



**INTERNATIONAL VALUATION
STANDARDS COUNCIL**
ANNUAL REPORT 2012-2013

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REPORT FROM SIR DAVID TWEEDIE

CHAIRMAN OF THE IVSC BOARD OF TRUSTEES

Welcome. It is my pleasure to introduce you to the IVSC Annual Report 2012 – 2013. This is my first report as Chairman of the International Valuation Standards Council (IVSC) Board of Trustees, having been elected at the 2012 Annual General Meeting of IVSC members in Milan, Italy.

The achievements of the IVSC, particularly since its restructuring in 2008, owe a great deal to my predecessor, Michel Prada, and to Roel Campos. Roel acted as Interim Chairman during the first ten months of 2012 as a consequence of Michel's appointment as Chair of the IFRS Foundation Trustees in January of that year.

In London June 2009, Michel invited me, in my capacity then as Chairman of the International Accounting Standards Board (IASB), to speak at the launch of the restructured IVSC. This is what I said: *"We [the IASB] are delighted to look to the IVSC for guidance on valuation issues. In the past, we have looked at valuation on an ad hoc basis, but we feel there is room for development in this area and closer collaboration with the IVSC is the ultimate outcome."* Little did I realise how close my collaboration with the IVSC would be.

The global financial crisis provided a stark reminder of the interdependence of capital markets and has led to much debate about the role and reliability of valuations and their impact on financial stability, markets and economic growth. Calls by regulators and others for valuations to be produced to high standards of clarity, integrity and objectivity are becoming ever more frequent.

This is the space that the IVSC must capture.

The IVSC has made significant progress on installing appropriate governance; organising a membership base; taking steps to start developing the profession; and establishing a number of standards across asset classes. We are uniquely positioned to push forward the agenda now and, with the right support, to achieve our three major strategic objectives:

1. to promote the use and rigorous application of globally accepted International Valuation Standards;
2. as a result of the lessons of the crisis, to enhance the existing standards by the development of guidance on the valuation of financial instruments; and
3. to encourage the development of the valuation profession globally and support the creation of a strong professional infrastructure around valuation.



Sir David Tweedie
Chairman, IVSC Board of Trustees

DEVELOPING OUR STRATEGY

To underpin the next stage of the IVSC's evolution as a key global player in the financial system, the Board of Trustees is working to update our strategy to more fully articulate the IVSC's next stage of development and future direction. We have been very fortunate to have had the volunteer help of Larry Scott, Vice Chair, Global Chief Strategy Officer, Deloitte, and his team in facilitating our discussions. The Board has reviewed the opportunities and challenges facing the IVSC, explored key strategic elements, including the longer term aspirations of the IVSC, discussed where the IVSC wants to direct its efforts and what it will take to be successful. Further work is currently underway to develop a more detailed operational plan which, together with our strategy, can be shared with IVSC members, sponsors and key stakeholders.

BUILDING THE IVSC MEMBERSHIP BASE

IVSC membership continues to grow. Ten organisations were welcomed into membership at the 2012 AGM bringing the number of organisations working together under the IVSC umbrella to 77, representing 53 countries. Interest in the IVSC continues and a further nine membership applications have been received for consideration at the 2013 AGM.

2012–2013

KEY ACHIEVEMENTS

SIR DAVID TWEEDIE BEGAN TERM AS
CHAIR OF THE IVSC

INTERNATIONAL VALUATION
STANDARDS 2013 PUBLISHED

CITY OF LONDON CORPORATION
CONFIRMS FIVE YEAR FUNDING FOR
IVSC OFFICE

TWO MEETINGS OF MAJOR
VALUATION PROFESSIONAL
INSTITUTES AND STANDARD SETTERS
HELD TO PROGRESS CONVERGENCE
OF NATIONAL TO INTERNATIONAL
VALUATION STANDARDS

