

# **VALUATION GUIDELINES - GENERAL**

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## I. PREAMBLE

The principal objectives of the guidelines are to provide appropriate directions or guidance to registered valuers performing external valuations in Maldives. It further aims that the valuation reports are prepared in accordance with the internationally recognized bases that are appropriate for the purposes of their preparations such that it ensures valuation reports prepared by registered valuers can achieve the highest standards of professionalism, integrity, clarity, reliability and impartiality.

The responsibility for the preparation of valuation report in compliance with the Valuation Standards and for adequate disclosure of information that supports the conclusion is that of the registered valuer. The use of professional judgment is also an essential component of estimating value.

While Certain aspects of the guidelines do not direct or mandate any particular course of action, they provide fundamental principles and concepts that can be considered in undertaking a valuation. Hence, the valuation guidelines will serve as a benchmark to the registered valuers, ensuring uniformity and quality of valuation reports.

These Guidelines are advisory in nature and registered valuers are strongly encouraged to adopt and align their valuation practices with the principles set out herein.

The Valuation Committee is committed to continuously reviewing and updating the guidelines to meet stakeholder and market needs. The Valuation Committee will review the valuation guidelines at periodical intervals and these reviews may

result in additional guidelines being introduced or amendments being made to the guidelines in this publication at any time. updating the guidelines to meet stakeholder and market needs.

In line with the objectives vested in the Valuation Committee, the Committee is issuing these Guidelines for Valuers to ensure consistency and transparency in valuations.

## II. INTRODUCTION TO VALUATION

The objective of this Guideline is to ensure the reliability and consistency in valuations done by valuers. The requirements and implications of International Financial Reporting Standards (IFRSs) and International Valuation Standards (IVS) have been considered in the preparation of this Guideline.

IFRS 13 Fair Value Measurement sets out in a single IFRS a framework for measuring fair value and is applicable to most assets and liabilities that are required to be measured at fair value. As such IFRS Fair Value Measurement basis would be the primary basis for valuation for financial reporting purposes unless another specific measurement basis is set out by another relevant accounting standard.

Fair value is a market-base measurement, not an entity-specific measurement. The objective of a Fair Value Measurement (“FVM”) is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the entity that holds the asset or the liability and market participants. This refers to a transaction that would take place at the measurement date under current market conditions (i.e. an exit price for the entity at the measurement date).

Correspondingly, the International Valuation Standards (“IVS”) issued by the International Valuation Standards Council (“IVSC”) is a set of widely recognized international valuation standards for the undertaking of valuation assignments, using generally recognized concepts and principles that promote transparency and consistency in valuation practice. Both International Valuation Standards

(IVS) 2022, effective from 31 January 2025, contain a Framework, five general standards and six Asset Standards.

Making reference to IVS' relevant requirements, this guideline also highlights key considerations relevant when determining the scope of work for valuation for the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS). In addition, it deals with the relevant requirements for valuation information to be disclosed in the financial statements to meet the Client's financial reporting responsibility when preparing financial statements.

### III. DEFINITION OF TERMS

CA Maldives: Institute of Chartered Accountants of the Maldives, regulatory body of accountancy profession in Maldives.

Council: Consisting of 9 members the Council serves as the governing body of the CA Maldives.

Valuation Committee: A Committee established under the power vested in the Council, pursuant to section 25 (d) of Maldives Chartered Accountants Act (Law No: 13/2020).

FVM Fair Value Measurement in accordance with IFRS 13

IFRS: International Financial Reporting Standards

IVS: International Valuation Standards.

IES: International Ethics Standard.

IVSC:	International Valuations Standards Council.
IPMS:	International Property Measurement Standards.
IPMSC: Coalition	The International Property Measurement Standards Coalition
MIRA:	Maldives Inland Revenue Authority
Stakeholder:	A person, organization or group directly or indirectly affected by a service performed by a practitioner or valuer for a client.
SOW	Scope of Work agreed between the Valuer and the Client
User:	A person or group using the services of a practitioner or valuer.
Registered Valuer:	A service provider registered as a valuer in accordance with the regulation published by CA Maldives.
Valuation Reviewer:	A professional valuer engaged to review the work of another valuer's Valuation Report prepared by the Registered Valuer.

#### **IV. ETHICAL PRINCIPLES**

A registered valuer shall confirm to the Code of Ethical Principles for Professional Valuers issued by International Valuation Standard Council (IVSC) and the following fundamental ethical principles when performing professional services to a client and are mandatory for all the registered valuers performing Valuation.

