

1 PART C – PRESENTATION STANDARDS

Chapter C1 – SOURCES AND REFERENCES

Revision History

Original Standard Released in May 1999

Revision in August 2023 Main changes are:

- Standard C1.1 Commission – added the requirement to:
 - State the identity of any other intended user;
 - State a restriction that limits use of the report to the client and named intended users.
- Standard C1.2 Scope – added the requirement to state whether an inspection of the forest was undertaken or not and disclose the nature of this inspection.



Chapter C1 – SOURCES AND REFERENCES

Purpose

The purpose of this standard is to ensure that the valuation document adequately discloses the purpose, scope and origins of the document to assist any reader to:

- understand the valuation and report properly;
- independently verify its data, scope, methodology and conclusions;
- make judgments as to the applicability and reliability of the document; and
- request further data from the valuer or the property owner in terms consistent with the document.

Standard C1.1 Commission

With respect to the commissioning of the valuation the document shall:

- state the name and address of the person/company commissioning the valuation;
- state the nature of the instructions received from the client in specific terms to indicate the client’s intended final use, for example:
 - Market price valuation
 - Statement of Financial Position (Balance Sheet) valuation for inclusion in the (annual) financial reports of XYZ
 - Valuation for mortgage lending
 - Valuation for the purposes of sale/purchase of the forest
- state the identity of any other intended user by name or type, for example:
 - Auditors
- state a restriction that limits use of the report to the client and named intended users.
- state the purposes for which, in the valuer’s opinion, the valuation is appropriate.

Standard C1.2 Scope

With respect to the scope of the valuation the document shall:

- state what is being valued by reference to the Forest Description and any additions or deletions;
- state the valuation methodology adopted and the rationale leading to its adoption with reference to the New Zealand Institute of Forestry Forest Valuation Standards;
- report any departures from the New Zealand Institute of Forestry standards of forest description and appropriate valuation, giving reasons for the departures and the likely effect(s) on the valuation;
- refer to any previous valuation of essentially the same forest asset undertaken by the current valuer and state any changes in methodology between the valuations, the reasons for them, and the likely impact of these changes within the subject valuation; and



- state whether an inspection of the forest was undertaken or not and disclose the nature of this inspection, for example
 - physical
 - satellite imagery review.

Standard C1.3

Disclosure of data sources

With respect to any published data or analytical methods (including computer software and data) on which the valuer has placed material reliance, and not personally verified, the valuation document shall state:

- a reference to the data sufficient for its discovery and verification;
- the nature of the major analytical processes used with a reference to the software identity; and
- any copyrights and similar intellectual rights used within the presentation.

Standard C1.4

Disclosure of Practitioner(s)

The valuation document shall state:

- the company or firm or sole practitioner undertaking the valuation; and
- in the case of a company or firm the name of the lead valuer and any other employee/partner having a material input into the valuation.
- the nature of any significant assistance provided and extent of the reliance on this assistance.

Standard C1.5

Date and document reference

The valuation document shall be dated and otherwise referenced in such a way that clearly identifies it uniquely from earlier drafts or any other document.



Chapter C2 – PRESENTATION AND LIMITATIONS

Revision History

Original Standard Released in May 1999

Revision in August 2023 Main revisions are:

- Standard C2.2 Value Statement - added the requirements to:
 - state if the value includes or excludes estimated costs to sell;
 - state the valuation currency and applicable exchange rates.
- Guidance notes - Added a section on Declaration Statement.



Chapter C2 – PRESENTATION AND LIMITATIONS

STANDARD FOR PRESENTATION OF VALUATION

Purpose The purpose of this standard is to ensure that the valuation document is an adequate and clear archival reference and that it stands as an integrated document without later additions or removals.

Standard C2.1

Documentation presentation

With respect to the presentation of the valuation document to the client, the valuation document shall:

- be either printed or provided in electronic form;
- be able to be copied and retain information in the copy (e.g. where, for example, colour is used in the original document);
- have each page numbered by a logical numbering system and any seemingly illogical page insertions (e.g. graphics) and sequence breaks shall be referenced;
- have an index or table of contents;
- Include a declaration statement; and
- be signed personally by the valuer on his/her own behalf and on behalf of the valuer's firm or company.