TEN NEW MEMBERS ELECTED TO
IVSC MEMBERSHIP

EXPOSURE DRAFT “VALUATION OF
EQUITY DERIVATIVES” ISSUED AND
DISCUSSION PAPER “VALUATION OF
LIABILITIES” ISSUED

IVSC TRUSTEE APPOINTED TO
CHAIR ADVISORY GROUP ON
APEC FINANCIAL SYSTEM
CAPACITY-BUILDING TASK FORCE

GUIDE TO “ESTABLISHING AND
DEVELOPING A PROFESSIONAL
VALUATION ORGANISATION” ISSUED

CHIEF OPERATING
OFFICER APPOINTED
ADDITIONAL TECHNICAL AND
ADMINISTRATIVE STAFF APPOINTED

DISCUSSION PAPER PROPOSING
DEVELOPMENT OF INTERNATIONAL
PROFESSIONAL STANDARDS ISSUED

The IVSC will not achieve its vision unless its members are engaged in the process with us and collaborate in a manner which ensures the best outcome at a global level. I have been pleased to have the opportunity to meet with many of our stakeholders and members during the past twelve months in Canada, China, France, Hong Kong, New Zealand, Singapore, UK and USA. I look forward to meeting many more over the coming months.

In June, I chaired a meeting of major valuation professional institutes and standards setters, hosted by the International Monetary Fund in Washington DC, to discuss the benefits of international valuation standards. All those present agreed in principle to the goal of a single set of global valuation standards. A second meeting held in October 2013 examined any difference between existing standards and worked to choose the best solutions for achieving this goal.

INTERNATIONAL AWARENESS OF THE IVSC

The IVSC continues to deepen its relationship with key players through meetings with organisations and regulators including: the Financial Stability Board, the International Accounting Standards Board, the International Federation of Accountants, the International Actuarial Association, the Institute of International Finance, the US Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Ontario Securities Commission, the Bank of England, the Prudential Regulation Authority, l'Autorité des marchés financiers, the European Banking Authority, and the European Securities and Markets Authority.

Thanks to the efforts of IVSC trustee, Nick Brooke, the 2013 report of the Asian Business Advisory Council to the meeting of APEC Finance Ministers discussed the role of valuation in financial markets and referenced the work of the IVSC. The APEC Advisory Group on APEC Financial System Capacity-Building is now examining how the public and private sectors can collaborate in APEC to support the development of high quality valuation standards based on global benchmarks.

PROVIDING THE NECESSARY RESOURCES

The IVSC continues to face financial and operational challenges. One of the major responsibilities of the Trustees is securing the necessary resources to operate the organisation effectively. In addition to member subscriptions, our operations rely heavily on the 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 these and future sponsors, the IVSC will not be able to achieve its ambitious objectives.

We were pleased that the City of London Corporation confirmed in September that it will provide continued funding for the next five years toward IVSC accommodation. Through careful use of resources, the Board was able to increase the IVSC staff complement during the year with the appointment of a Technical Manager and Administrative Manager thereby providing, at least to some degree, assistance to both Technical Director, Chris Thorne, and

Executive Director, Marianne Tissier. I am also delighted that long standing Trustee, April Mackenzie will be joining us from Grant Thornton in a newly created role as Chief Operating Officer to lead the executive team and to relieve some of the pressure on Marianne and Chris. April will be tasked with steering and supporting the IVSC through an intense phase of growth over the coming months.

THANKS

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

Over 100 individuals, professionals at the top of their game in various disciplines and industries, give their time freely to sit on IVSC Boards and working groups. Many organisations and individuals comment on the discussion papers and exposure drafts issued by the IVSC. These comments contribute enormously to the quality of our technical output.

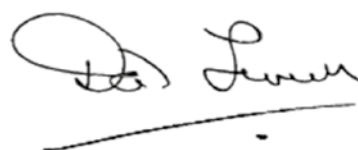
At the 2012 AGM we said goodbye to Board members whose terms of office had come to an end. Jeff Harder and Nova Chan left the Standards Board and Brad Wagar completed his term as a member of the Professional Board. We welcomed Chris Stanley and Paul Hawkes as members of the Standards Board and Mauro Bini and Jiang Wei to the Professional Board.

