



# BUILDING TRUST IN VALUATION


ANNUAL REPORT 2015-16



## 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

In last year's Report, I mentioned that the Trustees commissioned an independent assessment in 2014 (to be undertaken by the Review Group) to ensure the organisation was equipped for the next stage of its development.

## The IVSC Strategy

In response to the Review Group's Report, the Trustees issued an Engagement Paper outlining the Report's main recommendations and seeking views. As a result of that consultation the Trustees presented a strategy document to the AGM in Paris in October 2015. The AGM endorsed the strategy's vision emphasising: (i) the need for the IVSC to co-operate with other key stakeholders to serve our profession; and (ii) demonstrating our commitment to the public interest by expanding the use of international valuation standards (IVSs) as a primary core set of standards used for tangible asset, business and financial instrument valuation.

The IVSC intends to do this by:

- increasing its interaction with our member bodies;
- setting the attributes required of a globally accepted professional valuer;
- raising the quality of its standards by deepening its partnership with national valuation standard setters, many of whom have strong existing expertise; and
- by increasing its legitimacy by co-operating closely with other institutions representing the public interest.

The IVSC's objectives continue to be to unite and bring credibility to the global valuation profession and to bring transparency, comparability and confidence to valuations through high quality IVSs.

## Our new CEO

Nick Talbot, our then acting CEO, wrote the strategy document. I am delighted to say that, after an extensive search and interviews of several outstanding candidates, the Trustees unanimously agreed to appoint Nick as our full-time CEO. We are extremely pleased to obtain the services of such a talented and motivated young professional who in the first quarter of this year has already worked extremely hard to operationalise our strategic policy. On leaving us in March 2016 Nick set off for the third time to climb Mount Everest in aid of his chosen charity, the Cystic Fibrosis Trust, – and, on this occasion, free of natural disasters, succeeded in his mission, raising some £100,000 for the Trust! This young man has many talents! Nick has joined us on a three-year sabbatical from the Royal Institute of Chartered Surveyors (RICS). During that time he will report to the Trustees and be an IVSC employee. I very much look forward to Nick continuing his sterling work in implementing our strategy and wish him every success in his new role.



**“The IVSC’s objectives continue to be to unite and bring credibility to the global valuation profession.”**

## International Professional Standards

The Professional Board has worked tirelessly for many months to complete the suite of International Professional Standards which will form the bedrock of the profession of valuation and hugely increase the credibility of valuers worldwide by enabling us to be compared favourably with other professions. While many of our members will already have comparable requirements others do not and will now have the opportunity to bring their requirements up to a comparable level to those of more developed Valuation Professional Organisations (VPOs). At the time of writing, the exposure drafts have been issued and the Board is determined to complete its work before the AGM.

## International Valuation Standards

A general criticism of the existing IVSs were that they were too high level, did not deal with common aspects of valuation and, on occasion, differed from the conclusion of standards set by our member bodies. To meet this criticism, the Standards Board expanded the depth of its resources in mid-2015 with experienced Technical Directors loaned to us by EY, PwC and RICS.

This enabled the Board to take on a very significant project focused on substantially expanding our standards (IVS 2017). I am pleased to report that substantial progress is being made. Exposure drafts of revised and new chapters were released for public consultation in April 2016 and the remaining chapters released in June. The objective is to finalise IVS 2017 soon after our Annual General Meeting, a very ambitious goal but well in sight. In addition, the Board has also been working closely with the Appraisal Foundation on a Bridging Document with Universal Standards of Professional Appraisal Practice (USPAP), which has been recently published. Further revisions to this document will be carried out post publication of IVS 2017.

As I know from experience, standards, whether they be dealing with accounting or valuation issues, are of little use if they cannot be operationalised. The IVSC has to strike a balance between ensuring our standards can be used by those member bodies who have no standards of their own yet do not delve into great detail by examining particular national problems which should rightly be the province of the national standard setters.

We have also been looking at our financial instrument valuation standards and, with support from the International Organisation of Securities Commissions (IOSCO) and the Basel Committee, convened a round-table in London earlier this year to discuss valuation problems. The round-table, which consisted of regulators from all over the world, agreed that problems in the valuation of financial instruments did exist, that these problems had not been suitably dealt with after the crisis and that collectively we should explore ways of reducing the variation in valuation. A later meeting with representatives of some of the world’s largest banks confirmed these conclusions. We are at the time of writing exploring with the regulators means by which this initiative can be carried forward.

## APEC Initiative

With the support of the Asia Pacific Business Advisory Council (ABAC), work continues on the initiative to reinforce the valuation architecture across the 21 APEC economies. This initiative is focused on the need for common valuation standards (IVS) across the region and the importance of a robust valuation profession to deliver those standards.

Work over the last twelve months has included continuation with a valuation stocktaking exercise across all the APEC economies and the development of a best practice template to assist those economies and their VPOs who seek to enhance the valuation infrastructure within their economy. These efforts are being complemented by a series of in-economy roundtables which provide the opportunity to explore with all stakeholders, including the Government, regulators, local practitioners and the users of valuation services, where and how improvement might be achieved. To date roundtables have been held in Malaysia and Papua New Guinea and there are requests for dialogue from Thailand, Vietnam, Philippines and Japan.

