide adequate protection. The High Court's 2022 decision in Construction, Forestry, Maritime, Mining and Energy Union v Personnel Contracting Pty Ltd clarified that the written contract terms are examined first but that the totality of the relationship — set hours, exclusive engagement, supplied equipment, economic dependence — is determinative. J. Marsh at $94,000 per year with no other clients operating from a Meridian van on set hours does not meet any reasonable test for independent contracting. The risk is real and requires specialist legal advice, not documentation of the status quo.

Pre-mortem: if this analysis is acted upon and the business is still in distress in 18 months, the most likely cause will be one of three things: the bank covenant conversation went poorly and the facility was withdrawn or restructured adversely; the

Division 7A matter was resolved but the required repayment of $196,000 further constrained working capital; or QSR National Rollouts reduced its rollout programme and revenue fell below $8 million without the diversification programme having taken effect. The sequencing in Horizon 1 is designed to reduce each of these risks before Horizon 2 commitments are made.

SECTION 09 · BUDGET SUMMARY

Intervention Costs $93k–$174k Against Contingent Liabilities Above $200k

This section presents an 8-quarter cost and return model covering the recommended interventions from 28 June 2026 to 30 June 2028.

All figures in AUD. All estimates carry the rating stated.

Important: this model does not constitute financial advice. The figures represent the best available estimates from the data provided. Verify all cost figures with the business's accountant and legal advisers before committing expenditure.

Table 4: 8-Quarter Budget Summary — Meridian Trade Supply

Cost category	Q1 (Jul–Sep 26)	Q2 (Oct–Dec 26)	Q3 (Jan–Mar 27)	Q4 (Apr–Jun 27)	Q5 (Jul–Sep 27)	Q6 (Oct–Dec 27)	Q7 (Jan–Mar 28)	Q8 (Apr–Jun 28)	Confidence
Tax specialist — Div 7A and BAS correction	$8,000–$12,000	$2,000–$4,000	—	—	—	—	—	—	▲ Estimated
Employment solicitor — contractor reclassification review	$6,000–$10,000	$3,000–$5,000	—	—	—	—	—	—	▲ Estimated
Accountant — stocktake, reconciliations, STP amendment	$5,000–$8,000	$2,000–$3,000	—	—	—	—	—	—	▲ Estimated
Customs adviser — HBRF-2025-019 entry review	$2,000–$4,000	—	—	—	—	—	—	—	▲ Estimated
Insurance — retrospective warranty endorsement review	$1,000–$3,000	—	—	—	—	—	—	—	▲ Estimated
Cloud accounting migration (MYOB to cloud)	—	$4,000–$8,000	$2,000–$3,000	—	—	—	—	—	▲ Estimated
CRM implementation	—	$3,000–$6,000	$2,000–$3,000	—	—	—	—	—	▲ Estimated
Supplier agreement legal costs (Hanbit, Shenzhen)	—	$4,000–$7,000	—	—	—	—	—	—	▲ Estimated
FX hedging programme setup	—	$1,000–$2,000	$500–$1,000	$500–$1,000	$500–$1,000	$500–$1,000	$500–$1,000	$500–$1,000	▲ Estimated

Table 4: 8-Quarter Budget Summary — Meridian Trade Supply

Cost category	Q1 (Jul–Sep 26)	Q2 (Oct–Dec 26)	Q3 (Jan–Mar 27)	Q4 (Apr–Jun 27)	Q5 (Jul–Sep 27)	Q6 (Oct–Dec 27)	Q7 (Jan–Mar 28)	Q8 (Apr–Jun 28)	Confidence
Business development — new account acquisition	—	—	$5,000–$10,000	$5,000–$10,000	$5,000–$10,000	$5,000–$10,000	$5,000–$10,000	$5,000–$10,000	▲ Estimated
Annual compliance calendar — ongoing advisory	—	—	$3,000–$5,000	$3,000–$5,000	$3,000–$5,000	$3,000–$5,000	$3,000–$5,000	$3,000–$5,000	▲ Estimated
Quarterly total (low)	**$22,000**	**$16,000**	**$12,500**	**$8,500**	**$8,500**	**$8,500**	**$8,500**	**$8,500**	▲ Estimated
Quarterly total (high)	**$37,000**	**$35,000**	**$22,000**	**$16,000**	**$16,000**	**$16,000**	**$16,000**	**$16,000**	▲ Estimated