##### **A. Integrity and Fairness**

The registered valuer shall be straightforward and honest in all professional and business relationships and maintain the highest standards and integrity and fairness.

##### **B. Objectivity**

The registered valuer shall not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

##### **C. Professional Competence and Due Care**

The registered valuer shall maintain professional knowledge and skill at the level required to ensure that an intended user receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical standards and code of conduct.

##### **D. Confidentiality**

The registered valuer shall respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not

disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for his personal advantage or third parties.

#### **E. Professional Behavior**

The registered valuer shall comply with relevant laws and regulations and avoid any conduct that disrepute to the profession.

### **V. CONFLICT OF INTEREST**

Registered Valuers involved in the valuation engagements are expected to comply with the ethical requirements (eg: the members of the Institute of Chartered Accountants of Maldives- Code of Ethics). Hence, they shall take reasonable steps to identify circumstances that could pose a conflict of interest. Upon evaluating the significance of threats, if any, the valuer shall apply safeguards when necessary to eliminate the threats or reduce them to an acceptable level.

However, every external valuation of such assets for the entities having public accountability shall be undertaken by the registered valuers who are not within the scope of Related Parties (as defined in Paragraph 9 of IAS 24 Related Party Disclosures).

## VI. SCOPE OF THE GUIDELINE

The objective of issuing the Valuation Guideline is to standardize the various principles, practices and procedures followed by registered valuers in valuation of assets, liabilities or a business.

Where a valuation is required to be made for the purpose of financial reporting purpose what includes in respect of any but not limited to; property, shares, debentures, securities, goodwill or any other assets of an entity or its liabilities, it shall be valued by a person having such qualifications and experience and registered as a valuer under this guideline.

Provided that until the valuation standards are notified or modified by CA Maldives, a valuer shall make valuations as per-

1. Internationally accepted valuation or
2. Valuation standards adopted by CA Maldives

The registered valuers may obtain inputs for their valuation report or get a separate valuation for an asset class conducted from another registered valuer, in which case valuers shall fully disclose the details of the inputs and the particulars etc. of the other registered valuer in their report. The liabilities against the resultant valuation, irrespective of the nature of inputs or valuation by the other registered valuer, shall remain of the first mentioned registered valuer.

### STANDARDS APPLICABLE FOR VALUATION

Below standards and codes adopted by CA Maldives

1. Code of Ethical Principles for Professional Valuers issued by International Valuation Standard Council.

2. International Valuation Standards (IVS) issued by International Valuation Standard Council.
3. IFRS 13 Fair Value Measurement issued by International Financial Reporting Standards Board (IFRS)

