BOARD OF VALUERS, APPRAISERS, ESTATE AGENTS AND PROPERTY MANAGERS (BOVAEP)

MVS 2018 EXPOSURE DRAFT

The 5th Edition of the Malaysian Valuation Standards has been revised and a Final Draft has been completed. The Board is now exposing it to Registrants and other stakeholders for comments. Those participants and stakeholders who want to comment must do say within a window period of two weeks from **22 October 2018**.

All suggestions and comments on this Exposure Draft **must be submitted in writing** either by email or hand-delivered/mailed by **5 November 2018** to:-

The Registrar
Lembaga Penilai, Pentaksir, Ejen Harta Tanah dan Pengurus Harta
A-19-13A, Level 19, Tower A Menara UOA, Bangsar
No 5 Jalan Bangsar, 59000 Kuala Lumpur

Email: maha@lppeh.gov.my or audrey@lppeh.gov.my

Please note that the Board is also going to publish, apart from the Malaysian Valuation Standards but together in the same booklet, Guidance Notes for Business Valuations (including Intangibles). Suggestions and comments are also invited for the Business Valuation Guidance Notes. The Guidance Notes will be non-mandatory guidance for Valuers.

Lembaga Penilai, Pentaksir, Ejen Harta Tanah dan Pengurus Harta
A-19-13A, Level 19, Tower A Menara UOA Bangsar
No 5 Jalan Bangsar
59000 Kuala Lumpur

6TH EDITION

MALAYSIAN VALUATION STANDARDS

INTRODUCTION

This is the 6th Edition of the Malaysian Valuation Standards (MVS) and it is effective from XX XXXXX 2018. This edition shall supersede all previous editions of the MVS that have been issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia (Board). The MVS shall also prevail over any prior Circulars issued by the Board in the event there is any conflict between the Circulars and the MVS.

The MVS is subsidiary legislation published by the Board under legislative powers bestowed upon it by the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 (as amended) and Rules made thereunder, known as the Valuers, Appraisers and Estate Agents Rules 1986 (as amended).

The MVS should not be taken to be exhaustive of all conceivable situations that may arise in practice. Notwithstanding the MVS, all Registered Valuers and Appraisers should, at all times, conduct valuations based on best practices and act in a manner consonant with the dignity of the profession. In the event there is any departure from the MVS, such departure must be disclosed and explained.

The MVS recognizes the valuation principles as enunciated by the International Valuation Standards. It differs mainly in having additional rules-based standards that the Board has found necessary in order to conform with specific Malaysian requirements and for the Board's better enforcement.

The Board would also like to inform all Registered Valuers that they should, additionally, use professional judgement and experience, especially in areas of work not explicitly covered by the MVS. It is hoped that with the implementation of this 6th Edition of the MVS, Registered Valuers and Appraisers shall be able to carry out their work in line with the standards expected of them and in turn satisfy the public demand for the highest standards of professional competence and excellence.

Sr HAJI NORDIN BIN DAHAROM
PRESIDENT
BOARD OF VALUERS, APPRAISERS, ESTATE AGENTS AND PROPERTY MANAGERS MALAYSIA
XX XXXXXX 2018

MALAYSIAN VALUATION STANDARDS			
NO.	**PRESENT MVS**	**PROPOSED CHANGES**	**REASONS**
	DEFINITIONS		
	In these standards, unless the context otherwise requires, the various terms are defined as follows:-	In this~~ese~~ ~~s~~Standards, unless the context otherwise requires, the various terms are defined as follows:-	
	“Act “ means the Valuers, Appraisers and Estate Agents Act 1981 (as amended).	“Act” means the Valuers, Appraisers, ~~and~~ Estate Agents and Property Managers Act 1981 (as amended).	To amend the MVS in line with the amended Act (i.e. Valuers, Appraisers, Estate Agents and Property Managers Act 1981).
	“Additional Assumption(s)” means an assumption, which a Valuer makes under specific instructions from the Client, and which although not realised in the market as yet, is reasonable and likely. Examples of additional assumptions in common use include: • an assumption that a building is completed, when in fact it is not • an assumption of a planning permission which is likely, but not obtained, as yet • an assumption that the entire business is exchanged as a complete operational entity • an assumption that assets employed in a business are exchanged without the business, either individually or as a group • an assumption that an owner occupied property is vacant when exchanged In the International Valuation Standards 2013 and the RICS Valuation - Professional Standards (the ‘Red Book’) 2014, this is generally referred to as “Special Assumptions”.	“Additional Assumption(s)” means an assumption, which a Valuer makes under specific instructions from the Client, and which although not realised in the market as yet, is reasonable and likely. Examples of additional assumptions in common use include: • an assumption that a building is completed, when in fact it is not • an assumption of a planning permission which is likely, but not obtained, as yet • an assumption that the entire business is exchanged as a complete operational entity • an assumption that assets employed in a business are exchanged without the business, either individually or as a group • an assumption that an owner-occupied property is vacant when exchanged (In the International Valuation Standards 201~~3~~7 and the RICS Valuation - Professional Global Standards (the ‘Red Book’) 201~~4~~7, this is generally referred to as “Special Assumptions”).	To amend this statement in line with the latest IVS & RICS standard publications (2017).
	“Asset” means a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. This term is interchangeably used in these standards with the word ‘property’/ ‘real property’.	“Asset” or “Assets” ~~means~~ refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the Standards, these terms can be considered to mean “asset, group of assets, liability, group of liabilities, or group of assets and liabilities”. ~~a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.~~ Th~~i~~ese terms ~~is~~ are interchangeably used in this Standards with the word ‘property’/ ‘real property’.	To amend this statement in line with the IVS 2017 (under Glossary).
		“Alternative Use Value” is the Market Value of the property without presuming the continuation of its present use.	
		“Assessed, Rateable, or Taxable Value” means a value based on definitions contained within applicable laws relating to the assessment, rating and/or taxation of an asset.	
	“Basis of Value” means a statement of the fundamental measurement assumptions of a valuation.		
	“Board” means the Board established under the Valuers, Appraisers and Estate Agents Act 1981 (as amended).	“Board” means the Board established under the Valuers, Appraisers, ~~and~~ Estate Agents and Property Managers Act 1981 (as amended).	To amend the MVS in line with the amended Act (i.e. Valuers, Appraisers, Estate Agents and Property Managers Act 1981).
	“Client” means a person or body who engages or instructs a Valuer to carry out a valuation and who is liable to pay the Valuer a fee for his services, and who in fact has discharged this obligation.		
	“Cost Approach” means an approach that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.		
		“Current Use/Existing Use” means the current way an asset, liability, or group of assets and/or liabilities is used. The current use may be, but is not necessarily, also the Highest and Best Use.	Quoted from IVS 2017
	“Date of the Report” means the date on which the Valuer signs the report.		
	“Depreciated Replacement Cost” means the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration, functional and economical obsolescence.		
	“Designated Assistant” means a person who is employed on a full time basis by a firm registered with the Board to carry out valuations and who is under the supervision of a Valuer. The Designated Assistant must be a person who has been carrying out relevant property inspections for not less than six months.		
		“Equitable Value” means the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. Equitable Value requires the assessment of the price that is fair between two specific, identified parties considering the respective advantages or disadvantages that each will gain from the transaction. In contrast, Market Value requires any advantages or disadvantages that would not be available to, or incurred by, market participants (e.g. synergistic value) generally to be disregarded.	Quoted from IVS 2017, Defined Basis of Value – Equitable Value, 50.

		Equitable Value is a broader concept than Market Value.	
		"Fair Market Value" means the price at which the asset or liability would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Fair Market Value is determined based on the expected price in an open and unrestricted market. Fair Market Value almost equates Market Value and it is a term widely used in the USA and especially for business valuations.	Quoted from IRS Revenue Ruling 59-60, accessed from http://www.equityvaluationappraisals.com/pdf/IRS-Revenue-Ruling-59-60.pdf
	"Fair Value" means 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 of an asset or liability shall be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value is generally used for reporting both market and non-market values in financial statements where the Market Value of an asset can be established, this value will equate to Fair Value. Therefore the definitions of Fair Value in the Malaysian Financial Reporting Standards (MFRS) are generally consistent with Market Value.	"Fair Value" means 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 (i.e. an exit price). ~~Fair value of an asset or liability shall be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value is generally used for reporting both market and non-market values in financial statements where the Market Value of an asset can be established, this value will equate to Fair Value. Therefore the definitions of Fair Value in the Malaysian Financial Reporting Standards (MFRS) are generally consistent with Market Value~~. When measuring Fair Value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.	Moved to 5.3.2.8 (Std 5 – Explanations)
		"Fair Market Value" means the price at which the asset or liability would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. It is determined based on the expected price in an open and unrestricted market and almost equates Market Value. It is a term widely used in the USA and especially for business valuations.	
	"Firm" means a body corporate, a partnership or a sole proprietorship.	"Firm" means a body corporate, a partnership or a sole proprietorship registered with the Board.	To specify that the firm referred to in the MVS is one that is registered with the Board.
		"Forced Sale Value" means the amount which may reasonably be received from the sale of an asset under forced sale conditions which do not meet all the criteria of a normal market transaction.	
	"Goodwill" means any future economic benefit arising from a business, an interest in a business or from the use of a group of assets that is not separable.		
	"Income Approach" means an approach that provides an indication of value by converting future cash flows to a single current capital value.		
	"Inspection" means a visit to a property or inspection of an asset, to examine it and obtain relevant information, in order to express a professional opinion of its value. However, physical examination of a non-real estate asset, e.g. a work of art or an antique, would not be described as 'inspection' as such.		
	"Highest and Best Use" means the use that would produce the highest value for an asset, liability or a group of assets and/or liabilities, regardless of the actual current use. The highest and best use must be physically possible, financially feasible, legally allowed and result in the highest value.		
	"Insurable Value" means the value of an asset provided by definitions contained in an insurance contract or policy.		
	"Intangible Asset" means items of intangible personal property and may include management and marketing skill, credit rating, goodwill, and various legal rights or instruments (patents, trademarks, copyrights, franchises and contracts).	"Intangible Asset" means a non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its owner. It includes items of intangible personal property and may include management and marketing skill, credit rating, goodwill, and various legal rights or instruments (patents, trademarks, copyrights, franchises and contracts).	To amend the existing sentence to incorporate the definition as per the RICS Valuation – Global Standards 2017 (Page 117) and IVS 2017 (Page 57).
		"Intrinsic Value" in finance, refers to the value of a company, stock, currency or product determined through fundamental analysis without reference to its Market Value. It is also frequently called Fundamental Value. It is ordinarily calculated by summing up the discounted future income generated by the asset to obtain the present value. It is worthy to note that this term may have different meanings for different assets.	
	"Investment Property" means property that is land or a building, or part of a building, or both, held by the owner to earn rentals or for capital appreciation, or both, rather than for: (a) use in the production or supply of goods or services, or for administrative purposes, or (b) sale in the ordinary course of business.		
	"Investment Value or Worth"- The value of property to a particular investor, or a class of investors, for identified investment objectives. This subjective concept relates specific property to a specific investor, group of investors, or entity with identifiable investment objectives and/or criteria. The Investment Value, or Worth, of a property asset may be higher or lower than the Market	"Investment Value, or Worth" means ~~T~~the value of ~~property~~ an asset to a particular investor, or a class of investors, for identified investment objectives.~~ This subjective concept relates specific property to a specific investor, group of investors, or entity with identifiable investment objectives and/or criteria. The Investment Value, or Worth, of a property asset may be higher or lower than the Market Value of the property asset. The term Investment Value, or Worth,~~	Moved to Standard 5.3.2.1 (Explanations)

	Value of the property asset. The term Investment Value, or Worth, should not be confused with the Market Value of an investment property. However, Market Value may reflect a number of individual assessments of the Investment Value, or Worth, of the particular property asset.	~~should not be confused with the Market Value of an investment property. However, Market Value may reflect a number of individual assessments of the Investment Value, or Worth, of the particular property asset.~~	
		"Liquidation Value" means an amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity.	
	"Market/Comparison Approach" means an approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.		
	"Market Rent" means the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and w here the parties had each acted knowledgeably, prudently and without compulsion.	"Market Rent" means the estimated amount for which an interest in real property should be leased/tenanted on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	To add the word 'tenanted' to cover short term rentals or tenancies.
	"Market Value" means the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.		
	"Marriage Value" means an additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values.		
		"Orderly Liquidation" means a liquidation with a typical marketing period, where the value of a group of assets that could be realised in a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis. The reasonable period of time to find a purchaser (or purchasers) may vary by asset type and market conditions.	
	"Plant, Machinery and Equipment" comprises building service installations and process plant, machinery and equipment installed wholly in connection with the occupier's industrial and commercial processes and also business occupation furniture and furnishings, fixtures and fittings, vehicles, moulds and loose tools.	"Plant, Machinery and Equipment" ~~comprises building service installations and process plant, machinery and equipment installed wholly in connection with the occupier's industrial and commercial processes and also business occupation furniture and furnishings, fixtures and fittings, vehicles, moulds and loose tools.~~ is an assembly of items related by their proximity, interconnections and/or integration that perform a function exclusively. It may be broadly divided into the following: Plant: assets that are combined with others and that may include items that form part of industrial infrastructure, utilities, building services installations, specialised buildings, and machinery and equipment forming a dedicated assemblage. Machinery: individual, or a collection or a fleet or system of, configured machines/technology (including mobile assets such as vehicles, rail, shipping and aircraft) that may be employed, installed or remotely operated in connection with a user's industrial or commercial processes, trade or business sector (a machine is an apparatus used for a specific process) Equipment: an all-encompassing term for other assets such as sundry machinery, tooling, fixtures, furniture and furnishings, trade fixtures and fittings, sundry equipment and technology and loose tools that are used to assist the operation of the enterprise or entity.	To amend the existing statement to incorporate the definition in the RICS Valuation – Global Standards 2017 (Pages 11 and 112). (Note that in the RICS Redbook 2017, reference is made to 'Plant and Equipment' as encompassing machinery. However the definition of 'Plant and Equipment' includes the definition of machinery. In the Malaysian context, we have adopted Plant, Machinery and Equipment.)
	"Property" means a legal concept encompassing all the interests, rights and benefits related to ownership. Property consists of the rights of ownership, which entitle the owner to a specific interest or interests in what is owned.		
	"Real Estate" means land and all things that are a natural part of the land, e.g. trees, minerals and things that have been attached to the land, e.g. buildings and site improvements and all permanent building attachments, e.g. mechanical and electrical plant providing services to a building, that are both below and above the ground.		
	"Real Property" means all rights, interests and benefits related to the ownership of ~~R~~real Estate.		
	"Reinstatement Cost" means the estimated cost of rebuilding anew a building or structure with a similar, modern substitute. In the case of plant and machinery, it is the cost (including the cost of freight, insurance and installation) of replacing it with a new plant and machinery item, which is a similar, modern substitute.		
		"Salvage Value" means the value of an asset, excluding land, as if disposed of for the materials it contains, rather than for continued use without special repairs and adaptation. It may be given as gross or net of disposal costs and, in the latter case, may equate to net realisable value. In any event, components included or excluded should be identified.	
	"Special Purchaser" means a particular buyer for whom a particular asset has a special value because of advantages arising from its ownership that would not be available to other buyers in the market.		
	"Specialised Property" means a property which, due to its specialised nature is rarely, if ever, sold on the open market for single occupation, for a continuation of its existing use except as part of a sale of the business in occupation. Its specialised nature may arise from the construction, arrangement, size or location of the property, or a combination of these factors, or may be due to the nature of the plant and machinery, and items of equipment which the buildings are designed to house, or the function, or the purpose for which the buildings are provided. Examples of specialised properties, which are usually valued on the Depreciated Replacement Cost (DRC) basis, are:		

	(a) oil refineries and chemical works where, usually, the buildings are no more than housings or cladding for the highly specialised plant; (b) power stations and dock installations where the buildings and site engineering works are related directly to the business of the owner, it being highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; (c) properties of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier or the continuation of existing use) for those buildings; (d) standard premises in particular geographical areas and remote from main business centres, located there for operational or business reasons, which are of such an abnormal size for that district, that there would be no market for such buildings there; (e) schools, colleges, universities and research establishments where there is no competing market demand from other organisations using these types of property in the locality; (f) hospitals, other specialised health care premises and leisure centres where there is no competing market demand from other organisations wishing to use these types of property in the locality; and (g) museums, libraries and other similar premises provided by the public sector.		
	"Special Value" means a term relating to an extraordinary element of value over and above Market Value. Special Value could arise, for example, by the physical, functional or economic association of a property with some other property such as the adjoining property. It is an increment of value that could be applicable to a particular owner or user, or prospective owner or user, of the property rather than to the market at large, that is, Special Value is applicable only to a purchaser with a special interest. Synergistic/ Marriage Value, the value increment resulting from the merger of two or more interests in a property, represents a specific example of Special Value. Special Value could be associated with elements of Going Concern Value and with Investment Value or Worth. The Valuer must ensure that the criteria used to value such properties are distinguished from those used to estimate Market Value, making clear any additional assumptions made.	"Special Value" means a term relating to an extraordinary element of value over and above Market Value. ~~Special Value could arise, for example, by the physical, functional or economic association of a property with some other property such as the adjoining property. It is an increment of value that could be applicable to a particular owner or user, or prospective owner or user, of the property rather than to the market at large, that is, Special Value is applicable only to a purchaser with a special interest. Synergistic/ Marriage Value, the value increment resulting from the merger of two or more interests in a property, represents a specific example of Special Value. Special Value could be associated with elements of Going Concern Value and with Investment Value or Worth. The Valuer must ensure that the criteria used to value such properties are distinguished from those used to estimate Market Value, making clear any additional assumptions made.~~	Moved to Standard 5.3.2.3 (Explanations)
	"Synergistic Value" means an additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values.	"Synergistic/Marriage Value" means an additional element of value created by the result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values.	Moved to Standard 5.3.2.2 (Explanations)
	"Valuer" means a person who is registered as a registered Valuer including a registered Appraiser with the Board of Valuers, Appraisers and Estate Agents.	"Valuer" means a person who is ~~registered as~~ a registered Valuer including a registered Appraiser with the Board of Valuers, Appraisers, ~~and~~ Estate Agents and Property Managers.	To amend the MVS in accordance with the amended Act (i.e. Valuers, Appraisers, Estate Agents and Property Managers Act 1981).
	"Valuation" means the written opinion as to capital or rental value on any given basis in respect of an interest in property, with or without any assumptions or qualifications. The term valuation shall include revaluation.		
	"Valuation Date" means the date on which the opinion of value applies. The valuation date shall also include the time at which it applies if the value of the type of asset can change materially in the course of a single day.		
	"Valuation Report" means a written document of a valuation. A Valuation Report must conform to the requirements of MVS 8 (Valuation Reports). A Valuation Report given in a manner different from a full report must conform to the requirements of MVS 13 (Update Valuations).		
		Value In Use means the present value of the future cash flows expected to be derived from an asset or cash-generating unit (MFRS 136).	
GENERAL VALUATION CONCEPTS AND PRINCIPLES			
A	**INTRODUCTION**		
	The Standards herein contained shall apply to all valuations carried out by Valuers. This section of the Standards is an explanation of valuation concepts and principles and is based on the International Valuation Standards. This part provides an overview of fundamentals that are particularly important to the understanding and application of these Standards.		
B	**LAND AND PROPERTY CONCEPTS**		
	(a) Property is a legal concept encompassing all the interests, rights and benefits related to ownership. Property consists of the rights of ownership, which entitle the owner to a specific interest or interests in what is owned. To distinguish between real estate, which is a physical entity, and its ownership, which is a legal concept, the ownership of real estate is called real property. The combination of rights associated with the ownership of real property is referred to as the bundle of rights. The bundle-of-rights concept likens property ownership to a bundle of sticks with each stick representing a distinct and separate right of the property owner, e.g., the right to use, to sell, to lease, to give away, or to choose to exercise all or none of these rights. (b) Many recognised principles are applied in valuing real estate. They include the principles of supply and demand; competition; substitution; anticipation or expectation; change; and others. Common to all these principles is their direct or indirect effect on the degree of utility and productivity of a property. Consequently, it may be stated that the utility of real estate reflects the combined influence of all market forces that come to bear upon the value of property.		
C	**REAL ESTATE, PROPERTY AND ASSET CONCEPTS**		
	(a) Real estate means land and all things that are a natural part of the land, e.g. trees, minerals and things that have been attached to the land, e.g. buildings and site improvements and all permanent building attachments, e.g. mechanical and electrical plant providing services to a building, that are both below and above the ground. (b) Real property means all rights, interests and benefits related to the ownership of real estate. (c) Personal property includes interests in tangible and intangible items which are not real estate. Items of tangible personal property are not permanently affixed to real estate and are generally characterised by their movability.		

(d) Malaysian Financial Reporting Standards (MFRS) distinguishes between tangible and intangible assets. Of particular importance are the following terms and concepts:

(da) Current assets. These are assets not intended for use on a continuing basis in the activities of an entity. Examples include stocks, obligations owed to the entity, short-term investments, and cash in bank and in hand. In certain circumstances real estate, normally treated as a fixed asset, may be treated as a current asset. Examples include land or improved real estate held in inventory for sale.

(db) Non-current assets (fixed or long-term assets). These are tangible and intangible assets which fall into the following two broad categories:

(i) Property, plant and equipment. Assets intended for use on a continuing basis in the activities of an entity including land and buildings, plant and equipment, and other categories of assets, suitably identified, less accumulated depreciation. Property, plant and equipment are tangible or physical assets.

(ii) Other non-current assets. Assets not intended for use on a continuing basis in the activities of an entity, but expected to be held in long-term ownership including long-term investments; long-term receivables; goodwill; expenditures carried forward; and patents, trademarks, and similar assets. This asset category includes both tangible or physical assets and intangible or non-physical assets. Intangible assets are considered items of intangible personal property, and may include management and marketing skill, credit rating, goodwill, and various legal rights or instruments (patents, trademarks, copyrights, franchises and contracts).

D PRICE, COST, MARKET AND VALUE

(a) Price is a term used for the amount asked, offered, or paid for an asset, liability or service. Sale price is a historical fact, whether it is publicly disclosed or kept confidential. Because of the financial capabilities, motivations, or special interests of a given buyer and/or seller, the price paid for goods or services may or may not have any relation to the value which might be ascribed to the goods or services by others. Price is, however, generally an indication of a relative value placed upon the assets, liabilities or services by the particular buyer and/or seller under particular circumstances.

(b) Cost is the price paid for assets, liabilities or services or the amount required to create or acquire the asset, liability or service. When that asset, liability or service has been completed, its cost is a historical fact. The price paid for an asset, liability or service becomes its cost to the buyer.

(c) A market is the environment in which goods and services trade between buyers and sellers through a price mechanism. The concept of a market implies that goods and/or services may be traded among buyers and sellers without undue restriction on their activities. Each party will respond to supply-demand relationships and other price-setting factors as well as to the party's own capacities and knowledge, understanding of the relative utility of the goods and/or services, and individual needs and desires. A market can be local, national, or international. Although over a period of time markets will influence each other, at any point in time a market may be self-contained and be little influenced by activity in the other markets. For example, on any given date the price of an asset in one state may be higher than could be obtained for an identical asset in another. If any possible distorting effects caused by government trading restrictions or policies are ignored, suppliers would, over time, increase the supply of the asset to the state where it could obtain the higher price and reduce the supply to the state where the price was lower, thus bringing about a convergence of prices.

(d) Value is an economic concept referring to the price most likely to be concluded by the buyers and sellers of an asset, or service that is available for purchase. Value is not a fact, but an estimate of the likely price to be paid for assets and services at a given time in accordance with a particular definition of value. The economic concept of value reflects a market's view of the benefits that accrue to one who owns the assets or receives the services as of the effective date of valuation.

E HIGHEST AND BEST USE

(a) Highest and best use is defined as the use of an asset that maximizes its potential and that is physically possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

(b) The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.

(c) The determination of the highest and best use involves considerations of the following:

(i) To establish whether a use is possible, regard will be had to what would be considered reasonable by market participants.
(ii) To reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, e.g. zoning designation, need to be taken into account.
(iii) The requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

F UTILITY

(a) Utility is a relative, or comparative term, rather than an absolute condition. For example, the utility of agricultural land is ordinarily measured by its productive capacity. Its value is a function of the quantity and quality of produce, which the land will yield in an agricultural sense, or of the quantity and quality of buildings essential to the agricultural operation. If the land has development potential, however, its productivity is measured by how productively it will support a residential, commercial, industrial, or mixed use. Consequently, land value is established by evaluating its utility in terms of the legal, physical, functional, economic, and environmental factors that govern its productive capacity.