I must also thank my fellow Trustees who have provided me with much needed support during what has been a steep learning curve in my first year as Chairman. The Board welcomed John Smith as a Trustee in April. An internationally recognised leader in the valuation and operation of financial instruments, John brings the expertise of a long and distinguished career to his role at the IVSC. John's appointment to the Board comes at a time when the IVSC is making a concerted drive to promote consistent international standards and valuation techniques for financial instruments. His expertise will be invaluable to us.

Special thanks must go to Brad Dalglish who has announced that he is to retire as a Trustee at the 2013 AGM. Brad was elected as a member of the first IVSC Board of Trustees in 2008 and has played a crucial role in the development of the IVSC since its restructuring. The Board will miss his wise counsel.

I would also like to thank the IVSC staff for their unceasing commitment to the achievement of the IVSC's goals. Particular thanks are due to our well known stalwarts, Marianne Tissier and Chris Thorne, for so cheerfully bearing such a heavy burden over the last few years.

While many challenges remain, I and my fellow Trustees are fully committed to maturing the IVSC into a truly global standard-setting organisation.



Sir David Tweedie
Chairman of the IVSC Board of Trustees

EVOLUTION OF THE IVSC

1981

The International Assets Valuation Standards Committee (TIAVSC) established in Melbourne, Australia by 20 national valuation professional organisations

1994

Committee changed name to International Valuation Standards Committee (IVSC)

2000

IVSC Executive Director appointed
IVSC membership grown to 46
IVSC Standards Project launched

2008

IVSC restructured and renamed International Valuation Standards Council. Board of Trustees, IVSC Standards and IVSC Professional Boards established

1985

First edition of International Valuation Standards published

1999

IVSC publishes its first guidance on Business Valuation

2007

IVSC invited to join FASB Valuation Resource Group
Proposals to restructure IVSC published

2009

Michel Prada elected as IVSC chairman
IVSC Standards Improvement Project launched
Memorandum of Understanding with International Federation of Accountants (IFAC) signed
Financial Instruments Expert Advisory Group established

2010

IVSC establishes office in City of London

IVSC Technical Director appointed

IVSC invited to present to IOSCO Annual Conference

2013

IVS 2013 published

Exposure Draft
Valuation of Equity
Derivatives issued

Discussion Paper
Valuation of Liabilities
issued

Guide to Establishing
and Developing a
Professional Valuation
Organisation published

Chief Operating
Officer appointed

Additional technical
and administrative
staff appointed

City of London
Corporation confirms
five year funding for
IVSC office

Advisory Group
on APEC Financial
System Capacity
Building create task
force, chaired by
IVSC trustee, to
consider promotion
of IVS

2011

2011 edition of
International Valuation
Standards published
covering financial
instruments, real
property, intangible
assets, and business
interests

Exposure drafts of
first three Technical
Information
Papers issued

Memorandum of
Understanding signed
with International
Private Equity and
Venture Capital
Valuation Board

IVSC Advisory
Forum established

IVSC invited to join
Private Sector Task
Force to prepare report
for G20

2012

Sir David Tweedie
elected as IVSC chairman

Memorandum of
Understanding with
International Federation
of Accountants renewed

Code of Ethical Principles
for Professional Valuers
published

Two Discussion Papers
and five Exposure
Drafts issued

Launch of IVSonline

Three Technical
Information Papers
published

Competency Framework
for Professional Valuers
published

REPORT FROM GREGORY FORSYTHE

CHAIRMAN OF THE IVSC PROFESSIONAL BOARD

It is my pleasure to report on the activities of the Professional Board over the past year. Continuing with the plan discussed at the AGM in Milan and highlighted in our last Annual Report, the refocusing of the Board on leading professional development projects has been the priority over the last year.

