

**International Valuation
Standards Council**



Annual Report

2011 – 2012



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INTRODUCTION

Welcome to the International Valuation Standards Council's 2011-2012 Annual Report. As the established international standard setter for valuation, the IVSC develops and maintains standards for the reporting and disclosure of valuations, especially those that will be relied upon by investors and other third party stakeholders in financial statements or other published documents. The IVSC also supports the need to develop a framework of guidance on best practice for the valuation of the various classes of assets and liabilities. The IVSC further promulgates the consistent delivery of the standards by properly trained professionals around the globe.

2012 KEY ACHIEVEMENTS

- Launch of IVSONline
- Technical information papers published on Discounted Cash Flow, Cost Approach for Tangible Assets and Valuation of Intangible Assets published
- A Competency Framework for Professional Valuers and a Code of Ethical Principles published
- Exposure Drafts published on the Valuation of Specialised Public Service Assets, Valuation of Commercial Forests, the Valuer's Guide to the Audit Process, Valuation Certainty and Procedural Guidance for Fairness Opinions
- Discussion Papers on Valuation of Investment Property, Trade Related Properties and Extractive Industries published
- Election of Sir David Tweedie as Chair of the IVSC
- Member of the Professionalism and Standards Task Force (PSTF) of regulated professions and industries that contributes to the deliberations of the G-20
- Memorandum of Understanding with International Federation of Accountants (first signed in 2009) renewed
- Continued growth of IVSC membership and the organisation's worldwide reach



GLOBAL LEADERSHIP: REPORT OF THE INTERIM CHAIRMAN, IVSC BOARD

Roel Campos, Interim Chairman,
IVSC Board of Trustees January 2012 – October 2012



It has been an honour for me to have acted as Interim Chair of the IVSC since January. Our previous and indeed first Chair of the restructured IVSC, Michel Prada, left us at the beginning of the year as a consequence of his appointment as Chairman of the Trustees at the International Financial Reporting Standards (IFRS) Foundation. Michel was a dedicated advocate of the need to develop international valuation standards and guidance to improve the quality and reliability of valuations globally. During his three year leadership, Michel greatly enhanced the global stature of the IVSC, working with the international financial institutions, regulators, national governments and IVSC member bodies and sponsors to broadcast the message of the importance of international valuation standards. We are very proud that one of ours was appointed to this very significant role at the IFRS Foundation and we quickly took the opportunity to hold a meeting with Michel in his new role, thereby strengthening the relationship between the IVSC and the IFRS Board and establishing a more formal relationship between the two organisations.

This year one of my key tasks, if not the key task, has been to Chair the IVSC nominating committee, responsible for finding Michel's replacement. We were delighted to announce at the end of September that Sir David Tweedie had been appointed as Chairman-elect, having Chaired the International Accounting Standards Board from 2000 to 2011. Sir David was formally elected Chairman at the 2012 Annual General Meeting held in October in Milan. Sir David has been one of the most influential players on the global financial stage in the last 10 years. Unafraid to ruffle feathers in defence of well-founded principles, he is committed to shaping and reshaping valuation to be a truly global and reputable profession that can hold its head up high in the financial sector. I know that Sir David is looking forward to assisting the establishment of a more robust and fully recognised global valuation profession.

The IVSC must, and will, consolidate its role as the global advocate on behalf of the profession and increase activity designed to establish a more coherent global valuation profession.

DEVELOPING THE VALUATION PROFESSION GLOBALLY

A key issue that came to the fore during the latter part of 2011 was the need for the IVSC to address the development of the global valuation profession.

The IVSC has made significant strides in developing International Valuation Standards and guidance. The IVSC must ensure that users have confidence not only that there are common technical standards in place, but also that a common professional infrastructure for their proper delivery exists.

Gaps in the regulation of the profession and the consequences of those gaps were identified by the IVSC in its contribution to the report of the Private Sector Task Force (PSTF) to the G20-Deputies last year. A clear message emerged from the IVSC members at the joint meeting between the Board of Trustees and the IVSC Advisory Forum, held last year in Hong Kong at the time of the 2011 AGM, where the need to do more to encourage the development of the valuation profession globally was highlighted. Subsequently, the Trustees asked the IVSC Professional Board to focus its agenda on this issue. The validity of this decision was confirmed by remarks by the then Deputy Chief Accountant of the US Securities and Exchange Commission (SEC) who, in late 2011, publicly stated disquiet at the fragmentation of the valuation profession in the US, and the lack of a single cohesive profession operating to common standards. There is no doubt that a similarly fragmented valuation infrastructure exists in many other countries. The lack of a coherent and consistent identity for the valuation profession creates both difficulties and risks. With no recognised common benchmark for becoming a professional valuer, individuals or firms with no formal training or credentials can describe themselves as such. It is therefore difficult for governments, financial regulators and those involved in the financial markets, to identify a single profession, or body, that can speak on valuation issues. The IVSC must, and will, consolidate its role as the global advocate on behalf of the profession and increase activity designed to establish a more coherent global valuation profession.

While the IVSC has to maintain independence from the profession in its standard setting role, this cannot apply to the same extent in its professional development role. The Professional Board will be working closely with the established professional organisations through the IVSC Advisory Forum. The members of the profession are at the front line of ensuring good quality work and the IVSC seeks to support their professional bodies in encouraging high standards and tackling any shortfall in conduct. The importance of the role of the IVSC Advisory Forum has been recognised by the Board of Trustees. The IVSC bylaws have been amended to give formal recognition to the role of Advisory Forums. April Mackenzie took on the role of Trustee Liaison and she, assisted by fellow trustee Lee Hackett, has worked closely with John Martin, Chair of the Forum, and members of the Forum Working Group to develop a work plan. I am delighted that a report from John Martin appears for the first time in the IVSC Annual Report.

INTERNATIONAL VALUATION STANDARDS (IVS)

A number of organisations have been granted permission to translate the IVS – including those in Bulgaria, China, Georgia, Italy, Japan, Lithuania, Mongolia, Poland, Romania, Russia, Serbia, Slovenia, Spain and Ukraine. Work is also underway by a grouping of organisations in Brazil and Portugal who are contributing to the development of an agreed translation into Portuguese. Additionally, an increasing number of requests are coming through to translate the Technical Information Papers. Late in 2011, the IVSC granted a licence to the RICS who now incorporate the IVS in full in the "Red Book". Permission was given to the South African Institute of Valuers (SAIV) to reproduce the IVS as SAIV National Standards.

The new IVSC subscription service – IVSonline – was launched on 5 December 2012, providing online access to all IVSC technical documents. Having adopted and endorsed the IVS, both the Australian Property Institute and Property Institute of New Zealand have started discussions as to how their members can be provided with access to IVSonline and we would encourage other IVSC members to do likewise.

RAISING THE PROFILE OF THE IVSC

In 2011 the IVSC was one of nine private sector organisations from professions and industries subject to regulation, including accounting, auditing, investment, banking, insurance, and related areas, invited to form a Task Force to report to the G20 on regulatory convergence in financial professions and industries. The Task Force’s report was delivered to the G20 Deputies on 30 September, well in advance of the Cannes Summit of heads of government taking place 3 and 4 November 2011. I represented the IVSC at a further meeting in March 2012 where an additional letter, containing an update to the original report, was agreed and sent to the current Mexican Presidency. The PSTF held a further meeting on 18 October where Sir David represented the IVSC. Discussion focused on the continuing relevance of the recommendations in the 2011 report; what, if any, new recommendations should be included; and how best to work with the Russian, and Australian, Presidencies of the G20 (in 2013 and 2014 respectively) to ensure that the voice of the PSTF was heard.

