

PRACTICE STANDARD NO. 110

Effective January 1, 2026

VALUATION REPORTS

REPORT DISCLOSURE STANDARDS

1. A Valuation Report is any written communication containing a conclusion of value for shares, assets, liabilities or any other business interest (“Valuation Conclusion”), prepared by a Valuator acting independently and objectively.
2. There are three levels of Valuation Reports: Comprehensive (containing a Comprehensive Valuation Conclusion), Estimate (containing an Estimate Valuation Conclusion) and Calculation (containing a Calculation Valuation Conclusion).
3. A work product that is in the process of being completed (e.g., draft or preliminary) is not a Valuation Report provided that it is issued to a client or knowledgeable third party in circumstances where all four of the following conditions are met and explicitly disclosed on the work product:
 - A. the work product is clearly marked as being in draft form and subject to change, and includes a statement that such changes could be significant;
 - B. the draft work product is issued for the purpose of obtaining comment, further instructions or information required to complete the Valuation Report;
 - C. the Valuator knows, or reasonably ought to know, that the intended reader does not intend to rely on the draft work product or distribute the draft work product to a third party who might in turn rely on the draft work product; and
 - D. the Valuator has a reasonable expectation at the time the draft work product is provided that a Valuation Report will be completed and issued in due course.
4. A summary of a Valuation Report is exempt from this Practice Standard provided that it clearly refers to the Valuation Report and cautions the reader that the Valuation Conclusion should be assessed having regard to the full Valuation Report.
5. A Valuation Report may vary in length and depth. The content and level of detail of a Valuation Report must be appropriate for the engagement (based on professional judgment and given its purpose and the needs of the intended users), subject to the minimum disclosure requirements in this Practice Standard. **The Valuation Report must provide the**

intended user(s) with a clear understanding of how the Valuator arrived at the Valuation Conclusion and include all information necessary to provide the intended user(s) with clear descriptions of the Scope of Work performed, information relied upon, professional judgments made, significant inputs and assumptions and the basis for conclusions reached. Given the differences in Scope of Work between report levels, a Calculation Valuation Report is generally expected to be briefer than an Estimate Valuation Report or a Comprehensive Valuation Report.

6. At a minimum, Valuation Reports must contain the information set out below in **bold** characters. The disclosure requirements apply equally to all three levels of Valuation Reports (Comprehensive, Estimate, Calculation). “*Explanatory comments*” provide additional guidance.

General Disclosure Standards

7. The Valuation Report must include the following **bolded** information:
 - A. **The party to whom the Valuation Report is addressed, the identity of the client that engaged the Valuator and any other intended users of the Valuation Conclusion and Valuation Report.** (*Explanatory comments:* intended users are those parties which are expected to access and rely on the Valuation Conclusion. Intended users may be referred to as a class or group, without necessarily naming every individual party. The intended users disclosed in the Valuation Report should be consistent with those in the engagement agreement.)
 - B. **A description of the shares, assets, liabilities or interest in the business being valued.**
 - C. **The date of the Valuation Conclusion (the “Valuation Date”).**
 - D. **The date of the Valuation Report.** (*Explanatory comments:* the Valuation Report should be dated when issued or at the time when pertinent information was last obtained and analyzed.)
 - E. **The purpose and intended use for which the Valuation Report has been prepared.** (*Explanatory comments:* The purpose is the reason the valuation is performed (e.g., dispute between certain parties, estate planning), and the intended use refers to the circumstances for which the Valuation Report is meant to be used, (e.g., for mediation, in court, to support tax filings, etc.). The purpose and intended use is based on communication with the client. The Valuation Report should include a disclaimer that the Valuation Report has been prepared for specific intended users having specific needs and/or knowledge in specific circumstances, and that the Valuation Report should not be accessed or relied upon by other users or for other purposes.)
 - F. **The name of the Valuator and the firm responsible for issuing the Valuation Report.**

- G. **A statement that the Valuation Report was prepared by the Valuator acting independently and objectively.**
- H. **A statement that the Valuator's compensation is not contingent on any action or event resulting from the use of the Valuation Report.**
- I. **A statement that the Valuation Report has been prepared in conformity with the Practice Standards of The Canadian Institute of Chartered Business Valuators (CBV Institute).**
- J. **The level of Valuation Conclusion being provided (Comprehensive, Estimate, or Calculation).**
- K. **A statement that professional judgment is applied by the Valuator in determining the appropriate Scope of Work for the engagement and also for classifying a particular Valuation Conclusion as Comprehensive, Estimate or Calculation, based on discussions with the client(s) regarding purpose and intended use.**