(b) Utility is measured from a long-term perspective, ordinarily over the normal useful life of a particular property or group of properties. However, there are times when a particular property may become temporarily redundant, otherwise removed from production, adapted to an alternative use or function, or perhaps simply idled for a prescribed period of time. In other instances, external market circumstances, economic or political, may dictate the curtailment of production for an indefinite period of time. Valuations in such situations require special expertise and training, and reporting and should be done in accordance with these Standards. Of particular importance, is that the Valuer should ensure that full explanation and disclosure is made of the definition of value, data upon which the valuation is based, and the extent of special assumptions or limitations (if any) upon which the valuation is made.

G OTHER IMPORTANT ASPECTS

(a) The expression Market Value and the term Fair Value as it commonly appears in accounting standards are generally compatible, if not in every instance exactly equivalent concepts. Fair Value, an accounting concept, is defined in MFRS 13 issued by the Malaysian Accounting Standards Board (MASB). The MFRS 13 defines Fair Value 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.	(a) The expression Market Value and the term Fair Value as it commonly appears in accounting standards are generally compatible, if not in every instance exactly equivalent concepts. Fair Value, an accounting concept, is defined in MFRS 13 issued by the Malaysian Accounting Standards Board (MASB)~~. The MFRS 13 defines Fair Value~~ 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 of an asset or liability shall be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in	The IVS does not make a distinction between Market Value and Fair Value, even though the difference lies in the fact that Market Value is the '**estimated amount** for which an asset or liability should exchange on the valuation date between a **willing buyer and a willing seller** in an **arm's length transaction** ..' whereas the Fair Value is the '**price** that would be received **to sell** an asset, or **paid** to transfer a liability in an orderly transaction between

	Fair Value of an asset or liability shall be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair Value generally used for reporting both market and non-market values in financial statements where the Market Value of an asset can be established, this value will equate to Fair Value. Therefore the definitions of Fair Value in MFRS are generally consistent with Market Value.	their economic best interest. Fair Value generally used for reporting both market and non-market values in financial statements where the Market Value of an asset can be established, this value will equate to Fair Value. Therefore the definitions of Fair Value in MFRS are generally consistent with Market Value. Fair Value is based on market participants and in an auction it represents the second highest bidder and thus is lower than Market Value which represents a willing buyer only as against a willing buyer and a willing seller for Market Value.	**market participants** at the measurement date.' However, the definition of Fair Market Value (as defined by the United States Internal Revenue Service (for tax purposes) is the **price** at which the property would change hands between a **willing buyer and a willing seller**, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.' Hence it appears the definitions of 'Market Value' and 'Fair Market Value' generally appear to be more consistent than 'Fair Value'. However the definition of 'Fair Value' differs in the sense that it is premised solely from the viewpoint of the seller (and it could be lower than the market value).
STD 1	**QUALIFICATIONS OF VALUERS AND CONFLICTS OF INTEREST**		
1.1.0	**INTRODUCTION**		
1.1.1	Only Registered Valuers shall carry out valuations and provide such service for a fee. This is provided for under the Valuers, Appraisers and Estate Agents' Act 1981 (as amended). In addition, he must ensure that he has the necessary qualifications, sufficient knowledge and expertise when accepting valuation instructions. Past, present or foreseeable future relationships, either with the Client or the asset to be valued, that could lead to or be construed as possible conflicts of interest, must be disclosed when accepting an instruction for valuation.	Only Registered Valuers shall carry out valuations and provide such service for a fee. This is provided for under the Valuers, Appraisers, ~~and~~ Estate Agents and Property Managers Act 1981 (as amended). In addition, he must ensure that he has the necessary qualifications, sufficient knowledge and expertise when accepting valuation instructions. Past, present or foreseeable future relationships, either with the Client or the asset to be valued, that could lead to or be construed as possible conflicts of interest, must be disclosed when accepting an instruction for valuation.	To amend the MVS in respect of the new amended terms relating to the Board (i.e. Board of Valuers, Appraisers, Estate Agents and Property Managers) and the Act (i.e. Valuers, Appraisers, Estate Agents and Property Managers Act 1981).
1.2.0	**STATEMENTS OF STANDARD**		
		1.2.1 The Valuer, prior to accepting an instruction to carry out a valuation, must ensure that he is a Registered Valuer under the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 (as amended).	To emphasise that a Valuer must be a Registered Valuer in order to practise valuation in Malaysia.
1.2.1	The Valuer, prior to accepting an instruction to carry out a valuation, must ensure that he has sufficient knowledge and competency to complete the assignment in accordance with these Standards or generally accepted valuation principles.	1.2.2 The Valuer, prior to accepting an instruction to carry out a valuation, must ensure that he has sufficient knowledge and competency to complete the assignment in accordance with these Standards or generally accepted valuation principles.	Number to change accordingly
1.2.2	Where circumstances by virtue of legislation or requirement by any regulatory body or otherwise require an "Independent Valuer" such a Valuer shall be one who has no, either directly or indirectly via partners, co-directors or close family, significant financial interest in the client company or vice versa. Valuers preparing valuation reports for submission to the Securities Commission Malaysia and/or Bursa Malaysia Securities Berhad must also ensure that they meet the definition of an "Independent Valuer" as defined under the Asset Valuation Guidelines issued by the Securities Commission Malaysia and are required to give a declaration to such an effect.	1.2.3	Number to change accordingly
1.2.3	A Valuer must not accept an instruction to carry out a valuation of an asset if he, or his firm is involved in the sale or purchase of the asset, in the capacity of an agent, within one year of the completion of the sale or purchase.	1.2.4	Number to change accordingly
1.2.4	The Valuer must disclose any past, present or foreseeable future relationship with either the asset to be valued or the Client that may lead to or be construed as possible conflict of interest.	1.2.5	Number to change accordingly
1.2.5	The Valuer must also ensure that he meets any other legal or regulatory requirements, which may be required by the Client, their advisors or other relevant regulatory bodies.	1.2.6	Number to change accordingly
1.3.0	**EXPLANATIONS**		

1.3.1	These Standards ensure that only Valuers who have sufficient knowledge, skill and expertise to complete the valuation competently can carry out valuations. The test of whether an individual is appropriately qualified to accept responsibility for a valuation combines: • academic/professional qualifications, demonstrating technical competence; • membership of a professional body, demonstrating a commitment to ethical standards; • practical experience as a Valuer; • compliance with the requirements of the Board of Valuers, Appraisers and Estate Agents that governs the rights to practice valuation.	These Standards ensure that only Valuers who have sufficient knowledge, skill and expertise to complete the valuation competently can carry out valuations. The test of whether an individual is appropriately qualified to accept responsibility for a valuation combines: • appropriate academic/professional qualifications, demonstrating technical competence; • membership of a professional body, demonstrating a commitment to ethical standards; • practical experience as a Valuer; • sufficient current local, national and international (as appropriate) knowledge necessary, to undertake the valuation competently; • compliance with any country or state legal regulations governing the right to practise valuation; and • compliance with the requirements of the Board of Valuers, Appraisers, ~~and~~ Estate Agents and Property Managers that governs the rights to practice valuation.	To include two additional criteria for the test for a Valuer to accept a valuation request.
	Those who are unable to meet these criteria, should be assisted by Valuers (or other such qualified Valuers in the case of foreign properties) or other professionals or experts who possess sufficient knowledge, experience and competency. This would ensure the highest level of competency and would thus meet the Client's needs or requirements.	Those who are unable to meet these criteria, should be assisted by Valuers (e.g. for foreign properties) ~~(or other such qualified Valuers in the case of foreign properties)~~ or other professionals or experts who possess sufficient knowledge, experience and competency. This would ensure the highest level of competency and would thus meet the Client's needs or requirements.	To re-word existing paragraph
1.3.2	The other legal or regulatory requirements are those which may be imposed or required by the Client in accordance with the uses to which the Valuation Report may be put or those which are legally required. One such example is the valuation of properties for submission to the Securities Commission Malaysia.		
STD 2	**CONDITIONS OF ENGAGEMENT**		
2.1.0	**INTRODUCTION**		
2.1.1	The Valuer must always seek to understand the Client's needs and requirements and carry out the Client's instructions accordingly. Wherever possible, there should therefore be a written statement or agreement stating the conditions of engagement of a Valuer's services, indicating the scope of work, reporting formats, assumptions to be made, limiting conditions (if any), etc. This is to minimise any misunderstanding between the Client and the Valuer so that the Client understands the extent of a Valuer's responsibilities and limitations of valuation reports and is satisfied with the services provided by the Valuer.	The Valuer must always seek to understand the Client's needs and requirements and carry out the Client's instructions accordingly. Wherever possible, there should therefore be a written statement or agreement stating the conditions of engagement of a Valuer's services, indicating the terms of reference, scope of work, reporting formats, assumptions to be made, limiting conditions and limiting liabilities (if any), etc. This is to minimise any misunderstanding between the Client and the Valuer so that the Client understands the extent of a Valuer's responsibilities and limitations of valuation reports and is satisfied with the services provided by the Valuer.	To account for a limit/cap for liabilities, if necessitated. Any liability cap would need to be clear and unambiguous, and it would need to be shown to have been brought to the client's attention sufficiently.
		2.1.2 Valuers must at all times conduct their duty with high standards of professionalism and due diligence. They must maintain the strictest impartiality and objectivity when providing their independent valuation service.	Quoted from SC's Asset Valuation Guidelines Page 7.
2.1.2	To ensure the highest standards and expertise to be provided to a Client, a Valuer must ensure amongst others, the following before he accepts any instructions:- (a) he has the necessary qualifications; (b) he has the appropriate expertise or has the means to secure the expertise needed to undertake the assignment; (c) he is an "Independent Valuer" where required; (d) there is or will be no conflict of interest; and (e) he meets any other conditions as imposed or as required by the Client or their advisers or users of the Valuation Reports or Certificates.	2.1.3 To ensure the highest standards and expertise to be provided to a Client, a Valuer must ensure amongst others, the following before he accepts any instructions:- (a) he has the necessary qualifications; (b) he has the appropriate expertise or has the means to secure the expertise needed to undertake the assignment; (c) he is an "Independent Valuer" ~~where required~~; (d) there is or will be no conflict of interest; and (e) he meets any other conditions as imposed or as required by the Client or their advisers or users of the Valuation Reports or Certificates.	Paragraph number to change accordingly.
2.2.0	**STATEMENTS OF STANDARD**		
2.2.1	Before a valuation is reported, a Valuer must establish the Client's needs and requirements and confirm the service (instruction) to be provided.		
2.2.2	Minimum Requirements for Valuations The Valuer must agree with or inform the Client the following, before a valuation is reported: (a) the purpose and intended use of the valuation;	2.2.2 Minimum Requirements for Valuations The Valuer must agree with or inform the Client the following, before a valuation is reported: (a) The purpose and intended use of the valuation; (b) The Valuer or his Designated Assistant must identify and confirm inspection of the property and	

	(b) The Valuer or his Designated Assistant must identify and confirm inspection of the neighbourhood considered relevant to his valuation; (c) the subject matter of valuation i.e. the interest to be valued; (d) the basis of valuation (e.g. market value); (e) assumptions to be used in arriving at the valuation; (f) requirements in relation to supporting documents; (g) the basis of and responsibility for his fee; and (h) the limits or exclusion of liability to other parties other than the Client (i.e. "Limiting Conditions")	the neighbourhood considered relevant to his valuation; (c) The subject matter of valuation i.e. the interest to be valued; (d) The basis of valuation (e.g. market value); (e) Assumptions to be used in arriving at the valuation; (f) Requirements in relation to supporting documents; (g) The basis of and responsibility for his fee; and (h) The limits or exclusion of liability to other parties other than the Client (i.e. "Limiting Conditions")	
2.3.0	**EXPLANATIONS**		
2.3.1	The Statements of Standard are meant to specify the scope of work of the appointed Valuer and to avoid misunderstanding with the Client. Should the Valuer be asked to base his valuation on "additional" assumptions, he should make a statement to such an effect in the Valuation Report or Certificate.	The Statements of Standard are meant to specify the scope of work to ensure compliance by the ~~appointed~~ Valuer and to avoid misunderstanding with the Client. Should the Valuer be asked to base his valuation on "additional" assumptions, he should make a statement(s) to such ~~an~~ effect in the Valuation Report or Certificate.	To specify that the Statements of Standard should be complied with.
		2.3.2 The Statements of Standard are important to convey the terms of engagement and the written advice itself which are quite explicit about the prohibition on disclosure to any other party and/or use for any other purpose and about the exclusion/limit of liability.	Quoted from RICS Valuation - Global Standards 2017 – Page 20, to explain the necessity of the terms of engagement, non-disclosure to third parties and the exclusion/limit of liability.
STD 3	**PURPOSES OF VALUATION**		
3.1.0	**INTRODUCTION**		
3.1.1	A valuation is commissioned for an intended use and the purpose for which a particular valuation is required is critical to the selection of an appropriate basis of valuation. Therefore, the Valuer should be clear about the purpose of the valuation.	A valuation is commissioned for an intended use and the purpose for which a particular valuation is required is critical to the selection of an appropriate basis of valuation. Therefore, the Valuer should be clear about the purpose of the valuation as it is important that the valuation is not used out of context or for the purpose of which it is not intended.	Based on the IVS
3.2.0	**STATEMENTS OF STANDARD**		
3.2.1	The purpose for which the valuation is undertaken must be clearly stated.	The purpose for which the valuation is undertaken must be clearly stated and it may determine the basis of the valuation.	Based on the IVS
3.2.2	The purpose of valuation and the basis of valuation to be adopted must comply with the following unless the Client, statutory/ regulatory requirements or legal documents (such as agreements or leases) specify otherwise. In such a case, the Valuer must explain the reasons why a different basis of valuation is adopted.	The purpose of valuation and the basis of valuation to be adopted must comply with the following unless the Client, statutory/ regulatory requirements or legal documents (such as agreements or leases) specify otherwise. In such a case, the Valuer must explain the reasons why a different basis of valuation is adopted.	Based on the IVS
	(a) For Financing purposes – See MVS 12 (Valuations for Financing Purposes).		
	(b) For Fire Insurance: the basis of valuation shall be the Reinstatement Cost New or such other basis as is identified in a fire insurance contract or policy. The Valuer may provide the valuation on the Indemnity Basis if specifically instructed.		
	(b) For Financial Reporting - See MVS 10 (Valuations for Financial Reporting). (c) For Sale and Purchase: the basis of valuation shall be Market Value. (d) For Sale under Foreclosure: the basis of valuation shall be Market Value as stipulated by the National Land Code or the Sarawak Land Code (Sarawak Cap 81); or Land Ordinance (Sabah Cap 68). (e) For all valuations to be submitted to the Securities Commission Malaysia – See MVS 17 (Valuation for Submission to the Securities Commission Malaysia). (f) For all valuations to be submitted to Bursa Malaysia Securities Berhad – See MVS 18 (Valuation for Submission to Bursa Malaysia Securities Berhad). (g) For all valuations to be submitted to the Director of Insurance and Takaful Supervision– See MVS 16 (Valuation for Submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia). (h) For Compulsory Land Acquisition: the basis of valuation shall be in accordance with the provisions of the appropriate Act which is either the Land Acquisition Act 1960 (as amended); or the Sarawak Land Code (Sarawak Cap 81); or Land Acquisition Ordinance (Sabah Cap 69). (i) For Rating purposes: the basis of valuation shall be in accordance with the provisions of the appropriate Act which is either the Local Government Act 1976 (as amended); or the Local Authorities Ordinance, 1996, Sarawak or the Local Government Ordinance 1961 (Sabah No. 11 of 1961).		
	(j) For other purposes: the basis of valuation shall be Market Value; if any other basis is used the Valuer shall explain the basis and reasons for the basis; in accordance with MVS 5 (Valuation Bases other than Market Value).	(k) For other purposes: the basis of valuation shall be Market Value; if any other basis/premise of value is used the Valuer shall explain the basis/premise of value and reasons for the basis/premise of value; in accordance with MVS 5 (Valuation Bases/Premise of Value other than Market Value).	Propose to distinguish 'basis' and 'premise' in line with the IVS 2017 (Pages 22, 24 and so forth)

3.3.0	**EXPLANATIONS**		
3.3.1	The Statements of Standard is to ensure that the appropriate basis of valuation is adopted in relation to the purpose of the valuation for which the valuation is required. This will avoid the wrongful use of valuations for a purpose for which the valuation was not intended.	The Statements of Standard refers to reason(s) a valuation is carried out and ~~is~~ to ensure that the appropriate basis of valuation is adopted in relation to the purpose it ~~of the valuation for which the valuation~~ is required. This will avoid the wrongful use of valuations for a purpose for which the valuation was not intended or used out of context.	To elaborate what is meant by the Statements of Standard in relation to MVS 3.
STD 4	**MARKET VALUE BASIS OF VALUATION**		
4.1.0	**INTRODUCTION**		
4.1.1	An asset is generally transacted at its market value. This is the amount an asset would fetch if offered for sale in the open market at the date of valuation under circumstances that meet the requirements of the Market Value definition. To estimate market value, a Valuer must first estimate the highest and best use, or the most probable use (see Definitions, Valuation Concepts and Principles) of an asset. That use may be for the continuation of an asset's existing use or for some alternative use determined based on the market.		
4.1.2	This Standard applies to the Market Value of an asset, normally real estate and related assets. It requires that the asset under consideration be viewed as if for sale in the open market, in contrast to being valued as part of a going concern or on some other basis.		
4.1.3	The definition of *Market Value* and some of the concepts of *Market Value* are based on the International Valuation Standards.		
4.2.0	**STATEMENTS OF STANDARD**		
4.2.1	The Valuer shall use the market value basis of valuation for all purposes unless specifically instructed to do otherwise, or for those purposes stated in MVS 5 (Valuation Bases other than Market Value) and MVS 3 (Purposes of Valuation)		
4.3.0	**EXPLANATIONS**		
4.3.1	Market Value is defined for the purpose of these Standards, in accordance with the International Valuation Standards, as follows: Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.		
4.3.2	The definition of market value shall be applied in accordance with the following conceptual framework: (a) "the estimated amount" refers to a price expressed in terms of money, payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value (defined in MVS 5 (Valuation Bases other than Market Value)); (b) "an asset" should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the Market Value definition at the valuation date; (c) "on the valuation date" requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as at the valuation date, not those at any other date; (d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present property owner is included among those who constitute "the market".	The definition of market value shall be applied in accordance with the following conceptual framework: (a) "T~~t~~he estimated amount" refers to a price expressed in terms of money~~,~~ payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of ~~special~~ value available only to a specific owner or purchaser. (defined in MVS 5 (Valuation Bases other than Market Value))~~;~~. (b) "A~~a~~n asset or liability" should exchange" refers to the fact that the value of an asset or liability is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the Market Value definition at the valuation date~~;~~. (c) "O~~o~~n the valuation date" requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as at the valuation date, not those at any other date~~;~~. (d) "B~~b~~etween a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present ~~property~~ owner is included among those who constitute "the market".	To streamline the definition of Market Value as per IVS 2017.

	(e) “and a willing seller” is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual property owner are not a part of this consideration because the “willing seller” is a hypothetical owner.	(e) “A~~a~~nd a willing seller” is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual ~~property~~ owner are not a part of this consideration because the “willing seller” is a hypothetical owner.	
	(f) “in an arm’s-length transaction” is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) that may make the price level uncharacteristic of the market or inflated because of an element of Special Value (defined in MVS 5 (Valuation Bases other than Market Value)). The Market Value transaction is presumed to be between unrelated parties, each acting independently.	(f) “I~~i~~n an arm’s-length transaction” is one between parties who do not have a particular or special relationship ~~(for example~~, eg, parent and subsidiary companies or landlord and tenant~~)~~, that may make the price level uncharacteristic of the market or inflated. ~~because of an element of Special Value (defined in MVS 5 (Valuation Bases other than Market Value)).~~ The Market Value transaction is presumed to be between unrelated parties, each acting independently.	
	(g) “after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but may vary with market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of market participants. The exposure period occurs prior to the valuation date.	(g) “A~~a~~fter proper marketing” means that the asset ~~would~~ has been exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but ~~may~~ will vary according to the type of asset and ~~with~~ market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of adequate number of market participants. The exposure period occurs prior to the valuation date.	
	(h) “where the parties had each acted knowledgeably, prudently” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses, and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell an asset in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.	(h) “W~~w~~here the parties had each acted knowledgeably, prudently” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses, and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell an asset in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.	
	(i) “and without compulsion” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.	(i) “A~~a~~nd without compulsion” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.	
4.3.3	Market Value is the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.		
4.3.4	The Market Value concept and definition are fundamental to all valuation assignments. A brief summary of essential economic and procedural foundations is in the General Valuation Concepts and Principles upon which these Standards are predicated.		
4.3.5	The concept of Market Value is not dependent on an actual transaction taking place on the date of valuation. Rather, Market Value is an estimate of the price that should be realised in a sale at the valuation date under conditions of the Market Value definition. Market Value is a representation of the price to which a buyer and seller would agree at that time under the Market Value definition, each previously having had time for investigation of other market opportunities and alternatives, and notwithstanding the fact that it may take some time to prepare formal contracts and related closing documentation.		
4.3.6	The concept of Market Value presumes a price negotiated in an open and competitive market, where the participants are acting freely. The market for one asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.		

4.3.7	The Market Value will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This use is determined by the use a market participant would have in mind for the asset when formulating the price that he would be willing to bid.		
4.3.8	Market valuations are generally based on information regarding comparable assets. The Valuation Process requires a Valuer to conduct adequate and relevant research, to perform competent analyses, and to draw informed and supportable judgements. In this process, Valuers do not accept data without question but should consider all pertinent market evidence, trends, comparable transactions, and other information. Where market data are limited, or essentially non-existent (as for example with certain specialised properties), the Valuer must make proper disclosure of the situation and must state whether the estimate is in any way limited by the inadequacy of data. All Valuations require exercise of a Valuer's judgement, but reports should disclose whether the Valuer bases the Market Value estimate on market evidence, or whether the estimate is more heavily based upon the Valuer's judgement because of the nature of the property and lack of comparable market data. A Valuer must not make unrealistic assumptions about market conditions nor assume a level of market value above that which is reasonably obtainable.		
4.3.9	Changing conditions are characteristic of markets and hence Valuers must consider whether available data reflect and meet the criteria for Market Value: (a) Periods of rapid changes in market conditions are typified by rapidly changing prices, a condition commonly referred to as disequilibrium. A period of disequilibrium may continue over a period of years and can constitute the current and expected future market conditions. In other circumstances, rapid economic change may give rise to erratic market data. If some sales are out of line with the market, the Valuer will generally give them less weight. It may still be possible for the Valuer to judge from available data the realistic level of the market. Individual transaction prices may not be evidence of Market Value, but analysis of such market data should be taken into consideration in the Valuation Process. (b) In poor or falling markets there may or may not be a large number of "willing sellers". Some, but not necessarily all transactions may involve elements of financial (or other) duress or conditions that reduce or eliminate the practical willingness of certain owners to sell. Valuers must take into account all pertinent factors in such market conditions and attach such weight to individual transactions that they believe proper to reflect the market. Liquidators and receivers are normally under a duty to obtain the best price in asset disposals. Sales, however, may take place without proper marketing or a reasonable marketing period. The Valuer must judge such transactions to determine the degree to which they meet the requirements of the Market Value definition and the weight that such data should be given. (c) During periods of market transition characterised by rapidly rising or falling prices, there is a risk of over- or under-valuation if undue weight is given to historic information or if unwarranted assumptions are made regarding future markets. In these circumstances Valuers must carefully analyse and reflect the actions and attitudes of the market and take care that they fully disclose the results of their investigations and findings in their report.		
4.3.10	The concept of Market Value also presumes that in a market value transaction an asset will be freely and adequately exposed in the market for a reasonable period of time and with reasonable publicity. This exposure is presumed to occur prior to the effective date of value. Markets for fixed assets typically differ from those available for stocks/shares, bonds, and other current assets. Fixed assets tend to be unique. They are usually sold less frequently and in markets which are less formal and less efficient than, for example, markets for listed securities. Further, fixed assets are less liquid. For these reasons, and because fixed assets do not commonly trade on a public exchange, the application of the concept of Market Value requires the use of assumptions such as adequate market exposure over a reasonable period of time to allow for proper marketing, and completion of negotiations.		
4.3.11	Revenue-producing assets held as long-term investments by a property company, pension fund, property trust, or similar type of owner are typically valued on the basis of individual asset disposal pursuant to an orderly plan. The aggregate value of such assets viewed or treated as a portfolio or as an assembled group of assets could exceed, or be less than, the sum of the Market Value of each asset individually.		
4.3.12	All valuations should refer to the purpose and intended use of the valuation. In addition to other reporting requirements, the Valuer should make it abundantly clear as to the classification of each asset if the function of the valuation is related to the preparation of financial statements.		
4.3.13	In exceptional circumstances Market Value may be expressed as a negative amount. Situations include certain leasehold properties, some specialised properties, obsolete properties with demolition costs exceeding land value and some properties affected by environmental contamination, etc.	In exceptional circumstances Market Value may be expressed as a negative amount. Situations include certain leasehold properties, some specialised properties, obsolete properties with demolition costs exceeding land value and some properties affected by environmental contamination, etc. Where a property has a negative value, that value must be reported separately and must not be set off against a positive value on other properties.	To indicate how negative values should be reported. [Source: RICS Red Book 2012 & 2017 (Page 17)]
4.3.14	In particular circumstances the concept of Market Value for the Existing Use (or Existing Use Value) may be relevant. When such a circumstance prevails it must be understood that this concept is essentially the same as Market Value except that there is an added assumption that the existing use of the asset (as defined in the Document of Title and/or as approved under the applicable Planning Laws) will continue in perpetuity or until expiry of the current land tenure of the asset.		
STD 5	**VALUATION BASES OTHER THAN MARKET VALUE**		
5.1.0	**INTRODUCTION**		
5.1.1	The majority of professional valuations, particularly valuations referred to in MVS 3 (Purposes of Valuation), involve Market Value. There are however circumstances that call for bases other than Market Value. It is therefore essential that both the Valuer and the users of these valuations clearly understand the distinction between Market Value and non-Market Value based valuations, and the effects (if any) which the differences these concepts may have upon the applicability of the valuation.	The majority of professional valuations, particularly valuations referred to in MVS 3 (Purposes of Valuation), involve Market Value. There are however circumstances that call for bases or premise of value other than Market Value. It is therefore essential that both the Valuer and the users of these valuations clearly understand the distinction between Market Value and non-Market Value based valuations, and the effects (if any) which the differences these concepts may have upon the applicability of the valuation.	
5.1.2	This Standard is directed to bases of valuation other than Market Value.	This Standard is directed to bases or premise of valu~~eation~~ other than Market Value.	

