

What are the unwritten conventions of how HMRC is approaching the valuation of growth shares?

How accepting is it of low (or zero) valuations?

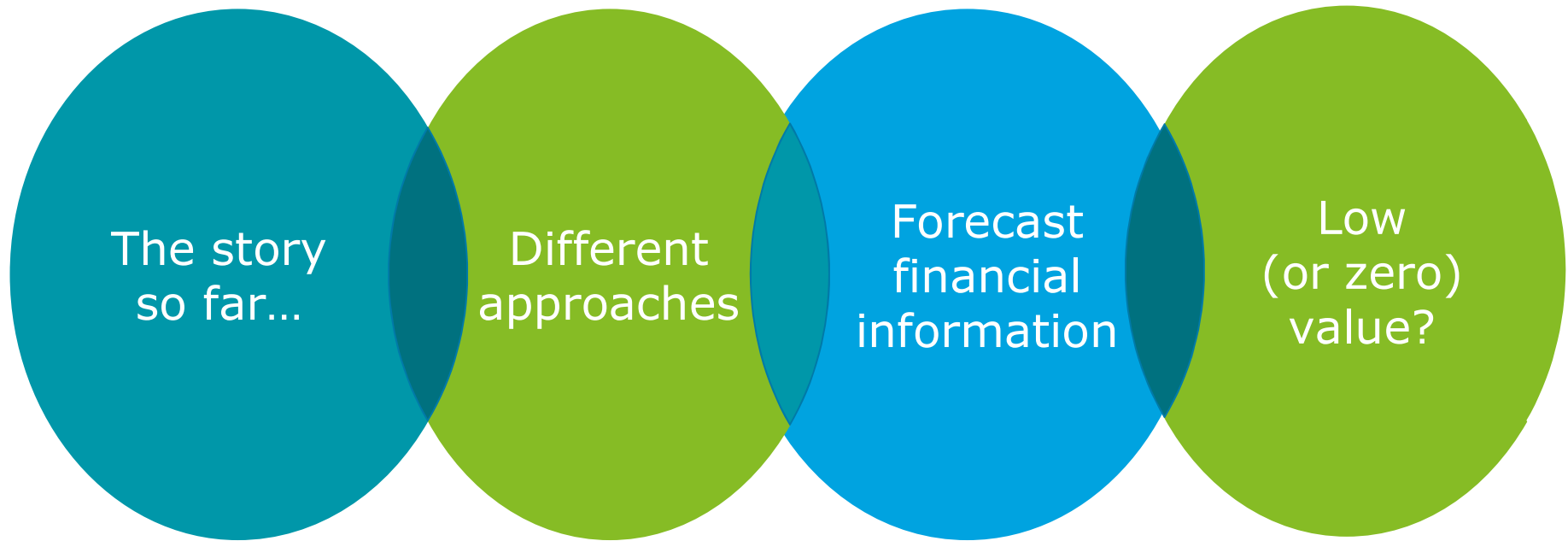


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Growth shares valuation

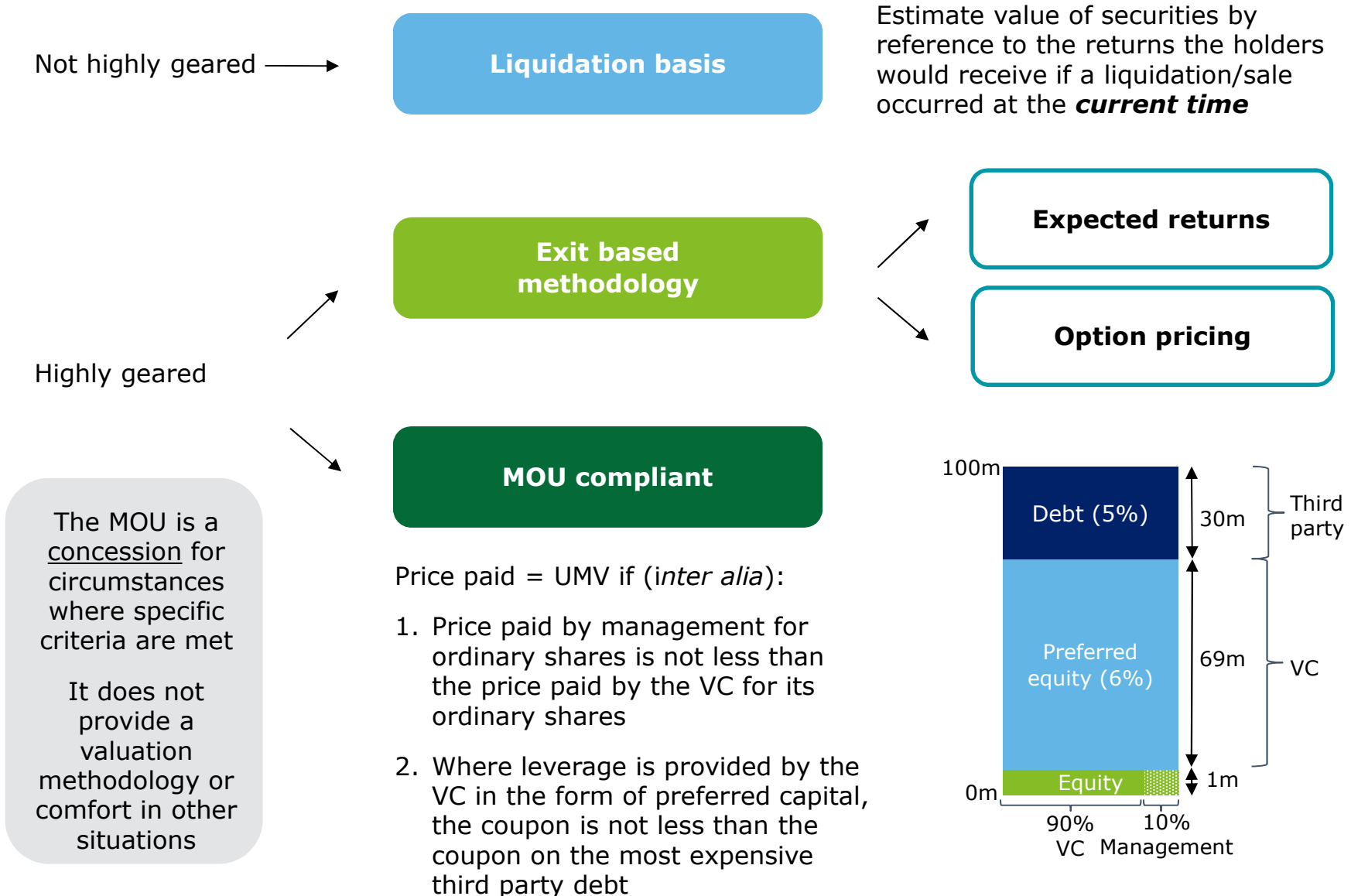


Where now...?

