International Valuation Standards Council
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United Kingdom

KPMG ref: IVSC Comment Letter
Amendments to the
International Valuation
Standards

Contact: Patrick Coady/Jim Calvert

May 7, 2013

Dear Sirs

Exposure Draft – Amendments to the International Valuation Standards

We appreciate the opportunity to comment on the Exposure Draft – *Amendments to the International Valuation Standards* (the "ED") issued by the International Valuation Standards Council ("IVSC" or the "Board"). The following response expresses the views of KPMG's Global Valuation Services practice. We have set out responses to the proposed language in Appendix A to this letter.

Please contact Jim Calvert at +353.1.410.1001 or Patrick Coady at +1 613 212 2841 if you wish to discuss any of the matters addressed in this letter.

Yours truly,

KPMG LLP

KPMG LLP

Appendix I

No.	Title	Comment
1	Definitions	Consider re-wording to: "The date on which the opinion of value is determined. The time of day at which to determine the opinion of value may be relevant in certain instances and would be based on specific facts and circumstances."
2	Definitions	Using the word "opinion" could be misinterpreted as opinion of value which a valuation review may not involve; we suggest rewording to stress that review involves determining reasonableness of certain aspects of a valuation and the scope of the review would determine whether the report includes commentary on just inputs/assumptions or value indication. We assume that the IVSC intends that a valuation review refer to a formal engagement to review a valuation prepared by another valuation professional, to comment on it and to issue an opinion thereon such as in the context of litigation. We do not believe it is intended that "valuation review" apply to work performed in the context of an audit of financial statements, consistent with how the term is applied by national valuation standard setters currently. Please clarify if this assumption is incorrect. To distinguish a formal valuation review from work performed by a valuation professional in the context of an audit of financial statements, the IVSC may wish use a different term such as "critique" for the latter.
3	IVS Framework paragraph 3 and 4	We presume that it is intended to delete all of paragraph 3. Only a portion of the paragraph has been shown (all of which is deleted).
4	IVS Framework paragraph 25	The discussion of unit of valuation is somewhat confusing and should be clarified. It appears to relate to a discussion of whether an asset is valued on its own or whether it is valued together with "associated" assets. However, we have seen the term "unit of valuation" used to refer to an investment holding which comprises a number of identical instruments. For example, depending on the purpose of the valuation, such a holding could be measured based on the price of an individual security multiplied by the quantity of the security held. Alternatively the holding could be measured based on the value of the aggregate position. The assumption on unit of valuation, i.e. either an individual share or the aggregate holding, could result in a different value estimate for the aggregate position. For example, a controlling interest in

		shares could have a greater value than the sum of the values of the individual shares. The reference to what is included in the valuation does not clarify this position. For example, the scope of work for a given valuation engagement may include a valuation of a number of assets which are not complementary. The unit of valuation of an individual asset may differ from the overall assets to be valued as part of the valuation engagement. How "unit of valuation" is used in the ED, notably as it relates to an assumption of whether the other "associated" assets are available to a buyer or not, seems to relate to the application of highest and best use without an explicit discussion of that topic. We believe that the term "associated" is vague and confusing. Suggest replacing with "complementary". Delete the term "inseparable". Consider replacing "held in conjunction with" with "used in combination with".
7	IVS Framework 31C	Please clarify the reference to effective valuation date. Why is the qualifier *effective* required? We note that in the reason offered for this proposed change the statement is made that price does not vary between exchange and completion. Is "exchange" intended here or "signing"? Where there is concern amongst the parties to a contract about the time between the signing of an agreement and completion, there may be a provision to remunerate the seller for time that passes up to the exchange of consideration.
8	IVS Framework paragraph 56	"Primary method" should be clarified" It should be clarified what is meant by inputs to the primary methods being limited or inconclusive. It may be useful to amend the statement that a single method may be unable to produce a reliable conclusion in the reasoning for the proposed change. This is because the use of multiple methods may lead to changes in how an individual method is applied as opposed to two methods being completed and then compared.
11	IVS 101 Scope of Work 2(e)	The proposed new sentence does not appear relevant to a paragraph dealing with bases of value.

15	IVS 102 Implementation 4	"other than valuer" in first sentence should say "by a third party"; suggest revising 2nd sentence to "…such information shall not be used." We suggest that this paragraph also state that a valuation report specifies to what degree any third party resource (e.g., real estate valuation, machinery & equipment valuation) is relied upon, to what extent it has been verified, and to what degree the appraiser takes responsibility for the information. Please clarify what is intended by the last bullet. The proposed paragraph 5 relates to reliance by the valuer on information in preparing the valuation. The approach taken appears to suggest that the valuer needs to be in a position to rely on certain core information; however that requirement to rely on information can be obviated by contractually agreeing to limit the duty to investigate in the scope of work. We would distinguish the scope of investigation that is required for a valuation professional to be in a position to issue a particular type of valuation opinion from the ability of the parties to a valuation engagement to decide the scope of work. The latter depends on a client's objectives, albeit that a limited scope may prevent a valuer issuing a specific type of valuation opinion.
18	IVS 103 Reporting 5(h)	We suggest that the proposed change in paragraph 18, which states that steps would be taken to verify information only if it is deemed not credible and/or not reliable, be further considered.
20	IVS 200 Business' and Business Interests paragraph C25	This paragraph may simplify the adjustment that is required when using real versus nominal cash flows. In particular the adjustment to a discount rate to result in a real discount rate is normally based on generalised inflation. However in preparing real cash flows valuers often make adjustment to remove the effect of any price changes on the particular company. Where the change in prices in the industry differs from overall economy wide price changes the, such an approach may result in a different value estimate under a nominal analysis and under a real cash flow analysis.
23	IVS 233 Investment property under construction	It is likely that a valuation based on current prices or a valuation based on future prices of investment property to be completed would result in different valuation estimates. It would be useful to understand the Board's view on which is the more appropriate basis of value, unless the Board believes that whatever is the market practice is appropriate.