

Standard No. 130

VALUATION REPORTS

File Documentation Standards and Recommendations

1. A Valuation Report is defined as “**any written communication containing a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuator acting independently.**” A Valuation Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Valuation Report; (iii) the Valuator knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator has a reasonable expectation at the time the work product is provided that a Valuation Report will be completed and issued in due course.
2. At a minimum, file documentation for a Valuation Report shall consist of the following items set out in bold characters. “*Recommendations*” are not mandatory, but encouraged. “*Explanatory comments*” provide additional guidance in applying the specific provisions of the Standard.
3. **The following General and Specific Standards apply to all three types of Valuation Reports (i.e. Comprehensive, Estimate and Calculation Valuation Reports), unless otherwise indicated.**
4. **General Standards**
 - A. **Work performed in the course of a valuation engagement shall be documented and files must be maintained in an organized manner.**
 - B. **The form and extent of working papers shall suit the circumstances and needs of the engagement for which they are prepared and take into consideration the type of Valuation Report required.**
 - C. **All documents and working papers evidencing the nature and extent of work performed shall be retained for a reasonable time following completion of the engagement.**
 - D. **The identities of the individual(s) performing the valuation engagement shall be documented.**

5. Specific Standards

- A. **A copy of the final issued Valuation Report shall be retained on file.**
- B. **When the Valuator has determined that an engagement letter is required, the engagement letter shall be retained on file. When no engagement letter has been received, the Valuator's file shall contain a summary of the nature and purpose of the mandate, including the nature of the instructions received from the person requesting the valuation and the type of Valuation Report required.**
- C. **Summaries of key meetings, discussions and correspondence shall be retained on file.**
- D. **The Valuator shall either retain on file, or have access to, information upon which he or she relied in conducting the engagement. (Recommendation: provided they are relevant to the conclusion, the following documents should normally be retained on file, or be summarized with the resulting summaries retained on file:**
 - any information that provides the Valuator with an understanding of the subject of the valuation and its underlying business operations, such as articles of incorporation, minutes, product information, resumes pertaining to management experience and qualifications, material agreements, and reports or studies on environmental issues;
 - financial statements or a summary of historical operating results and financial position of the underlying business;
 - future oriented financial information, such as financial projections, forecasts, and budgets, if available;
 - information regarding the industry analysis performed, such as industry or trade publications, regulations, stock exchange listings, and comparable market transactions; and
 - information regarding the general economic review performed.)
- E. **With respect to Comprehensive and Estimate Valuation Reports, the valuation approach and techniques selected shall be documented, along with the reasoning for selection. Key valuation components considered and valuation assumptions made shall also be documented. A copy of the valuation calculations, including all necessary explanations and supporting documentation, shall be retained on file. (*Explanatory comment:* this documentation standard will be met if this information is included in the Valuation Report itself.)**
- F. **Where the work of a specialist is relied upon, the conclusions arrived at by the specialist shall be documented, and when a written report prepared by the specialist is obtained, a copy thereof shall be retained on file.**
- G. **When the Valuator has determined that a client representations letter and/or a management representations letter is necessary, this (these) letter(s) shall be retained on file. When the representations letter(s) indicates that the client or management relied on a draft copy of the Valuation Report in order to make its representations, this draft copy shall be retained on file. When no representations letter has been received, the Valuator's file shall indicate why no such letter was obtained.**

June 17, 2009