## IFRS 13 FAIR VALUE MEASUREMENT

### A. Fair Value

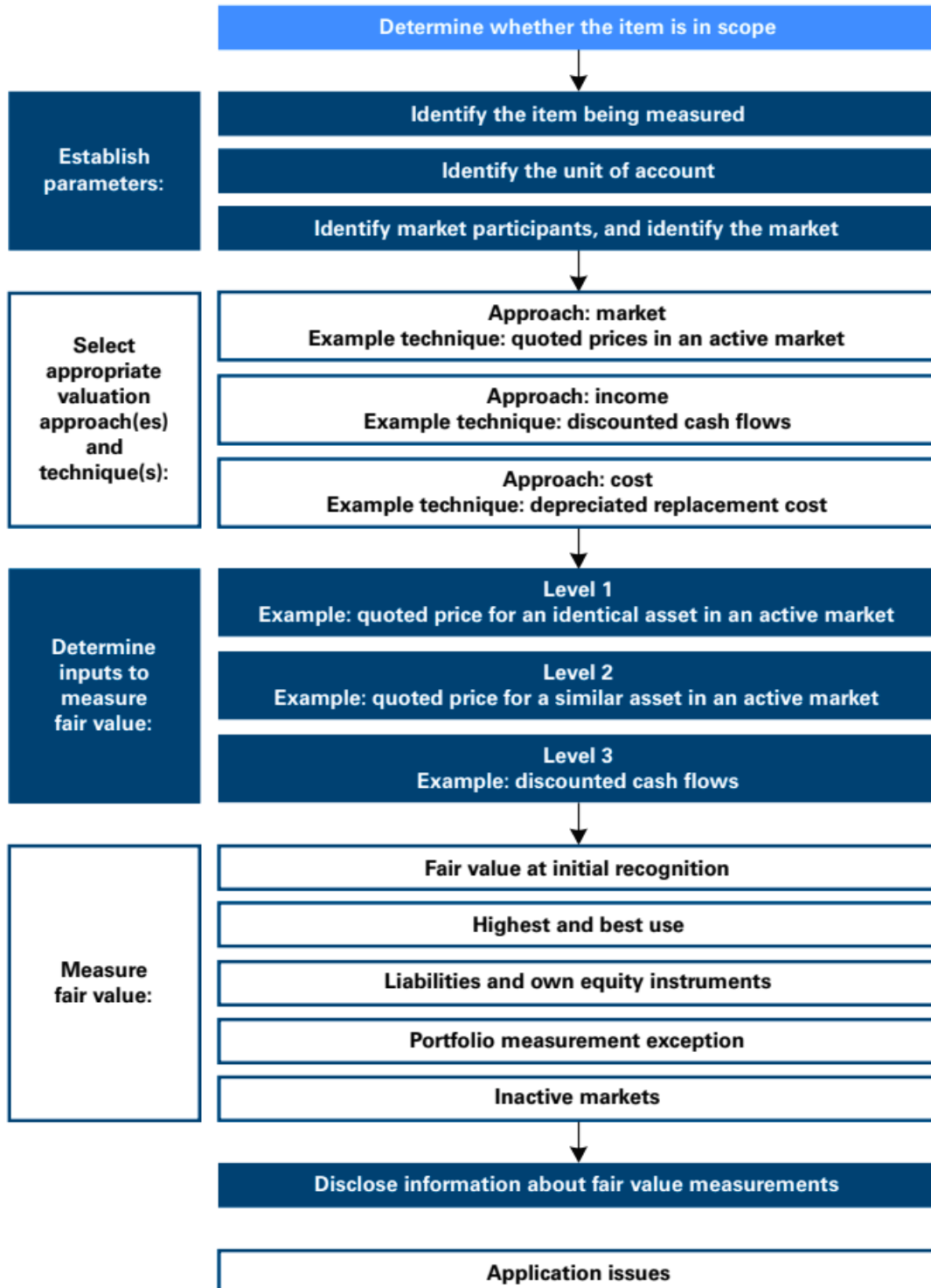
Under IFRS 13, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Fair value is measured assuming a transaction in the principal market for the asset or liability (i.e. the market with the highest volume and level of activity). In the absence of a principal market, it is assumed that the transaction would occur in the most advantageous market. This is the market that would maximize the amount that would be received to sell an asset or minimize the amount that would be paid to transfer a liability, taking into account transaction and transportation costs. In either case, the entity needs to have access to that market, although it does not necessarily have to be able to transact in that market on the measurement date.

A fair value measurement is made up of one or more inputs, which are the assumptions that market participants would make in valuing the asset or liability. The most reliable evidence of fair value is a quoted price in an active market. When this is not available, entities use a valuation approach to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

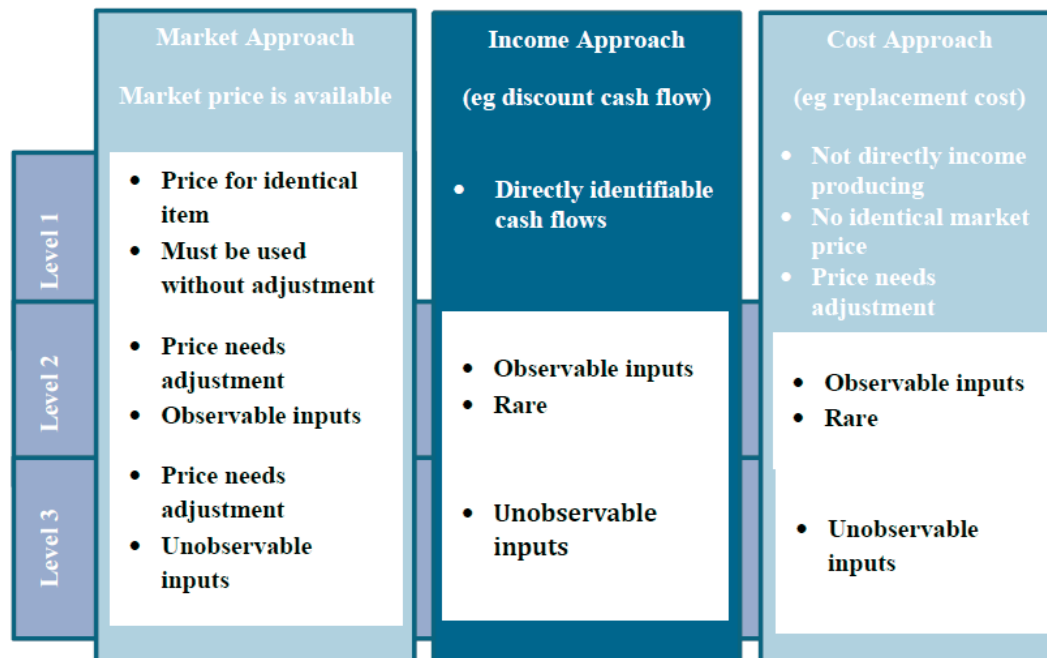
These inputs also form the basis of the fair value hierarchy, which is used to categorize a fair value measurement (in its entirety) into one of three levels. This categorization is relevant for disclosure purposes. The disclosures about fair