The global profile of the IVSC has been reinforced by its participation in the Task Force, with both valuation and the valuation profession receiving an increasing level of global attention.

The 2009 Memorandum of Understanding between the IVSC and International Federation of Accountants (IFAC) has been renewed for a further three years. This represents both an ongoing commitment by both signatories to strengthen their already close ties and a platform for further cooperation.

PROVIDING THE NECESSARY RESOURCES FOR A GROWING WORKLOAD

One of the major responsibilities of the Trustees is securing the necessary resources to operate the organisation effectively. This remains a challenge. We are only able to fund our operations through financial commitments made by seventeen organisations, listed later in this Report. Their support is pivotal to the success of our undertaking and the IVSC is extremely grateful for the very tangible measure of confidence placed in it by our sponsors. Without our sponsors, the IVSC would not be able to achieve its ambitious objectives. However, voluntary forms of financing and donations are a very unstable source of funding and the Board of Trustees has developed a discussion paper that seeks to establish a more stable, diversified and automatic funding model, which will be issued early in 2013.

NEW APPOINTMENTS

Following a public call for applications, the Board of Trustees appointed new members to the IVSC Boards. Mauro Bini, a professor at Bocconi University, Milan, Italy and Chairman of the Management Board of the Organismo Italiano di Valutazione (OIV) joined the Professional Board. Also joining the Professional Board is Jiang Wei, Professor and Head of the Department of Finance in the College of Economics at Shenyang University, China, and visiting research scholar both at Oxford University and Cambridge University. The Standards Board has two new members: Chris Stanley, a Director of Telfer Young in Canterbury, New Zealand, and Paul Hawkes, Managing Director at UBS where he is Head of Group Valuation Governance in Zurich. Paul previously served on the Professional Board and has joined the Standards Board as a result of the decision to concentrate expertise on the valuation of financial instruments due to the pressing need to issue technical guidance in this area.

IVSC MEMBERSHIP

IVSC membership continues to grow. The organisations below were welcomed into membership at the 2012 AGM. The number of organisations working together under the IVSC umbrella now stands at 78, representing 53 countries.

PROFESSIONAL VALUATION ORGANISATION MEMBERS:

- Association of Certified Appraisers in Bosnia and Herzegovina
- Croatian Society of Valuers
- Institute of Professional Valuers and Auctioneers Ltd, Ireland
- Namibian Institute of Valuers

INSTITUTIONAL MEMBERS:

- Abu Dhabi Municipality, Property Registration Section
- Chamber of Professional Valuers, Bulgaria
- Institute of Chartered Accountants of England and Wales
- E-Valuations Istituto di Estimo e Valutazioni, Italy
- Ministry of Economic Development of the Russian Federation
- Ukraine Federation of Appraisers of Business and Intellectual Property

WARMEST THANKS

The IVSC depends on the contributions and efforts from many people and organisations. We now have some 100 volunteers, professionals at the top of their game in various disciplines and industries, who work closely with the IVSC staff to deliver the work programme. I would also like to thank those many organisations and individuals who comment on the discussion papers and exposure drafts issued by the IVSC. These comments contribute enormously to the quality of our technical output.

As always we say goodbye to some whose terms of office as Board members come to an end. Jeff Harder and Nova Chan became members of the IVSC Standards Board in 2008. Both have been committed to ensuring the success of the Standards Board and played a significant role in the development of the 2011 edition of the International Valuation Standards. I am delighted that both Jeff and Nova have agreed to continue to be involved with the technical projects they are currently leading on behalf of the Board.

Brad Wagar completes his term as a member of the Professional Board. Brad’s involvement with the IVSC began in 2005 when he was appointed as the delegate for the Appraisal Institute of Canada. He has previously served on both the IVSC Management Board and the Standards Board. Brad was amongst those leading the IVSC who had the foresight to recognise the challenges facing the valuation profession and the need to restructure the IVSC to ensure it was able to meet those challenges. He was a member of the IVSC Governance Group that developed the restructuring proposals during 2006-2007 and then played an important role in ensuring the success of the ‘new’ organisation. Brad served as the first Chairman of the newly created Professional Board from 2008 to 2010, remaining as a Board member since then. On behalf of the IVSC, thank you Brad for your tremendous contribution and dedication to the organisation.

I must also thank my fellow Trustees who have provided me with much needed support during my time as Interim Chairman. I would also like to thank IVSC Executive Director, Marianne Tissier and IVSC Technical Director, Chris Thorne for their commitment to the achievement of the IVSC’s goals.

The achievements of the last twelve months have been considerable as the IVSC matures into a truly global standard-setting organisation. I, together with all IVSC members and sponsors, very much look forward to the future under the leadership of Sir David Tweedie.

REPORT OF THE CHAIRMAN, INTERNATIONAL VALUATION STANDARDS BOARD

Steven J Sherman
Chairman, International Valuation Standards Board



The IVSC Standards Board has had a very ambitious agenda for the past year and made significant progress in advancing its mission. You will recall that in the second quarter of 2011 we completed the Standards Improvement Project that had been the prime focus of the Board for the previous three years. The revised International Valuation Standards (IVS) have been very well received across the profession and by others, including regulators. Feedback I have received is almost entirely positive. We revised a book with over 400 pages to one of 128 pages that is principles based. Clarity and consistency were our themes.

With the revised IVS being distributed across the profession, leaders from the Standards Board joined counterparts from the Professional Board and the Board of Trustees in a series of meetings with regulatory bodies in the financial sector. Our objective was not only to promote the IVSC but to get their feedback on where there are regulatory issues around valuation that we can help to resolve.

Many prominent organisations have reached out to the IVSC during the year, inviting Board members to speak at their conferences. These included the Appraisal Foundation, the American Society of Appraisers, RICS Americas and the Pan Pacific Congress. Beyond meeting with regulatory officials and professional organisations, we expanded our focus on roundtable events to solicit ideas in various markets around the world. Roundtables have been held during the past year in Silicon Valley, Moscow, Hong Kong, Melbourne, Sydney and Sao Paulo. These Roundtables are an excellent opportunity to gain technical insights and to further promote the IVSC.

In 2010 and 2011 our colleagues on the Professional Board graciously took on a number of standards related projects because of an overload of activity at the Standards Board. These projects included Intangible Assets, Discounted Cash Flow and the Cost Approach. With the Improvement project behind us, the Board has resumed responsibility for the whole Technical agenda of the IVSC and has initiated or revived a number of projects during the course of the year.

Discussion Papers have been published and comments invited on Extractive Industries and Trade Related Property. Good progress has been made preparing a similar paper to explore the valuation of Liabilities. A Discussion Paper has been launched exploring issues of Investment Property. Comments are invited before 28 February 2013.

Exposure Drafts on Valuation Uncertainty and Commercial Forests have been released and comments have been invited on both before 15 February. The first follows on from an analysis of the comments received on a Discussion Paper issued in 2010. The forestry project was first looked at by the IVSC as long ago as 2005, but was taken on again by the Board in 2011 following reports of significant diversity of approach around the world being exposed by the need to value the biological asset separately under the International Financial Reporting Standards.

