



KPMG's Accounting Advisory Services

KPMG INTERNATIONAL

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Foreword



In today's complex and fast-changing global economy, it is more important than ever for organizations to receive

specialist technical accounting advice and support to help them adapt and succeed in these turbulent times.

KPMG's Accounting Advisory Services (AAS) professionals are experienced in advising our firms' audit and non-audit clients on a wide range of issues, from helping to reach compliance with new or revised accounting standards, and advising on optimizing financial reporting processes to helping ensure that accounting operations match the long- and short-term objectives of the business.

Increasingly, organizations are facing new and complex events: financial restructuring, acquisitions, selling businesses and assets to deleverage; and many require the combination of skills, technical knowledge, experience and focus that AAS has to offer.

AAS professionals aim to deliver a consistent, cost-effective service, backed by the resources of teams of professionals in over 40 countries worldwide, with in-depth technical accounting knowledge and business advisory skills, forming one of the world's leading accounting advisory networks.

AAS teams work alongside KPMG firms' professionals in Audit, Tax and other Advisory service lines to help ensure we deliver a service offering that meets our clients' goals.

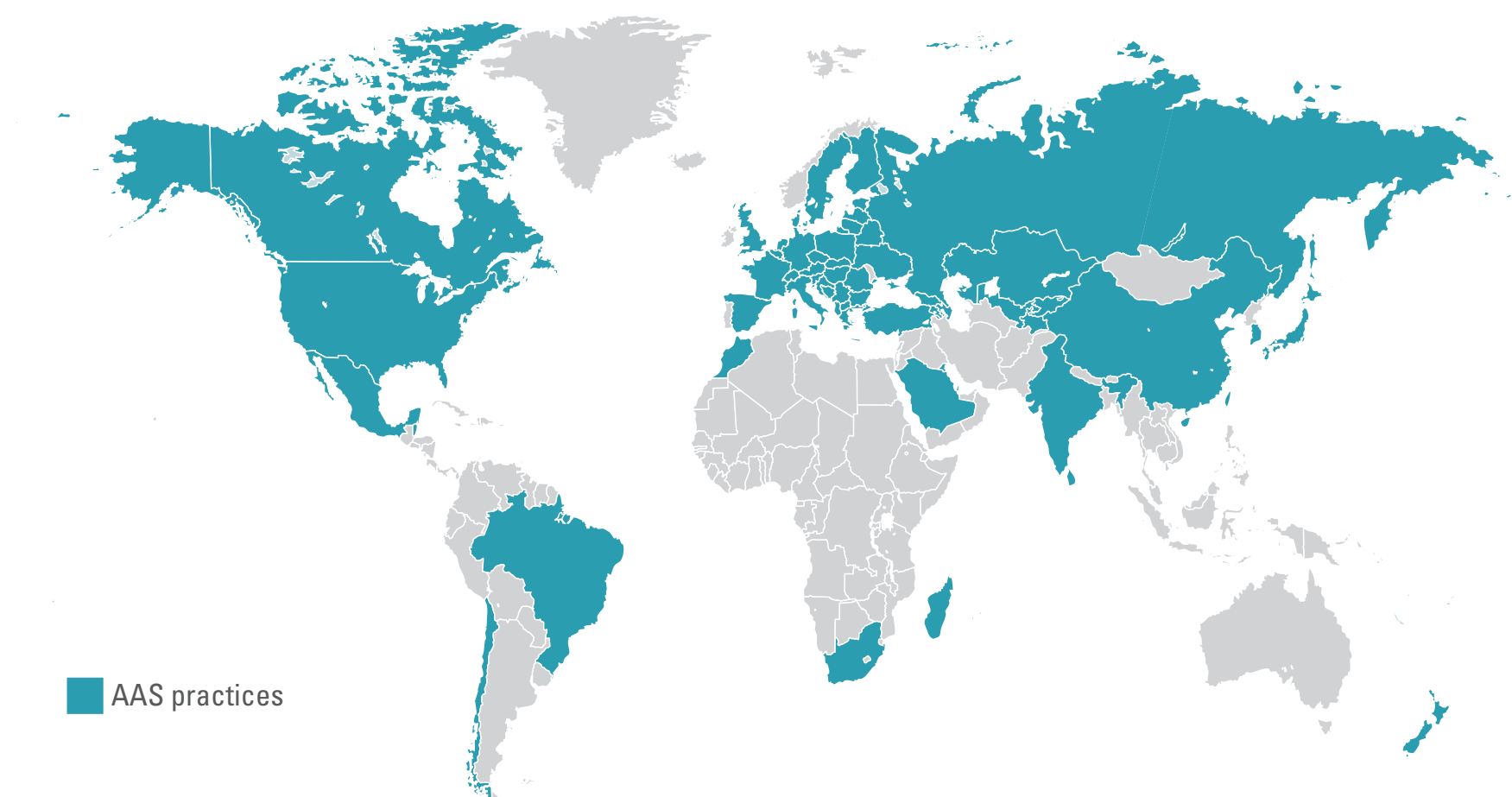
I am pleased therefore, to present this introduction to the wide range of offerings that Accounting Advisory Services has to offer.

