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Mr. Chris Thorne
Chairman
International Valuation Standards Board
41 Moorgate
London
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Email: CommentLetters@ivsc.org

September 3, 2010

Dear Mr. Thorne,

Re: Exposure Draft related to Proposed New International Valuation Standards

Deloitte Financial Advisory Services LLP is pleased to provide the attached comments on the above referenced topic to the International Valuation Standards Board's (the "IVSB" or "Board"). The Exposure Draft related to Proposed New International Valuation Standards is referred to as the "ED" in our commentary.

We appreciate the Board's efforts related to the Proposed New International Valuation Standards and commend you on the notable modification to prior International Valuation Standards. We are very supportive of your activities and are in agreement that the IVS can only succeed in their objectives if they represent a consensus of the majority of users, clients, and practitioners; as such, we appreciate this opportunity to provide you with our feedback related to this important topic.

We encourage the IVSB to consider aligning the timetable for finalization of its proposed new IVSs with the IASB/FASB project to avoid changes becoming necessary to the IVS in the short term.

We would also like to highlight the importance of consistency in definitions, wording, and terminology between the IVS and IFRS, where the two are meant to have the same meaning.

Our detailed responses to the questions included in the Invitation to Comment are included in Appendix A to this letter.

If you have any questions concerning our comments, please contact me at +1 (404) 220-1464.

Sincerely,

Kevin Moss
Principal, Deloitte Financial Advisory Services LLP
Global Valuation Services Leader, Deloitte Touche Tohmatsu Limited

Appendix A: Invitation to Comment

GENERAL QUESTIONS

1. The proposed new edition of IVS follows the recommendations of the Critical Review that was commissioned by the old IVSC in 2007. Among the key recommendations of this review was that in future editions of the standards the term “International Valuation Standards” should apply to all pronouncements, not just to a limited number, and that all pronouncements should carry equal weight. In this draft the previous distinction between “standards”, “applications” and “guidance” in the titles of various documents has been removed. However, the Board recognises that standards still fall into different categories and has identified these as General Standards, Application Standards and Asset Standards, and grouped these together.

Do you find the new structure of the Standards to be logical and easy to follow? If not, what alternative would you propose?

Yes, we find the new structure of the Standards to be logical and easy to follow. However, please see additional comments related to application standards at question 16.

2. The Application Standards contain some information on the background to the valuation requirement and the Asset Standards information on the asset type in question and the characteristics affecting value. They also identify particular actions that should be taken in order to apply the principles in the General standards to the particular valuation purpose or when valuing the particular type of asset.

Do you consider that the combination of background information and specific directions to be helpful? Would you prefer all background information and explanatory information on asset classes to be removed from the standards so that only the specific directions applicable to each application or asset type remained?

Yes, we consider that the combination of background information and specific directions to be helpful and recommend the Board retain this section.

3. It is currently proposed that the final version of the Standards will be published both in hard copy and be available for downloading from the IVSC website.

Which delivery method for the new edition of the standards are you or your organisation likely to use?

Both methods for the new edition of the standards could serve a purpose. An organization of our size would likely utilize the electronic version of the standards, but having access to a hard copy version may also be useful.

IVS 101- GENERAL CONCEPTS AND PRINCIPLES

4. This Standard is intended to explain fundamental concepts and principles that are referred to throughout the remainder of the standards to assist in their application. Some of the material has been carried forward from previous editions of IVS and some new concepts have been introduced, for example the discussions on market activity and market participants.

Do you consider that this objective has been met? Do you consider that there are any additional valuation concepts and principles that should be considered and discussed in this standard?

We believe that this Standard provides a good overview of the key concepts and principles that are referred to throughout the remainder of the standards.

In addition, we believe it may be helpful to discuss and explain the fundamental concepts and principles at the outset of the standards. We also believe that the concept of “market” must be explained in the standards.

Finally, the definition of market participants could greatly benefit from further clarity. IVS101-13 in part states that “...any views attributed to market participants are typical to those of the majority of buyers and sellers...” Further clarity of the term “majority” would facilitate users applying the standard. We believe that it would be very onerous for users to develop an exhaustive list of buyers and sellers. We believe that any view point that is not limited to a single buyer and a single seller should be considered as a market participant view.

5. As indicated in paragraph 4, the word valuation can be used with two distinct meanings. Where the word is used in the Exposure Draft the Board believes that it is generally clear from the context which sense is intended and has only added words to emphasise whether the reference is to the process of estimating value or to the valuation result itself where there is scope for ambiguity.