We also have two significant projects on financial instruments. The first is to develop guidance on credit and debit valuation adjustments. This is a topic that has been the cause of considerable controversy as it means that when banks and other financial institutions adjust the value of their liabilities to reflect any deterioration in their own credit status, the value of the liability reduces,

thus giving a paper increase in profit. It is not the job of the IVSC to comment on the merits of the accounting requirement but we do have a role to play in ensuring there is consistency in which these adjustments are approached and calculated. We expect to issue an Exposure Draft early in 2013.

Our other project in the financial instruments arena is to develop high level guidance on the principles of valuing derivatives, an area that also has come under considerable scrutiny in recent years. This is likely to be a phased project looking at the different classes of underlying asset, and we expect to approve the first Exposure Draft in the first quarter of 2013.

Finally, the Board has embarked on projects to update and clarify the current standards. Among other things it is proposed to make their application to valuation reviews more explicit, and to bring in more robust requirements relating to the reliance on third party information in valuations. The plan is to expose the proposed changes for comment early 2013 and approve these by mid-year.

In addition to the active projects summarised above, the Standards Board welcomes input regarding other potential projects. Ideas can be submitted through our website or by contacting one of our board members directly. The expanded efforts of the IVSC Advisory Forum are also expected to be a conduit to bring suggestions for future projects.

Another exciting development completed in December 2012 is the introduction of IVSonline, the new web-based publishing product that will give subscribers access to all the IVS, Technical Information Papers and other guidance issued by the IVSC. Whilst the books are still available, the web-based distribution of our pronouncements is a much more effective medium for a global organisation. IVSonline should make access to all materials and the growing body of supporting guidance much easier. The IVS themselves will continue to be available free of charge as basic pdf files from the website.

A challenge that faces us going forward is to encourage the wider adoption and recognition of the IVS. The Board will be working with the Trustees and Professional Board to develop a strategy to accelerate the recognition and adoption of the IVS around the world. We have commenced dialogue with other organisations that set valuation standards to encourage adoption or convergence with the IVS.

Although this process will take time, there is no doubt that the global profession will be stronger if it unites behind common standards.

Our agenda is extremely challenging, and the more so because our Board members are all active in the valuation profession and volunteer their time to the IVSC. I must also mention the many volunteer members of the Working Groups that advise the Boards. We currently have over 90 different specialists volunteering their time on Working Groups to help the Board develop projects. It is impossible to name them all but I would like to convey our thanks to them for their enthusiasm and support.

Every year there are a few changes in our Board as terms expire and new members join. Accordingly, I want to thank Nova Chan and Jeff Harder, both of whom will be leaving the Board at the end of their second term, for their outstanding service. They played a significant role in the Standards Improvement project. Nova has also led our project on Liabilities while Jeff has led the Extractive Industries project, and each will have a continuing involvement as these projects progress.

Joining the Board will be Chris Stanley and Paul Hawkes. Chris is a commercial real estate valuer from New Zealand who brings the benefit of experience across an interesting range of valuation challenges, including an appointment as Crown Valuer by the Canterbury Earthquake Recovery Authority. Paul has been a member of the Professional Board for the last year but given the technical nature of the work that is needed in the financial instruments space it was agreed that he would be better positioned on the Standards Board. Paul is Head of Group Valuation Governance at UBS in Zurich.

Our Board looks forward to an exciting year!

REPORT OF THE CHAIRMAN, INTERNATIONAL VALUATION PROFESSIONAL BOARD

Gregory Forsythe
Chairman, International Valuation Professional Board



It is my pleasure to report on the activities of the Professional Board over the last year. Having assisted the Standards Board in driving a number of technical projects forward over the previous three years, the major priority of 2011-2012 has been to refocus the Professional Board on leading professional development projects. I would like to thank the Professional Board members for their commitment and enthusiasm as we changed direction.

Comments made by the Securities and Exchange Commission (SEC) in the USA at the end of 2011 provided timely validation to the remit of the Professional Board. A senior official made a speech which complained about the fragmented nature of the valuation profession in the USA and the confusion caused by an apparent lack of common accreditation or professional standards. The SEC's focus at that time was limited to the field of business valuation in relation to valuations for financial reporting. Had their focus been wider, an even greater fragmentation would surely have been found. When major regulators, such as the SEC, make such comments, it appears fundamental that if the profession wishes to continue to be recognised as a profession and avoid further regulatory scrutiny, it must unite.

A key aspect of the Board's role in developing the valuation profession globally is to work closely with the established Valuation Professional Organisations around the world. I am particularly pleased with progress in this area over the last twelve months. John Martin has worked tirelessly on behalf of the Advisory Forum, and the formation last year of a Working Group has brought additional vitality to its work. It is important that we share both a sense of

ownership of projects aimed at developing a truly global profession and a belief that we can all make a positive contribution I would like to thank John on behalf of the Board for his work and look forward to our growing working relationship.

Many of the Board have been involved in outreach activities this year. These include conference speaking events, the IVSC's corporate roundtables, meetings with standard setters and regulators, and regular grassroots engagement with our increasingly important sponsors. All of these activities form yet another key aspect of the Professional Board's remit. We look forward to increasing these activities in the coming year and enhancing the profile, knowledge of, and support for our profession across the world.

While our focus has moved to professional development, the Board has also been busy during the last year concluding a number of technical projects. Indeed, the Board was responsible for the IVSC's first three Technical Information Papers – Discounted Cash Flow, Cost Approach and Intangible Assets – published during the last year. We are also well advanced with a project to produce guidance on the valuation of assets used to provide a public service. An Exposure Draft has been released and can be viewed on the IVSC website. Comments are invited before 15 February 2013. One of the defining characteristics of a profession is that its members conform to ethical principles of conduct. Following consultation documents compiled in each of the two previous years, the Board finalised and published the IVSC's Code of Ethical Principles for Professional Valuers in late 2011. Any Valuation Professional Organisation in membership of the IVSC should either follow this Code, or have its own Code that includes the principles in the IVSC Code. The Board sees this as a first, important step in both defining

the profession and increasing awareness that professional valuers are bound by common ethical standards.

The Board has recently finalised a Competency Framework for Professional Valuers, which was published in September 2012. This sets out at a high level the characteristics and competencies that define a professional valuer. It is recognised that at this stage this Framework has to be promotional and aspirational rather than prescriptive, because there are sectors and countries without formally organised professional bodies, and others where organisation is at an early stage. However, the intent is to provide a framework around which the profession can develop along common lines, which can be strengthened as this occurs.

The Board has also progressed two projects to produce guidance:

- The Role of The Professional Valuer in the Audit Process: An Exposure Draft was published in June 2012. In view of the increasing interest of audit regulators in valuations appearing in financial statements, the Board believes there is a need for this guidance to improve the quality of valuation advice provided when the values are required for financial reporting. The Board will be examining the comments received with interest and hopes to finalise its guidance by mid 2013.
- Procedural Guidelines for Fairness Opinions: An Exposure Draft was published in March 2012. This Guide was developed to enable a greater understanding of fairness opinions that are given on prospective corporate transactions. This is an area where the IVSC has a role to ensure that the interests of investors are protected because these normally include a valuation component. An interesting range of views was received on the draft but the Board is confident that these can be accommodated in finalising the project.