5.2.0	**STATEMENTS OF STANDARD**		
5.2.1	For certain stated specific purposes of valuation the Valuer may use a basis of valuation other than the Market Value.	For certain stated specific purposes of valuation the Valuer may use a basis or premise of valueation other than the Market Value.	
5.2.2	For those purposes the Valuer shall state the purpose and the basis of valuation clearly in the valuation report.	For those purposes the Valuer shall state the purpose and the basis or premise of valueation clearly in the valuation report.	
5.2.3	The Valuer shall clearly distinguish that the valuation is not a Market Value estimate if the assignment is on a basis other than a Market Value.	The Valuer shall clearly distinguish that the valuation is not a Market Value estimate if the assignment is on a basis or premise of value other than ~~a~~ Market Value.	
5.2.4	For financial reporting purposes, the Fair Value of the asset is to be ascertained (MFRS 13).		
5.3.0	**EXPLANATIONS**		
5.3.1	Properties may be valued on bases other than Market Value, or may exchange hands at prices, which do not reflect Market Value as defined. Such alternative bases may either be reflections of a non-market perspective of utility, or of unusual and non-market conditions. Examples include Going Concern Value, Special Value, Forced Sale Value, Fair Value, etc.	Properties may be valued on bases or premise of value other than Market Value, or may exchange hands at prices, which do not reflect Market Value as defined. Such alternative bases may either be reflections of a non-market perspective of utility, or of unusual and non-market conditions. ~~Examples include Going Concern Value, Special Value, Forced Sale Value, Fair Value, etc.~~	Adopting the terms in IVS.
5.3.2	Bases of value other than Market Value commonly used in valuations include the following:-	5.3.2 Bases of value other than Market Value commonly used in valuations include ~~the following:-~~ Investment Value, Special Value, Synergistic/ Marriage Value, Value In Use, Assessed, Rateable, or Taxable Value, Salvage Value, Fair Value (IFRS), Intrinsic Value, Fair Market Value (US Internal Revenue Service), Insurable Value, Liquidation Value, Hope Value and Alternative Use Value.	
5.3.2.1	Market Value for the Existing Use or Existing Use Value. The Market Value of an asset based on the continuation of its existing use, assuming the asset could be sold in the open market for its existing use, and otherwise in keeping with the Market Value definition regardless of whether or not the existing use represents the highest and best use of the asset.	~~Market Value for the Existing Use or Existing Use Value. The Market Value of an asset based on the continuation of its existing use, assuming the asset could be sold in the open market for its existing use, and otherwise in keeping with the Market Value definition regardless of whether or not the existing use represents the highest and best use of the asset.~~	See Current/Existing Use under Definition
		5.3.2.1 Investment Value (see Definitions) This subjective concept relates a specific asset to a specific investor, group of investors, or entity with identifiable investment objectives and/or criteria. The Investment Value, or Worth, of an asset may be higher or lower than the Market Value of the asset. The term Investment Value, or Worth, should not be confused with the Market Value of an investment asset. However, Market Value may reflect a number of individual assessments of the Investment Value, or Worth, of the particular asset. Investment Value or Worth is associated with Special Value.	
		5.3.2.3 Special Value (see Definitions) Special Value is an increment of value that could be applicable to a particular owner or user, or prospective owner or user, of the asset rather than to the market at large, that is, Special Value is applicable only to a purchaser with a special interest. ~~Synergistic/ Marriage Value, the value increment resulting from the merger of two or more interests in an asset, represents a specific example of Special Value.~~ Special Value could be associated with elements of Going Concern Value and with Investment Value or Worth. The Valuer must ensure that the criteria used to value such properties are distinguished from those used to estimate Market Value, making clear any additional assumptions made.	
		5.3.2.4 Synergistic/Marriage Value (see Definitions) If the synergies are only available to one specific buyer then Synergistic Value will differ from Market Value, as the Synergistic Value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as "marriage value".	Quoted from IVS 2017, Defined Basis of Value – Synergistic Value, 70.
		5.3.2.5 Value in Use (see Definitions) Value In Use is the value a specific asset, has for a specific use to a specific user and therefore non-market related. This value type focuses on the value that specific asset contributes to the entity of which it is a part, without regard to the asset's highest and best use or the monetary amount that might be	

		realised upon its sale. The accounting definition of Value in Use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life (see MFRS).	
		5.3.2.6 Assessed, Rateable, or Taxable Value (see Definitions) Although some jurisdictions may cite Market Value as the assessment basis, methods used to estimate the value may produce results that differ from Market Value as defined in MVS 4 (Market Value Basis of Valuation). Therefore, Assessed, Rateable, or Taxable Value cannot be considered to comply with Market Value as defined in MVS 4 (Market Value Basis of Valuation) unless explicitly indicated to the contrary.	
		5.3.2.7 Salvage Value (see Definitions) Salvage Value may be given as gross or net of disposal costs and, in the latter case, may equate to net realisable value. In any event, components included or excluded should be identified.	
		5.3.2.8 Fair Value (see Definitions) The definition of Fair Value emphasizes that Fair Value is a market based measurement. When measuring Fair Value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.	
		5.3.2.9 Intrinsic Value (see Definitions) Intrinsic Value is also frequently called Fundamental Value. It is ordinarily calculated by summing up the discounted future income generated by the asset to obtain the present value. It is worthy to note that this term may have different meanings for different assets.	
		5.3.2.10 Fair Market Value (see Definitions) Fair Market Value is determined based on the expected price in an open and unrestricted market. Fair Market Value almost equates Market Value and it is a term widely used in the USA and especially for business valuations.	Quoted from IRS Revenue Ruling 59-60, accessed from http://www.equityvaluationappraisals.com/pdf/IRS-Revenue-Ruling-59-60.pdf
		5.3.2.11 Liquidation Value (see Definitions) Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation Value can be the result of a 'forced sale/ transaction' with a shortened marketing period, where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence. The price that could be obtained in these circumstances will depend upon the nature of the pressure on the seller and the reasons why proper marketing cannot be undertaken. It may also reflect the consequences for the seller of failing to sell within the period available. Unless the nature of, and the reason for, the constraints on the seller are known, the price obtainable in a forced sale cannot be realistically estimated. The price that a seller will accept in a forced sale will reflect its particular circumstances, rather than those of the hypothetical willing seller in the Market Value definition. A "forced sale" is a description of the situation under which the exchange takes place, not a distinct basis of value.	Quoted from IVS 2017, Defined Basis of Value – Liquidation Value 80, 160, 170.
5.3.2.2	Value in Use, which is the value a specific asset, has for a specific use to a specific user and therefore non-market related. This value type focuses on the value that specific asset contributes to the entity of which it is a part, without regard to the asset's *highest and best* use or the monetary amount that might be realised upon its sale. The accounting definition of Value in Use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life (see MFRS).	~~Value in Use, which is the value a specific asset, has for a specific use to a specific user and therefore non-market related. This value type focuses on the value that specific asset contributes to the entity of which it is a part, without regard to the asset's highest and best use or the monetary amount that might be realised upon its sale. The accounting definition of Value in Use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life (see MFRS).~~	Moved above to 5.3.2.5
5.3.2.3	Investment Value, or Worth, which is the value of an asset to a particular investor, or a class of investors, for identified investment objectives. This subjective concept relates a specific asset to a specific investor, group of investors, or entity with	~~Investment Value, or Worth, which is the value of an asset to a particular investor, or a class of investors, for identified investment objectives. This subjective concept relates a specific asset to a specific investor, group of investors, or entity with identifiable investment objectives and/or criteria. The Investment~~	Moved above to 5.3.2.1

	identifiable investment objectives and/or criteria. The Investment Value, or Worth, of an asset may be higher or lower than the Market Value of the asset. The term Investment Value, or Worth, should not be confused with the Market Value of an investment asset. However, Market Value may reflect a number of individual assessments of the Investment Value, or Worth, of the particular asset. Investment Value or Worth is associated with Special Value.	~~Value, or Worth, of an asset may be higher or lower than the Market Value of the asset. The term Investment Value, or Worth, should not be confused with the Market Value of an investment asset. However, Market Value may reflect a number of individual assessments of the Investment Value, or Worth, of the particular asset. Investment Value or Worth is associated with Special Value.~~	
		5.3.2.12 Hope Value (see Definition) Hope Value is an element within the Market Value of the property being considered. (In some countries the phrase "future value" is used to describe the value achievable now for the potential of such future opportunities for a property.) It will reflect an appraisal of the probability that the market places on that higher value use or development being achieved, the costs likely to be incurred in doing so, the time scale and any other associated factors in bringing it about. Fundamentally, it will allow for the possibility that the envisaged use may not be achieved. While descriptive of that uplift, it does not exist as a separate value but helps explain the Market Value of the property which must be judged from the available evidence just as much as any other part of the valuation. Hope value is not a special value as it represents the market place's reasonable expectations as to the opportunities offered by the property.	Quoted from European Valuation Standards 2016 (8th Edition), Hope Value, 5.3.5
		5.3.2.13 Alternative Use Value (see Definition) While Market Value identifies the best available value for a property however used, some valuations may be required only to assume the present use; for example, a business is being assessed as a going-concern. If it is material to consider alternative uses of the property which may not involve continuing the present business, then that would be its alternative use value, a market value. That value would not reflect any costs of ceasing the business. This basis may also be relevant where a depreciated replacement cost valuation has been undertaken as the client may wish to have an indication of the value of a specialist property for other uses.	Quoted from European Valuation Standards 2016 (8th Edition), Alternative Use Value, 5.10.6
		5.3.3 Premise of value describes the circumstances of how an asset or liability is used. Different bases of value may require a particular Premise of Value or allow the consideration of multiple Premise of Value. Premise of value other than Market Value commonly used in valuations include Highest and Best Use, Going Concern Value, Forced Sale Value, Current Use/Existing Use and Orderly Liquidation Value.	
		5.3.3.1 Highest and Best Use (see Definitions and General Valuation Concepts and Principles (E)	
5.3.2.4	Going Concern Value, which is the value of a business as a whole. The concept involves valuation of a continuing business entity from which allocations, or apportionments, of overall Going Concern Value may be made to constituent parts as they contribute to the whole, but none of the components in themselves constitute a basis for Market Value. Therefore, the concept of Going Concern Value can apply only to an asset that is a constituent part of a business or entity.	5.3.3.2	
5.3.2.5	Insurable Value, which is the value of an asset provided by definitions contained in an insurance contract or policy.	~~Insurable Value, which is the value of an asset provided by definitions contained in an insurance contract or policy.~~	Moved above to 5.3.2.11
5.3.2.6	Assessed, Rateable, or Taxable Value, which is a value based on definitions contained within applicable laws relating to the assessment, rating and/or taxation of an asset. Although some jurisdictions may cite Market Value as the assessment basis, methods used to estimate the value may produce results that differ from Market Value as defined in MVS 4 (Market Value Basis of Valuation). Therefore, Assessed, Rateable, or Taxable Value cannot be considered to comply with Market Value as defined in MVS 4 (Market Value Basis of Valuation) unless explicitly indicated to the contrary.	~~Assessed, Rateable, or Taxable Value, which is a value based on definitions contained within applicable laws relating to the assessment, rating and/or taxation of an asset. Although some jurisdictions may cite Market Value as the assessment basis, methods used to estimate the value may produce results that differ from Market Value as defined in MVS 4 (Market Value Basis of Valuation). Therefore, Assessed, Rateable, or Taxable Value cannot be considered to comply with Market Value as defined in MVS 4 (Market Value Basis of Valuation) unless explicitly indicated to the contrary.~~	Moved above to 5.3.2.6

5.3.2.7	Salvage Value which is the value of an asset, excluding land, as if disposed of for the materials it contains, rather than for continued use without special repairs and adaptation. It may be given as gross or net of disposal costs and, in the latter case, may equate to net realisable value. In any event, components included or excluded should be identified.	~~Salvage Value which is the value of an asset, excluding land, as if disposed of for the materials it contains, rather than for continued use without special repairs and adaptation. It may be given as gross or net of disposal costs and, in the latter case, may equate to net realisable value. In any event, components included or excluded should be identified.~~	Moved above to 5.3.2.7
5.3.2.8	Special Value which is a term relating to an extraordinary element of value over and above Market Value. Special Value could arise, for example, by the physical, functional or economic association of an asset with some other asset such as the adjoining asset. It is an increment of value that could be applicable to a particular owner or user, or prospective owner or user, of the asset rather than to the market at large, that is, Special Value is applicable only to a purchaser with a special interest. Synergistic/ Marriage Value, the value increment resulting from the merger of two or more interests in an asset, represents a specific example of Special Value. Special Value could be associated with elements of Going Concern Value and with Investment Value or Worth. The Valuer must ensure that the criteria used to value such properties are distinguished from those used to estimate Market Value, making clear any additional assumptions made.	~~Special Value which is a term relating to an extraordinary element of value over and above Market Value. Special Value could arise, for example, by the physical, functional or economic association of an asset with some other asset such as the adjoining asset. It is an increment of value that could be applicable to a particular owner or user, or prospective owner or user, of the asset rather than to the market at large, that is, Special Value is applicable only to a purchaser with a special interest. Synergistic/ Marriage Value, the value increment resulting from the merger of two or more interests in an asset, represents a specific example of Special Value. Special Value could be associated with elements of Going Concern Value and with Investment Value or Worth. The Valuer must ensure that the criteria used to value such properties are distinguished from those used to estimate Market Value, making clear any additional assumptions made.~~	Moved above to 5.3.2.3
5.3.2.9	Forced Sale Value is the amount which may reasonably be received from the sale of an asset under forced sale conditions which do not meet all the criteria of a normal market transaction. Forced sale involves a price which arises from disposition under extraordinary or atypical circumstances, usually reflecting an inadequate marketing period without reasonable publicity, an inappropriate mode of sale and sometimes reflecting an unwilling seller situation, and/or disposal under compulsion or duress. For these reasons, the price associated with a forced or distressed sale, called Forced Sale Value, is not a representation of Market Value. The price paid in a forced or distressed sale is a matter of fact. It is generally not easily predictable by a Valuer because of the nature and extent of subjective and conjectural assumptions that must be made in formulating such an opinion. Therefore, Valuers shall not provide a Forced Sale Value unless specifically requested. In all such instances the Valuer shall provide the terms, conditions and assumptions on which such value is based.	5.3.3.3 Forced Sale Value (see Definitions) ~~Forced Sale Value is the amount which may reasonably be received from the sale of an asset under forced sale conditions which do not meet all the criteria of a normal market transaction.~~ Forced sale involves a price which arises from disposition under extraordinary or atypical circumstances, usually reflecting an inadequate marketing period without reasonable publicity, an inappropriate mode of sale and sometimes reflecting an unwilling seller situation, and/or disposal under compulsion or duress. For these reasons, the price associated with a forced or distressed sale, called Forced Sale Value, is not a representation of Market Value. The price paid in a forced or distressed sale is a matter of fact. It is generally not easily predictable by a Valuer because of the nature and extent of subjective and conjectural assumptions that must be made in formulating such an opinion. Therefore, Valuers shall not provide a Forced Sale Value unless specifically requested. In all such instances the Valuer shall provide the terms, conditions and assumptions on which such value is based.	Moved to Definitions
5.3.2.10	Fair Value is 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 (i.e. an exit price). The definition of Fair Value emphasizes that Fair Value is a market based measurement. When measuring Fair Value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.	~~Fair Value is 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 (i.e. an exit price). The definition of Fair Value emphasizes that Fair Value is a market based measurement. When measuring Fair Value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.~~	Moved above to 5.3.2.8
5.3.2.11	Synergistic/Marriage Value is an additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values.	~~Synergistic/Marriage Value is an additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values.~~	Moved above to 5.3.2.6
		5.3.3.4 Current/Existing Use Value (see Definition)	
		5.3.3.5 Orderly Liquidation (see Definitions)	

STD 6	**INSPECTION AND INVESTIGATION**		
6.1.0	**INTRODUCTION**		
6.1.1	A proper inspection and investigation of the asset/property is fundamental to the valuation process. Valuers are expected to carry out an adequate inspection and referencing of the property which is to be valued, collecting and collating all relevant data about the property to enable them to arrive at a reasoned valuation.		
6.2.0	**STATEMENTS OF STANDARD**		
6.2.1	The Valuer or his Designated Assistant must carry out a proper inspection and referencing of the property to the extent necessary to produce a valuation which is professional, adequate and not misleading.		
6.2.2	The Valuer is required to observe the following procedures in carrying out inspection and referencing of property: (a) The Valuer or his Designated Assistant must inspect and identify the property by reference to Survey Sheets or to identifiable and located boundary marks or to other available physical identification. Details such as title number, lot number, Mukim, District, State and address must be noted. (b) The Valuer or his Designated Assistant must identify and confirm inspection of the neighbourhood considered relevant to his valuation. (c) With regard to each type of asset the extent of inspection, investigation and enquiry will depend on the nature of the asset but it should be appropriate and adequate having regard to the purpose of the valuation. (d) While the Valuer is not expected to undertake a structural survey or to ascertain the adequacy of plant and equipment servicing the building, he is required to draw attention to any visible major defects, which are obvious from visual inspection. (e) The Valuer must also ensure, in the inspection of buildings, that an internal as well as external inspection is carried out and details as are visible from inspection, such as use, accommodation, building construction, installations, state of repair of buildings and such installations, amenities and services are accurately reported. Where the Valuer is aware of any breach of statutory requirements, these should be disclosed in the report. In the event that an internal inspection of the building is not possible, the Valuer must state this clearly in the Valuation Report and that his valuation is subject to this limitation. (f) Where the Valuer does not himself inspect the property, he must be familiar with the locality, the type of property and the relevant market condition to enable him to satisfactorily verify his Designated Assistant's inspection report and findings. The person inspecting the property must sign and date his inspection report.		
	(g) The "Uniform Method of Measurement of Buildings" of the Royal Institution of Surveyors Malaysia shall be used for all measurements of buildings. For properties situated outside Malaysia, the Valuer shall use the appropriate /applicable methods of measurement.	(g) The "Uniform Method of Measurement of Buildings" of the Royal Institution of Surveyors Malaysia shall be used for all measurements of buildings. For properties situated outside Malaysia, the Valuer shall use the appropriate /applicable methods of measurement. Valuers must also have regard to the International Property Measurement Standards (IPMS) wherever applicable.	The MVS makes reference to the Uniform Method of Measurement of Buildings (UMMB) issued by ISM (Second Edition - 2006). Presently, an upgraded third edition has been produced to replace the earlier edition and the Board recognises the new edition. However, globally, the International Property Measurement Standards (IPMS) is being adopted for uniformity and clarity. Hence, for consistency, the Board advocates the use of the UMMB and additionally the use of the IPMS until such time that the latter gains traction and the former is phased out. It must be noted at this point, that only the IPMS for residential property and free-standing office buildings have been finalized by the IPMS Coalition. The IPMS for industrial buildings is at the draft stage and the IPMS for other buildings have yet to be prepared.
	(h) Where the valuation includes plant, machinery and equipment, these must be adequately described to give an accurate picture of the item(s) being valued and must be included in the report as well as the requirements stated in MVS 15 (Valuation of Plant, Machinery and Equipment). (i) The Valuer must ascertain the relevant title details of the property. (j) All relevant title details must be checked at the appropriate Land Office or Registry Office. (k) Where the title details of the property to be valued are not maintained, kept or are not available at the Land Offices or Registries of Title, the source of such details should be identified. (l) The Valuation Report must contain the title details, including the last registered owner, rights of way and other restrictions or encumbrances that have a bearing on the valuation. (m) The Valuer must state any registered transaction on the property to be valued within the last two years of the valuation. (n) The Valuation Report must disclose any assumption(s) in relation to title details, where the title is not available. Where possible, a copy of the relevant documents must be included in the report. (o) Where a valuation is affected by condition(s) in the title, it must be clearly explained in the report, so as to enable the reader to understand the underlying reasons for the Valuer's findings, opinions and conclusion.		
6.2.3	When the property to be valued is under MVS 13 (Update Valuations), the Valuer may exercise his discretion whether or not to inspect the property and he must state so in his report.		
6.3.0	**EXPLANATIONS**		
6.3.1	The correct valuation of a property very much depends on the collection and analysis of all relevant information. Therefore, a proper inspection and referencing of the subject property and the neighbourhood are important. The Valuer must ensure that he has taken all the necessary steps to ensure that this is done so. Though a Designated Assistant is allowed to carry out the inspection and collection of data, nevertheless, the Valuer has to take responsibility for the accuracy of all the data used in the valuation.		