Manfred Hannich
Global Head of Accounting
Advisory Services
KPMG in Germany

Who we are

AAS has dedicated teams in most leading KPMG member firms.

Fig 1: AAS practices



We provide accounting and financial reporting advice, consultation and support for complex technical transactions and events and help our firms' clients:

- Deal with the accounting considerations involved in new regulatory compliance initiatives, including new accounting standards or regulatory pronouncements.

- Fulfil capital market expectations of reliable, transparent and detailed financial information.
- Improve systems and processes to create an appropriate balance between performance, risk and control while delivering accurate and timely information to stakeholders.

AAS professionals aim to be 'advisors of choice' helping clients tackle challenging issues and activities including accounting application, financial reporting and related processes, as well as realizing major opportunities. We believe our firms' reputations are built on our professionals' dedication to quality service and technical excellence.

AAS service offerings

Fig 2: AAS services



AAS professionals bring a depth of knowledge that combines financial reporting knowledge, industry experience and a strong focus on the potential effects of accounting regulations and implementation issues. With our skills and knowledge in accounting and financial reporting processes, we provide proactive advice to our firms' clients from a management point of view.

In addition, AAS professionals have in-depth knowledge of stock exchange reporting, listing requirements, cost accounting, budgeting, forecasting, and XBRL applications.

Global conversion services

The increasing globalization of business and the subsequent need for transparent, comparable financial information for investors is driving the need for International Financial Reporting Standards (IFRS). IFRS is now the accepted accounting standard in more than 100 countries worldwide. All EU member countries now require the use of IFRS for their publicly listed companies, and countries such as India, Canada and Korea are currently in the process of converting. The US has a roadmap to convert to IFRS in 2014.

The need for a company to convert to IFRS (or another set of accounting standards) may arise due to a number of reasons: changes in required home country accounting standards as mentioned above, cross-border acquisitions, divestitures or initial public offerings.

AAS service offering

AAS teams specialize in converting one accounting basis to another and understand that this is more than an accounting exercise — it will have an impact on the entire organization. AAS professionals are skilled in handling each element of the conversion process and have a well-established track record of successfully delivering and managing complex, global, large-scale projects, which enables our firms' professionals to anticipate and address our clients' needs.

AAS practitioners working on conversion projects are technically competent, as well as skilled advisors. We therefore balance high level technical accounting knowledge necessary for an accounting GAAP conversion with the advisory skills which help to progress the conversion project effectively.

AAS professionals work in conversion projects across all industries.

AAS initiated the development of KPMG's Global Conversion Services methodology (GCS) based on our firms' many years of conversion experience. KPMG's GCS methodology is our firms' standardized approach to IFRS conversions.

