

INFORMATION NOTE RE: BUSINESS VALUATION

Whilst the specialist discipline of business valuation have been around for many years, the skills and expertise has tended to be embodied in valuation and accountancy practices such as Pinders, with relatively limited formal documentation of the concepts, processes and methods involved.

However, changes are on the horizon: The Royal Institution of Chartered Surveyors (RICS) has recently drafted a Consultative Valuation Information Paper on the subject and there is also ongoing dialogue/debate with the likes of the Society of Share and Business Valuers. Added to this, The RICS has commissioned research to be undertaken jointly with Kingston University on the topic and it is hoped that this will give greater focus and structure to business valuation in the future.

Pinders have contributed to the aforementioned research and have also presented to The RICS on business valuations in the past. Drawing on some 40 years' experience and around 200,000 business valuations, proposals put forward by Pinders include the following:

- ▶ The determination of clear and concise standard valuation definitions, with associated commentary, that can be adopted by business valuers whatever their backgrounds. This is essential to gain credibility and consistency.
- ▶ A review of the different methodologies utilised and their relevance to different business types. Allied to this is the need to better understand and analyse transactional information, which can often be complex and open to subjective interpretation. Further, transactions often take place "off market", are subject to confidentiality agreements and can be driven by "special circumstances".
- ▶ The establishment of specialist training programmes for prospective business valuers, leading to a formal qualification.
- ▶ Recognition that business valuation is a specialist field and that individuals/ companies with limited or no experience and without access to relevant market data should not undertake such work.
- ▶ All the professional institutions involved should work together to promote business valuation generally, putting to one side vested interests.

The outcome of the research will not be known until the end of this year and there is still an opportunity to submit information to Kingston University, via Erika Birkett (e-mail: k0641270@kingston.ac.uk). The Valuation Information Paper proposed by The RICS is likely to take longer to finalise and an update on progress will be provided at a later date.

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