Are you in agreement with this approach or would you prefer the word “valuation” either not to be used at all or always used with qualifying words to indicate the intended meaning, for example “valuation process” or “valuation result”?

While we are in agreement with the current approach (as the meaning can be discerned from the context), we have no objection to the use of qualifying words.

IVS 102- VALUATION APPROACHES

6. Previous editions of IVS have identified the principal valuation approaches listed in this proposed standard.

Do you agree that these three approaches encompass all methods used in the assets or liabilities that you value? If not, please describe what approaches you feel have been omitted.

Yes we agree. While we use many different valuation methods to value assets and liabilities, each of these methods can be generally described as techniques which are income, market or cost approaches to value.

7. Paragraph 6 of the draft sets out a proposed hierarchy of approaches which indicates that the direct market comparison approach is generally to be preferred where there are observable prices for similar assets available at the valuation date.

Do you agree with this hierarchy and do you consider it helpful? If not explain if you would prefer to see no reference to a hierarchy or would prefer an alternative hierarchy.

No, we do not agree with this hierarchy. We would prefer to see no reference to a hierarchy. We believe that each approach is subject to a number of judgments on behalf of the valuation analyst and predetermining which approach should be dominant may lead to less robust and potentially problematic valuation exercises; for example, it is nearly impossible to categorically say that the market comparison approach should be preferred even when there are observable prices for similar assets available.

We believe that unless the data is not readily available for a particular approach or that approach is appropriately deemed inapplicable (e.g., valuation of an operating enterprise with no non-operating assets or liabilities is generally better performed through earnings-based approaches rather than a cost approach), in practice, the use of multiple valuation approaches is generally preferred and valuation professionals reconcile the value indications from each approach to reach a final value conclusion.

We believe that there could be instances where one approach may be more appropriate, given the specific circumstances, than what a hierarchy may recommend and the focus should be on observable inputs not a hierarchy.

8. In the current edition of IVS, the term “Sales Comparison Approach” is used to describe the process of estimating value by comparison with the prices of identical or similar assets in the market. The Board received representations that this term was too restrictive as it seemed to preclude market evidence that was not related to an actual sale. Some advocate the use of the term “Market Approach”; however, others find this confusing as both the income and cost approaches can use market based inputs. The Board also received evidence that some believed that only a “market approach” could be validly used to determine market value. After deliberation the Board has proposed the term “Direct Market Comparison Approach” in this edition of the standards.

Do you find this change of terminology to be helpful? If not please explain what alternative you would prefer and why.

Direct Market Comparison Approach should not be used; it is a cumbersome term, and it arguably still poses similar issues as the term Market Approach. While we object to the terms Sales Comparison Approach (i.e. the comparison does not need to be made to sales exclusively) and Market Approach (i.e. the cost and income approaches can employ “market based inputs” as well), we would argue that these objections are based solely on a strict and literal interpretation of the name of the approach, not the definition. The terms Market Approach and Sales Comparison Approach have been in wide use for a long period of time and are generally understood to (a) refer to the same approach to value, and (b) include the use of market evidence that includes, but is not necessarily limited to, actual transactions or “sales”. A change in terminology, from Market Approach, is simply not necessary as long as these terms are clearly defined in the standard.

IVS103 - BASES OF VALUE

9. Basis of value is defined in the draft as a statement of the “fundamental measurement assumptions of a valuation”. In the current edition of IVS it defined as a statement of the “fundamental measurement principles of a valuation”. Supporters of the proposed change believe that the word “assumptions” is more precise. It is self evident that a basis of value is a principle but IVS needs to explain the nature of that principle. The bases of value defined in IVS all consist of a set of assumptions that define the underlying hypotheses on which the value is based. The fundamental assumptions within a defined basis can then be used in conjunction with additional assumptions or special assumptions as explained in IVS 103 and 104. . Others prefer to retain the use of the word “principles”, while some consider that a basis of value is more precisely described as a statement of the measurement objectives of a valuation.

Do you agree with the proposed change to the definition? If not indicate what alternative you prefer and why.

We find the use of either statement acceptable, although we believe that “Principles” is a good balance between a concise and a self explanatory terminology. Assumptions are generally seen as inputs that are used in the analysis, use of the term “principle” might help focus the valuation professional on the appropriateness of the assumptions used in the valuation.