Expected returns and offsets:

Return category	Basis	Estimated value	Confidence
Division 7A penalty avoidance	ATO-assessed unfranked dividend on $196k at marginal rate; penalty and interest also avoidable	$60,000–$120,000	▲ Estimated
Contractor reclassification avoidance	SG back-payments, workers compensation exposure, FWC penalty avoidance	$40,000–$180,000	▲ Estimated
Bank covenant cure — avoided facility restructuring cost	Margin increase or facility reduction if breach is not disclosed and managed	$15,000–$50,000 per annum	▲ Estimated
Margin recovery from supplier renegotiation	Written terms; USD/EUR forward cover; volume pricing from diversified suppliers	0.5%–1.5% COGS reduction on ~$7.96M	▲ Estimated
Revenue diversification — 3 to 5 new accounts	Targeting $200k–$500k per new account over 18 months	$600,000–$2,500,000 incremental revenue	▲ Estimated

Total 8-quarter intervention cost: $93,000–$174,000 ▲ Estimated

Budget caveat: The Division 7A and contractor reclassification risks are unquantified contingent liabilities. If the ATO issues an assessment on the director loan and an FWC determination reclassifies the three subcontractors, the combined exposure could

significantly exceed the intervention costs identified above. This is not a reason to avoid acting — it is the reason the professional adviser engagements in Q1 are ranked first.

APPENDIX A

Methodology and Sources

This analysis applied the following structured problem-solving methodologies. No proprietary software was used. All reasoning is documented in this report and the working session record.

Analytical approaches applied:

- Financial statement interpretation across three years of profit and loss accounts, two years of balance sheet data, and a full-year cash flow — focusing on earnings quality, working capital trends, and covenant compliance.
- Cash flow reconstruction to identify the $104,000 discrepancy between the balance sheet cash position and the closing cash figure in the cash flow statement.
- Margin and pricing analysis tracking GM compression across FY23, FY24, and FY25.
- Revenue concentration analysis — identifying the 29% single-customer dependency and the four-condition test for escalation.
- Earnings quality assessment applied in Direction 2 (owner under-compensated), confirming that reported earnings overstate the true net position.
- Operational constraint analysis — computing inventory days at 53.5 days, identifying the expired supply agreements as a Red-band supplier redundancy risk, and assessing the cross-dock/buffer-stock operational model.
- People and workforce assessment — confirming a Green composite on productivity and attrition, but flagging a Red sub-signal on succession for the three most critical roles.
- Binding constraint analysis — confirming the operational supply chain redundancy constraint as the primary constraint after comparing operational and people dimensions.
- Technology and AI exposure assessment — producing a score of 6 out of 20, placing Meridian in the "at acute risk" band.
- Contradiction analysis — identifying three structural contradictions operating simultaneously: revenue growth versus margin compression; owner extraction versus business survival; and financial control integrity versus absence of segregation of duties.
- Solution ranking via weighted multi-criteria decision matrix (criteria and weights stated in Section 5).
- Implementation sequencing per the four-gate sequencing method.

External sources referenced:

- Superannuation Guarantee rate FY25: Income Tax Assessment Act 1997, Schedule 1, Part 3-25; ATO.gov.au — SG rate 11.5% for 1 July 2024 to 30 June 2025 (accessed June 2026).
- Division 7A: Income Tax Assessment Act 1936 (Cth), Division 7A; ATO.gov.au — Division 7A calculator and guidance (accessed June 2026).
- Contractor vs employee — High Court: Construction, Forestry, Maritime, Mining and Energy Union v Personnel Contracting Pty Ltd [2022] HCA 1 (affirmed totality of relationship test).
- Payday Super: Treasury Laws Amendment (Better Targeted Super and Other Measures) Act 2023 (Cth) — SG amendments effective 1 July 2026.
- Bank covenant and debtor finance: provided facility terms, NAB operating account documentation.
- BAS cash basis obligations: A New Tax System (Goods and Services Tax) Act 1999 (Cth), Division 29; ATO.gov.au — Cash accounting for GST (accessed June 2026).