As illustrated, much has been produced over the past year and there is plenty of activity in the pipeline.

Without the expertise and commitment of the volunteers in the various Working Groups, it would not be possible for the Board to progress projects across so many different topics. I especially want to thank all those who have contributed to one of our Working Groups during the past year. Thanks also to our Executive and Technical Directors for their work in finding and managing such a talented array of valuation professionals across the world.

In concluding, I reiterate my comments at the outset around building the valuation profession globally. High on our agenda is the need to continue to enhance the increasingly effective working links with the profession's established institutions. We now have joint meetings with the Advisory Forum arranged and this should help foster the necessary collaboration. Collectively we need to continue to strive for ways for the Professional Board to be the flag bearer on global valuation professional development initiatives.

My closing comments recognise the changing of the guard in our board membership. Firstly a former Chairman of the Professional Board, Brad Wagar, is stepping down as he comes to the end of his second term. Brad has made a considerable contribution to the IVSC, not only to the Professional Board but also as one of the leaders of the restructuring of the organisation that took place in 2007 and 2008. Secondly, Paul Hawkes is taking his considerable talents to the Standards Board where it has been agreed that his technical expertise in the financial markets is better deployed in furthering the IVSC's technical projects on financial instruments.

Finally, I welcome Professors Mauro Bini and Jiang Wei to the Board. Mauro is a Professor at Bocconi University in Milan and Chairman of the Organismo Italiano di Valutazione, and has been highly influential in developing the business valuation profession in Italy. Jiang Wei is a Professor at Shenyang University and visiting research scholar at Oxford and Cambridge Universities. Prior to his teaching career he was CEO of a valuation company and is active in the China Appraisal Society, which is playing a leading role in developing professional standards in China.

REPORT OF THE CHAIRMAN, IVSC ADVISORY FORUM

John Martin
Chairman, IVSC Advisory Forum



Welcome to the first report of the Advisory Forum to appear in the IVSC Annual Report. Its inclusion is indicative of the progress the Advisory Forum has made over the last twelve months as it matures into an effective body. The purpose of the Forum is to engage the IVSC members from around the globe and to bring forward ideas and solutions to the Boards on matters that will impact the development and influence of the valuation profession. The IVSC Board of Trustees has recognised the role the Forum can play in the development of the global valuation profession and amended the IVSC bylaws during the year to give it formal recognition. April Mackenzie was officially endorsed as the Trustee with liaison responsibility for the Forum and has been joined by a second Trustee, Lee Hackett, to further enhance liaison between the bodies.

The Forum meets once a year at the same time as the IVSC Annual General Meeting. At its 2011 meeting in Hong Kong, the focus was on a Discussion Paper "Where to for national professional valuation organisations locally, regionally and internationally?" The meeting concluded that, particularly with the publication of the revised International Valuation Standards earlier that year, the IVSC was well on its way to asserting its status as a single, independent global valuation standard setter. However at its joint meeting with the Board of Trustees, the Forum urged that greater urgency be given to IVSC objectives to lead the development of the global valuation profession. The Forum welcomed the Trustees' swift response to this call by enabling the Professional Board to refocus its agenda to concentrate on these objectives.

At the conclusion of the Hong Kong meeting, a Working Group was formed to develop an action plan for presentation to the 2012 meeting of the Forum. The Working Group, in effect the executive arm of the Forum, held a face to face meeting in New York in May 2012 and continues to hold monthly conference calls. Two important projects were undertaken by the Working Group during the year. A draft document, "Establishing and Developing a Professional Valuation Body" was prepared and, following discussion by the Forum at its 2012 meetings, has been passed to the Professional Board to progress to publication. The draft draws heavily on a document issued by the International Federation of Accountants (IFAC) "Establishing and Developing a Professional Accountancy Body". I thank IFAC for its support and agreement to allow the IVSC to use this material.

The Forum Working Group also conducted a survey of valuation professional organisations who are members of the IVSC, requesting up-to-date details of education and training requirements, codes of ethics and use of the International Valuation Standards. The results of this survey are being reviewed and it is anticipated that a further survey will be conducted to test the accuracy of some responses and to deepen understanding of the results.

A very positive aspect of the last twelve months has been the cooperation and communication that has taken place between the various IVSC Boards. The Chairs of the Professional and Standards Boards give presentations on their activities at each meeting of the Advisory Forum. All three bodies participate in regular monthly calls. The Forum works particularly closely with the Professional Board through joint meetings between the Working Group and the Board. The established professional organisations, through the IVSC Advisory Forum, will firstly, need to "buy in" to the work programme developed by the Professional Board and, secondly, must implement it.

Looking ahead, we have begun exploring the considerations that should drive our agenda for 2013. During the 2012 Forum meeting held in Milan in October, break-out sessions provided an opportunity for Forum members to exchange views in small groups on the following topics:

- What strengths, weaknesses, opportunities and threats are shaping the valuation profession for the future?
- What do organisations want to achieve nationally and globally? What do organisations expect of each other when they leave the Milan meetings? How do Members / the Advisory Forum measure success?
- What can members do to further enhance the work of the IVSC and what do they want from the IVSC and the Advisory Forum?
- What other organisations are you affiliated with that are not yet part of the IVSC?
- How do we convert strong national organisations into a strong global valuation profession?

