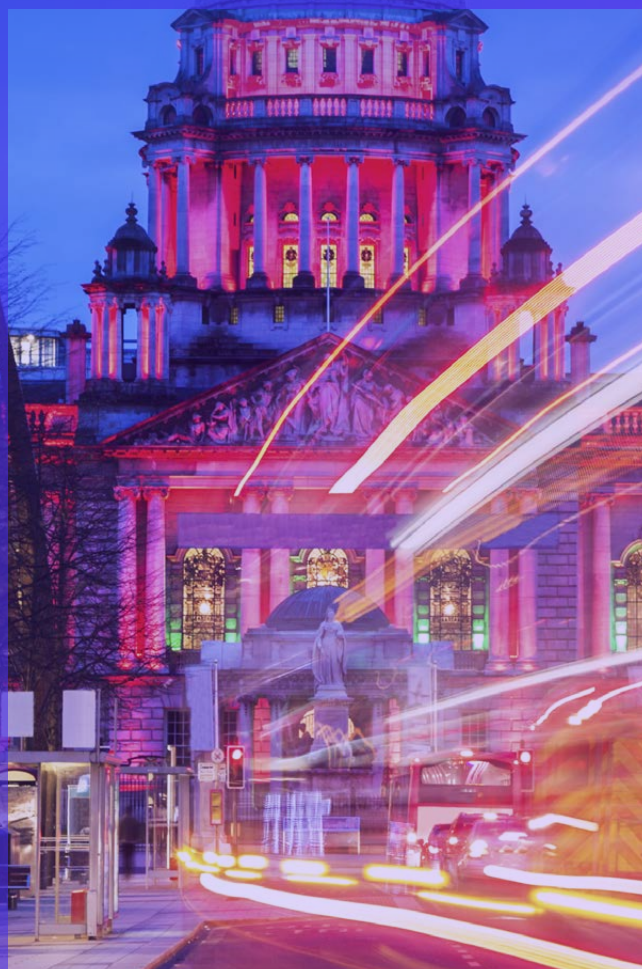




Business Valuation in Ancillary Relief

KPMG Forensics





Our independent valuations provide assurance during divorce proceedings

Business valuations in ancillary relief cases are regularly required where one or both spouses are business owners. The valuation of a business is a complex and often controversial subject under any scenario. Valuations are inherently subjective in nature but must always be grounded in sound a methodology and backed up by empirical data. We recognise that our role is to provide the best guidance possible supported by in-depth knowledge.

Our forensic specialists are regularly engaged to provide business valuation reports as part of ancillary relief cases. A well-informed and independent expert opinion on valuation brings transparency which can make a material difference during negotiations.

Why are Business Valuations important in divorce?

In divorce, all assets, including business assets, are generally considered part of the marital assets and are subject to division. A business can often be one of the highest value assets during divorce proceedings. An independent valuation is therefore crucial to achieve a fair and reasonable distribution to both parties.

Our typical remit for business assets in ancillary relief cases will include an opinion on the value of a business, the value of shareholdings, liquidity and an assessment of historical remuneration and dividends drawn down by one or both parties.

Expert witness experience

Our experienced expert witnesses understand the various purposes for which business valuations are performed in a legal environment, the importance of the date of valuation and the influence of prior judicial decisions.

We also appreciate that the discovery process in litigation is often complicated and protracted. In this respect, we have a very clear understanding of the information required as part of the valuation exercise.

Upon instruction, we provide a comprehensive yet relevant 'wish list' of information and quickly seek to understand which documents are available. We aim to be as flexible as possible in terms of scope and timing of work as the litigation develops.

Support throughout the process

From the early stages of proceedings to settlement or trial, we work closely with clients and counsel to assess key accounting, financial and valuation issues which can be useful in assessing strategy. We provide a detailed valuation report that provides a background

to the company, industry overview, market drivers and a thorough analysis of the financial position of the business. Our valuation decision is clear, sensible and based on defensible assumptions.

Independent Expert Determinations

We have been engaged in an increasing number of Independent Expert Determinations whereby we are jointly instructed by both parties in a matrimonial dispute to provide an opinion on valuation which is final and binding. Our clear and independent approach, supported by in-depth industry analysis, removes any doubts with regards to impartiality and provides closure to the parties.

For more information on our experience and expertise, please do not hesitate to contact us.

Kind regards,



James Neill

Partner
Forensics

t: +44 7794 444 115

e: james.neill@kpmg.ie



Katherine Gillespie

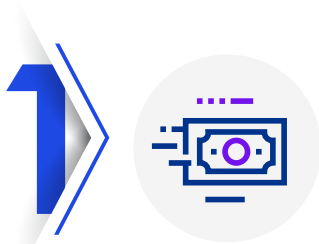
Managing Director
Forensics

t: +353 87 050 4734

e: katherine.gillespiel@kpmg.ie

Calculating value

Business valuations in ancillary relief cases are inherently subjective in nature and typically carried out on the basis of a hypothetical sale. A valuation is the best estimate of what could be exchanged between a willing buyer and a willing seller in an arm's length transaction. There are three approaches which we commonly use to value trading entities. These are set out in more detail below.



The Income Approach

- Based on the assumption that the value of a business is determined by its ability to generate income, rather than its assets.
- Discounted Cash Flow model applied.
- Reliable forecast cash flows must therefore be available.



The Market Approach

- The value for the business is determined by way of calculating the weighted average of maintainable profits and applying a multiple.
- The choice of multiple to apply in the calculation is often the most subjective element to this methodology. Our experts seek to provide a well-researched opinion on the multiple to be used by reference to in-house and market intelligence.



The Cost or Net Asset

- Used when the company is a capital intensive businesses or businesses with significant fixed asset investments.
- The approach is predicated upon the principle of substitution and that a prudent investor will pay not more for an asset that the cost to replace it.

Examples of our experience



Court Appointed Expert

Provided an independent opinion on valuation where there were material irregularities in the company's financial statements.



Expert determination

Provided Independent Expert Determination on the valuation of a large company operating across the UK and Ireland as part of a complex ancillary relief case.



Arbitration

Provided expert witness services including a detailed report on valuation, litigation support, and contribution to an arbitration process, in respect of a shareholders' dispute.

Contact us



James Neill
Partner
Forensics
t: +44 7794 444 115
e: james.neill@kpmg.ie



Katherine Gillespie
Managing Director
Forensics
t: +353 87 050 4734
e: katherine.gillespiel@kpmg.ie



Peter Wright
Director
Forensics
t: +353 87 050 4441
e: peter.p.wright@kpmg.ie



kpmg.ie

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