value measurements are extensive, with more disclosures being required for measurements in the lowest category (Level 3) of the hierarchy. The diagram below shows the flow of the publication in relation to the process of measuring fair value.



## B. Valuation Techniques

An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The diagram below shows the different approaches:



## C. Disclosures

The following are examples of disclosures required to be made by the valuers in the valuation reports:

1. For all Level 2 and Level 3 valuations:

- a. Description of valuation technique(s) and inputs used;
  - b. Any changes in valuation technique(s) used and reason(s) for change; and
  - c. Whether the highest and best use of property differs from the Client's current use and the reason for any difference.
2. For all Level 3 valuations (except those performed for disclosures only):
- a. Quantitative information about significant unobservable valuation inputs
  - b. For Level 3 valuations used for recurring fair value accounting:
  - c. A narrative description of the sensitivity of the valuation to changes in unobservable inputs<sup>12</sup> (including description and likely effect of any interrelationships between inputs) if a change in those inputs to a different amount might result in a significantly higher or lower valuation.

## **VII. REPORTING GUIDELINES**

### **A. General**

The registered valuer shall comply with these Reporting Guidelines when issuing a valuation report and expressing a conclusion of value. This guideline applies to all valuation reports or reports on the outcome of a valuation review.

The objective of these Reporting Guidelines is to ensure consistency and quality of valuation reports issued by registered valuers of CA Maldives.

### **B. Format of Report**

The format of the report shall be in any particular way appropriate for the engagement, its purpose, its findings, and the needs of the decision-makers who receive and rely upon it.

### **C. Contents of Report**

To communicating the information that is necessary for proper understanding of the valuation, it is recommended to include the below information at a minimum in the valuation report that is prepared for the purpose of financial reporting;

1. Executive Summary, identification and status of the valuer
2. Identification of the client and any other intended users
3. Purpose of valuation and appointing authority
4. Disclosure of valuer interest or conflict, if any

5. Date of appointment, valuation date and date of report
6. Identification and detailed description of the asset to be valued
7. Highest and best use considered for the valuation
8. Procedures adopted in carrying out the valuation and valuation standards followed;
9. Legal and regulatory status of the property such as ownership summary, planning approvals and permissions, legal tenure such leasehold ownership or freehold ownership.
10. nature and sources of the information used or relied upon
11. Extent of investigation
12. Restrictions on use of the report, if any
13. Nature and source of the information relied upon
14. Assumptions and special assumptions
15. Identity of any other experts involved in the valuation
16. Inspections and/or investigations undertaken;
17. Major factors that were taken into account during the valuation
18. Caveats, limitations and disclaimers to the extent they explain or elucidate the limitations faced by valuer, which shall not be for the purpose of limiting responsibility of the valuer for the valuation report.
19. Valuation approach, reasoning and disclosures.
20. Amount of the valuation or range of values.

21. Date of the valuation report and effective date of valuation
22. Confirmation that the valuation complies with these guidelines
23. Conclusion

## VIII. THE ROLE OF THE PROFESSIONAL VALUER IN THE AUDIT PROCESS

### A. General

Generally, valuation for financial reporting purposes will involve the “Registered valuer” as the professional service provider, the reporting entity as the “client”, the “auditor” as the reviewer for external audit purposes.

Hence, it will be beneficial for all parties involved to have a clear understanding of the valuation process and the requirements of the relevant accounting standards.

For example, one best practice is for the Client to share and discuss the proposed scope of work or terms of engagement for the valuation with the Auditor before appointing the Valuer.

A valuation expert appointed by either management or an auditor must be a valuer registered with CA Maldives.

### B. Valuers as Management’s expert

Management’s expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements. [ISA 500 Audit Evidence]

Fair Value measurement involves estimation and may require the management to engage a valuation expert to arrive such amounts to be included in the financial statements.