		6.3.2 The International Property Measurement Standards of Buildings has been set for uniformity across borders. However a substantial amount of analyses has been done using the Uniform Method of Measurement of Buildings and it will cause disruption if an immediate switch is made to use the International Property Measurement Standards. Thus the Board recommends that the principal method to be used is the Uniform Method of Measurement of Buildings and the International Property Measurement Standards of Buildings can be used additionally. However, over a period of time, when there is greater use and more traction of the International Property Measurement Standards of Buildings globally, the Uniform Method of Measurement of Buildings can be phased out. The parallel use of both measurement standards will facilitate uniform and consistent analyses and valuation.	To explain the use of the IPMS and the UMMB.
STD 7	**APPROACHES TO VALUATION**		
7.1.0	**INTRODUCTION**		
7.1.1	The approaches or methods of valuation used by a Valuer in any valuation are the means by which the Valuer arrives at an opinion of value after having ascertained and weighed all relevant facts (physical, legal, economic) pertaining to the property.	The approaches ~~or methods~~ of valuation used by a Valuer in any valuation are the means by which the Valuer arrives at an opinion of value after having ascertained and weighed all relevant facts (physical, legal, economic and others) pertaining to the property and based on the Valuer's judgement and experience.	Emphasis on opinion of value based on valuer's judgement and experience.
7.1.2	The International Valuation Standards Council as well as most major valuation standard setters in the world refer to just the three approaches to value, namely the Comparison Approach, the Income Approach and the Cost Approach. There are subsets to these approaches to value particularly in respect of the Income Approach, where methods such as the Investment Method, the Residual Method, the Profits Method and the Discounted Cash Flow Method have been recognised by Valuers and users of valuation in the past. For the Comparison Approach to Value, it can either be a direct comparison or indirect comparison by use of a specific format or model such as the land and building value split where the Valuer is expected to analyse and value the components separately, with the aim of the values for the separate components reflecting market derived rates when the end objective is market value. For the Cost Approach to Value, it also is required to be based on market derived inputs when the objective is the determination of market value but otherwise it is usually a last resort approach when there are insufficient market data for undertaking valuations by the Comparison Approach or the Income Approach or for properties that are specialised in nature and where there is no clear supporting market sale evidences.	The International Valuation Standards Council as well as most major valuation standard setters in the world refer to just the three approaches to value, namely the ~~Comparison~~ Market Approach, the Income Approach and the Cost Approach. There are subsets to these approaches to value particularly in respect of the Income Approach, where methods such as the Investment Method, the Residual Method, the Profits Method and the Discounted Cash Flow Method have been recognised by Valuers and users of valuation in the past. For the ~~Comparison~~ Market Approach to Value, it can either be a direct comparison or indirect comparison by use of a specific format or model such as the land and building value split where the Valuer is expected to analyse and value the components separately, with the aim of the values for the separate components reflecting market derived rates when the end objective is market value. For the Cost Approach to Value, it also is required to be based on market derived inputs when the objective is the determination of market value but otherwise it is usually a last resort approach when there are insufficient market data for undertaking valuations by the ~~Comparison~~ Market Approach or the Income Approach or for properties that are specialised in nature and where there is no clear supporting market sale evidences.	In accordance with IVS 2017 & RICS Valuation – Global Standards 2017.
7.1.3	There is a distinct difference when valuations that are carried out with the objective of arriving at the Market Value of a property and bases other than Market Value such as Investment Value or Worth. For Market Value assessments, all inputs, notwithstanding the approach(es), must be market derived or acceptable proxies, and this includes capitalisation and discount rates in the case of the Income Approach.		
7.2.0	**STATEMENTS OF STANDARD**		
7.2.1	The Valuer should use appropriate approach(es) of valuation in carrying out his valuation. Where possible more than one approach should be used and usually but not necessarily one may be the primary approach and the other acting as a check. When two approaches to value are used there should be statements made to clearly reconcile or explain the differences in value arrived at by both approaches. In using the appropriate approaches to value, the following are to be considered:		
7.2.1.1	Comparison Approach	~~Comparison~~ Market Approach The market approach provides an indication of value by comparing the asset with market evidences of identical or comparable (that is similar) assets for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset within an appropriate time horizon.	New paragraph in accordance with RICS Valuation – Global Standards 2017 (Pages 79, 97)and IVS 2017 (Page 29).
		The market approach should be applied and afforded significant weight under the following circumstances: (a) The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value,	

		(b) The subject asset or substantially similar assets are actively publicly traded, and /or (c) There are frequent and/or recent observable transactions of similar assets.	
		Although the above circumstances would indicate that the market approach should be applied and afforded significant weight, when the above criteria are not met, the following are additional circumstances where the market approach may be applied and afforded significant weight. When using the market approach under the following circumstances, a valuer should consider whether any other approaches can be applied and weighted to corroborate the value indication from the market approach: (a) Transactions involving the subject asset or substantially similar assets are not recent enough considering the levels of volatility and activity in the market. (b) The asset or substantially similar assets are publicly traded but not actively. (c) Information on market transactions is available, but the comparable assets have significant differences to the subject asset, potentially requiring subjective adjustments. (d) Information on recent transactions is not reliable (i.e. hearsay, missing information, synergistic purchaser, not arm's length, distressed sale, etc). (e) The critical element affecting the value of the asset is the price it would achieve in the market rather than the cost of reproduction or its income-producing ability.	New paragraphs in accordance with RICS Valuation – Global Standards 2017 and IVS 2017.
		The heterogeneous nature of many assets means that it is often not possible to find market evidence of transactions involving identical or similar assets. Even in circumstances where the market approach is not used, the use of market-based inputs should be maximised in the application of other approaches (eg, market-based valuation metrics such as effective yields and rates of return). When comparable market information does not relate to the exact or substantially the same asset, the valuer must perform a comparative analysis of qualitative and quantitative similarities and differences between the comparable assets and the subject asset. It will often be necessary to make adjustments based on this comparative analysis. Those adjustments must be reasonable and valuers must document the reasons for the adjustments and how they were quantified as well as reconcile the values arrived at after adjustments of the comparables.	To emphasize the need to reconcile adjusted values, thus arriving at the opinion of value.
	(a) Comparables used in arriving at the value of the subject property must be stated in the valuation report. Whilst usually the comparables and details of the comparables are obtained from published data sources such as from the Valuation and Property Services Department, Ministry of Finance Malaysia, or extracted from the documents of titles, useful comparables can also be discovered from actual Sale and Purchase Agreements, Bursa Malaysia Securities Berhad announcements and from newspaper reports.	(a) Market Evidence/Comparables used in arriving at the value of the subject property must be stated in the valuation report. Whilst usually the comparables/market sales and details of the comparables are obtained from published data sources such as from the Valuation and Property Services Department, Ministry of Finance Malaysia, or extracted from the documents of titles, useful market evidence/comparables can also be discovered from actual Sale and Purchase Agreements, Bursa Malaysia Securities Berhad announcements and from newspaper reports. Bursa Malaysia Securities Berhad Announcements contain more detailed information than an instrument of transfer, in that it enlists the terms and conditions of the Sale and Purchase of the properties involved and the valuations.	To emphasize the use of 'market evidence'. To clarify that the Bursa Malaysia Securities Berhad announcements are a reliable source of information of market sales as there is full disclosure of the sale and purchase terms and conditions of the property.
	(b) Market sales of comparable properties selected must be recent in relation to the valuation date. The comparable properties must also be of similar properties. Valuers must rely on market evidences in the local market for all properties except, in the absence of such evidence, and where there is a national market for the property, the Valuer may rely on market evidences in the national market.		
	(c) For each of the stated comparables, the minimum information required to be disclosed are the identification of the comparable (usually by way of Lot Number and or Title Number), the date of the transaction, the consideration for the transaction, a brief description of the property, it's tenure and the land area. Additional information that are useful include terms and conditions of the sale, specific physical disabilities, legal aspects, zoning, whether between related parties, whether under or over declared for specific reasons.	(c) For each of the stated comparables, the minimum information required to be disclosed are the identification of the comparable (usually by way of Lot Number and or Title Number, Section/ Town/ City/ Mukim/ District/ State and full address (if available)), the date of the transaction, the consideration for the transaction, a brief description of the property, title particulars such as ~~it's~~ tenure, ~~and the~~ land area, category of land use, express conditions, reserve (e.g. Malay Reserve), etc. Additional information that are useful include terms and conditions of the sale, specific physical disabilities, legal aspects, ~~zoning~~ town planning details, name(s) of vendor and purchaser, whether between related parties, whether under or over declared for specific reasons.	To describe comparables in more detail; to disclose more title particulars such as land use, express conditions, whether land held under a reserve/Malay Reserve; to emphasize the wider meaning of the term 'town planning details' (which will include zoning, permissible density/plot ratio, development approvals, etc.) instead of just 'zoning' and to disclose the 'name(s) of the vendor/transferor and purchaser/transferee of a sale transaction', in addition to stating whether the transaction is between related parties.

	(d) Other information regarding the comparable property that may be provided are analyses in terms of value for the physical, legal, economic and other differences between the comparable property and the subject property. Data used for this purpose must be adequate, verified and correctly analysed and must be disclosed to the Board in cases where there are complaints against the Valuer and the Board requests for the disclosure.		
	(e) In considering dissimilarities between the comparables chosen and the subject property, adjustments must be appropriate, logical, consistent and justifiable. Where the adjustments for the dissimilarities are substantial, additional justification is warranted.		
	(f) The values derived from adjustments of dissimilarities should not be averaged to form the final value of the subject property. The Valuer should express his opinion of value on the most comparable adjusted value(s).	(f) The values derived ~~from~~ after adjustments for dissimilarities should neither ~~not~~ be averaged nor weighted to form the final value of the subject property. The Valuer should reconcile the adjusted values of the comparables and express his opinion of value on the most comparable adjusted value(s) and based on his professional judgement and experience.	To emphasize that the adjusted values of the comparables used ought to be reconciled in a report before a final opinion of value is expressed.
	(g) The Valuer may consider relevant sale and purchase agreements, options, offers and bids for the subject property being valued where such information is available to the Valuer in the normal course of his professional work. Statement of such evidence should be included in the report.		
	(h) The Valuer shall have regard to and disclose any prior registered transaction of the subject property within two years of the valuation if it is ascertainable by way of a title search or otherwise.		
	(i) All comparables shall be adequately described.		
	(j) Where there is a lack of comparable market evidences the Valuer shall state the extensiveness of his research, source of information and analysis.	(j) Where there is a lack of comparables, the valuer shall state the extensiveness of his research, source of information ~~and,~~ analysis and why the method is still being used.	To amend and adopt the additional phrase stated in the Asset Valuation Guidelines issued by the Securities Commission Malaysia.
7.2.1.2	<u>Income Approach</u> The Income Approach includes the following: A. <u>Investment Method</u> (a) The gross rent, outgoings and the capitalisation rates for the term and reversionary interests must be established by reference to current rental passing or contractual rents for the term interest and the market rent based on similar properties for the reversionary interest. Where contractual rents are substantially out of line with the market and are not sustainable the Valuer must draw the attention of the reader of the report to this and must reflect a corresponding risk in the capitalisation or discount rate or by any other means. (b) Annual outgoings or expenses incidental to the ownership of the property used in arriving at the net annual rental income for the property must be supported by evidences of such outgoings and expenses for the subject property and/or of comparable properties or by data compiled, verified, analysed and kept by the Valuer. When requested by the Board in case of disciplinary proceedings they must be forwarded, in writing and in a comprehensive separate report. (c) Allowance for voids and the rate(s) of capitalisation used in valuing the property should be market derived and supported by such rates for comparable properties or by data compiled, verified, analysed and kept by the Valuer. (d) A record shall be kept of the work done during the valuation process for a reasonable period having regard to any relevant legal or regulatory requirements (includes any request by the Board in the event of disciplinary proceedings). Subject to any such requirements this record shall include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report provided to the Client.		
	B. <u>Residual Method</u> (a) The gross development value of the saleable content for the property must be established by reference to prevailing sale values for similar properties. Such evidences including the adjustments made to the comparables to arrive at the gross development value must be shown in the form of explanatory notes in the report. (b) The gross development cost used in arriving at the net development value of the property must be actual or estimated costs, fees, etc. which are likely to be incurred and they must be supported by evidences of such costs that are available for the property itself or comparable properties or by data compiled, verified, analysed and kept by the Valuer. When requested by the Board in case of disciplinary proceedings they must be forwarded, in writing and in a comprehensive separate report. (c) The development period, including the phasing of the development, the absorption/take-up rates must be reasonable and supported by data compiled, verified, analysed and kept by the Valuer. When requested by the Board in case of disciplinary proceedings they must be forwarded, in writing and in a comprehensive separate report. (d) Discount rates used in the valuation must be market derived and supported by adequate reasoning. (e) A record shall be kept of the work done during the valuation process for a reasonable period having regard to any relevant legal or regulatory requirements (include any request by the Board in the event of disciplinary proceedings). Subject to any such requirements this record shall include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report provided to the client.		
	C. <u>Discounted Cash Flow Method</u> (a) The Discounted Cash Flow method may be used to value property interests under the market value basis of valuation or for bases other than market value. (b) Where the Valuer uses the Discounted Cash Flow methodology in order to arrive at the market value of a property interest (usually an investment property) the cash inflows, the cash outflows and the discount rate must be market derived.	(a) The Discounted Cash Flow method may be used to value property interests under the market value basis of valuation or for bases/premise other than market value. (b) Where the Valuer uses the Discounted Cash Flow methodology in order to arrive at the market value of a property interest (usually an investment property) the cash inflows, the cash outflows and the discount rate must be market derived.	Updating with regard to the terms used in the IVS 2017.

<table>
<tr><td></td><td>(c) Where the Discounted Cash Flow valuation is used to value properties for bases other than Market Value the Valuer must state the assumptions on which his valuation is done. For such valuation they must also comply with MVS 5 (Valuation Bases other than Market Value).</td><td>(c) Where the Discounted Cash Flow valuation is used to value properties for bases/premise other than Market Value the Valuer must state the assumptions on which his valuation is done. For such valuation they must also comply with MVS 5 (Valuation Bases other than Market Value).</td><td></td></tr>
<tr><td></td><td colspan="3">(d) The cash inflows and cash outflows for market value estimates should be based on current prices or costs. Where the current prices or and/or costs are unusually high or low compared to the long term sustainable price or cost for a particular item of cash inflow or cash outflow, the Valuer must adjust future prices and costs in the cash flow to levels that are long term sustainable.

(e) Generally, the discount rate used must be appropriate and consistent with the cash flow analysis. However where the discounted cash flow valuation is for determining the market value of a property interest the discount rate should be market derived.

(f) Values arrived at by the Discounted Cash Flow methodology must not be inconsistent with values arrived at by other methods of valuation.

(g) The Valuer must ensure the integrity of the valuation model used.

(h) A record shall be kept of the work done during the valuation process for a reasonable period having regard to any relevant legal or regulatory requirements (includes any request by the Board in the event of disciplinary proceedings). Subject to any such requirements this record shall include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report provided to the Client.</td></tr>
<tr><td></td><td colspan="3">D. <u>Profits Method</u>

(a) The estimated gross earnings from the business for which the property is used must be established by reference to past records of such earnings obtained for the subject property, and/or comparable properties. The projected earnings must be reasonable and supportable.

(b) The operating costs of the property as a trading entity must be established by reference to current and projected rates as can reasonably be supported and cross-checked with past records of such costs for the subject property itself or similar properties.

(c) The tenant/operator’s remunerative interest which includes the return on operator’s capital, risk and entrepreneurship must be supported by adequate reasoning.

(d) The rate(s) used to capitalise the annual rent (as a function of profit) to ascertain the value of the property should be market derived and supported by such rates for comparable properties or by data compiled, verified, analysed and kept by the Valuer.

(e) A record shall be kept of the work done during the valuation process for a reasonable period having regard to any relevant legal or regulatory requirements (includes any request by the Board in the event of disciplinary proceedings). Subject to any such requirements this record shall include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report provided to the Client.</td></tr>
<tr><td>7.2.1.3</td><td colspan="3"><u>Cost Approach</u>

(a) Buildings, Structures and Improvements

The actual construction/tender cost and comparable cost data as are available to estimate the current replacement cost new of a similar simple modern substitute of the buildings, structures and improvements on the site must be compiled, verified, analysed and kept by the Valuer.

In adopting the actual construction cost as the basis of estimating the value, the Valuer is to make reference to the market to ensure that the said cost is realistic and reflective of the market.

(b) Depreciation/Obsolescence allowance

The Valuer shall reflect the current condition of the buildings, structures and improvements by way of depreciation in terms of physical deterioration, functional obsolescence and economic obsolescence and the amount deducted for the depreciation should be stated.

(c) Land

Same requirements as stated in the requirement of the Comparison Approach.

(d) A record shall be kept of the work done during the valuation process for a reasonable period having regard to any relevant legal or regulatory requirements (includes any request by the Board in the event of disciplinary proceedings). Subject to any such requirements this record shall include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report provided to the Client.</td></tr>
<tr><td>7.2.1.4</td><td colspan="3"><u>Other Valuation Approaches or Methods</u>

(a) When other approaches or variations of and to the above stated approaches or methods are applied these must be fully explained and the data used in the valuation must be substantiated by evidences compiled, verified, analysed and kept by the Valuer.

(b) Valuations referred to in item (a) above shall be shown in full.</td></tr>
<tr><td></td><td></td><td>7.2.1.5 Reconciliation

(a) In all approaches, the valuer should use prudent and well-informed judgement to synthesise the analysis into a logical value conclusion.

(b) All valuation conclusions should be reasonably based and clearly supported by appropriate evidence. If more than one valuation approach has been used in the analysis, the valuer should include both and then reconcile the results.</td><td>When a valuer has used more than one approach to value, the valuer must reconcile the values derived from the different approaches and explain the value finally arrived at based on professional judgement and experience.</td></tr>
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7.3.0	**EXPLANATIONS**		
7.3.1	The Statements of Standard is meant to provide Valuers to use appropriate approaches to value with the minimum requirements for each approach or method being spelt out. Departure from these accepted methods would entail the Valuer to explain his rationale and basis in the Valuation Report.		
7.3.2	If and when the Board receives a complaint from a member of the public on a valuation carried out by a Valuer it may conduct an inquiry. The inquiry will focus on compliance or non-compliance by the Valuer on the provisions of the Act, Rules and these Standards.		
7.3.3	To be fair to the Registrant, the Board will also request information from the Complainant as to why they are of the opinion that the Registrant has been in non-compliance with these Standards. In doing so the Board will also look out for any contributory factors that have induced the Registrant to be non-compliant with these Standards.		
7.3.4	The Valuer in adopting any approach/method, should recognise that market value is fundamentally arrived at by reference to market derived inputs.		
7.3.5	Where the circumstances require expert opinion other than that of a Valuer, the Valuer shall obtain such opinion from an expert and include it in his report. This is in accordance with Rule 75(4) of the Valuers, Appraisers and Estate Agents Rules 1986 (as amended).	Where the circumstances require expert opinion other than that of a Valuer, the Valuer shall obtain such opinion from an expert and include it in his report. This is in accordance with Rule 75(4) of the Valuers, Appraisers and Estate Agents Rules 1986 (as amended). In such cases, the Valuer must be involved in the selection of the expert who must have the appropriate qualifications. The Valuer cannot blindly adopt the findings of the expert as it is incumbent upon the Valuer to understand clearly the logic of the findings and use those findings only if he is satisfied that it is reasonable. Ultimately the Valuer is professionally liable as well to the findings of the expert.	To emphasize the valuer's role and responsibility when using the services of an expert.
		7.3.6 In using the market approach to valuation, a Valuer will require a high degree of skill and experience to select, analyse and apply suitable evidences and related information from an extensive range of sources of market evidence. The evidence should be recent, relevant and comprehensive. A hierarchy of such evidences based on relative weightage in order of decreasing importance may be as follows: (i) where the sale is of the subject property itself or similar properties have been recently registered and for which full and accurate information is available and where the sale meets fully the criteria of the market value definition (ii) recent registered transactions of similar property where full data may not be available, but for which sufficient reliable data/information can be indirectly obtained (iv) information from published sources or databases, where the weightage will depend on the authority from which the data is made available and the extent of verifiability or reliability (iv) recent bona fide transactions of similar property which are the result of 'meeting of minds' between an intending buyer and seller and where sufficient relevant information is available. The transactions may not have been registered as yet but full or sufficient information is available from reliable sources such as the Bursa Malaysia (v) where the subject property or a similar property has been put recently in the market for sale and although offers have been made, a contract has not been entered/signed, but where full and accurate information is available of the offers made (vi) past/historic evidence of sale of the subject, identical or similar property may provide background information to support a judgement on the valuation at a later date (vii) other indirect evidences such as indices which can be a guide to general trends in the market against which the performance of the property being valued can be judged (viii) evidence of recent transactions of other property types and locations and other background data where it can be analysed to get market derived inputs for use in the market approach (ix) current asking prices, particularly in active markets. Prices concluded at recent public auctions are strictly not evidences of market value because they do not completely adhere to the definition of market value.	To insert a new paragraph after 7.3.5, i.e. 7.3.6 to clarify the 'type of evidence including unconcluded sales' for use as comparables in the Comparison Approach to Value. [Source: RICS (2012) 'Comparable Evidence in Property Valuation', RICS Information Paper, 1st Edition (IP 26/2012)] In the decision of the Court of Appeal Malaysia dated 21.6.2016, in the case of Kelana Megah Development Sdn Bhd v Kerajaan Negeri Johor & Petroliam Nasional Berhad, it was opined that (<u>in relation to a transaction of the scheduled land which was not completed due to failure to obtain the Estate Land Board's approval</u>) "the first respondent had confirmed that according to the Jabatan Penilaian Dan Harta, a sale which had not been completed could not be accepted as a comparable, a proposition which we would say is a correct position as it would be logical and acceptable that an uncompleted sale should not amount to a comparable. The said proposition is also supported by paragraph 1A of the First Schedule of the LAA which provides that (1A) In assessing the market value of any scheduled land, the valuer may use any suitable method of valuation to arrive at the market value provided that regard may be had to the prices **paid** for the recent sales of lands with similar characteristics as the scheduled land which are situated within the vicinity of the scheduled land and with particular consideration being given to the last transaction on the scheduled land within two years from the date with reference to which the scheduled land is to be assessed under subparagraph (1). We would, in amplification of the above proposition, add that a sale and purchase agreement which is uncompleted is of no relevance." (Note that the above was stated in relation to the scheduled land and is merely obiter dicta.) The Court of Appeal then went on to say that this principle finds support in the High Court's decision of Dato' Yu Kuan Huat & Ors v Pentadbir Tanah Wilayah Persekutuan K.L. [2011].

		For a price to be acceptable as a market sale, it must meet all the criteria set under the definition of market value. Whilst recent court awards, land administrator's awards and out-of-court settlements in land acquisition cases may be useful indications of value, they do not completely comply with the definition of market value and should not be used except in the absence of evidences of market sales.	But in the Dato' Yu case, the intervener (beneficial owner), entered into a SPA with the Applicants dated 5th December 2005, more than 2 years prior to the date of the section 8 GN on 15th May 2008. At that time only the first 10% of the purchase price of RM83,476,890.00 was paid. The balance 90% of the purchase price was to be paid within 5 years on or before 5th December 2010, however, it was only paid on 9th June 2011, more than 3 years after the material date of valuation. Hence this purported sale is not adopted as a sale comparable on the grounds that it does not comply with paragraph 1 (1A) in the First Schedule of the Act in that it was not a transacted sale of the said Land within the stipulated time frame of 2 years prior to the date of the section 8 GN." The rejection of the transaction was due to it being beyond the 2-year time frame. In the Kelana Megah case, the scheduled land (Lot 74) was an uncompleted sale because although the SPA was signed before the material date of valuation (section 8 GN date), it did not obtain the Estate Land Board's consent for the transaction. Note that in both cases above; Kelana Megah and Dato' Yu's case, the sale that was being referred to was the **last transaction on the scheduled land.** It should also be noted that in the Dato' Yu case, both the Government Valuer and the Applicant's Valuer used 5 evidences of value each. The Court, in deciding which of the evidences of value may have met the tests to be a comparable sale, considered location (to be in the same vicinity or neighbourhood test), as the most important factor. By using this test, the Judge found that only 2 of the evidences of value adopted by the private valuer and 2 evidences of value adopted by the government valuer may be considered to be comparables. The Court went on to further disregard one of the private valuer's comparable in that it was not a transacted sale. It was an announcement of an agreement to sell the **affected property** and the vendor (should be purchaser) having paid 2% earnest deposit 1 month after the material date of valuation. Hence, this comparable was rejected because it was the sale of the scheduled land which occurred after the material date of valuation. **It is clear from the two cases above, that a 'transacted sale' carries the meaning of a completed sale transaction of the scheduled land within 2 years prior to the material date of valuation and this should not be confused with evidence of sale or sales comparables of other lands.**
7.3.6	When the Income Approach is used, Valuers must be keenly aware that the appropriate capitalisation and discount rates are intrinsically related to the certainty of the projected income flow. If a particular model is based on estimating growth in the projected income flows there will be an appropriate capitalisation or discount rate for such a model, but on the other hand if the model is based on a no-	7.3.7	Paragraph number to change accordingly.

	growth basis the appropriate capitalisation and discount rate will be different. For market value estimates the Valuer may gainfully benefit by structuring his model on the valuation maxim "as you analyse, so you value".		
7.3.7	When the Cost Approach is used to value specialised properties, the Valuer should recognise that cost is in fact used as a proxy to arrive at value. Thus Valuers must use the Cost Approach (sometimes referred to as the Depreciated Replacement Cost) with sufficient skills not just in estimating the current cost of replacing the asset with its modern equivalent but depreciation must be estimated for physical deterioration, economic obsolescence and functional obsolescence.	7.3.8	Paragraph number to change accordingly.
		7.3.9 When the Income Approach (Discounted Cash Flow Methodology) is used to value development lands, the stream of cash flow shall not be limited to the immediate development period, but can extend to the entire development period of the project.	This is to dispel para 7.20 of the Asset Valuation Guidelines, where development lands for future development are only to be valued by the comparison approach.
STD 8	**VALUATION REPORTS**		
8.1.0	**INTRODUCTION**		
8.1.1	The valuation is communicated to the Client in the form of a report. As the Valuation Report can be acted upon by the Client or certain third parties without any reference to the Valuer (unless a specific reservation has been made), it must therefore be clear and not misleading**.**		
8.1.2	The Valuation Report must convey to the reader a clear understanding of the opinion expressed by the Valuer, the basis of the valuation used and the assumptions and information on which it is based.		
8.2.0	**STATEMENTS OF STANDARD**		
8.2.1	The Valuation Report of a property must provide sufficient information to permit those who read and rely upon the report to fully understand its contents, data, reasoning, analyses and conclusions. It must state the assumptions and limiting conditions upon which the valuation is based.	The Valuation Report ~~of a property~~ must state the purpose of the valuation, the basis of the valuation used and the assumptions on which it is based. The report must also ~~permit~~ provide sufficient information ~~to permit~~ for those who read and rely upon the report. ~~to fully understand its contents, data, reasoning, analyses and conclusions. It must state the assumptions and limiting conditions upon which the valuation is based.~~	
8.2.2	The contents of a Valuation Report shall include the following: (a) Instructions to value – the report should clearly state the instructions. (b) Interest to be valued – the interest should be carefully ascertained and clearly stated. Where the interest is not found or stated in the Document of Title, the Valuer shall state the interest clearly and include a copy of the document(s) that grant(s) such an interest. (c) Purpose of valuation – the report must state clearly the purpose of the valuation. (d) Valuation Date – the material valuation date of the property should be the date of the inspection. However, where this is not, the valuation date must be clearly stated. (e) Inspection – the report must contain the date on which the property was inspected by the Valuer or his Designated Assistant. See MVS 6 (Inspection and Investigation). (f) Title Particulars – the title particulars should be in accordance with MVS 6 (Inspection and Investigation). (g) Description of the property – the description of the property should cover such areas as the neighbourhood, location, physical description of the property and its		

	condition, available services, etc., including such description as may be relevant to the type of property. Where the Valuer is aware of any breach or statutory requirements, these should be disclosed in the report – as provided in Standard 6 (Inspection and Investigation) under para 6.2.2 (e). (h) Tenancy/Lease details – where relevant, tenancy/lease details must be included. (i) Planning details – the report must contain particulars of planning as ascertained from the local planning authority or the Department of Town & Country Planning. Where such information is obtained verbally this must be clearly stated. (j) Assumptions – the report must clearly state all additional assumptions in bold and in capital letters in accordance with MVS 9 (Valuations Based on Assumptions). (k) Basis of valuation – the definition of the basis of valuation must be provided. (l) Approaches/Methods of valuation – the approaches/methods of valuation used must be clearly stated and must comply with MVS 7 (Approaches to Valuation). (m) Evidences of value – the report shall contain evidences of value in accordance with MVS 6 (Inspection and Investigation). Any registered transactions of the property to be valued within the last two years must be stated. (n) Opinion of value – the report shall contain a clear and unambiguous statement of value. (o) Plans – the report shall include location plans, building plans and other relevant plans where appropriate. (p) Photographs – the report shall include relevant photograph(s). (q) Name and signature of the Valuer – the report should be signed and dated by the Valuer and the Valuer's registration number must be stated. (r) Limiting conditions must be stated as per MVS 19.	(m) Evidences of value – the report shall contain evidences of value in accordance with MVS 6 (Inspection and Investigation). ~~Any registered transactions of the property to be valued within the last two years must be stated.~~	
8.3.0	**EXPLANATIONS**		
8.3.1	The above are minimum requirements to be contained in a Valuation Report. In specific cases such as that for submission to the Securities Commission Malaysia, the Valuation Report should comply with additional requirements as specified by the user of the report or the Client.		
STD 9	**VALUATIONS BASED ON ASSUMPTIONS**		
9.1.0	**INTRODUCTION**		
9.1.1	There may be instances where the Valuer would be instructed to carry out valuations based on certain Additional Assumptions, which have not been realised at the time of valuation. In such a case, the Valuer may carry out such valuations in accordance with the Standards mentioned below.	There may be instances where the Valuer would be instructed to carry out valuations based on certain Additional Assumptions, which are reasonable and likely, and have not been realised at the time of valuation. In such a case, the Valuer may carry out such valuations in accordance with the Standards mentioned below.	Based on IVS.

