

APS/LP/NewAPS

9 May 2012

IVSC
41 Moorgate
London
EC2R 6PP

Dear Sirs

Procedural Guidelines for Fairness Opinions

We are commenting on the Exposure Draft relating to the above.

As requested, we are commenting on the specific questions raised. We then address some other matters at the end of this letter.

The responses to the specific questions are as follows:-

1. We are not aware of any conflict with regulatory requirements in the United Kingdom.
2. It is our view that the giving of a fairness opinion must be consistent with complete transparency. We therefore have some difficulty in the concept of the giver of the fairness opinion providing both a board book and an abbreviated document which is available for wider circulation. There must be a concern that there are comments or opinions in the board book which are of relevance but which are not then included in the abbreviated document. It is therefore our view that the giver of a fairness opinion should provide only one report.
3. We found paragraphs 3 and 4 of the Exposure Draft to be helpful. We consider that these paragraphs could reasonably be extended by including a default opinion on what is meant by "fair value". Such information could be consistent with IFRS 13. If there are other concepts of "fair value" in other major jurisdictions, then these could usefully be included. It is our view that the definition of "fair value" might conflict with the statement in paragraph 4a of the Exposure Draft.
4. It is our view that such additional guidance could usefully be provided, with the caveat that such guidance may not be applicable if there are different requirements in various jurisdictions for certain types of valuation (e.g. in divorce cases).

820 The Crescent
Colchester Business Park
Colchester
Essex CO4 9YQ

t: 01206 838400
f: 01206 838401
dx: 154143-Col 17
mail@scruttonbland.co.uk
www.scruttonbland.co.uk

Registered to carry on audit work
and regulated for a range of
investment business activities
by the Institute of Chartered
Accountants in England
and Wales

John Pickering FCA
Sharon Gravener FCCA, ACA
Nick Banks FCCA, ACA
Andrew Edge
Jason Fayers
Sue Gull FCA
Tim Long
James McElhinney ACA
Tim Mulley
Tim O'Connor FCCA, ACA
Andrew Strickland FCA

*These services are supplied
by Scrutton Bland Ltd which is
authorised and regulated by the
Financial Services Authority



INVESTOR IN PEOPLE



Scrutton Bland is a member of Nexia
International, a worldwide network of
independent accounting and consulting firms

812897 V1

5. We found the examples of threats to independence to be helpful. It is our view that these Guidelines could be extended to cover a rather wider range of valuation work (see below). In much of this work, it may well be proportionate for the auditors to the company also to carry out the valuation. We therefore consider that consideration of factors which should be considered, and disclosed, in such circumstances could usefully be given.
6. We find the guidance to be helpful and appropriate.
7. We find this guidance to be helpful, subject to comments that we have made above regarding the definition of "fair value" and by extension "fairness".
8. We consider these restrictions and limitations to be reasonable and applicable to the UK Market Place.
9. The implication that we draw from the introduction to the Exposure Draft is that its application is limited to those cases in which a price has been provisionally decided, and it is the role of the valuer to determine the fairness of that price. It is our view that other opinions regarding fair value could usefully be included within the Guidelines. This would widen their remit and increase their relevance to many valuers in major jurisdictions. Auditors and others are often required to determine the fair value of shares under the Articles of Association of companies in the UK. We assume that there are similar procedures in other jurisdictions, including North America and Europe.
10. In such circumstances, there can be a special challenge to the valuer in determining whether he can demonstrate satisfactorily his independence from the commissioning body. It is our view that it is best practice for a valuer other than the auditor to be engaged in such circumstances. However, we do recognise that the use of an auditor may be the proportionate response in smaller cases.
11. We therefore consider that the Guidelines should be extended so as to include such fair value opinions. We also consider that the Guidelines should determine those matters which an Auditor should consider before agreeing to undertake a fair value opinion.

Other points

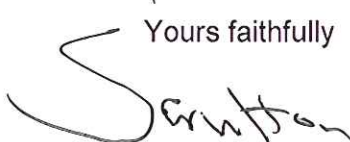
We consider that paragraph 2 would be improved by being changed to read "...from a financial point of view of those to whom a duty of care is owed".

In most of the ED the format that is used is "...a FO..." In paragraph 31 this is given as "...an FO..."

We consider that Guidance could be extended in paragraph 24 by an overt statement to the effect that a valuer is entitled to consider that statutory financial statements contain information which can be prima facie relied upon, unless they fail the test of professional scepticism.

Please let us know if you require any further information.

Yours faithfully


Scrutton Bland

