



MINUTES OF THE INTERNATIONAL VALUATION PROFESSIONAL BOARD

HELD IN LONDON

ON FRIDAY 4 JUNE 2010

PRESENT:

Brad Wagar Chairman
Ion Anghel
Roy Farthing
David Faulkner
Greg Forsythe
Brian Glanville
Doug McPhee
Jean-Florent Rérolle
Julio Torres Coto

IN ATTENDANCE:

Marianne Tissier Executive Director, IVSC

APOLOGIES: There were none

Action

1. OPENING REMARKS

- 1.1 Brad Wagar opened the meeting. He welcomed Doug McPhee to his first meeting of the IVPB and Jeannine Brookes and Brain Keough, representing the Canadian Institute of Chartered Business Valuators who were attending as observers.

2. MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

- 2.1 The minutes of the meeting held on 5 November 2009 were approved.

3. BRIEF SUMMARY OF IVSC ACTIVITY SINCE NOVEMBER 2009

- 3.1 The Board noted the report summarising IVSC activity since November 2009 was circulated with the agenda.

4. DUE PROCESS FOR INTERNATIONAL VALUATION PROFESSIONAL BOARD

- 4.1 The Board discussed the draft Due Process and proposed the following changes:
- To use 'documents' instead of 'international pronouncements' throughout the text;
 - Agreed the following rewording for paragraph 2 vii: "Is the potential project able to be completed within an appropriate timeframe, given current or attainable resources and other current or committed projects."
 - Amended use of the words 'should' and 'will' to 'may' in paragraphs 6 and 10;

- Agreed to add the International Valuation Standards Board amongst those to be consulted in paragraphs 7 and 11 as part of a fatal flaw review; and
- Revised the first sentence of paragraph 19 to read “Where the Board’s attention is drawn to valuation issues caused by external events and which are likely to give rise to diversity of practice, inappropriate application of methodology, or difficulties for preparers and users of valuations,…”

Action

4.2 In a discussion on the meaning of ‘fatal flaw’ review, the Board concluded that it was not an advance opportunity for recipients to provide feedback or comment on a document but was a final check to ensure that there was no serious omissions or flaws prior to public exposure.

4.3 The Board agreed that the Due Process, suitably amended, should be passed to the Board of Trustees for review prior to publication on the IVSC web site.

**Exec
Director**

5. CODE OF ETHICS

5.1 The Board noted that the draft Code had been circulated to the IVSC Advisory Forum for a ‘fatal flaw’ review but that although some member institutes had apparently responded, these responses had not been forwarded by the chair of the Advisory Forum for consideration by the IVPB at this meeting.

5.2 The Board agreed the following amendments to the draft:

- Paragraph 3.2.2; second sentence to read “Potential conflicts should be disclosed in the report and in writing before accepting instructions.”
- Paragraph 3.2.8 to read “...the Valuer must not rely upon critical information from a client or other party without appropriate vetting for reasonableness or confirmation from an independent source.”

5.3 The Board unanimously agreed that the Code of Ethics, as amended, should be issued to public exposure for a period of three months.

5.4 It was agreed to prepare an introduction to the exposure draft that was consistent with that prepared for the Discussion Paper ‘Definition of a Professional Valuer’.

**Brian
Glanville/
Greg
Forsythe**

6. DEFINITION OF PROFESSIONAL VALUER

6.1 Greg Forsythe reported that the draft had been amended to take into account comments received from the Board of Trustees, the International Valuation Standards Board and the IVSC Advisory Forum as a result of the ‘fatal flaw’ review.

6.2 The Board unanimously agreed that the Definition of a Professional Valuer’ should be issued as a discussion paper with comments requested within a three month period, and that it be issued simultaneously with the exposure draft ‘Code of Ethics’ but as a stand-alone document.

**Exec
Director**

7. VALUATION UNCERTAINTY

- 7.1 The Board noted that the Expert Group on the Valuation of Financial Instruments was revising the paper initially prepared by members of the International Valuation Standards Board. The Expert Group would review the revised paper at its meeting on July 12.
- 7.2 The paper will be circulated to the IVPB when available and the Board was reminded that Jean-Florent Rérolle was the link between the IVPB and the Expert Group.

8. FAIRNESS OPINIONS

- 8.1 The Board agreed that although a standard on fairness opinions would not be appropriate, there was a need for guidance regarding what a fairness opinion is and how it differs from a valuation, and on how a valuation professional should perform a fairness opinion.
- 8.2 Jean-Florent Rérolle agreed to lead a small ad hoc group, to include Doug McPhee and a representative from Australia, to develop a scoping study for the project.

