



Australian and New Zealand Inbound Investment Considerations

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Australia



Why Australia?

- Strategic Location
- Business Friendly Regulatory Environment
- Strong Economic Credentials
- Democratic and Politically Stable
- Highly Skilled and Multilingual Workforce
- Excellent R&D and Infrastructure
- Strong and Sophisticated Financial Services Sector

Investment Climate

Overview

Economic & population centre - eastern seaboard

Mining and LNG – west of Australia

The Government actively supports free trade

FDI encouraged if consistent with Australian community interests.

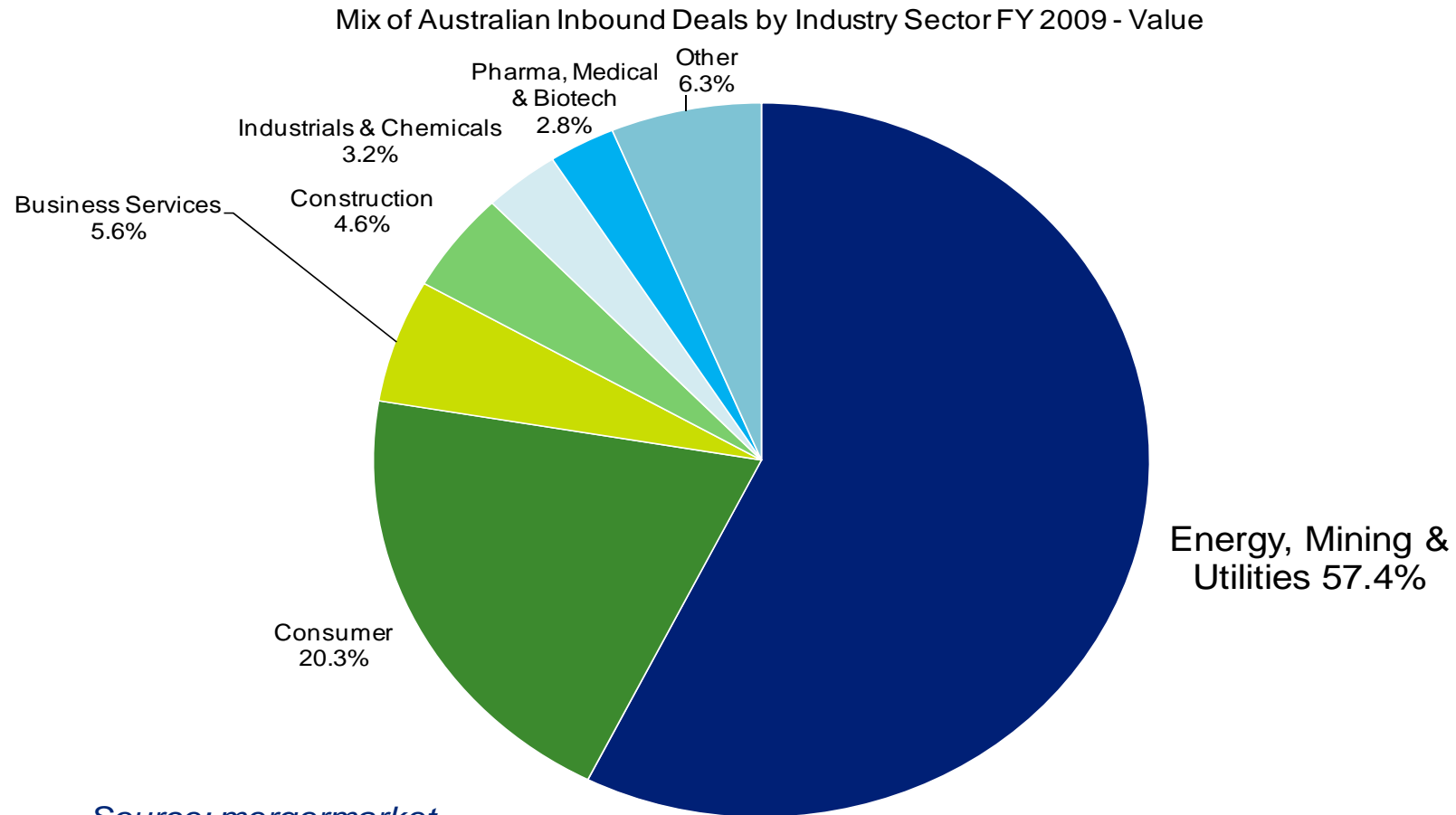
Recent significant inbound deals:

Japanese: Kirin's \$5.3 billion acquisition of Lion Nathan

Asahi Breweries \$1.2 billion of Schweppes

Chinese: Yanzhou Coal Mining \$1.2 billion acquisition of Felix Resources

Australia M&A inflows - year to June 2009 (by value)














Source: mergermarket

Total value inbound A\$44.3 bn represented by 114 deals

Our experience

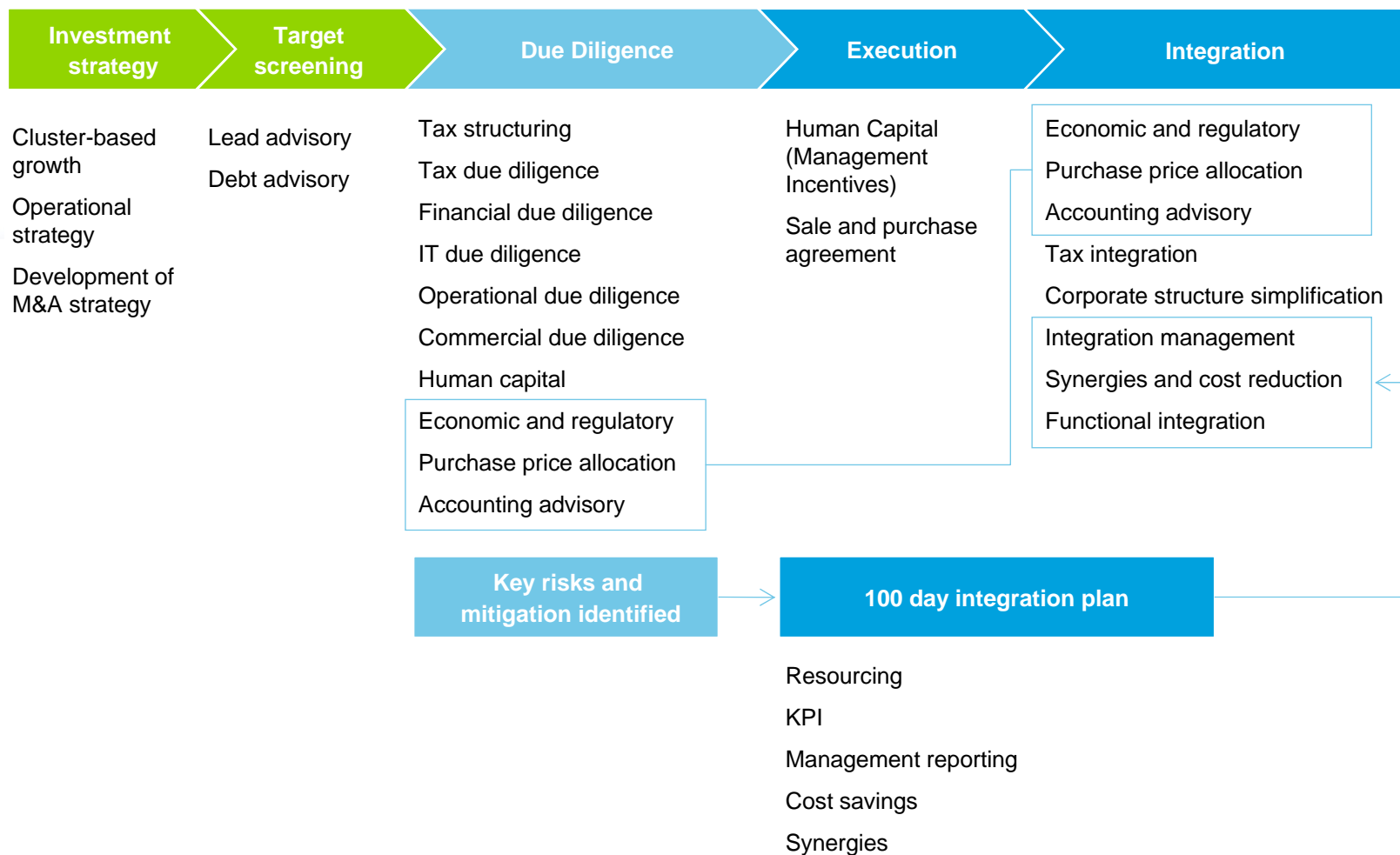
We have advised on some landmark transactions in the Australian market place

