




# GIVING VALUATION A VOICE

ANNUAL REPORT 2014-15

# INTERNATIONAL VALUATION STANDARDS COUNCIL

The International Valuation Standards Council (IVSC) is the global standard setter for valuation practice and the valuation profession.

We serve the public interest by promoting consistent compliance with, and implementation of, high-quality, internationally accepted standards in the preparation and presentation of valuations around the world.



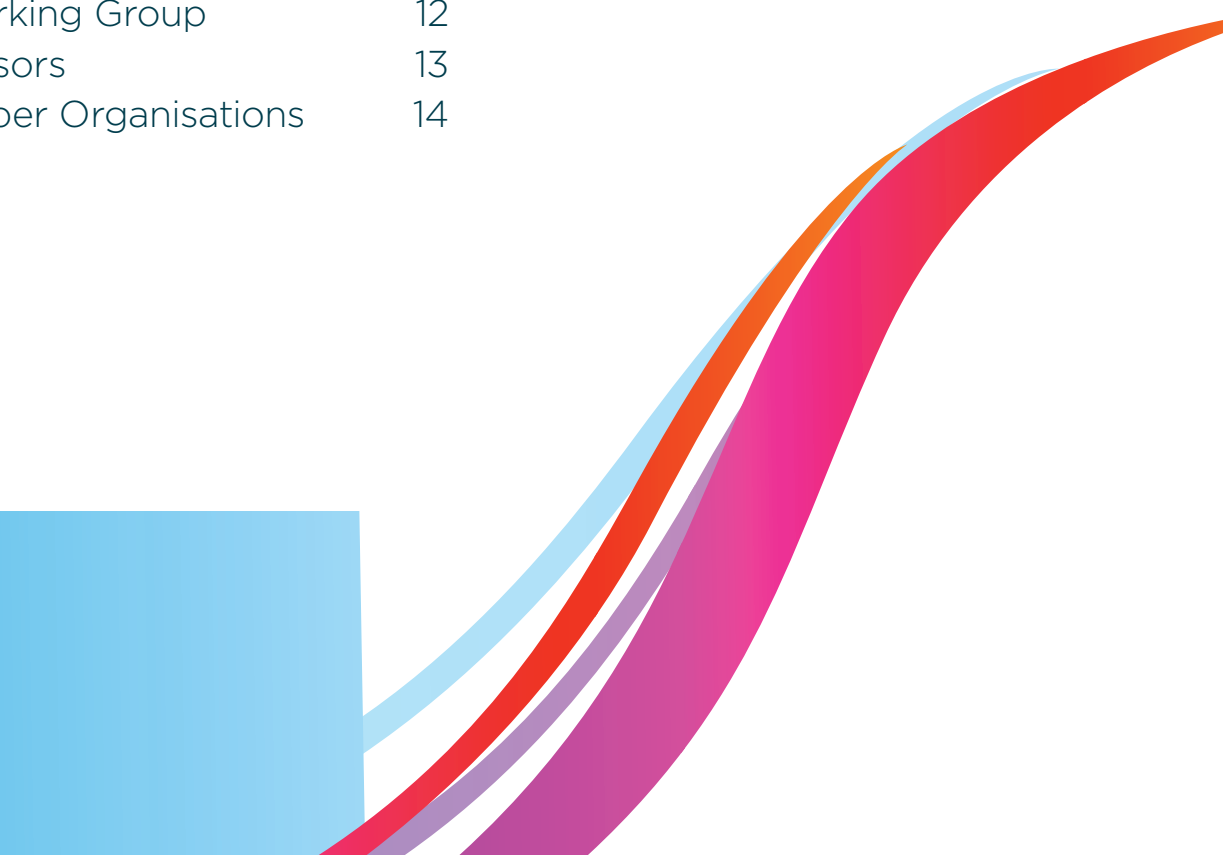
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# REPORT FROM THE CHAIRMAN, IVSC BOARD OF TRUSTEES SIR DAVID TWEEDIE



**SIR DAVID TWEEDIE**  
CHAIRMAN, IVSC BOARD OF TRUSTEES

This report comes at a time when the International Valuation Standards Council (IVSC) is encountering a period of challenge and change. For a number of years the organisation has successfully operated in the dual role of global valuation standards setter as well as promoting the profession itself. In order to continue to be successful, we need to remain relevant and able to respond robustly to the challenges our members face in valuing real estate, businesses and financial instruments. These environments are evolving and we need to feel confident that, as the global standard setter, we can change with them.

## REVIEW REPORT

At the end of last year, the trustees commissioned an independent assessment – six years on from our last restructure in 2008 – to ensure the organisation is equipped for the next phase of development. As part of the review, the IVS Review Group (“Review Group”) focused on the governance, financial stability, processes and output of the IVSC in order to provide suggestions for improvements which would better support future standards development and adoption.

The Review Group’s analysis confirmed the need for international standards and importantly, that the IVSC is the most appropriate organisation to develop them. However, it also found that the IVSC needs to improve communication with stakeholders and increase confidence in its future strategy, mission and objectives and to ensure that the organisation is financially stable and properly resourced to successfully conduct its current and future activities.

The Review Group concluded that reform of the IVSC is needed if it is to fulfil its potential effectively, improve the technical quality of the standards it produces and remain the recognised body for the development of globally accepted valuation standards.

These are the crucial challenges we now face and which cannot be ignored. It is clearly important that we consult and communicate with our key audiences as the next year unfolds in what is a pivotal period for the IVSC as a whole. We will continue to work hard to achieve our objectives and I personally look forward to meeting many members, sponsors and other key audiences to discuss these topics in the months ahead.

During my 11 years at the International Accounting Standards Board and, earlier, at what is now the International Auditing and Assurance Standards Board, I very quickly came to the view that global standards involve a partnership in which the standard setter, in essence, simply expresses what is acceptable to the constituency it serves. Go too far and the standard will be rejected. Fall below the standards of the major professional organisations and the standards will be ignored. To strengthen such a partnership within the valuation profession, the Board of Trustees needs to better understand any frustrations with the present situation and how we can move forward together. We must aim to create both a united, respected valuation profession which takes its place alongside other globally recognised professions and a set of standards which meets the needs of countries whose profession



“We will work hard to achieve our renewed objectives and I personally look forward to meeting many members, sponsors and other key audiences to discuss these topics in the months ahead.”

is not well developed and yet can be accepted as the core pronouncements of the established Valuation Professional Organisation (VPOs).

