



International Valuation
Standards Council

ANNUAL REPORT 2018-19

BUILDING TRUST, ENHANCING THE GLOBAL VALUATION PROFESSION

OUR MISSION

The International Valuation Standards Council (IVSC) is the global not-for-profit body responsible for setting the International Valuation Standards (IVS) and for developing the valuation profession worldwide.

Working with our partners, our goal is to build trust in valuation by establishing one set of globally consistent, high-quality valuation standards and by supporting the advancement of the valuation profession. In achieving this, the IVSC aims to support economic activity, strengthen financial markets and protect the public interest.



For more information about IVSC
visit our website: www.ivsc.org

CONTENTS

REPORTS

- 02** Report from the Chair of the Board of Trustees
- 04** Report from the IVSC Chief Executive
- 06** 2018-19 highlights
- 08** Our sponsors 2018-19
- 10** IVSC Board of Trustees
- 12** IVS standard setting process
- 14** Report from the Chair of the Standards Review Board
- 16** Report from the Chair of the Business Valuation Standards Board
- 18** Report from the Chair of the Financial Instruments Standards Board

- 20** Report from the Chair of the Tangible Assets Standards Board
- 22** Report from the Chair of the Membership and Standards Recognition Board
- 24** Report from the Chair of the Advisory Forum Working Group
- 26** IVSC members
- 28** Member organisations
- 29** List of acronyms

FINANCIAL STATEMENTS

- 31** Trustees' Report
- 32** Trustees and Professional Advisors
- 33** Statement of Trustees' Responsibilities
- 34** Independent Auditor's Report
- 36** Income Statement
- 36** Statement of Changes in Equity
- 37** Statement of Financial Position
- 38** Statement of Cash Flows
- 39** Notes to the Financial Statements

REPORT FROM THE CHAIR OF THE BOARD OF TRUSTEES



Sir David Tweedie
Chair, IVSC Board of Trustees

“My view is that we should look at all the existing national standards, identify the best elements and make those our shared, ‘international’ standards. It makes no sense if investors have to factor in valuation risk, rather than simply knowing that no matter which country they are looking at the valuations are the same.”

Seven years ago, shortly after my term as Chair of the International Accounting Standards Board (IASB) had come to an end, I was approached to chair the Board of Trustees of the IVSC. Three primary factors encouraged me to accept the Board's offer:

First, the growing importance of valuation. We had just witnessed the Global Financial Crisis – a crisis that had its roots in valuation and which began when mortgage lending ran out of control and risk assessments were cast aside in the search for yield. The financial crisis revealed deep fault lines and taught us many important lessons, one of those was that valuation really does matter!

At a meeting of the Financial Stability Board (FSB) soon after the crisis started, I remember being asked by the then Chair, Mario Draghi: “what are the accountants doing to improve the valuation of financial instruments?” My answer was simple; that was not our role, accountants are users of valuations and not their creators. Indeed, I said there were professional and well-trained people out there doing that. However, as it transpired, that was not universally the case. Closer inspection revealed a fragmented and patchy valuation industry with no rules and few principles governing how these instruments, and especially derivatives, were valued. For an accountant that was extremely worrying. If these valuations were unreliable then income statements, balance sheets and, for the financial regulators, capital buffers, were also unreliable – a regulatory lacuna existed.

Similarly, it was becoming increasingly obvious that financial reports only dealt with part of a company's performance and financial position. That trend has accelerated. At present, only 13% of a company's capitalisation is shown in the financial statements. What, then, does the other 87% represent? How long might it be before the management commentary seeks to fill this gap, at least in part, by showing the value of intangible assets not presently shown in the financial statements?

A second aspect which intrigued me was that the valuation profession, where it did exist, did not receive the recognition it deserved. Undoubtedly, this lack of recognition has acted as an impediment to further growth in the professionalism and quality of valuers. I have often said that valuation is at the tough end of accounting. If you are dealing with cost alone then it is relatively straightforward, but accounting is moving more and more towards value, and the global economy therefore requires competent and professional valuers to help.

There are a number of very sound professional bodies for valuers throughout the world today, including IVSC members working across asset classes, as well as others focused on certain areas of practice, such as real estate or business valuation. The IVSC is moving to a stage where we are increasingly able to identify which organisations can be trusted and are of a high standard, the aim being to block IVSC membership to those who do not have the necessary entry requirements, ethical rules, training, CPD or the discipline of a true professional valuer.

Thirdly, I am a firm believer in international standards. When I joined the IASB, only a handful of countries used the International Accounting Standards. Ten years later the number was over 120. There is no reason for different standards when we have a global economy. When national economies were self-contained it made sense to have rules set domestically, and therefore it mattered little if those rules were different. Investment was largely confined to home. That position has long since changed. My view is that we should look at all the existing national standards, identify the best elements and make those our shared, 'international' standards. It makes no sense if investors have to factor in valuation risk, rather than simply knowing that no matter which country they are looking at the valuations are the same.

We still have much to do. It remains the case today that some countries fear that adopting international standards means losing sovereignty. I have never looked upon international standards as losing sovereignty, I have looked upon them as a partnership where all those who are willing to collaborate, contribute. Collectively, we agree which proposals offer the best standard possible and we then use them as our national standards, often supplementing them with additional local context – which the IVSC will never touch. Fundamentally it means we are all applying the principles that have been agreed, even if we add further guidance around them. National standard setters are therefore critical to the success of IVSCs.

The valuation profession will only grow in importance. New challenges and opportunities to enhance business and financial markets, and society at large, will confront valuers at a greater rate. Macro trends including climate change; a shift in the way we use and manage natural resources; population demographics; the proliferation of financial instruments; and the role of technology in business will shape, and be shaped by, the valuation profession. Asset values will evolve as these forces influence our day-to-day lives, and the importance of transparent and reliable valuations, including on balance sheets, will only become more important in our interconnected world.

In October 2019 my chairmanship of the IVSC will come to an end after two terms. Sad as this will be for me, it is right that any respected standards organisation has these governance structures in place to ensure it evolves and draws on broad and independent leadership in the pursuit of its mission – it is a reflection of the professionalism within the IVSC that we have these transparent appointment processes in place. We expect to share news of my very eminent successor in the near future.

As the conclusion of my chairmanship draws nearer, I reflect on the huge strides the organisation has taken in recent years, and on the many talented and committed colleagues and friends I have made. When I joined the IVSC it was clear that the structure was not entirely fit for purpose. While the ambition and sense of mission were clear, the mechanisms in place to deliver international standards were insufficient. One standards board could not be expected to adequately deal with the complexities of valuing financial instruments, business, intangible and tangible assets – different skillsets were required.

I am very grateful to the members of the review group who produced a new strategy in 2015, leading to the IVSC we have today, with three technical standards boards (tangible assets, business valuation, and financial instruments); an overarching Standards Review Board; and a Membership and Standards Recognition Board, which seeks to promote the use of IVSCs and to examine applicants for membership of the IVSC, to ensure their organisations have good standing. We were indeed fortunate that the extremely able Nick Talbot was seconded to us to draft the strategy proposed by the review group and even more fortunate when Nick agreed to become our CEO and to implement the group's proposals. We have been fully supported in this by our many friends among the CEOs of Valuation Professional Organisations and leaders from across the valuation profession.

I depart with fond memories of great professionals who are willing to help at great personal cost of time and money because they believe in the project. The project is alive and well. I will look back at my time with the IVSC with great fondness and will be cheering along from the sidelines as the valuation profession takes its rightful position alongside the accounting profession as a well-recognised, highly-skilled group of people working in the public interest.

To get the IVSC to its present position I'm indebted to the members of our standards boards, to our volunteer technical advisors and to my fellow trustees who have given such wholehearted support over the last few years. I would also like to take the opportunity to thank the very loyal and able team at head office. Thank you for pointing me in the right direction, making sure I had the right papers and that I turned up on time. It's been a great pleasure working with you. I shall miss you all.

REPORT FROM THE IVSC CHIEF EXECUTIVE



Nick Talbot
IVSC Chief Executive

“Over the last four years our member and sponsor network has grown by over 80%, with 66 new members during this period and 25 in 2018–19 alone. Over the last year we have welcomed new members from 21 countries.”

IVS adoption

2018–19 has been another positive year for the IVSC with the adoption of the International Valuation Standards (IVS) in jurisdictions including Abu Dhabi, Bahrain, Dubai and the Philippines to name but a few. We were also pleased to see IVS cited in the European Banking Authority’s new Valuation Handbook for central banks and prudential regulators across Europe, and used as part of IPEV’s guidelines which are followed by Private Equity funds internationally.

Growing member network

One of the most tangible metrics for assessing the growth in awareness and demand for IVS around the world is the number of new member organisations that join the IVSC, committing support to our mission and to the development of the IVS. New members in 2018–19 include government departments, Valuation Professional Organisations (VPOs), corporates, universities and regulators. We were also pleased to welcome Newmark Knight Frank as the first global real estate corporate member of the IVSC, and we expect to see others doing the same in the months ahead. Over the last four years our member and sponsor network has grown by over 80%, with 66 new members during this period and 25 in 2018–19 alone. Over the last year we have welcomed new members from 21 countries.

A growing network of member organisations is positive for a number of reasons. Importantly, not only does it reflect a growth in general support for the aims and objectives of the IVSC, it also signals an increasing application of IVS around the world. VPOs make up the largest complement of our membership, with the vast majority stipulating the standards to be followed by their qualified professionals. As our network grows, so too does the prevalence of IVS, which are incorporated within existing national guidelines, or applied as the de facto standard in the absence of existing rules. Taken together, VPO members represent more than 340,000 qualified professionals around the globe.