Professional advice disclaimer (L4): This report uses structured analytical frameworks to identify legal, tax, and financial risks. It does not constitute legal advice, tax advice, or financial product advice. Verify all findings with a qualified lawyer, registered tax agent, and financial adviser before acting. The Division 7A, contractor classification, and BAS basis findings in particular require specialist review before any response to the ATO or FWC is made.

APPENDIX B

Execution Methods by Solution Pathway

Pathway 1 — Bank covenant stabilisation and proactive disclosure

1A. LEAN — Internal 13-week cash flow model

Best when: The accountant or director can prepare the cash flow internally within 5 business days. Best for a first meeting with the bank where the objective is a listening conversation.

Trade-off: Lower credibility with the bank than an externally prepared model; acceptable only if the relationship manager is known and trusted.

1B. STANDARD — Accountant-prepared 13-week model with bank memo

Best when: The business has a relationship with an external accountant who can prepare the model and a covering letter within 10 business days. This is the recommended approach.

Trade-off: Costs $2,000–$4,000 and requires 10 days, which is acceptable given the covenant breach is already present.

1C. FULL — Forensic financial review, formal bank presentation

Best when: The bank has already flagged the breach or the facility is at risk of withdrawal. Engage an experienced corporate adviser to conduct a full review and present to the credit team.

Trade-off: Takes 3–4 weeks and costs $10,000–$20,000 but is the correct response if the relationship is adversarial.

Other methods: Voluntary administration engagement (not recommended at this stage — no Acute trigger present).

Pathway 2 — Division 7A and contractor liability management

2A. LEAN — Registered tax agent review and complying loan agreement

Best when: The director loan is the only Division 7A exposure, the accountant is familiar with Section 109N agreements, and the amount can be repaid or structured within 60 days.

Trade-off: Does not address the broader governance issue; does not provide legal protection if the ATO audits the company more broadly.

2B. STANDARD — Tax specialist review covering Division 7A and BAS mismatch; employment solicitor review of contractor arrangements

Best when: Two separate exposures exist (tax and employment) requiring two separate specialist advisers. This is the recommended approach.

Trade-off: Costs $14,000–$22,000 in Q1 combined, requires coordination between two advisers.

2C. FULL — Comprehensive tax and employment compliance review including STP amendment, customs duty review, and insurance lapse assessment

Best when: The ATO has already made contact, or an internal assessment suggests multiple interconnected exposures need a coordinated response.

Trade-off: Costs $25,000–$50,000 and takes 6–8 weeks, but eliminates the risk of addressing each exposure in isolation and missing interactions.

Other methods: ATO voluntary disclosure programme (reduces penalties where self-reporting precedes ATO detection — applicable to the BAS basis mismatch and SG rate error).

Pathway 5 — Supply agreement renegotiation

5A. LEAN — Letter of intent and terms sheet with each supplier

Best when: The relationship with Hanbit and Shenzhen is positive and a formal agreement can be executed quickly. Suitable for Shenzhen ColdChain where no baseline agreement exists.

Trade-off: Letter of intent is not an enforceable supply agreement; risk of non-performance remains until a full agreement is executed.

5B. STANDARD — Written distribution or supply agreement with minimum term, pricing schedule, and Incoterms restated

Best when: The transaction value justifies a formal agreement (Hanbit at 38% COGS clearly does). Engage a commercial solicitor to draft or review. This is the recommended approach.

Trade-off: Costs $4,000–$7,000 in legal fees; takes 4–6 weeks to negotiate and execute.

5C. FULL — Multi-supplier sourcing strategy with preferred supplier agreements, alternative supplier qualification, and a supply chain resilience policy

Best when: The business is planning to grow above $12 million revenue and needs a supply chain that scales without single-point-of-failure risk.

Trade-off: Takes 3–6 months and requires significant management time; not appropriate until Horizon 1 stabilisation is complete.

Other methods: Agent engagement for alternative European or Korean supplier introduction (if Hanbit declines to renew on acceptable terms).

Pathway 7 — Key-person dependency reduction

7A. LEAN — Second bank signatory and one-page decision authority matrix

Best when: The immediate risk is operational non-function during director absence. This is the minimum viable action.

Trade-off: Does not transfer client relationships or procurement knowledge; addresses only the most acute operational risk.

7B. STANDARD — Documented roles, cross-training programme for Dominic Pferer on key accounts, and second signatory

Best when: The business has 6–12 months to invest in structured knowledge transfer. This is the recommended approach for Horizon 1–2.