**Jean-Florent Rérolle/
Doug McPhee**

9. STRUCTURE AND LAYOUT OF TECHNICAL INFORMATION PAPERS (TIPs)

- 9.1 The Board agreed that guidance produced by the IVPB will be known as Technical Information Papers (TIPs) in future rather than Guidance Notes. The following structure for the TIPs was agreed:
- Executive Summary (maximum half a page)
 - Introduction (including a reference to applicable International Valuation Standard(s))
 - Definitions
 - Objectives
 - Guidance (this is open ended in terms of length and substance. If needed, worked examples to be included)
 - References
- 9.2 A 'Basis for Conclusions' should be published as supporting documentation particularly if the TIPs was departing from common practice or there had been robust discussion on an issue.
- 9.3 The need for a technical editor to ensure consistency of style between the TIPs was agreed.

10. TECHNICAL INFORMATION PAPER – DISCOUNTED CASH FLOW ANALYSIS

- 10.1 Doug McPhee, chair of the working group, introduced the draft of the paper as at 29 May for discussion. The Board agreed with his observation that there was too much repetition in the draft that should be removed.
- 10.2 A number of definitions appeared in the IVS and should be removed from the draft. The Board, however, did agree that the preparation of a Glossary of Terms should receive a high priority in the IVPB work programme.

10.3 In applying DCF to arrive at fair value for financial reporting there are a number of concepts that are difficult to apply, for example 'market participants'. Jean-Florent R  rolle agreed to forward some comments.

Jean-Florent R  rolle

10.4 A number of detailed comments were made on the draft following the review by the Board that will be referred back to the working group for consideration.

Doug McPhee

11. TECHNICAL INFORMATION PAPER – THE COST APPROACH

11.1 Roy Farthing, as chair of the working group, introduced the draft paper for discussion. Although the original guidance note (GN 8) in the International Valuation Standards had been restricted to financial reporting, the group had agreed to expand the current draft to discuss the cost approach more generally. The Board concurred with this approach.

11.2 The following was highlighted during the discussion:

- The 'test of adequate profitability' was no longer referred to other than as a cross reference to its previous use in GN 8;
- The term 'service life' was used in preference to 'economic life'. It was noted that the IVS exposure draft uses the term 'economic life' and that this is more applicable to non-real estate assets. 'Useful life' is also a term used in the IVS exposure draft (pages 43/44);
- The use of the cost approach for intangibles needs to be more fully covered in the draft.

11.3 The comments are to be discussed by Roy Farthing with the working group and an amended draft prepared.

Roy Farthing

12. TECHNICAL INFORMATION PAPER – INVESTMENT PROPERTY UNDER CONSTRUCTION

12.1 David Faulkner, chair of the working group, reported that the group had an initial discussion on the possible content of the TIP. Following resolution of some divergent views, work would begin on drafting.

13. JOINT IAASB/IVSC NON-AUTHORITATIVE GUIDANCE ON USE OF AN EXPERT

13.1 The chairman reported that he and Brian Glanville had a discussion with Jim Sylph, Executive Director, Professional Standards, and James Gunn, technical director, IAASB. The chairman is to meet with Jim Sylph at end June to progress the project. [Post event. Meeting in Toronto cancelled]

13.2 Greg Forsythe agreed to assist in developing this guidance. It was also agreed that the Financial Instruments Expert Group, who had at the request of IAASB provided comment on the valuation aspects of draft *International Auditing Practice Statement 1012 – Auditing Financial Instruments* might need to participate in the work.

14. JOINT PROJECT WITH THE APPRAISAL FOUNDATION

Action

- 14.1 The Board noted that the Appraisal Foundation was close to publishing best practice guidance *The Identification of Contributory Assets and the Calculation of Economic Rent* following which the IVPB would issue an exposure draft of the paper as international guidance.

15. DEVELOPMENT OF BEST PRACTICES

- 15.1 The Board agreed to convene a working group to develop a TIP on highest and best use. Brian Glanville agreed to be responsible for beginning the work on this project until he retired as a member of the IVPB.

**Brian
Glanville**

- 15.2 Greg Forsythe agreed to chair a working group to review current *GN 4 Valuation of Intangible Assets*, much of the content of which was guidance and therefore had not been reproduced in the IVS exposure draft, with the intention of preparing a TIP.

**Greg
Forsythe**

16. IVS EDUCATION COURSE

- 16.1 The chairman reported that four parties were interested in working with the IVPB in developing a course on the International Valuation Standards when the new edition became available.

17. IVSC PROMOTION

- 17.1 The IVPB had a brief discussion on the need for enhanced promotion of the IVSC and the standards and suggested that the issue be raised with the Board of Trustees. There was general agreement on the need for members of all IVSC boards to be provided with business cards.

18. DATE OF NEXT MEETING

Thursday October 7 and Friday October 8, 2010, Miami
The IVSC AGM will be held in the afternoon of Saturday 9 October 2010