

NOW YOU KNOW WHO TO ASK ABOUT FINANCIAL REPORTING VALUATIONS

- ◆ An opinion you can trust
- ◆ Principals (many with 'big 4' experience) involved throughout the process
- ◆ Track record of minimal review issues with auditors
- ◆ Prepare and deliver two day workshop on PPA and Impairment for Chartered Accountants Australian and New Zealand (CAANZ)
- ◆ Part of a global network of valuation specialists

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The Leadenhall difference

Who we are

Leadenhall is an independent valuation firm with over 30 years' experience in providing valuation advice.

We are well known and respected in the valuation sector for our technical expertise as demonstrated by:

- ◆ Provider of valuation courses for Chartered Accountants Australia & NZ
- ◆ Member of ATO valuation panel
- ◆ Member of ASIC panel of Independent Experts
- ◆ Authors of the Australian Valuation Handbook since 1998 Lecturers at Kaplan, The Executive Connection (TEC) and Ausbiotech

Why are we different?

Beyond being careful, unbiased and knowing what we are doing, a differentiating feature of Leadenhall is that we will spend the time to explain the key areas of judgement that impact the conclusion and the impact of making alternative assumptions.

Furthermore Leadenhall:

- ◆ Has deep experience in all facets of valuations for financial reporting purposes as detailed overleaf
- ◆ Offers high-level thought leadership coupled with the personal attention of the report signatory
- ◆ Has a collaborative approach designed to ensure there is minimal impact on your business and no surprises during the process

When is a valuation required?

There are a range of areas where 'fair value' needs to be determined in a financial reporting context including:

PPA and Intangible assets (AASB 3)

Following an acquisition, an acquiring entity must account for the acquired entity through a Purchase Price Allocation (PPA) (AASB 3 *Business Combinations*). A similar process may be required to satisfy the tax consolidation requirements.

Common issues that need to be addressed include:

- ◆ Fair value of the consideration including any earn outs and/or contingent consideration
- ◆ Identifying the intangible assets (IIAs) acquired
- ◆ Determining the appropriate valuation approach and amortisation profile of the IIAs
- ◆ Tax implications for amortising IIAs
- ◆ Cross-checking the valuation results

Impairment (AASB 136)

Impairment testing is consistently a key focus area for ASIC and auditors and has become a prominent focus for senior management and boards. Common issues include:

- ◆ Inputs and reasonableness of discount rate adopted
- ◆ Basis for cash flow projections and how have these been 'stress tested'
- ◆ Cross checks to the valuation
- ◆ Ensuring consistency of valuation outcome and carrying value comparison

Financial instruments (AASB 2)

Valuing share-based payments such as options and other performance-based instruments can often be a complex process, especially for unlisted companies or those with complex schemes. Common issues include:

- ◆ Underlying share value for unlisted companies
- ◆ Market-vs non-market hurdles
- ◆ Measuring prospective volatility

How we can help

We are flexible in how we interact with our clients and can assist you with:

- ◆ Preparation of independent valuation
- ◆ Independent advice on individual components of the analysis such as discount rates
- ◆ Representation and interaction with your auditors
- ◆ Acting as a sounding board in respect of internally prepared analysis

NOW YOU KNOW OUR EXPERIENCE

PURCHASE PRICE ALLOCATION

We have advised clients in respect of the PPA process for a number of transactions including:

- ◆ **Alinta Energy (energy)** merger with AGL
- ◆ **Atwood (industrial)** Aircommand acquisition
- ◆ **Avant (insurance)** acquisition of Doctor's Health Fund
- ◆ **Bordertown Abattoir** acquisition by JBS Swift
- ◆ **Buchanan Group (advertising)** acquisition by STW
- ◆ **Coin (financial planning)** acquisition by Macquarie Group
- ◆ **Cuscal (financial services)** Software valuation for acquisition of Strategic Payment Services
- ◆ **Epic Energy (energy)** PPA for potential acquirer
- ◆ **Healthcare Australia (Services)** acquisition by Champ
- ◆ **Jetset Travelworld (leisure)** merger with Stella Travel Services
- ◆ **Lombard Finance** acquisition by Flexigroup
- ◆ **Macquarie (leasing)** acquisition of CIT Systems Leasing
- ◆ **Mayne Pharma (pharmaceutical)** number of pain relief and other drugs acquired
- ◆ **Monash IVF (healthcare)** acquisition by Ironbridge
- ◆ **Peoplebank (recruitment)** PPA for four acquisitions including Porterallen
- ◆ **Perpetual (financial services)** acquisition of Trust Company
- ◆ **QBE (insurance)** acquisition of Elders Insurance and CUNA Insurance
- ◆ **Rentsmart (financial services)** acquisition by Flexigroup
- ◆ **RSEA (industrial)** PPA of this work wear and safety business
- ◆ **Sensis** PPA of this directories business
- ◆ **Shriro (retail)** PPA in respect of a potential IPO
- ◆ **Suncorp (financial services)** PPA in relation to MTA Insurance