The IVSC Task Force, which was set up and is led by Trustee Nicholas Brooke, is also receiving specific requests from ABAC for input and advice on specialist valuation topics. The latest of these is in the area of secured lending where, in the context of inclusive growth, APEC economies are being encouraged to offer credit support to their large SME communities who frequently offer, by way of security, intangible assets, and the financial community seeks advice on the valuation of such collateral. There have also been requests for assistance in the area of business valuation, which in many cases is less well developed than traditional real estate valuation services.

## Report from the Chairman, IVSC Board of Trustees (continued)

This is a serious opportunity to shape and influence the face of valuation in the APEC region and Nicholas Brooke would always welcome more IVSC participation as well as interest in potential sponsorship of these parts of the programme.

## Staffing

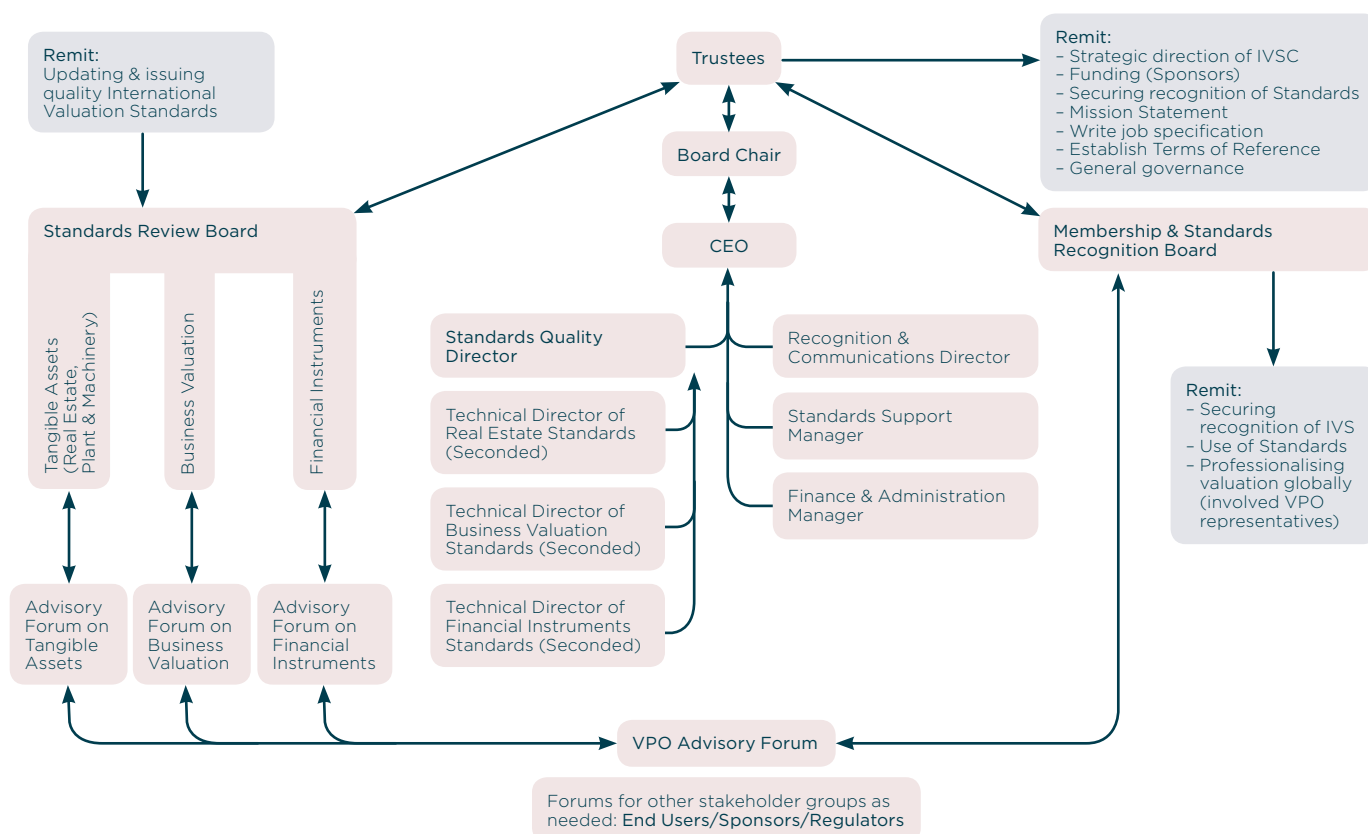
The use of secondees was a key feature of the Review Group's Report to ensure that fresh ideas were injected into the IVSC process on a regular basis. We do, however, need a few permanent staff members to manage the organisation and fill the posts in the proposed structure of the IVSC shown below.

We are presently actively seeking to recruit a Standards Quality Director. Other members of staff will be employed when finances allow. In the meantime, we have been very well served by secondees from

member bodies and sponsors. RICS generously gave us the part-time services of Ken Creighton, who helped with the strategy, and Nick Talbot, who as mentioned earlier, acted as interim CEO for nine months. On Nick's departure in March, Christian Mouillon, one of our trustees, kindly offered to step into the breach as Acting CEO until we recruited a CEO on a permanent basis.