Fig 3: KPMG's GCS methodology



Case study: IFRS conversion services



Company business issue	The company wished to convert from local GAAP to IFRS
Line of business	Information, Communication and Entertainment
Fees	US\$36,000,000
Industry sector	Telecommunications
Region	Europe, Middle East, Africa
Business issue	IFRS Conversion
What KPMG firms did	<ul style="list-style-type: none"> • AAS professionals performed an impact analysis of the IFRS conversion including an accounting and disclosure gap analysis between local GAAP and IFRS and an analysis of the IFRS conversion impact on KPIs • We assisted the company in simulating the impacts of IFRS adjustments on the IFRS opening balance sheet and following income statements • We assisted the company in the preparation of an accounting and financial reporting manual and helped to set-up the conversion plan • We provided support in the conceptual design of the reporting processes and reporting systems and assisted in the set-up of a consolidation process and systems • We supported in the preparation of the first IFRS consolidated financial statements, assisted with technical IFRS accounting issues and provided training
Benefit to the company	<ul style="list-style-type: none"> • KPMG's Global Conversion Services Methodology helped to ensure that the conversion project followed a systematic methodology and did not impact operations. The conversion project was supported by effective tools and templates • An appropriate and timely communication of the IFRS conversion impacts to investors and other stakeholders took place • An efficient IFRS knowledge transfer to the company started early and took place on a regular basis
Summary of key deliverables	<ul style="list-style-type: none"> • Impact analysis report and simulation model to assess impacts of IFRS • Accounting and financial reporting guidance and detailed IFRS reporting package • Alignment of system and processes to IFRS • Technical concept for web-based conversion tool and equity reconciliation tool • Validation concept to ensure high IFRS data quality after the transition to IFRS
Key areas of involvement	<ul style="list-style-type: none"> • Gap analysis (IFRS vs. local GAAP) and analysis of IT, financial and reporting process impacts • Technical IFRS accounting issues and adjustment of reporting processes and systems • Training (finance and controlling departments) and validation support during first years of IFRS reporting

IPO reporting advisory

In an increasingly global capital market environment, the availability of, and access to, cheaper funds in highly liquid public markets has become even more attractive for many corporations seeking to strengthen their finances by offering their securities for sale to the public through an Initial Public Offering (IPO).

Going public represents a significant milestone in the development of a company. It can be an exciting yet challenging prospect; the process is often complicated and time-consuming fraught with hurdles and pitfalls. KPMG firms' experience helps to show that the preparation and verification of the prospectus, due diligence and marketing are some of the most challenging aspects. Changing market conditions, unrealistic timetables and the complexity of preparing the financial track record are also common challenges.

A company may have several reasons for an IPO: divestiture of a business unit or portfolio company; the increase of market value for existing shareholders; the need to raise funds for expansion or the use of its securities to finance future acquisitions.

AAS service offering

KPMG's IPO Advisory teams provide a wide range of services to address the issues faced by clients on their journey towards IPO and their preparations for being a listed company afterwards.

IPO Advisory teams comprise specialists from our firms' Advisory service lines, Tax and AAS who play a very important role to help ensure all necessary accounting and reporting related processes are covered:

Preparing to be public

- Advice on adoption of Corporate Governance according to capital market requirements
- IFRS implementation
- Adequate interim reporting
- Design of annual group and interim financial statements
- Achieving the required quality and speed of reporting
- Integration of internal and external reporting ('bridging')

Going public

- Advice on financial information (F-Pages) to include in the prospectus
- Assistance with compiling historical financial information for the prospectus (consolidated and separate financial statements, carve out, pro forma, combined, short fiscal year financials) including IFRS conversion if applicable
- Coaching and support for CFOs on how to explain the financial information to stakeholders (e.g. shareholders, banks, legal advisors, analysts) taking into account the equity story
- Advice on supporting documentation for the audit and comfort letter

Being public

- Assist with the implementation of a Financial Reporting Structure to a standard typical of a publicly listed company
- Assistance with implementing a Corporate Governance Structure which conforms with the needs of a public company
- Advice on accounting and reporting system enhancements to handle the new reporting requirements
- Ongoing post-IPO assistance to enhance reporting and investor relations

KPMG's member firms use a standardized IPO methodology in the performance of IPO assistance engagements.