10. A change is proposed to the definition of Investment Value. The Board had received representations that some are confused by the distinction between Investment Value and Special Value in the current edition of IVS. The Board has proposed to amend the definition so that it only reflects the value to the owner, not the value to prospective purchasers. The rationale is that a prospective purchaser for whom an asset had value in excess of that to market participants generally could also be described as a special purchaser, which is separately defined. A reciprocal change is proposed to the definition of “special purchaser” to make it clear that it can include a single buyer with a special interest or a restricted class of

buyers that can realise additional value not available to the market participants at large.

Do you agree with this proposed change? If not, please explain why and what you believe the distinction is between investment value to a prospective purchaser and special value to a prospective buyer who can realise that special value to be?

We partially agree with the proposed change. We agree Investment Value should be applicable in arriving at values to the current owner of the valuation subject (asset, business interest, etc.). We also agree Special Value should be applied when estimating value to a single prospective buyer (a “special purchaser” as described above). However, if the terms Special Value and “special purchaser” are expanded to include a “class” of multiple purchasers (such as the restricted class described above), at what point does Special Value (and with it, the property’s use by the special purchaser) become the property’s highest and best use, in turn eliminating the need for the ‘Special Value’ classification? In other words, how many special purchasers does it take to turn this restricted group into the primary market and have Special Value become Market Value? How would users know when this shift has occurred? For this and related reasons, we believe the suggested changes are too vague and will likely lead to confusion.

We believe that more than one special purchaser is all that is required to have the restricted group transform into the primary market and thereby have Special Value become Market Value.

11. The Board has considered alternative names to “Investment Value” for the basis of value that describes value to a particular entity. Alternatives suggested include “Entity Specific Value”, “Owner Value”, “Value to Owner”, or “Invested Value”. Critics of Investment Value consider that the term is insufficiently precise; although it is a measure of the value of the investment in an asset to a particular party, it can also be interpreted as being the sum required to buy an investment in the market. Others consider that the term is sufficiently broadly understood that any change would cause confusion.

Do you support the continued use of the term “Investment Value” or would you prefer an alternative? If so, what would that alternative be?

We do not believe it is necessary to introduce new phrasing related to the basis of value that describes value to a particular entity, however if it were determined that new phrasing was necessary, then “Value to Owner” would be our preference.

12. In IVS highest and best use (HABU) is treated as an inherent feature of market value. This follows the economic theory that the price of an asset which is fully exposed to all potential buyers will sell for a price reflecting the most efficient or productive use of that asset. Other literature that has been published recently presents highest and best use as a separate concept from the price that would be paid in a hypothetical exchange between market participants.

Do you agree with the approach taken in IVS? If not, explain why not and give examples where you believe the highest and best use may be different from the market value.

We agree, highest and best use is “an inherent feature of market value”. It is important that the IVS’s definition of HABU is consistent with the definition in the IASB’s final standard on fair value measurement (see the IASB’s staff draft dated August 19, 2010): ‘that is physically possible, legally permissible and financially feasible’ (with each of these terms defined)

13. In the existing IVS a clear distinction is made between fair value in general use and fair value as defined in IFRS. Some found this confusing since the definition of fair value in IVS was identical to that currently appearing in IAS16. Although the IASB is likely to change the definition of fair value in IFRS in its proposed new Fair Value Measurement Standard, in this draft the definition of fair value in general use has been changed to emphasise the distinction from the usage of the term in IFRS.

Do you consider this proposed change in the definition to be helpful? If not, please indicate how you believe it could be improved.

We believe that the IVS and IFRS definitions of Fair Value should be the same to avoid confusion. The use of the term “Fair Value” is pervasive in worldwide accounting literature and the IVS should not use a different definition for this specific term.

IVS 104 - SCOPE OF WORK

14. Previous editions of IVS did not have a standard relating to scope of work, although the need to record the valuation instruction in writing was included under the heading of “Code of Conduct”. The Board considers that a more specific standard is required to detail the minimum acceptable scope of work. This reflects established best practice in many markets and provides the necessary foundation for the valuation process to begin.

Do you:

a) Agree with the inclusion of a standard for scope of work in IVS?

Yes.

b) That the minimum contents identified in the draft are proportionate and represent a realistic minimum standard?

Yes.

If you disagree, please explain why.

Not applicable.