To undertake the convergence programmes dealing with tangible assets and business valuation we have been exceedingly fortunate to have been loaned on a part-time basis the highly experienced Alex Aronsohn and Adam Smith from RICS and PwC respectively. We are also indebted to EY partner, Peter Melvin, who has brought his extensive knowledge of the markets to lead the financial instruments valuation initiative and to Mary-Jane Andrews, whose dedication has enabled us to publish the draft International Professional Standards.

## IVSC Organisation Chart



## Future Committees

In accordance with the agreed IVSC Strategy, the Standards Board is in the process of being reconstituted into a Standards Review Board with two sub-boards:

- The Tangible Assets Standards Board, covering real estate, plant and machinery and personal property, and
- The Business and Intangible Asset Standards Board.

In due course, providing there is clear buy-in and support from stakeholders, a Financial Instruments Standards Board will also be added. The new board structure is expected to be fully operational once the present Standards Board has completed IVS 2017.

To ensure that our members were fully involved with the selection of our working Boards we created a Nominating Committee chaired by a former Trustee, Lee Hackett, and with a composition of two Trustees and five members from the valuation professional organisations. Their role is to propose to the Trustees the Chair and members of the overarching Standards Review Board and to populate, with Trustee approval, the Tangible Assets, Business Valuation and the possible Financial Instruments Valuation Standards Boards which will report to the Review Board.

The Nominating Committee has also reviewed the applications for the Chair of the Membership and Standards Recognition Board. The membership of this board, whose mission will be to secure greater recognition of IVSs and to increase the level of valuation professionalism throughout the world, will consist of nine representatives of the VPOs elected by the Advisory Forum.

## Thanks

We are very grateful for the sterling efforts of Steve Sherman, Chairman of the present Standards Board, and his colleagues for their hard work in analysing the comments from VPOs around the world as they seek to come out with a new set of standards meeting the needs of our members.

We are also grateful to Greg Forsythe, Chairman of the Professional Board, and his colleagues who have worked to complete their programme in time for the Membership and Standards Recognition Board to use these professional standards as a benchmark for assessing whether applicants to join the IVSC meet the ethical and professional standards required of valuation professionals and to assist in securing the recognition of IVSs.

Steve and Greg have been wonderful ambassadors for the IVSC and have chaired their boards for six and five years, respectively. As they come to see the end of their terms, the valuation profession worldwide owes them a great deal for their perseverance, loyalty and professional skill in steering the invaluable work of their boards.

John Martin's assured chairing of both the Advisory Forum and the monthly calls with its Working Group has helped to draw the IVSC and the VPOs ever closer together. Issues causing problems in uniting the profession and standing in the way of the acceptance of one set of global valuation standards have dominated the agenda of the Working Group and the determination of the Group to resolve these problems in the not too distant future is most encouraging.

To our secondees, mentioned previously, I extend our gratitude. Without their enthusiasm, support for the mission of the IVSC and their skill this organisation could not have moved forward in the last year in the way it has.

I am also extremely grateful to my fellow Trustee, Christian Mouillon, who stepped in the breach when our acting CEO, Nick Talbot, returned to the Royal Institute of Chartered Surveyors (RICS) last March. Christian has been a delight to work with and his enthusiasm, diligence and drive has been an invaluable contribution to moving the IVSC forward in implementing its strategy.

Finally, may I thank the trustees for their support, Danuta Wójtowicz, who has almost single-handedly managed the IVSC's administration, and Janet Smy who has ensured I turn up at the right place and time with the correct papers.

**Sir David Tweedie**

Chairman, IVSC Board of Trustees



## Report from the Chairman, IVSC Professional Board Greg Forsythe



**Greg Forsythe**

Chairman, IVSC Professional Board

Since my report last year, the Professional Board has focussed its efforts almost entirely on completing the International Professional Standards (IPSs).

The IPSs aim to establish a high-quality approach to the education, development, assessment and conduct of professional valuers, which will play a vital role in strengthening the profession across the globe.

I was very enthused by the level of engagement and positive energy evidenced by all at the AGM in Paris in October 2015. It certainly gave the Board the momentum to complete its endeavours and reconfirmed the Board's belief that the IPSs are crucial for the profession going forward.

On 31 March 2016 the Board issued an Exposure Draft of the full suite of IPSs. The documents exposed for comment are as follows:

- Framework for International Professional Standards
- IPS 101: Initial Professional Development – Entry Requirements to Professional Valuer Accreditation Programmes
- IPS 102: Initial Professional Development – Professional Skills and Ethics
- IPS 103: Initial Professional Development – Technical Knowledge
- IPS 104: Initial Professional Development – Practical Experience
- IPS 105: Initial Professional Development – Assessment of Professional Competence
- IPS 201: Continuing Professional Development





**“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.”**

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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.

I am once again immensely grateful to all members of the Professional Board, past and present, and in particular, current Vice Chair Marianna Todorova, and the Technical Advisor to the Board Mary-Jane Andrews, for their continuous commitment and focus in bringing the IPSs through to exposure.

With this being the last report from the Professional Board in light of the IVSC’s organisational restructure I would like to express my thanks to all those who have assisted the Board in its endeavours since the Board’s formation at the restructure in 2008. Once we complete the IPSs, I believe we will have contributed significantly to the development of the valuation profession globally.

On a personal level I have learned an enormous amount during my tenure at the IVSC, and have been privileged to work with, and make friends with, so many professionals committed to the cause of improving the profession. I sincerely hope our paths cross again in the future.