Standard C2.2

Value statement

With respect to the stated value, the valuer shall:

- state the asset value of the forest according to the opinion of the valuer in a manner that will not be misleading;
- state that the value does not include Goods and Service Tax (if any);
- state if the value includes or excludes estimated costs to sell;
- state the valuation currency and applicable exchange rates;
- clearly refer to the variable factors that have a material bearing on the quoted asset value by reference to the discussion part of the document;
- give a preferred level (consistent with the uses of the valuation) for each variable factor where a range of variable dependent values are provided; and
- give the date at which the valuation is applicable.

Standard C2.3

Material errors

Every forest valuation report shall be free of material errors:

- the valuer is obliged to put in place systems of review and checking which assure freedom from material errors.



STANDARD FOR DISCLOSING LIMITATIONS

Purpose

The purpose of this Standard is to ensure that:

- any reservations or limitations that the valuer wishes to place on the valuation results are clearly disclosed in the correct context; and
- any reservations of copyright or distribution of the document are clearly indicated.

Standard C2.4

Use of disclaimers

With respect to any disclaimers:

- all disclaimers and limitations of use must be written in the document;
- each disclaimer must be categorised as between a factor inherent in the valuation and the use of the valuation;
- a disclaimer due to an inherent factor must further distinguish between a factor due to a limitation imposed by the commissioner and a limitation imposed by the absence of data which was not able to be rectified;
- a disclaimer as to the use of the valuation document must not be inconsistent with the valuers instructions; and
- a disclaimer cannot disclaim all liability to the client. It may however seek to limit financial liability of the valuer to only the client and only for the purposes for which the valuation was undertaken.

Standard C2.5

Copyright

Copyright to a valuation may be retained by the valuer except in respect of bona fide copying by the commissioner for uses consistent with the commission.



GUIDANCE NOTES PRESENTATION AND LIMITATIONS

Introduction

The valuation document is the major means of conveying the valuer's conclusions to the client. The law will in many circumstances infer that any other verbal advice given to the commissioner of the valuation by the valuer, in appropriate circumstances, is part of the valuation. It may also infer that the valuer has responsibilities to other persons using the valuation. It is therefore important that the valuer states with clarity, by whom and for what the valuation was commissioned, and the limits placed on its scope in accordance with the valuer's judgment.

The valuer may want to specifically exclude any verbal advice from all liability to the extent that it varies from the written document.

The NZIF is concerned to see however that practising forest valuers retain a reasonable level of professional liability to their client for the standards of their work in terms of the commission. This may be stated in any contract between the parties. The name of the valuer must therefore be stated in the valuation document.

A reference to any previous valuations of the subject property made by the valuer and the means of justification between the different approaches is of importance where a continuity of treatment between (say) successive Statement of Financial Position (Balance Sheet) valuations is required.

It should be recognised that a valuation is not applicable in all circumstances and uses and the valuer should therefore ensure that the document is viewed and considered in its entirety. Document integrity through page numbering and indexing is required.

Published data and analysis methods (i.e. computer programs) may be subject to copyright. If they are, the valuer must obtain the appropriate permissions. In all cases published data must not be used without acknowledgment of source - both for the purposes of verification and courtesy.

Materiality

A statement, fact or item is material if it is of such a nature or amount that its disclosure, or method of treatment, given full consideration of the circumstances applying at the time the forest valuation is completed, is likely to influence users of the valuation report in making decisions or assessments.

Determining the materiality of an item is essentially a matter of judgement. Materiality is concerned with assessing whether omission, misstatement, or non-disclosure of an item of relevant and reliable information could affect the perceptions of valuation report users.

Consideration should be given to the likely users of the valuation report and to the information needs of those users.

Materiality may be agreed between the valuer and the client.



Liability

Issues of legal liability are complex, and the law is continuously evolving in this area. Even stated limitations and disclaimers may not be sufficient to absolve the valuer from liability in all circumstances.

Litigation is increasingly designed to shift the risks of commercial decision making from the seller or buyer to the professional advisor. Where a dissatisfied buyer cannot trace the seller the likelihood that the buyer will take action against the valuer is increased. A cautious approach to this issue is therefore required.