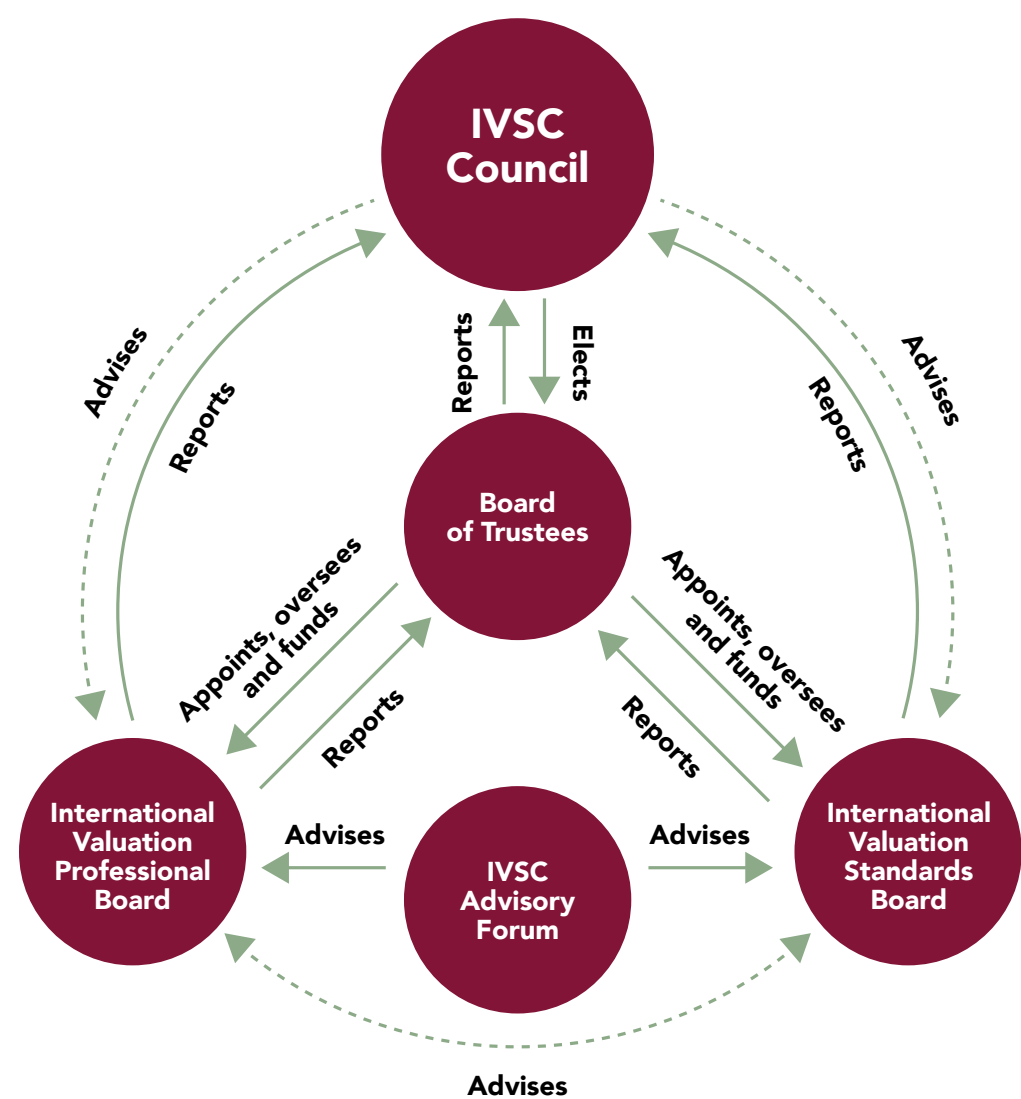
I look forward to further constructive discussions in the coming year and developing this Forum into an effective body for bringing the valuation profession together as a global force.

The Forum is now well positioned to play a key role in shaping the IVSC's strategic direction, priorities and work programme. The diversity of backgrounds and experience of the members is a key strength and makes us uniquely positioned to assist the IVSC Boards.

Finally, I would like to express my sincere appreciation to April Mackenzie and Lee Hackett for the support they have given to me and the Forum, and to all members of the Forum's 2011-2012 Working Group – Tony Aaron, Richard Berkemeier, J P Bondoc, David Bunton, K K Chiu, Ben Elder, Leandro Escobar Torres, Paul Olscamp, Eleanor Joy and Leslie Sellers.

With the publication of the revised International Valuation Standards earlier that year, the IVSC was well on its way to asserting its status as a single, independent global valuation standard setter.

THE IVSC AT A GLANCE



HOW THE IVSC STRUCTURE WORKS

The International Valuation Standards Board and The International Valuation Professional Board both bring together experienced valuation professionals who are selected on the basis of technical competence and experience. Professional and geographic diversity is sought. As each Board looks after an important sphere of work for the IVSC with overlapping synergies, the two Boards regularly liaise and advise each other on common matters.

The technical boards are overseen by an independent global Board of Trustees, responsible for governance, overall strategic direction and funding of the IVSC.

The IVSC is membership based. It cooperates with national professional valuation institutes, users and preparers of valuations, and academic bodies, all of whom can become members, individually and collectively, through the Valuation Advisory Forum, play an important role in advising the two boards on technical matters, work priorities and emerging issues.

IVSC FINANCIAL SUPPORTERS

The IVSC is grateful to the following organisations who provide financial support to the IVSC:

- American Appraisal Associates Inc
- American Society of Appraisers
- The Appraisal Foundation (US)
- Appraisal Institute (US)
- Appraisal Institute of Canada
- BNP Paribas
- Canadian Institute of Chartered Business Valuators
- China Appraisal Society
- Deloitte Touche Tohmatsu Ltd
- Duff & Phelps, LLC
- Ernst & Young, LLP
- Grant Thornton
- Houlihan Lokey Inc
- KPMG, LLP
- Organismo Italiano di Valutazione
- Royal Institution of Chartered Surveyors
- UBS
- The City of London Corporation has given financial support to the establishment of the IVSC headquarters in London



IVSC MEMBER ORGANISATIONS

(as at 27 October 2012)

VALUATION ORGANISATION MEMBERS

Australia

- Australian Property Institute
- Institute of Foresters of Australia

Belarus

- Belarusian Society of Valuers

Bosnia and Herzegovina

- Association of Certified Appraisers in Bosnia and Herzegovina

Botswana

- Real Estate Institute of Botswana

Brazil

- Instituto Brasileiro Avaliações

Bulgaria

- Chamber of Independent Appraisers in Bulgaria

Canada

- Appraisal Institute of Canada
- Canadian Institute of Chartered Business Valuators

China

- China Appraisal Society

Colombia

- Registro Nacional de Avaluadores

Croatia

- Croatian Society of Valuers

Egypt

- The Egyptian Association of Real Estate Appraisers

Finland

- Finnish Association for Real Estate Valuation

France

- Fédération Française des Experts en Evaluation

Georgia

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

Greece

- Body of Sworn-In Valuers

Hong Kong, PRC

- Hong Kong Institute of Surveyors

India

- The Practising Valuers Association of India

Indonesia

- Indonesian Society of Appraisers

Ireland

- Institute of Professional Valuers and Auctioneers

Italy

- Consiglio Nazionale Geometri

Japan

- Japan Association of Real Estate Appraisers

Kazakhstan

- Chamber of Professional Appraisers of Kazakhstan
- Republican Chamber of Appraisers of Kazakhstan

Kenya

- Institution of Surveyors of Kenya

Korea, Republic of

- Korea Appraisal Board
- Korea Association of Property Appraisers

Latvia

- Latvian Association of Appraisers

Lithuania

- Lithuanian Association of Property Valuers

Malawi

- Surveyors Institute of Malawi

Malaysia

- The Royal Institution of Surveyors, Malaysia

Mexico

- Federación de Colegios, Institutos y Sociedades de Valuadores de la República Mexicana, A.C

Montenegro

- Association of Valuers of Montenegro

Namibia

- Namibian Institute of Valuers

The Netherlands

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

New Zealand

- Property Institute of New Zealand

Nigeria

- Nigerian Institution of Estate Surveyors and Valuers

Philippines

- Institute of Philippine Real Estate Appraisers

Poland

- The Polish Federation of Valuers' Associations

Romania

- The National Association of Romanian Valuers

Russia

- Russian Society of Appraisers
- Russian Board of Appraisers
- Self-Regulated Inter-regional Appraisers Association

Serbia

- National Association of Valuers of Serbia

Slovenia

- Slovenian Institute of Auditors

South Africa

- South African Institute of Valuers

Spain

- Asociación Profesional de Sociidades de Valoración

Sweden

- ASPECT – Association for Chartered Surveying, Property Evaluation and Transactions