Case study: IPO advisory services

Company business issue	The company proposed a minority interest offering of equity securities in a wind energy venture. This venture was expected to be a domestic US filer. Accounting, tax, and advisory services were needed to assist this company in this IPO.
Line of business	Consumer and Industrial Markets
Fees	US\$8 million+
Industry sector	Consumer and Industrial Markets
Region	Americas
Business issue	Product-centric carve-out IPO
What KPMG firms did	<ul style="list-style-type: none"> • We assisted in defining the basis of presentation of carve-out financial statements and interviewed management to gather data regarding corporate allocations and adjustments • We observed and assisted with identifying and assessing potential financial reporting and disclosure matters that may be subject to SEC inquiries and performed US GAAP technical research and documentation assistance • We helped in the drafting of financial statements and related disclosures and performed a sub-consolidation on a carved-out basis
Benefit to the company	<ul style="list-style-type: none"> • Gained access to a large scale, multidisciplinary team with significant SEC filing experience, allowing the company to focus on key issues and limit disruption to the business • Informed about potential transaction accounting and reporting issues in the early stages of the project to allow the company sufficient time to resolve the issues • Coordination throughout the separation process of all advisors, including legal, tax and accounting, as well as the different constituents throughout the organization • SEC filing effectiveness within the timeline and budget
Summary of key deliverables	<ul style="list-style-type: none"> • Summary financial model and draft financial statements for three years • Pre-tax carve-out adjusted trial balances with supporting schedules for audit support • Tax account analysis and tax provision calculations • Project work plan, budget, and issues/status tracking reports • White papers documenting management's position on accounting issues
Key areas of involvement	<ul style="list-style-type: none"> • Data aggregation (baseline) • Financial reporting • Cash flows • Project management

Post-deal accounting advisory

A transaction can represent a significant change to the business, and one that requires careful management if the flow of anticipated benefits is to be turned on quickly. Undertaking a merger or buying a business or a major asset can destroy value unless proper planning and execution take place.

Critical concerns include: performing timely and robust due diligence; aligning deals with strategic business objectives; maintaining regulatory compliance; realizing business synergies and extracting value from business integration.

Deals can often fail to deliver forecast value for a variety of reasons. One of the frequent challenges lies in a lack of integration between the business and its newly-acquired asset.

AAS service offering

KPMG's Post-Deal Advisory teams help companies to plan and complete major business transactions and can advise on each of the many aspects. They work with clients to assess and analyze proposed transactions, highlighting the value drivers, risks and opportunities in the deal and remain involved through the lifecycle of the transaction helping to develop appropriate accounting, finance and tax structures as well as advising on post-deal and integration strategies.

Post-Deal Advisory teams comprise specialists from our firms' Advisory service lines as well as Tax and AAS, who can assist clients to meet short- and medium-term financial reporting and integration/separation requirements:

Buy-side support

- Advice on complex technical accounting positions related to the transaction
- Assistance in the determination of asset valuations, purchase accounting and purchase price allocation
- Regulatory filings with financial statement reporting elements to reflect the transaction, i.e. pro-forma financials
- Reset of deferred income tax amounts
- Assessment of valuation allowances
- Financial reporting of the effects of the acquisition
- Assistance with project management and integration planning
- Execution of integration activities involving the controller's function

Sell-side support:

- Assistance in preparing carve-out financial statements
- Assistance with technical accounting issues involving the transaction and the preparation of financial statements including assistance with footnotes, pro-forma financials, and management's discussions and analysis
- Regulatory filings with financial statement reporting elements to reflect the transaction, i.e. pro forma financials
- Assistance with project management and documentation support for the transaction
- Support with the reporting for discontinued operations and separation activities related to the controller's function

Case study:

Accounting integration of a newly acquired entity

Company business issue	Accounting integration of a newly acquired entity
Line of business	Consumer and Industrial Markets
Fees	US\$520,000
Industry sector	Energy and Natural Resources
Region	Europe, Middle East, Africa
Business issue	Accounting integration
What KPMG firms did	<ul style="list-style-type: none"> • AAS professionals assisted with the development and alignment of financial reporting guidelines, standards, handbooks and reporting processes • We analyzed bookkeeping standards and guidelines used, and evaluated the compatibility to new owner company's standards and guidelines • We assisted with bookkeeping procedures and mapping of chart of accounts and the development of a reporting calendar • We supported on monthly and quarterly closing procedures (local GAAP and IFRS) and the retrieval, analysis, organization and summary of data needed for various integration tasks
Benefit to the company	<ul style="list-style-type: none"> • Technical support and quality assurance on time-sensitive financial reporting integration issues • Short-term availability of IFRS and industry knowledge alongside language and cultural skills • Meeting financial calendar deadlines • Integration experience and smooth integration with corporate guidelines (e.g. financial instruments accounting, emission rights) • Hands-on assistance during financial reporting integration
Summary of key deliverables	<ul style="list-style-type: none"> • Integration support
Key areas of involvement	<ul style="list-style-type: none"> • Alignment of financial reporting of newly acquired entity to group standards and guidelines