In tandem with a growth in our member network we have also observed a steady increase in the number of valuation users approaching us with requests for details of IVS compliant valuation providers in domestic markets. While it is not the role of the IVSC to facilitate these introductions we are keen to do all we can to identify and promote competent professionals. To this end, we plan to launch a new online platform in 2019 which will list professionals and firms within domestic markets that have knowledge, expertise and training in IVS. Our hope is that this will support valuation users to access the quality and professionalism they require.

Establishing a new Financial Instruments Board

In addition to the Tangible Assets Board, the Business Valuation Board, and Standards Review Board we have now put in place a Financial Instruments (FI) Board formed of some of the world’s foremost leaders in this area, bringing together expertise from banks, financial regulators, valuation firms and data providers. This Board will be the formal mechanism through which we will issue IVS for Financial Instruments, and will work closely with our FI Working Groups which have been in place since 2017. All of the technical boards will work closely together, particularly in relation to our General Standards, as well as when looking at asset-specific topics where there may be overlaps.

As the only body setting valuation standards across all asset classes, our near-term focus will be to continue to improve the quality of our standards through our specialist boards, and through open consultations. We will also be publishing articles which provide views of board members on how IVS apply to specific assets, a pertinent example being agricultural and biological assets.

Engagement with leading authorities

We have continued to engage regularly with the leadership of some of the world's most influential regulators, as well as ministers, and other key standards setters in the financial world. During the last twelve months we have held discussions with the leadership of the International Accounting Standards Board (IASB), Financial Stability Board (FSB), European Banking Authority (EBA), International Audit and Assurance Standards Board (IAASB), International Organisation of Securities Commissions (IOSCO) and Asia-Pacific Economic Cooperation (APEC), among others.

A number of factors allow us to engage key authorities at the highest levels. First, there is a genuine and growing acceptance that valuation standards and professionalism are critically important to wider financial stability. As the global standard setter, the IVSC is regularly approached to provide input to the work and discussions of like-minded authorities. Additionally, we have achieved a high level of credibility and authority through the calibre of our boards and, in particular, through our independent Board of Trustees, formed of global leaders in finance, business, governance and valuation. Most of our Trustees are not valuers, they are appointed to ensure we keep to our word of acting in the public interest, and to oversee our robust, transparent and consultative standard-setting process. This is fundamental to our aims and critical to our ability to develop the best international standards. My thanks go to Sir David, the Board of Trustees, and to all our board members, without whom we could not hope to command the same level of credibility, influence and impact.

Case study

EUROPEAN BANKING AUTHORITY (EBA) ENDORSES IVS

In their 2019 'Valuation Handbook' the EBA refers extensively to principles set out in the IVS.

Established in the aftermath of the Global Financial Crisis as part of the European System of Financial Supervision, the EBA works to ensure effective and consistent regulation and supervision across the European banking sector. Its main objective is to safeguard the integrity, efficiency and orderly functioning of the banking sector.

In January 2019 the EBA published its Handbook on Valuation for the Purposes of Resolution. Addressed to central banks and regulation authorities across the EU, the Handbook seeks to foster convergence and consistency in valuation practices as well as the interaction with independent valuers across the EU.

The IVSC provided input to the Handbook and the IVS is referred to extensively as an "authoritative source of reference on best market practices".



"IVS are well known among valuers and are commonly considered an authoritative source of reference on market best practice in the valuation profession. By including a specific mention to IVS, the Handbook acknowledges them as an appropriate reference in order to establish a common language with valuers and to raise awareness among other stakeholders in such valuations."

Andreas Pfeil
EBA Senior Bank
Sector Analyst

Anna Gardella
Senior Legal Expert

2018-19 HIGHLIGHTS

OUR YEAR IN REVIEW

Q1

APRIL 18 – JUNE 18

- ▶ Sir David and IVSC Trustee, Kathleen Casey, met new Financial Stability Board (FSB) Chair, Randal Quarles, to update him on the IVSC's work to develop IVS for Financial Instruments.



- ▶ Singapore includes IVS in guidance issued by the Singapore Stock Exchange.



- ▶ German Valuation Professional Organisation, HypZert, joins the IVSC.



Q2

JULY 18 – SEPTEMBER 18

- ▶ IVSC Standards Review Board issues IVS Technical Revisions Consultation.



- ▶ Abu Dhabi announces the adoption of IVS in new laws to enhance the real estate market.



Q3

OCTOBER 18 – DECEMBER 18

- Sir David is welcomed by His Excellency Sultan Butti bin Mejren and leaders at Dubai Land Department, hosts for the IVSC AGM 2018.



- IVSC Financial Instruments Board is launched.



- More than 160 delegates from 65 countries attend the IVSC AGM in Dubai.
- MSCI adopts IVS in global real estate valuation data sets.
- Newmark Knight Frank becomes the first global real estate corporate member of the IVSC.



Q4

JANUARY 19 – MARCH 19

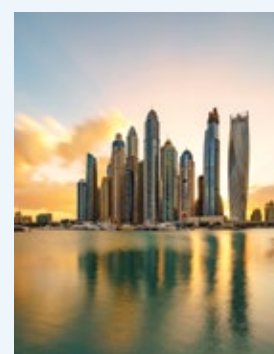
- IVS published in German for the first time.
- Dubai incorporates IVS in new market rules.



- Philippines becomes the latest APEC country to adopt IVS in new valuation laws.



- The European Banking Authority (EBA) references IVS in a new valuation handbook for central banks and prudential regulators across the EU.



- IVSC and IASB leadership and technical boards meet at the IVSC to discuss respective work programmes and efforts to align IVS with IFRS.



OUR SPONSORS 2018-19

The IVSC is grateful to the many organisations who provided financial support during the 2018-19 financial year.

Like the IVSC, our sponsors share a belief that raising standards of international valuation practice benefits business and the wider public interest. They recognise that better standards improve the transparency and stability of financial markets, contribute to the growth of stronger economies and lead to improved confidence for all users of valuation data.

141

member and sponsor organisations make up the IVSC's global network.



IVSC BOARD OF TRUSTEES

Board of Trustees

The Board of Trustees is responsible for the governance, strategic direction and funding of the IVSC and for appointments to and oversight of the technical boards. The Board consists of a minimum of ten and a maximum of fifteen persons. The Trustees are elected by the members. A Trustee is elected for a term of three years and may be re-elected for one further three-year term.

In addition to governance, strategic direction and funding, Trustees also play an ambassadorial role, raising awareness and seeking adoption of IVS.



Sir David Tweedie
Chair, UK

Sir David was the first full-time Chair of the UK Accounting Standards Board, and was selected to be the first Chair of the International Accounting Standards Board (IASB) and Chief Executive of the Foundation, leading the Board for ten years. In 2001, only a handful of countries used international standards (IFRS) but by 2011 over 120 countries required or permitted their use. Sir David also chairs the Royal Household Audit Committee for the Sovereign Grant.



Ethiopis Tafara
Vice Chair, US

Ethiopis is Vice President and General Counsel responsible for Legal and Compliance Risk and Sustainability at the World Bank Group's IFC. Prior to joining the IFC, he was Director of the International Affairs Office at US SEC, acting as SEC Deputy to the Financial Stability Board and the IFRS Foundation Monitoring Board. Ethiopis also served as Vice Chair of the Board of IOSCO and Chair of the Public Interest Oversight Board Monitoring Group, and led IOSCO task forces to set higher standards and codes of conduct for rating agencies and accounting firms following the financial scandals in the 2000s.



Anton Colella
UK

Anton is Global Chief Executive at Moore Stephens International and former Chief Executive of The Institute of Chartered Accountants of Scotland. He was elected Chair of the Global Accounting Alliance (GAA) in 2011.



Kathleen Casey
US

A former Commissioner with the US SEC, Kathleen is a senior advisor with Potomac Global Partners. She is also Non-Executive Director at HSBC, and a member of the Board of Trustees of the Financial Accounting Foundation.



Ana Maria Elorrieta
South America

Ana is a former Partner and Head of Risk at PwC in South America. She served on the Board of IFAC and the IAASB. In 2013 she was listed by the International Accounting Bulletin as one of the 50 most powerful people in the accounting profession.



Jay E Fishman
US

Jay is Managing Director of Financial Research Associates, specialising in valuation of businesses and intangible assets. A former Trustee of the Appraisal Foundation, he has held leadership positions at ASA.



Mark Gerold
UK

Mark is a Director of valuation and business modelling at EY, heading real estate valuation for the UK and Ireland. He is a former Chair of the RICS Global Valuation Board.



Dr Zhang Guochun
China

Dr Zhang is Vice President and Secretary General of the China Appraisal Society. He is also Director of the Valuation Center of the Ministry of Finance and Vice Chair of WAVO.



Alan Johnson
Portugal

Previously Chief Audit Executive for the Unilever Group, Alan is Vice President of IFAC and is Non-Executive Director and Chair of the Audit and Risk Committee, UK Department for International Development (DfID).



Christian Mouillon
France

Christian is Global Senior Advisor at Duff & Phelps and President of the Business School, ESCP Europe Foundation. He was formerly Global Vice Chair at EY in charge of assurance and risk management.



Iseo Pasquali
Canada

Iseo is a Partner at Deloitte in Toronto and member of the Canadian Board. He was previously the Chief Operating Officer for Deloitte's Global Financial Advisory Business.



Tom Seidenstein
US

Previously Chief Operating Officer of the IFRS Foundation, Tom is now Senior Vice President, Strategy, Innovation, and Capital Management at Fannie Mae.