Report Limitations

8. The Valuation Report must disclose the applicable report limitations:

- A. **A Valuation Report providing an Estimate Valuation Conclusion must disclose that the conclusion expressed is based on the extent of review, inquiry, analysis and independent corroboration procedures performed and that such procedures would have been more extensive had a Comprehensive Valuation Conclusion been completed. Therefore, the conclusion expressed might have been different had a Comprehensive Valuation Conclusion been provided.**
- B. **A Valuation Report providing a Calculation Valuation Conclusion must disclose that the conclusion expressed is based on the extent of review, inquiry, analysis and independent corroboration procedures performed and that such procedures would have been more extensive had either a Comprehensive Valuation Conclusion or an Estimate Valuation Conclusion been completed. Therefore, the conclusion expressed might have been different had a Comprehensive Valuation Conclusion or an Estimate Valuation Conclusion been provided. (*Explanatory comments:* For example, a Valuation Report providing a Calculation Valuation Conclusion could disclose the following recommended language:**

Note to Users of this Calculation Valuation Conclusion:

CBV Institute's Practice Standards define three levels of Valuation Conclusion: Comprehensive, Estimate and Calculation.

While Valuation Conclusions are based on generally accepted valuation theory and principles, the level of Valuation Conclusion expressed depends on the depth of work performed by the Valuator, with Comprehensive having the most extensive and Calculation having the least extensive.

A Valuator applies substantial professional judgment in classifying a Valuation Conclusion as Comprehensive, Estimate or Calculation.

The suitability of the level of Valuation Conclusion expressed depends on the purpose, users and uses for which the Valuation Report is prepared.

In general, a Calculation Valuation Conclusion is based on limited independent corroboration, may rely on reasonable simplifying assumptions for certain inputs, and may rely on client representations with minimal corroboration.

The Valuation Conclusion expressed might have been different if an Estimate Valuation Conclusion or a Comprehensive Valuation Conclusion had been provided.)

Specific Disclosure Standards

9. A Valuation Report must include the following **bolded** information:

- A. **The premise of value, the basis of value, as well as the valuation approach(es) and method(s) used, explaining the rationale for their selection.** (*Explanatory comments: the premise of value (e.g., going concern) is an assumption regarding the circumstances that may be applicable to the subject valuation. Basis of value, also known as the standard of value, is the definition of value used in a valuation (e.g., “Fair Market Value”). Valuation approaches include the cost, income or market approach. Valuation methods will vary depending on the selected valuation approaches. The basic mechanics of the valuation methodologies used should be outlined.*)
- B. **Definitions for the basis of value used (such as “Fair Market Value”, “market value”, “fair value”, or “adjusted net asset value”) and any other technical terms which might not be self-evident, along with the source of the definition.** (*Explanatory comments: reference should be made to Practice Bulletin No. 2 International Valuation Glossary – Business Valuation unless an alternative source for definitions is more applicable in the circumstances.*)
- C. **A description of the business, interest, asset or liability being valued that is appropriate for the intended purpose and users.** (*Explanatory comments: every report should contain at least a basic description of the business.*)
- D. **The relevant industry and economic factors that affect the Valuation Conclusion.**
- E. **A summary of relevant financial information.** (*Explanatory comments: this would typically include current and historical financial position information, earnings/cash information, as well as forward-looking financial information where available.*)

F. The significant inputs to the Valuation Conclusion and identification of the source or explanation of how the inputs were developed. (*Explanatory comments:* determining which inputs are “significant” is necessarily a matter of professional judgment. Judgments about significance should be made in light of the facts and circumstances of the valuation engagement and the nature of the interest being valued. Inputs of a valuation are considered significant if their impact on the Valuation Conclusion could reasonably be expected to impact the decisions of the intended users of the Valuation Conclusion. The Valuator must explain in the Valuation Report the source of significant inputs (whether they were independently developed or provided by management) and, if applicable, the work that the Valuator performed to corroborate the significant inputs. The Valuator should consider identifying and listing significant inputs in a standalone section of the Valuation Report for the benefit of the users. Examples of significant valuation inputs may include, but are not limited to:

- adjustments leading to the selection of normalized earnings or cash flow levels,
- future cash flows,
- growth rates (e.g., industry and economic outlooks),
- rates of return earned (e.g., ROE, ROA),
- rates of return required by capital providers and the corresponding discount rates (e.g., WACC, cost of equity), or capitalization rates (e.g., multipliers based on WACC or market multiples),
- relevant earnings/cash flow risk factors,
- tax rates,
- redundant assets,
- excess or deficient working capital,
- minority interest or other discounts or premiums.)

