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Share Valuations – Your minority shareholding may be worth more than you thought!

It has been the view of many valuers of shares that "fair value" of shares means that the share of a minority shareholder must be discounted because of an inability to control meeting resolutions. In fact a premium for the worth of the minority shares may be appropriate. The Victorian Court of Appeal in *Toll (FHL) Pty Ltd v Prixcar Services Pty Ltd* [2007] VSCA 285, 10 December 2007 found that "fair value" did not of itself equate to "market value". A premium may attach to a minority shareholding because of a strategic significance in "blocking" resolutions, and potentially because of the ability of a minority shareholder to enter into a relationship of mutual cooperation with a larger shareholder(s). Persons may pay more to avoid the nuisance of a minority investor, particularly if attenuated by greenmail. There is a special value to be placed potentially to an acquirer getting 100 percent of a company (or close) and not have to deal with a third party investor.

It is common to have shareholder disputes as to what is "fair value" or "market value". There is expertise involved in accounting for value within those terms, and legal issues to how that accounting is to be undertaken in principle. A shareholder who does not have "consensus" as to its shares "fair value" should contact us for considered legal advice.

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