The Board and I look forward to reviewing comment letters in the coming months, with the goal that the IPSs can be issued for use in the near future.

**Greg Forsythe**

Chairman, IVSC Professional Board

## Report from the Chairman, IVSC Standards Board Steven Sherman



**Steven Sherman**  
Chairman, IVSC Standards Board

I am pleased to report that, though this has been a year of great change, it has also been a year in which the Board has made significant progress.

In November 2014 the IVSC Trustees commissioned an independent assessment of current processes, structures and resources to ensure the organisation would be positioned to fulfil its mission of generating high quality valuation standards.

Recommendations from this assessment were issued in March 2015. In this regard, The Review recommended that the IVSC shift to seconded resources as this would not only have economic benefits, but would also help strategically to encourage closer collaboration with VPOs and other stakeholders. Accordingly, the Board was provided with the following secondees from EY, PwC and RICS as Interim Technical Directors in mid 2015:

**Adam Smith** – Interim Technical Director of Business Valuation Standards

**Alexander Aronsohn** – Interim Technical Director of Real Estate Valuation Standards

**Peter Melvin** – Interim Technical Director of Financial Instruments Standards

In the summer of 2015, the Standards Board prepared a gap analysis on the current Standards, resulting in suggested revisions driven by changing market forces and greater regulatory scrutiny of our profession. At the IVSC AGM in October 2015 the Board presented recommendations to the Advisory Forum Working Group (AFWG) and other stakeholders on the Standard Setting Process for IVS 2017 which was well received. The Board has continued to work closely with the AFWG and other primary and secondary stakeholders to ensure that enhancements planned for IVS 2013 meet market needs. The agreed drafting, consultation and publishing programme for IVS 2017 is shown below:

- **April 2016:** Exposure Drafts issued for public consultation for IVS 2017 Introduction and Framework, IVS 104 Bases of Value, IVS 105 Valuation Approaches and IVS 210 Intangibles. Consultation period closed 7 July 2016.
- **June 2016:** Exposure Drafts issued for public consultation for IVS 101 Scope of Work, IVS 102 Investigation and Compliance, IVS 103 Reporting, IVS 200 Businesses and Business Interests, IVS 300 Plant and Equipment, IVS 400 Real Property Interests, IVS 410 Development Property, and IVS 500 Financial Instruments. Consultation period closed 31 August 2016.



“The Board has continued to work closely with the AFWG and other primary and secondary stakeholders to ensure that the enhancement of IVS 2013 meets market needs.”

- **September 2016:** Additional Standards Board meeting to discuss response to IVS 2017 Exposure Drafts. Standards Board to make necessary amendments to finalise in advance of AGM.
- **October 2016:** IVS 2017 to be further refined, if necessary, and presented at AGM, subject to final approval by the Standards Board.
- **After AGM:** Early adoption of IVS 2017 allowed (tentative).
- **1 January 2017:** IVS 2017 to be published (tentative).
- **1 July 2017:** IVS 2017 adoption becomes mandatory (tentative).

The main focus of the Board during 2016 has been drafting IVS 2017. The Board has also made significant progress regarding Financial Instruments by meeting both banks and regulators to gain their input on future Financial Instrument Standards to be incorporated within IVS. The taskforce includes Trustee Christian Mouillon, Peter Melvin, Interim Technical Director of Financial Instruments Standards, and Ragveer Brar of the Standards Board.

The Board has also been working closely with the Appraisal Foundation and Thomas Boyle who is the lead author on the US Bridging Document. This has been recently published and provides a link between International Valuation Standards and USPAP. Further revisions to this document will be carried out post publication of IVS 2017.

Finally, as described in David Tweedie's report, the Standards Board is in the process of being reconstituted and we look forward to implementing our new structure. In the interim I would like to formally thank all Standards Board members for their hard work during the past year.

#### **Steven Sherman**

Chairman, IVSC Standards Board

## Report from the Chairman, IVSC Advisory Forum John Martin



**John Martin**  
Chairman, IVSC Advisory Forum

The Advisory Forum met in Paris in October 2015 and attendance numbers were at a record high.

The Advisory Forum meetings in Paris included presentations on the following topics delivered over two days:

- European regulation and Valuation Standards (EVS)
- About the World Bank
- Business Valuation Initiatives
- Valuation Professional Organisation (VPO) engagement and Q & A on Draft Strategy Document

All presentations were well received and provided those attending with valuable insight into the respective topics.

The discussions around VPO engagement and the way forward for IVSC members were constructive and overall there was full support for the strategies contained in the IVSC purpose, structure and strategy document as evidenced by the approval of members at the AGM.

Since Paris the Advisory Forum Working Group (AFWG) has been in discussions with the transitional boards and the Board of Trustees to identify what it believes are the issues impeding 'buy in' by all VPOs in firstly, recognising International Valuation Standards (IVSs) and secondly, developing a unified valuation profession underwritten by a consistent set of IVSs.

The AFWG believes that the issues identified are not insurmountable and can be resolved by bringing together key stakeholders in a face-to-face forum to discuss, debate and resolve these issues impeding the unification of the profession globally. This two day forum will be held on 29 and 30 August 2016.



**“All members of IVSC are looking forward to continuing to work for the betterment of the profession through greater engagement with all members and key stakeholders.”**

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The AF and its Working Group are looking forward to working closely with the Membership and Standards Recognition Board, which will comprise VPO representatives from both the tangible and non-tangible asset disciplines, to promote the valuation profession.