Senator Howard Wetston
Canada

Previously Chair and Chief Executive of the Ontario Securities Commission, Howard was appointed to the Senate of Canada in November 2016, while continuing as Counsel at one of Canada's leading business law firms.



Tatsumi Yamada
Japan

One of the founding members of IASB, Tatsumi retired in 2018 as a Partner with KPMG where he was Head of IFRS and a member of the Global Public Policy Committee.

IVS STANDARD SETTING PROCESS

Standard setting process

The IVSC operates a robust standard setting process, led by boards of independent technical experts from around the world. This ensures the standards are developed collaboratively and transparently, and that they achieve the goal of enhancing valuation professionalism in all markets.

The standard setting process ensures all stakeholders in the valuation world are empowered to contribute through open consultations. Technical boards covering Tangible Assets, Business Valuation, and Financial Instruments are supported by an overarching Standards Review Board.

The standards are adopted fully in the absence of existing standards in many countries. In others, they are adopted fully through existing standards or rules issued to valuers.

01

Standards Review Board (SRB) issues agenda consultation every two years.

06

Standards boards consult widely on proposals, including through face-to-face meetings with industry/professional groups, and via the IVSC website.

07

Following a minimum three-month consultation, new or amended standards will be published by the SRB in either January or July each year.

¹ Technical boards are: Tangible Assets Board; Business Valuation Board; Financial Instruments Board.

02

Findings are published online through a 'Basis of Conclusions' document which identifies areas for technical board work.¹

03

Technical boards meet regularly to discuss, draft and review new or amended standards, informed by the 'Basis of Conclusions'.

05

In partnership with the relevant technical board(s), the SRB publishes 'Exposure Drafts' proposing new or amended standards.

04

Technical boards may publish discussion papers exploring topics in more detail and facilitating a wider discussion with stakeholders.

08

New or revised standards formally come into effect after a six-month period in either January or July.

Previous version of IVS is archived and made available for download on the IVSC website.

09

The SRB and technical boards carry out a thorough 'Post-Implementation Review' in the year following publication to consider whether any technical revisions or clarification of guidance is required.

An ongoing 'technical enquiry process' provides opportunities for continued feedback on aspects of the standards.

REPORT FROM THE CHAIR OF THE STANDARDS REVIEW BOARD



Mark Zyla
Chair of the IVSC Standards Review Board

“The Board has continued to engage with other standard setters and regulatory authorities, particularly the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB), to help shape and inform respective priorities.”

The Standards Review Board (SRB) is responsible for providing strategic direction to the development of the International Valuation Standards (IVS). In that role, the SRB oversees the work of three technical boards and provides guidance to those boards on the development and harmonisation of new standards.

The Board has focused on three strategic goals during the last year.

First, we have made progress in reviewing and responding to the feedback received from stakeholders as part of our Agenda Consultation, with an emphasis on areas of the IVS in which we can improve. This consultative approach has been integral to the evolution of the IVS and the work programmes of the IVSC’s technical boards. It has ensured a considerable breadth of perspective when identifying key valuation issues and has been the foundation for internationally agreed, implementable standards.

Second, the Board has continued to engage with other standard setters and regulatory authorities, particularly the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB), to help shape and inform respective priorities. In April the Board met senior members and staff of the IASB to discuss, among other things, areas of financial reporting which may have a valuation component and how the boards can assist one another in developing best practice standards. The IVSC is represented on the IAASB’s Consultative Advisory Group (CAG), which provides guidance to the IAASB on proposed technical matters. The Board is also actively engaged with the CFA Institute and both organisations are working together to focus on areas of shared interest including valuation and financial reporting.

Lastly, we have assisted in integrating the newly formed Financial Instruments Standards Board into the IVSC and the standards setting process in general. The creation of this new technical board is hugely exciting, not only for the IVSC but for the valuation profession as a whole. One of the strategic goals of the SRB is to support the Financial Instruments Standards Board as they become established within the IVSC’s structure and processes. To this end, the SRB has welcomed new members this year, all with a tremendous depth of knowledge in valuation, standards setting and, in particular, financial instruments. Gavin joins the SRB and is also Chair of the Financial Instruments Standards Board; Susan, David and Colin have particular expertise in financial instruments; and Richard joins the Board with an extensive background in international business valuation.

Later in 2019, the Board will issue a number of important documents. The first will comprise various technical revisions to the IVS which have been approved over the last year, following public consultation. These revisions will include additions to the glossary of terms and clarifications to existing parts of the IVS. Alongside this publication the Board will also issue a Basis for Conclusions document which provides further details on why these revisions have been introduced. In July, the Board will publish the new Exposure Draft on Non-Financial Liabilities as developed by the Business Valuation Standards Board. This Exposure Draft will become effective within IVS from January 2020.

I would like to thank all members of the Board for their dedication and hard work over the last year, and to all of our stakeholders who have supported our work through their feedback and commitment to the international standards.

STANDARDS REVIEW BOARD

Mark Zyla**Chair**

United States of America

Mauro Bini

Italy

Susan DuRoss

United States of America

Ben Elder

United Kingdom

Roy Farthing

Australia

Gavin Francis

United Kingdom

Richard Hayler

Singapore

Ian Jedlin

Australia

David Larsen

United States of America

Colin Martin

United Kingdom

Andreas Ohl

United States of America

Olivier Péronnet

France

Ahmed Sabry

Saudi Arabia

Case study

WORKING WITH STANDARDS SETTERS IN NORTH AMERICA

Advancing a globally respected and united valuation profession means first agreeing a common set of rules which define professionalism. The IVSC is clear that the International Valuation Standards belong to the profession and that they need therefore to reflect best practice, wherever in the world that best practice might originate.

To this end, the IVSC has been, and continues to collaborate with all standards setting organisations in an effort to capture best practice and to achieve global acceptance for one set of high-level principles.

Since 2017 the IVSC has been working with the main domestic real estate valuation standard setters in the US (The Appraisal Foundation) and Canada (the Appraisal Foundation of Canada) to work towards alignment in our standards, so that all stakeholders can have confidence in the quality and consistency of valuations.

Setting credible valuation standards is not something that can be achieved unilaterally, it requires extensive collaboration between standard setters; a willingness to compromise and a shared aspiration to enhance and empower the profession in the public interest.



“Efforts to harmonise IVS and existing standards in North America represent an important evolution in the valuation profession. The standards are already closely aligned today but work to bring them even closer together through common language and definitions can only be a good thing for valuation professionals, and for the users of valuation services.”

David Bunton

President and CEO of The Appraisal Foundation

REPORT FROM THE CHAIR OF THE BUSINESS VALUATION STANDARDS BOARD



Andreas Ohl
Chair of the IVSC Business
Valuation Standards Board

“We will continue our discussions in the coming months to ascertain whether standard setting would be helpful related to cryptocurrencies, trophy assets and workforce valuation. It is my view that to remain relevant, a standard setter must have a voice on emerging issues.”

The Business Valuation Standards Board has made considerable progress over the past year. We have published a number of important updates to the Standards, addressing points raised through our Invitation to Comment process related to discount rates and early stage company valuations. I am confident these updates are both responsive to the various questions and concerns that our stakeholders have raised in these areas and, importantly, implementable across jurisdictions.

The Board has also finalised a significant new standard covering Non-Financial Liabilities (IVS 220). This is an area for which there has historically been very limited guidance available to providers and users of valuations. The new standard therefore greatly enhances the scope of IVS as it relates to business and intangibles valuation.

Finally, we will soon be issuing an exposure draft related to the valuation of inventory, another hugely pertinent and increasingly complex area of valuation. Taken together, these updates are a significant step forward for the international standards and for the profession, collectively.

We are also in discussions regarding our forward agenda. We have devoted time to engaging with the marketplace in order to identify emerging valuation issues. We have noted that as the global economy evolves there are new areas to consider. We will continue our discussions in the coming months to ascertain whether standard setting would be helpful related to cryptocurrencies, trophy assets and workforce valuation. It is my view that to remain relevant, a standard setter must have a voice on emerging issues. In determining whether standard setting is warranted, we will as always keep in mind whether the necessary guidance is already set out within the existing standards.

We have also welcomed three new members to our Board in 2019. I look forward to working closely with Henk, Richard and Wolfgang on our forward agenda. They bring considerable experience and different perspectives to our Board and our efforts in this area will only be enhanced through their involvement.

BUSINESS VALUATION STANDARDS BOARD

Andreas Ohl
Chair
United States of America

Prof. Wolfgang Ballwieser
Germany

Robert Boulton
Canada

Takako Iwata
Japan

Jan Marek
Czech Republic

Diana Nikolaeva
Bulgaria

Henk Oosterhout
Netherlands

Jay Shaw
New Zealand

Richard Stewart
Australia

Case study

PRIVATE EQUITY VALUATIONS TO BENEFIT THROUGH IVS

The International Private Equity and Venture Capital Valuation (IPEV) Guidelines are acknowledged to be the primary source of guidance on valuation within these fields of investment, worldwide. The aims of IPEV are to provide high-quality, uniform, globally-acceptable, best practice, principles-based valuation guidelines for private equity and venture capital practitioners in order to assist their compliance with accounting and regulatory requirements.

In December 2018 the IPEV Guidelines were updated to now incorporate the International Valuation Standards:

“Global valuation standards continue to evolve. The IPEV Board has entered into an understanding with the International Valuation Standards Council (IVSC) with the objective of promoting consistency between the IPEV Board’s Valuation Guidelines and the IVSC International Valuation Standards (IVSs) and to enable these Valuation Guidelines to be positioned as providing sector-specific application guidance of the principles in IVS. A valuation of Private Capital Investments prepared in accordance with the IVSs and following these Valuation Guidelines will be consistent with the requirements of applicable financial reporting standards and will also maximise investors’ trust and confidence.” – IPEV 2018

As flows of investment become more and more international, the IVSC and organisations such as IPEV are working concertedly and collaboratively to ensure greater confidence in valuation data.