Thailand

- Thai Valuers Association

Ukraine

- Ukrainian Society of Appraisers

United Kingdom

- Royal Institution of Chartered Surveyors

USA

- American Society of Appraisers
- Appraisal Institute

INSTITUTIONAL MEMBERS

Abu Dhabi

- Abu Dhabi Municipality, Property Registration Section

Bulgaria

- Chamber of Professional Valuers

Dubai

- Taqyeem (Real Estate Appraisal Centre) Dubai Land Department

India

- Institute of Cost and Works Accountants of India

Italy

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

Lithuania

- State Budgetary Institution Property Valuation Oversight Agency

Namibia

- Ministry of Lands and Resettlement

Pakistan

- Securities and Exchange Commission of Pakistan

Russian Federation

- Ministry of Economic Development

South Africa

- South African Council for the Property Valuers Profession

Spain

- Instituto de Censores Jurados de Cuentas de España (ICJCE)

Sri Lanka

- Sri Lanka Accounting Standards Monitoring Board

Ukraine

- Ukraine Federation of Appraisers of Business and Intellectual Property

United Kingdom

- The Institute of Chartered Accountants in England and Wales

USA

- National Council for Real Estate Investment Fiduciaries (NCREIF)

Vietnam

- Price Control Department, Ministry of Finance

ACADEMIC MEMBERS

Russia

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

Switzerland

- Swiss Institute of Real Estate Appraisal (SIREA)

CORPORATE MEMBERS

Hong Kong, PRC

- Greater China Appraisal Ltd

Japan

- Japan Valuers Company Ltd

Malaysia

- Khong & Jaafar, Sdn Bhd

International

- International Association of Consultants, Valuers and Analysts (IACVA)

COMMUNICATING WITH STAKEHOLDERS

The following lists the most significant events of the IVSC calendar including events members or staff participated in, or organisations they met during the year:

Appraisal Issues Task Force (AITF) , New York, San Francisco and Washington DC
The Appraisal Foundation Roundtable “The Business Valuation Profession as it Relates to Financial Reporting: Where are we headed?” , Washington DC
The Appraisal Foundation Global Valuers Forum , Washington DC
American Society of Appraisers joint 2012 International Appraisers and Advanced Business Valuation Conference , Phoenix
Associação Nacional dos Executivos de Finanças Administração e Contabilidade (ANEFAC) , São Paulo
Association of Real Estate Securitisation (ARES) , Tokyo
European Financial Reporting Advisory Group (EFRAG) Financial Instruments Working Group , Brussels
Financial Accounting Standards Board , US
International Federation of Accountants , New York
International Financial Reporting Standards Foundation and International Accounting Standards Board , London
Institute of Chartered Accountants in England and Wales Valuation Conference , UK
Instituto Brasileiro de Avaliações e Perícias de Engenharia (IBAPE) , São Paulo
International Audit and Assurance Standards Board Consultative Advisory Group , Brussels
IOSCO Standing Committee 5 , Singapore
IOSCO Stakeholders’ Meeting , Madrid
IVSC User Roundtables , Hong Kong, Moscow, Melbourne, São Paolo and Sydney
Forum of Firms , Paris
North American Conference of Appraisal Organizations (NACAO) , San Antonio
Organismo Italiano di Valutazione International Conference , Milan
26th Pan Pacific Congress of Real Estate Appraisers, Valuers and Counsellors , Melbourne
Private Sector Task Force of Regulated Professions and Industries , New York and London
RICS ASEAN Conference , Bangkok
RICS Summit of the Americas , Miami
Securities and Exchange Commission , Washington DC

BOARD OF TRUSTEES 2011-2012

- **Roel Campos (Interim Chairman)** – Partner with the law firm Locke Lord LLP and a member of President Barack Obama’s Presidential Intelligence Advisory Board; former commissioner of the US Securities and Exchange Commission between 2002 and 2007
- **Patrick Gounelle (Vice Chairman)** – former Global Managing Partner, Ernst & Young
- **Nicholas Brooke** – Chairman of Professional Property Services Ltd, Hong Kong; past President, RICS
- **Brad Dalgliesh** – former Senior Partner of KPMG Canada and Global Valuation Services Practice; past President, Canadian Institute of Chartered Business Valuators
- **Lee Hackett** – Executive Vice President, Global Operations, American Appraisal Associates Inc
- **Malcolm Knight** – Advisor Deutsche Bank Global Group, member of the Board of Swiss Re; Visiting Professor in Finance, London School of Economics and Political Science; former General Manager of the Bank for International Settlements; former Trustee of the International Accounting Standards Committee Foundation
- **Madame Liu Ping** – Secretary General, China Appraisal Society
- **April Mackenzie** – Global Head of Public Policy and External Affairs for Grant Thornton International
- **Jens Røder** – Secretary General of the Nordic Federation of Public Accountants; retired Senior Partner at PricewaterhouseCoopers (PwC), Denmark; former Trustee and Executive member of the International Accounting Standards Committee Foundation (IASCF)
- **Frank Vettese** – Managing Partner & Chief Executive, Deloitte Canada; Member of the Deloitte Global Executive Committee; in 2011 completed his four-year term as Global Managing Partner, Financial Advisory
- **Akihiro Watanabe** – Representative Director, GCA Savvian Group Corporation and Managing Director of GCA Savvian Corporation. He is a founding Partner of GAC and the founder of GCA’s predecessor company, Global Corporate Advisory

Michel Prada resigned as Chairman of the IVSC Board of Trustees as of 31 December 2011 as a consequence of his appointment as Chair of the IFRS Foundation Trustees. Sir David Tweedie replaced him as Chairman in October 2012

MEMBERS OF THE INTERNATIONAL VALUATION PROFESSIONAL BOARD 2011-2012

- **Greg Forsythe (Chairman)** – Director, Deloitte Financial Advisory Services LLP, and serves as the Center of Valuation Excellence Leader
- **Roy Farthing (Vice-Chairman)** – Partner, Valuation and Business Modelling, Ernst & Young, Australia, and leader of the Capital Equipment Group
- **David Faulkner** – Regional Director, Consultancy and Valuation, Colliers International, Hong Kong
- **Nick French** – Professor of Real Estate in the Department of Real Estate and Construction at Oxford Brookes University, UK
- **Paul Hawkes** – Managing Director at UBS where he is Head of Group Valuation Governance, based in Zurich
- **Doug McPhee** – Partner, Corporate Finance, KPMG London and Deputy Chair of KPMG’s Global Valuation Services business
- **Chris Mercer** – founder and CEO of Mercer Capital, USA
- **Marianna Todorova** – Director in the Office of Professional Practice, Duff & Phelps LLC in New York
- **Brad Wagar** – President, Bradford Real Estate Services, Canada

MEMBERS OF THE INTERNATIONAL VALUATION STANDARDS BOARD 2011-2012

- **Steven J Sherman (Chairman)** – Partner, KPMG and Chair KPMG Global Valuations Committee, USA
- **Frank Bollmann (Vice-Chairman)** – Managing Director of Vossius & Partner, Munich
- **Thomas Boyle** – Chief Appraiser, Senior Vice President, U.S. Bank Real Estate
- **Ana Castañeda-Ortega** – CEO, InterMoney Valora Consulting S.A., Spain
- **Siu Yu Nova Chan** – Partner in the Advisory Division of PricewaterhouseCoopers, China
- **Jim Eales** – Global Head, Ernst & Young Valuation and Business Modelling Group, UK
- **D. Jeffrey Harder** – Partner, Deloitte & Touche LLP’s Canadian Financial Advisory Services Group
- **Simon Landy** – Managing Director, Primo Co. Ltd and Executive Chairman, Colliers International, Thailand
- **Cindy Ma** – Managing Director, Houlihan Lokey, New York and Co-Head of the Portfolio Valuation practice

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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OFFICERS AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31 MARCH 2012

COMPANY REGISTRATION NUMBER

FC030067

BOARD OF TRUSTEES

Nicholas Brooke
Roel Campos
Brad Dalgliesh
Patrick Gounelle
Lee Hackett
Malcolm Knight
Ping Lui
April Mackenzie
Jens Roder
Frank Vettese
Akihiro Watanabe

REGISTERED OFFICE

200 West Madison Street
Suite 1500
Chicago
Illinois
60606
United States of America

ADDRESS (AS OF 31 MARCH 2012)

41 Moorgate
London
EC2R 6PP
United Kingdom

AUDITOR

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

BANKERS

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

TRUSTEES’ REPORT FOR THE YEAR ENDED 31 MARCH 2012

The trustees present their report and financial statements for the year ended 31 March 2012.