At the recent Working Group meeting in London a number of actions were initiated, including a business plan. Further details will be circulated shortly

Dan Van Vleet, American Society of Appraisers (ASA), resigned from the working group late December 2015 and we thank him for his contributions to the Working Group. I would like to thank the Appraisal Foundation for allowing staff member, Paula Douglas-Seidel, to continue to provide administrative support to the Forum. A special thanks to Paula, her efforts are greatly appreciated by all.

A big thank you to 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 and for their involvement in our monthly teleconference calls.

The Working Group, which represents all members of the IVSC, is looking forward to continuing to work for the betterment of the profession through greater engagement with all members and key stakeholders. Ultimately we all have to work together if we are to create a profession that is recognised worldwide and benefits all.

**John Martin**

Chairman, IVSC Advisory Forum

# Members of the Board of Trustees

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## **Sir David Tweedie (Chairman)**

United Kingdom

## **Nicholas Brooke** (Vice Chairman)

Hong Kong

## **Roel Campos** (Vice Chairman)

United States

## **Mark Gerold**

United Kingdom

## **Zhang Gouchun**

China

## **Malcolm Knight**

Canada

## **Christian Mouillon**

France

## **Jens Røder**

Denmark

## **Tom Seidenstein** (elected March 2016)

United States

## **John Smith**

United States

## **Ethiopis Tafara**

United States

## **Frank Vettese**

Canada

## **Howard Wetston** (elected March 2016)

Canada

## **Tatsumi Yamada**

Japan

## Members of the Professional Board 2015-16

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### **Gregory (Greg) Forsythe (Chairman)**

United States

### **Marianna Todorova (Vice Chairman)**

United States

### **Mauro Bini**

Italy

### **Nick French**

United Kingdom

### **Eleanor Joy**

Canada

### **CK Lau**

Hong Kong

### **Doug McPhee**

United Kingdom

### **Eric Teo**

Singapore

### **Jiang Wei**

China

## Members of the Standards Board 2015-16

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### **Steven J Sherman (Chairman)**

United States

### **Chris Stanley (Vice Chairman)**

New Zealand

### **Ragveer Brar**

United Kingdom

### **Ana Castañeda**

Spain

### **Paul Hawkes**

Switzerland

### **Cindy Ma**

United States

### **Leigh Miller**

United States

### **Andreas Ohl**

United States



# Members of the Advisory Forum Working Group 2015-16

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## John Martin (Chairman)

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### David Bunton

The Appraisal Foundation

### KK Chui

Hong Kong Institute of Surveyors

### Gilles de Courcel

Fédération Française des Experts en Evaluation

### Ben Elder

Royal Institution of Chartered Surveyors

### Karin Lusnic

Slovenian Institute of Auditors

### Pierre Maille

Canadian Institute of Chartered Business Valuators

### Chen Minghai

China Appraisal Society

### Paul Oscamp

Appraisal Institute of Canada

### Leslie Sellers

Appraisal Institute

### Leandro Escobar Torres

Asociación Profesional de Sociadades de Valoración  
(ATASA)

### Dan Van Vleet

American Society of Appraisers  
(Resigned December 2015)

## IVSC Sponsors

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The IVSC is grateful to the following organisations who provided financial support to the IVSC during the 2015-16 financial year.

American Society of Appraisers

Appraisal Institute

Appraisal Institute of Canada

Appraisal Foundation

BDO

BNP Paribas

Canadian Institute of Chartered Business Valuators

China Appraisal Society

Deloitte

Duff & Phelps

Ernst & Young

Fondazione Organismo Italiano di Valutazione

Grant Thornton

IFC (International Finance Corporation)

KPMG

PwC

RICS

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  
Chartered Accountants Australia  
and New Zealand

### Bangladesh

Institute of Chartered Valuers  
Bangladesh (Provisional)

### Belarus

Society of Valuers

### Bosnia and Herzegovina

Association of Certified Appraisers  
Bosnia Herzegovina

### Botswana

Real Estate Institute of Botswana

### Brazil

Instituto Brasileiro Avaliaco'es  
(IBAPE)

### Bulgaria

Chamber of Independent  
Appraisers Bulgaria

### Canada

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

### China

China Appraisal Society

### Columbia

Registro Nacional de  
Avaluadores Columbia

### Croatia

Croatian Society of Valuers/  
Appraisers

### Egypt

Egyptian Association  
of Real Estate Appraisers

### Finland

Finnish Association for Real Estate  
Valuation

### Georgia

Expertise Institute for  
Valuation of Assets of Georgia  
Association of Professionals  
on Land & Realty

### Hong Kong

Hong Kong Institute of Surveyors

### India

Practising Valuers Association  
of India

### Indonesia

Indonesian Society of Appraisers

### Italy

Consiglio Nazionale Geometri Italy

### Japan

Japan Association  
of Real Estate Appraisers

### Kazakhstan

Republican Chamber  
of Appraisers of Kazakhstan  
Chamber of Professional  
Appraisers, Kazakhstan

