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IVSC Restructuring Proposal

The IVSC has received a number of comments to the Restructuring Proposal. These will be posted on the IVSC website shortly. Comments are still welcome.

Valuation under international financial reporting standards

Over 8,000 listed companies in the European Union now produce their financial statements under International Financial Reporting Standards (IFRS) rather than national accounting standards. The IVSC has reviewed the first audited IFRS accounts of a number of the leading European property investment companies to assess the degree of consistency in valuation reporting of real estate assets under IFRS.

Some of the key trends that emerged from the review were:

- A rapidly growing use of the International Valuation Standards (IVS). Of those companies who disclosed that the valuation was carried out according to certain valuation standards, 36% referred to the IVS; 38% to the RICS 'Red Book';
- If UK companies were excluded, 40% of companies referred to use of the IVS; 24% to the RICS 'Red Book';
- In all, ten difference sets of valuation standards/guidance were quoted as having been used;
- Just under half of the companies surveyed reproduced a definition of *Market Value* or of *Fair Value* within their financial statement. Only 34% accurately reproduced either the IVS definition of *Market Value* (also adopted by the RICS) or the IASB definition of *Fair Value*.

Joseph Vella, IVSC chairman, commented, " The implementation of IFRS by European companies has been an enormous challenge and some divergency in practice is to be expected in the first year. The IVSC is committed to supporting the consistent application of IFRS through the development of the International Valuation Standards. The survey has revealed some apparent inconsistencies in the valuation of the real estate assets of property companies but a very encouraging growth in the use of the IVS. We now need to build on this – both to raise awareness of the IVS by regulators, advisors and corporate managers and to continue the development of the IVS to encompass the valuation of a wider range of assets and liabilities."

A copy of the IVSC survey can be accessed from the IVSC website www.ivsc.org