9.2.0	**STATEMENTS OF STANDARD**		
9.2.1	Where the valuation is based on an ADDITIONAL ASSUMPTION, the Valuer must state the ASSUMPTION in detail as well as in bold and capital letters in the Terms of Reference, Opinion of Value and other appropriate sections of the valuation report.		
9.2.2	Notwithstanding 9.2.1, the Valuer must also provide a valuation on the basis of Market Value without the ADDITIONAL ASSUMPTION (As Is Value) except for properties such as houses, shophouses and strata properties, which are purchased on the basis of completion. However, this exception does not extend to those developed and sold en-bloc.		
9.2.3	For valuations based on Additional Assumptions, the reports must carry the following provisos in **BOLD AND CAPITAL LETTERS:** **"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ADDITIONAL ASSUMPTION(S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION(S) THAT IS/ARE NOT YET OR FULLY REALISED".**		
9.2.4	Whenever Valuers are required to and undertake valuations with assumptions that are not additional assumptions as defined, they are required to make full disclosures to justify the use of such assumptions. The report shall carry the following proviso in **BOLD AND CAPITAL LETTERS**: **"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION(S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION(S) THAT IS/ARE NOT REASONABLE AND UNLIKELY TO BE REALISED".**	Whenever Valuers are required to ~~and~~ undertake valuations with assumptions that differ from the actual facts existing at the valuation date and that are not additional assumptions as defined, they are required to make full disclosures to justify the use of such assumptions. The report shall carry the following proviso in **BOLD AND CAPITAL LETTERS**: **"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION(S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION(S) THAT IS/ARE NOT REASONABLE AND UNLIKELY TO BE REALISED".**	Based on IVS
9.2.5	For such valuations the Valuer must also provide a valuation on the basis of Market Value without the ASSUMPTION, or "as is value".		
9.3.0	**EXPLANATIONS**		
9.3.1	The above standard has been introduced to ensure that the Valuer using assumptions in his valuation, which are not generally assumed, will state such assumptions clearly.	The above standard has been introduced to ensure that the Valuer using assumptions in his valuation, which are not generally assumed, will state such assumptions clearly. Where assumed facts differ from those existing as at the valuation date they are referred to as "additional assumption(s)". Examples of additional assumptions include: •an assumption that a building is completed, when in fact it is not •an assumption of a planning permission which is likely, but not obtained, as yet •an assumption that the entire business is exchanged as a complete operational entity •an assumption that assets employed in a business are exchanged without the business, either individually or as a group •an assumption that an owner occupied property is vacant when exchanged.	Based on IVS
9.3.2	Additionally, this standard would give notice to financial institutions and other parties, the need to be careful in using Valuation Reports that are based on assumptions.	Additionally, this standard would give notice to financial institutions and other valuation users ~~parties~~ that the valuation conclusion is contingent upon a change in the current circumstances and the need to be careful in using the Valuation Reports. ~~that are based on assumptions.~~	Based on IVS

		9.3.3 Assumptions used in the valuation must be realistic, relevant and valid and are to be adequately substantiated by reference to the physical, functional and market factors.	New paragraph 9.3.3 is proposed to emphasize the type of 'assumptions' that are acceptable. [Source: Asset Valuation Guidelines (2017) issued by the Securities Commission Malaysia]
STD 10	**VALUATIONS FOR FINANCIAL REPORTING**		
10.1.0	**INTRODUCTION**		
10.1.1	With the adoption of "mark to market" or fair value accounting, both internationally and in Malaysia, companies and entities would increasingly require valuations of their assets at more regular intervals as under these standards, the companies or entities are required to show these assets (held for use in their business, or as investments or surplus to their requirements) in their balance sheets at their "fair value".		
10.1.2	The regulatory authority on the manner in which company accounts should be prepared in Malaysia is the Malaysian Accounting Standards Board which develops and issues Financial Reporting Standards which has the force of law and is mandatory for public listed companies under the Securities Commission Malaysia, financial institutions under Bank Negara Malaysia and private companies registered with the Companies Commission of Malaysia. The Malaysian Accounting Standards Board has issued two (2) sets of financial reporting standards, i.e. Malaysian Financial Reporting Standards which are mandatory for public listed companies and financial institutions but optional for private companies and the Malaysian Private Entity Reporting Standards which are again optional for private companies. For example Malaysian Financial Reporting Standard 116 relates to Property, Plant and Equipment which prescribes the manner in which property, plant and equipment should be treated in company accounts.		
10.2.0	**STATEMENTS OF STANDARD**		
10.2.1	Valuers who prepare valuations for inclusion in financial statements must have a basic understanding of accounting concepts and principles. In particular Valuers must have a working knowledge of how property, plant and equipment are recognised in the accounts both initially at acquisition/ purchase and subsequently (i.e. whether the company or entity has adopted the Cost or Revaluation Model) and how they are carried in and its impact on the accounts of the company or business entity. Valuers shall also be familiar with the various terminologies used in those MFRS.		
10.2.2	Valuers must have knowledge and understanding of the requirements of the accounting standards which are issued by MASB from time to time especially those which relate to the treatment and measurement of the assets in the accounts, more particularly MFRS 116 (Property, Plant and Equipment), MFRS 117 (Leases) and MFRS 140 (Investment Property). Valuers shall also be familiar with other Standards which have an impact on valuations such as MFRS 102 (Inventories), MFRS 136 (Impairment of Assets), MFRS 3 (Business Combinations) and MFRS 5 (Non-Current Assets held for Sale and Discontinued Operations). Where cross border valuations are concerned, Valuers shall also be knowledgeable about the standards as well as the International Valuation Standards (IVS) and other relevant standards that may be applicable in that particular state/ country/ jurisdiction.		
10.2.3	The fundamental basis for the valuation of properties, plant and equipment for inclusion in Financial Statements, as stated in the Malaysian Accounting Standards is "fair value" which is defined as "the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction". For all intents and purposes and insofar as property, plant and equipment valuations for MFRS are concerned, fair value as defined above is taken to be synonymous with "market value" as defined by the IVS.	The fundamental basis for the valuation of properties, plant and equipment for inclusion in Financial Statements, as stated in the Malaysian Accounting Standards is "fair value" which is defined as "the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction". For all intents and purposes and insofar as property, plant and equipment valuations for MFRS are concerned, fair value as defined above is taken to be synonymous with "market value" as defined by the International Valuation Standards (IVS).	
10.2.4	Valuers must ascertain and confirm with the company or entity the appropriate asset class to which the item of property, plant and equipment belong so that the valuation is valued in accordance with the requirements of the appropriate MFRS.		
10.2.5	Valuers must also state in the valuation reports their valuation methodology used in arriving at the market value of the property, plant and equipment, bearing in mind the requirements of the accounting standards which favours "market-based evidence". Appropriate valuation approaches are to be used.		
10.2.6	For specialised properties by virtue of the fact that they are rarely, if ever, sold in the open market i.e. there may be "no market-based evidence of fair value", other valuation approaches such as the Cost Approach or the Income Approach may be used.		
10.2.7	For properties that are used by an entity as an asset in connection with their continuing business operations, they should be valued based on the Market Value for the Existing Use.		
10.3.0	**EXPLANATIONS**		
10.3.1	Paragraph 32 of the MFRS 116 states that "The fair value of land and building is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified Valuers. The fair value of items of plant and equipment is usually their market value determined by appraisal."		
10.3.2	Paragraph 33 of the MFRS 116 states that "If there is no market based evidence of fair value because of the specialised nature of the item of property, plant and equipment and the items is rarely sold, except as part of a continuing business, an entity may need to estimate fair value using an income or a depreciated replacement cost approach."		
10.3.3	The International Valuation Standards Council has valuation standards that are developed to enable Valuers worldwide to harmonise principles and practices particularly with regard to valuations for financial reporting, thus ensuring that financial reporting standards have		

	a harmonised basis. Valuers are required to acquire an in-depth knowledge of the International Valuation Standards, in particular the International Valuations Application 1 – Valuation for Financial Reporting. Any deviation from the requirements of those standards must also be clearly disclosed in the Valuation Report.		
10.3.4	Instances where properties would fall under 10.2.7 include oil palm plantations or rubber plantations and industrial properties that are owned by plantation entities or industrial entities respectively. Thus, for example, an oil palm plantation owned by an entity that is set up and is in operation as a plantation entity, would not, under this Standard be allowed to carry in their accounts, values that reflect development potential of the property over and above the pure agricultural value of the property. Similarly an operational industrial concern should not be allowed to carry in their accounts a value of a potentially higher order user than the existing use as an industrial property. Standard 10.2.7 and this, related, 10.3.4 explanatory note, is also in line with Standard 11 Valuation of Biological Assets.		
10.3.5	A Fair Value measurement has three Levels as follows: (a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. (b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. (c) Level 3 inputs are unobservable inputs for the asset or liability. IFRS/MFRS 13 requires the level in the hierarchy of any asset or liability measured at fair value to be disclosed in the financial statements. There are additional accounting requirements in relation to valuations produced using Level 3 inputs. It is therefore appropriate for a Valuation Report provided for use in financial statements prepared under MFRS to include sufficient information on the valuation inputs used to enable the reporting entity to correctly categorise assets within the hierarchy.		
		10.3.6 For all depreciable assets, Valuers are not obliged to determine the useful life of buildings or intangibles for computation of depreciation. The useful life is determined based on the company's/owner's policy.	To address 'useful life' for computation of depreciation under IAS 16.
STD 11	**VALUATION OF BIOLOGICAL ASSETS**		
11.1.0	**INTRODUCTON**		
11.1.1	Valuers may be called upon to value biological assets attached to land in line with the requirements of IAS 41 or MFRS 141. IAS 41/MFRS 14, Agriculture requires biological assets that are physically attached to land (e.g. oil palm trees in an oil palm plantation or rubber trees in a rubber plantation, both referred to in the context of MFRS 141 as bearer plant) to be fair valued, separately from the land. IAS 41/MFRS 141 acknowledges that there may be no separate market for biological assets attached to land, but that an active market may exist for the combined assets i.e. the plantation as a whole. The land, in such instances is valued (without the palms or trees, but with any buildings, plant and machinery and equipment) under IAS 16 Property, Plant and Equipment or MFRS 116 or alternatively under IAS 40/MFRS 140, Investment Property depending on which standard is appropriate in the circumstances. IAS 16/MFRS 116 requires land to be measured either at its cost less any accumulated impairment losses, or at a revalued amount. IAS 40/MFRS 140 requires land that is investment property to be measured at its fair value, or cost less any impairment losses. Generally, if under the fair value model, any surplus or deficit is carried to the Income Statement, but otherwise it is reflected in Reserves. However an amendment in June 2014 by the International Accounting Standards Board (IASB) does not require a fair valuation of the bearer plant (oil palms or rubber trees), but requires only the produce of the bearer plant (the fruits or the latex) to be fair valued under the Standard for biological assets, IAS 41 Agriculture. The amendment takes effect on 1 January 2016. When the amendment comes into force, Valuers may still, however, be required to value the bearer plant in cases where entities do not choose the fair value model under IAS 41/FRS 141 and choose the revaluation model under IAS 16/MFRS 116 or under IAS 40/MFRS 140.		
11.1.2	Notwithstanding the above, there is a major issue when plantations are valued in Malaysia and that is that a plantation ought to be valued in its existing use. This is because plantation companies should properly reflect the pure agricultural values of the properties in their books, but because plantations with lands currently under rubber and oil palm have always been made available for property development as urban boundaries expand, many of the plantations have their highest and best use as the alternative use value which are values that reflect development potential over and above the existing use value or the agricultural value of the properties. In such circumstances, it would seem appropriate that where a valuation is carried out by a plantation company of its plantation assets, the value of the plantation should be based on the existing use value and not on the basis of whatever degree of development potential that exists over and above the existing use value or the agricultural value of the property.		
11.1.3	On the other hand, if the valuation is for purposes of an intended sale or the purposes of showing the highest and best use of the property, then it will be relevant to show the value of the property with the development potential so that investors are well informed as to the difference between the two values.		
11.2.0	**STATEMENTS OF STANDARD**		
11.2.1	The Valuer should estimate the Market Value of the property in its existing condition as an agricultural property for the purposes of estimating the value of biological assets. In undertaking such valuations, Valuers can split the value of the oil palm or rubber plantation into the land component and the oil palm/rubber trees as well as the buildings, plant & machinery and equipment, reliably, by reference to market values of plantations in their existing use and market values of agricultural lands (suitable for oil palm/rubber cultivation), in their existing use. Post 1 January 2016 however Valuers may additionally have to deduct from the estimated value of the bearer plant, the value of the produce of the bearer plant when called upon to value, for financial reporting purposes, under the Revaluation Model, under IAS 16 or MFRS 116. The value of the produce of the bearer plant to be deducted must be obtained from the Client or entity as Valuers cannot reliably estimate such as value on their own.		
11.2.2	The Valuer may use any of the three approaches to valuation i.e. the Comparison Approach, the Cost Approach or the Income Approach. But in estimating the value of any of these approaches, it is important that it be based on market derived sales or market derived inputs of the plantation in its existing use.		

11.2.3	In the event that the income approach is used, the Valuer should recognise or pay close attention to the certainty of the cash flow and the discount rate should reflect appropriately that degree of certainty. The elements in the DCF should also be market derived.		
11.2.4	From the value of the plantation as a whole, the value of the biological asset can be derived by deducting from the value of the whole items for land value (land in its existing use as an agricultural property), values for plant and machinery, motor vehicles, building and structures and office equipment. The remaining value after deducting for these items is the value of the biological asset.		
11.2.5	In arriving at the land value the Valuer may use comparable market sales of similar plantation lands.		
11.3.0	**EXPLANATIONS**		
11.3.1	The income approach warrants a thorough understanding of the special physical and biological attributes of the plantation in order to arrive at a credible and reasonable result. Since these attributes and external factors are likely to have a major bearing on the future economic benefit, assistance and advice from expert consultants on the biological attributes of the asset under review can serve as a valuable input when performing the valuation. For information purposes, biological assets within the scope of IAS 41 or IFRS 141 that are physically attached to land (for example, trees in a timber plantation) are measured at their fair value less costs to sell separately from the land.		
STD 12	**VALUATIONS FOR FINANCING PURPOSES**		
12.1.0	**INTRODUCTION**		
12.1.1	The most common use for which valuations are required is for financing purposes by banks and other financial institutions based on the collateral value of the property. Such valuation can be for securing loans, mortgages or for debentures.		
12.1.2	Valuers who value properties for financing purposes must have a general understanding of the financing process.		
12.2.0	**STATEMENTS OF STANDARD**		
12.2.1	In all valuations for financing purposes, the purpose of the valuation must be clearly stated.		
12.2.2	The basis of valuations for financing purposes shall be Market Value in accordance with MVS 4 (Market Value Basis of Valuation).		
12.2.3	Valuations for financing purposes must be in the form of a full valuation report.		
12.2.4	Where Valuers are requested to issue a certificate or letter of valuation before completing a report, Valuers shall follow the procedures stated under MVS 8 (Valuation Reports).		
12.2.5	Apart from a Valuation Report carried out for financing purposes, updates are permitted in accordance with MVS 13 (Update Valuations).		
12.3.0	**EXPLANATIONS**		
12.3.1	An in-depth understanding of Market Value under MVS 4 (Market Value Basis of Valuation) and Non Market Value under MVS 5 (Valuation Bases other than Market Value) is relevant, as well as the section on General Valuation Concepts and Principles.		
12.3.2	As banks and other financial institutions may also require Forced Sale Value to be stated in the Valuation Report, Valuers are also required to provide Forced Sale Value (as defined under MVS 5 (Valuation Bases other than Market Value)) in the Valuation Report.		
		12.3.3 The market value of a property takes into account all pertinent factors including adverse features. However, as some bank/financial institutions may require adverse features to be stated in a separate format in addition to the Valuation Report, Valuers are obliged to comply with the bank/financial institution's request.	To address 'adverse features' in reports for financing purposes.
		12.3.4 Some bank/financial institutions may require the Valuer's opinion on the marketability/saleability of a property based on a format or scale ascertained by the bank/financial institutions and Valuers are obliged to comply with the bank/financial institution's request. The provision of the marketability factor is meant to serve only as a helpful guide and it does not in any way result in additional professional liability being extended to the bank/financial institution.	To address 'marketability factor' in reports for financing purposes.
12.3.3	In the valuation of development properties for financing purposes, a separate market study may be required. Market study is a study of the property market in relation to the proposed property development. A market study will take into consideration of the	12.3.5	Subsequent paragraph number to change accordingly.

	macroeconomics aspects, local government policies, market analysis of the property market or proposed property development and marketability factors which include studies of the location, market conditions and competitive position of the proposed property in the locality. The objective of a market study is to access the level of demand and supply for various property products and may include advice ranging from pricing to marketing strategies to identification of market niches.		
12.3.4	A feasibility study may also be required in the valuation of development properties for financing purposes. A feasibility study determines the viability of the proposed property development. The study may include investment analysis and financial performance to evaluate as to whether it is likely to be carried out successfully or pursued under a proposed development planning and may include advice to further improve the viability of the proposed project development.	12.3.6	Subsequent paragraph number to change accordingly.
STD 13	**UPDATE VALUATIONS**		
13.1.0	**INTRODUCTION**		
13.1.1	The general rule remains that a valuation should be communicated to a Client only by way of a full Valuation Report. However, a report may not be essential in communicating an opinion of value to the Client in certain cases. Such instances include letters in advance of a report and situations where a previous valuation has been done by the firm and a financial institution which has extended loans on the collateral security of the property now requires an update of the value for the sole purpose of assessing the adequacy or otherwise of the collateral security. Another situation is where there is a need under the Financial Reporting Standards for quarterly, half-yearly or annual updates on values. Such valuations are referred to as Update Valuations.	The general rule remains that a valuation should be communicated to a Client only by way of a full Valuation Report. However, a report may not be essential in communicating an opinion of value to the Client in certain cases. Such instances include the following:- (a) letters in advance of a valuation report ~~and situations where~~ (b) update of a previous valuation ~~has been~~ done by the firm ~~and a~~ (c) update valuation to a financial institution which has extended loans on the collateral security of the property which now requires an update of the value for the sole purpose of assessing the adequacy or otherwise of the collateral security. (d) ~~Another situation is where there is a need~~ update valuation under the Financial Reporting Standards for quarterly, half-yearly or annual updates on values. Such valuations are referred to as Update Valuations.	
13.2.0	**STATEMENTS OF STANDARD**		
13.2.1	Update valuations can only be provided, if: (a) it is prepared in connection with an interest in a property, which was previously valued by the same Firm and for the same Client. The previous valuation must have been in the form of a Valuation Report prepared in accordance with MVS 8 (Valuation Reports). (b) the previous Valuation Report was prepared not more than	Update valuations can only be provided, if: (a) it is prepared in connection with an interest in a property, which was previously valued by the same Firm, ~~and~~ for the same Client and for the same purpose. The previous valuation must have been in the form of a Valuation Report prepared in accordance with MVS 8 (Valuation Reports). (b) the previous Valuation Report was prepared not more than	