REPORT FROM THE CHAIR OF THE FINANCIAL INSTRUMENTS STANDARDS BOARD



Gavin Francis
Chair of the IVSC Financial
Instruments Standards Board

“The breadth and depth of expertise available to the Board is impressive, but it is also critical to any future success in setting robust, credible and implementable valuation standards in what is a pervasive and complex area of the financial system.”

The Financial Instruments Standards Board was established in January 2019 following more than 18 months of preparatory work, involving widespread market engagement and analysis of current challenges relating to the valuation of financial instruments.

This is a hugely significant development for the valuation profession, and for financial markets more broadly. The Board comprises international leaders in valuation and financial markets from diverse stakeholder groups ranging from global banks and other financial institutions, prudential regulators, major valuation, and audit and accounting firms, to professional bodies, standards setters and data providers. The breadth and depth of expertise available to the Board is impressive, but it is also critical to any future success in setting robust, credible and implementable valuation standards in what is a pervasive and complex area of the financial system.

The Board has already met in person and has begun to scope and define its objectives. One sentiment that has permeated our discussions to date has been a determination to effect meaningful and positive change in financial instruments valuation. The Board is not interested in pursuing a purely academic exercise. To the contrary, we are committed, enthused and motivated by our collective desire to improve quality and professionalism in valuation for financial instruments. This is a major asset class which has a profound influence on global markets and financial stability. The Board is under no illusion regarding the significance, nor the potential of our work to develop global standards in this area.

In 2019 the Board will issue an Agenda Consultation which will seek views from stakeholders on the future work programme. The consultation will give our constituents the opportunity to shape and define what goes into the first iterations of a global standard for FI valuation. I hope that it will be the beginning of a sustained and constructive dialogue which will ensure those involved in, or affected by valuation of financial instruments are at the heart of developing solutions in the form of international best practice.

The Board is also eager to address major emerging issues, which may not necessarily be encapsulated within an international standard. To this end, the Board looks forward to initiating a dialogue in 2019 with stakeholders on the subject of valuation and the replacement of Inter-Bank Offered Rates (IBOR). This is acknowledged to be a major area of interest and challenge. Subject to consultation findings, the Board is likely to issue a position statement and/or guidance to support valuation in this area later in 2019.

I am delighted to be appointed Chair of the IVSC Financial Instruments Board and I am grateful to my fellow Board members who are dedicating their time and expertise to this hugely important field of work.

FINANCIAL INSTRUMENTS STANDARDS BOARD

Gavin Francis
Chair
United Kingdom

Thomas Lee
Vice Chair
Canada

Raj Brar
United Kingdom

Fernanda Diaz Rodriguez
Mexico

Daniel Kahn
United States

Toshiyuki Kitano
Japan

Cindy Ma
United States

Krishna Nadella
United States

Ben Ryan
United States

Doug Summa
United States

CK Zheng
United States

Case study

MSCI ADOPTS IVS TO BOOST INVESTOR CONFIDENCE

For many institutional investors, IVS compliant valuations have become a prerequisite. A growing number of major funds now stipulate their use in asset and portfolio-level valuations.

Encouragingly for investors, the data sources and market indexes that have become such an important tool in their investment management strategies are increasingly evolving to align with, or use valuations carried out to IVS. As a result, these data sources are giving greater assurance to investors operating across multiple markets.

Investment solutions provider, MSCI, publishes standards underpinning the data outputs and tools they provide to global real estate investors. By adopting IVS within these standards, MSCI is helping to promote and embed international best practice in valuation and enhance confidence among investor communities.



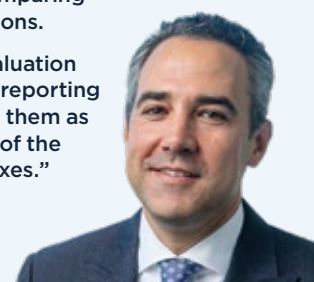
MSCI GLOBAL DATA STANDARDS FOR REAL ESTATE INVESTMENT

“Our decision to adopt IVS within our standards stems from the current transformation taking place in how Real Estate is viewed and invested in by a rapidly broadening class of asset owners and managers. Real Estate is no longer just the focus of domestic investors whose mandates are defined by national boundaries. This increased globalisation of Real Estate as an asset class calls for global standardisation, and for this reason, the accuracy of data inputs that underpin performance measurement and investment reporting is essential.

MSCI has always aimed to utilise only those valuations which are predicated upon open market principles, in order to produce like-for-like international comparisons of investment performance. However, there have historically been a number of different area-specific valuation or appraisal standards, adopted within national markets and prepared by local valuation bodies. To be transparent about the accuracy of valuations MSCI publishes an annual report comparing achieved sale prices to valuations.

MSCI has adopted the IVSC valuation standards as the standard for reporting capital, rental values and uses them as the basis for the construction of the MSCI Private Real Assets Indexes.”

Jay McNamara
Head of Real Estate, MSCI



REPORT FROM THE CHAIR OF THE TANGIBLE ASSETS STANDARDS BOARD



Ben Elder
Chair of the IVSC Tangible Assets
Valuation Standards Board

“The valuation of Biological Assets and Mineral Extraction were two areas identified in the gap analysis as potential areas for new valuation standards.”

The Tangible Assets Board (TAB) has made a significant contribution to the evolution of the IVS over the last twelve months, both in developing the standards through extensive consultation, and by supporting their use.

In 2018-19 the technical work of TAB has been focused in three key areas:

1. Quality amendments to IVSs through widespread market engagement.
2. Harmonisation of IVSs with established standards in the US (USPAP) and Canada (CUSPAP).
3. Exploring areas of tangible asset valuation identified through our gap analysis, and considering the need for new or amended standards.

Amendments to IVS

A significant development has been the decision to amend IVS 410 'Development Value'. While the extent of text changes to this section has been relatively minimal, the impact of the amendments has been significant and positive. The changes are designed to minimise any possible misinterpretation of valuations carried out on Development Property. This has traditionally been an area of significant risk, particularly where the valuation has been undertaken for secured lending purposes. The changes will ensure greater certainty and clarity within valuation reports based on Development Property.

The other significant area of work by the Board in relation to the standards has been the development of a framework within the IVSs for 'Modelling for Valuation Purposes', which in time is likely to lead to more specific standards on automated valuation models for secured lending and automated valuation for mass appraisal purposes. The Board also initiated the new standard relating

to apportionment of value which is designed to bring greater consistency and transparency to the process of apportioning value to elements within a valuation where it is required.

Standards alignment

The work to harmonise IVSs with USPAP and CUSPAP has continued throughout 2018-19 with fruitful discussions between the key organisations, the IVSC, The Appraisal Foundation and Appraisal Foundation of Canada. Short-term successes have included the harmonisation of several glossary terms and bases of value in the amendments to IVS. This is important work that will continue over the year ahead as we work to achieve a common approach to valuation.

Gap analysis

The valuation of Biological Assets and Mineral Extraction were two areas identified in the gap analysis as potential areas for new valuation standards. The Board concluded that new standards were not necessary but produced two articles published on the IVSC website directing valuers operating in these areas to relevant parts of the current IVSs relevant to their industry.

The exploration of new areas for potential standards has led to detailed discussions relating to personal property (arts & antiques) and social value. Further work will be undertaken over the next year in both areas with the possibility of expanding the social value conversations to include the valuation of natural capital.

At the beginning of 2019 the Board began the process of recruiting up to three new members, with appointments due to be made before the end of 2019. The additional members will strengthen the Board's technical and geographical knowledge and background.

I would like to take this opportunity to thank the members of the TAB for their hard work and dedication and congratulate them on this year's achievements. I would also like to thank our colleagues on the BV, FI and Standards Review Boards for the help and wise counsel they have provided throughout the year.

TANGIBLE ASSETS STANDARDS BOARD

Ben Elder
Chair
United Kingdom

Larry Dybvig
Canada

James Gavin
United States of America

Dirk Hennig
Germany

Rengganis Kartomo
Indonesia

CK Lau
Hong Kong

Claire Magowan
United Kingdom

Chris Stanley
New Zealand

Case study

GLOBAL REAL ESTATE FIRM JOINS IVSC

A key objective of the IVSC has been to see responsible real estate valuation service providers take a prominent and leading role in applying and advancing robust professional valuation standards throughout the world.

Such leadership is vital for a number of reasons. It helps to educate and inform the marketplace on the importance of valuation quality and comparability; it ensures IVS evolves with the necessary expertise and insight available to service providers in the real estate sector; and it helps to mitigate and appropriately manage risk in real estate investment markets.

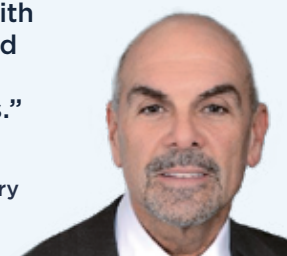
In December 2018, global real estate firm Newmark Knight Frank became the first such corporate member of the IVSC, signalling a commitment to international standards and valuation professionalism.



"If decisions by investors and lenders are being made across different geographies, then there have to be common criteria for weighing those decisions. Applying different standards to assets in different countries or regions of the world will inevitably yield inconsistent conclusions.