On behalf of the Board, I have continued to build our working relationship with the Advisory Forum Working Group (AFWG). I continue to be impressed with the commitment of John Martin and the AFWG toward the development of the profession globally and am pleased with progress made over the past twelve months. The Board and the AFWG have various projects in tandem that we have worked on this year.

Most notable among these projects was the issuance of the *Establishing and Developing a Valuation Professional Organisation* document early in 2013, and referenced in last year's Annual Report. This represented the culmination of the first project led by the AFWG which the Board then took on and progressed to finalisation. I believe this is a great example of how the Board and the AFWG can tackle important topics together and look forward to reporting on similar activities in the future.

In an effort to build the IVSC, its reach and work, many Board members have been involved in outreach activities this year. These include my attendance at the Business Valuation Roundtable hosted by The Appraisal Foundation, Chris Mercer speaking at the American Society of Appraisers International Conference, Jiang Wei speaking on convergence to international valuation standards to a gathering of executives from 170 Chinese valuation companies, and a number of Board members participating in the RICS Asia Valuation Conference in Tokyo. An article by Doug McPhee on the valuation requirements of the EU Alternative Investment Fund Managers Directive was published in August.

Whilst the focus of the Professional Board is now squarely on developing the valuation profession globally, the Board has also continued to progress two projects originally on the Board's Agenda with a technical flavour:

1. The Exposure Draft of a guidance document regarding *The Valuation of Specialised Public Service Assets* was issued in November 2012. Comments have been reviewed and discussed and a final document is expected by the beginning of 2014;
2. The Exposure Draft of the first in a series of Illustrative Examples is also high on the Board's agenda for issuance later in 2013. The draft will provide insight to various valuation concepts within the IVSs.

The Board has progressed numerous other projects throughout the year, including the following:

- *A Guide to the Audit Process for Professional Valuers*. Based on constructive comments received through the exposure process in the second half of 2012, this guidance document has been reshaped and also renamed in tandem with its new focus. The need for such guidance continues to be apparent around the world as the regulatory environment and audit processes with respect to fair value estimates continues to evolve. The document is currently going through a fatal flaw review with the goal of having a final draft ready for the Board's review at its November 2013 meeting and subsequent issuance.
- *Procedural Guidelines for Fairness Opinions*. An Exposure Draft was published in March 2012. After reviewing the comments received, the Board concluded that any guidance it could produce would have little practical benefit as it would frequently be overridden by the requirements of the jurisdiction in which the transaction was taking place. Furthermore, in some major markets the legal framework for fairness opinions has evolved through judicial decisions and the Board was concerned that guidance it gave could be seen as providing a legal opinion or interpretation that could be used out of context. At its meeting in March 2013 the Board agreed to suspend the project.

The Board has collectively worked on extending the concepts discussed in the *Competency Framework for Professional Valuers* published in September 2012. The Framework set out at a high level the characteristics and competencies that define a professional valuer. It was recognised at the time that this Framework was both promotional and aspirational rather than prescriptive. However, it provided a foundation upon which the valuation profession globally could develop along common lines.



Gregory Forsythe
Chairman,
IVSC Professional Board

In August of this year, a Discussion Paper outlining a *Proposal to Develop International Professional Standards (IPs) for Professional Valuers* was issued. The Board will discuss comments received on this milestone proposal in Tokyo, with the goal of laying out a plan for developing the IPs highlighted and other topics that may be proposed through the comment process.

The Professional Board has seen a number of positive developments over the past year. Mary Jane Andrews, a senior partner with KPMG's Advisory practice in Canada and a highly qualified and experienced valuation professional will be devoting some of her valuable time and skills acting as an advisor to the Board in the coming year. Mary Jane brings extensive personal experience as well as access to the global KPMG network, and is highly respected for her professionalism and enthusiasm. Her help will be invaluable to the Board in pursuing a number of our key projects in the coming year.

