



Where you see structure, we see value



# PREFACE



Owners of industrial assets know that their assets are changing all the time. Assets are modified and extended to meet new legal, safety or product quality related requirements. In this dynamic environment keeping track of the correct financial value of industrial assets is often seen as a difficult task with a low priority. However, in the last few years the value of assets has become increasingly important due to transparency required by shareholders and for determining of the right selling or buying price of the assets during acquisition processes.

In their respective fields of expertise, both SPIE Controlec Engineering B.V. and Cost Engineering Consultancy B.V. have been working for industrial asset owners for more than thirty years.

For a many years we have been invited by our clients to execute projects that deal with the combination of technical know how and financial and cost engineering expertise. Together we have developed unique field inspection procedures, verification methods for asset-databases and valuation models. Our qualified and well motivated staff have executed these projects successfully and therefore we have decided to bundle our expertise and promote ourselves under the name SCE.

In this brochure we would like to share with you the importance of correct valuation of industrial assets and the role that SCE can play to assure accurate registered values for financial reporting purposes as prescribed by IFRS or US GAAP guidelines or needed during selling or acquisition processes or for insurance or tax purposes.

We trust that we will be able to convince you that with our unique skills and experience we can assist you in improving your company's transparency and integrity and financial performance.

At SCE we see beyond the obvious. Because, where you see structure, we see value

AAFJE JANSEN-ROMIJN,  
MANAGING DIRECTOR COST ENGINEERING CONSULTANCY B.V.

WILLEM VAN DER GRAAF,  
MANAGING DIRECTOR SPIE CONTROLEC ENGINEERING B.V.



# YOUR CHALLENGE

Your company's annual report is on the table. The business has performed well and you have achieved several successful acquisitions. Or have you? Are you sure the reported value of your industrial assets is correct?

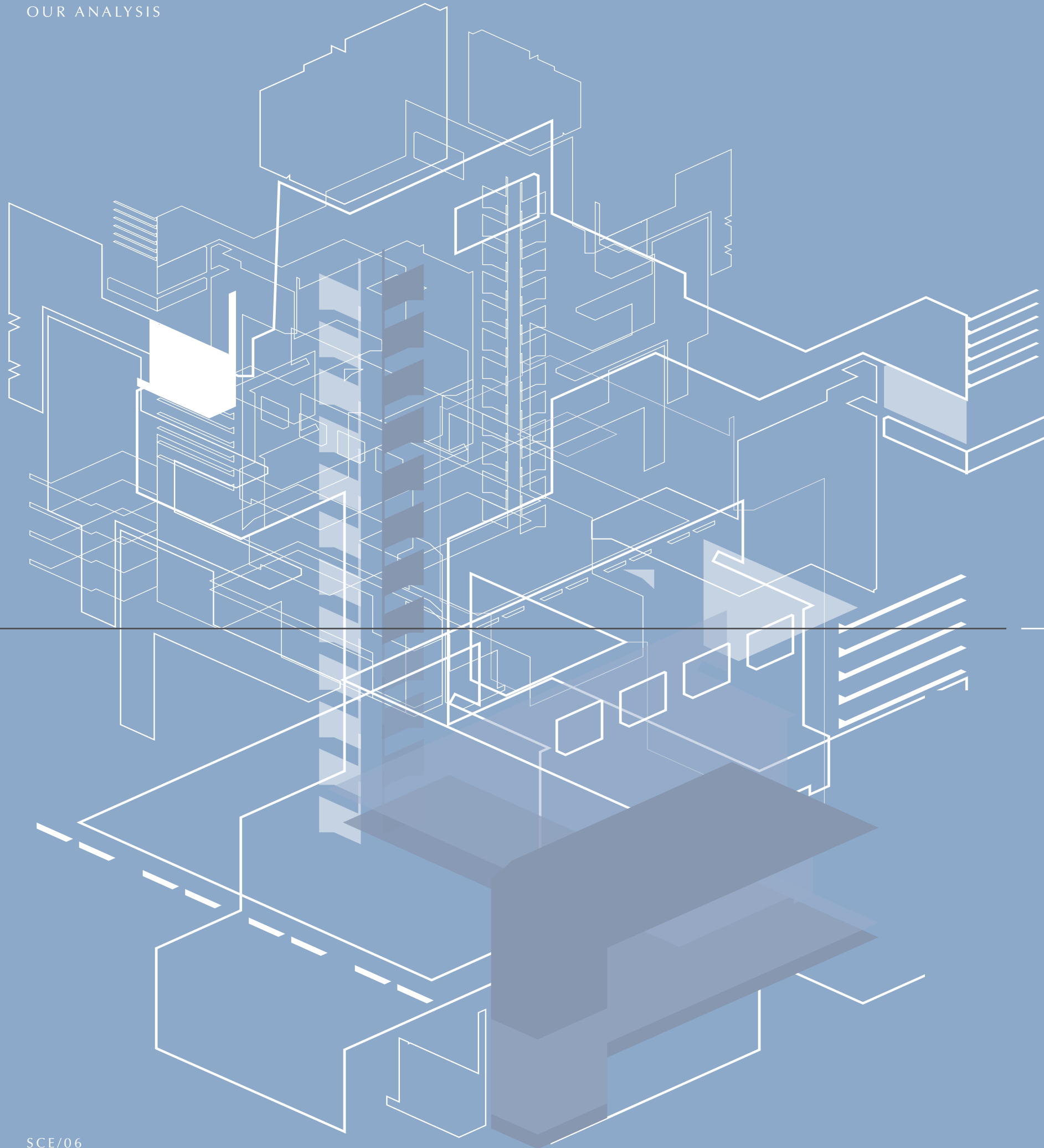
Extensive financial reporting guidelines such as IFRS, and USGAAP and legislation such as SOX in the US were developed to increase focus on corporate governance and make businesses more transparent to all shareholders. The impact of these developments are immense. One of the aspects that influence transparency and credibility of your financial reporting is the correctness of the value of your industrial assets.