In response to the Review Report, the IVSC Trustees have released an Engagement Paper. There are several recommendations of the Review Group on which the Trustees are seeking views before coming to conclusions; but underlying the thrust of the Report is the need for a cohesive profession and interaction between the IVSC and its stakeholders. The IVSC does not rule the profession – it is the profession’s servant – but to serve the profession’s needs we need to ensure we do not head off in a direction with which our members do not approve.

The Trustees would like to hear how we can work together so that you do not feel that the IVSC operates in a vacuum and that you have your say; how we can help you serve your members; how we can get international recognition of this profession; and how we can produce standards of appropriate quality which you can use and which are respected by outside bodies as being of high quality free from the taint of self-interest. Do please respond to the Engagement Paper.

## APEC

Thanks to the efforts of IVSC trustee, Nick Brooke, the Asia-Pacific Business Advisory Council (ABAC), invited the IVSC to lead a task force on the valuation infrastructure for the Asia Pacific Economic Cooperation Forum (APEC). During the past 12 months the IVSC has made significant progress in responding pro-actively to this invitation through the development of reports to ABAC. As a consequence, a letter from ABAC to the Ministers of Finance of the 21 APEC economies was delivered in the lead up to the APEC meetings held in Beijing in October (Ministers meeting) and November 2014 (Leaders meeting). The letter included recommendations on reinforcing the financial architecture in the APEC economies and on the case for the adoption of common valuation standards, the involvement of the IVSC and the importance of a strong valuation profession across the region. The IVSC will be able to use this endorsement to gain in country traction in those of the 21 economies where we do not have strong recognition; to access regulators; and to raise our profile via APEC workshops and other forums. This is a very significant achievement on which the IVSC can build for the future if we can secure adequate resources for this initiative.

## THANKS

The IVSC depends on the contributions and efforts from many people and organisations.

Over 100 individuals, professionals at the top of their game in various disciplines and industries, give their time freely to sit on IVSC Boards and working groups. A few words are really not enough to thank them for their contribution to the global valuation profession.

At the 2014 AGM in Toronto we said goodbye to Board members whose terms of office have come to an end. Three members of the Standards Board who have been on the Board since it first started work in 2008 – Frank Bollmann, who has served as vice chair, Tom Boyle and Simon Landy. Likewise on the Professional Board, Roy Farthing – the vice chair – and David Faulkner, both members of the Board since its inception, came to the end of their second term of office. Chris Mercer also left the Professional Board, having come to the end of his first term. We thank you all for your hard work and dedication.

We also said goodbye to some long standing members of the Board of Trustees. Lee Hackett, Patrick Gounelle and Madam Liu Ping came to the end of their second terms of office. All were members of the first IVSC Board of Trustees in 2008 and have played a crucial role in the development of the IVSC since its restructuring. Aki Watanabe also retired at the end of his first term of office. Aki has played a key role in increasing awareness of the IVSC in Japan and we will all long remember the AGM in Tokyo that he and his staff played such a large part in organising.

I would also like to thank the IVSC staff during this challenging time, particularly April Mackenzie for her support as Interim CEO and Marianne Tissier and Chris Thorne for their work and contribution to IVSC over the years. Thanks also to those organisations who have helped through the provision of additional staff resource.

## FUTURE

Our Objectives over the next 12 months are to strengthen the IVSC boards and to increase recognition of the valuation profession. With your help the trustees are confident of success.

**SIR DAVID TWEEDIE**  
CHAIRMAN, IVSC BOARD OF TRUSTEES

## REPORT FROM THE CHAIRMAN, IVSC PROFESSIONAL BOARD GREG FORSYTHE



**GREG FORSYTHE**  
CHAIRMAN, IVSC PROFESSIONAL BOARD

The Professional Board has continued to work on many fronts in helping to develop the valuation profession globally. We have made considerable headway in developing a suite of International Professional Standards (IPSs). The IPSs will be a set of high-quality benchmarks for Valuation Professional Organisations that promote the professional knowledge, skills, values, ethics and attitudes required of professional valuers.

Work is also well progressed on a framework that will set out the concepts and drafting conventions to be used in the IPSs.

Specifically we have focussed on three of the standards:

- > IPS 101 Entry Requirements to Professional Valuer Accreditation Programmes, that will specify the principles to be used when setting and communicating requirements for entry to such programmes.
- > IPS 102 Professional Skills and Ethics, that will specify the capability areas and learning outcomes required by the end of Initial Professional Development in order to perform a role as a professional valuer.
- > IPS 103 Technical Knowledge, that will include a framework listing competence areas and learning outcomes for the following asset classes – real estate; plant, machinery and equipment; and business valuations and intangible assets – and a framework that is common to all three asset classes.

Work is shortly to begin on the remaining proposed standards: IPS 104 Practical Experience; IPS 105 Assessment of Professional Competence; and IPS 201 Continuing Professional Development, with the intention that the full suite of the standards will be released for exposure early 2016.

It has been notable that since issuing the Discussion Paper regarding the proposed IPSs some two years ago, there have been significant developments in the valuation profession around the world and discussion about the need for and benefit of such standards. As we have communicated, it is in the public interest to enhance the quality and consistency of valuation practice throughout the world, and thereby strengthen the public's confidence in the competence of the valuation profession globally. Professional Board members have been involved in supporting and driving many of these activities.

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Examples of such activities include the Public Interest Professional Infrastructure topic in the U.S. Professional Board member Marianna Todorova and I, as well as other IVSC representatives, and VPO members and sponsors are significantly involved in the various work streams that have made rapid progress in recent months on a topic that has significant global relevance. Other Board members have been involved in speaking engagements on behalf of the IVSC in many parts of the world.

On behalf of the Board I have continued working closely with the IVSC Advisory Forum Working Group (AFWG). The Board reviewed a Model Guide of Governance for VPOs, and a related Governance Assessment Tool for a VPO prepared by the AFWG prior to approving their publication.

As discussed previously, the Board is developing a series of 'Illustrative Examples' to explain some of the concepts in the IVS Framework. Comments received following exposure of the first chapter 'Bases of Value' were considered by the Board and an amended draft is currently under discussion with the Standards Board.