Auditors Responsibility:

The International Standard on Auditing 500 Audit Evidence states that if information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes:

- (a) Evaluate the competence, capabilities and objectivity of that expert;
- (b) Obtain an understanding of the work of that expert; and
- (c) Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion.

## **B. Valuers as Auditors expert**

The auditor may decide to use the work of the auditor's expert, instead of a management's expert, which are defined as follows;

Auditor's expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert." [ISA 620 Using the Work of an Auditor's Expert]

### Auditors Responsibility:

When the auditor intends to use the work of an auditor's expert, the auditor shall evaluate whether his expert has the necessary competence, capabilities and objectivity for the Auditor's purposes.

Further, in order to determine the nature, scope and objectives of such expert's work and to evaluate the adequacy of the expert's work for the auditor's purposes, he shall obtain sufficient understanding of the field of expert's expertise. In addition, the following matters to be agreed with the expert;

- (a) The nature, scope and objectives of that expert's work;
  - (b) The respective roles and responsibilities of the auditor and that expert;
  - (c) The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert;  
and
  - (d) The need for the auditor's expert to observe confidentiality requirements.
- The auditor shall obtain sufficient appropriate audit evidence to provide reasonable assurance that fair value measurements and disclosures are in conformity with IFRS.

## Recommended workflow of the engagement process of valuation amongst the client, the valuer and the auditor

STEP	PROCESS	INVOLVEMENT OF		
		CLIENT	VALUER	AUDITOR
<b>Preparation for engagement of Valuer</b>				
<b>1</b>	Identification of the need for valuation: <ul style="list-style-type: none"> <li>• Consider the intended use(s) of VR that may include financial reporting (and the relevant financial reporting standards), fulfilment of loan covenants etc.</li> <li>• Determine the date of valuation required if the VR is to be used for more than one purpose.</li> <li>• Consider any relevant characteristics of the real property interest that may affect the valuation</li> </ul>	YES	N/A	YES
<b>2</b>	Request for Proposal (“RFP”): <ul style="list-style-type: none"> <li>• Ensure that the intended use(s) or purposes of valuation and date of valuation are stated clearly in the RFP.</li> </ul>	YES	N/A	N/A
<b>3</b>	Discussion of the scope of work and information required in VR which may include the following: <ul style="list-style-type: none"> <li>• Intended use(s) of valuation report and valuation date;</li> <li>• Key valuation matters, including basis of value, unit of account etc.;</li> <li>• Relevant characteristics of the real property interest; and</li> <li>• Need for specific disclosures or information for the intended user(s) of the VR.</li> </ul>	YES	YES	YES
<b>During the valuation &amp; before finalisation of valuation</b>				
<b>4</b>	Discussion of any issues that the Valuer encountered in the process of valuation, if needed.	YES	YES	IF NEEDED
<b>5</b>	Discussion on key valuation matters, including changes, if any, from the scope of work agreed before commencement of work.	YES	YES	YES
<b>After finalisation of draft VR</b>				
<b>6</b>	Respond to Auditor’s inquiries on valuation matters	YES	YES	YES

## **IX. VALAUTION REVIEW**

### **A. General**

A valuer may be requested to review all or part of a valuation prepared by another valuer in circumstances that include the following, though the list is not exhaustive:

1. Commenting on valuations produced for use in legal proceedings
2. Assisting an audit enquiry

It is important to make a clear distinction between a critical review of a valuation and an audit of a valuation or an independent valuation of a property, asset or liability included in another valuer's report.

In carrying out any review the valuer is expected, by reference to the valuation date and to the facts and circumstances relevant to the asset at the time, to:

1. Form opinions as to whether the analysis in the work under review is appropriate
2. Consider whether the opinions and conclusions are credible and
3. Consider whether the report is appropriate and not misleading.

The review must be undertaken in the context of the requirements applicable to the work under review, and the valuer must develop and report opinions and conclusions together with the reasons for any disagreement. A valuer must not undertake a critical review of a valuation prepared by another valuer that is

intended for disclosure or publication, unless the valuer is in possession of all the facts and information upon which the first valuer relied Valuation.

## **B. Review Reports**

Reporting the results of a Valuation Review must be separate from the work under review and must clearly and accurately contain sufficient information to enable the intended users of the Valuation Review to understand the report properly.

A Valuation Review Report should contain the following, at minimum:

1. The scope of the review performed
2. The valuation report being reviewed and the inputs and assumptions upon which that valuation was based,
3. The reviewer's conclusions about the work under review, including supporting reasons, and
4. Disclosure of any limitations
5. The date of the report (which may differ from the valuation date).