### Kenya

Institution of Surveyors of Kenya

### Korea

Korea Appraisal Board  
Korea Association of Property  
Appraisers

### Latvia

Latvian Association of Appraisers

### Macedonia

Bureau for Court Expertise,  
Republic of Macedonia  
Chamber of Valuation  
of the Republic of Macedonia

### Malaysia

Royal Institution of Surveyors  
Malaysia

### Mexico

Federación de Colegios, Institutos  
y Sociedades de Valuadores de la  
Republica Mexicana AC (FECOVAL)

### Mongolia

Mongolian Institute of Certified  
Appraisers

### Montenegro

Institute of Certified Accountants  
of Montenegro  
Institute of Internal Auditors  
of Montenegro

### Namibia

Namibian Institute of Valuers

### Netherlands

Raad voor Onroerende Zaken  
(ROZ), Real Estate Council

### New Zealand

Property Institute of New Zealand

### Nigeria

Nigerian Institution of Estate  
Surveyors and Valuers

### Norway

Norges Takseringsforbund

### Philippines

Institute of Philippine Real Estate  
Appraisers (IPREA)

### Poland

Polish Federation of Valuers  
Association

### Romania

National Association of Romanian  
Valuers (ANEVAR)

### Russia

Russian Society of Appraisers  
Self-Regulated Inter-regional  
Appraisers Association Russia (SMAO)

### 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 (ATASA)

**Sweden**

Samfundet för fastighetsekonomi i Sverige AB (Association for Chartered Surveying, Property Evaluation and Transactions – ASPECT)

**Thailand**

Thai Valuers Association

**Turkey**

Turkish Association of Appraisers

**Ukraine**

Ukrainian Society of Appraisers

**United Kingdom**

Royal Institution of Chartered Surveyors (RICS)

**United States of America**

American Institute of Certified Public Accountants (AICPA)  
American Society of Appraisers  
Appraisal Institute (US)

**Corporate members****Canada**

International Association of Consultants, Valuers and Analysts (IACVA)  
*VPO Member as of May 2016*

**Hong Kong**

Greater China Appraisal  
Hong Kong

**Japan**

Japan Valuers Company

**Malaysia**

Khong & Jaafar Sdn Bhd

**Institutional members****Abu Dhabi**

Department of Municipal Affairs,  
Emirate of Abu Dhabi

**Australia**

Australian Valuers Institute

**Bulgaria**

Chamber of Professional Valuers  
Bulgaria

**Dubai**

Taqeem Real Estate Appraisal  
Centre

**Eurasia**

Council of Valuers' Associations  
of Eurasia

**France**

Federation Francaise des Experts  
en Evaluation

**India**

Institute of Cost and Works  
Accountants of India

**Italy**

E-Valuations (Istituto di Estimo  
e Valutazioni, Italy)  
Consiglio Nazionale dei Dottori  
Commercialisti e degli Esperti  
Contabili (CNDCEC)

**Lithuania**

Audit, Accounting, Property  
Valuation and Insolvency  
Management Agency

**Mexico**

Indaabin

**Namibia**

Ministry of Lands and Resettlement

**Russian**

Russian Ministry of Economic  
Development

**Saudi Arabia**

Saudi Authority for Accredited  
Valuers

**Singapore**

Institute of Valuers and Appraisers  
of Singapore (IVAS)

**South Africa**

South African Council for Property  
Valuers Profession (SACPVP)

**Spain**

Asociación Española de Analisis  
de Valor (AEV)

**Sri Lanka**

Sri Lanka Accounting & Auditing  
Standards Monitoring Board

**Ukraine**

Ukrainian Fed of Appraisers of  
Business and Intellectual Property

**United Kingdom**

Institute of Chartered Accountants  
in England & Wales (ICAEW)

**United States**

International Association of  
Assessing Officers (IAAO)  
The Appraisal Foundation (TAF)  
National Council for Real Estate  
Investment Fiduciaries (NCREIF)

**Vietnam**

Price Management Department,  
Ministry of Finance Vietnam

**International**

International Finance Corporation  
(IFC)

**Academic members****Russia**

National Research University Higher  
School of Economics Moscow,  
Institution for Tax Management and  
Real Estate Economics

**Switzerland**

Swiss Institute of Real Estate  
Appraisal (SIREA)

**Turkey**

Real Estate Development and  
Management Department,  
Ankara University

**United States of America**

Leventhal School of Accounting,  
University of Southern California

# International Valuation Standards Council

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# Trustees and Professional Advisers year ended 31 March 2016

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## Company registration number

FC030067

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## The board of trustees

Sir David Tweedie (Chairman)  
Nicholas Brooke (Vice Chairman)  
Roel Campos (Vice Chairman)  
Mark Gerold  
Zhang Gouchun  
Malcolm Knight  
Christian Mouillon  
Jens Røder  
Tom Seidenstein (Elected March 2016)  
John Smith  
Ethiopsis Tafara  
Frank Vettese  
Howard Weston (Elected March 2016)  
Tatsumi Yamada

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## Registered office

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United States of America

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## Operating office

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## Auditor

Crowe Clark Whitehill LLP  
St. Bride's House  
10 Salisbury Square  
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## Bankers

HSBC Bank PLC  
153 North Street  
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# Trustees' Report

## year ended 31 March 2016

The Trustees present their report and financial statements for the year ended 31 March 2016.