I am once again immensely grateful to the members of the Board and to Mary-Jane Andrews, the Technical Advisor to the Board, for their commitment and energy. The Board has continued making significant progress as it leads and contributes to the development of the valuation profession globally.

**GREG FORSYTHE**  
CHAIRMAN, IVSC PROFESSIONAL BOARD



“It is in the public interest to enhance the quality and consistency of valuation practice throughout the world, and thereby strengthen the public’s confidence in the competence of the valuation profession globally.”

## REPORT FROM THE CHAIRMAN, IVSC STANDARDS BOARD STEVEN J SHERMAN

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**STEVEN J SHERMAN**  
CHAIRMAN, IVSC STANDARDS BOARD

I am pleased to report on another year during which the Standards Board has made significant progress and is looking forward to some exciting developments in the coming 12 months.

I reported last year on the project being led by the Standards Board in support of the Board of Trustees' strategic objective to promote the adoption and wider use of the IVSs. This has resulted in the signing of a landmark memorandum of understanding (MoU) between the IVSC and 20 Valuation Professional Organisations. The MoU requires signatories to either adopt the IVSs, or where they produce their own standards, to implement a process to eliminate remaining material differences within a three year period so that these are compliant with the IVSs.

It is important that the IVSs continue to address matters that are relevant to those who provide and rely on valuations. It is also important that they are presented in a manner that is as clear and unambiguous as possible. In recognition of these points the Board undertook two consultations in 2014.

- > On what agenda priorities should be for the next three years;
- > On the structure and presentation of the standards and how this can be improved.

The responses received indicated that most accept and understand the need for the standards to contain both mandatory requirements and guidance on how those requirements can be applied in different situations. However, it was also clear many considered the distinction between the two types of pronouncement was still insufficiently clear in the current standards. The Board has endeavoured to reflect the views expressed in this consultation in its proposed amendments to the IVSs, an exposure draft of which was released for public comment earlier this year.



“It is important that the IVSs continue to address matters that are relevant to those who provide and rely on valuations.”



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In preparing this exposure draft, the Board placed a high priority on suggestions from our stakeholders regarding how to move towards our objective of accepted, high quality, global valuation standards. The recommendations from the review of the IVSC will also be considered before the amended standards are issued. This may result in an additional Exposure Draft being issued later in 2015, possibly leading to a deferral in the normal effective date of 1 January 2016 for the revised standards.

The Board continued its focus on the valuation of financial instruments and is receiving ever increasing interest in support of this effort from practitioners, regulators and financial institutions. In early 2015, the Board released interim guidance on Credit and Debit Valuation Adjustments (CVA/DVA). The decision was made to issue this as an interim guidance because within the banking sector there continues to be debate on how these adjustments interact with adjustments for the cost of funding uncollateralised positions (FVA) and other costs incurred by issuers. However, feedback during the consultation process confirmed that CVA/DVA is something that has to be considered by any corporate that uses derivatives and guidance on the topic was greatly needed, FVA itself is a topic that is the subject of ongoing debate within the financial sector and the Board has launched a project on this, which may lead to some consequential changes to the interim CVA/DVA guidance in due course.

Among the other highlights of the past 12 months has been the launch of the Recovery and Resolution project. The initial focus of this project is on valuations required under the regulations that are emerging around the world under principles issued by the Financial Stability Board aimed at creating consistent frameworks across the major economies for the rescue of systemically important financial institutions. However, it is recognised that many of the principles will also be applicable to valuations required to support recovery and restructuring procedures for other types of business and the project is being extended to reflect this.

I conclude by thanking my fellow Board members for the considerable time and effort invested in moving our agenda forward. I also acknowledge the contribution that volunteers on our various project working groups make by providing their expertise and enthusiasm. Having such a broad base of knowledge and experience involved on working groups helps ensure that the standards we develop are of the high quality that the market needs.

**STEVEN J SHERMAN**  
CHAIRMAN, IVSC STANDARDS BOARD



“Our Memorandum of Understanding which has been signed by some of the biggest professional valuation bodies in the world means that these institutions are committed to the development of international standards which value assets in conformance, irrespective of where they are located. This is a landmark achievement and represents a major step towards getting global adoption of international valuation standards.”

## REPORT FROM THE CHAIRMAN, IVSC ADVISORY FORUM JOHN MARTIN



**JOHN MARTIN**  
CHAIRMAN, IVSC ADVISORY FORUM

The Advisory Forum Working Group (AFWG) continues to undertake a number of projects on behalf of the Forum. During the past year, the AFWG has provided initial commentary to the Professional Board on initial drafts prepared as part of the project to develop International Professional Standards. *"A Model Governance Guide for a VPO"* and a supporting *"Governance Assessment Tool"* have been issued in May 2015. This is the first of a number of proposed practical guides and resources to support the earlier guide produced by the AFWG, *"Establishing and Developing a Valuation Professional Organisation"*, published in 2013.

The May meeting of the Working Group in London focussed on the Review Committee recommendations.

The WG had provided an overview of the IVSC to the Board of Trustees and it was pleasing that the views of the WG members aligned with the key recommendations of the review committee.

A consultation process is underway and an engagement paper has been issued to all members, available on the IVSC website.

It has been recommended that the Advisory Forum (AF) role be expanded and the WG is examining ways to obtain greater engagement with all AF members and the IVSC Boards.

We are working with the IVSC Boards to ensure the relevance and recognition of standards; the adoption or compliance with IVS; promotion of the valuation profession globally and improved communications.

The WG is preparing the Agenda for the October meeting in Paris which will be circulated shortly.

The format of the Toronto meeting which included six presentations on a cross section of valuation topics was well received.

It has been decided to reduce the presentations to four in Paris, given the focus will be on the outcomes of the consultation process.

Your attendance at the AGM in Paris is important to ensure VPOs are engaged and have ownership of the way forward for the IVSC. More importantly, there are a number of important recommendations to be voted on at the AGM.

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We continue to broaden our efforts to strengthen ties with all IVSC members, not just those long standing members or those with a tradition of IVSC involvement. We are seeking to develop relationships with those bodies who are not yet members, encouraging them to seek membership.

To this end, the AFWG will be introducing a regular newsletter for circulation to members.