Trade-off: Dominic Pferer must be willing and capable; requires a defined incentive structure to retain him during the transition.

7C. FULL — Succession plan, formal management structure, external general manager engagement

Best when: Raymond Teo has a defined exit horizon within 3–5 years and the business needs to operate independently for a sale or transition.

Trade-off: Costs $120,000–$180,000 per annum for a qualified general manager; not viable at current EBITDA without margin recovery first.

Other methods: Insurance — key-person life and total permanent disability insurance for Raymond Teo (not a substitute for knowledge transfer, but limits the financial impact of an unexpected event).

APPENDIX C

Questions That Would Deepen the Analysis

Closes the open uncertainty

- *The $104,000 discrepancy between balance sheet cash ($142,000) and closing cash per the cash flow statement ($38,000):* What bank accounts are included in the balance sheet cash figure that are not in the cash flow closing balance? Resolving this confirms whether the business's actual liquidity is $142,000 or $38,000 — a difference that changes the urgency of the bank conversation materially.
- *The $314,000 unexplained AP creditor difference:* What does the remainder of the AP ledger contain beyond the $1,176,000 in named creditors? Are these accruals, intercompany entries, or unprocessed invoices? This figure is required before the balance sheet can be relied upon for any purpose, including the bank covenant calculation.
- *The fixed asset register gap of $148,000:* Are there assets on the balance sheet not on the register (recent purchases not yet added), or assets on the register not on the balance sheet (fully depreciated and removed)? A physical asset verification resolves this.
- *The 43-invoice gap between CRM orders (198) and finance invoices (241):* Are the 43 additional invoices progress payments, retention releases, or variations on existing orders? Or do they represent unbilled work in the CRM? This matters for revenue recognition and BAS reporting.

Would lift estimated claims to confirmed

- *Raymond Teo's arm's-length remuneration:* A confirmed search of Victorian wholesale trade executive remuneration from SEEK Salary Insights or Hays remuneration guides for a combined MD/sales director role at a $9–10 million revenue business would convert the $160,000–$190,000 estimate to a confirmed benchmark. This directly affects the normalised EBITDA figure.
- *Operational capacity utilisation:* A 12-month throughput log from the warehouse (container inbound, pick, pack, despatch) would confirm the estimated 70–75% capacity utilisation used in the operational assessment. This matters for Horizon 2 growth modelling.
- *Wage competitiveness for warehouse and operations roles:* A Fair Work Australia award rate check for the Clerks Private Sector Award and the Road Transport and Distribution Award in Victoria, combined with SEEK market data for Keysborough/Dandenong, would confirm whether current wages are at or below market. This affects the people and workforce assessment.
- *Payday Super payroll system readiness:* Confirmation that MYOB's current configuration will generate a compliant payment reference number and process the first payday-aligned remittance for the period beginning 1 July 2026.