G. The significant assumptions made in arriving at the Valuation Conclusion and the basis for making each assumption. (*Explanatory comments:* The Valuator should consider listing significant assumptions in a standalone section of the Valuation Report for the benefit of the users. Examples of significant assumptions include, but are not limited to:

- the Fair Market Value of capital assets or real estate,
- market compensation for positions held by shareholders or related parties,
- key or significant normalizing adjustments, such as discretionary expenses,
- the assumption that information in financial statements is fairly presented,
- assumptions regarding the existence and/or measurement of highly uncertain liabilities, such as litigation, environmental claims, etc.)

H. The significant valuation calculations used to arrive at the Valuation Conclusion. (*Explanatory comments:* this could be in the form of schedules and/or tables, and/or a narrative description of the significant calculations.)

- I. **Whether potential acquirers who might enjoy post-acquisition economies of scale, synergies, or strategic advantages were considered in arriving at the Valuation Conclusion and the reasons why or why not.** (*Explanatory comments:* the intent is to disclose what steps the Valuator took to investigate the existence of strategic acquirers or special interest purchasers, any challenges in quantifying the amount of any premium on account of strategic acquirers, and the degree to which strategic acquirers have influenced the Valuation Conclusion.)

Report Scope of Review

10. **The Valuation Report must contain a scope of review section that clearly identifies the specific information (e.g., documents, data, interviews) the Valuator relied upon to arrive at the Valuation Conclusion.** (*Explanatory comments:* scope of review is the information obtained and reviewed by the Valuator, including the documents and data reviewed. Scope of review is not the same as the Scope of Work (refer to Practice Standard No. 120); however, Scope of Work includes a review of the information summarized in the Valuation Report's scope of review section.)

Scope Limitations

11. **When a scope limitation exists, the Valuation Report must contain a scope limitations section, identifying any scope limitation(s) and adequately explaining each limitation, setting out the reasons for the limitation and its possible impact(s) on the Valuation Conclusion.** (*Explanatory comments:* A scope limitation occurs when significant relevant information is denied by the client or some other party or otherwise unavailable to the Valuator, limiting the ability of the Valuator to perform an appropriate Scope of Work. A scope limitation may also occur if the Valuator considers the quality of the available information to be inadequate and/or unreliable. Determining whether a scope limitation exists, and how significant it is in the context of the engagement, is a matter of professional judgment. Scope limitations may exist for every level of Valuation Conclusion (Comprehensive, Estimate, Calculation). Understanding and disclosing scope limitations is important to provide transparency to the intended user(s) because such limitations can affect the reliability of the Valuation Conclusion.)
12. **If any scope limitations are significant to a degree that they jeopardize the credibility of the Valuation Conclusion, the Valuator must not render a Valuation Conclusion.**

Report Restrictions

13. **Valuation Reports must disclose any restrictions that affect the Valuation Conclusion, as noted below:**
 - A. **A statement restricting the use of the Valuation Report to the persons for whom the Valuation Report was prepared and only for the stated purpose and intended use.** (*Explanatory comments:* Consider including a statement in both the report and the engagement letter denying responsibility for losses resulting from any unauthorized or improper use of the Valuation Report.)

- B. A statement giving the Valuator the right (but not the obligation) to make revisions under specified circumstances, such as when facts existing at the Valuation Date become apparent to the Valuator after the Valuation Report is issued.**

Conclusion

- 14. The Valuation Report must contain a Valuation Conclusion as to the value of the shares, assets, liabilities, or any other interest in a business being valued, subject to significant valuation context, including any scope limitations. (*Explanatory comments:***
- i. The Valuator might express the Valuation Conclusion as a point estimate or a range.**
 - ii. The Valuation Conclusion section should include a reference to the level of Valuation Conclusion being provided, the Valuator's scope of review, significant inputs and assumptions relied upon, and any restrictions and/or scope limitations in the Valuation Report.)**

September 23, 2025