We welcomed the following new members to the Advisory Forum Working Group in October:

- > Karin Lusnic, Slovenian Institute of Auditors
- > Pierre Maille, Canadian Institute of Chartered Business Valuators
- > Dan Van Vleet, American Society of Appraisers

Eleanor Joy (CICBV) and Tony Aaron (ASA), founding members of the AFWG, retired after a number of years' service and we thank Eleanor and Tony for their significant contributions to the AFWG.

In concluding, I would like to thank the Appraisal Foundation for allowing staff member, Paula Douglas-Seidel, to provide administrative support to the Forum and, of course, thanks to Paula herself.

I must also thank all members of the Working Group who volunteer their time and expertise, and for the support provided by their organisations that allows them to attend the various meetings.

The issues facing the valuation profession are varied and complex. As it stands, the Forum provides one of the best opportunities for all valuation disciplines to unite and work together as a truly professional global valuation body.

**JOHN MARTIN**  
CHAIRMAN, IVSC ADVISORY FORUM



“We continue to broaden our efforts to strengthen ties with all IVSC members, not just those long standing members or those with a tradition of IVSC involvement.”

## MEMBERS OF THE BOARD OF TRUSTEES

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**Sir David Tweedie** (Chairman)  
UK

**Nicholas Brooke** (Vice Chairman)  
Hong Kong

**Roel Campos** (Vice Chairman)  
USA

**Mark Gerold** (elected Oct 2014)  
UK

**Patrick Gounelle** (completed term Oct 2014)  
France

**Zhang Gouchun** (elected Dec 2014)  
PR China

**Lee Hackett** (completed term Oct 2014)  
USA

**Malcolm Knight**  
Canada

**Ping Liu** (completed term Oct 2014)  
PR China

**Christian Mouillon** (elected Oct 2014)  
France

**Jens Roder**  
Denmark

**John Smith**  
USA

**Ethiopsis Tafara** (elected Mar 2015)  
USA

**Frank Vettese**  
Canada

**Akihiro Watanabe** (completed term Oct 2014)  
Japan

**Tatsumi Yamada** (elected Oct 2014)  
Japan

## MEMBERS OF THE PROFESSIONAL BOARD 2014-15

**Greg Forsythe** (Chairman)  
Director, Business Valuation Practice, Deloitte Financial Advisory Services LLP, USA

**Marianna Todorova** (Vice Chairwoman)  
Director in the Office of Professional Practice, Duff & Phelps LLC, USA

**Roy Farthing** (Vice Chairman)  
Partner, Valuation and Business Modelling and leader of the Capital Equipment Group, EY, Australia. (term completed Oct 2014)

**Mauro Bini**  
Professor at Bocconi University, Milan and Chairman of the Management Board of the Organismo Italiano di Valutazione (OIV), Italy

**Eleanor Joy**  
Associate Partner Deals - Valuations, Forensic and Disputes, PWC, Canada (appointed Oct 2014)

**David Faulkner**  
Regional Director, Consultancy and Valuation, Colliers International, Hong Kong (term completed Oct 2014)

**Nick French**  
Professor of Real Estate in the Department of Real Estate and Construction, Oxford Brookes University, UK

**Chun-kong Lau**  
International Director and Head of Valuation Advisory Services Asia, JLL, Hong Kong (appointed Oct 2014)

**Chris Mercer**  
Founder and CEO of Mercer Capital, USA (term completed Oct 2014)

**Doug McPhee**  
Partner, Corporate Finance, KPMG London and Global Head, Valuation Services, UK

**Eric Teo**  
CEO, Institute of Valuers and Appraisers of Singapore and Executive Director, Transaction Advisory Services, EY, Singapore (appointed Oct 2014)

**Jiang Wei**  
Professor and Head of the Department of Finance in the College of Economics at Shenyang University, PR China

## MEMBERS OF THE STANDARDS BOARD 2014-15

**Steven J Sherman** (Chairman)  
Managing Director and head of Loop Capital's Financial Consulting Services business, USA

**Chris Stanley** (Vice Chairman)  
Director, Telfer Young, New Zealand

**Frank Bollmann** (Vice Chairman)  
Managing Director of Vossius & Partner, Germany (term completed Oct 2014)

**Thomas Boyle**  
Chief Appraiser, Senior Vice President, US Bank Real Estate, USA (term completed Oct 2014)

**Ragveer (Raj) Brar**  
Manager, Valuation & Controls, Prudential Regulation Authority, Bank of England, UK

**Ana Castañeda-Ortega**  
CEO, InterMoney Valora Consulting SA, Spain

**Paul Hawkes**  
Chief Financial Officer, Weisshorn Re

**Simon Landy**  
Managing Director, Primo Co. Ltd and Executive Chairman, Colliers International, Thailand (term completed Oct 2014)

**Cindy Ma**  
Managing Director and Co-Head of the Portfolio Valuation practice, Houlihan Lokey, USA

**Leigh Miller**  
Global and Americas Valuation & Business modelling Leader for Transaction Advisory Services, EY, USA (appointed Oct 2014)

**Andreas Ohl**  
Partner, Leader Valuation Measurement, PWC, USA (appointed Oct 2014)

**Andrew Renshaw**  
Lead Director for Professional and Advisory Group, member UK board and Head of Valuation Business, JLL, UK (appointed Oct 2014)

## MEMBERS OF THE ADVISORY FORUM WORKING GROUP 2014-15

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**John Martin** (Chairman)  
Australian Property Institute

**Anthony Aaron**  
American Society of Appraisers (until Oct 2014)

**David Bunton**  
The Appraisal Foundation

**Menhai Chen**  
China Appraisal Society

**KK Chui**  
Hong Kong Institute of Surveyors

**Gilles de Courcel**  
Fédération Française des Experts en Evaluation

**Ben Elder**  
Royal Institution of Chartered Surveyors

**Eleanor Joy**  
Canadian Institute of Chartered Business Valuators  
(until Oct 2014)

**Karin Lusnic**  
Slovenian Institute of Auditors (from Oct 2014)

**Pierre Maillé**  
Canadian Institute of Chartered Business Valuators  
(from Oct 2014)

**Paul Olscamp**  
Appraisal Institute of Canada

**Leslie Sellers**  
Appraisal Institute (USA)

**Leandro Escobar Torres**  
Asociación Profesional de Sociadades de Valoración  
(ATASA)

**Daniel Van Vleet**  
American Society of Appraisers (from Oct 2014)

## IVSC SPONSORS

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The IVSC is grateful to the following organisations who provided financial support to the IVSC during the 2014-15 financial year.