- ◆ **TAL (Financial services)** Software valuation in respect of the acquisition of Lifebroker

Treasury Group (financial services) merger with Northern Lights

- ◆ **Think Office Technology (technology)** acquisition by Flexigroup
- ◆ **Transfield Services (engineering)** PPAs of the Group's US and Asian acquisitions
- ◆ **Wendy's Ice Cream (retail)** acquisition by Navis Capital
- ◆ **Westpac (financial services)** acquisition of Lloyds' Australian assets
- ◆ **WMC Resources (mining)** acquisition by BHP

IMPAIRMENT TESTING

Our team has provided a range of advice for impairment testing purposes including:

- ◆ **AGL (energy)** model review and discount rate analysis
- ◆ **ARTC (infrastructure)** model review and discount rate analysis
- ◆ **Blackrock (financial services)** model review and discount rate analysis
- ◆ **Brookfield (infrastructure)** model review and discount rate analysis
- ◆ **Canberra Airport (infrastructure)** model review and discount rate analysis
- ◆ **ComfortDelgroCabcharge (transport)** model review and discount rate advice
- ◆ **Carnegie Wave Energy (technology)** discount rate advice
- ◆ **Dick Smith (retail)** model review and discount rate analysis
- ◆ **Downer (engineering)** model review and discount rate analysis
- ◆ **GHD (engineering)** model review and discount rate analysis
- ◆ **Helloworld (leisure)** model review and discount rate advice
- ◆ **Hills (healthcare & services)** model review and discount rate advice
- ◆ **Hollard (insurance)** model review and discount rate analysis
- ◆ **Hydro Tasmania (energy)** model review and discount rate analysis
- ◆ **Infigen (renewable energy)** discount rate advice

- ◆ **Mayne (pharmaceutical)** discount rate advice
- ◆ **Suncorp (financial services)** model review and discount rate advice
- ◆ **Vocus (telecommunications)** model review and discount rate analysis
- ◆ **Woolworths (retail)** model review and discount rate analysis

FINANCIAL INSTRUMENTS

Our experience in valuing financial instruments for financial reporting and other purposes includes:

- ◆ **Aard Metals (mining)** valuation of convertible notes issued as part of a debt raising
- ◆ **Australian Renewable Fuels (energy)** embedded derivative within convertible notes issued as consideration for an acquisition
- ◆ **Challenger High Yield Fund (financial services)** valuation of various financial instruments as part of the takeover by Challenger Life
- ◆ **DCA Group (healthcare)** independent expert report in respect of acquisition of convertible notes
- ◆ **Drill Search (oil & gas)** valuation of employee option scheme
- ◆ **Guardian Childcare (healthcare)** valuation of ratchet shares in an unlisted company
- ◆ **Hills (healthcare)** valuation of various employee option schemes
- ◆ **Ingenia (healthcare)** valuation of employee option scheme
- ◆ **Mayne Pharma (healthcare)** valuation of numerous employee option schemes
- ◆ **MST Capital (financial services)** valuation of various classes of redeemable preference shares
- ◆ **Perennial Investment Partners (financial services)** valuation of options issued to employees
- ◆ **Rio Tinto (mining)** convertible notes to be issued as part of a proposed asset sale to Chinalco
- ◆ **Stockland (property)** valuation of several employee option schemes
- ◆ **TSC (industrial)** valuation of effective options created through the issue of restricted shares and limited recourse loans