### 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 3 August 2016 by the Trustees and signed on its behalf by:



**Christian Mouillon** Trustee  
Chair, Audit and Finance Committee



## Statement of Trustees' Responsibilities year ended 31 March 2016

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 2016

We have audited the financial statements of The International Valuation Standards Council (the Council) for the year ended 31 March 2016 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 13.

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 2016 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 August 2016

## Income Statement

### year ended 31 March 2016

	Notes	2016 £	2015 £
Income	3	<b>1,007,313</b>	1,055,755
Standard setting and professional development		<b>(918,183)</b>	(1,114,428)
Publications and associated costs		<b>(92,383)</b>	(96,190)
<b>OPERATING (DEFICIT) BEFORE TAX</b>	4	<b>(3,253)</b>	(154,863)
Tax expense		-	-
<b>(DEFICIT) FOR THE YEAR</b>		<b>(3,253)</b>	(154,863)

There was no other comprehensive income for the year.

## Statement of Changes in Equity

### year ended 31 March 2016

	2016 Retained surplus £	2015 Retained surplus £	2016 Foreign exchange reserve £	2015 Foreign exchange reserve £
Balance at 1 April 2014	-	472,519	-	-
Total recognised (deficit) for the year	-	(154,863)	-	-
Revaluation surplus upon translation to £	-	-	-	70,352
Balance at 31 March 2015	-	317,656	-	70,352
Balance at 1 April 2015	<b>317,656</b>	-	<b>70,352</b>	-
Total recognised (deficit) for the year	<b>(3,253)</b>	-	-	-
Balance at 31 March 2016	<b>314,403</b>		<b>70,352</b>	

The notes on pages 26 to 35 form part of these financial statements.

# Statement of Financial Position as at 31 March 2016

	Notes	2016 £	2015 £
<b>TOTAL ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	-	2,599
<b>CURRENT ASSETS</b>			
Inventories		3,319	14,879
Trade and other receivables	10	228,991	154,157
Prepayments		13,972	22,932
Cash and cash equivalents	11	341,751	324,252
		<b>588,033</b>	518,819
<b>CAPITAL AND RESERVES</b>			
Retained surplus	13	314,403	317,656
Foreign exchange reserve	13	70,352	70,352
<b>CURRENT LIABILITIES</b>			
Deferred income		111,767	63,919
Trade and other payables	12	91,511	66,892
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>588,033</b>	518,819

The financial statements on pages 23 to 25 were approved by the Trustees and have been authorised for issue on 3 August 2016 and were signed on its behalf by:



**Christian Mouillon** Trustee  
Chair, Audit and Finance Committee

Company registration number: FC030067

The notes on pages 26 to 35 form part of these financial statements.

## Statement of Cash Flows

### year ended 31 March 2016

	2016 £	2015 £
Total operating (deficit)	<b>(3,253)</b>	(154,863)
Depreciation	<b>2,352</b>	1,461
Decrease/(increase) in inventory	<b>11,560</b>	974
(Increase)/decrease in trade and other receivables	<b>(74,834)</b>	(70,789)
(Increase)/decrease in prepayments	<b>8,960</b>	1,059
Increase/(decrease) in deferred income	<b>24,619</b>	30,945
Increase/(decrease) in trade and other payables	<b>47,848</b>	(97,424)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>17,251</b>	(288,637)
Purchase of property, plant and equipment	-	(349)
Proceeds from sale of equipment	<b>248</b>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>248</b>	(349)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,499</b>	(288,986)
Opening cash and cash equivalents	<b>324,252</b>	562,003
Effect of changes in exchange rates on cash	-	51,235
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>341,751</b>	324,252

The notes on pages 26 to 35 form part of these financial statements.

# Notes to the Financial Statements as at 31 March 2016

## 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 2016 were authorised for issue and the statement of financial position signed on the Council's behalf by Christian Mouillon, Trustee. 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.

### Change in functional and presentational currency

The board decided to change the organisations' functional and presentational currency to UK Sterling in accordance with IAS 21, "The effects of Changes in Foreign Exchange Rates". IAS 21 describes the functional currency as "the currency of the primary economic environment in which an entity operates". As stated above the board of Trustees expect the majority of the operating cash flows to be denominated in UK Sterling as the headquarters and its staff are based in London.

The change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. Having considered the aggregate effect of all relevant factors, the Board of Trustees concluded that the functional and presentational currency of the organisation had changed to UK Sterling on 1 April 2015. In accordance with IAS 21 this change will be accounted for prospectively from this date.

The financial information contained herein has been prepared by translating the USD functional currency amounts into GBP in accordance with the guidance in IAS 21 using the procedures outlined below;

- Assets and liabilities other than property plant, and equipment, prepayments and deferred income were translated into GBP at closing rates of exchange (FY 2015: £1 = \$1.4834). Trading results were translated into GBP at the average rate which was considered a suitable proxy (FY 2015: £1 = \$1.61243).
- Property plant, and equipment, prepayments and deferred income were translated into GBP at their historical cost.
- Retained Surplus was translated for each historical financial period using the following historical average rates; (FY 2008: £1 = \$2.00697); (FY 2009: £1 = \$1.71834); (FY 2010: £1 = \$1.59581); (FY 2011: £1 = \$1.55615); (FY 2012: £1 = \$1.59633); (FY 2013: £1 = \$1.58019); (FY 2014: £1 = \$1.59002).
- Differences resulting from the retranslation have been taken to a separate exchange reserve.