American Appraisal Associates Inc  
American Society of Appraisers  
The Appraisal Foundation (US)  
Appraisal Institute (US)  
Appraisal Institute of Canada  
BDO  
BNP Paribas  
Canadian Institute of Chartered Business Valuators  
China Appraisal Society  
Colliers International  
Deloitte Touche Tohmatsu Ltd  
Duff & Phelps, LLC  
EY, LLP  
Grant Thornton  
Houlihan Lokey Inc  
JLL  
KPMG, LLP  
Organismo Italiano di Valutazione  
PwC, LLP  
RICS  
UBS  
The City of London Corporation  
provides financial support to the location  
of the IVSC office in the City of London

# IVSC MEMBER ORGANISATIONS



## PROFESSIONAL VALUATION ORGANISATION MEMBERS

### Australia

Australian Property Institute

### Belarus (Republic of)

Belarusian Society of Valuers

### Bosnia and Herzegovina

Association of Certified Appraisers in Bosnia and Herzegovina

### Botswana

Real Estate Institute of Botswana

### Brazil

Instituto Brasileiro Avaliaco'es

### Bulgaria

Chamber of Independent Appraisers in Bulgaria

### Canada

Appraisal Institute of Canada  
Canadian Institute of Chartered Business Valuers (CICBV)

### China

China Appraisal Society

### Colombia

Registro Nacional de Avaluadores

### Croatia

Croatian Society of Valuers

### Egypt

The Egyptian Association of Real Estate Appraisers

### Finland

Finnish Association for Real Estate Valuation

### Georgia

Association of Professionals on Land and Realty

Expertise Institute for Valuation of Assets of Georgia

### Hong Kong, China

Hong Kong Institute of Surveyors

### India

The Practising Valuers Association of India

### Indonesia

Indonesian Society of Appraisers

### Italy

Consiglio Nazionale Geometri

### Japan

Japanese Association of Real Estate Appraisal

### Kazakhstan

Chamber of Professional Appraisers of Kazakhstan

Republican Chamber of Appraisers of Kazakhstan

### Kenya

Institution of Surveyors of Kenya (ISK)

### Korea

Korea Appraisal Board

Korea Association of Property Appraisers

### Latvia

Latvian Association of Appraisers

### Macedonia

Council of Valuation of Republic of Macedonia

### Malaysia

The Royal Institution of Surveyors, Malaysia

### Mexico

Federación de Colegios, Institutos y Sociedades de Valuadores de la Republica Mexicana, A.C. (FECISVAL)

### Namibia

Namibian Institute of Valuers

### The Netherlands

Raad voor Onroerende Zaken (ROZ, the Real Estate Council)

### New Zealand

Property Institute of New Zealand (PINZ)

### Norway

Norges Takseringsforbund

### Nigeria

Nigerian Institution of Estate Surveyors and Valuers

### Philippines

Institute of Philippine Real Estate Appraisers (IPREA)

### Poland

The Polish Federation of Valuers' Associations

### Romania

The National Association of Romanian Valuers

### Russia

Russian Society of Appraisers  
Self-Regulated Inter-Regional Appraisers Association (SIAA)

### Serbia

National Association of Valuers of Serbia

### Slovenia

Slovenian Institute of Auditors





### South Africa

South African Institute of Valuers

### Spain

Asociación Profesional de Sociedades de Valoración

### Sweden

ASPECT – Association for Chartered Surveying, Property Evaluation and Transactions

### Thailand

Thai Valuers Association

### Ukraine

Ukrainian Society of Appraisers

### United Kingdom

The Royal Institution of Chartered Surveyor

### United States of America

American Institute of Certified Public Accountants

American Society of Appraisers  
Appraisal Institute

### PROVISIONAL MEMBERS

#### Bangladesh

Institute of Chartered Valuers  
Bangladesh

### CORPORATE MEMBERS

#### Hong Kong

Greater China Appraisal Ltd

#### Canada

International Association of Consultants,  
Valuators and Analysts

#### Japan

Japan Valuers Co. Ltd

#### Malaysia

Khong & Jaafar Sdn

### INSTITUTIONAL MEMBERS

#### Australia

Australian Valuers Institute

#### Bulgaria

Chamber of Professional Valuers

#### Eurasia

Council of Valuers' Associations  
of Eurasia

#### France

Fédération Française des Experts  
en Evaluation

#### India

Institute of Cost Accountants of India

#### Italy

Consiglio Nazionale dei Dottori  
Commercialisti e degli Esperti Contabili

E-Valuations Istituto di  
Estimo e Valutazioni

#### Lithuania

State Budgetary Institution Property  
Valuation Oversight Agency

#### Macedonia

Bureau for Forensic Expertise

#### Namibia

Ministry of Lands and Resettlement

#### Russian Federation

Ministry of Economic Development

#### Saudi Arabia

Saudi Authority for Accredited Valuers

#### Singapore

Institute of Valuers and Appraisers  
of Singapore

#### South Africa

South African Council for Property  
Valuers Profession (SACPVP)

### Sri Lanka

Sri Lanka Accounting and Auditing  
Standards Monitoring Board

### Ukraine

Federation of Appraisers of Business  
and Intellectual Property

### United Arab Emirates

Department of Municipal Affairs,  
Emirate of Abu Dhabi

Taqeem Real Estate Appraisal Centre,  
Dubai Land Dept

### United Kingdom

Institute of Chartered Accountants  
in England and Wales

### United States of America

Appraisal Foundation

National Council for Real Estate  
Investment Fiduciaries (NCREIF)

### Vietnam

Price Control Department, Ministry  
of Finance

### ACADEMIC MEMBERS

#### Russia

The State University – Higher School of  
Economics, Institution for Real Estate  
Economics, Moscow

#### Switzerland

Swiss Institute of Real Estate Appraisal  
(SIREA)