Valuers are advised to protect the assets of their companies and themselves through correctly designed liability insurance. Legal advice in all matters of liability should be taken and updated regularly.

Example of disclaimer

The following is an example of a disclaimer:

This forest valuation has been commissioned by [client] The purpose of the valuation is to indicate the likely market value of the forests.

The information on which this valuation has been based includes forest descriptions supplied by [name of supplier]. This information has been partially checked and supplemented by other data collected by [valuer] and is believed adequate for the purposes of this valuation.

[Valuer] has not conducted on-ground surveys to confirm that the boundaries of the stocked areas do indeed lie within the legal boundaries. [Valuer's] inspection of aerial photographs and/or remotely sensed data and the available mapping does not indicate that any trees are outside the titles but final assurance on this point is not possible without ground survey, or detailed photogrammetric mapping coupled with legal assessments.

[Valuer] does not state any opinion with respect to the value of the underlying land and the other non-forestry improvements to the property. The advice of a Registered Land Valuer should be sought and must be sought if the land is in Australia. {The quoted land value is sourced from [Land Valuer]}.

Consistent with the principles of forest valuation employed the results of any formal land valuation should be added to the 'Value of Forest Crop and Forest Improvements' as here set out to give the total value of the property. This report is only for use by [Client] and solely for the purposes stated above. [Valuer] shall have no liability to any other person in respect of this valuation. Nothing in this valuation is, or should be relied upon as a promise, representation, opinion or forecast of the future.

The valuer has no obligations to update the value for subsequent events unless contracted to do so.

Copyright

Under the Australian Copyright Act 1968 and New Zealand Copyright Act 1994, any author retains copyright of their original work. Where the author creates an original work during employment, the employer is the first owner of the copyright. The Crown retains copyright if the material was created for, or first published by the Crown.

Use of duly licensed computer software for fee generating purposes and provision of data files in proprietary formats (E.g. .pdf, .xls) is generally



permissible but it is generally not permissible to provide software to clients for their use in conjunction with a valuation.

Acknowledgement of published data and software sources is part of the verification trail of a valuation and may be a legal requirement on the valuer.

Assertion of copyright is useful in retaining any form of intellectual property disclosed in the valuation by the valuer and will also form a protection against liability on the valuer for irregularly copied and used information taken from the report.

Where a person commissions a photograph, drawing, diagram, map, chart, plan, etc, but not apparently a written report, the commissioner retains the copyright (see **New Zealand** Copyright Act 1994 S21 3(a)). As a valuation will often contain maps and drawings, the assumption that the client or valuer retains copyright in all the document may be countered by an agreement to the contrary (Ibid, S21 4). The copyright reservation should appear in the valuer's Letter of Commission as well as in the valuation itself.

Example of copyright statement

The following is an example of a copyright statement.

[Name of Valuer] All rights reserved.

All rights of copying, publication, storage, transmission and retrieval in whole or part by any means and for all purposes except for bona fide copying by the commissioning party as set out on page [y] are reserved.

Value statement

The statement of the forest value is the most important part of the document. A natural tendency is for 'the value' to be accepted by the client or other readers without the reservations and amplifications placed on it by the valuer. The statement of value therefore requires great clarity.

Where a value range is presented (e.g. varied by the discount rate used or the market value of the log assortment) it is generally undesirable to leave the matter hanging on these points. The valuer should therefore indicate the preferred level for each of these bearing in mind the expected use of the valuation as described by the client. Reference to a discussion of the major factors bearing on the choice is also desirable.

Placement of the valuation statement on the first page or an 'Executive Summary' page is useful, but in that case reference to the most important factors having a bearing on the valuation should also be given.

The valuer has the responsibility not to lead any reader into a misconceived idea of what the valuation implies through a poorly considered sequence of presentation.

Declaration statement

A signed declaration statement is an important part of a valuation report.

The declaration statement must be signed personally by the valuer on his/her own behalf.

The following is an example of a declaration statement:

- *The statements of facts contained in this report are true and correct.*



- *The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting factors and are based on my unbiased professional judgement.*
- *I {and/or company name} is independent from {client name} and have no interest in the property that is the subject of this report.*
- *My engagement in this assignment was not contingent on reporting a predetermined result.*