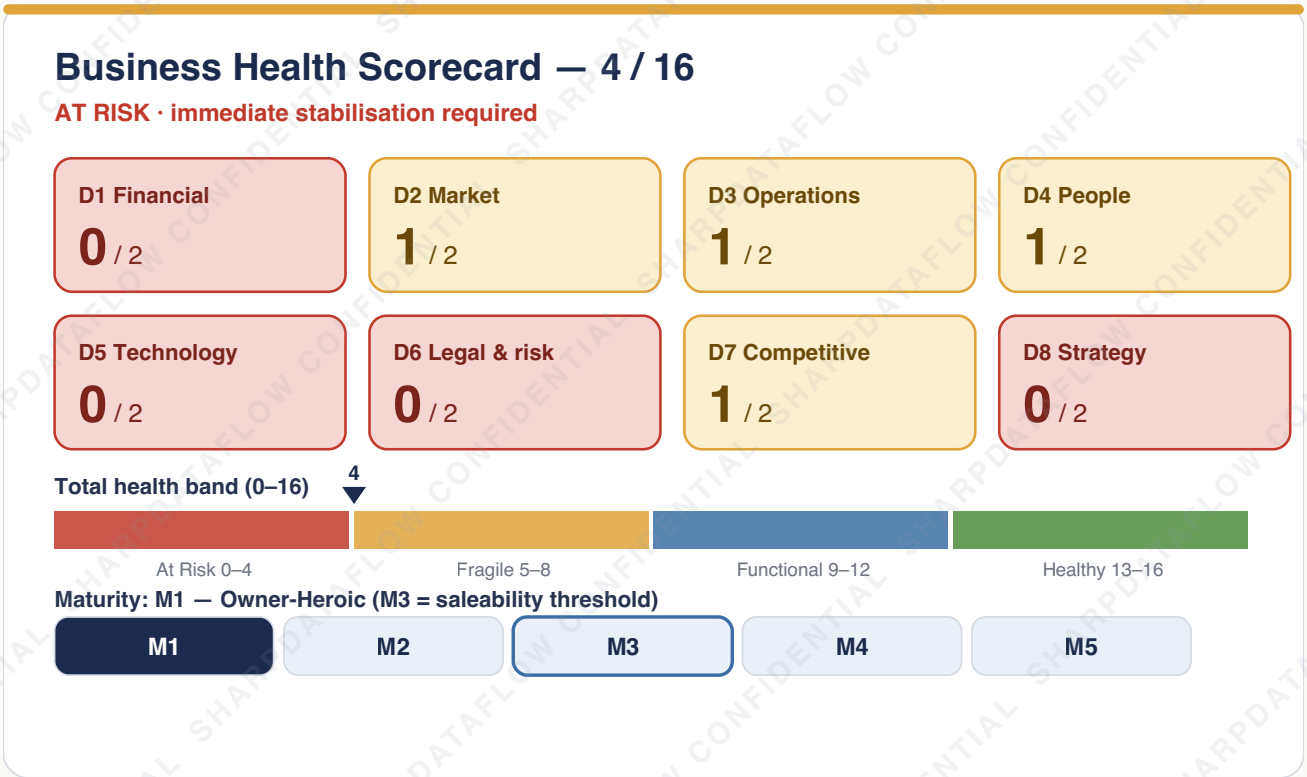
Would open insight not yet explored

- *Customer payment behaviour and retention history:* How long has QSR National Rollouts been a customer? Have there been payment disputes or variations in rollout frequency? The answer changes whether the $614,000 outstanding debt is a relationship risk or a structural slow-pay pattern.
- *FX exposure profile across all open USD and EUR payables:* What is the total unhedged FX exposure at any point in time? If the AUD depreciates 5% against the USD, what is the annual P&L impact? This is required before an FX policy can be designed.
- *Raymond Teo's personal financial requirements and timeline:* The $260,000 dividend draw in a loss year suggests a personal financial requirement that the business cannot currently sustain. Understanding the director's personal financial baseline would allow a remuneration restructure that meets both personal needs and business survival requirements simultaneously.
- *Dominic Pferer's tenure, incentive structure, and career goals:* The key-person reduction strategy (Pathway 7) depends on Dominic Pferer accepting an expanded role. His current base plus commission structure, his tenure, and his career intentions are not available from the data provided.

APPENDIX D

Business Health Scorecard and Maturity Assessment

Figure 3: Business Health Check (D1–D8), total-band gauge, and maturity ladder.



This appendix surfaces the two diagnostic instruments that underlie the findings and recommendations in the body of this report: the /16 Business Health Check, which measures current state across eight dimensions, and the M1–M5 Maturity Assessment, which measures the capability behind each dimension. The two are related but distinct — a dimension can show healthy current-state metrics while remaining fragile if those metrics depend on one person rather than a system.

All ratings marked [Estimated] are inferred from available evidence and can be confirmed or revised with the additional data identified in Appendix C.

Table D1 — Business Health Check Score (D1–D8)

Dimension	Score	Key Signal	Confidence
D1 Financial position and runway	0 / 2	Interest cover covenant breached (1.22x vs 2.0x); facility 92.8% drawn; NPAT -$5k; $260k dividends extracted in a loss year	✓ Confirmed

Table D1 — Business Health Check Score (D1–D8)