Landmark Transactions			
 <p>Symbion Health Vendor Due Diligence for the disposal of Symbion's Pharmacy and Consumer Businesses</p>	 <p>BBI Financial due diligence and forecast review relating to the recapitalisation and sale of assets to Brookfield Asset Management</p>	 <p>Schweppes Acquisition Due Diligence for the acquisition of Schweppes</p>	 <p>KKR/Channel 7 Acquisition Due Diligence</p>
 <p>The Blackstone Group Assisted global private equity fund with Accounting and Taxation due diligence for a number of transactions</p>	 <p>Kirin/National Foods Acquisition due diligence for Kirin's acquisition of National Foods</p>	<p>Spark Infrastructure Financial due diligence and forecast review</p>	 <p>Boart Longyear Investigating accountants report for IPO and Acquisition Due Diligence</p>
 <p>Coles Acquisition Due Diligence</p>	 <p>KKR/BIS/Cleanaway Acquisition Due Diligence</p>	 <p>Alinta Acquisition Due Diligence and Tax services</p>	 <p>Nikko/Fleet partners Acquisition due diligence and Post merger acquisition</p>

The M&A Lifecycle



Deloitte has an integrated practice that offers a full range of services across the lifecycle of an acquisition



Australia scores highly as a place to do business

	2008-12 Rank	2008-12 Total Score	2003-07 Rank	2003-07 Total Score	Change In Total Score	Change In Rank
Denmark	1	8.76	2	8.74	0.01	1
Finland	2	8.74	3	8.71	0.03	1
Singapore	3	8.73	1	8.84	-0.11	-2
Canada	4	8.71	5	8.64	0.07	1
Switzerland	5	8.68	4	8.67	0.01	-1
Australia	6	8.65	14	8.20	0.45	8
Hong Kong	7	8.64	7	8.64	0.00	0
Netherlands	8	8.63	8	8.59	0.04	0
Sweden	9	8.63	11	8.34	0.29	2
USA	10	8.60	6	8.64	-0.04	-4
Ireland	11	8.57	9	8.53	0.04	-2
UK	12	8.56	10	8.52	0.04	-2
Germany	13	8.48	15	8.13	0.35	2
New Zealand	14	8.29	13	8.20	0.08	-1
Austria	15	8.26	16	8.00	0.26	1
Belgium	16	8.25	12	8.22	0.03	-4
Norway	17	8.14	17	7.97	0.16	0
Taiwan	18	8.11	22	7.57	0.54	4
France	19	8.03	18	7.89	0.14	-1
Chile	20	8.02	19	7.80	0.22	-1

(1) The EIU's business rankings model measures the quality and attractiveness of the business environment in 82 countries by examining the political environment, the macroeconomic environment, market opportunities, policy towards free enterprise and competition, policy towards foreign investment, foreign trade and exchange controls, taxes, financing, the labour market and infrastructure.

Sources: The Economist Intelligence Unit, Press Release – 21 Apr 2008; Austrade

One of the fastest places in the world to start a business

	Australia	USA	UK	Japan	India	China	Hong Kong	Korea	Singapore	Taiwan
Starting a Business										
Procedures (number)	2	6	6	8	13	13	5	10	5	8
Duration (days)	2	6	13	23	33	35	11	17	5	48
Enforcing Contracts										
Procedures (number)	28	32	30	30	56	35	24	35	22	47
Duration (days)	262	300	404	316	1,420	406	211	230	120	510
Closing a Business										
Time ⁽¹⁾ (years)	1.0	1.5	1.0	0.6	10.0	1.7	1.1	1.5	0.8	1.9
Recovery Rate ⁽²⁾ (cents in the dollar)	79.2	75.9	84.6	92.6	13.0	35.9	79.0	81.2	91.3	80.2
Hiring and Firing Workers										
Difficulty of Hiring Index ⁽³⁾	0	0	11	0	0	11	0	11	0	67
Nonwage Labour Cost ⁽⁴⁾ (% of salary)	20	8	11	13	17	44	5	13	13	13
Difficulty of Firing Index ⁽³⁾	10	0	10	30	70	40	0	40	0	40
Firing Cost ⁽⁵⁾ (weeks of wages)	4	0	22	4	56	91	62	91	4	91