NKF will be a leader in this global evolution. The valuation and advisory business is propelled by trust. We want a common set of standards that apply to all, and we want to create and instil trust in every product we create and in every service we perform. This 'trust-chain' begins with a baseline of standards and continues from vendor to client to all intended users."

John Busi
President, Valuation and Advisory
at Newmark Knight Frank



REPORT FROM THE CHAIR OF THE MEMBERSHIP AND STANDARDS RECOGNITION BOARD



Eric Teo
Chair of the IVSC Membership
and Standards Recognition Board

“The Board has prepared a new consultation paper in 2019 which proposes an IVS ‘Adoption Mark’ for VPOs that have adopted IVS and have provided IVS training to their members, amongst other requirements.”

At the International Valuation and Standards Council (IVSC) AGM held in Dubai, UAE in October 2018, the Membership and Standards Recognition Board (MSRB) presented and shared its work plan with the IVSC community. It is my honour to present the Chair’s report from the MSRB for 2019, its third year of operation.

In 2018, stemming from stakeholders’ feedback to IVSC of the need to enhance professionalism in business valuation (BV), the Board carried out a consultation process for the creation of a BV Quality Mark, which sought to identify and recognise high quality Valuation Professional Organisations (VPOs) which specialise in BV. Based on the various feedback and comments gathered through the consultation process, it was decided that replacing the BV Quality Mark concept with an IVS ‘Adoption Mark’ would be more appropriate, as this is in line with IVSC and the Advisory Forum Working Group’s objectives of encouraging professionalism in all aspects of valuation. In response, the Board has prepared a new consultation paper in 2019 which proposes an IVS ‘Adoption Mark’ for VPOs that have adopted IVS and have provided IVS training to their members, amongst other requirements. The consultation process commenced in the first half of 2019 and the Board will share the outcome of the process before the end of the year.

On the membership front, the Board has put in place initiatives supporting both Associate VPOs and VPOs. The ‘partnering’ programme, initiated a year ago by the Board to support the Associate VPOs, continues to gain traction. In 2019, we have seen more

new members joining the IVSC community as Associate VPOs. Board members are constantly engaging the members assigned to their portfolio, offering guidance and accompanying them in their journey to become full VPOs. The Board believes that the IVS ‘Adoption Mark’ proposal, if implemented, would contribute positively to the process of assisting Associate VPOs in their transition to full VPOs. To enhance professionalism in VPOs, the Board is working with the Advisory Forum Working Group (AFWG) to leverage the Professional Membership Obligations (PMOs), establishing ‘Best Practices’ for VPOs. In this regard, a task force comprising members from the MSRB and the AFWG has been formed to spearhead this initiative.

In relation to market recognition, the Board continues to focus on deepening the engagement process for both the Institutional Investor and the Academic communities. Many of these engagement activities require action plans which are specific to the markets in which the various stakeholders are located. To support this, a new initiative will see the creation of ‘regional’ MSRBs, starting first with an MSRB for Europe, which will focus on regional engagement including consultations and IVS awareness-raising.

Once again, I would like to thank Nick Talbot, CEO of the IVSC for all the support that he has rendered to the Board and the members of the Board for their commitment and hard work throughout the year. We look forward to another exciting year ahead in building and advancing the global valuation profession.

MEMBERSHIP AND STANDARDS RECOGNITION BOARD

Eric Teo

Chair

Singapore

George Badescu

Romania

Allan Beatty

Canada

Ken Creighton

United Kingdom

Aart Hordijk

Netherlands

Eleanor Joy

Canada

Jeanette Koger

United States of America

Shigeko Mizutani

Japan

Jiang Wei

China

Phil Western

Australia

Case study

DUBAI ADOPTS IVS IN NEW RULES FOR VALUERS

In 2019 the Dubai Government issued the biggest update to its valuation rules since passing new legislation in 2015. The updated 'Emirates Book', which is mandatory for all valuers in Dubai, now fully incorporates the latest IVS and ensures best practice is being applied in one of the most international real estate markets anywhere in the world.

Over recent decades Dubai has asserted itself as a global hub for business and investment. In three decades the UAE has seen GDP grow by more than 900% and population by 8.6 million. In just ten years the UAE has climbed from 47th on the World Bank's 'Ease of Doing Business' Index to 11th in 2018.

One reason for Dubai's success has been the government's efforts to improve the conditions necessary to support and boost international business and investment. Acknowledging the importance of the real estate market to the domestic economy, and to the wider UAE, the government has sought to embed international standards of best practice in numerous areas, from property measurement and construction cost benchmarking to professional ethics and, now, valuation.

The Emirates Book supports valuers in Dubai by providing clear instructions on how they can work in compliance with both the local Dubai law and the International Valuation Standards.



"Global investors are looking to put their money and business in transparent markets where the information available to them is trustworthy and comparable with other countries. In the case of Dubai, we have sought to ensure that valuation data – a critical source of information in any investment decision – is exactly that: reliable and comparable. Investors into Dubai are already familiar with valuation approaches in Singapore, Hong Kong, London, New York and throughout the world. Our aim has been to ensure that the standards here are robustly applied and consistent with international best practice."

Mohamad Al Dah

Dubai Land Department

REPORT FROM THE CHAIR OF THE ADVISORY FORUM WORKING GROUP



John Martin
Chair of the Advisory Forum Working Group

“The primary role of the AFWG is to provide a facility for IVSC member organisations to contribute, collectively, to the development and promulgation of the IVS.”

For the last three years the Advisory Forum Working Group (AFWG) has focused on obtaining agreement from national standard setters on the wording of a single set of International Valuation Standards. The underlying thrust of this action is, firstly, to obtain global recognition of IVS and, secondly, to promote a unified valuation profession that has for decades undersold itself and not received the recognition as a profession it deserves.

As emphasised in last year’s annual report, adoption of IVS is not about replacing existing national standards. The focus is on the consistent application of a single set of agreed international valuation principles that sit side by side with national standards, but which give consistency across international markets.

To fast-track the ‘Adoption 2020’ project, the AFWG initiated a meeting of the technical writers of the US standard setter (responsible for the USPAP), the Canadian standard setter (responsible for the CUSPAP) and IVS to meet and identify the differences between the respective valuation standards. These roundtable discussions have been extremely worthwhile, enabling the technical writers to identify and clarify any significant differences.

In addition to identifying several areas of discrepancy, the project has helped to highlight the close alignment between the standards today. All three are in fact very similar and the same opinion of value can be derived when relying on each.

Following extensive discussions and a review of the standards, a position paper was prepared in July summarising the outcomes that the AFWG believes will enable the adoption of a single set of agreed IVS. Importantly, this paper considered what was practically achievable in the near term, and what would be acceptable to IVSC member organisations. Later this year, at the

IVSC AGM in Singapore, the AFWG will present an update on the project to the many member organisations in attendance.

In the meantime, case studies of VPOs who have adopted IVS are being made available to members in the Advisory Forum section of the IVSC website. These case studies are being developed by the AFWG in order to support organisations in their efforts to adopt IVS. They draw on a range of examples from around the world and provide insights on the different approaches taken. It is the AFWG’s hope that these case studies will assist others to incorporate international standards into their own rules and guidance for valuers.

The primary role of the AFWG is to provide a facility for IVSC member organisations to contribute, collectively, to the development and promulgation of the IVS. To this end we have been working with members to provide feedback to the IVSC’s technical boards in areas ranging from business valuation consultations, to the use of AVMs in tangible asset valuation. Engagement between the AFWG and IVSC members has improved further over the last year. However, we are keen to see greater levels of input to consultations and other initiatives and will be looking at mechanisms to enhance this engagement in the year ahead.

Paul Olscamp, an original member of the AFWG, retired at last year’s AGM and we thank him for his tireless efforts and input over 10+ years, as well as the AIC for supporting Paul. During the year Mark Wally (RICS) resigned and was replaced by Neil Shah. We also thank Mark for his time and effort.

In addition, I thank the respective VPOs who fund their representatives to participate in the activities of the AFWG. Without their support our ability to collaborate across so many diverse

and important organisations would not be possible.

In June 2018 we welcomed new AFWG members Hypzert (Germany), represented by Reiner Lux, and TAQEEM (Saudi Arabia), represented by Muath Alkhalaf, bringing the total number of AFWG members to 14 representing RE and BV across the globe.

Finally, my sincere thanks to all of the members of the AFWG for their time, commitment and dedication to the valuation profession.

ADVISORY FORUM WORKING GROUP

John Martin

Chair

Australian Property Institute

Igor Artemenkov

Russian Society of Appraisers

Jack Beckwith

American Society of Appraisers

David Bunton

The Appraisal Foundation

KK Chiu

Hong Kong Institute of Surveyors

Neil Shah

Royal Institution of Chartered Surveyors

Leandro Escobar Torres

Asociación Profesional de Sociadades de Valoración (ATASA)

Molefi Kubuzie

South African Property Valuers Association

Karin Lusnic

Slovenian Institute of Auditors

Chen Ming Hai

China Appraisal Society

Leslie Sellers

Appraisal Institute

Gilles de Courcel

Fédération Française des Experts en Evaluation

Case study

IVSC WORKS WITH APEC COMMUNITY TO FURTHER VALUATION STANDARDS

In 2016 the IVSC was asked by APEC finance ministers to lead a bold initiative aimed at enhancing valuation practices through the widespread use of IVS across the APEC region.

The initiative is a tripartite venture between the Asia-Pacific Economic Cooperation (APEC), the Asia Business Advisory Council (ABAC) and the IVSC. APEC and ABAC have been keen to reinforce the financial architecture in the region following the financial crisis in 2008, following which value and valuation were found to be major contributors to the fallout that ensued. The IVSC, as the standard setter, was asked to take a lead role in assisting in bringing about the changes and improvements required.