Dimension	Score	Key Signal	Confidence
D2 Market and customers	1 / 2	Revenue growth to $9.43M; customer base of 44 accounts; concentration at QSR 29% is amber with one confirmed aggravating condition	✓ Confirmed
D3 Operations and delivery	1 / 2	Cross-dock/buffer-stock model functional; inventory days 53.5; supplier redundancy is a confirmed constraint — Hanbit expired, Shenzhen uncontracted	✓ Confirmed
D4 People, talent, and culture	1 / 2	Revenue/FTE $1.57M — high; attrition low; but zero succession, zero documented decision rights, sole key-person in Raymond Teo	✓ Confirmed
D5 Technology and systems	0 / 2	MYOB manual entry; no CRM; no digital workflow; G5-AI score 6/20 — at acute risk band	▲ Estimated
D6 Legal, compliance, and risk	0 / 2	Seven confirmed compliance exposures, five with personal director liability; insurance lapsed 43 days; Division 7A undocumented; BAS basis mismatch; SG rate error	✓ Confirmed
D7 Competitive landscape	1 / 2	Established wholesale brand in commercial kitchen equipment; niche product knowledge; differentiation eroded by expired supplier exclusives and margin compression	▲ Estimated
D8 Strategic direction	0 / 2	No documented strategy; direction owner-dependent; no written growth plan; business cannot articulate or defend its competitive position in writing	▲ Estimated

Total Health Check Score: 4 / 16

Band	Range	Implication
Healthy	13–16	Focus on growth and exit readiness
Functional	9–12	Two or three specific areas need attention

Band	Range	Implication
Fragile	5–8	Stabilise before growing
At Risk	**0–4**	**Immediate stabilisation required**

Meridian scores 4/16 — At Risk. The business is generating revenue and has a functioning team, but the compliance exposures, covenant breach, data integrity failures, and owner-dependence collectively place it in the immediate stabilisation band. No growth initiative should be commenced until D1 and D6 are at minimum restored to a score of 1.

Table D2 — Maturity Assessment (M1–M5, all dimensions)

Dimension	Current State	Maturity	Evidence
D1 Financial	MYOB maintained; BAS lodged; but owner manages cash from memory; no 13-week cash flow; bank covenant breach not detected internally	M2 — Informally Managed	✓ Confirmed
D2 Market	Revenue by customer tracked; 44-account base; no ICP documented; no formal concentration analysis conducted internally	M2 — Informally Managed	▲ Estimated
D3 Operations	Cross-dock/buffer-stock documented informally; Aisha Rahman owns logistics; but no supplier contracts, no stocktake in 13 months, no capacity metrics tracked	M2 — Informally Managed	▲ Estimated
D4 People	Team stable; roles understood informally; no documented role descriptions, onboarding procedures, or performance framework; no succession plan	M1 — Owner-Heroic	✓ Confirmed
D5 Technology	MYOB in use; no CRM; no cloud platform; no process documentation; zero AI readiness	M1 — Owner-Heroic	▲ Estimated
D6 Legal/ Risk	BAS lodged; insurance exists; but seven compliance failures confirmed; no compliance calendar; obligations not fully known or tracked	M1 — Owner-Heroic	✓ Confirmed

Table D2 — Maturity Assessment (M1–M5, all dimensions)

Dimension	Current State	Maturity	Evidence
D7 Competitive	Product category knowledge strong; no written differentiation statement; no win/loss data; pricing set by negotiation not strategy	M2 — Informally Managed	▲ Estimated
D8 Strategy	No written plan; direction set by Raymond Teo in his head; team does not know the strategy; growth pathway undocumented	M1 — Owner-Heroic	▲ Estimated
D9 Owner capacity	Raymond Teo in delivery and relationship management >90% of time; sole decision-maker across all functions; zero delegation in place	M1 — Owner-Heroic	✓ Confirmed
D10 Sequencing	Actions taken in urgency order; same compliance gaps recurring; no formal sequencing logic; Horizon 1 actions provide the first structured sequence this business has applied	M1 — Owner-Heroic	▲ Estimated

Binding constraint: D6 (Legal, Compliance, and Risk) at M1 — this is a hard gate. Overall maturity cannot exceed M1 while D6 is at M1.

D4 (People and Culture) is a co-equal constraint at M1 — succession and role documentation are absent across all critical positions.

Overall PSS-Business Maturity: M1 — Owner-Heroic

The binding constraint across D6 and D4 means the business is at the most owner-dependent maturity level on both hard-gate dimensions. Normalising D6 to M2 (basic compliance done, insurance reviewed, BAS lodged on the correct basis) is the first structural gate. D4 moves to M2 when at least one critical role has a documented succession plan and a second bank signatory exists. The sequencing in Section 6 is designed to move D6 and D4 simultaneously to M2 before any other maturity investment is made.