In most organizations the value of industrial assets are recorded in an asset database. During the lifecycle of an industrial asset many modifications will take place. It is the challenge of your organization to keep track of the financial impact of all these changes.

Despite regular internal verification of the asset database, which is common practice within many companies, in practice it often appears that through the years, records

of the asset database are not adequately kept up to date. This eventually leads to incorrect valuation of assets and consequently to incorrectness of the company's financial reporting.

Both your shareholders as well as financial guidelines such as IFRS and US GAAP expect your registered value to be the true value of your assets. Does the value of assets in your financial system reflect the realistic value of your assets? SCE guarantees correct valuation of your assets.



## OUR ANALYSIS

Many technical factors greatly influence the value of your industrial assets. Are you aware that statistical research has shown that in 75 percent of all cases the registered value of industrial assets is incorrect?

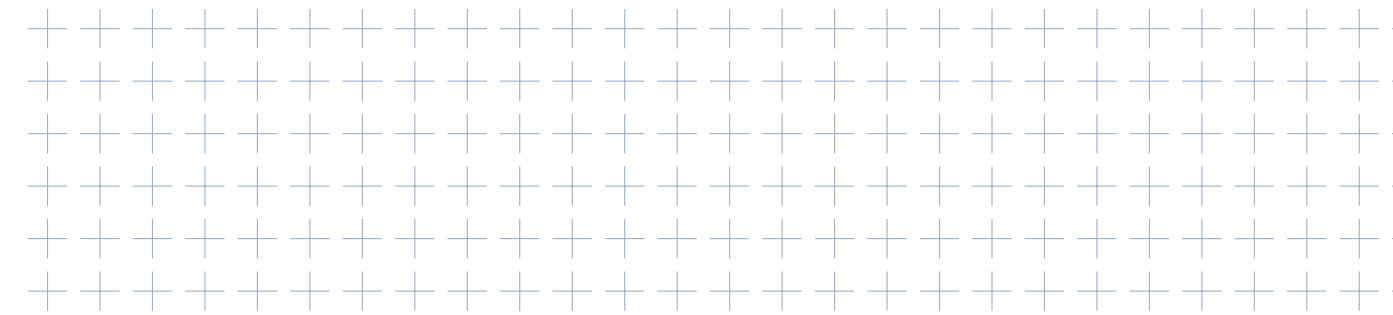
The technical complexity of industrial assets is the main reason that the value cannot be determined by calculations based only on accounting systems. At SCE we have seen many situations in which the financial calculations were not in line with the technical reality.