In order to make such progress on so many diverse projects, each having a role in developing our profession, a lot of volunteer help is needed from many who are committed to what sometimes appears to be a daunting task. Without the expertise and commitment of these individuals and organisations it would not be possible for the Board to make such progress. Thanks also to our Executive and Technical Directors and a gradually increasing staff for finding a way to balance the myriad of commitments and escalating expectations. The Professional Board is energised by the significant projects that lie ahead. These projects have the ability to take the valuation profession to another level.

REPORT FROM STEVEN J SHERMAN

CHAIRMAN OF THE IVSC STANDARDS BOARD

The Standards Board over the past year has focused on three primary initiatives: 1) progressing on nine technical projects in our pipeline; 2) updating the International Valuation Standards (IVSs) that were last revised in 2011; and 3) promoting greater adoption of IVSs by teaming with key national and regional standard setting organisations.

The first initiative has been to move forward projects that remained after the major standards revisions in 2011. Several projects are nearly completed and I thank my fellow Board members and the IVSC staff for their efforts. On a few projects, feedback received from our consultation has revealed that the issues originally identified by the Board are more complex or that there is greater diversity of practice than had been anticipated. These projects require more time and resources for additional research and consultation. Following this report is a summary of the current state of progress of each project and I am pleased to say that we have made significant progress on six out of the nine projects currently on our agenda. You will note the expanded volume of projects related to financial instruments which is a critical area of need well recognised by our Board as well as many regulatory authorities. Our expectation is that financial instruments will continue to expand as a driver of our Board's workload.

Our second initiative has been to review the Standards most recently published in 2011. The Board has to balance the need to keep the Standards up-to-date and relevant with the need for some certainty as to how long a Standard will remain unchanged. In 2012 the Board agreed that while new Standards can be issued at any time, subject to due process, the comprehensive Standards already issued would be reviewed on a two year cycle. Accordingly, the Board reviewed the 2011 Standards and after due consultation approved various updates and amendments in June 2013, which have now been published. The new Standards are effective from January 2014. Later in 2014 we will need to start the process of review again with a target to completing the next set of updates in June 2015.

Our third major initiative has been to embark on a project to proactively promote use and adoption of the IVSs. While the Standards are becoming increasingly used around the world, there remain a number of other bodies who continue to issue their own standards. There is no doubt that this causes confusion among valuation users and has also attracted adverse comment from major financial regulators. The Board has held two very successful meetings during the year with key organisations with a view to identifying a way forward for them to prescribe compliance with the IVSs. I acknowledge that the IVSs will sometimes need to be supplemented in different countries or markets by standards relating to specific jurisdictional requirements. Our Board is striving for a single set of high quality agreed Standards (IVSs) that form a common global platform beneath which the necessary national supplemental material can coexist.

Beyond the extensive volunteer efforts of our Board members, I want to thank the many volunteers who have provided meaningful input to our various working groups. These very experienced professionals have been an important part of our success in moving projects forward.

Finally, Jim Eales will have completed his second term as a Board member at the 2013 AGM. Jim's contributions during his tenure have been invaluable in improving the clarity and robustness of our Standards. While we will miss his contributions to the Board, I do hope that we can still harness his expertise on specific projects in the future.