	three years prior to the date of Update Valuation. (c) it is not used by the Client or lending institutions, for obtaining/ granting fresh or additional funding based on the value reported. The Valuer must state this in the Update Valuation.	three years prior to the date of Update Valuation. (c) it is not used by the Client or lending institutions, for obtaining/granting fresh loans or additional funding based on the updated value reported. The Valuer must state this in the Update Valuation.	
13.3.0	**EXPLANATIONS**		
13.3.1	Firms are only permitted to undertake full Valuation Reports as provided for under MVS 8 (Valuation Reports) and Update Valuations as provided by this Standard. All other forms of valuations such as "Brief Valuations", "Check Valuations", "One page Valuations", "Desk Top Valuations", "Indicative Valuations in writing", "Proforma Valuations" etc. are NOT permitted and shall not be undertaken by Valuers except for valuations done under MVS 14 (Mass Valuation for Property-Backed Portfolios).		
		13.3.2 It is a feature of the market in Malaysia whereby banks/financial institutions require indicative values for purposes of initiating loan processing. However, Valuers do not carry any professional liability for indicative values extended to the banks/ financial institutions.	To address 'indicative values'.
STD 14	**MASS VALUATION FOR PROPERTY-BACKED PORTFOLIOS**		
14.1.0	**INTRODUCTION**		
14.1.1	Banks and other financial institutions conduct periodic reviews of parts or the whole of their property-backed loan portfolio. This is required to ensure capital adequacy of the collaterals, under BASEL requirements. Such valuations are generally referred to as Mass Valuation.		
14.1.2	Mass valuations are also required for review of properties with regard to non-performing loans.		
14.1.3	Such valuations may also be required for purposes of disposal or purchase of property-backed loan portfolios by banks or financial institutions or entities involved in investing in such portfolios.		
14.2.0	**STATEMENTS OF STANDARDS**	**STATEMENTS OF STANDARD~~S~~**	To amend 'standards' to 'standard'
14.2.1	The Valuer must have a clear understanding that the Mass Valuation is not for providing additional loan facilities and this must be conveyed to the Client in writing.		
14.2.2	The Valuer is not required to comply with the requirements of MVS 12 (Valuation for Financing Purposes).		
14.2.3	The Valuer shall ensure that he obtains from the banks and other financial institutions adequate information in order to provide his opinion of value.		
14.2.4	The Valuer may source other information from wherever possible to complete his assignment.		
14.3.0	**EXPLANATIONS**		
14.3.1	In carrying out his assignment the Valuer may rely on information sourced from general market reports and studies such as Bank Negara Malaysia publications, reports from the Valuation and Property Services Department (JPPH)/National Property Information Centre (NAPIC) and other reliable indices and statistics as well as from in-house data.		
14.3.2	The Valuer is not required to conduct title searches, planning checks, site inspection or other due diligence generally undertaken for valuations.		
14.3.3	The opinion of value may be given in a format agreed to between the Valuer and the Client.		
STD 15	**VALUATION OF PLANT, MACHINERY AND EQUIPMENT**		
15.1.0	**INTRODUCTION**		
15.1.1	Valuers are frequently instructed to value plant, machinery and equipment (PME) used together in an enterprise or by themselves. These include installations and support facilities for processing or manufacturing which are designed to perform a specific pre-determined function. They may also include all non-realty devices in fixed or moveable form, deployed in processing, manufacturing or assembly of products from the stage of raw materials to finished goods. Separately reported items such as materials, inventories, finished products and patents usually do not form part of PME.		
15.1.2	PME constitute a class of property other than real property or personal property.		
15.1.3	PME are individually distinguished and defined as follows:		
15.1.3.1	Plant comprise assets that are combined with others and that may include items that form part of industrial infrastructure, utilities, building services installations, specialised buildings and machinery and equipment forming a dedicated assemblage.		
15.1.3.2	Machinery comprise individual, or a collection or a fleet of machines that may be employed, installed or remotely operated in connection with a user's industrial or commercial process, trade or business sector (a machine is an apparatus used for a specific process)		
15.1.3.3	Equipment is an all-encompassing term for other assets such as sundry machinery, tooling, fixtures, furniture and furnishings, trade fixtures and fittings, vehicles	Equipment is an all-encompassing term for other assets such as sundry machinery, tooling, implements, fit outs, fixtures, furniture and furnishings, trade fixtures and fittings,	

	and loose tools that are used to assist the operation of the enterprise or entity.	vehicles and loose tools that are used to assist the operation of the enterprise or entity.	
15.2.0	**STATEMENTS OF STANDARD**		
15.2.1	The Valuer shall use the Market Value basis for all valuations; where the Valuer adopts a basis other than market value, such basis should be clearly stated.		
15.2.2	When valuing PME on the basis of Market Value, the Valuer must state whether the valuation assumes that the PME is valued:- (a) as a whole for use in its working place; (b) as a whole for removal from the premises and whether it is the vendor or purchaser that bears the costs of removal; or (c) as individual item(s) for removal from premises and whether it is the vendor or purchaser that bear the costs of removal.		
15.2.3	An asset functionality may be dependent on other assets e.g. within an integrated production line, operating software, licences, etc. In such a situation, the Valuer shall state whether the valuation assumes that the complementary assets are (a) included in the valuation; (b) excluded but assumed to be available; or (c) excluded and assumed not to be available.	An asset functionality may be dependent on other assets e.g. within an integrated production line, operating software, licences, permits, etc. In such a situation, the Valuer shall state whether the valuation assumes that the complementary assets are (a) included in the valuation; (b) excluded but assumed to be available; (c) excluded and assumed not to be available;~~. or~~ and (d) where there is any form of building/structure erected to shelter the PME or building services provided to the PME, that is part of the PME, and it shall be clearly stated in the report, particularly to avoid double counting of the building value.	
15.2.4	The Valuer shall take into account the potential impact of the valuation of PME where the PME is located on property held on a short lease.		
15.2.5	All PME shall be properly inventoried, inspected and adequately described to give an accurate picture of the item or items being valued.	All PME shall be properly inventoried, verified, inspected and adequately described to give an accurate picture of the item(s) being valued.	
15.2.6	The Valuer may use any appropriate approach/method of valuation to value PME and shall disclose the approach/method used.		
15.2.7	The Valuer who uses the Cost Approach shall qualify every valuation as being subject to adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation. It is for the Directors or owners of the property to decide on the adequacy of the profit potentiality or service potential.		
15.3.0	**EXPLANATIONS**		
15.3.1	PME valuations are specialised and require experience and specific training. Valuers are advised to ensure that they have the requisite experience and training before accepting any instructions for the valuation of PME.		
15.3.2	Where Valuers use dedicated persons to assist in the valuation, their names and qualification may be included in the valuation report.		
15.3.3	Where special expert advice is used, such advice may be disclosed in the report.		
15.3.4	Valuers must ensure that proper inspections are carried out in accordance with MVS 6 (Inspection and Investigation). The proper referencing and recording of each item of the PME are very important aspects of plant and machinery valuations. Wherever available, the description should include among others, the brand, model, type/function of the PME, serial number, capacity particulars, accessories, manufacturer, year of manufacturing, country of origin and condition. Valuers should exclude items of the PME that are under leasing unless specifically instructed to do so in which case this must be adequately disclosed.	Valuers must ensure that proper inspections are carried out in accordance with MVS 6 (Inspection and Investigation). The proper referencing and recording of each item of the PME are very important aspects of plant and machinery valuations. Wherever available, the description should include among others, the brand, model, type/function of the PME, serial number, capacity ~~particulars, accessories~~, ancillary equipment, manufacturer, year of manufacturing, country of origin and condition. Valuers should exclude items of the PME that are under leasing unless specifically instructed to do so in which case this must be adequately disclosed.	
15.3.5	Valuers should be conversant in items of PME that are generally valued as building components and ensure there is no overlapping or double counting of items. These items include the air-conditioning systems, lift operating systems, stand-by generator systems, pumps and motors used in water and sanitary disposal systems, Building Automation systems and other IT based systems that are traditionally included in a Building valuation, unless specially instructed to do so, in which case, the Valuer shall state so in his report.		
15.3.6	Where an item of a piece of PME is old and its substitute not available, then the Valuer may have regard to a suitable, modern substitute having regard also to its age and function. In cases where such PME merit only a salvage value the Valuer shall state it in the report.		
	15.3.7 The market approach measures the loss in value from all forms of valuation, depreciation and obsolescence that are inherent in the individual asset, assuming appropriate adjustments are made to the comparables to reflect the differences between them and the subject asset.		

	15.3.8 The used machinery and equipment market is an established means of buying and selling machinery and equipment. The used market consists of used machinery dealers, auctions and public and private sales, and it is often (but not always) the most reliable method of determining certain types of value for certain types of properties.		
	15.3.9 Two techniques are typically used to value plant, machinery and equipment by the income approach: the direct capitalization method and the DCF method. The direct capitalization method measures value by dividing a projected income stream, in constant dollars, by a capitalization rate. The DCF method is a form of analysis in which the quantity, variability, timing and duration of periodic income and the residual value are projected; the periodic income and the residual value are then discounted to present value using a discount rate.		
	15.3.10 The Valuer who uses the income approach must be able to identify the expected future benefits (cash inflows), the magnitude and timing of the future benefits and expenses associated with achieving the forecasted revenue (cash outflows) the discount rate (or capitalization rate if a multiple-year model is not being used), the present value of the annual net cash flows, the terminal value of the asset, calculate the business enterprise value and develop the appropriate value of the asset.		
15.3.7	If and when the Board receives a complaint from a member of the public on a valuation carried out by a Valuer it may conduct an inquiry. The inquiry will focus on compliance or non-compliance by the Valuer on the provisions of the Act, Rules and these Standards.	~~If and when the Board receives a complaint from a member of the public on a valuation carried out by a Valuer it may conduct an inquiry. The inquiry will focus on compliance or non-compliance by the Valuer on the provisions of the Act, Rules and these Standards.~~	
STD 16	**VALUATIONS FOR SUBMISSION TO THE DIRECTOR OF INSURANCE AND TAKAFUL SUPERVISION, BANK NEGARA MALAYSIA**		
16.1.0	**INTRODUCTION**		
16.1.1	Valuations are required by Insurance Companies and Takaful Operators for submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia whenever they value their property assets or revalue property assets.		
16.1.2	Such valuations are usually vetted by the Valuation and Property Services Department of the Ministry of Finance, for Bank Negara.	Such valuations are usually vetted by the Valuation and Property Services Department of the Ministry of Finance, for Bank Negara Malaysia.	
16.1.3	The Valuation and Property Services Department in turn requires that such valuations follow the "Guidelines on Property Valuations of Insurance Companies" for submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia.		
16.1.4	Like the valuations for the Securities Commission Malaysia such requirements represent specific User Standards.		
16.2.0	**STATEMENTS OF STANDARD**		
16.2.1	All valuations undertaken for submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia, must comply strictly with the "Guidelines on Property Valuations of Insurance Companies" issued for valuations submitted to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia.		
16.2.2	In addition Valuers shall also adhere to the requirements of the Malaysian Valuation Standards.		
16.3.0	**EXPLANATIONS**		
16.3.1	Effective 30 June 2013 the specific requirements for assets of a licensed insurer under the Financial Services Act 2013 (FSA) is governed by the policy document entitled 'Management of Insurance Funds' issued by Bank Negara Malaysia on 28 June 2013.		
16.3.2	The objectives of the above policy document are to ensure the proper attribution of assets and liabilities to the business of a licensed insurer through the appropriate segregation of insurance funds, effective controls over withdrawals from insurance funds, and that proper records of a licensed insurer's policies and claims are maintained at all times.		
16.3.3	A licensed insurer must obtain a valuation by an independent professional Valuer to validate material fair value changes or revaluations at any time as and when the Bank may require and the cost of such validation must be borne by the licensed insurer.	A licensed insurer and a takaful operator must obtain a valuation by an independent professional Valuer to validate material fair value changes or revaluations at any time as and when Bank Negara Malaysia may require and the cost of such validation must be borne by the licensed insurer.	
16.3.4	The basis of valuation for the assets of a licensed insurer shall comply with the accounting standards issued or adopted by the Malaysian Accounting Standards Board which for this purpose shall be fair value.	The basis of valuation for the assets of a licensed insurer and a takaful operator shall comply with the accounting standards issued or adopted by the Malaysian Accounting Standards Board which for this purpose shall be fair value.	
16.3.5	For the above purpose, fair value is taken to mean market value as defined in the Malaysian Valuation Standards.		
16.3.6	By virtue of this Standard, the Board is enabled to take independent action in cases of non-compliance by Valuers when they undertake valuations for submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia.		

STD 17	**VALUATIONS FOR SUBMISSION TO THE SECURITIES COMMISSION MALAYSIA**		
17.1.0	**INTRODUCTION**		
17.1.1	The Securities Commission Act 1993 provides that the Securities Commission Malaysia is responsible for, amongst others, regulating all matters relating to securities and unit trust schemes which include Real Estate Investment Trusts (REIT) and the registration of prospectuses for corporations, supervision of exchanges and protection of investors.		
17.1.2	All valuations of property assets conducted in conjunction with any corporate proposal undertaken by public companies pursuant to Section 212 of Capital Markets & Services Act 2007 are required to be submitted to the Securities Commission Malaysia. Such valuations must comply with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.		
17.1.3	Valuers are also encouraged to understand the relevant requirements of other guidelines issued by the Securities Commission Malaysia that relate to property/assets. These other guidelines are namely the Equity Guidelines, Prospectus Guidelines, Guidelines on Real Estate Investment Trusts, Prospectus Guidelines For Collective Investment Schemes and Guidelines on the Offering of Asset-backed Securities.		
17.1.4	The Asset Valuation Guidelines of the Securities Commission Malaysia are specific User Standards and its application is mandatory.		
17.2.0	**STATEMENTS OF STANDARD**		
17.2.1	All valuations undertaken for submission to the Securities Commission Malaysia shall comply strictly to the Asset Valuation Guidelines issued by the Securities Commission Malaysia.	All valuations undertaken for submission to the Securities Commission Malaysia shall comply strictly to the Malaysian Valuation Standards and also with all the provisions including the specific requirements under the Asset Valuation Guidelines issued by the Securities Commission Malaysia.	To emphasize that all valuations submitted to the Securities Commission Malaysia must comply with the MVS. In addition it must comply with all the provisions including the specific requirements for valuations of specific property assets such as plant, machinery and equipment; development property; joint-venture interests; and forest assessment report.
		17.2.2. All valuations for submission to the Securities Commission must comply with the Asset Valuation Guidelines, particularly to the following: (a) At least 2 valuation approaches are to be adopted. Where only one approach is adopted, reasons for this departure must be disclosed. (b) All comparables/ evidence of value must be shown on a plan in relation to the subject property. (c) If a valuer becomes aware of significant changes affecting the valuation and contents of the valuation report/certificate, either – (i) between the date of valuation and the issue of the prospectus/circular; or (ii) after the issue of the prospectus and before the issue of the shares/units; then the valuer has an ongoing obligation to either cause his report/certificate to be updated for the changes and, where applicable, cause the corporation to issue a supplementary prospectus or replacement prospectus, or withdraw his consent to the inclusion of the certificate in the prospectus/circular. Failure to do so will result in the corporation, promoters and the valuer being liable for any misleading statement or material omission. (d) When adopting the market/comparison approach, a reasonable and competent valuer would normally have used at least three suitable and appropriate comparables. (e) In using the comparison approach the averaging or weighting of indicative values from adjusted comparables should be avoided unless the comparables used have insignificant dissimilarities between them. (f) Comparables are considered suitable and appropriate when they are not excessively adjusted for dissimilarities. However, in certain circumstances, the adjustments for dissimilarities can	Example – to value a parcel of land in the golden triangle adjustments for dissimilarities for time, location, accessibility, terrain, size, shape, tenure, land use category, zoning, plot ratio, development approval, etc. may amount to a large magnitude of adjustments.

		be large but it must be logical and supported by market evidence. (g) In considering the terms and conditions of the comparable sales, the valuer should take into account, where known from private investigation or from sources accessible in the public domain, the following terms and conditions that may have an impact on the price paid: (i) Mode of payments; (ii) Timing of payments; (iii) Status of the property assets; and (iv) Any other special terms and conditions precedent granted or assumed. (h) When the valuer has listed sale transactions in his report as comparables but did not rely on them in arriving at the market value of the subject property, an explanation should be given. (i) Where the comparables comprise land and building components e.g. factory, shophouse, terrace house, and where such buildings have value, the valuer is expected to analyse the land and building components separately, so that the values for the land and buildings reflect market derived rates. (j) The valuation carried out on the property asset must exclude any breaches or violation of the land and building bylaws and regulations. Where there are breaches or violation, this must be disclosed in the report.	
		17.2.3 It must be borne in mind that the Securities Commission may ask a second opinion from another valuer/expert and accordingly, that valuer/expert is to give an independent opinion.	In accordance with the Asset Valuation Guidelines issued by the SC.
17.2.2	Apart from complying with all the provisions of the Asset Valuation Guidelines of the Securities Commission Malaysia, the valuation shall also comply with these Standards.	~~Apart from complying with all the provisions of the Asset Valuation Guidelines of the Securities Commission Malaysia, the valuation shall also comply with these Standards.~~	This paragraph has been merged with para 17.2.1 above.
17.2.3	Where there is any conflict between the Asset Valuation Guidelines of the Securities Commission Malaysia and these Standards, they must be highlighted. In such situations, the Asset Valuation Guidelines of the Securities Commission Malaysia shall prevail.	17.2.4	The paragraph number is amended accordingly.
17.3.0	**EXPLANATIONS**		
17.3.1	The Asset Valuation Guidelines require, in addition to the requirements of the MVS, additional provisions to be followed. Where reliance is made to another expert's report in the course of carrying out the valuation, the expert appointed must have the relevant qualification, skills and experience and be a member of a recognised professional body. The Valuer in relying on the expert's opinion must discuss with the expert and must not follow the findings blindly.		
17.3.2	Where valuation reports on property assets have been carried out for inclusion in a prospectus/abridge prospectus/circular, a summary of the valuation in the form of valuation certificate must be included in the prospectus/abridge prospectus/circular.		
17.3.3	The valuation certificate shall comply with the Asset Valuation Guidelines and contain adequate and meaningful disclosures.		
		17.3.4 The Board may take action on any complaint received from the public on the non-compliance of a valuation report to the Asset Valuation Guidelines/Malaysian Valuation Standards.	By including the requirements of the Asset Valuation Guidelines in the MVS, the Board may take action on any complaint received from the public on the non-compliance of a valuation report to the Asset Valuation Guidelines.

STD 18	**VALUATIONS FOR SUBMISSION TO THE BURSA MALAYSIA SECURITIES BERHAD**		
18.1.0	**INTRODUCTION**		
18.1.1	The Main Market Listing Requirements and the ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad require valuation reports to be submitted to Bursa Malaysia Securities Berhad where transactions involve the acquisition or disposal of real estate under certain circumstances.		
18.1.2	Valuation Reports submitted pursuant to the above shall comply with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.	Valuation Reports submitted pursuant to the above shall comply to the Malaysian Valuation Standards and the Asset Valuation Guidelines issued by the Securities Commission Malaysia.	To emphasize that all valuations submitted to the Securities Commission Malaysia must comply with the MVS.
18.1.3	The Asset Valuation Guidelines are specific User Standards and its application is mandatory.		
18.2.0	**STATEMENTS OF STANDARD**		
18.2.1	The Valuation Report submitted to Bursa Malaysia Securities Berhad shall comply strictly with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.	The Valuation Report submitted to Bursa Malaysia Securities Berhad shall comply strictly to the Malaysian Valuation Standards and also with all the provisions including the specific requirements under ~~with~~ the Asset Valuation Guidelines issued by the Securities Commission Malaysia.	To emphasize that all valuations submitted to the Securities Commission Malaysia must comply with the MVS. In addition it must comply with all the provisions including the specific requirements for valuations of specific property assets such as plant, machinery and equipment; development property; joint-venture interests; and forest assessment report.
18.2.2	Apart from complying with all the provisions of the Asset Valuation Guidelines of the Securities Commission Malaysia, the valuation shall also comply with these Standards.	~~Apart from complying with all the provisions of the Asset Valuation Guidelines of the Securities Commission Malaysia, the valuation shall also comply with these Standards.~~	This paragraph has been merged with para 18.2.1 above.
18.2.3	Where there are any conflicts between the Asset Valuation Guidelines of the Securities Commission Malaysia and these Standards, these must be highlighted. In such situations, the Asset Valuation Guidelines of the Securities Commission Malaysia shall prevail.	18.2.2	The paragraph number is amended accordingly.
18.3.0	**EXPLANATIONS**		
18.3.1	Where Valuation Reports on real estate have been carried out for inclusion in a circular, a summary of the valuation in the form of a valuation certificate may be required.		
18.3.2	The valuation certificate shall comply with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.		
		18.3.3 The Board may take action on any complaint received from the public on the non-compliance of a valuation report to the Asset Valuation Guidelines/Malaysian Valuation Standards.	By including the requirements of the Asset Valuation Guidelines in the MVS, the Board may take action on any complaint received from the public on the non-compliance of a valuation report to the Asset Valuation Guidelines.
STD 19	**LIMITING CONDITIONS**		
19.1.0	**INTRODUCTION**		
19.1.1	A Valuer may accept instructions to value subject to certain limiting conditions and exclusions as agreed with the client.		
19.2.0	**STATEMENTS OF STANDARD**		
19.2.1	Limiting conditions that directly affect the valuation must be explained clearly where appropriate.		
19.2.2	The following limiting conditions may appear on the Valuation Reports without any further explanation		
19.2.2.1	**MALAYSIAN VALUATION STANDARDS** This Valuation Report is carried out in accordance with the Manual of Valuation Standards published by the Board of Valuers, Appraisers and Estate Agents.	**MALAYSIAN VALUATION STANDARDS** This Valuation Report is carried out in accordance with the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, ~~and~~ Estate Agents and Property Managers.	To amend the MVS in respect of the new amended terms relating to the Board (i.e. Board of Valuers, Appraisers, Estate Agents and Property Managers) and the Act (i.e. Valuers, Appraisers, Estate Agents and Property Managers Act 1981).

19.2.2.2	**MEASUREMENTS** All measurements are carried out in accordance with the Uniform Method of Measurement of Buildings issued by The Royal Institution of Surveyors, Malaysia.	All measurements are carried out in accordance with the Uniform Method of Measurement of Buildings issued by The Royal Institution of Surveyors, Malaysia~~.~~ or such other building measurement standards as acceptable and agreed to by the client. For properties situated outside Malaysia, the Valuer shall use the appropriate /applicable methods of measurement. Valuers can additionally use the "International Property Management Standards" (IPMS) or use both methods of measurement in parallel.	The MVS makes reference to the Uniform Method of Measurement of Buildings issued (UMMB) by ISM (Second Edition - 2006). Presently, an upgraded third edition has been produced to replace the earlier edition and the Board recognises the new edition. However, globally, the International Property Measurement Standards (IPMS) is being adopted for uniformity and clarity. Hence, for consistency, the Board advocates the use of the UMMB and additionally the use of the IPMS until such time that the latter gains traction and the former is phased out. It must be noted at this point, that only the IPMS for residential property and free-standing office buildings have been finalized by the IPMS Coalition. The IPMS for industrial buildings is at the draft stage and the IPMS for other buildings have yet to be prepared.
19.2.2.3	**CONFIDENTIALITY** This Report is confidential to the Client or to whom it is addressed and for the specific purpose to which it refers. It may only be disclosed to other professional advisors assisting the Client in respect of that purpose, but the Client shall not disclose the report to any other person. Neither the whole, nor any part of the Valuation Report or Certificate or any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear. We shall bear no responsibility nor be held liable to any party in any manner whatsoever in the event of any unauthorised publication of the Valuation Report, whether in part or in whole.		
19.2.2.4	**USE OF REPORT** The opinion of value expressed in this Report shall only be used by the addressee for the purpose stated or intended in this Report. We are not responsible for any consequences arising from the Valuation Report being relied upon by any other party whatsoever or for any information therein being quoted out of context.	The opinion of value expressed in this Report shall only be used by the addressee for the purpose stated or intended in this Report. We are not responsible for any consequences arising from the Valuation Report or any part thereof being relied upon by any other party whatsoever or for any information therein being quoted out of context.	For clarity
19.2.2.5	**LEGAL TITLE** Whenever possible, a private title search is conducted at the relevant Land Registry/ Office but this is done to establish title particulars relevant to valuation only. Whilst we may have inspected the title of the property as recorded in the Register Document of Title, we cannot accept any responsibility for its legal validity or as to the accuracy and timeliness of the information extracted or obtained from the relevant Land Registry/ Office.	**~~LEGAL~~ TITLE SEARCH** Whenever possible, a private title search is conducted at the relevant Land Registry/ Office but this is done to establish title particulars relevant to valuation only. Whilst we may have inspected the title of the property as recorded in the Register Document of Title, we cannot accept any responsibility for its legal validity or as to the accuracy and timeliness of the information extracted or obtained from the relevant Land Registry/ Office.	To adopt a more relevant heading 'Title Search'.
		Legal advice may be sought to verify the title details, if required.	
		19.2.2.6 TOWN PLANNING AND OTHER STATUTORY ENQUIRIES Such enquiries are conducted at the respective offices or by extracting the required information from published reports and are deemed sufficiently reliable in the profession.	