(1) Time is recorded in calendar years. (2) The recovery rate is recorded as cents in the dollar recovered by claimants – creditors, tax authorities and employees – through bankruptcy proceedings. (3) Each index assigns values between 0 and 100, with higher values representing more rigid labour regulations. (4) The nonwage labour cost indicator measures all social security payments (including retirement funds, sickness and maternity leave, health insurance, workplace injury, family allowance, and other obligatory contributions) and payroll taxes associated with hiring an employee in the 2006 fiscal year. (5) The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker.

Sources: World Bank Group, *Doing Business In 2008, How To Reform*; Austrade

Industry recognition



“2008 Accountancy Firm of the Year”

CFO Awards



“2008 Due Diligence Firm of the Year, Asia Pacific”

Australasian Financial Advisors by Volume

2008	2009	Company	Deal count	Value US\$m
1	1	Macquarie Group	35	73,273
2	2	Deloitte	34	12,257
17	3	Gresham Advisory Partners	23	61,996
6	4	Goldman Sachs	22	68,829
5	5	UBS Investment Bank	20	19,096
8	6	Ernst & Young	19	1,080
14	7	Deutsche Bank	16	6,200
12	8	Grant Samuel	16	4,084
3	9	KPMG	16	1,559
18	10	Credit Suisse	12	61,194

Source: Mergermarket 2009 Global M&A Round-up

Australasian Financial Advisors by Value

2008	2009	Company	Deal count	Value US\$m
4	1	Macquarie Group		73,273
8	2	Goldman Sachs		68,829
24	3	Gresham Advisory partners		61,996
6	4	Morgan Stanley		61,419
5	5	Credit Suisse		61,194
7	6	Lazard		58,546
2	7	UBS Investment Bank		19,096
16	8	Deloitte		12,257
9	9	JP Morgan		8,980
3	10	Caliburn Partnership		6,236

Source: Mergermarket 2009 Global M&A Round-up

Asia M&A Atlas Awards

Regulatory and Taxation



Forms of Doing Business

Choice of Business Entity

Limited liability corporation: public or private company

or register as a foreign corporation and operate as a branch

Also partnerships, unincorporated JVs, limited partnerships and trusts.

Other Taxes

GST (VAT) – 10%

Withholding Taxes

Dividends

Franked – 0%

Unfranked – 30% (15% under Vietnam Tax Treaty)

Interest – 10%

Royalties – 30% (10% under Vietnam Tax Treaty)

Payroll Tax – 4% - 6%

Superannuation - 9%

Stamp Duty 5% - 6%

Fringe Benefits Tax

Mining & Mineral Royalties

Restricted Tax Incentives - R&D & EPBS

Australian Foreign Investment Review Board



Foreign Investment Review Board - FIRB

Regulates Foreign Investment into Australia

The Australian Treasurer can order a transaction to be unwound

If FIRB approval required – must file an application

- Approval 40 days which FIRB can extend
- FIRB approval can impact timing of transactions

FIRB – Basics

FIRB approval where foreign person acquires a controlling interest in an Australian business, company or certain land

Foreign Person –foreign companies and entities and Australian companies where a foreign person has a controlling interest

Controlling interest is 15%

Voting rights are key

FIRB - Thresholds

Thresholds – investment type

No Threshold

All vacant non-resident land;

All residential real estate (certain exemptions);

All shares or units in Australian urban land corporations or trust estates*;

All direct investments by foreign governments or their agencies

* Australian urban land corporations or trust estates are companies or trusts where 50% or more of the assets of the company or trust are “land” assets