Accounting advice

In today's fast changing regulatory environment, it is increasingly difficult for companies to keep ahead of new reporting requirements.

With IFRS now the accepted accounting standard in more than 100 countries around the world, it is more important than ever for companies to have access to up-to-the-minute advice on forthcoming changes to reporting requirements and the implications these might have on their company.

Many of our firms' clients require assistance in applying existing and changing regulatory and reporting standards as they may not have the in-house resources and experience necessary to track and implement changes.

AAS service offering

AAS professionals have in-depth and current knowledge of various accounting standards including IFRS and US-GAAP.

Our firms' accounting specialists are experienced in assisting clients during transactions and events that require complex technical accounting such as financial asset transfers, divestitures, investments, financings, leasing and other transactions.

AAS teams provide advice on accounting standard changes, new policies and financial reporting implications. We are experienced in providing advice on the implementation needs and approaches to address the changes arising from new requirements and help our firms' clients to understand the potential implications of the anticipated accounting changes and the potential business decisions that may arise.

We provide advice on a wide range of accounting issues including: business combinations, consolidation, securitizations, derivatives and hedging, leasing, debt/equity transactions, joint ventures, share-based payments, investments, fair value measurements and revenue recognition including software.

Case study:

Accounting advice on compliance with SEC rules and regulations relating to a reverse acquisition by a foreign business

Company business issue	To execute a significant acquisition and comply with US proxy rules in an accelerated manner
Line of business	Consumer and Industrial Markets
Fees	US\$300,000
Industry sector	Technology
Region	Americas
Business issue	Compliance with SEC rules and regulations relating to a reverse acquisition by a foreign business
What KPMG firms did	<ul style="list-style-type: none"> • AAS professionals helped to draft an SEC pre-clearance letter defining the filings requirements related to the proxy statement and subsequent post-merger filings • We assisted in drafting un-audited pro forma financial statements related to the reverse merger for inclusion in the proxy statement • We provided technical accounting advice on the application of purchase accounting rules to the merger including: identification of the acquirer, determination of purchase price and identification of IFRS v. US GAAP differences for consolidation purposes
Benefit to the company	<ul style="list-style-type: none"> • Access to a multi-disciplinary team that provided assistance in accounting and reporting on this significant transaction • Allowed the company to focus on key operational and integration issues; limit disruption to the business; meet the merger milestones provided to investors • Educated on the purchase accounting issues by receiving an overview of purchase accounting and related SEC financial reporting requirements pursuant to SFAS 141 and SEC's Regulation S-X • Provided access to KPMG firms' resources with extensive purchase accounting and SEC financial reporting experience, including a member firm's national office
Summary of key deliverables	<ul style="list-style-type: none"> • SEC pre-clearance letter • Pro forma financial statements • Technical accounting advice • Project updates
Key areas of involvement	<ul style="list-style-type: none"> • Technical accounting

Financial reporting process advisory

In the face of rising stakeholder expectations and regulations, many companies are under increasing pressure to produce reports faster, with more accuracy and greater transparency. In this corporate environment, the financial reporting process is of the utmost importance, the monthly close and reporting function can be compared to the 'engine room' where all the data comes together to generate reports that will eventually go before senior executives, regulators and shareholders.

For many companies, however, the closing process is often a slow and labor-intensive affair, possibly hindered by poor systems, manual processes and lack of coordination between different parts of the business. The challenge for the finance function is to develop an efficient, accurate and repeatable closing process that helps ensure the integrity of reporting from beginning to end. This is critical in order to manage the timeliness, reliability and transparency of the closing and reporting processes.