IVS 105- VALUATION REPORTING

15. This proposed standard is significantly less prescriptive than the equivalent standard IVS 3 in the current IVS. The proposed changes reflect the general recommendation of the Critical Review Group that the standards should contain less prescription and focus on principles. It also reflects the need to ensure that these standards can be applied to a wider sector of asset classes than previously.

Do you agree with the changes that have been made? If not, please explain what provisions of the current IVS3 you believe should be carried forward into the new standard.

Yes, especially since the guidelines are “principles” based.

APPLICATION STANDARDS

16. The standards in the 200 series relate to valuations for specific purposes. They provide guidance on the background for the valuation requirement before setting out specific matters that should be reflected or considered when applying the principles in the General Standards. Some consider that the fundamental principles of valuation should remain unchanged regardless of the purpose for which it is being prepared and therefore these application standards are superfluous. Others consider that it is important that valuation standards highlight factors that could be relevant to determining the appropriate valuation hypothesis for different purposes, and to set down criteria to ensure that reports contain the appropriate information.

Which view do you support? If you consider that future IVS should contain application standards, do you consider that the degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements?

The purpose for which a valuation is being prepared may influence the way a general principle is applied and, in application, require clarification of that principle. We therefore believe that it is appropriate to provide additional guidance to valuation practitioners. However, we note that it may be better to include this additional guidance not in the form of an application standard; such guidance could be even more extensive than currently shown in the application standards but would not have the status of a standard in the IVS.

In our view the IVS should be focused on valuation principles (such as those dealt with in the General Standards). The proposed application standards and asset standards should not be prescriptive but should provide guidance to valuation practitioners when either undertaking valuations for specific purposes or when valuing certain asset classes. Accordingly, we do not believe the word “Standards” is the best descriptor for such additional guidance, and further consideration should be given to whether this guidance should be included in the IVS or in some other form of publication or supplement.

17. The series 201.01 - 201.04 inclusive are all concerned with valuations under IFRS. With the exception of 201.01, which addresses the current IASB Fair Value project, the topics covered all appear in IVA 1 in the current edition of IVS, although in this draft the text has been updated and some additional detail included to address issues of particular relevance to the valuation task. There are opposing views as to the extent and how IVS should address valuation issues under IFRS.

View (a) is that IVS should not refer to valuations under IFRS at all because the IASB is in the process of producing its own fair value standard that will clearly set out the valuation criteria for all valuation measurements required under IFRS and if parallel valuation standards are produced in IVS these will have no relevance. Supporters of this view also argue that limited references to the accounting requirements under IFRS can be misleading and lead to misinterpretation.

View (b) is that valuation measurements under IFRS are intended to reflect market reality and are not a special type of valuation reserved for financial statements. It is therefore important that the requirements under IFRS are properly related to wider valuation principles and practice through cross references in IVS. Supporters of this view also believe that limited references to IFRS are necessary to help those who are valuers rather than accounting experts understand the required criteria and assumptions so that appropriate valuations can be provided.

Which of these views do you support?

Please see answer to question 16 for more extensive comments that relate to the general topic of the proposed application standards.

We support View (b). However, such guidance and definitions need to be consistent between IVS and IFRS.

It is our view that guidance should be positioned such that it can be easily updated and revised, without significant disruption to principles based standards, and in tandem with changes in the accounting arena and valuation industry that naturally occur over time. Standards should not need to be changed frequently and should be viewed as long standing principles.

ASSET STANDARDS

18a. *The proposed standards in the 300 series are all concerned with the application of the General Standards to specific asset types. Each standard contains some high level guidance as to the characteristics of each asset type that are relevant to value, a discussion on the principal valuation approaches and methods used and sets down specific matters that should be addressed in settling the scope of work or when reporting. Many of the asset classes included in this Exposure Draft are the subject of “Guidance Notes” in previous editions of IVS and much of the material has been drawn from these. Question 2 asked for your views on whether this combination of background information and specific directions was appropriate or whether you would prefer a clear separation.*

Do you have any other comments on the general structure of the Asset Standards

We think the structure of the Asset Standards is well organized and well written.

