

ANNEX I

Proposal for a new Blue Book: European Plant & Machinery Valuation Standards

The need

Plant & Machinery is a necessary scope of the valuation profession since it is an asset class that is indispensable for modern economies.

Lending activity for the acquisition of P&M is very intensive and takes various forms, from classic bank loans to leasing and other non-banks related forms.

Valuation of P&M requires in depth knowledge in a variety of disciplines:

- Economics
- Finance
- Statistics
- Industrial Processes and Technology
- Engineering (Mechanical / Electrical / Chemical and relevant fields)
- Legal and Regulatory Framework
- Environmental Legislation
- Credit Risk Management
- Occupational health and safety (OHS)

The lack of a set of standards to be used by P&M valuers throughout Europe as an everyday tool is becoming more obvious as the regulatory framework in the EU is evolving and new issues are emerging. Environmental protection, energy conservation, health & safety and relevant topics are becoming drivers for the depreciation of assets, and valuers need guidance in dealing with such issues.

Furthermore, normalization is needed throughout Europe, regarding the treatment of specific plants and other structures in the context of a valuation project. As an example, when P&M is required as a collateral, a set of criteria is needed in order to determine which parts are considered as building facilities and included in a Real Estate Valuation and which are treated as separated, individual assets that can act as collateral on their own.

In a P&M valuation, the basic three valuation approaches (cost, market and income), although maintaining their core principles, vary significantly in their implementation compared to a real estate valuation.

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Therefore, methodological issues (such as the use of appropriate indexes for expressing depreciation – functional and technological) need to be addressed in a relevant section of the EPMVS.

Back in 2000, EVS had a GN (3) as a first attempt to address the issue.

Now more than ever, this need is pressing and requires proper action from TEGoVA.

Proposed Structure of EPMVS

Drawing on the already defined structures of EVS and EBVS, the EPMVS could have the following structure:

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