#### Turkey

Ankara University, Real Estate  
Development Department

#### USA

Leventhal School of Accounting,  
University of Southern California

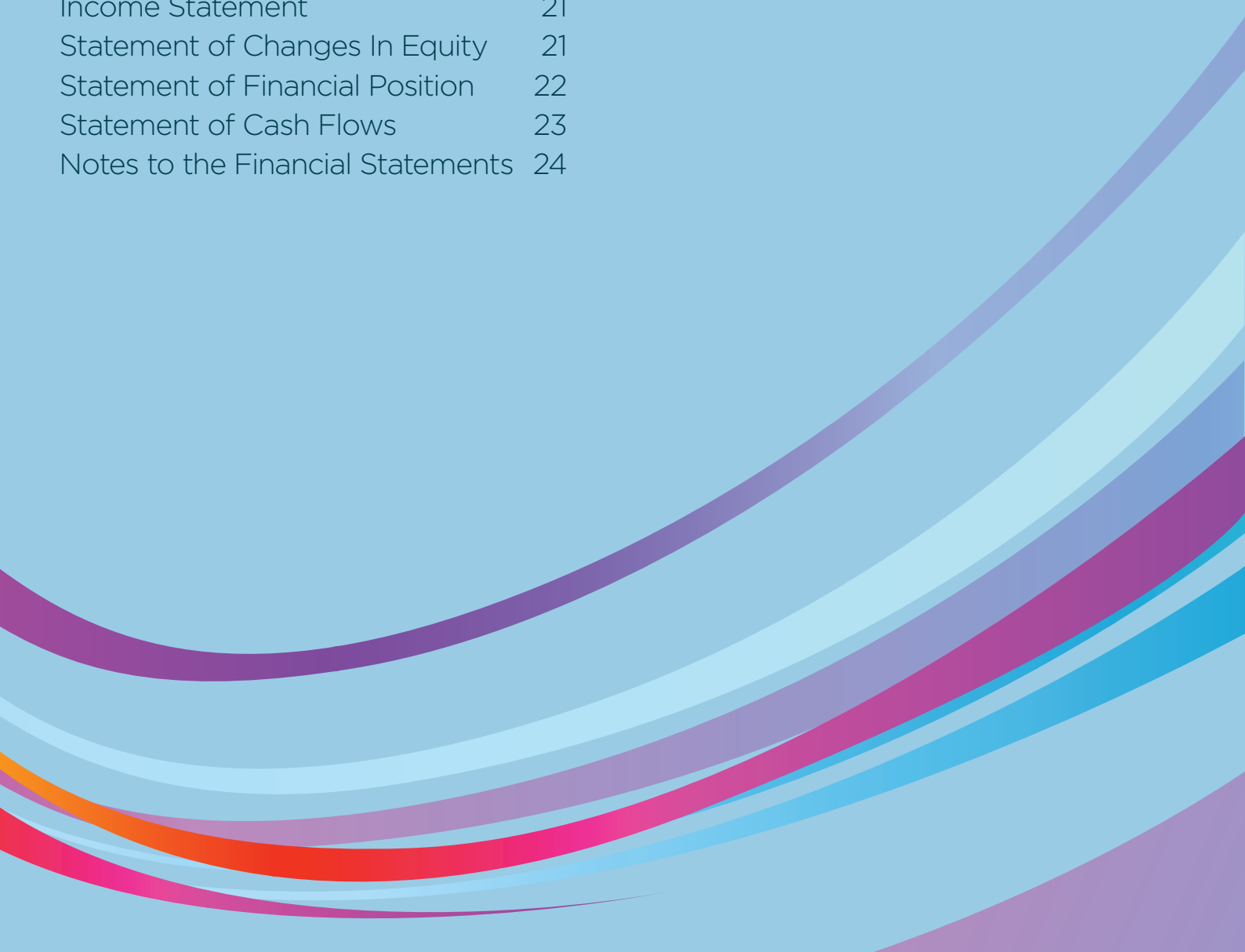
# IVSC FINANCIAL STATEMENTS 31 MARCH 2015

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## **Financial Statements**

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# TRUSTEES' AND PROFESSIONAL ADVISERS YEAR ENDED 31 MARCH 2015

## Company registration number

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FC030067

## The board of trustees

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Sir David Tweedie (Chairman)  
Nicholas Brooke (Vice Chairman)  
Roel Campos (Vice Chairman)  
Mark Gerold (elected Oct 2014)  
Patrick Gounelle (completed term Oct 2014)  
Zhang Gouchun (elected Dec 2014)  
Lee Hackett (completed term Oct 2014)  
Malcolm Knight  
Ping Liu (completed term Oct 2014)  
Christian Mouillon (elected Oct 2014)  
Jens Roder  
John Smith  
Ethiopsis Tafara (elected Mar 2015)  
Frank Vettese  
Akihiro Watanabe (completed term Oct 2014)  
Tatsumi Yamada (elected Oct 2014)

## Registered office

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200 W. Madison Street, Suite 1500  
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United States of America

## Operating office

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1 King Street  
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EC2V 8AU  
United Kingdom

## Auditor

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Crowe Clark Whitehill LLP  
St. Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH  
United Kingdom

## Bankers

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HSBC Bank PLC  
153 North Street  
Brighton  
East Sussex  
BN1 1SW  
United Kingdom

# TRUSTEES' REPORT

## YEAR ENDED 31 MARCH 2015

The Trustees present their report and financial statements for the year ended 31 March 2015.

### Principal activity and review of the business

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The International Valuation Standards Council (IVSC) is the global standard setter for the valuation profession. Its mission is to set and maintain effective, high quality global standards for the performance of valuations by the valuation profession and to contribute to the development of the worldwide valuation profession, thereby serving the public interest.

### Statement as to disclosure of information to auditors

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In so far as the Trustees are aware:

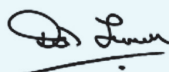
- > there is no relevant audit information of which the company's auditor is unaware, and
- > the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

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Crowe Clark Whitehill LLP has indicated its willingness to be reappointed.

Approved and authorised for issue on 1 July 2015 by the Trustees and signed on its behalf by:



**SIR DAVID TWEEDIE**  
CHAIRMAN

# STATEMENT OF TRUSTEES' RESPONSIBILITIES YEAR ENDED 31 MARCH 2015

The Trustees are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Bylaws of the Council require the Trustees to prepare financial statements for each financial year. Under the Articles of Incorporation the Trustees have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable law.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Council's financial position, financial performance and cash flows. This requires faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all situations, a fair presentation will be achieved by complying with all applicable IFRSs. In preparing these financial statements, the Trustees are also required to:

- > select suitable accounting policies and then apply them consistently;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Council's financial position and financial performance; and
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Council will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Council. They are also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE IVSC BOARD OF TRUSTEES YEAR ENDED 31 MARCH 2015

We have audited the financial statements of The International Valuation Standards Council (the Council) for the year ended 31 March 2015 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes numbered 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS).