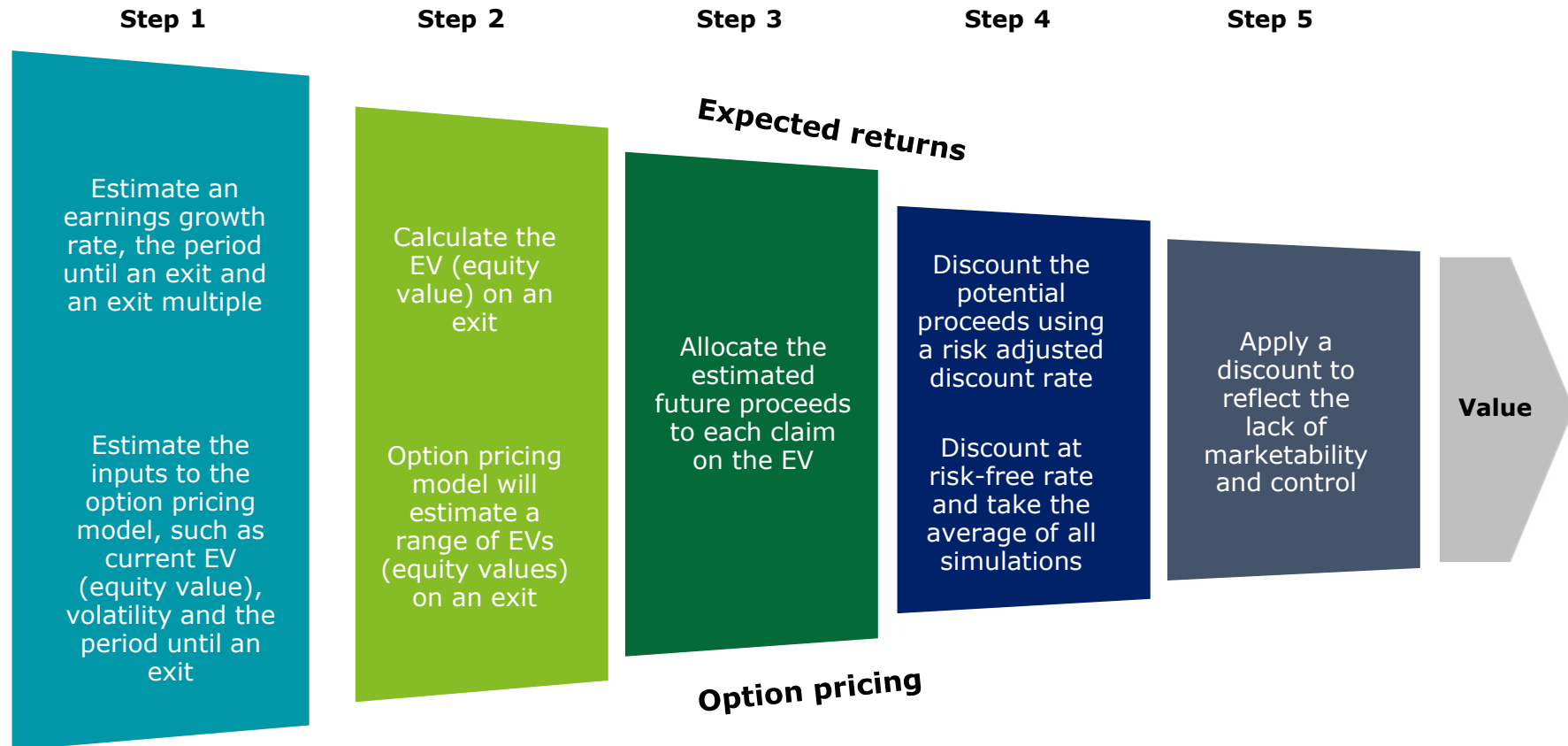


Highly geared securities

Overview of different approaches



Highly geared securities Exit based methodologies

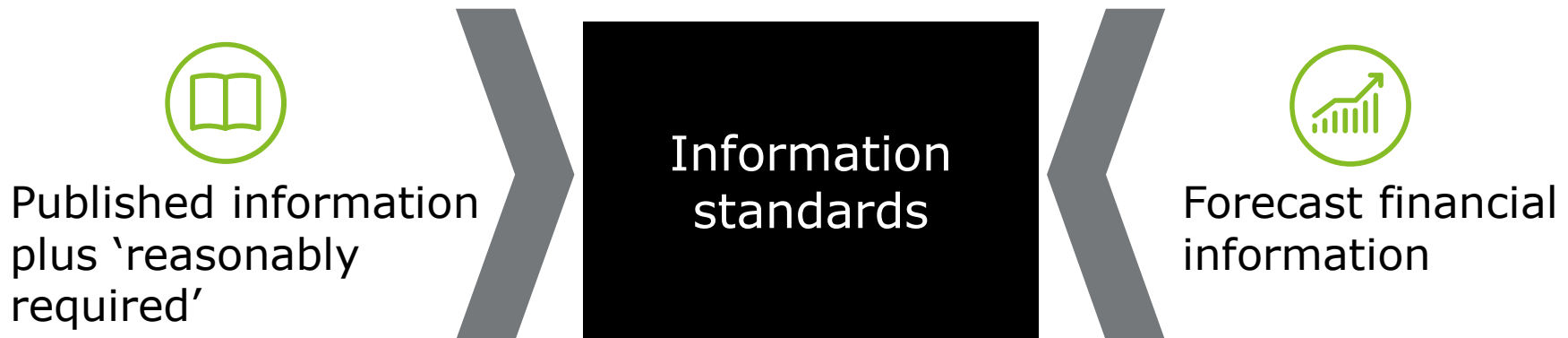


AICPA (Probability-Weighted Expected Returns Method):

“Sophisticated applications of the method may apply a probability distribution to the expected enterprise value, which is measured in terms of future net cashflows.”

Highly geared securities

Forecast financial information



Case law

Re Lynall
Yorkshire Switchgear

Evaluate preparation

Context, context, context
Top down or bottom up?
Track record

Explore underlying assumptions

What is driving growth?
Comparator metrics
Sector expectations

Highly geared securities
Low/ zero valuations



Difficult to see **no value** in an incentives context



How low can you go?

