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Why get company assets valued?

A company director, whether part of the public or private sector, is required to report the value of the company's assets that are under their control on an annual basis. However, it is possible that in these turbulent times some directors may be overstating the net worth of some assets.

With asset values falling in some sectors of the market, directors face a renewed challenge to ensure their company's statements of financial position do not mislead the Securities Commission, shareholders or the general public.

Recent reviews undertaken by the Australian Securities and Investments Commission (ASIC) are bringing about greater examination of the roles of company directors and their responsibilities to shareholders. The reviews have highlighted that directors and auditors should be focusing on specific areas most affected by the current economic conditions, such as the book value and valuation of assets. In some recent cases directors have been deeming no material change to the company assets.

ASIC noted in its review of recently audited company accounts that some key valuation assumptions were not disclosed, including capitalisation rates, and expected vacancy and rental changes. Fair value must reflect current market conditions - obtaining, or refreshing, external valuations should be considered. The best evidence of fair value is current prices in an active market for property in the same location and condition with similar lease terms and other obligations. In the absence of an active market, other approaches include adjusting prices from similar markets, discounted cashflow techniques and depreciated replacement cost assessments.

The prudent action for directors, and/or financial controllers is to employ a professional valuation firm to meet the company's valuation requirements. This will provide the correct methodology and approach for valuations and the knowledge of a suitably experienced company undertaking valuations on a full time basis. Directors and their officers face possible action by Auditors or the Securities Commission if companies do not follow financial reporting standards.

Beca Valuations Ltd is experienced in the valuation of asset portfolios for public and private entities. Our team of valuers offer a range of skills in plant and equipment, and land and building valuations that are required to produce a seamless single valuation capturing a company's fixed assets. Beca Valuations Ltd has experience in valuing asset portfolios that are based throughout Australia, New Zealand and the Pacific Islands.

Can you afford not to get your company's assets valued?

Contact Marvin Clough on +64 9 300 9752 if you would like to discuss any valuation related issues.