This report is made solely to the Trustees, as a body, in accordance with our agreed terms of engagement. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The International Valuation Standards Council and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditors

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As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial accounts

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An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the entity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the trustees report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

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In our opinion:

- > the financial statements give a true and fair view of the state of the Council's affairs as at 31 March 2015 and of its deficit for the year then ended; and
- > the financial statements have been properly prepared in accordance with IFRS

*Crowe Clark Whitehill LLP*

**Crowe Clark Whitehill LLP**

Statutory Auditor  
London

3 July 2015

## INCOME STATEMENT YEAR ENDED 31 MARCH 2015

	Notes	2015	2014
		\$	\$
Income	3	1,702,331	1,681,049
Standard setting and professional development		(1,796,937)	(1,505,395)
Publications and associated costs		(155,100)	(149,797)
<b>OPERATING (DEFICIT)/SURPLUS BEFORE TAX</b>	4	<b>(249,706)</b>	25,857
Tax expense	-	-	
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>(249,706)</b>	25,857

There was no other comprehensive income for the year.

## STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2015

	2015 Retained surplus	2014 Retained surplus
	\$	\$
Balance at 1 April 2014	818,505	792,648
Total recognised (deficit)/surplus for the year	(249,706)	25,857
Balance at 31 March 2015	568,799	818,505

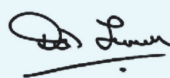
The notes on pages 24 to 32 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2015

	Notes	2015	2014
		\$	\$
<b>TOTAL ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	4,107	5,924
<b>CURRENT ASSETS</b>			
Inventories		22,072	26,375
Trade and other receivables	10	228,676	138,699
Prepayments	11	35,011	39,914
Cash and cash equivalents	12	480,995	935,004
		770,861	1,145,916
<b>CAPITAL AND RESERVES</b>			
Retained surplus	14	568,799	818,505
<b>CURRENT LIABILITIES</b>			
Deferred income		102,834	54,039
Trade and other payables	13	99,228	273,372
<b>TOTAL EQUITY AND LIABILITIES</b>		770,861	1,145,916

The financial statements on pages 21 to 23 were approved by the Trustees and have been authorised for issue on 1 July 2015 and were signed on its behalf by:



**SIR DAVID TWEEDIE**  
CHAIRMAN

Company registration number: FC030067

The notes on pages 24 to 32 form part of these financial statements.



## STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2015

	2015	2014
	\$	\$
Total operating (deficit)/surplus	(249,706)	25,857
Depreciation	2,356	7,776
Decrease/(increase) in inventory	4,303	(7,765)
(Increase)/decrease in trade and other receivables	(85,074)	(48,319)
Increase/(decrease) in trade and other payables	(125,349)	107,611
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(453,470)</b>	85,160
Purchase of property, plant and equipment	(539)	(8,885)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(539)</b>	(8,885)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(454,009)</b>	76,275
Opening cash and cash equivalents	935,004	858,729
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>480,995</b>	935,004

The notes on pages 24 to 32 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2015

## 1. Authorisation of Financial Statements and Statement of Compliance with IFRS

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The Council's financial statements for the year ended 31 March 2015 were authorised for issue and the statement of financial position signed on the Council's behalf by Sir David Tweedie. The International Valuation Standards Council was incorporated on 1 April 2004 as a not-for-profit corporation in Illinois, USA.

The Council was registered on 15 February 2011 under the Companies Act 2006 as having a UK establishment in the United Kingdom.

### Basis of preparation

The Council's financial statements have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board (IFRS) and applicable law.

The principal accounting policies adopted by the Council are set out in note 2. The policies have been consistently applied to all years presented, unless otherwise stated.

The functional currency of the Council is UK Sterling. Most of the Council's income and cash inflows are denominated and settled in US Dollars. Most of the Council's expenses and cash outflows are denominated and settled in UK Sterling. The presentational currency of the financial statements is US Dollars.

## 2. Accounting Policies

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### Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Council and the income can be reliably measured. All such income is reported net of discounts and value added and other sales taxes.

### Donations and sponsorships

Donations and sponsorships are recognised in accordance with the period stated in the donor or sponsor agreement.

### Membership subscription fees

Membership subscription fees are recognised in accordance with the membership subscription period (1 April to 31 March).

### Publications

Publications income is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of income can be measured reliably.

### Royalties

Royalty income arising from the use of the intangible property rights of the Council is accounted for in accordance with the relevant contracts for the use of those rights by third parties.

### Foreign currency exchange

Transactions in currencies other than the functional currency of the Council are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net surplus or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

## 2. Accounting Policies (continued)

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### **Tax**

For UK tax purposes, the Council has sought and received confirmation from H M Revenue and Customs that all income received from members is not taxable. The IVSC is only subject to corporation tax on its surplus from interest receivable and other income.

For US tax purposes, the Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Council are deductible for income tax purposes within limitations of the law.

### **Fixtures, fittings and equipment**

Items of fixtures, fittings and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. All tangible fixed assets are depreciated over their estimated useful lives using the straight-line basis.

Furniture, fittings and equipment are depreciated on a straight-line basis over three years.

### **Trade and other receivables**

Trade and other receivables are recognised by the Council and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

Other receivables are recognised at fair value.

### **Estimates and judgements**

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Debts are written off when they are identified as being non recoverable.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

### **Trade and other payables**

Trade and other payables are measured at amortised cost.

### **Standards in issue not yet adapted**

The financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective on 1 April 2014. The Council has concluded that there are no relevant standards or interpretations in issue not yet adopted which will have a material impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 MARCH 2015

## 3. Revenue

	2015	2014
	\$	\$
Donations and sponsorships	1,352,216	1,286,826
Membership subscription fees	289,000	319,750
Publications and related activities	51,527	52,778
Other income	9,588	21,695
	<b>1,702,331</b>	<b>1,681,049</b>

## 4. Operating (Deficit)Surplus

Operating profit is stated after charging/(crediting) the following:

	2015	2014
	\$	\$
Depreciation of property, plant and equipment	2,356	7,776
Net foreign currency differences	45,478	5,722
Inventory recognised as an expense	22,068	18,935
Rental expense	161,789	88,837
Auditor's remuneration - audit services	16,466	17,469
<b>Included in standard-setting and professional development:</b>		
Employee benefits expense	891,466	607,180
Depreciation and amortisation	2,356	7,776
Net foreign currency exchange	45,478	5,722

The auditors are remunerated in Pounds Sterling (£) and the amounts charged for the year were £11,100 (2014 £10,800).