A Working Group comprising leading senior professionals from around the region was established, with the group's first task to undertake a thorough audit across the 21 economies that make up APEC, to establish what valuation infrastructure and standards were in place and to identify areas where there was potential for improvement and enhancement. That exercise was completed in 2018 and the results submitted to APEC, following which the Working Group is now in the midst of engaging with VPOs, regulators and stakeholders across the region to identify where and how it can help to address the challenges that were identified.

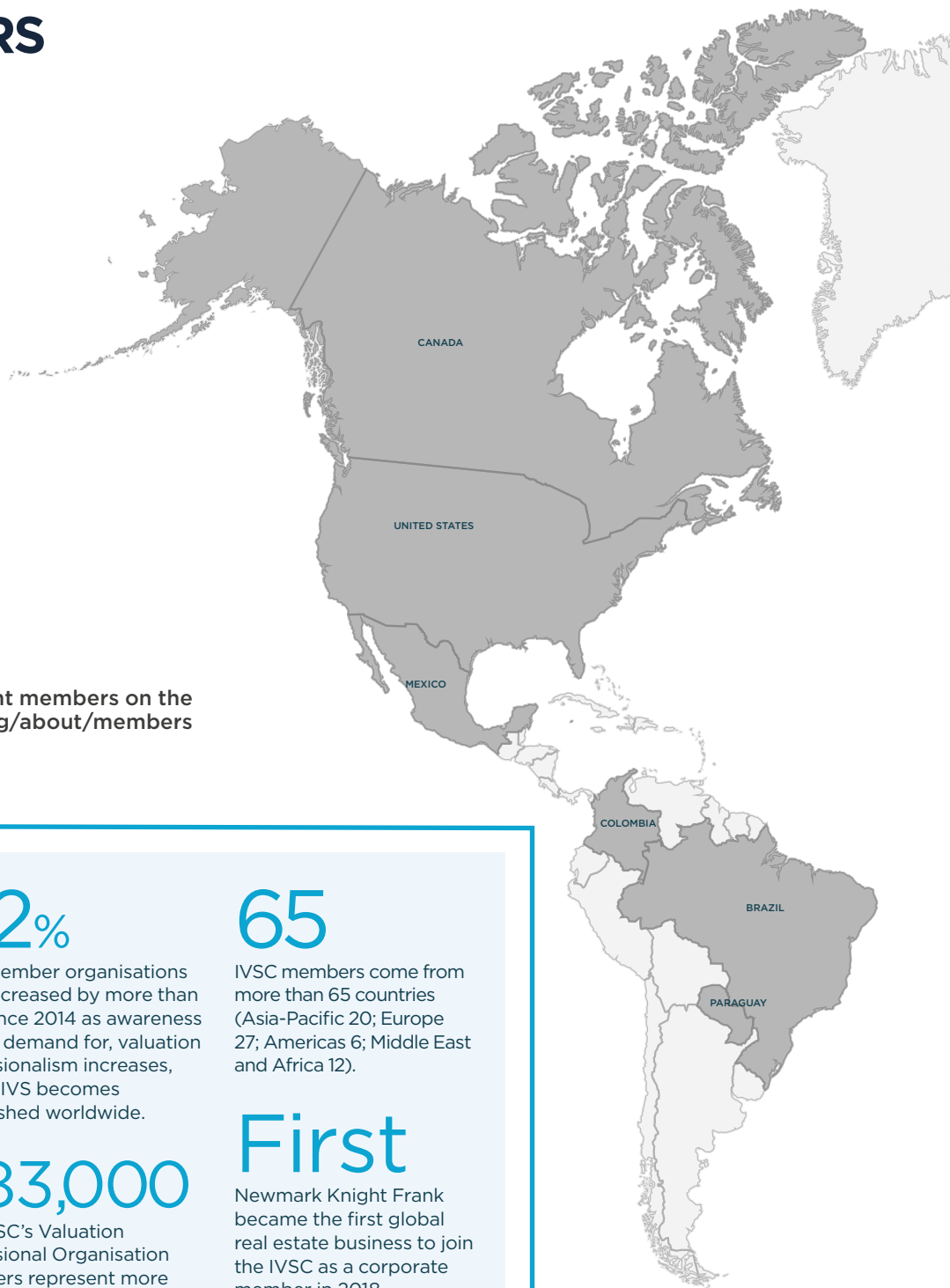
As a result of this project, IVS is becoming established as the core valuation standard throughout the region. In 2019 it was adopted through new laws in the Philippines and, elsewhere, its adoption has been advanced through market engagement initiatives including high-profile roundtable discussions in Japan, Hong Kong, Malaysia and Singapore.



IVSC MEMBERS

We have members headquartered in 66 countries and operating in more than 130. Our members include national, regional and international organisations.

► View a full list of our current members on the IVSC website: www.ivsc.org/about/members



50

organisations have joined the IVSC over the last three years, with 25 new members approved in 2018-19. There are now more than 140 member organisations.

21

The IVSC approved new members from 21 countries in 2018-19.

102

Our members are focused on different areas of the valuation profession: 102 member organisations have a focus on real estate and tangible asset valuation; 75 have a focus on business valuation; and 29 on financial instruments valuation.

82%

New member organisations have increased by more than 80% since 2014 as awareness of, and demand for, valuation professionalism increases, and as IVS becomes established worldwide.

383,000

The IVSC's Valuation Professional Organisation members represent more than 383,000 qualified professionals worldwide.

8

IVS 2017 is currently translated into 8 different languages, including Chinese, Arabic, German, Russian and Czech, with a further 10 in the pipeline, including Spanish, Japanese and French.

65

IVSC members come from more than 65 countries (Asia-Pacific 20; Europe 27; Americas 6; Middle East and Africa 12).

First

Newmark Knight Frank became the first global real estate business to join the IVSC as a corporate member in 2018.

25

The IVSC's standards boards convene leading experts from 25 countries and 6 continents.

127

IVSC eNews reaches an audience of 11,000+ senior valuation, business, finance, and regulatory leaders in 127 countries.



The IVSC also has a number of regional and international member organisations with a presence, or members, in many other countries.



MEMBER ORGANISATIONS

2018-19

Al Asmakh Real Estate
Alliance Manchester Business School,
The University of Manchester
Altaqem
American Institute of Certified Public
Accountants
American Society of Appraisers
Appraisal Institute
Appraisal Institute of Canada
Asociación Profesional de Sociedades
de Valoración
Asociación Española de Análisis de Valor
Association of Certified Appraisers Bosnia
Herzegovina
Auctioneers & Valuers Association
of Australia
Australian Institute of Business Brokers
Australian Property Institute
Australian Valuers Institute
Azerbaijan Society of Appraisers
BDO
Belarusia Society of Valuers
Bloomberg
Bosnian & Herzegovinian Property
Association
Brand Finance
Bureau for Court Expertise, Republic
of Macedonia
Business Valuation Resources
Canadian Institute of Chartered Business
Valuators
CFA Institute
Chamber of Independent Appraisers
Bulgaria
Chamber of Professional Valuers Bulgaria
Chamber of Valuation of the Republic
of Macedonia
Chamber of Valuers of Montenegro
Chartered Accountants of Australia and New
Zealand
Chartered Valuers Association of India
China Appraisal Society
Consiglio Nazionale dei Dottori
Commercialisti e degli Esperti Contabili
Consiglio Nazionale Geometri Italy
Costa Rican Valuation Institute
Council of Valuers' Associations of Eurasia
Croatian Society of Valuers/Appraisers
Deloitte
Department of Municipal Affairs, Emirate
of Abu Dhabi
Dept. of Land and Real Estate Regulation,
Government of Ajman
Duff & Phelps
Estate Surveyors and Valuers Registration
Board of Nigeria
European Association of Certified Valuators
and Analysts
Expertise Institute for Valuation of Assets
of Georgia
EY
Federación de Colegios de Valuadores, A.C.
Federation Francaise des Experts en
Evaluation

Financial Reporting Council of Bangladesh
Finnish Association for Real Estate Valuation
Fondazione Organismo Italiano di
Valutazione
Grant Thornton
Greater China Appraisal, Hong Kong
Hong Kong Institute of Surveyors
Houlihan Lokey
HypZert GmbH
INDAABIN
Independent Valuers Society of Georgia
Indonesian Society of Appraisers
Institute of Certified Accountants of
Montenegro
Institute of Chartered Accountants in
England & Wales
Institute of Chartered Accountants of India
Institute of Chartered Valuers, Bangladesh
Institute of Company Secretaries of India
Institute of Cost Accountants of India
Institute of Philippine Real Estate Appraisers
Institute of Real Property Valuers in Rwanda
Institute of Surveyors of Uganda
Institute of Valuers & Appraisers of
Singapore
Institute of Valuers of Sri Lanka
Institution of Surveyors of Kenya
Institution of Valuers India
Instituto Brasileiro Avaliadores
International Association of Assessing
Officers
International Association of Certified
Valuation Specialists
International Finance Corporation
International Institute of Business Valuators
Israel Real Estate Appraisers Association
Japan Association of Real Estate Appraisers
Japanese Institute of Certified Public
Accountants
KAF Institute
Korea Appraisal Board
Korean Association of Property Appraisers
Korean Institute of Certified Public
Accountants
KPMG
Latvian Association of Appraisers
Leventhal School of Accounting, University
of Southern California
Malaysian Institute of Accountants
Ministry of Land Reform Namibia
Mongolian Institute of Certified Appraisers
Mynarski International
National Association of Valuers of Serbia
National Academy of Higher Training, Saudi
Arabia
National Association of Romanian Valuers
National Council for Real Estate Investment
Fiduciaries
National Research University Higher School
of Economics Moscow, Institution for Tax
Management and Real Estate Economics
Newmark Knight Frank
Nigerian Institute of Estate Surveyors and
Valuers