19.2.2.6	**SITE SURVEYS** We have not conducted any land survey to ascertain the actual site boundaries. For the purpose of this valuation, we have assumed that the dimensions correspond with those shown in the title document, certified plan or any relevant agreement.	19.2.2.7	Para number to change accordingly.
19.2.2.7	**STRUCTURAL SURVEYS** While due care has been taken to note building defects in the course of inspection, no structural surveys were made nor any inspection of woodwork or other parts of the structure which were covered or inaccessible were made. We are therefore unable to express an opinion or advice on the condition of uninspected parts and this Report should not be taken as making any implied representation or statement on such parts. Whilst any defects or items of disrepair may be noted during the course of inspection, we are not able to give any assurance in respect of any rot, termite or pest infestation or other hidden defects.	19.2.2.8 **STRUCTURAL SURVEYS** While due care has been taken to note building defects in the course of inspection, no structural surveys nor any testing of services were made nor have we inspected any ~~any inspection of~~ woodwork or other parts of the structure which were covered or inaccessible were made. We are therefore unable to express an opinion or advice on the condition of uninspected parts and this Report should not be taken as making	Para number to change accordingly
19.2.2.8	**DELETERIOUS OR HAZARDOUS MATERIALS** No investigations have been carried out to determine whether or not any deleterious or hazardous materials had been used in the construction of the property (building) or had since been incorporated and we are, therefore, unable to account or report on any such material in our Report.	19.2.2.9	Para number to change accordingly.
		19.2.2.10 **SOIL INVESTIGATION** No soil investigation has been carried out to determine the suitability of soil conditions and/or availability of services for the existing or any future development or planting. No soil investigation has been carried out to determine soil suitability for the continued use of the property in its current condition or for any redevelopment.	
19.2.2.9	**CONTAMINATION** We have not carried out investigations into the past and present use of either the property or of any neighbouring land to establish whether there has been any contamination or if there is any potential for contamination to the property and are therefore, unable to account and report for such contamination in our Report.	19.2.2.11	Para number to change accordingly.
19.2.2.10	**DISEASE OR INFESTATION** Whilst due care is taken to note the presence of any disease or infestation, we have not carried out any tests to ascertain possible latent infestations or diseases affecting crops or stock. We are therefore unable to account for such in our Report.	19.2.2.12	Para number to change accordingly.
19.2.2.11	**LEASES AND TENANCIES** Enquiries as to the financial standing of actual or prospective lessees or tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed that the lessees or tenants	19.2.2.13	Para number to change accordingly.

	are capable of meeting their obligations under the lease or tenancy and that there are no arrears of rent or undisclosed breaches of covenants and/or warranties.		
19.2.2.12	**DEVELOPMENT AGREEMENTS** Unless otherwise stated, no considerations are made in our valuation for any joint venture agreement, development right agreement or other similar contracts.	19.2.2.14	Para number to change accordingly.
19.2.2.13	**OUTSTANDING DEBTS** In the case of buildings where works are in hand or have recently been completed, no allowances are made for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, sub-contractors or any members of the professional or design team.	19.2.2.15	Para number to change accordingly.
19.2.2.14	**TAXATION, ENCUMBRANCES, STATUTORY NOTICES AND OUTGOINGS** Unless otherwise stated, no allowances are made in our valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We also assumed the property is free of statutory notices and outgoings.	19.2.2.16	Para number to change accordingly.
	19.2.2.17 **ATTENDANCE** The instruction and the valuation assignment do not automatically bind us to attendance in court or to appear in any enquiry before any government or statutory body in connection with the valuation unless agreed when the instructions were given or subsequently agreed upon.		
	19.2.2.18 **SOURCE OF INFORMATION** This Report has been prepared on the basis that full disclosure of all information and facts which may affect the Valuation have been made known to us and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made to us. Where it is stated in the Report that information has been supplied by the sources listed, this information is deemed to be reliable and no responsibility is accepted should it be proven otherwise, be it expressed or implied. All other information stated without being attributed directly to another party is deemed to be from our searches of records, examination of documents or relevant sources.		
19.2.2.15	**VALIDITY PERIOD OF A VALUATION REPORT** A Valuation is current as at the valuation date only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.	19.2.2.19 **VALIDITY PERIOD OF A VALUATION REPORT** A Valuation is current as at the valuation date only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. No warranty can be given as to the maintenance of this value into the future. A periodical valuation review is recommended.	
		19.2.2.20 **LIMITATION OF LIABILITY** Although every care has been taken in preparing the valuation report, if it is proved that there is an apparent negligence on the part of the valuer, the liability of this valuation (whether arising from this valuation, negligence or any other cause whatsoever) is limited in respect of any event or series of events to the actual loss or damage sustained subject to a liability cap (maximum of five (5)	Propose to incorporate a limit for liabilities. "The Royal Institution of Chartered Surveyors recommends the use of liability caps to members as a way in which to manage the risk in valuation work. Our aggregate liability arising out of, or in connection with this valuation, whether arising from negligence, breach of contract, or any other cause whatsoever, shall in no event exceed £(x). This clause shall not exclude or limit our liability for actual fraud, and shall not limit our liability for death or personal injury caused by our negligence."

		times the professional fee excluding disbursements and tax for the services rendered).	
19.3.0	**EXPLANATIONS**		
19.3.1	Whilst it is desirable that all the limiting conditions and exclusions which appear in Valuation Reports be properly and fully explained, it may not be practical to do so. Neither is it possible to have a comprehensive list to cover all other circumstances. Suffice it is to say that the above may appear in Valuation Reports without any further explanation and shall form part of the conditions of engagement between the Client and the Valuer, unless expressly excluded.		

GUIDANCE NOTES

BUSINESS VALUATION

INTRODUCTION

The purpose of this Business Valuation Guidance Notes, which include the valuation of Intangible Assets, is to set a framework and best practices for Registered Valuers who undertake business valuations.

Presently, business valuations in Malaysia are not regulated by any Act of Parliament or a regulatory Board. However, as many Registered Valuers are qualified to undertake business valuations, this Business Valuation Guidance Notes serve to lay down best practices and experiences.

The Business Valuation Guidance Notes should not be taken to be exhaustive of all conceivable situations that may arise in practice. Notwithstanding that, Registered Valuers should at all times, conduct valuations based on best practices and act in a manner consonant with the dignity of the profession.

It is hoped that the Business Valuation Guidance Notes will assist Valuers registered with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia (Board) to carry out business valuations with a high standard of professional competence. The Board would also like to encourage Registered Valuers who have not attended the Business Valuation Course conducted by the Business Valuers Association Malaysia (BVAM) to do so and obtain membership to the said Association and eventually become a Certified Valuation Specialist and a Member of the International Association of Chartered Valuation Specialists (IACVS) as well. BVAM is a Malaysia Charter Member of IACVS.

Sr HAJI NORDIN BIN DAHAROM
PRESIDENT
BOARD OF VALUERS, APPRAISERS, ESTATE AGENTS AND PROPERTY MANAGERS
XX XXXXXX 2018

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 1

QUALIFICATIONS OF BUSINESS VALUERS AND CONFLICTS OF INTEREST

1.1.0 INTRODUCTION

Business Valuers shall carry out Business Valuations and provide such service for a fee. The Business Valuer must ensure that he has the necessary licenses, qualifications and sufficient knowledge and expertise when accepting valuation instructions. Past, present or foreseeable future relationships, either with the Client or the business/equity to be valued, that could lead to or be construed as conflicts of interest or possible conflicts of interest, must be resolved, eliminated or mitigated and must be disclosed when accepting an instruction for business valuation. Where a conflict of interest cannot be resolved satisfactorily, the Business Valuer must not act for the Client.

1.2.0 STATEMENTS OF GUIDANCE NOTE

1.2.1 The Business Valuer, prior to accepting an instruction to carry out a Business Valuation, must ensure that he has sufficient knowledge and competency to complete the assignment in accordance with this Guidance Notes or generally accepted valuation principles.

1.2.2 Where circumstances by virtue of legislation or requirement by any regulatory body or otherwise require an "Independent Valuer", such a Business Valuer shall be one who has no, either directly or indirectly via partners, co-directors or close family, significant financial interest in the Client or vice versa.

1.2.3 The Business Valuer must disclose any past, present or foreseeable future relationship with either the business/equity to be valued or the Client that may lead to or be construed as conflict of interest or possible conflict of interest.

1.2.4 The Business Valuer must also ensure that he meets any other legal or regulatory requirements, which may be required by the Client, their advisors or other relevant regulatory bodies.

1.3.0 EXPLANATIONS

1.3.1 This Guidance Notes ensures that only Business Valuers who have sufficient knowledge, skill and expertise to complete the Business Valuation competently, can carry out Business Valuations. The test of whether an individual is appropriately qualified to accept responsibility for a Business Valuation combines:

- Appropriate academic/professional qualifications and possesses relevant licensing, demonstrating Business Valuer's technical competence;
- membership of a professional body, demonstrating a commitment to ethical standards;
- practical experience as a Business Valuer;
- sufficient current local, national and international (as appropriate) knowledge necessary, to undertake the valuation competently; and
- compliance with any country or state legal regulations governing the right to practise Business Valuation.

Those who are unable to meet these criteria, should be assisted by Business Valuers or other professionals or experts who possess sufficient knowledge, experience and competency. This would ensure the highest level of competency and would thus meet the Client's needs or requirements.

1.3.2 The other legal or regulatory requirements are those which may be imposed or required by the Client in accordance with the uses to which the Valuation Report may be put or those which are legally required. One such example is the valuation of business/equity for submission to the Securities Commission Malaysia and/or Bursa Malaysia Securities Berhad.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 2

CONDITIONS OF ENGAGEMENT

2.1.0 INTRODUCTION

2.1.1 The Business Valuer must always seek to understand the Client's needs and requirements and carry out the Client's instructions accordingly. Whenever possible, there should therefore be a written statement or agreement stating the conditions of engagement of a Business Valuer's services, indicating the terms of reference, scope of work, reporting formats, assumptions to be made, limiting conditions and limiting liabilities (if any), etc ("Engagement Letter"). This is to minimise any misunderstanding between the Client and the Business Valuer so that the Client understands the extent of a Business Valuer's responsibilities and limitations of valuation reports and is satisfied with the scope of services provided by the Business Valuer.

2.1.2 Business Valuers must at all times conduct their duty with high standard of professionalism and due diligence. They must maintain the strictest impartiality and objectivity when providing independent service.

2.1.3 To ensure the highest standards and expertise to be provided to a Client, a Business Valuer must ensure amongst others, the following before he accepts any instructions: -

(a) he has the necessary qualifications and licensing required in carrying a Business Valuation;

(b) he has the appropriate expertise or has the means to secure the expertise needed to undertake the assignment;

(c) he is an "Independent Valuer";

(d) there is or will be no conflict of interest; and

(e) he meets any other conditions as imposed or as required by the Client or their advisers or users of the Valuation Reports or Certificates.

2.2.0 STATEMENTS OF GUIDANCE NOTE

2.2.1 Before a Business Valuation is reported, a Business Valuer must establish the Client's needs and requirements and confirm the service (instruction) to be provided.

2.2.2 Minimum Requirements for Valuations

The Business Valuer must agree with or inform the Client the following, before a valuation is reported:

(a) the purpose and intended use of the Business Valuation;

(b) the subject matter of valuation i.e. the interest to be valued;

(c) the basis of the Business Valuation (e.g. market/ fair value);

(d) assumptions to be used in arriving at the valuation;

(e) requirements in relation to supporting documents;

(f) the basis of and responsibility for his fee; and

(g) the limits or exclusion of liability to other parties other than the Client (i.e. "Limiting Conditions")

2.3.0 EXPLANATIONS

2.3.1 The Statements of Standard are meant to specify the scope of work to ensure compliance by the Business Valuer and to avoid misunderstanding with the Client. Should the Business Valuer be asked to base his Business Valuation on "additional" assumptions, he should make a statement(s) to such effect in the Valuation Report or Certificate.

2.3.2 The Statements of Guidance Note are important to convey the terms of engagement and the written advice itself which are quite explicit about the prohibition on disclosure to any other party and/or use for any other purpose and about the exclusion/limit of liability.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 3

PURPOSES OF VALUATION

3.1.0 INTRODUCTION

3.1.1 A valuation is commissioned for an intended use and the purpose for which a particular valuation is required is critical to the selection of an appropriate basis of valuation. Therefore, the Business Valuer should be clear about the purpose of the valuation as it is important that the valuation is not used out of context or for the purpose of which it is not intended.

3.2.0 STATEMENTS OF GUIDANCE NOTE

3.2.1 The purpose for which the Business Valuation is undertaken must be clearly stated and it may determine the basis of the valuation.

3.3.0 EXPLANATIONS

The Statements of Guidance Note refers to reason(s) a valuation is carried out and to ensure that the appropriate basis of valuation is adopted in relation to the purpose it is required. This will avoid the wrongful use of valuations for a purpose for which the valuation was not intended or used out of context.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 4

MARKET/FAIR VALUE BASIS OF VALUATION

4.1.0 INTRODUCTION

4.1.1 The business/equity is generally transacted at its market/ fair value. This is the amount the business/equity would fetch if offered for sale in the open market at the date of valuation under circumstances that meet the requirements of the Market/Fair Value definition.

4.1.2 The definition of Market Value and some of the concepts of Market Value are based on the International Valuation Standards.

4.1.3 The definition of Fair Value and some of the concepts of Market Value are based on the International Financial Reporting Standards.

4.2.0 STATEMENTS OF GUIDANCE NOTE

4.2.1 The Business Valuer shall use the market/fair value basis of valuation for all purposes unless specifically instructed to do otherwise.

4.3.0 EXPLANATIONS

4.3.1 Market Value is defined, in accordance with the International Valuation Standards, as follows:

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

4.3.2 Fair value is defined, in accordance with the International Financial Reporting Standards, as follows:

Fair Value is 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.

4.3.3 The definition of market value shall be applied in accordance with the following conceptual framework:

(a) "The estimated amount" refers to a price expressed in terms of money, payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaserdefined in Guidance Note 5 (Valuation Bases other than Market Value).

(b) "An asset or a liability" should exchange" refers to the fact that the value of an asset or liability is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the Market Value definition at the valuation date.

(c) "On the valuation date" requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as at the valuation date, not those at any other date.

(d) "Between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market".

(e) "And a willing seller" is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the "willing seller" is a hypothetical owner.

(f) “In an arm’s-length transaction” is one between parties who do not have a particular or special relationship e.g., parent and subsidiary companies or landlord and tenant that may make the price level uncharacteristic of the market or inflated. The Market Value transaction is presumed to be between unrelated parties, each acting independently.

(g) “After proper marketing” means that the asset has been exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of adequate number of market participants. The exposure period occurs prior to the valuation date.

(h) “Where the parties had each acted knowledgeably, prudently” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses, and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell an asset in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

(i) “And without compulsion” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

4.3.4 Market Value is the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

4.3.5 The concept of Market Value is not dependent on an actual transaction taking place on the date of valuation. Rather, Market Value is an estimate of the price that should be realised in a sale at the valuation date under conditions of the Market Value definition. Market Value is a representation of the price to which a buyer and seller would agree at that time under the Market Value definition, each previously having had time for investigation of other market opportunities and alternatives, and notwithstanding the fact that it may take some time to prepare formal contracts and related closing documentation.

4.3.6 The concept of Market Value presumes a price negotiated in an open and competitive market, where the participants are acting freely. The market for one asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.

4.3.7 Market valuations are generally based on information regarding comparable assets. The Valuation Process requires a Business Valuer to conduct adequate and relevant research, to perform competent analyses, and to draw informed and supportable judgements. In this process, Business Valuers do not accept data without question but should consider all pertinent market evidence, trends, comparable transactions, and other information. Where market data are limited, or essentially non-existent (as for example with certain specialised business/assets), the Business Valuer must make proper disclosure of the situation and must state whether the estimate is in any way limited by the inadequacy of data. All Business Valuations require exercise of a Business Valuer's judgement. A Business Valuer must not make unrealistic assumptions about market conditions nor assume a level of market value above that which is reasonably obtainable.

4.3.8 Changing conditions are characteristic of markets and hence Business Valuers must consider whether available data reflect and meet the criteria for Market/Fair Value:

(a) Periods of rapid changes in market conditions are typified by rapidly changing prices, a condition commonly referred to as disequilibrium. A period of disequilibrium may continue over a period of years and can constitute the current and expected future market conditions. In other circumstances, rapid economic change may give rise to erratic market data. If some sales are out of line with the market, the Business Valuer will generally give them less weight. It may still be possible for the Business Valuer to judge from available data the realistic level of the market. Individual transaction prices may not be evidence of Market Value, but analysis of such market data should be taken into consideration in the Business Valuation Process.

(b) In poor or falling markets there may or may not be a large number of "willing sellers". Some, but not necessarily all transactions may involve elements of financial (or other) duress or conditions that reduce or eliminate the practical willingness of certain owners to sell. Business Valuers must take into account all pertinent factors in such market conditions and attach such weight to individual transactions that they believe proper to reflect the market. Liquidators and receivers are normally under a duty to obtain the best price in asset disposals. Sales, however, may take place without proper marketing or a reasonable marketing period. The Valuer must judge such transactions to determine the degree to which they meet the requirements of the Market Value definition and the weight that such data should be given.

(c) During periods of market transition characterised by rapidly rising or falling prices, there is a risk of over or under-valuation if undue weight is given to historic information or if unwarranted assumptions are made regarding future markets. In these circumstances Valuers must carefully analyse and reflect the actions and attitudes of the market and take care that they fully disclose the results of their investigations and findings in their report.

4.3.9 The concept of Market Value also presumes that in a market value transaction an asset will be freely and adequately exposed in the market for a reasonable period of time and with reasonable publicity. This exposure is presumed to occur prior to the effective date of value. Markets for fixed assets typically differ from those available for stocks/shares, bonds, and other current assets. Fixed assets tend to be unique. They are usually sold less frequently and in markets which are less formal and less efficient than, for example, markets for listed securities. Further, fixed assets are less liquid. For these reasons, and because fixed assets do not commonly trade on a public exchange, the application of the concept of Market Value requires the use of assumptions such as adequate market exposure over a reasonable period of time to allow for proper marketing, and completion of negotiations.

4.3.10 Revenue-producing assets held as long-term investments by a property company, pension fund, property trust, or similar type of owner are typically valued on the basis of individual asset disposal pursuant to an orderly plan. The aggregate value of such assets viewed or treated as a portfolio or as an assembled group of assets could exceed, or be less than, the sum of the Market Value of each asset individually.

4.3.11 All valuations should refer to the purpose and intended use of the valuation. In addition to other reporting requirements, the Valuer should make it abundantly clear as to the classification of each asset if the function of the valuation is related to the preparation of financial statements.

4.3.12 In exceptional circumstances Market Value may be expressed as a negative amount. Situations include certain leasehold properties, some specialised properties, obsolete properties with demolition costs exceeding land value and some properties affected by environmental contamination, liabilities far exceed assets & etc.

4.3.13 In particular circumstances the concept of Market Value for the Existing Use (or Existing Use Value) may be relevant. When such a circumstance prevails, it must be understood that this concept is essentially the same as Market Value except that there is an added assumption that the existing use of the asset (as defined in the Document of Title and/or as approved under the applicable Planning Laws) will continue in perpetuity or until expiry of the current land tenure of the asset.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 5

VALUATION BASES/PREMISE OTHER THAN MARKET/FAIR VALUE

5.1.0 INTRODUCTION

5.1.1 The majority of professional valuations, particularly valuations referred to in Guidance Note 3 (Purposes of Valuation), involve Market Value/Fair Value. There are however circumstances that call for bases/premise other than Market Value/Fair value. It is therefore essential that both the Business Valuer and the users of these valuations clearly understand the distinction between Market Value/Fair Value and non-Market Value based valuations, and the effects (if any) which the differences these concepts may have upon the applicability of the valuation.

5.1.2 Bases/premise of value describes the fundamental premise on which the reported values will be based. It is critical that the basis (or bases)/premise of value be appropriate to the terms and purpose of the valuation assignment, as a basis/premise of value may influence or dictate a valuer's selection of methods, inputs and assumptions, and the ultimate opinion of value.

5.1.3 This Guidance Note is directed to bases/premise of value other than Market Value/ Fair Value.

5.2.0 STATEMENTS OF GUIDANCE NOTE

5.2.1 For certain stated specific purposes of valuation, the Business Valuer may use a basis/premise of value other than the Market Value/Fair Value.

5.2.2 For those purposes, the Business Valuer shall state the purpose and the basis/premise of value clearly in the valuation report.

5.2.3 The Business Valuer shall clearly distinguish that the valuation is not a Market Value estimate if the assignment is on a basis/premise other than a Market Value/Fair Value.

5.3.0 EXPLANATIONS

5.3.1 Business/equity interest may be valued on bases/premise other than Market Value, or may exchange hands at prices, which do not reflect Market Value as defined. Such alternative bases/premise of value may either be reflections of a non-market perspective of utility, or of unusual and non-market conditions.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 6

RESEARCH, INSPECTION AND INVESTIGATION

6.1.0 INTRODUCTION

6.1.1 A reasonable level of understanding, inspection and investigation of the business is fundamental to the valuation process. Business Valuers and his Designated Assistant are expected to carry out an adequate research of the business which is to be valued, collecting and collating all relevant data about the business and the industry in which the business is operating in, to enable them to arrive at a reasonable valuation.

6.2.0 STATEMENTS OF GUIDANCE NOTE

6.2.1 The Business Valuer and/or his Designated Assistant must carry out a proper research, inspection and referencing of the business to the extent necessary to produce a valuation which is professional, adequate and not misleading.

6.2.2 The Business Valuer is required to observe the following procedures in carrying out inspection and referencing of Business:

(a) The Business Valuer or his Designated Assistant must carry out reasonable level of research on the Business and the industry in which the business is operating. The Business Valuer and/or his Designated Assistant must also understand the history of the Business and analyse the historical financial performance of the business.

(b) With regard to each type of business, the extent of research, investigation and enquiry will depend on the nature of the Business but it should be appropriate and adequate having regard to the purpose of the valuation.

6.3.0 EXPLANATIONS

6.3.1 The valuation of a business very much depends on the collection and analysis of all relevant information. Therefore, a proper research, and referencing of the subject business and the environment it is operating in are important. The Business Valuer must ensure that he has taken all the necessary steps to ensure that this is done so. Though a Designated Assistant is allowed to carry out the research and collection of data, nevertheless, the Business Valuer has to take responsibility for the accuracy of all the data used in the valuation.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 7

APPROACHES TO VALUATION

7.1.0 INTRODUCTION

7.1.1 The approaches of valuation used by a Business Valuer in any valuation are the means by which the Business Valuer arrives at an opinion of value after having ascertained and weighed all relevant facts (physical, legal, economic and others) pertaining to the property and based on the Valuer's judgement and experience.

7.1.2 In developing the valuation the Business Valuer should consider the three most common valuation approaches:

(a) Market Approach
(b) Income Approach
(c) Asset/Cost Approach

7.1.3 The Business Valuer should use the valuation approaches and method that are deemed appropriate and suitable for the valuation engagement. General Guidance on the use of approaches and methods appears in Paragraph 7.2.0 below.

7.2.0 STATEMENTS OF GUIDANCE NOTE

7.2.1 The Business Valuer should use appropriate approach(es) of valuation in carrying out his valuation. Where possible more than one approach should be used and usually but not necessarily one may be the primary approach and the other acting as a check. When two approaches to value are used there should be statements made to clearly reconcile or explain the differences in value arrived at by both approaches. In using the appropriate approaches to value, the following are to be considered:

7.2.1.1 Market Approach

(a) The market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available.

(b) It is often not possible to find market evidence of transactions involving identical or similar assets. Even in circumstances where the market approach is not used, the use of market-based inputs should be maximized in the application of other approaches.

(c) When comparable market information does not relate to the exact or substantially the same asset, the Business Valuer must perform comparable analysis of qualitative and quantitative similarities and differences between the comparable assets and the subject asset. It will often be necessary to make adjustments based on this comparable analysis. Those adjustments must be reasonable and Business Valuer must document the reasons for the adjustment and how they were quantified.

(d) The market approach often uses market comparable derived from a set of comparable, each with different multiples. The selection of the appropriate multiple within the range requires judgement, considering quantitative and qualitative factors.

(e) Market Approach Methods

(1) Comparable transaction method

(i) The comparable transaction method, also known as a guideline transaction method, utilizes information on transactions involving assets that are the same or similar to the subject assets to arrive at an indication of value.

(ii) A Business Valuer should analyse and make adjustments for any material qualitative and/or quantitative differences between the comparable transactions and the subject asset.

(2) Guideline public traded comparable method

(i) The public traded comparable method utilizes information on public traded comparable that are similar to the subject assets to arrive at an indication of value.

(ii) This method should be used only when the subject asset is sufficiently similar to the publicly-traded comparable to allow for meaningful comparison.

(iii) A Business Valuer should analyse and make adjustments for any material qualitative and/or quantitative differences between the comparable transactions and the subject asset.

(f) In the market approach, the fundamental basis for making adjustments is to adjust for differences between the subject asset and the guideline transactions or publicly-traded securities. Some of the most common adjustments made in the market approach are known as discounts and premiums.