18b. *All the asset classes covered in Guidance Notes in the current edition of IVS are carried forward into this Exposure Draft. There are no equivalents for GN5 Personal Property, GN 10 Agricultural Property or GN14 Extractive Industries. Agricultural Property is to be included in the scope of a proposed new project on Biological Assets. A new project is also proposed on Extractive Industries. Personal Property has not been carried forward as the Board considered that the definition of what constitutes personal property in the current IVS is too widely drawn, with the result that much of the subject matter in the current GN5 is more specifically covered in other proposed standards.*

Do you consider that a class of “personal property” can be identified that is not already covered by the proposed new asset standards? If so, do you consider that it has distinct characteristics that need to be considered in valuations that would benefit from a new IVS asset standard being developed?

The proposed new asset standards appear to identify all classes of “personal property”.

19. *The Board is proposing a project to produce a new standard on valuing non financial liabilities, i.e. liabilities that are not attached to a financial instrument.*

Do you agree that a standard on valuing non financial liabilities is required and what topics should it cover?

Yes. Examples of such liabilities include, but are not limited to, some forms of contingent considerations paid in a business combination, some forms of guarantees, warranties, and legal and environmental liabilities.

20. *The Board would welcome suggestions for additional asset (and liability) types that are not already the subject of a proposed new standard or project.*

Please identify any additional types of asset or liability that you believe should be considered for future inclusion in IVS, together with an indication of the benefits that you consider a new standard would bring.

We did not identify asset types (or liability types) that are not already included in the proposed standards.

21. Additional General Comments have been provided below.

We offer the following general comments for the Board’s consideration:

- 1) Much of the content in the proposed new standards appears to be directly or indirectly taken from existing IFRS – if references to IFRS are to be maintained what process is envisaged for updating material as IFRS standards change? Is it necessary to include text in the Standards, or can reference just be made to relevant IFRS?

- 2) Have all definitions given in the documents been checked to ensure they conform to IFRS? Where terms have been taken from IFRS, the reference should be clearly stated.
- 3) “Homogeneous” not “homogenous” should be used in the text.
- 4) There is no discussion on reconciliation, comparison or cross-checking of different valuation methods which may be adopted by a valuer in the draft standards. Perhaps such consideration should be made under Item 8 of IVS 102. Equally, we consider it appropriate for the Standards to recommend that valuers attempt to use more than one approach or method or cross-check their primary approach or method and if they are not able to do so, and comment as to why they have not been able to do so.
- 5) Overall comment re: Plant & Equipment: We think highest and best use should be specifically addressed for this specific category. Analyzing and determining HABU is now necessary when estimating P&E fair value under US GAAP or IFRS. Indeed, one of the key issues to be considered in plant & equipment appraisals is making sure that the proper premise of value is being considered -- the high end being a "value in use" if the earnings of the business support the concluded value and the low end of the value range being “liquidation value” if the earnings do not support a value greater than that yielded in a liquidation of the subject P&E.
- 6) For the Plant & Equipment section of the ED (page 89 – 93), we think the "Features of Plant and Equipment Affecting Value" section (page 90) should be expanded. The attributes listed here tend to be physical in nature. Clearly economic issues affect value and should be added to this text. Demand for the product being produced and economic viability (i.e. assumed earnings) are two such issues which affect the value of plant & equipment. Further, specific factors affecting specific Property, Plant & Equipment uses, like that for oil and gas P&E, don't appear to be addressed.
- 7) With respect to the Asset Standard and the “background information” referenced in question 18 above, we think the background material should be included because it provides context for interpreting the standards.
- 8) We believe that the Standards deal with a number of industry specific issues but no reference appears to be made to regulated businesses. We recommend the Board consider addressing this area.
- 9) We found no reference to the use of discount for lack of marketability and recommend the Board include a discussion of this topic in the proposed new standards.
- 10) The Application Standards and Asset Standards are useful insofar as they expound broad principles (whether or not IFRS/IAS is being applied) and provide guidance on matters to consider in specifying the scope of work and valuation reporting. If the broad principles set out in IVS are inconsistent with the requirements of IAS/IFRS, it would be appropriate to alert users of IVS of such. For example, it may be helpful to have more specific guidance contained in the standards on the factors to consider in respect of discounts and premium applied for control/minority, and illiquidity/marketability.

22. *Additional Specific Comments have been provided below.*

We offer the following specific comments for the Board's consideration:

- 1) 101-15-c: Entity Specific Factors, legal rights or restrictions. We recommend clarifying such factors exclude site restrictions/zoning issues.
- 2) 101-15-d: Entity Specific Factors, tax benefits/burdens should be clarified to exclude real property taxes
- 3) We are of the opinion that IVS 103 “Bases of Value” should precede IVS 102 “Valuation Approaches” as the approach is determined once the basis of value is known (rather than the other way around).