Norges Takseringsforbund
NRVT
Office of the Valuer General, South Africa
Panamerican Union of Valuation
Associations
Philippines Association of Realty Appraisers
Philippines Bureau of Local Government
Finance
Practising Valuers Association of India
Price Management Dept, Ministry of Finance,
Vietnam
Property Institute of New Zealand
PwC
Real Estate Development and Management,
Ankara University
Real Estate Institute of Botswana
Real Estate Regulatory Authority, Bahrain
Registro Nacional de Avaluadores Columbia
Republican Chamber of Appraisers of
Kazakhstan
Royal Institution of Chartered Surveyors
Royal Institution of Surveyors Malaysia
Russian Ministry of Economic Development
Russian Society of Appraisers
Samfundet för fastighetsekonomi
i Sverige AB
Saudi Authority for Accredited Valuers
(Taqem)
Self-Regulated Inter-regional Appraisers
Association Russia
Shanghai Orient Appraisal Company
Singapore Institute of Surveyors and Valuers
Singapore University of Social Sciences
Slovenian Institute of Auditors
Société Générale
South African Council for Property Valuers
Profession
South African Institute of Valuers
Sri Lanka Accounting & Auditing Standards
Monitoring Board
Swiss Institute of Real Estate Appraisal
Taqem Real Estate Appraisal Centre
Techno India University
Thai Valuers Association
The Appraisal Foundation
The Authority of Audit, Accounting,
Property Valuation and Insolvency,
Lithuania
The Chamber of Professional Independent
Appraisers, Kazakhstan
Turkish Appraisers Association
Ukrainian Federation of Appraisers of
Business and Intellectual Property
Ukrainian Society of Appraisers
Union of Economists of Turkmenistan
University of Malawi
Valuers & Experts Professional Development
Centre

LIST OF ACRONYMS

ACCA	Association of Chartered Certified Accountants
AFWG	Advisory Forum Working Group (IVSC)
AI	Artificial intelligence
AIC	Appraisal Institute of Canada
AICPA	American Institute of Certified Public Accountants
APEC	Asia-Pacific Economic Cooperation
API	Australian Property Institute
ASA	American Society of Appraisers
ASEAN	Association of South East Asian Nations
ATASA	Asociación Profesional de Sociadades de Valoración
AVA	ASEAN Valuers Association
BV	Business valuation
BVB	Business Valuation Board (IVSC)
CAS	China Appraisal Society
CBV	Chartered Business Valuator
CICBV	Canadian Institute of Chartered Business Valuators
DfID	Department for International Development (UK government)
EMA	Europe, Middle East and Africa
EY	Ernst & Young
FI	Financial instrument
GAA	Global Accounting Alliance
GDP	Gross domestic product
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFC	International Finance Corporation (World Bank Group)
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INDAABIN	El Instituto de Administración y Avalúos de Bienes Nacionales (Mexico)
IOSCO	International Organisation of Securities Commissions
ITC	Invitation to Comment
IVAS	Institute of Valuers and Appraisers of Singapore
IVS	International Valuation Standards
IVSC	International Valuation Standards Council
JLL	Jones Lang LaSalle
M&A	Mergers and Acquisitions
MoU	Memorandum of Understanding
MSRB	Membership and Standards Recognition Board
OIV	Organismo Italiano di Valutazione
PCAOB	Public Company Accounting Oversight Board (US)
PINZ	Property Institute of New Zealand
PwC	PricewaterhouseCoopers
REITs	Real Estate Investment Trusts
RICS	Royal Institution of Chartered Surveyors
SEC	Securities and Exchange Commission (US)
SRB	Standards Review Board (IVSC)
S&P	Standard & Poor's
TAB	Tangible Assets Board (IVSC)
UPAV	Union of Pan-American Valuers
USPAP	Uniform Standards of Professional Appraisal Practice (US)
VPO	Valuation professional organisation
WAVO	World Association of Valuation Organisations

FINANCIAL STATEMENTS

CONTENTS

- 31 Trustees' Report
- 32 Trustees and Professional Advisors
- 33 Statement of Trustees' Responsibilities
- 34 Independent Auditor's Report
- 36 Income Statement
- 36 Statement of Changes in Equity
- 37 Statement of Financial Position
- 38 Statement of Cash Flows
- 39 Notes to the Financial Statements

TRUSTEES' REPORT

YEAR ENDED 31 MARCH 2019

The Trustees present their report and financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

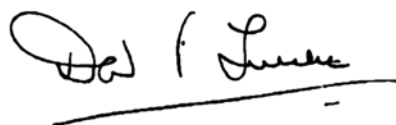
In so far as the Trustees are aware:

- ▶ 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

Crowe U.K. LLP has indicated its willingness to be reappointed.

Approved and authorised for issue on 28 June 2019 by the Board of Trustees and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'David Tweedie', with a horizontal line underneath.

Sir David Tweedie
Chair

TRUSTEES AND PROFESSIONAL ADVISORS

Company registration number FC030067

The Board of Trustees

Sir David Tweedie (Chair)
Ethiopsis Tafara (Vice Chair)
Kathleen Casey
Anton Colella
Ana Maria Elorrieta
Jay E Fishman
Mark Gerold
Zhang Guochun
Alan Johnson
Christian Mouillon
Iseo Pasquali
Tom Seidenstein
Howard Wetston
Tatsumi Yamada

IVSC Audit Committee

Christian Mouillon (Chair)
Alan Johnson
Tom Seidenstein
Tatsumi Yamada

Registered office

200 W. Madison Street, Suite 1500
Chicago, Illinois, 60606
United States of America

Operating office

4 Lombard Street
London
EC3V 9AA
United Kingdom

Auditor

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

Bankers

HSBC Bank PLC
Sussex Corporate Banking Centre
1st Floor, First Point
Buckingham Gate
London Gatwick Airport
Gatwick
West Sussex
RH6 0NT
United Kingdom

STATEMENT OF TRUSTEES' RESPONSIBILITIES

YEAR ENDED 31 MARCH 2019

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

The Bylaws of the IVSC require Trustees to be responsible for the preparation of the 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 IVSC'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 IVSC's financial position and financial performance; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the IVSC 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 IVSC. They are also responsible for safeguarding the assets of the IVSC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES OF THE INTERNATIONAL VALUATION STANDARDS COUNCIL YEAR ENDED 31 MARCH 2019

OPINION

We have audited the financial statements of the International Valuation Standards Council (IVSC) for the year ended 31 March 2019 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 14, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the IVSC's affairs as at 31 March 2019 and of its surplus for the year then ended; and
- ▶ have been properly prepared in accordance with IFRSs as adopted by the IASB.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the IVSC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the IVSC's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustees' responsibilities statement set out on page 33, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the IVSC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the IVSC or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

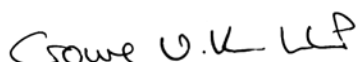
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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 IVSC's 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.



Crowe U.K. LLP
Statutory Auditor
London

1 July 2019

INCOME STATEMENT

YEAR ENDED 31 MARCH 2019

		2019	2018
Income	Notes	£	£
	3	1,407,487	1,424,099
Standard setting and professional development	4	(1,264,340)	(1,208,241)
Publications and associated costs		(17,501)	(81,066)
OPERATING SURPLUS BEFORE TAX	4	125,646	134,792
Tax expense		-	-
SURPLUS FOR THE YEAR		125,646	134,792

There was no other comprehensive income for the year.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2019

	Retained surplus	Foreign exchange reserve	Total
	£	£	£
Balance at 1 April 2017	479,619	70,352	549,971
Total recognised surplus for the year	134,792	-	134,792
Balance at 31 March 2018	614,411	70,352	684,763
Balance at 1 April 2018	614,411	70,352	684,763
Total recognised surplus for the year	125,646	-	125,646
Balance at 31 March 2019	740,057	70,352	810,409

The notes on pages 39 to 45 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
TOTAL ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	1,222	2,634
CURRENT ASSETS			
Inventories		2,543	2,612
Trade and other receivables	10	464,333	341,477
Prepayments and accrued income		32,106	31,825
Cash and cash equivalents	11	585,992	664,034
		1,086,196	1,042,582
CAPITAL AND RESERVES			
Retained surplus	13	740,057	614,411
Foreign exchange reserve	13	70,352	70,352
CURRENT LIABILITIES			
Deferred income		102,387	110,347
Trade and other payables	12	173,400	247,472
TOTAL EQUITY AND LIABILITIES		1,086,196	1,042,582

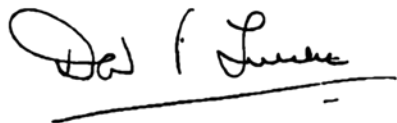
The notes on pages 39 to 45 form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Total operating surplus/(deficit)	125,646	134,792
Depreciation	1,412	1,396
Disposal of equipment	-	119
Decrease/(increase) in inventory	69	(372)
(Increase) in trade and other receivables	(125,516)	(118,568)
Decrease in prepayments	2,379	19,555
(Decrease)/increase in deferred income	(7,959)	11,966
(Decrease)/increase in trade and other payables	(74,073)	85,699
CASH FLOWS FROM OPERATING ACTIVITIES	(78,042)	134,587
Purchase of property, plant and equipment	-	(3,258)
CASH FLOWS FROM INVESTING ACTIVITIES	-	(3,258)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(78,042)	131,329
Opening cash and cash equivalents	664,034	532,705
CLOSING CASH AND CASH EQUIVALENTS	585,992	664,034

The financial statements on pages 36 to 38 were approved by the Board of Trustees and have been authorised for issue on 28 June 2019 and were signed on its behalf by:



Sir David Tweedie
Chair

Company registration number: FC030067

The notes on pages 39 to 45 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

1. Authorisation of financial statements and statement of compliance with IFRS

The International Valuation Standards Council was incorporated on 1 April 2004 as a not-for-profit corporation in Illinois, USA.

