

International Valuation Standards Council (IVSC)
4 Lombard Street
London
EC3V 9AA

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TAQEEM Comments on IVSC's Exposure Draft of the Proposed Revisions to IVS 2017

Mr. Mark Zyla
Chairman, Standards Review Board

Thank you for the opportunity to provide our views on the Exposure Draft of the Proposed Revisions to IVS 2017. We appreciate the continued efforts of IVSC's Standards Review Board to enhance the International Valuation Standards and to set globally consistent valuation standards. On behalf of the Saudi Authority for Accredited Valuers (TAQEEM), kindly find below our responses for your consideration:

1. IVS Glossary

Question 1: Do you believe that IVS should define the terms Price, Cost, and Value? If so, please discuss why you think the additional definitions are necessary.

Yes. This is to ensure that valuers can rely on common definitions accepted from same profession, rather than employing or borrowing definitions from other profession such as accounting, economic and others. The definition is specific and employs the valuers' point of interest/view. If necessary, the detailed explanation come with simple examples.

Question 2: Do you believe IVS should define *Calculation and Calculation Engagement*? Please explain.

No. IVS should exclude the definition of *calculation and calculation engagement*. It differs from IVS practice. *Calculation and Calculation Engagement* may lead to reliance towards the automated valuation model which is far from IVS practices. By adopting both definition, valuers are accepting various numerical calculation such as guesstimate or using modelling which may lead to inaccuracy of value adopted. The art and science element within valuation profession whereby we are analyzing all relevant factors before coming to reconciliation of value is different from a Calculation estimation. Inclusion of any of both definitions would legitimate the *calculation and calculation engagement* as recognized by IVS.

Question 3: Should a *Calculation* be IVS compliant, and if so, what differences in the scope of work and disclosures outlined in IVS should be required by the *valuer*?

Yes, a *Calculation* must be IVS compliant. The valuer must disclose and state clearly in the valuation report that *Calculation* is not valuation following the IVS definition and it may only be used as a guidance. However, in some cases such as eminent domain or court cases, the calculation to derive value may be

more important especially for assessor or judge to refer to. Accordingly, disclosure of valuation calculation within the report is important for some of valuation cases or purposes.

2. IVS 102 – Investigations and Compliance

Question 4: Should IVS provide examples of “substantial” limitations? If so, please provide examples of such limitations.

No. Examples of ‘substantial limitations’ are not suitable within IVS, but more likely as part of guidance or practice manual. It is the duty of valuers to conduct and perform adequate data gathering for various information required for the valuation exercise. In case where such information is not made available or inaccessible, the valuer must disclose these in the report, and therefore it is not complying with IVS. Necessary substantial limitations to protect valuers on valuation exercise if they really have limited or inaccessible data maybe be provided as a part of practice manuals by local valuation bodies.

3. IVS 105 – Valuation Approaches and Methods

Question 5: Do you agree with the suggested changes to IVS 105 section on Discount Rates? If not, please provide details of the additional information you think should be included or excluded from this section.

TAQEEM agrees on the addition and amendment on the IVS 105 section. It is adequate for the valuers and stakeholders to understand, apply and explain the concept of Discount Rates especially on lack of information or projected cash flow.

4. IVS 200 – Business and Business Interests

Question 6: Do you agree that the methods are more relevant to business valuation and the placement in IVS 200 is appropriate? If no, please explain why.

Yes. TAQEEM agrees to the new changes.

Question 7: Are there additional methods that should be included in the proposed revisions, for example the Hybrid Method? If yes, please discuss the additional methods to consider.

Not required. The purpose of the standard is to produce the most relevant approach/method of valuation. It is subject to the valuer to explain if he/she employ divergence from the approach/method within IVS and the reason for it.

Question 8: Are there additional topics within Early Stage Company Valuation that you feel should be included in IVS or explored further by the Boards? Please provide an outline for any topics suggested.

Yes. Maybe early stage Start-Ups, Mobile Apps, Social media accounts that are not really a company.

5. IVS 410 – Development Property

Question 9: Do you feel that the inclusion of the “As Is” and “As Proposed” value for the Development Property will reduce the risks in relation to the valuation of development property? If no, what additional information would you like to see included?

Yes. This will provide best indicator of the existing value ‘as is’ and ‘as proposed’ which will help the stakeholders (banks, investors, owner) in their decision making. Furthermore, all the assumption for proposed value must be clearly defined and stated in the report.

Question 10: Should the *valuer* be compelled to state the method of valuation they have used in their calculation of market value and report the assumed (or calculated) Developers Profit when reporting market value? If no, please explain why not?

Yes. The valuer must compel on the method being employed for their valuation for transparency and suitability of the method based on the purpose and basis of valuation and availability of data. The developer’s profit is always based on the assumption from the previous cases or actual project within the same vicinity or same scale. It is best for valuer to show how he arrive at the developer’s profit figure for transparency and to cross-check with the surrounding implementation. But have to bear in mind that developer’s profit also based on the type of property development among other factors.

Please do not hesitate to contact us if there is any enquiry concerning our comments.

Thank you.

Best regards,

Ahmed Sabry FRICS

TAQEEM