Corporate Tax Regime

Income tax imposed on taxable income of a year. Any year may be selected; usual is 30 June

Corporate tax rate is 30%

Branches of foreign companies 30%

Capital gains generally taxable

Tax losses can generally be carried forward indefinitely

Australia full self-assessment system. Australian Taxation Office does not review income tax returns but has powers to monitor compliance

Taxable Australian Property



Non-Tax Resident Capital Gains Tax

Portfolio (less than 10%) interests – **No** CGT

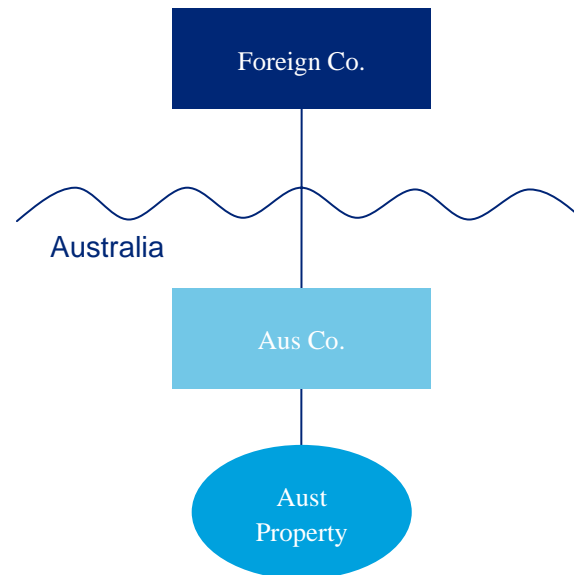
Non-portfolio (10% or more) interests – CGT may apply

Applies to direct interests in real property and land rich entities

CGT on profit at investor tax rate

30% for companies & branches

45% for non-resident individuals – 50% CGT discount available



Australian Resources



Land of Plenty – Australia’s Economically Demonstrated Resources (EDR)

Commodity	EDR at 31 st Dec 2007	% of world EDR	AU world EDR ranking
Bauxite (Gt)	6.2	23%	2nd
Black Coal (Gt)	38.9	5%	6th
Brown Coal (Gt)	37.3	24%	1st
Copper (Mt)	59.4	9%	2nd
Gold (t)	5839	13%	2nd
Iron Ore (Gt)	20.3	11%	5th
Nickel (Mt)	25.8	37%	1st
Uranium (Kt)	983	27%	1st
Zinc (Mt)	42.5	18%	1st

Source: Australia’s Identified Reserves 2008, Geosciences Australia

New Zealand





Investment Overview

- **Free and open business environment with sophisticated legal and tax system.**
- **World Bank “Doing Business 2010 ”, New Zealand 2nd for ease of doing business.**
- **Ranked 1st for starting a business - one procedure, one day.**
- **Foreign investment encouraged and approvals processed quickly.**

Investment Overview

- **Certain types of foreign investment subject to approval i.e. sensitive land, business assets > NZ\$100 million, fishing quota**
- **Most common investment vehicle limited liability company**
- **Overseas company may operate through a branch**
- **No foreign exchange controls or reporting for remittance**



New Zealand Tax System – Overview

- **Company Income Tax (tax rate 30%)**
- **Individual Income Tax (top rate currently 38% but likely to be reduced)**
- **Goods and Services Tax (current tax rate 12.5% but likely to be increased to 15%)**
- **Other taxes and duties include excise duty and stamp duty**

Special Tax Regimes

- **New Zealand's economy focuses on commodity production in agriculture (dairy), fishing and forestry. Recent shift towards further processing of primary commodities to add value and to counter fluctuating world commodity prices.**
- **There are special tax rules in relation to**
 - Forestry
 - Geothermal
 - Petroleum
 - Mining




The rules are generally concessionary and encouraging but specific advice should be sought in the tax planning stage