Steven J Sherman
Chairman,
IVSC Standards Board

STANDARDS BOARD PROJECTS

PROJECT	STATUS
Updating of IVSs	The Board has agreed that while new Standards can be introduced at any time, subject to following due process, it will undertake a biennial review of all Standards in issue and consider whether any updating or clarification amendments are necessary. An Exposure Draft of the proposed changes was published in early 2013 and the comments received considered by the Board in June. Amended Standards were approved in July 2013 and are effective from 1 January 2014.
IVSs Adoption Strategy	The IVSs have been developed with considerable input from professional bodies and other organisations that produce their own valuation standards, either to regulate their members or under a statutory or regulatory mandate. However, the existence of different standards covering the same principles but using different wording is undesirable since it creates a perception among users and regulators that the profession is not united behind a single set of standards, which weakens the authority of all of the standards. The Board has instigated a project to proactively engage with the other major valuation standard setters to eliminate any remaining differences between the IVSs and the other major sets of valuation standards in use.
Valuation Uncertainty	A Discussion Paper was produced in 2010 which solicited views on the nature of valuation uncertainty, when additional disclosures should be made because of uncertainty and the nature of those disclosures. The responses to this Discussion Paper indicated to the Board that this was an area where there was significant confusion and inconsistency, particularly in understanding the differences and relationship between uncertainty and risk. An Exposure Draft of a proposed Technical Information Paper (TIP) was released in late 2012 further to which the Board is due to approve the TIP for publication in late 2013.
Derivative Valuation Methods	Derivative products collectively form the biggest asset class in the world but there are no globally recognised standards for their valuation and little transparency in how values that may be relied on by investors and others are calculated. An exposure draft of the first TIP on Equity Derivatives was issued in July 2013. Further drafts on credit, currency, commodity and interest rate derivatives are planned.
Credit / Debit Valuation Adjustments	The need to reflect changes in the credit status of a counterparty when valuing financial instruments is a well-established principle. Less understood is the need under some circumstances, including reporting under IFRSs, to reflect changes in an entity's own credit. There is, therefore, a need to make both Credit Valuation Adjustments and Debit Valuation Adjustments. Since mid-2012 an Expert Group has been discussing methodology and developing a draft TIP which will explain the principles of CVA and DVA and examine methods of calculation. The objective is to produce commonly accepted principles for adjusting the valuation of financial instruments for changes in counterparty and own credit risk that are identified as significant considerations in IVS 250. An Exposure Draft is due in late 2013.

PROJECT	STATUS
Investment Property	The existing IVSs include a Standard for investment property under construction, but otherwise contain little on any other issues that specifically arise in relation to this class of asset. Following requests from industry groups, the Board agreed a project to consider how the Standards could be improved in this area. A Discussion Paper was published in late 2012 and, after reviewing the comments received, the Board agreed that amendments should be made to IVS 230 Real Property Interests and IVS 300 Valuations for Financial Reporting. IVS 223 Investment Property under Construction will be represented as application guidance and its scope extended to include all real property under construction. Exposure Drafts of the amended Standards are anticipated in the second quarter of 2014.
Liabilities	While the current IVSs are intended to be applicable to the valuation of liabilities as well as assets, historically little consideration has been given to the extent of valuation considerations that are unique to liabilities. With the assistance of an expert group the Board developed a Discussion Paper, which was released in early 2013. The responses confirmed that there is a need for either amendments to existing Standards or a specific Standard for the valuation of liabilities with associated guidance.
Forestry	An expert group was formed in 2011 and an Exposure Draft of a proposed TIP issued in late 2012. The responses indicated greater diversity than had originally been anticipated and the Board has agreed that further research is needed before a further draft is prepared.
Extractive Industries	When reviewing the existing Standards the Board agreed that a dedicated project was necessary to consider the extent and nature of the pronouncements that IVSC should be making as regards this sector. An expert group was assembled in late 2011 and a Discussion Paper released in 2012. Further to a lengthy consultation and analysis period, the Board is now considering how the project should proceed in the light of the feedback received.
Trade Related Property	In the 2007 edition of the IVSs, GN12 provided some guidance on the valuation of types of real property that are designed for a specific type of business activity and that are normally exchanged at a price that reflects the potential income that such a business could generate from the property. GN12 referred to these as "Trade Related Property". A Discussion Paper was issued in 2012 which invited comments on various issues identified by the Board. Following a limited response, it was decided that whilst the Board is open to representations on the need for such guidance and the issues that might need to be addressed the project is currently on hold.

REPORT FROM JOHN MARTIN

CHAIRMAN OF THE IVSC ADVISORY FORUM

The purpose of the Advisory Forum is to engage the IVSC members from around the world to bring forward ideas and suggested solutions to the Board of Trustees and Standards and Professional Boards on matters that will impact the development and influence of the valuation profession at a global level.