AAS service offering

KPMG's Financial Reporting Process Advisory teams help organizations develop a consistent, repeatable and sustainable closing process. KPMG's Advisory professionals understand the closing and reporting cycle and focus on the areas necessary to deliver the desired results, based on the specific needs of the client's organization.

Financial Reporting Process teams are comprised of specialists from our firms' various Advisory service lines including AAS professionals who focus on the complex technical accounting issues surrounding the accounting and reporting related processes.

Our firms' professionals use KPMG's Financial Reporting Process methodology to help ensure consistency when assisting clients with an upgrade to the closing processes enterprise-wide.

Case study: Financial Reporting Process Advisory Services

Company business issue	The company decided to improve their monthly reporting processes. This was due to the increased importance of monthly reporting for management control purposes and the complex financial reporting requirements
Line of business	Infrastructure, Government and Healthcare
Fees	US\$910,000
Industry sector	Transport: Aviation
Region	Europe, Middle East, Africa
Business issue	Financial Reporting Process Advisory
What KPMG firms did	<p>Phase I</p> <ul style="list-style-type: none"> We assisted in analyzing and re-designing the year end closing processes in preparation for the IPO process and provided assistance in optimizing and accelerating these processes We helped to integrate the audit process as a major element of the closing procedure <p>Phase II</p> <ul style="list-style-type: none"> We assisted the company in analyzing the monthly reporting processes and harmonized external and internal reporting requirements for the monthly reporting process We defined pragmatic work-arounds outside the ERP system to enhance the data quality being reported to the finance department We set up a process handbook explaining all interactions and interfaces between operative and finance departments and also a monthly and year end closing calendar
Benefit to the company	<p>Phase I</p> <ul style="list-style-type: none"> Enhancement/streamlining of the closing procedures to achieve financial readiness for a listed company Clear and realistic closing schedule to meet the IPO roadmap <p>Phase II</p> <ul style="list-style-type: none"> Transferred the year end procedures to a monthly basis to increase the quality and speed of monthly reporting External and internal reporting taken from one database at the same time Detailed documentation of the closing procedures
Summary of key deliverables	<ul style="list-style-type: none"> Revised monthly reporting processes and year end closing processes
Key areas of involvement	<ul style="list-style-type: none"> Preparation and moderation of workshops between operating departments and the finance function/controlling Documentation of processes between departments Demonstrated leading practice with regards to monthly closing procedures

AAS methodologies and tools

The GCS Methodology and Toolkit is KPMG's methodology for IFRS and other GAAP conversion services. This approach for KPMG firms has been developed and is updated based on the information and experience gained from many successful conversions worldwide.

Fig 4: GCS methodology overview

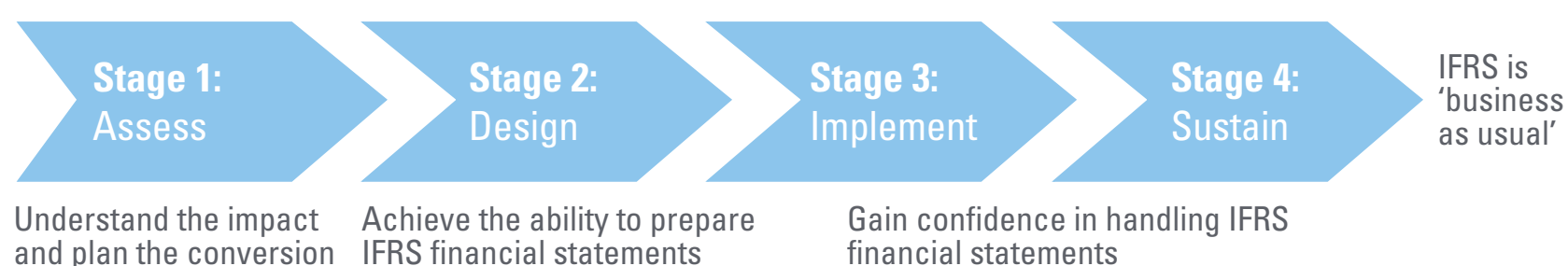


Fig 5: GCS methodology



The approach is scalable, which means it can easily be tailored to individual clients' requirements. It is based on methods and procedures that have been tested and re-tested. This means quicker and better results that can facilitate management decisions during the conversion phase. The advantages for our member firms' clients are:

- An internationally developed method reflecting better practice
- A wealth of tools tailored for the implementation of accounting standards
- A standardized, cost-efficient approach that is also flexible and adaptable — because no two conversion projects are identical

The GCS methodology is based on four key work streams and four phases to help ensure a structured approach. The work streams focus on the key challenges and impacts of a new GAAP implementation: Accounting, Tax and Reporting, Business Impact; Systems and Processes; and People and Change.

The conversion process is divided into four phases: Assess, Design, Implement and Sustain. The Assessment phase is one of the most important phases, identifying accounting and reporting differences and assessing their impact on IT systems, processes and business issues. In the Design phase, accounting policies are de-fined, blueprints for IT system changes created and training modules prepared. In the Implement phase, all designed changes are implemented and rolled-out and in the Sustain phase the smooth running of all implemented changes should be ensured.

With experienced practitioners sharing this approach and a wealth of purpose-specific and useful tools available, KPMG member firms can provide a valuable set of services for clients around the world.

GCS for IPO services methodology and toolkit

KPMG's GCS for Initial Public Offering (IPO) methodology is a broad-ranging assistance package for the accounting and reporting related process within an IPO project helping our firms' clients to prepare for the transition from a privately held to a publicly listed entity by assessing, designing and implementing filing formalities, processes, systems and other business needs from their current state to the future required standard.

The methodology and supporting tools have been developed by a multi-disciplinary KPMG team and are based on our member firms' experience of many successful IPO projects around the globe.

The IPO project is approached in manageable phases and work streams to help ensure a robust structure and a successful project. The accounting and reporting related process can be broken down into a three-step process, depending on the nature of each company's requirements and readiness.

Typically, these include:

- Conversion of accounting and financial reporting systems from local GAAP to a new GAAP; or a private to public company GAAP
- Preparation of the public company registration documents for submission and approval by local regulatory authorities.

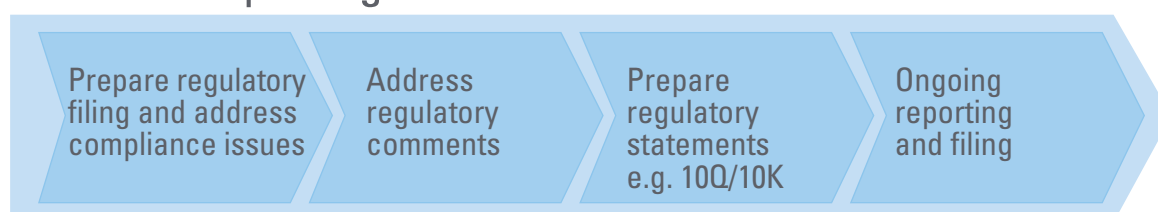
This often includes extensive detailed disclosures of several years of audited financial statements and other quantitative and qualitative data covering business performance and identification of risks

- Development of a public company's infrastructure, including the requisite finance and accounting organizational structure, processes, technology and controls; the implementation of a corporate governance framework; new capabilities around investor and public relations, and risk and compliance management.

With experienced practitioners sharing this approach and a wide range of specialized tools, KPMG member firms can provide tailored services for clients around the world.