(i) Discounts for Lack of Marketability (DLOM) should be applied when the comparables are deemed to have superior marketability to the subject asset. A DLOM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLOMs may be quantified using any reasonable method, but are typically calculated using option pricing models, studies that compare the value of publicly-traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

(ii) Control Premiums (sometimes referred to as Market Participant Acquisition Premiums or MPAPs) and Discounts for Lack of Control (DLOC) are applied to reflect differences between the comparables and the subject asset with regard to the ability to make decisions and the changes that can be made as a result of exercising control. All else being equal, participants would generally prefer to have control over a subject asset than not. However, participants' willingness to pay a Control Premium or DLOC will generally be a factor of whether the ability to exercise control enhances the economic benefits available to the owner of the subject asset. Control Premiums and DLOCs may be quantified using any reasonable method, but are typically calculated based on either an analysis of the specific cash flow enhancements or reductions in risk associated with control or by comparing observed prices paid for controlling interests in publicly-traded securities to the publicly-traded price before such a transaction is announced. Examples of circumstances where Control Premiums and DLOC should be considered include where:

1. shares of public companies generally do not have the ability to make decisions related to the operations of the company (they lack control). As such, when applying the guideline public comparable method to value a subject asset that reflects a controlling interest, a control premium may be appropriate, or

2. the guideline transactions in the guideline transaction method often reflect transactions of controlling interests. When using that method to value a subject Asset that reflects a minority interest, a DLOC may be appropriate.

(iii) Blockage discounts are sometimes applied when the subject asset represents a large block of shares in a publicly-traded security such that an owner would not be able to quickly sell the block in the public market without negatively influencing the publicly-traded price. Blockage discounts may be quantified using any reasonable method but typically a model is used that considers the length of time over which a participant could sell the subject shares without negatively impacting the publicly-traded price (i.e., selling a relatively small portion of the security’s typical daily trading volume each day). Under certain bases of value, particularly fair value for financial reporting purposes, blockage discounts are prohibited.

7.2.1.2 Income Approach

(a) The income approach provides an indication of value by converting future cashflow to a single current value. Under income approach, the value of an asset is determined by reference to the value of income, cashflow or cost savings generating by the asset.

(b) A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

(c) Income Approach Methods

(1) Discounted Cash Flow (DCF) Method

(i) Under the DCF method, the forecasted cashflow is discounted back to the valuation date, resulting in a present value of the asset.

(ii) In some circumstances for long-lived or indefinite-lived assets, DCF may include a terminal value with no explicit projection period.

(iii) A Business Valuer must perform analysis to evaluate the financial forecast, the assumption underlying the financial forecast and their appropriateness for the valuation purposes.

(iv) The financial forecast should capture the amount of timing of all future cashflows associated with the subject asset.

(v) Where the asset is expected to continue beyond the explicit forecast period, Business Valuers must estimate the value of the asset at the end of that period. The terminal value is then discounted back to the valuation date, normally using the same discount rate as applied to the forecast cashflow.

(vi) The rate at which the forecast cash flow is discounted should reflect not only the time value of money, but also the risks associated with the type of cash flow and the future operations of the assets.

(vii) Valuers may use any reasonable method for developing a discount rate. While there are many methods for developing or determining the reasonableness of a discount rate, a non-exhaustive list of common methods include:

(a) the capital asset pricing model (CAPM),
(b) the weighted average cost of capital (WACC),
(c) the observed or inferred rates/yields,
(d) the internal rate of return (IRR),
(e) the weighted average return on assets (WARA), and
(f) the build-up method (generally used only in the absence of market inputs).

(viii) In developing a discount rate, a valuer should consider:
(a) the risk associated with the projections made in the cash flow used,
(b) the type of asset being valued. For example, discount rates used in valuing debt would be different to those used when valuing real property or a business,
(c) the rates implicit in transactions in the market,
(d) the geographic location of the asset and/or the location of the markets in which it would trade,
(e) the life/term of the asset and the consistency of inputs. For example, the risk-free rate considered would differ for an asset with a three-year life versus a 30-year life,
(f) the type of cash flow being used, and
(g) the bases of value being applied. For most bases of value, the discount rate should be developed from the perspective of a participant.

7.2.1.3 Asset/Cost Approach

(a) The Asset/Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. This approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

(b) The value of a partially completed asset will generally reflect the costs incurred to date in the creation of the asset and the expectations of participants regarding the value of the property when complete, but consider the costs and time required to complete the asset and appropriate adjustments for profit and risk.

(c) Cost Approach Methods

(1) Replacement Cost Method

(i) this is a method that indicates value by calculating the cost of a similar asset offering equivalent utility.

(ii) Generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the assets.

(iii) Usually replacement cost is adjusted for physical deterioration and all relevant form of obsolescence.

(2) Reproduction Cost Method

(i) this is a method that indicates value by calculating the cost to recreate a replica of an asset.

(ii) Usually replacement cost is adjusted for physical deterioration and all relevant form of obsolescence.

7.2.1.4 Other Valuation Approaches or Methods

(a) When other approaches or variations of and to the above stated approaches or methods are applied these must be fully explained and the data used in the valuation must be substantiated by evidences compiled, verified, analysed and kept by the Business Valuer.

(b) Valuations referred to in item (a) above shall be shown in full.

7.2.1.5 Reconciliation

(a) In all approaches, the valuer should use prudent and well-informed judgement to synthesise the analysis into a logical value conclusion.

(b) All valuation conclusions should be reasonably based and clearly supported by appropriate evidence. If more than one valuation approach has been used in the analysis, the valuer should include both and then reconcile the results.

7.3.0 EXPLANATIONS

7.3.1 The Statements of Guidance Note is meant to provide Business Valuers to use appropriate approaches to value with the minimum requirements for each approach or method being spelt out. Departure from these accepted methods would entail the Business Valuer to explain his rationale and basis in the Valuation Report.

7.3.2 Where the circumstances require expert opinion other than that of a Business Valuer, the Business Valuer shall obtain such opinion from an expert and include it in his report. It is important to understand and agree with the basis and assumption of that particular expert in deriving at his opinion. In such cases, the Business Valuer must also be involved in the selection of the expert who must have the appropriate qualifications. The Business Valuer cannot blindly adopt the findings of the expert as it is incumbent upon the Business Valuer to understand clearly the logic of the findings and use those findings only if he is satisfied that it is reasonable. Ultimately the Business Valuer is professionally liable as well to the findings of the expert.

7.3.3 When the Income Approach is used, Business Valuers must be keenly aware that the appropriate capitalisation and discount rates are intrinsically related to the certainty of the projected income flow. If a particular model is based on estimating growth in the projected income flows there will be an appropriate capitalisation or discount rate for such a model, but on the other hand if the model is based on a no-growth basis the appropriate capitalisation and discount rate will be different. For market value estimates the Business Valuer may gainfully benefit by structuring his model on the valuation maxim “as you analyse, so you value”.

7.3.4 When the Cost Approach is used to value specialised properties, the Business Valuer should recognise that cost is in fact used as a proxy to arrive at value. Thus, Business Valuers must use the Cost Approach (sometimes referred to as the Depreciated Replacement Cost) with sufficient skills not just in estimating the current cost of replacing the asset with its modern equivalent but depreciation must be estimated for physical deterioration, economic obsolescence and functional obsolescence.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 8

VALUATION REPORTS

8.1.0 INTRODUCTION

8.1.1 The valuation is communicated to the Client in the form of a report. As the Valuation Report can be acted upon by the Client or certain third parties without any reference to the Business Valuer (unless a specific reservation has been made), it must therefore be clear and not misleading.

8.1.2 The Valuation Report must convey to the reader a clear understanding of the opinion expressed by the Business Valuer, the basis of the valuation used and the assumptions and information on which it is based.

8.2.0 STATEMENTS OF GUIDANCE NOTE

8.2.1 The Valuation Report must state the purpose of the valuation, the basis of the valuation used and the assumption on which it is based. The report must also provide sufficient information for those who read and rely upon the report.

8.2.2 The contents of a Valuation Report shall include the following:

(a) Instructions to value

(b) Background information on the transaction/corporate exercise.

(c) Interest to be valued

(d) Purpose of valuation

(e) Valuation Date

(f) Description of the Business – the description of the Business should cover such areas as the principal activities, its issued and paid up capital as at the valuation date, the subsidiaries and associated companies, the historical financial performance and position, and all other information pertinent to the valuation.

(g) Sources of information

(h) Bases and assumptions of valuation.

(i) Approaches/Methods of valuation – the approaches/methods of valuation used must be clearly stated and must comply with MBVS 7 (Approaches to Valuation).

(j) Opinion of value – the report shall contain a clear and unambiguous statement of value or range of values.

(k) Photographs – the report shall include relevant photograph(s), if applicable.

(l) Name and signature of the Business Valuer – the report should be signed and dated by the Business Valuer.

(m) Limiting conditions must be stated as per MBVS 15.

8.3.0 EXPLANATIONS

8.3.1 The above are minimum requirements to be contained in a Valuation Report. In specific cases such as that for submission to the Securities Commission Malaysia, the Valuation Report should comply with additional requirements as specified by the user of the report or the Client.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 9

REVIEW OF FINANCIAL PROJECTIONS

9.1.0 INTRODUCTION

9.1.1 Where a financial projection is provided for the purpose of the Business Valuation, a reasonable review is expected to be performed in assessing the reliability and achievability of the financial projections.

9.2.0 STATEMENTS OF GUIDANCE NOTE

9.2.1 In assessing the reliability and achievability of the financial projections, the Business Valuer and his Designated Assistant must analyse the historical financial performance and position of the Business and compare that with the bases and assumptions adopted in the financial projections.

9.2.2 The Business Valuer and his Designated Assistant must ensure that, amongst others, the projected profit margin, credit term of the debtors and creditor and the stock turnover days are consistent with the historical performance and contractual obligation. If there are any discrepancies, the Business Valuer and his Designated Assistant must consult the management for such discrepancies and satisfy himself on the reason.

9.2.3 If substantial growth or extension is assumed in the financial projections, the Business Valuer and his Designated Assistant must satisfy himself that the Business has enough capacity for such expansion. A letter of representation must be provided by the management to detail out the management justification on the bases and assumptions.

9.3.0 EXPLANATIONS

9.3.1 The above Guidance Note has been introduced to ensure that the Business Valuer satisfies himself on the reasonableness of the bases and assumption of the financial projections and hence, the financial projections can be relied upon in deriving at the valuation.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 10

VALUATION OF INTANGIBLES ASSETS

10.1.0 INTRODUCTION

10.1.1 To identify the asset or liability to be valued, the intangible asset shall be clearly defined by reference to its type and the legal right or interest in that asset.

10.1.2 An intangible asset is a non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and economic benefits to its owner.

10.1.3 The valuation of intangible assets are required for many different purposes including acquisitions, merger and sales of businesses or parts of businesses, purchases and sales of intangible assets, litigation and insolvency proceedings, licencing and royalty determination, debt financing, insurance premium calculation, taxation, infringement and damages calculations and financial reporting.

10.2.0 STATEMENTS OF GUIDANCE NOTE

10.2.1 An intangible asset can be either identifiable or unidentifiable. An intangible asset is identifiable if it either:

(a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intended to do so, or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or form other rights and obligation.

10.2.2 Any unidentifiable intangible assets associated with a business or group of assets is generally termed goodwill. Goodwill is any future economic benefit arising from a business, an interest in a business or from the use of a group of assets which is not separable. In general terms, the value of goodwill is the residual amount remaining after the value of all identifiable tangible, intangible and monetary assets, adjusted for actual or potential liabilities, have been deducted from the value of the business.

10.2.3 An important consideration in the valuation of an intangible asset, particularly under the income approach, is the economic life of the asset. This may be a finite period limited by legal, technological, functional and economic factors; other factors must be considered individually and together in assessing the economic life. In estimating the economic life of an intangible asset, a business valuer should also consider the pattern of use or replacement.

10.2.4 The principal classes of identifiable intangible assets are as follows:

(a) marketing related
(b) customer or supplier related
(c) technology related
(d) artistic related
(e) contract related

Within each class, assets may be either contractual or non-contractual.

10.2.5 Marketing related intangible assets are used primarily in the marketing promotion of products and services. Examples include trademarks, trade names, unique trade design, internet domain names and non-compete agreements.

10.2.6 Customer and supplier related intangible assets arise from relationships with or knowledge of customers or suppliers. Examples include service or supply agreements, licensing or royalty agreements, order books, employment agreements and customer relationships.

10.2.7 Technology related intangible assets arise from contractual or non-contractual rights to use patented technology, unpatented technology, database, formulae, designs, software, processes or recipes, plant variety, circuit layout, etc.

10.2.8 Artistic related intangible assets arise from right to benefits such as royalties from artistic works such as plays, books, films and music and from non-contractual copyright protection.

10.2.9 Contract related intangible assets refer to the value of rights that arise from contractual agreements such as lease agreements, licensing and royalty agreements, supply, service or servicing contracts, permits, broadcast rights, mineral rights, etc.

10.3.0 VALUATION APPROACHES

10.3.1 Market approach

(a) The value of intangible asset is determined by reference to market activities, e.g. transaction bids or offers involving identical or similar assets.

(b) The heterogeneous nature of intangible assets means that it is rarely possible to find market evidence of transactions involving identical assets. If there is market evidence at all it is usually in respect of assets that are similar but not identical. As an alternative, or in addition to, comparison with the prices in any relevant transactions involving identical or similar assets through analysis of the sale transaction may provide evidence of valuation multiples, e.g. it may be possible to determine a typical price to earnings ratio or rate of return for a class of similar intangible assets.

(c) Where evidence of either prices or valuation multiple is available. It will often be necessary to make adjustments to these to reflect differences between the subject asset and those involved in the transaction. The adjustments are necessary to reflect the differentiating characteristics of the subject intangible assets and the assets involved on the transaction. Such adjustments may only be determinable at a qualitative, rather than quantitative level.

10.3.2 Income approach

(a) The value of intangible asset is determined by reference to the present value of income, cash flows or cast savings generated by the intangible asset. The principal valuation methods under income approach used in the valuation of intangible assets are:

(1) relief from royalty method, or sometimes referred to as royalty saving method

(i) The value of intangible asset is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the assets, as compared with licensing the intangible asset from third party. The hypothetical royalty payments over the life of the intangible assets are adjusted for tax and discounted to present value at the valuation date. In some cases, royalty payments may include an initial payment in addition to periodic amounts based on percentage of revenue or some other financial parameters.

(ii) Two methods can be used to derive a hypothetical royalty rate. The first is based on market royalty rates for comparable or similar transactions. A pre-requisite for this method is the existence of comparable intangible assets that are licensed at arm-length on a regular basis. The second method is based on a split of profit what would hypothetically be paid in an arm's length transaction by willing licensee to a willing licensor for the rights to use the subject intangible asset.

(iii) Royalty rates can often vary significantly in the market for apparently similar assets. It is therefore, prudent to benchmark the assumed royalty input by reference to the operating margin that a typical operator would require from sales generated from use of the asset.

(2) Premium profit method

(i) The premium profit method involves comparing the forecasted profits or cash flows that would be earned by a business using the intangible asset with those that would be earned by a business that does not use intangible assets. It is often used when market-based royalty rates are not available or are unreliable.

(ii) Having established the difference in the profits that will be generated, an appropriate discount rate is applied to convert forecasted incremental periodic profits or cashflows to a present value or a capitalization multiple to capitalize constant incremental profits or cash flows.

(3) Excess earnings method

(i) The excess earnings method determines the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after deducting the proportion of cash flows that are attributable to contributory assets. The excess earnings method is typically used in the valuation of customer contracts, customer relationships and in-process research and development projects.

(ii) The excess earnings method involves allocating the expected cashflow to the smallest business or group of assets of the entity that includes all the income derivable from the subject asset.

(iii) From the forecast of cash flows, a deduction is made in respect of the share of the cash flows attributable to contributory tangible, intangible and financial assets. This is done by calculating an appropriate charge or economic rent for the contributory assets and deducting this from the cashflows. To arrive at a reliable valuation of the subject asset, it may also be appropriate to make an additional deduction to reflect any additional value attributable to the fact that all the assets are utilized together as a going concern. This typically reflects the benefit of the cash flows attributable to the asset of an assembled workforce with would not be available to a buyer of the individual asset.

10.3.3 Cost approach

(i) The cost approach is mainly used for internally generated intangible assets that have no identifiable income streams. Under the cost approach, the replacement cost of either a similar asset or one providing similar service potential or utility is estimated.

(ii) The examples of intangible assets for which the cost approach may be used including self-developed software, websites and assembled workforce.

10.3.4 Multiple approaches

(i) Because of the heterogeneous nature of many intangible assets, there is often a greater need to consider the use of multiple methods and approaches to derive value than for other asset classes.

10.4.0 EXPLANATIONS

10.4.1 The above Guidance Note has been introduced to ensure that the Business Valuer understands the general category of the intangible assets and the various valuation approaches in valuing intangibles.

10.4.2 The valuation may be performed directly on intangible assets where the value of the intangible assets is the purpose of the analysis or one part of the analysis. The valuation should also be approached from the context of the overall business entity in which the asset is being used to generate economic benefits.

10.4.3 When valuing businesses, business interests, real property, and machinery and equipment, consideration should be given to determine if there are intangible assets associated with those assets and whether those directly or indirectly impact the asset being valued.

10.4.4 Intellectual property, a subset of intangible assets is a class of intangible assets which have specific legal protection under the relevant act such as Patents Acts, Trademark Acts, Industrial Designs Acts, Copyrights Acts. The nature of these rights has to be considered carefully by a valuer as some of these rights have a limited legal life span such as patent or design rights or an indefinite legal lifespan such as trademark rights. IP rights is territorial in nature, therefore consideration should be given also on the geographical coverage of the IP right. A basic due diligence of the IP rights should be conducted to determine the basic parameters of these IP such as ownership and legal status, in the very least, proof of ownership and updated records obtained from the relevant IP office should be reference when conducting a valuation on IP.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 11

UPDATE VALUATIONS

11.1.0 INTRODUCTION

11.1.1 The general rule remains that a valuation should be communicated to a Client only by way of a full Valuation Report. However, a report may not be essential in communicating an opinion of value to the Client in certain cases. Such instances include the following:

(a) letters in advance of a valuation report
(b) update of a previous valuation done by the firm
(c) update valuation to a financial institution which has extended loans on the collateral security of the property which now requires an update

Such valuations are referred to as Update Valuations.

11.2.0 STATEMENTS OF GUIDANCE NOTE

11.2.1 Update valuations can only be provided, if:

(a) it is prepared in connection with an interest in a business, which was previously valued by the same Firm, for the same Client and for the same purpose. The previous valuation must have been in the form of a Valuation Report prepared in accordance with Guideline Note 8 (Valuation Report).

(b) the previous Valuation Report was prepared not more than three years prior to the date of Update Valuation.

(c) it is not used by the Client or lending institutions, for obtaining/granting fresh loans or additional funding based on the updated value reported. The Business Valuer must state this in the Update Valuation.

11.3.0 EXPLANATIONS

11.3.1 Firms are only permitted to undertake full Valuation Reports as provided for under Guideline Note 8 (Valuation Report). All other forms of valuations such as "Brief Valuations", "Check Valuations", "One-page Valuations", "Desk Top Valuations", "Indicative Valuations in writing", "Proforma Valuations" etc. are NOT permitted.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 12

VALUATIONS FOR SUBMISSION TO THE SECURITIES COMMISSION MALAYSIA

12.1.0 INTRODUCTION

12.1.1 The Securities Commission Act 1993 provides that the Securities Commission Malaysia is responsible for, amongst others, regulating all matters relating to securities and unit trust schemes which include Real Estate Investment Trusts (REIT) and the registration of prospectuses for corporations, supervision of exchanges and protection of investors.

12.1.2 All valuations conducted in conjunction with any corporate proposal undertaken by public companies pursuant to Section 212 of Capital Markets & Services Act 2007 are required to be submitted to the Securities Commission Malaysia. Such valuations must comply with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

12.1.3 Business Valuers are also encouraged to understand the relevant requirements of other guidelines issued by the Securities Commission Malaysia that relate to property/assets. These other guidelines are namely the Equity Guidelines, Prospectus Guidelines, Guidelines on Real Estate Investment Trusts, Prospectus Guidelines for Collective Investment Schemes and Guidelines on the Offering of Asset-Backed Securities.

12.2.0 STATEMENTS OF GUIDANCE NOTE

12.2.1 All valuations undertaken for submission to the Securities Commission Malaysia shall comply strictly to guidelines issued by the Securities Commission Malaysia.

12.2.2 Apart from complying with all the provisions of the guidelines of the Securities Commission Malaysia, the valuation shall also comply with this Guidance Notes.

12.3.0 EXPLANATIONS

12.3.1 Where reliance is made to another expert's report in the course of carrying out the valuation, the expert appointed must have the relevant qualification, skills and experience and be a member of a recognised professional body. The Business Valuer in relying on the expert's opinion must discuss with the expert and must not follow the findings blindly.

12.3.2 Where valuation reports have been carried out for inclusion in a prospectus/abridge prospectus/circular, a summary of the valuation in the form of valuation certificate must be included in the prospectus/abridge prospectus/circular.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 13

VALUATIONS FOR SUBMISSION TO THE BURSA MALAYSIA SECURITIES BERHAD

13.1.0 INTRODUCTION

13.1.1 The Main Market Listing Requirements and the ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad require valuation reports to be submitted to Bursa Malaysia Securities Berhad where transactions involve the acquisition or disposal of assets under certain circumstances.

13.1.2 Valuation Reports submitted pursuant to the above shall comply with the guidelines issued by the Securities Commission Malaysia.

13.2.0 STATEMENTS OF GUIDANCE NOTE

13.2.1 The Valuation Report submitted to Bursa Malaysia Securities Berhad shall comply strictly with the guidelines issued by the Securities Commission Malaysia.

13.2.2 Apart from complying with all the provisions of the guidelines of the Securities Commission Malaysia, the valuation shall also comply with this Guidance Notes.

13.3.0 EXPLANATIONS

13.3.1 Where Valuation Reports have been carried out for inclusion in a circular, a summary of the valuation in the form of a valuation certificate may be required.

GUIDANCE NOTES ON BUSINESS VALUATION

GUIDANCE NOTE 14

LIMITING CONDITIONS

14.1.0 INTRODUCTION

14.1.1 A Business Valuer may accept instructions to value subject to certain limiting conditions and exclusions as agreed with the client.

14.2.0 STATEMENTS OF GUIDANCE NOTE

14.2.1 Limiting conditions that directly affect the valuation must be explained clearly where appropriate.

14.2.2 The following limiting conditions may appear in the Valuation Reports without any further explanation: -

14.2.2.1 CONFIDENTIALITY

This Report is confidential to the Client or to whom it is addressed and for the specific purpose to which it refers. It may only be disclosed to other professional advisors assisting the Client in respect of that purpose, but the Client shall not disclose the report to any other person.

Neither the whole, nor any part of the Valuation Report or Certificate or any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.

We shall bear no responsibility nor be held liable to any party in any manner whatsoever in the event of any unauthorised publication of the Valuation Report, whether in part or in whole.

14.2.2.2 USE OF REPORT

The opinion of value expressed in this Report shall only be used by the addressee for the purpose stated or intended in this Report. We are not responsible for any consequences arising from the Valuation Report being relied upon by any other party whatsoever or for any information therein being quoted out of context.

14.2.2.3 ATTENDANCE

The instruction and the valuation assignment do not automatically bind us to attendance in court or to appear in any enquiry before any government or statutory body in connection with the valuation unless agreed when the instructions were given or subsequently agreed upon.

14.2.2.4 SOURCE OF INFORMATION

This Report has been prepared on the basis that full disclosure of all information and facts which may affect the Valuation have been made known to us and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made to us. Where it is stated in the Report that information has been supplied by the sources listed, this information is deemed to be reliable and no responsibility is accepted should it be proven otherwise, be it expressed or implied. All other information stated without being attributed directly to another party is deemed to be from our searches of records, examination of documents or relevant sources.

14.2.2.5 VALIDITY PERIOD OF A VALUATION REPORT

A Valuation is current as at the valuation date only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. No warranty can be given as to the maintenance of this value into the future. A periodical valuation review is recommended.

14.2.2.6 INFORMATION PROVIDED BY THE CLIENT

Financial statements and other related information provided by the management or its representatives, in the course of the engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. we have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

14.2.2.7 INDUSTRY AND STATISTICAL INFORMATION

Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

14.2.2.8 COMPLIANCE WITH REGISLATION

Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

14.2.2.9 LIMITATION OF LIABILITY

Although every care has been taken in preparing the valuation report, if it is proved that there is an apparent negligence on the part of the valuer, the liability of this valuation (whether arising from this valuation, negligence or any other cause whatsoever) is limited in respect of any event or series of events to the actual loss or damage sustained subject to a liability cap (maximum of five (5) times the professional fee excluding disbursements and tax for the services rendered).

14.3.0 EXPLANATIONS

14.3.1 Whilst it is desirable that all the limiting conditions and exclusions which appear in Valuation Reports be properly and fully explained, it may not be practical to do so. Neither is it possible to have a comprehensive list to cover all other circumstances. Suffice it is to say that the above may appear in Valuation Reports without any further explanation and shall form part of the conditions of engagement between the Client and the Business Valuer, unless expressly excluded.