- 4) 102-4: Income Approach: Please clarify the term “Yield” (perhaps via a footnote). In IVS, “yield” refers to a capitalization rate, not a discount rate. This is different than in the US, where “yield” is more typically associated with the discount rate.
- 5) 102-8: Multiple Approaches: This paragraph implies that only one approach is needed. In the US under the Uniform Standards of Professional Appraisal Practice and, as to a “valuation”, the AICPA’s Statement on Standards for Valuation Services No. 1, all three approaches are to be considered, although based on the available data, not all approaches will necessarily be developed into a value conclusion. Here, it appears the opposite is true; a single approach appears to be all that is required or needs to be considered, and as this paragraph reads “...in some cases it will be appropriate to use more than one approach or method in order to arrive at a value estimate...” We recommend this “one approach” concept be reconsidered.
- 6) 103-3-a, c: Basis of Value: In this section under these two points, the explanation of market value in point ‘a’ is different than the explanation of fair value in point ‘c.’ This contradicts 201.01-5 (see below). 103-11: Transaction Costs: IVS is silent on whether a deduction for cost of sale should be included as part of a reversion calculation in a discounted cash flow (“DCF”) model (in particular a DCF for real property assets). Regardless of whether it should or should not be included, IVS should address this concept, as it is common practice in the US to deduct cost of sales in the reversion calculation and not addressing this issue within IVS may lead to confusion among, especially US, practitioners.
- 7) 103-14, 15: Fair Value: Definition of fair value in IVS and IFRS should be the same.
- 8) 103-17: Fair Value: Definition of fair value has the potential to be confusing.
- 9) 103-26: Special Assumption: This has the potential to be confused with Special Value. For example, does the use of a Special Assumption create a Special Value? It appears they do not, but the point should be clarified.
- 10) 105-5-d: Identification of asset or liability to be valued: We believe the interest being appraised (such as freehold or leasehold for real property) needs to be addressed in this section of IVS, as well. This issued should be dealt with in this section, perhaps in the referenced bullet.
- 11) 201.01-5: Fair Value: The end of this paragraph states that “...for most practical purposes, therefore, market value under IVS will meet the fair value measurement requirement under IFRS.” This implies that for “most practical purposes” they are similar concepts. What does “most practical purposes” mean? If the definitions of fair value and market value are meant to be the same, then it should be defined once. If they are not meant to be the same, it would be useful if the IVS made clear what the potential differences are.
- 12) 201.01.10: It appears that historical cost ratios are acceptable. This may be inconsistent with the general industry approach, in specific locales. For example, the oil and gas sector in Canada considers about 20% of the acquisition cost for Capital Cost Allowance (CCA) and 80% is considered Canadian Oil and Gas Property Expense (COGPE). We believe further clarification/explanation may be required.
- 13) 201.02-6: Property: IAS 16 addresses the accounting for Property, Plant, and Equipment and useful life is an entity specific concept. Fair value is assessed from a market participant perspective. This paragraph should provide clarity on these concepts. Why would the useful life not be the same as the remaining economic life in a valuation that is being performed from a market participant perspective?
- 14) 201.02-10: Componentization: This point states that when allocating a fair value among various building components, when fair value cannot be reliably determined, the cost ratio can be applied to the fair value of the overall sum of the components (presumably the overall building). This implies that the original cost of the components can be used to determine the ratio, which is then applied to the overall value to determine the value of a given component. If this is the case, this method does not consider different depreciation/deterioration rates of the various components and, as a result, may be inappropriate – in other words, the cost ratio determined by the original cost may no longer be appropriate at the measurement date.