Fig 6: IPO project structure

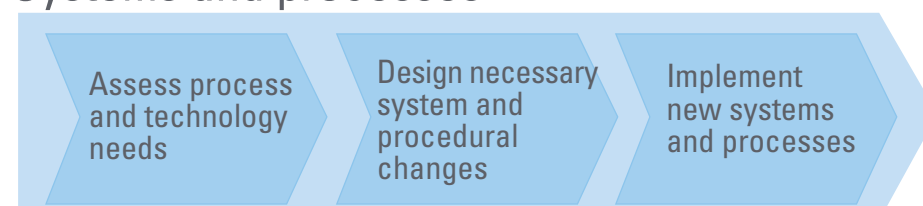
Financial reporting



Corporate governance



Systems and processes



Project management and coordination

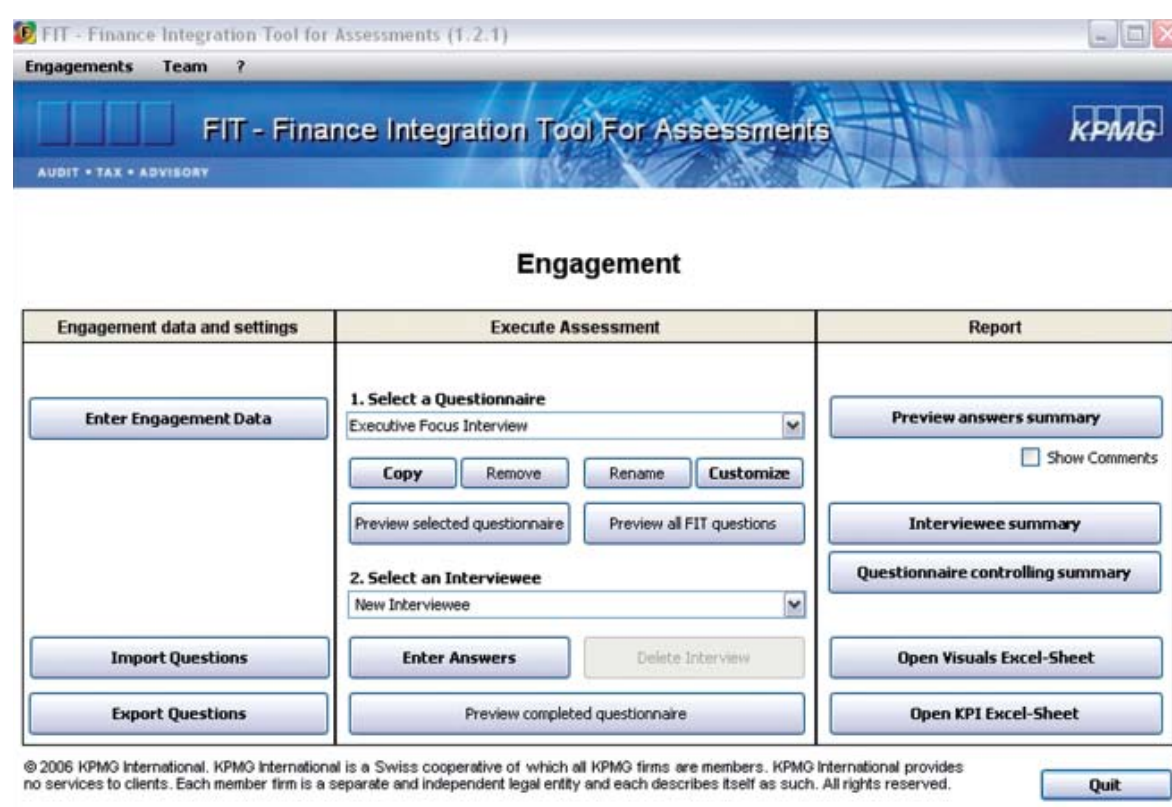
Finance Integration Tool (FIT)

The Finance Integration Assessment Tool is a diagnostic tool that is designed to help quickly assess the client's finance function based on multiple criteria through structured interviews, supported by workshops and analysis tools.

This exercise aims to help organizations in harmonizing and integrating different external and management financial reporting processes. It is designed to identify how the finance function can better align regulatory compliance and performance initiatives; they can begin to reduce costs, improve the speed and timeliness of financial reporting, enhance information quality, sustain compliance and improve business performance.

With the Finance Integration Assessment, KPMG member firms' Advisory teams use a structured assessment tool to interface with senior management and key users of the financial reporting supply chain. This helps them better understand how pressures from the external environment, compounded by internal challenges relating to systems, processes and people, impact the balance between compliance and performance — and ultimately the cost, speed and quality of financial reporting. This structured approach can lead to the identification of improvement areas to be addressed through a Finance Integration program (including roadmap and building blocks).

Fig 7: Finance Integration Tool



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