The focus over the last year has been to further develop the Advisory Forum into a more effective body in contributing to the IVSC's strategic direction, priorities and work programme to facilitate the key objective of bringing the valuation profession together as a global force.

The level of cooperation and engagement between organisations and disciplines has increased significantly over the past year. The challenge is to retain and build on this trust to ensure the IVSC succeeds in its vision to build a valuation profession globally.

The Advisory Forum is led by its Working Group that brings together experienced practitioners, as representatives of Valuation Professional Organisations (VPOS), from across valuation disciplines and geographies. The Working Group has monthly conference calls, conducts a two-day face-to-face meeting mid-year and a series of meetings with the whole Forum as part of the Annual General Meeting.

I am able to report on a busy and productive year for the Advisory Forum Working Group.

A summary of the breakout sessions held during the Milan meetings in October 2012 was produced and circulated with an invitation for those members who were unable to be present in Milan to contribute their views. The conclusions of this exercise are being used to drive forward the Forum's current agenda.

In September 2012, the Forum surveyed VPO members on their requirements for awarding professional membership, requirements to maintain professional membership post qualification, and the application of standards. The results of the survey were published with headline findings being that 95% of responding Valuation Professional Organisations required a formal qualification prior to membership. This ranged from graduate entry (64%) to certificates and diplomas (18%) encouraging news was that 79% of respondents confirmed that application of valuation standards was mandatory for members of their respective organisations and, of that sub-group, the vast majority either used the International Valuation Standards directly or their national

standards conformed to the IVSs. The Working Group is currently considering the nature of a follow-up survey.

In a number of countries the valuation profession is in its infancy. To support the development of the profession globally, the Forum developed a guide in collaboration with the Professional Board, entitled *Establishing and Developing a Valuation Professional Organisation* to provide practical assistance to support current and prospective member bodies in their efforts to become fully effective valuation organisations. It will also be a valuable resource to development agencies, governments and others seeking to build valuation capacity around the world. The Guide is freely available on the IVSC website and hard copies were widely distributed. It is pleasing to hear for example, that the newly formed Institute of Chartered Valuers Bangladesh has been using the Guide to help with its development.

The Guide drew heavily on a similar publication issued by the International Federation of Accountants (IFAC) for the accountancy profession and I would like to thank IFAC for its willingness to allow the IVSC to utilise its publication.

The IFAC Guide is supported by a further document entitled "Tools and Resources to Support the Development of the Accounting Profession". This is now being reviewed by the Working Group to see whether something similar could be developed for the valuation profession.

At the first meeting of the Forum in 2011, the work of the IVSC in developing technical Standards was recognised, but the Forum recommended to the Board of Trustees that the IVSC also focus on building the profession globally. The Forum was delighted that the agenda of the Professional Board was refocused to concentrate on this issue and that it has recognised the need to work closely with the Forum.

A very good and productive working relationship is in place between the Professional Board and the Advisory Forum Working Group so that the agendas of both can be mutually supportive. I would particularly like to thank Greg Forsythe, chairman of the Professional Board, who participates in our monthly conference calls and who attended the Group's New York meeting.

The Working Group welcomed the publication of the Professional Board's Discussion Paper proposing the development of International Professional Standards and looks forward to playing an active role in sharing views as this project moves forward.



John Martin
Chairman, IVSC
Advisory Forum

The Working Group is also developing a discussion paper regarding the impacts of valuation management companies on real estate valuations prepared for mortgage security purposes.

As I write this, the Advisory Group has just concluded an agenda for the third meeting of the Forum that is taking place in Tokyo on 8 – 9 November 2013. I look forward to meeting the many delegates, who will be attending this meeting for what, I am sure, will involve meaningful discussions and positive outcomes.