## 5. Employee Expenses

	2015	2014
	\$	\$
Wages and salaries	765,804	509,979
Post employment expense for defined contribution plans	33,813	33,474
National insurance costs	91,849	63,727
	<b>891,466</b>	607,180

## 6. Fixtures, Fittings and Equipment

	Brought forward	Additions	Carried forward
	\$	\$	\$
<b>COST</b>			
To March 2014	21,664	8,885	30,549
<b>To 31 March 2015</b>	<b>30,549</b>	<b>539</b>	<b>31,088</b>

	Brought forward	Charge for the year	Carried forward
	\$	\$	\$
<b>DEPRECIATION</b>			
To March 2014	16,849	7,776	24,625
<b>To 31 March 2015</b>	<b>24,625</b>	<b>2,356</b>	<b>26,981</b>

	Brought forward	Carried forward
	\$	\$
<b>NET BOOK VALUE</b>		
At March 2014	4,815	5,924
<b>At 31 March 2015</b>	<b>5,924</b>	<b>4,107</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 MARCH 2015

## 7. Financial Risk Management Objectives and Policies

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The operations of the International Valuation Standards Council expose the Council to numerous financial risks. Management continuously monitors these risks with a view to protecting the Council against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

### Reserves policy

The Council defines the capital that it manages as the Council's retained surplus. The Council's objectives when managing capital are:

- > to safeguard the Council's ability to continue as a going concern, so that it can continue to lead as the global standard setter for the valuation profession; and
- > to maintain sufficient financial resources to mitigate against risks and unforeseen events.

The Council's reserves policy is to hold in excess of \$500,000 as cash or cash equivalents to meet the Council's financial risk management objectives. This is the general policy but it is normal that the balance will occasionally go below for short periods of time. This has occurred during the period but is expected to normalise by September 2015.

### Credit risk

The Council trades only with recognised, credit worthy customers. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

### Liquidity risk

The Council has given responsibility of liquidity risk management to the Board of Trustees.

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows.

### Interest rate risk

The Council maintains surplus funds in liquid bank current accounts. The average interest rate on these bank current accounts is negligible and none of the bank current accounts have an original maturity of more than three months.

For a change in interest rates of 1%, the gross interest earned would be negligible.

### Currency risk

The Council monitors currency risk closely and considers that its current policies meet its objectives of managing exposure to currency risk

## 8. Financial Assets and Liabilities

	Carrying amount		Fair value	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	480,995	935,004	480,995	935,004
Trade and other receivables	228,676	138,699	228,676	138,699
Prepayments	35,011	39,914	35,011	39,914
<b>FINANCIAL LIABILITIES</b>				
Deferred income	(102,834)	(54,039)	(102,834)	(54,039)
Trade and other payables	(99,228)	(273,372)	(99,228)	(273,372)

## 9. Related Party Transactions

### Key management compensation

The key management personnel comprised of the Chairman, Chief Executive Officer and the Executive Director. Their aggregate remuneration for the Year ended 31 March 2015 was \$421,196 (2014: \$263,002).

### Associations with members or sponsors

The following Trustees have been identified as being associated with members or sponsors during the financial year as indicated below;

Mark Gerold	(Member of RICS Governing Council and Knowledge Board and Director of Valuation and business modelling, Ernst & Young).
Zhang Gouchun	(Secretary General, China Appraisal Society).
Lee Hackett	(Executive Vice President of Global Operations, American Appraisal Associates Inc.)
Ping Liu	(Secretary General, China Appraisal Society).
Christian Mouillon	(Global Vice Chair, Risk Management, Ernst & Young).
Frank Vettese	(Chief Executive & Managing Partner, Deloitte Canada; Member, Deloitte Global Executive Committee).
Tatsumi Yamada	(Partner, KPMG AZSA).

All trustees other than the Chairman are not remunerated but are reimbursed for out-of-pocket expenses incurred while undertaking work on behalf of the International Valuation Standards Council.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 MARCH 2015

## 10. Trade and Other Receivables

	2015	2014
	\$	\$
Receivable from sponsors and members	189,836	92,479
Other receivables	21,276	21,486
Other receivables - VAT	8,564	10,852
Accrued income	9,000	13,882
	<b>228,676</b>	138,699

Amounts receivable from sponsors and members are non-interest bearing and are generally on 30 day terms. The ageing of the amounts receivable from sponsors and members is as follows:

	2015	2014
	\$	\$
0-30 days	655	3,129
30-60 days	2,096	25,000
60-90 days	-	1,522
Greater than 90 days	187,085	62,828
	<b>189,836</b>	92,479



### 11. Prepayments

	2015	2014
	\$	\$
<b>CURRENT</b>		
Prepayments	35,011	39,914

### 12. Cash and Cash Equivalents

	2015	2014
	\$	\$
Cash at bank	480,995	935,004

For the purposes of the statement of cash flows the above constitute cash and cash equivalents.

### 13. Trade and Other Payables

	2015	2014
	\$	\$
Payable to trade suppliers	15,076	121,080
Other payables	11,126	19,968
Accrued liabilities	36,428	104,202
Tax payable - PAYE & NI	36,598	28,122
	99,228	273,372

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 MARCH 2015

## 14. Reserves

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The retained surplus reflects the accumulated surplus from the Council's activity to date. The reserve is used to fund the current and future activities of the Council.

## 15. Events after the reporting period

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Subsequent to the reporting period, the IVSC Trustees have undertaken a review of the staff resources required to implement the changes to the organisation anticipated as a consequence of the report issued by an independent Review Group in March 2015.

The Trustees determined that the IVSC will benefit, economically and strategically, by collaborating with Valuation Professional Organisations (VPOs) and other stakeholders, for secondments to serve as the leadership team for the organisation.

As a result, an alternative staffing model has been adopted that will over time help realise significant cost savings and enable the organisation to collaborate more closely with VPOs and other stakeholders.

The IVSC has moved from having permanent staff to having a mix of permanent and volunteer staff, whereby several key stakeholders will provide certain members of their senior staff for secondment to the IVSC.





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