



TAYLOR WOODINGS

NEWS FLASH

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Raising the Standard for Business Valuations

Accountants and other valuation professionals are presently free to choose how they carry out their engagements and present their opinions. As such, it is not always easy for end users (such as financiers and investors) to understand:

- how a valuation has been compiled;
- the impact of any limitations or disclaimers;
- whether the valuation can, in fact, be relied on for the purpose for which it was commissioned - usually lending or investment purposes.

Landscape changes

Next year, the valuation landscape will change. A new standard issued by the Accounting Professional & Ethical Standards Board (**APES**) will commence. APES 225 will prescribe the minimum requirements for all valuation engagements undertaken by accountants on or after 1 January 2009. It is designed to make it easier for end users to understand valuations by improving the consistency, transparency and quality of valuation practice.

APES 225 – Mandatory information

APES 225 requires a valuation to clearly communicate key information including:

- the purpose, scope and basis of the valuation;
- a statement as to whether the valuer is acting independently and if so, that the valuer's fees are not contingent on the conclusion, content or future use of the valuation;
- details of all information relied on and a description of all material assumptions adopted by the valuer and any qualifications impacting on the final value adopted;
- the valuation approaches or methodology used by the valuer;
- other key information including a glossary of key terms, the engagement party, name and qualifications of the valuer, a description of the assets and the date on which the valuation was determined.

APES 225 – Additional information

In addition to the mandatory information, APES 225 also requires a valuer to consider including other information in the valuation, namely:

- a description of the valuation approaches which were potentially available to the valuer but which were not considered relevant – and the reasons for that conclusion;

Contact us:

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- the provision of sufficient details to allow a reader to understand the conclusions set out in the valuation;
- a summary of relevant financial information and the relevant industry.

Our view on APES 225

Taylor Woodings supports the objectives of APES 225. We have adopted the standard to ensure all our business valuations are APES 225 compliant even though mandatory compliance is still more than 3 months away.

Our Experience

Taylor Woodings undertakes valuations of businesses, shares, securities, companies and other entities on a going concern, forced sale or other relevant basis on behalf of financiers for mortgage security purposes and other clients for the purposes of M&A activity, reporting, and litigation support.

Our engagements extend from calculation engagements to full scope valuation engagements which incorporate financial due diligence on behalf of financiers and investors.

Taylor Woodings has substantial experience in the valuation of all types of businesses on a going concern basis with particular recent experience in the following sectors:

- Hotels, motels, restaurants and other hospitality assets;
- Health and medical services including pharmacy, retirement, aged care and medical practices;
- Professional services;
- Engineering and construction;
- Financial Services.

Further Information

If you wish to obtain a copy of APES 225 or would like to discuss how APES 225 may impact on your business or how we can assist you with valuation services please contact our valuation services team leaders Quentin Olde or Simon Skelton or one of the other Taylor Woodings partners.

Disclaimer: This publication is for information purposes only and should not be relied on in place of advice.