- 15) 201.03-17: Investment Property: The last sentence of this paragraph, “It must be noted that this is an accounting adjustment only and should neither be reflected nor anticipated in the valuation of the investor’s interest.” is unclear. We recommend improving this sentence.
- 16) 202.01-2-d: Scope of Work: In the second paragraph, it says “...If the lease has a more favorable income stream than would be obtainable in the market, it may be appropriate to disregard... the lease...” Who determines the threshold for when the lease can be disregarded? Additional guidance clarifying this point is recommended.
- 17) 303.01-1, 4a: Property Interests: The concept of ‘leased fee’ interest, as it is called in the US, is not properly addressed. It is presumed that this would be identified in IVS as ‘freehold subject to leases’ as suggested in bullet 4a, but the concept does not appear to be given the proper attention. Moreover, the Board should consider creating a separate category for the ‘leased fee’ concept. At a minimum, we believe the concept should be addressed in greater detail.
- 18) 303.01-17: Income Approach: same comment as 102-4: The term ‘yield’ should be clarified.
- 19) 301.01-24: States that the income or cash flow measured in the income approach is usually post-tax and that the capitalization or discount rate applied must be appropriate for the definition of income or cash flow used. Considering that in IFRS the use of pre-tax discount rates is required, we recommend IVS include a discussion regarding how to handle pre-tax cash flows and pre-tax discount rates.
- 20) 303.03-12: Valuation Inputs: The concepts of ‘growth implicit’ and ‘growth explicit’ models may not be familiar to real property specialists, and additional explanation and clarification should be considered for this section.

Page 9 section 2: We note wording in this section which could be adjusted. “Cost” is the amount required to create or produce the good or service and, as a result, we suggest that “the amount required to create, produce or reproduce a similar good or service” be considered as an alternative for “cost”.

- 21) Page 20 paragraph 3 and other areas throughout the text - We found the discussion of market value and fair value in this section somewhat confusing, particularly in relation to later discussions re “fair value for general use” and “Fair value for Financial accounting”. An overall suggestion would be to put together a “Definition Summary” outlining the term, the bases of value and examples of each.
- 22) Page 33 section m: “Amount of the valuation or valuations and the applicable currency.” We suggest it should be made clearer that the valuation result may be a range rather than a single value.
- 23) Page 42 – We believe it may be helpful to distinguish among different types of obsolescence (economic, functional, and technological).
- 24) Page 52 – Valuations for Impairment Testing – it would be useful if guidance could be provided in relation to the following matters:
 - a. Reconciliation of independent cash generating unit (CGU) valuations to overall market value of the entity.
 - b. Inclusion of the Tax Amortization Benefit (TAB) in estimating fair value less costs-to-sell for intangible asset.
 - c. Corporate assets and liabilities and apportionment thereof.
 - d. Extent to which any control premium should be included in reconciliation process
- 25) Page 54, paragraph 9 –There is no guidance as to how the discount rate is to be determined with respect to the consideration of taxes. While IAS 36 requires a pre-tax rate, we note that valuations are done in practice using a post-tax rate. Accordingly, this should be clarified in the valuation standard, as well as how to determine subsequently a pre-tax rate.
- 26) Page 71 – the use of the term “liabilities” needs to be clarified in the definition of “equity value”.
- 27) Page 71 – the definition of “Enterprise Value” should be refined – We believe it should exclude non-operating assets and liabilities.

- 28) Page 72, paragraph 2 – We believe it may be helpful to distinguish between legal and beneficial ownership; ownership of an asset may bring with it legal ownership, but may not necessarily bring beneficial ownership, depending on the agreements in place.
- 29) Page 76 – “Income Approach” – there is no reference to a discount for lack of marketability under the Income Approach. We believe the Board should consider including such a reference.
- 30) Page 76, paragraph 25 – We recommend the Board note, in this section, that risks inherent in the anticipated benefit stream may also be reflected by probability-weighting cash-flows, rather than using an “all-in” discount rate.
- 31) Page 76, paragraph 26 “real rates” should included a definition, for ease of reading.
- 32) Page 83, paragraph 19 – although it is ideal to consider different valuation methods, it is uncommon for multiple valuation methods to apply in the valuation of intangible assets; often only one method may be used.
- 33) Page 85, paragraph 31 –“Royalty rates can often vary significantly in the market for apparently similar assets. It could be useful to benchmark the assumed royalty input by reference to the operating margin that a typical operator would require from sales generated from use of the asset.” We believe the paragraph should be strengthened.
- 34) Page 87 – paragraph 40: replacement cost should consider the cost of an asset with similar utility, not necessarily an identical asset.
- 35) Page 87 - paragraph 40: Second bullet point “Determining the **pre-tax** cost of developing or building a similar assets” (we believe the words in bold to be inserted).
- 36) Page 88 – paragraph 43, Tax Amortization Benefit (“TAB”) – no guidance is provided as to whether a TAB factor is applicable to assets valued using a cost or market approach.
- 37) Page 92, paragraph 9(i), second bullet : typo – change “awhole” to “a whole”