The IVSC was registered on 15 February 2011 under the Companies Act 2006, with company registration number FC030067, as having a UK establishment in the United Kingdom.

BASIS OF PREPARATION

The IVSC'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 IVSC are set out in note 2. The policies have been consistently applied to all years presented, unless otherwise stated.

The IVSC has applied the following standards for the first time for their annual reporting period commencing 1 April 2018:

- ▶ IFRS 9 Financial Instruments
- ▶ IFRS 15 Revenue from Contracts with Customers

The IVSC has considered the impact of IFRS 15 with regards to its revenue recognition policies (as stated below). The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The IVSC identified that an insignificant number of publications sales are affected by the new standard, moreover the amounts involved in these transactions are minimal. The IVSC has also considered the impact of IFRS 9, which has resulted in the implementation of additional procedures regarding the calculation of potential impairments of financial assets as described further in note 2 below.

The above standards did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Accounting policies

INCOME RECOGNITION

Income is recognised to the extent that it is probable that the economic benefits will flow to the IVSC 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.

Income relating to sponsorship periods which fall beyond the financial year end are recognised as deferred income.

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 control of ownership of the goods has 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 IVSC 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 IVSC 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019 continued

2. Accounting policies continued

TAX

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

PROPERTY, PLANT 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 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.

IMPAIRMENT OF FINANCIAL ASSETS

The IVSC has two types of financial asset which are subject to IFRS 9's new expected credit loss model:

- ▶ Trade receivables for sponsorships, donations, memberships, grants and publications
- ▶ Other receivables

The IVSC has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all relevant receivables. On adoption of this policy there were no material adjustments to be made other than those referenced in note 10 below.

STANDARDS IN ISSUE NOT YET ADOPTED

The IVSC has identified that the following standards that are in issue, but not yet adopted, are relevant for the IVSC's circumstances:

Effective for the accounting period commencing 1 April 2019:

- ▶ IFRS 16 Leases

The IVSC has considered the requirements of the standard and how it should be applied. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The IVSC has reviewed the current accounting policies and, as a result of the lease term being short-term (within one year), they consider that the IVSC is exempt from the adoption of IFRS 16 and will therefore not have a material impact in the current or future reporting periods and on foreseeable future transactions.

3. Income

	2019	2018
	£	£
Donations, sponsorships and grants	1,018,422	1,089,812
Membership subscription fees	269,902	228,525
Publications and related activities	118,314	105,351
Other income	849	411
	1,407,487	1,424,099

4. Operating surplus/(deficit)

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

	2019	2018
	£	£
Depreciation of property, plant and equipment	1,412	1,396
Net foreign currency (gains)/losses	(44,731)	95,078
Inventory recognised as an expense	69	(372)
Rental expense	49,144	61,545
Auditor's remuneration – audit services	12,300	12,000

	2019	2018
	£	£
Included in standard setting and professional development:		
Employee benefits expense	637,053	538,249
Depreciation and amortisation	1,412	1,396
Net foreign currency (gains)/losses	(44,731)	95,078

5. Employee expenses

	2019	2018
	£	£
Wages and salaries	543,287	448,018
Post-employment expense for defined contribution plans	32,349	34,544
National insurance costs	61,417	55,687
	637,053	538,249

KEY MANAGEMENT COMPENSATION

During the period the key management personnel comprised the Chair and Chief Executive Officer. Their aggregate remuneration for the year ended 31 March 2019 was £323,525 (2018: £297,375).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019 continued

6. Fixtures, fittings and equipment

	Computer equipment
	£
COST	
At 1 April 2017	19,427
Additions	3,258
Disposals	(17,636)
To 31 March 2018	5,049
Additions	-
Disposals	-
TO 31 MARCH 2019	5,049
DEPRECIATION	£
At 1 April 2017	18,536
Charge for the year	1,396
Disposals	(17,517)
To 31 March 2018	2,415
Charge for the year	1,412
Disposals	-
TO 31 MARCH 2019	3,827
NET BOOK VALUE	£
At 31 March 2017	891
At 31 March 2018	2,634
AT 31 MARCH 2019	1,222

7. Financial risk management objectives and policies

The operations of the IVSC expose the IVSC to a number of financial risks. Management continuously monitors these risks with a view to protecting the IVSC 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 IVSC defines the capital that it manages as the IVSC's retained surplus. The IVSC's objectives when managing capital are:

- ▶ to safeguard the IVSC'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 IVSC's reserves policy is to hold a minimum of £350,000 as cash or cash equivalents to meet the IVSC'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.

CREDIT RISK

The IVSC generates revenue principally from recognised entities and institutions. The IVSC's exposure to credit risk arises from payment default. The IVSC carries out regular checks on outstanding balances to ensure the risk of exposure to bad debts is minimised. When calculating its impairment provision, the IVSC assesses, on a forward-looking basis, the expected credit losses associated with its financial assets. For trade receivables, the IVSC applies the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

LIQUIDITY RISK

The Board of Trustees is responsible for liquidity management.

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

7. Financial risk management objectives and policies continued

INTEREST RATE RISK

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

While the majority of IVSC's costs are in Sterling, the majority of the receivables are denominated in US Dollars and are therefore exposed to changes in the underlying exchange rates applicable upon initial recognition, subsequent measurement and/or settlement. To mitigate this exposure the IVSC transfers amounts received to the British Sterling account as soon as practically possible. With the same aim, the IVSC will also issue invoices to non-US based members and sponsors in GBP Sterling from April 2019. The IVSC also aims to retain sufficient US Dollar funds to cover any US Dollar denominated expenses.

8. Financial assets and liabilities

	Carrying amount		Fair value	
	2019	2018	2019	2018
	£	£	£	£
FINANCIAL ASSETS				
UK £ Current Account 1	371,069	450,056	371,069	450,056
UK £ Current Account 2	103,939	45,874	103,939	45,874
UK £ Current Account 3	2,819	4,635	2,819	4,635
US \$ Current Account	108,122	163,426	108,122	163,426
Cash	43	43	43	43
Trade and other receivables	464,333	341,477	464,333	341,477
FINANCIAL LIABILITIES				
Trade and other payables	(173,400)	(247,472)	(173,400)	(247,472)

9. Related party transactions

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:

Jay E Fishman	(Committee member, American Society of Appraisers),
Mark Gerold	(Director of Valuation, Modelling and Economics, Ernst & Young),
Zhang Guochun	(Secretary General, China Appraisal Society),
Christian Mouillon	(Global Senior Advisor, Duff & Phelps),
Ethiopia Tafara	(Vice President and General Counsel, Legal, Compliance Risk and Sustainability, IFC),
Iseo Pasquali	(Chief Business and Financial Officer, Deloitte)

No Trustees other than the Chair are remunerated but they are reimbursed for out-of-pocket expenses incurred while undertaking work on behalf of the International Valuation Standards Council.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019 continued

10. Trade and other receivables

	2019	2018
	£	£
Receivable from sponsors and members	453,656	333,456
Other receivables	6,678	7,774
Other receivables – VAT	3,999	247
	464,333	341,477

Amounts receivable from sponsors and members are non interest bearing. The ageing of the amounts receivable from sponsors and members is as follows:

	2019	2018
	£	£
0-30 days	1,820	42,828
31-60 days	-	53,539
61-90 days	39,123	-
Greater than 90 days	412,713	237,089
	453,656	333,456

As stated under currency risk the IVSC invoices the majority of its receivables in US Dollars and is therefore exposed to exchange rate volatility as they are not hedged. Of the above debts, 98.9% (2018: 95.5%) was invoiced in US Dollars and the remaining 1.1% (2018: 4.5%) in GBP Sterling.

Trade receivables are shown net of bad debts and lifetime expected loss provision. The total impairment charge for the year amounts to £43,367 (2018: £30,702).

11. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank	585,992	664,034

The US \$ account was revalued at the closing rate of 1.30234 (2018: 1.40084).

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

12. Trade and other payables

	2019	2018
	£	£
Payable to trade suppliers	68,088	64,492
Other payables	3,618	20,577
Accrued liabilities	31,527	136,833
Tax payable – PAYE & NI	70,167	25,570
	173,400	247,472

13. Reserves

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

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 2016.

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 for staffing as follows:

POSITION	TIME CONTRIBUTED	SPONSOR	DURATION
Technical Director	1.5 days per week	KPMG	Apr 2018 to Mar 2019
Technical Director	1 day per week	EY	Apr 2018 to Mar 2019
APEC Leader	1 day per week	PPS Ltd	Apr 2018 to Mar 2019
Technical Support	1 day per week	AICPA	Dec 2018 to Mar 2019
Technical Support	1 day per week	Bloomberg	Mar 2019
Technical Support	1 day per week	Duff & Phelps	Aug 2018 to Mar 2019

NOTES

TELEPHONE

+44 (0)20 3968 5502

EMAIL

contact@ivsc.org

WEBSITE

www.ivsc.org

ADDRESS

IVSC
4 Lombard Street
London
EC3V 9AA
United Kingdom