During one of SCE's asset verification programs, we came across a situation that clearly demonstrated an incorrect financial valuation approach to industrial assets. In this case there were two identical plants at identical locations, owned by one organization. The financial registration showed that one of the plants was worth almost twice the value of the other plant. Closer examination revealed that a difference in the allocation of project funds had severely changed the capitalization of the plants over the years. Incorrect choices were made in budget allocations, which resulted in capitalization of maintenance costs in some cases and not capitalizing of

project costs in others. As a result, the registered value had no relation to the actual value of the asset.

Similar problems often arise during the process of acquiring an asset. SCE has encountered a situation in which a client purchased an asset at what seemed to be a realistic price after careful analysis by their financial team. Unfortunately, after the deal was done, it turned out that putting the asset back into production would add twice the original purchase price to the total cost of the asset. Even more sobering was the realization that the unit would produce a quarter less than a new unit would have, even though the total cost had now become over thirty percent higher than that of a newly built unit.

These situations are two examples in which the realistic value of industrial assets turned out to be far out of line with their registered value.



actual assets and the condition they are in. The condition of an asset is not only defined by the way it has been maintained over time, but it also addresses its compliance to current health and safety regulations. To ensure that you can put the costs in the right perspective our experts also provide you with the capacity and state of the asset compared to the building of a new asset using the latest technology. Naturally, the same approach can be taken for an intermediate solution, replacing parts of the asset by new technology, with a watchful eye on the balance of cost and production improvements. This analysis enables you to carefully consider all your options and their benefits when making your decisions.



# OUR APPROACH

**Our biggest challenge in relation to value of industrial assets is to determine the correct value for financial reporting and for sale or acquisition purposes. Value is always determined in context. For this reason, SCE uses proven methods which eliminate any doubts regarding the value of an asset.**

Over the years SCE has developed and proven its own analytical methods to determine the value of industrial assets. These methods allow us to effectively use the information from your technical as well as your financial registration systems and combine these with technical inspection reports by our field engineers. This results in a calculation which takes into account all influential factors and gives you a realistic value of your asset.

Our analysis weighs the total cost of the assets you are considering against their potential to serve your purposes. This means that in a due diligence process the total value is determined by the

The process of determining the correct value of industrial assets for financial reporting is also described as an asset verification process. This process focuses on thorough analysis of your assets during which our experts analyze both the technical as well as financial data that relate to your assets. Subsequently, one of our teams visit the assets to compare the actual situation to the information on the asset list. This comparison is used to create a new asset list. The approach that has been taken in your financial process to determine depreciation will also be closely analyzed by our experts. Through our established approach to asset verification, we have been able to assist our clients in obtaining goals varying from savings in insurance and tax costs to improvement of their credit options.

Our approach to determining the value of your assets is always thorough, but also efficient. This starts with the first question you ask. By working together with you and your team, we are able to pinpoint exactly what needs to be done in order for your project to be successful. After all, our single aim is to answer to the challenges your company faces.

# YOUR RETURN ON INVESTMENT

When hiring SCE to execute projects where technical, financial and cost engineering competences are required you will find that SCE meets your expectations on quality, efficiency and reliability. But just as with any other investment you would like to know what your return on investment is. Investing in the knowledge of SCE is no different.

In case of selling or buying industrial assets, our due diligence process allows you to make better founded decisions. By involving SCE you will limit the chance of unforeseen investments after acquisition. With our experience we dare to state that our analysis to determine the correct value of industrial assets is unique in the market. With the outcome of SCE's analysis you will strengthen your position at the negotiation table. SCE adds value by saving you money during the acquisition process and allowing you to weigh all alternatives.



Having an asset verification and valuation performed by an independent third party will have a number of advantages for your organization. To shareholders, being trustworthy and transparent is more important than ever. For that reason, it is important to show that the value of your assets has been determined correctly. This is why our clients often hire SCE as an independent third party, which brings the verification process in line with financial guidelines and requirements.

Establishing a correct asset database and determining the correct value of your assets has other financial benefits as well. An independent valuation will help you to optimize your industrial property tax, insurance premium and income tax.

With obvious benefits, our clients trust us with projects worth many hundreds of millions every year. To them, SCE is a stable factor in the fast changing world of industrial technology and economic challenge. Discreteness and knowledge of the worldwide market make organizations turn to SCE to answer their questions regarding the value of their organization or their investments. SCE values the opportunity to support your organization using the knowledge it has gained over the years.

But most of all, we value the opportunity to give you a clear return on investment.