Energy and resources credentials

  <p>M&A advice on acquisition of Gloucester Coal</p>	  <p>Independent expert report in relation to the proposed takeover by Yanzhou Coal</p>	  <p>IER for Excel Coal in relation to the takeover offer by Peabody Energy Corporation</p>	  <p>Prepared valuation and tax balance sheets for Peabody Pacific Limited in relation to its acquisition of Millennium Coal</p>	  <p>Independent Expert's Report in relation to the proposed merger with Macarthur Coal</p>
  <p>Financial modelling to assist Kansai Electric</p>	  <p>IER for Pure Energy Resources in relation to the takeover offer from Arrow Energy</p>	  <p>Valuation, strategy and negotiation advice to Tarong Energy regarding a coal acquisition</p>	  <p>Advised Sumitomo Corporation on its bid for several Australian oil assets</p>	  <p>Due diligence services in respect of the potential acquisition of coal seam gas assets</p>
  <p>Valuation services for Mitsui coal mines</p>	  <p>Listing of Glencore's Australian and South African coal mines</p>	  <p>Financial due diligence on the \$6bn sale of Alinta Limited</p>	  <p>Financial and tax due diligence on AGL's interest of oil and gas assets in PNG</p>	  <p>Valuation services of global mining assets including Australian thermal and coking coal assets</p>
  <p>Tax advice to Chevron Texaco in relation to the merger of its Australian entities</p>	  <p>IER for Bolnisi Gold in relation to the acquisition by Coeur d'Alene Mines Corporation</p>	  <p>IER for Perseverance Corporation in relation to the offer by Northgate Minerals Corporation</p>	  <p>Valuation of WMC Resources for BHP Billiton</p>	  <p>Tax assistance for Australian investments and offshore investments</p>

* IER = Independent Expert Report

Energy and resources credentials

 <p>Deloitte.</p> <p>Fair market valuation of the Kebabangan Cluster fields for Shell</p>	 <p>Deloitte.</p> <p>IER in relation to the \$12 billion takeover by Royal Dutch Shell</p>	 <p>Deloitte.</p> <p>IER for Sunshine Gas in relation to the takeover offer by Queensland Gas</p>	 <p>Deloitte.</p> <p>IER for Anzon Energy in relation to the acquisition of Roc Oil</p>	 <p>Deloitte.</p> <p>IER for Arc Energy in relation to the takeover offer by Australian Worldwide Exploration</p>
 <p>Deloitte.</p> <p>IER for Great Artesian Oil and Gas in relation to the takeover offer from Drill Search Energy Ltd</p>	 <p>Deloitte.</p> <p>IER for Anzon in relation to the takeover offer by ARC Energy and Nexus</p>	 <p>Deloitte.</p> <p>IER for Queensland Gas in relation to the strategic relationship with AGL Energy Limited</p>	 <p>Deloitte.</p> <p>Financial and tax due diligence on certain coal seam gas assets held by Origin Energy</p>	 <p>Deloitte.</p> <p>IER for Woodside Petroleum in relation to its acquisition of Shell's North West Shelf Oil interests</p>
 <p>Deloitte.</p> <p>Advice for Queensland Gas on the financial modelling and structuring of the Condamine Power Station</p>	 <p>Deloitte.</p> <p>Fair market valuation of the Bayu Undan project for ConocoPhillips</p>	 <p>Deloitte.</p> <p>Valuation of a number of oil and gas assets for ExxonMobil, BHP Billiton, Chevron, Texaco, Santos and Shell</p>	 <p>Deloitte.</p> <p>Fair market valuation of jointly held assets by ExxonMobil and BHP Billiton</p>	 <p>Deloitte.</p> <p>Valuations of exploration permits covering the Gorgon, Jansz and associated fields for ExxonMobil and Shell</p>
 <p>Deloitte.</p> <p>Financial due diligence for Sinopec International Petroleum Exploration and Production Corporation in relation to South Pacific Petroleum</p>	 <p>Deloitte.</p> <p>Study of the Queensland Gas business to establish WACC benchmarks</p>	 <p>Deloitte.</p> <p>Valuation of the assets of Tipperary Oil and Gas for Santos</p>	<p>Deloitte.</p> <p>Confidential: Financial and tax due diligence on the proposed acquisition of a 49.9% interest in Origin Energy CSG Limited</p>	 <p>Deloitte.</p> <p>IER for Samson Exploration NL regarding its increased shareholding in Kestrel Energy Inc</p>

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