

PRACTICE BULLETIN NO. 6

GUIDANCE ON DISCLOSURE OF RELIANCE ON FINANCIAL STATEMENTS AND OTHER INFORMATION

1. Valuators/Experts should consider making specific reference to the nature of the assurance associated with the financial statements relied upon in a report's scope of review disclosures. In addition, they should consider disclosing in reports that quantitative and qualitative information has been relied upon without the Valuator/Expert necessarily having undertaken any audit, review or other procedures to verify the accuracy of such information.
2. Valuators/Experts routinely rely upon a wide range of quantitative and qualitative information, including financial statements, in preparing valuation or expert reports. In the conduct of a valuation engagement the nature of the information relied upon and the extent to which such information is corroborated goes in part to the type of Valuation Report that is issued (i.e. Comprehensive, Estimate or Calculation Report). It is a matter of professional judgement, taking into account the importance of the information to the conclusion arrived at in the context of the type of report to be issued, as to the nature and extent of the procedures that the Valuator/Expert undertakes to determine the veracity of information relied upon.
3. Reliance on financial statements that are internally prepared by the subject entity's management or which have not been subject to external audit or review would not necessarily require that disclosure be made of a scope limitation. Practice Standards 110, 210 and 310 require disclosure be made in a Valuation or Expert Report where there has been a scope limitation. The explanatory comment in the standards states "to the extent that the scope of review has been significantly restricted, or information provided is substantially incomplete, the valuator must determine if an unqualified conclusion can be provided". In deciding whether a scope limitation is appropriate where internally prepared or limited assurance financial statements have been relied upon, the Valuator/Expert should give consideration to such factors as whether the financial statements have been prepared in accordance with generally accepted accounting principles and whether any resulting necessary adjustments can be made by the Valuator/Expert in their analysis.
4. Practice Standards 110, 210 and 310 require disclosure of the scope of review such that the report clearly identifies the specific information on which the Valuator/Expert relied to arrive at a conclusion. Regardless of whether disclosure of a scope limitation is made, it is

important that users of reports have sufficient information to be able to understand the nature of the information that was relied upon, including any inherent limitations it may have.

5. The description of financial statements relied upon in disclosure of the scope of review should specifically describe the financial statements with reference to the nature of any external assurance that is associated with them or whether they were internally prepared by the subject entity's management or compiled by an external party. Identification should also be made of the provider of any external assurance or compilation service.
6. A Valuator/Expert should consider making disclosure in their report that they have not audited, reviewed or otherwise undertaken any procedures to determine the veracity of quantitative and qualitative information relied upon in arriving at a conclusion.
7. Suggested standard wording at the end of scope of review disclosure:
"I did not undertake any audit, review or other procedures of any kind to verify the accuracy or completeness of the above information, except as specifically disclosed in this report."
8. A Valuator/Expert should consider on an alternative or additional basis, disclosure of a standard general assumption in connection with disclosure of key assumptions made in arriving at the conclusion, such as:

"In arriving at the conclusion setout herein, I have assumed that all quantitative and qualitative information provided to me is complete and accurate. In particular, I have assumed that all financial statements and/or financial information provided to me and upon which I have relied in arriving at the conclusion expressed herein, present fairly, in all material respects, the financial position of Company and its subsidiaries as well as the results of operations and changes in financial position for the relevant periods."

February 21, 2008