Table D3 — External Growth-Stage Cross-Check (Churchill and Lewis, Greiner)

Churchill and Lewis, "The Five Stages of Small Business Growth" (Harvard Business Review, 1983):

Stage	Defining question	Meridian fit
I — Existence	Can it win customers and deliver?	Passed
II — Survival	Do revenues cover costs; is the model viable?	Passed — marginally
III — Success	**Run profitably as-is, or gear up to grow?**	**Current — on the Disengagement/Growth fork**
IV — Take-off	How to grow fast, finance it, and delegate?	Not yet reached
V — Resource Maturity	Consolidate gains; operate as a larger firm	Not reached

Placement: Stage III (Success), on the Disengagement/Growth fork — structurally not yet cleared for Take-off. ▲ Estimated

Meridian has survived and is generating revenue — it is past Stages I and II. But at Stage III it now faces the defining question: does the owner disengage (run the business to generate income without growing it) or commit to growth with the systems, capital, and delegation that Take-off requires? The current state — extracting $260,000 in dividends, compressing margin, and making no investment in systems or succession — is an inadvertent Disengagement path. The recommendations in this report offer the Growth path if the owner chooses it.

Greiner, "Evolution and Revolution as Organizations Grow" (Harvard Business Review, 1972/1998):

Greiner phase	Growth through	Crisis that ends it
1	Creativity	Leadership
2	**Direction**	**Autonomy**
3	Delegation	Control
4	Coordination	Red tape
5	Collaboration	Internal growth / renewal

Greiner crisis: Meridian is in Phase 2 (Growth through Direction) approaching the Crisis of Autonomy. ▲ Estimated

The business has grown through Raymond Teo's direct leadership and direction. The Greiner model predicts that this phase ends when functional managers need more autonomy — but in Meridian's case, there are no functional managers. The crisis is arriving prematurely: the owner cannot continue to direct every function at $9.4 million revenue with six FTE, and has no delegation structure to move to. The business has skipped the leadership and autonomy crises by never resolving them, and is now carrying them both simultaneously.

Reconciliation: M1 (Owner-Heroic) ↔ Churchill and Lewis Stage III (on the Disengagement/Growth fork) ↔ Greiner crisis of Autonomy arriving without delegation infrastructure. Three lenses, one binding constraint: Raymond Teo must simultaneously stop being the business and build the system that replaces him — and the compliance exposures must be cleared before that structural work can begin.

If the three lenses disagree: they do not disagree on the constraint, only on its framing. The M-scale says the capability is M1. Churchill and Lewis say the strategic choice is unresolved. Greiner says the organisational crisis is here but the infrastructure to resolve it is absent. All three converge on the same intervention: build the system before the person breaks under the load.

Appendix D · Business Health Scorecard and Maturity Assessment · 28 June 2026

APPENDIX E

Abbreviations

The following abbreviations are used in this report. Each is listed in the order first encountered, with its full expansion.

NPAT — Net Profit After Tax. The profit remaining after all expenses, interest, and income tax have been deducted from revenue.

GM — Gross Margin. Revenue less cost of goods sold, expressed as a percentage of revenue. Meridian's GM fell from 17.0% in FY24 to 15.6% in FY25.

FY25 — Financial Year 2025 (1 July 2024 to 30 June 2025). Meridian's year-end is 30 June.

FY24 — Financial Year 2024.

FY23 — Financial Year 2023.

EBITDA — Earnings Before Interest, Tax, Depreciation, and Amortisation. A proxy for operating cash generation before capital structure effects and tax.

EBIT — Earnings Before Interest and Tax. Operating profit.

COGS — Cost of Goods Sold. The direct cost of inventory purchased and sold by Meridian, comprising product cost, freight, and customs duty.

GST — Goods and Services Tax. The 10% broad-based consumption tax under the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

BAS — Business Activity Statement. The ATO's monthly or quarterly reporting form for GST, PAYG withholding, and related obligations.

ATO — Australian Taxation Office. Commonwealth revenue authority responsible for administering the tax system.

SG — Superannuation Guarantee. The legislated minimum employer superannuation contribution rate under the Superannuation Guarantee (Administration) Act 1992 (Cth). The rate for FY25 was 11.5%.