*Chris Hagedoorn is one of our Senior Consultants*

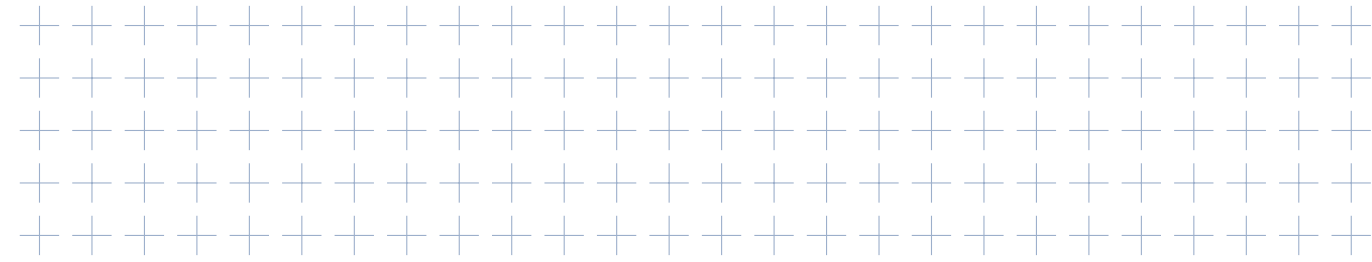
# OUR TEAM

**Our staff are well motivated and have the right skills and experience to handle complicated projects where technical and financial aspects need to be combined. SCE harnesses the best of both worlds. Our experts are experienced in both technical as well as financial methods and have used these methods for many years.**

SCE is a joint initiative of SPIE Controlec Engineering B.V. and Cost Engineering Consultancy B.V. Together these two companies have provided many multinationals worldwide with technical as well as financial solutions.

SPIE Controlec Engineering B.V. is an independent multidisciplinary engineering and consultancy firm which offers its technical knowhow to companies around the world

for over forty years. SPIE Controlec Engineering B.V. belongs to the SPIE-group, a leading technical services company which is active in more than 80 countries world-wide. Catering for a broad range of projects, SPIE Controlec Engineering has knowledge and experience available in inspection, design and development, maintenance and field operations. This means that our experts can quickly assess the condition of your asset and its compliance to



*Cost engineers like Chris Reebeen play an important role during valuation*

health and safety regulations. Our engineers can then advise you on the state of your technology and future development options.

With over thirty years of experience, Cost Engineering Consultancy B.V. is well aware of the challenges the mix of technology and finance brings to the table. After all, the job of a cost engineer can be seen as the art of assigning value to that which has been or will be engineered. In a market as dynamic as industrial technology this means that Cost Engineering constantly trains its experts and challenges their knowledge. To maintain its high standards in quality, Cost Engineering only works with certified cost engineers with a background in technology and well educated and experienced in finance. This combination guarantees delivery of added value for your company. SPIE Controlec Engineering B.V. and Cost Engineering Consultancy B.V. make a great team as we combine passion and experience for technical structures with a clear vision on value.

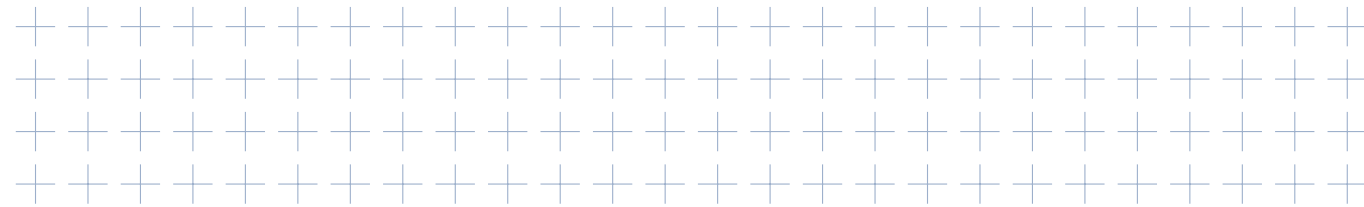
SCE experts never work alone. The knowledge involved in both the due diligence as well as the asset verification process needs a group of carefully selected experts. This

is why we handpick our professionals together with you to create a team that fits into your organization and suits the project perfectly.