## 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.

### 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.



# Notes to the Financial Statements (continued)

## as at 31 March 2016

### 2. Accounting policies (continued)

#### 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 denominated in currencies other than the functional currency are recorded at the rates prevailing on the dates of the transactions. At each statement of financial position date, trade and other receivables denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position. Allowances are made on 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 2015. 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.

### 3. Revenue

	2016 £	2015 £
Donations, Sponsorships and Grants	810,319	838,620
Membership subscription fees	194,837	179,233
Publications and related activities	776	31,956
Other income	1,381	5,946
	1,007,313	1,055,755

#### 4. Operating (deficit)/surplus

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

	2016 £	2015 £
Depreciation of property, plant and equipment	2,352	1,461
Net foreign currency differences	(9,791)	28,205
Inventory recognised as an expense	11,560	13,686
Rental expense	65,210	100,339
Auditor's remuneration – audit services	11,100	11,100

	2016 £	2015 £
<b>Included in standard-setting and professional development:</b>		
Employee benefits expense	470,200	552,871
Depreciation and amortisation	2,352	1,461
Net foreign currency exchange	(8,496)	28,205

#### 5. Employee expenses

	2016 £	2015 £
Wages and salaries	437,760	474,938
Post employment expense for defined contribution plans	3,083	20,970
National insurance costs	29,356	56,963
	470,200	552,871

## Notes to the Financial Statements (continued)

### as at 31 March 2016

#### 6. Fixtures, fittings and equipment

	Computer equipment £
<b>Cost</b>	
At 1 April 2014 (Restated)	19,016
Additions	349
To 31 March 2015 (Restated)	19,365
Additions	-
Disposals	(1,274)
<b>To 31 March 2016</b>	<b>18,091</b>
<b>Depreciation</b>	£
At 1 April 2014 (Restated)	15,306
Charge for the year	1,460
To 31 March 2015 (Restated)	16,766
Charge for the year	2,352
Disposals	(1,026)
<b>To 31 March 2016</b>	<b>18,091</b>
<b>Net book value</b>	
At 31 March 2014 (Restated)	3,710
At 31 March 2015 (Restated)	2,599
<b>At 31 March 2016</b>	<b>-</b>

## 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 £350,000 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 2016.

### 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.

## Notes to the Financial Statements (continued) as at 31 March 2016

### 8. Financial assets and liabilities

	Carrying amount		Fair value	
	2016 £	2015 £	2016 £	2015 £
<b>Financial assets</b>				
UK £ Current Account 1	<b>74,693</b>	87,323	<b>74,693</b>	87,323
UK £ Current Account 2	<b>32,257</b>	64,527	<b>32,257</b>	64,527
US \$ Current Account	<b>234,801</b>	172,402	<b>234,801</b>	172,402
Trade and other receivables	<b>223,543</b>	154,157	<b>223,543</b>	154,157
<b>Financial liabilities</b>				
Trade and other payables	<b>(80,628)</b>	(66,892)	<b>(80,628)</b>	(66,892)

### 9. Related party transactions

#### Key management compensation

During the period the key management personnel comprised of the Chairman, Chief Executive Officer and the Executive Director. Their aggregate remuneration for the Year ended 31 March 2016 was £224,239 (2015: £261,218).

#### 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).
Christian Mouillon	(Partner, Ernst & Young).
Ethiopsis Tafara	(Vice President for Corporate Risk and Sustainability and General Counsel of IFC).
Frank Vettese	(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.

## 10. Trade and other receivables

	2016 £	2015 £
Receivable from sponsors and members	<b>200,147</b>	127,974
Other receivables	<b>19,226</b>	14,343
Other receivables - VAT	<b>5,448</b>	5,773
Accrued income	<b>4,170</b>	6,067
	<b>228,991</b>	154,157

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:

	2016 £	2015 £
0-30 days	<b>16,509</b>	442
30-60 days	<b>88,733</b>	1,413
60-90 days	-	-
Greater than 90 days	<b>94,905</b>	126,119
	<b>200,147</b>	127,974

## Notes to the Financial Statements (continued) as at 31 March 2016

### 11. Cash and cash equivalents

	2016 £	2015 £
Cash at bank	341,751	324,252

The US \$ account was revalued at the closing rate of 1.43677 (2015: 1.4834).

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

### 12. Trade and other payables

	2016 £	2015 £
Payable to trade suppliers	45,158	10,163
Other payables	8,885	7,500
Accrued liabilities	26,585	24,557
Tax payable – PAYE & NI	10,883	24,672
	91,511	66,892

### 13. Reserves

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.

The foreign exchange surplus reflects the differences arising upon the retranslation of the net assets and historical retained surplus from US Dollar to UK Sterling effective from 1 April 2015.



#### 14. Contribution of services in kind

During the financial period and beyond, the IVSC has and will continue to benefit from a contribution of services in kind from specific sponsors as follows:

Position	Time contributed	Sponsor	Duration
Interim CEO	3 days per week	RICS	May 2015-March 2016
Technical Director, Real Estate	1 day per week	RICS	May 2015 to date
Technical Director, Business Valuation	1 day per week	PwC	June 2015 to date
Technical Director, Financial Instruments	1 day per week	EY	July 2015 to date

# Notes



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