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.

It also supports the need to develop a framework of guidance on best practice for valuations of the various classes of assets and liabilities and for the consistent delivery of the standards by properly trained professionals around the globe.

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 Council’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.

AUDITORS

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

Approved by the board on 8th January 2013.

Mr Roel Campos
Vice-Chairman

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2012

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

The Articles of Incorporation require the trustees to prepare financial statements for each financial year. Under the Articles of Incorporation the trustees have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

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

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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Council and enable them to ensure that the financial statements comply with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2012

We have audited the financial statements of The International Valuation Standards Council (the Council) for the year ended 31 March 2012 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity and the related notes numbered 1 to 16.

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

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

In addition, we read all the financial and non-financial information in the Report of the Chairman to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Council's affairs as at 31 March 2012 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

Crowe Clark Whitehill LLP

29 January 2013

Crowe Clark Whitehill LLP
Statutory Auditor
London

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	2011
		\$	\$
Income	3	1,455,807	1,172,542
Standard-setting and professional development		(1,003,693)	(935,337)
Publications and associated costs		(205,811)	(143,954)
OPERATING SURPLUS	4	246,303	93,251
Other non-operating income		42	626
SURPLUS BEFORE TAX		246,345	93,877
Tax expense	6	–	(9,094)
SURPLUS FOR THE YEAR		246,345	84,783

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Retained surplus
	\$
Balance at 1 April 2011	513,911
Surplus for the year	246,345
Total recognised surplus for the year	246,345
Balance at 31 March 2012	760,256

	Retained surplus
	\$
Balance at 1 April 2010	429,128
Surplus for the year	84,783
Total recognised surplus for the year	84,783
Balance at 31 March 2011	513,911

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	2011	2010
		\$	\$	\$
ASSETS				
NON CURRENT ASSETS				
Fixtures, fittings and equipment	7	12,036	18,053	–
CURRENT ASSETS				
Inventories		7,511	514	1,646
Trade and other receivables	11	387,747	100,506	177,044
Prepayments	12	–	73,611	51,100
Cash and cash equivalents	13	730,358	528,183	409,548
		1,125,616	702,814	639,338
TOTAL ASSETS		1,137,652	720,867	639,338
EQUITY				
ISSUED CAPITAL AND RESERVES				
Retained surplus	14	760,256	513,911	429,128
CURRENT LIABILITIES				
Deferred income		191,666	50,000	83,333
Trade and other payables	15	185,730	156,956	126,877
		377,396	206,956	210,210
TOTAL EQUITY AND LIABILITIES		1,137,652	720,867	639,338

Approved by the Board on 8 January 2013.

Roel Campos, Vice-Chairman

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	\$	\$
Total operating surplus	246,345	84,783
Interest income	(42)	(626)
Depreciation	6,017	3,611
(Increase)/decrease in inventory	(6,997)	1,132
(Increase)/decrease in trade and other receivables	(213,630)	54,027
Increase/(decrease) in trade and other payables	179,534	3,254
Cash generated from operations	211,227	139,673
Tax paid	(9,094)	–
CASH FLOWS FROM OPERATING ACTIVITIES	202,133	139,673
Purchase of fixtures, fittings and equipment	–	(21,664)
Interest received	42	626
CASH FLOWS FROM INVESTING ACTIVITIES	42	(21,038)
NET INCREASE IN CASH AND CASH EQUIVALENTS	202,175	118,635
Cash and cash equivalents as at 1 April 2011	528,183	409,548
CASH AND CASH EQUIVALENTS AS AT 31 MARCH 2012	730,358	528,183

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS’S

The Council's financial statements for the year ended 31 March 2012 were authorised for issue on 27 October 2012 and the statement of financial position signed on the Council's behalf by Roel Campos. The International Valuation Standards Council was incorporated on 1 April 2004 as a not-for-profit corporation in Illinois, USA.

Basis of preparation

The Council's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. The principal accounting policies adopted by the Council are set out in note 2. The policies have been consistently applied to all years presented, unless otherwise stated.

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

2. ACCOUNTING POLICIES

Income recognition

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

Donations and sponsorships

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

Membership subscription fees

Membership subscription fees are recognised in accordance with the membership subscription period.

Publications

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

Royalties

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2012

2. ACCOUNTING POLICIES (continued)

Interest expense recognition

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

Foreign currency exchange

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

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

Tax

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

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

Fixtures, fittings and equipment

Items of fixtures, fittings and equipment are stated at cost of acquisition or production cost 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.

Inventories

Publications inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2012

2. ACCOUNTING POLICIES (continued)

Trade and other receivables

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

Other receivables are recognised at fair value.

Estimates and judgements

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

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.

Bank overdrafts that are repayable on demand and form an integral part of the Council's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial risk management objectives and policies

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

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

The Council's reserves policy is to hold in excess of \$500,000 as cash or cash equivalents to meet the Council's financial risk management objectives.

Standards in issue not yet adopted

The financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective on 1 April 2011. The Council have concluded that there are no relevant standards or interpretations in issue not yet adopted.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2012

3. INCOME

	2012	2011
	\$	\$
Donations and sponsorships	1,045,014	989,832
Membership subscription fees	265,967	165,164
Publications	101,908	11,426
Royalties	29,310	6,120
Delegate fees	13,608	–
	1,455,807	1,172,542

4. OPERATING SURPLUS

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

	2012	2011
	\$	\$
Depreciation of fixtures, fittings and equipment	6,018	3,611
Net foreign currency differences	16,280	9
Inventory recognised as an expense	24,960	5,279
Operating leases:		
Present value of minimum lease payments	46,271	56,312
Auditor's remuneration - audit services	15,987	27,735

	2012	2011
	\$	\$
Included in standard-setting and professional development:		
Employee benefits expense	458,550	320,940
Depreciation and amortisation	6,018	3,611
Net foreign currency exchange	16,280	9
	480,848	324,560

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

5. EMPLOYEE EXPENSES

	2012	2011
	\$	\$
Wages and salaries	347,444	292,082
Post employment expense for defined contribution plans	26,309	–
Social security costs	84,797	28,858
	458,550	320,940

The average monthly number of employees during the year was made up as follows:

	2012	2011
	No.	No.
Management	1	1
Technical	1	1
	2	2

6. TAX

	2012	2011
	\$	\$
Components of tax expense	–	9,094

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

7. FIXTURES, FITTINGS AND EQUIPMENT

	Fixtures, Fittings and Equipment
	\$
Cost	
At 1 April 2011	21,664
Depreciation	
At 1 April 2011	(3,611)
Charge for the year	(6,017)
At 31 March 2012	(9,628)
Net book value	
At 1 April 2011	18,053
At 31 March 2012	12,036

	Fixtures, Fittings and Equipment
	\$
Cost	
Additions	21,664
Depreciation	
Charge for year	(3,611)
Net book value	
At 31 March 2011	18,053

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

The Council trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

Liquidity risk

The Council has given responsibility of liquidity risk management to the Board of Trustees who have formulated liquidity management tools to service this requirement.