Discounts:

- Time value of money (risk adjusted)
- DLOM

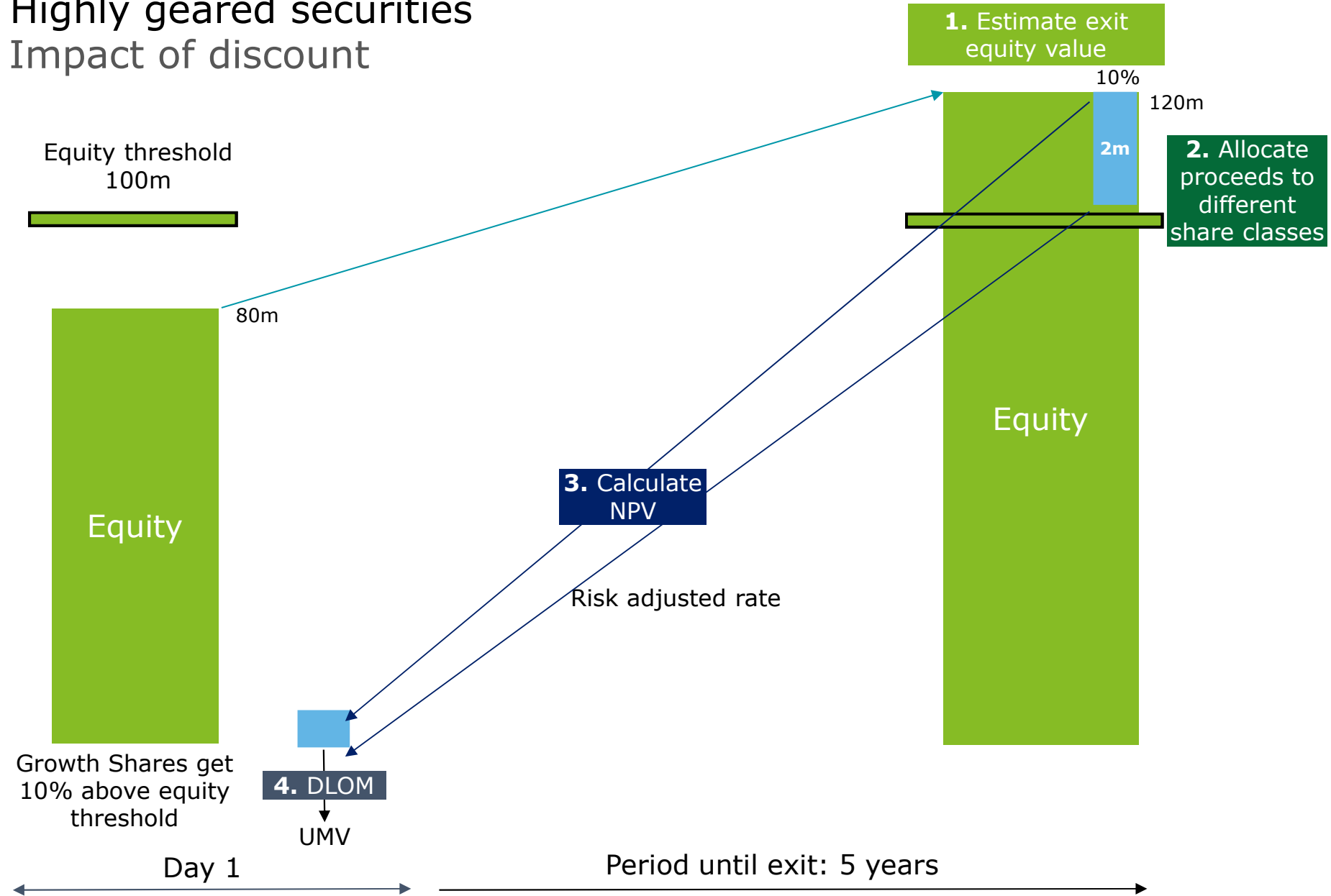


What are you hoping to deliver?

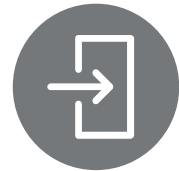
Expectation is that HMRC will seek to reconcile acquisition price with eventual return

Highly geared securities

Impact of discount



Where now...?



Exit based is the norm

PAYE: best estimate

- What does '**best**' mean?
- Information standards

Shift in instruction
re penalty behaviour

Eventual return vs Day 1 value



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