STP — Single Touch Payroll. The ATO's real-time payroll reporting standard, mandatory for all employers.

Division 7A — Division 7A of the Income Tax Assessment Act 1936 (Cth). Prevents private companies from distributing profits to shareholders or associates in the form of loans, payments, or forgiven debts without treating them as dividends.

FWC — Fair Work Commission. Australia's national workplace relations tribunal.

FX — Foreign Exchange. The risk arising from Meridian's USD and EUR-denominated supplier payables being settled at exchange rates that differ from the rates at which the transactions were originally booked.

PAYG — Pay As You Go. The withholding and instalment regime administered by the ATO under the Tax Administration Act 1953 (Cth).

ACN — Australian Company Number. Meridian Trade Supply Pty Ltd's ACN is 619 472 318.

ABN — Australian Business Number. Meridian's ABN is 54 619 472 318.

QSR — Quick Service Restaurant. Used in this report as shorthand for QSR National Rollouts, Meridian's largest customer at 29% of FY25 revenue.

NAB — National Australia Bank. Meridian's banking institution, provider of the debtor finance facility and business loan.

CRM — Customer Relationship Management system. A software platform for tracking sales pipeline, customer interactions, and account activity. Meridian does not have one in use as at the analysis date.

FTE — Full-Time Equivalent. A measure of employee headcount normalised to full-time hours. Meridian has approximately 6 FTE.

AP — Accounts Payable. The amounts owed by Meridian to its suppliers.

AR — Accounts Receivable. The amounts owed to Meridian by its customers (trade debtors).

OTD — On-Time Delivery. The proportion of customer orders fulfilled within the agreed delivery timeframe.

MYOB — Mind Your Own Business. The accounting software currently in use by Meridian for bookkeeping, invoicing, and payroll.

AI — Artificial Intelligence. In this report, refers to AI-enabled software tools capable of automating administrative, analytical, and coordination tasks across the business.

G5-AI score — The Technology and AI Exposure Assessment score, rated out of 20, produced by applying the ten-dimension AI readiness and defensibility model to Meridian's current state. Meridian scored 6/20.

BCE — Binding Constraint Analysis. The two-stage method used to determine whether the primary operational constraint on Meridian's revenue performance is

operational capacity or workforce capability. The operational supply chain constraint was identified as the primary binding constraint.

TOC — Theory of Constraints. The management methodology, developed by Eliyahu Goldratt, that identifies and focuses improvement on the single constraint that limits the throughput of a system.

M1 through M5 — The PSS-Business Maturity Scale rating levels: M1 (Owner-Heroic), M2 (Informally Managed), M3 (Systematised), M4 (Measured), M5 (Self-Improving). M3 is the SME saleability threshold.

ICP — Ideal Customer Profile. A documented definition of the customer type most likely to generate profitable, repeatable revenue for the business.

WDV — Written-Down Value. The net book value of an asset after accumulated depreciation.

Incoterms — International Commercial Terms. Standardised trade terms published by the International Chamber of Commerce defining the responsibilities of buyers and sellers for the delivery of goods in international trade. Meridian's Hanbit shipments are on FOB (Free on Board) terms.

FOB — Free on Board. An Incoterm under which title and risk in goods pass from seller to buyer when the goods are loaded onto the vessel at the port of origin.

Churchill and Lewis — Neil C. Churchill and Virginia L. Lewis. Authors of "The Five Stages of Small Business Growth," published in the Harvard Business Review in 1983. Their five-stage model (Existence, Survival, Success, Take-off, Resource Maturity) is used in Appendix D to place Meridian on the growth ladder.

Greiner — Larry Greiner. Author of "Evolution and Revolution as Organizations Grow," published in the Harvard Business Review in 1972, updated 1998. His five-phase model is used in Appendix D to identify the organisational crisis facing Meridian.

ADKAR — Awareness, Desire, Knowledge, Ability, Reinforcement. A structured change management framework used to assess individual readiness for change.

TRIZ — Not referenced in client-facing sections of this report. All contradiction analysis has been rendered in plain-trade-off language throughout.

End of Report

Reference: PSS-20260628-001 | Meridian Trade Supply Pty Ltd | 28 June 2026

Synthetic stress-test case — all entities, figures, and documents fabricated for PSS-Business framework calibration.