**Cost Management Consultants**  
Cost is at the heart of all of SCE's projects. With their technical background and financial knowledge, our cost engineers form the back-



*One of our Engineering and Field Inspection Coordinators*



*The overall project manager oversees all disciplines*

bone of the financial analysis of your assets. Through their years of experience in the industry and their academic knowledge of costing approaches, our senior cost engineers are the natural choice to take the responsibility for the methods used for the calculations. They will determine these methods based on experience, historical values and research done at your premises to ensure our models fit your assets best.

The input given by the technical analysts will need to be translated into financial data that can be used in the calculation models. This will be done by our cost engineers, who will also analyze the available asset lists, the capitalization of your assets and the indices that have been used by your financial team over the years. Through this process they create a new set of data that can be used in our calculation models. The calculation models will then be run for the assets that have been split up based on a number of variables. The end result will be evaluated to ensure the result fits your organization. As a final step, our cost engineers compile the calculated figures into a new and definitive asset list.

**Technical**

Our technical analysts and engineers are the technical brains of the project. Depending on whether an asset verification or a due diligence analysis is being carried out, the technical team consists of a number of development and field engineers and field inspectors. Their task is to thoroughly analyze your plot plans and all related design documents that are available from your archives. Once the analysis is done, our engineers will visit your site to analyze the plant and its assets. This will include an analysis of the way in which the plant functions and how the assets are related to the production of that plant. This analysis is vital to the way in which the value of the assets are determined. The end

**OUR TEAMS CONSIST OF PROFESSIONALS FROM VARYING BACKGROUNDS**

results of this analysis will be incorporated in the asset list before it is handed over to the cost engineers. In a due diligence process, the development engineers will then review the complete plant to see how the current equipment compares to the latest production methods in order to determine possible gains to be achieved by upgrading. At this time the comparison to building a completely new asset will also be made by the engineers. Our teams consist of professionals from varying backgrounds who bring different perspectives to the reviewing process. However, they all have one thing in common: they are all very experienced in their fields and are able to see beyond the obvious.



*Our Engineers and Inspectors execute verification and inspection on site*

# SCE Values

SCE stands for a high standard of business ethics which is translated into openness, integrity and reliability. To achieve and maintain our position in the market SCE pays the utmost attention to Quality, Safety, Health and Environment issues and encourages its staff to continue improving their skills.

#### **Transparency**

SCE is uses transparent methods and standards. We are open and honest when portraying our findings and appreciate receiving the same response from our partners and clients.

#### **Integrity**

Projects executed by SCE are often of the highest importance to you as a client. Results are often sensitive and need to be handled with restraint and communicated in the correct context. SCE staff are used to handling all information with the highest confidentiality.

#### **Reliability**

For every project we mobilize the best people for the job from within both organizations. All projects are executed as one integrated team. Our methods have been closely

scrutinized by renowned multinationals and have been accepted as their methods of choice for these processes.

#### **Focus on Safety, Health, Environment and Quality**

After many years of experience on industrial projects SCE clearly recognizes the importance the SHEQ requirements in industrial environments. SCE is committed to maintain strict SHEQ standards on all their projects.

#### **Continuous improvement**

Lessons learned from past projects are incorporated into procedures and best practices. This guarantees you optimal use of our experience on your projects. Our staff improve their skills by means of training, courses and ever increasing experience.

#### **Passion**

SCE is a passionate organization. Our enthusiasm is apparent in how we approach your organization's challenges and treat them as our own.

When rising to meet your organization's challenges, be sure to invite us to join you for an inspiring conversation and to support you in creating the most efficient and effective solutions.

Because, where you see structure, we see value.



## CONTACT US

### **SPIE CONTROLEC ENGINEERING B.V.**

De Brauwweg 74-82  
NL-3125 AE Schiedam  
PO Box 99  
NL-3100 AB Schiedam  
The Netherlands  
Tel +31 (0)10 409 04 00  
Fax +31 (0)10 409 03 88  
[www.spie.controlec.nl](http://www.spie.controlec.nl)

### **COST ENGINEERING CONSULTANCY B.V.**

IJsselmeer 32e  
NL-3332 EX Zwijndrecht  
PO Box 25  
NL-3330 AA Zwijndrecht  
The Netherlands  
Tel +31 (0)78 620 09 10  
Fax +31 (0)78 620 91 42  
[www.costengineering.eu](http://www.costengineering.eu)

[WWW.WESEEEVALUE.COM](http://WWW.WESEEEVALUE.COM)



[WWW.WESSEEVALUE.COM](http://WWW.WESSEEVALUE.COM)