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

Interest rate risk

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

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

Currency risk

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

9. FINANCIAL ASSETS AND LIABILITIES

	Carrying amount		Fair value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	730,358	528,183	730,358	528,183
Trade and other receivables	387,747	100,506	387,747	100,506
Financial liabilities				
Deferred income	(191,666)	(50,000)	(191,666)	(50,000)
Trade and other payables	(185,730)	(156,956)	(185,730)	(156,956)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

10. RELATED PARTY TRANSACTIONS

Key management compensation

The Chairman received a stipend of \$50,000 (2011: \$50,374) for the year.

The other Trustees are not remunerated but are reimbursed for out of pocket expenses incurred while undertaking work on behalf of the International Valuation Standards Council.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	\$	\$
Receivable from sponsors and members	270,920	100,506
Accrued income	116,827	–
	387,747	100,506

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

	2012	2011
	\$	\$
0-30 days	199,050	506
30-60 days	102,630	–
60-90 days	50,139	100,000
Greater than 90 days	35,928	–
	387,747	100,506

12. PREPAYMENTS

	2012	2011
	\$	\$
Current		
Technical writer fees	–	73,611

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

13. CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Cash at bank	730,358	528,183

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 March 2012.

	2012	2011
	\$	\$
Cash at bank	730,358	528,183

14. RESERVES

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

15. TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Current		
Payable to suppliers	123,759	81,250
Accrued liabilities	34,572	48,653
Tax payable	27,399	27,053
	185,730	156,956

16. EXPLANATION OF TRANSITION TO IFRS

As outlined in note 1, the International Valuation Standards Council is preparing its financial statements in accordance with International Financial Reporting Standards (IFRS) for the first time.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2012, the comparative information prepared for the year ended 31 March 2011 and in preparation of an opening IFRS balance sheet as at 1 April 2010, the IVSC’s date of transition to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

16. EXPLANATION OF TRANSITION TO IFRS (continued)

In preparing the IVSC’s opening balance sheet as at 1 April 2010, the IVSC has adjusted amounts reported previously in financial statements prepared in accordance with US GAAP, its previous basis of reporting. An explanation of how the transition from US GAAP to IFRS has affected the IVSC’s financial position and performance is set out below.

The application of IFRS has no impact on the cash flow statement for the years ended 31 March 2011 and 31 March 2012 other than to change the headings under which amounts are reported.

Reconciliation of income statement for the year ended 31 March 2011

	US GAAP	Adjustments	IFRS
	\$	\$	\$
Income (Note 1, 2 and 3)	1,064,209	108,333	1,172,542
Standard-setting and professional development	(935,337)	–	(935,337)
Publications and associated costs	(143,954)	–	(143,954)
OPERATING (LOSS)/SURPLUS	(15,082)	108,333	93,251
Other non-operating income	626	–	626
(LOSS)/SURPLUS BEFORE TAX	(14,456)	108,333	93,877
Tax expense	(9,094)	–	(9,094)
(LOSS)/SURPLUS FOR THE YEAR	(23,550)	108,333	84,783

Note 1

The \$50,000 adjustment reflects the recognition of deferred income previously accounted for on a cash basis under US GAAP in the Council’s statutory US financial statements for the year ended 31 March 2011. The deferred income relates to sponsorship monies of \$100,000 which were pledged for the period October 2010 to September 2011 and recognised in full under US GAAP in the year ended 31 March 2011. The deferred income adjustment for IFRS transition purposes has been subsequently released to the income statement in the year ended 31 March 2012.

Note 2

The \$75,000 adjustment reflects the reversal of sponsorship monies previously accounted for on a cash basis under US GAAP in the Council’s statutory US financial statements for the year ended 31 March 2010. Sponsorship monies of \$100,000 which were pledged for the period January 2010 to December 2010 and recognised in full under US GAAP in the year ended 31 March 2010. The sponsorship invoice was raised in May 2010 and so accrued income of \$25,000 has been recognised under IFRS as at 1 April 2010. The accrued income adjustment for IFRS transition purposes has been subsequently released to the income statement in the year ended 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Note 3

The \$83,333 adjustment reflects the recognition of deferred income previously accounted for on a cash basis under US GAAP in the Council's statutory US financial statements for the year ended 31 March 2010. The deferred income relates to sponsorship monies of \$100,000 which were pledged for the period October 2009 to September 2010, and sponsorship monies of \$50,000 which were pledged for the period December 2009 to November 2010. Both amounts were recognised in full under US GAAP in the year ended 31 March 2010. The sponsorship invoices were raised in January 2010 and so deferred income has been recognised under IFRS as at 1 April 2010. The deferred income adjustment for IFRS transition purposes has been subsequently released to the income statement in the year ended 31 March 2011.

Reconciliation of statement of financial position as at 1 April 2010:

	US GAAP	Adjustments	IFRS
	\$	\$	\$
ASSETS			
NON CURRENT ASSETS			
Fixtures, fittings and equipment	–	–	–
CURRENT ASSETS			
Inventories	1,646	–	1,646
Trade and other receivables (Note 2)	252,044	(75,000)	177,044
Prepayments	51,100	–	51,100
Cash and cash equivalents	409,548	–	409,548
	714,338	(75,000)	639,338
TOTAL ASSETS	714,338	(75,000)	639,338
EQUITY			
ISSUED CAPITAL AND RESERVES			
Retained surplus (Note 2 and 3)	587,461	(158,333)	429,128
CURRENT LIABILITIES			
Deferred income (Note 3)	–	83,333	83,333
Trade and other payables	126,877	–	126,877
	126,87	83,333	210,210
TOTAL EQUITY AND LIABILITIES	714,338	(75,000)	639,338

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of statement of financial position as at 31 March 2011:

	US GAAP	Adjustments	IFRS
	\$	\$	\$
ASSETS			
NON CURRENT ASSETS			
Fixtures, fittings and equipment	18,053	–	18,053
CURRENT ASSETS			
Inventories	514	–	514
Trade and other receivables	100,506	–	100,506
Prepayments	73,611	–	73,611
Cash and cash equivalents	528,183	–	528,183
	702,814	–	702,814
TOTAL ASSETS	720,867	–	720,867
EQUITY			
ISSUED CAPITAL AND RESERVES			
Retained surplus (Note 1)	563,911	(50,000)	513,911
CURRENT LIABILITIES			
Deferred income (Note 1)	–	50,000	50,000
Trade and other payables	156,956	–	156,956
	156,956	50,000	206,956
TOTAL EQUITY AND LIABILITIES	720,867	–	720,867

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