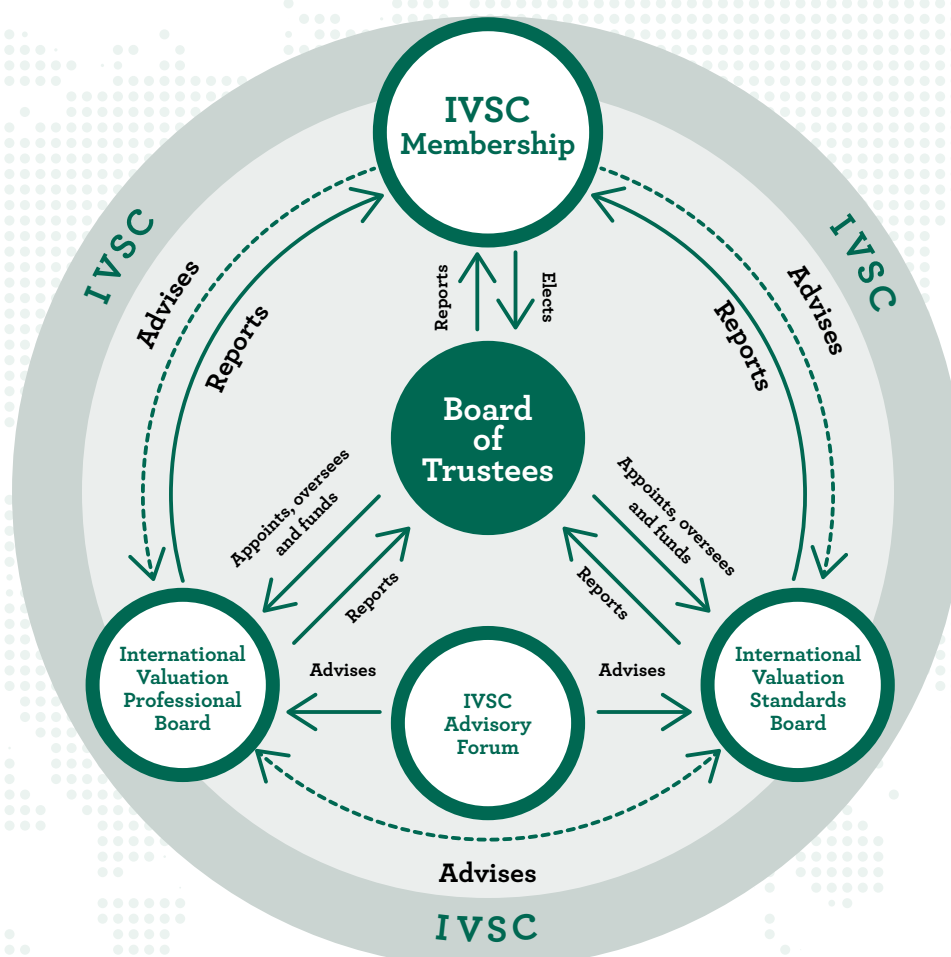
In concluding, I would especially like to thank Paula Douglas-Seidel, Executive Administrator at The Appraisal Foundation who has supported the Working Group, particularly the chairman, by providing ongoing administrative services. We are all very appreciative of the Foundation's support in allowing Paula to do this.

I would also like to thank IVSC Trustees, April Mackenzie and Lee Hackett, for their support and encouragement during the year and to the members of the Forum's 2012 – 2013 Working Group – Tony Aaron, David Bunton, K K Chiu, Ben Elder, Eleanor Joy, Paul Olscamp, Leslie Sellers and Leandro Escobar Torres.

All are volunteers and give of their time freely. The ongoing support of their National Organisations is also invaluable and much appreciated.

Finally I encourage all members to have a greater level of engagement with the Advisory Forum.

STRUCTURE OF THE IVSC



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 of the IVSC. IVSC members, through the IVSC Advisory Forum, play an important role in advising the Boards on technical matters, work priorities and emerging issues.

“The global financial crisis provided a stark reminder of the interdependence of capital markets and has led to much debate about the role and reliability of valuations and their impact on financial stability, markets and economic growth. Calls by regulators and others for valuations to be produced to high standards of clarity, integrity and objectivity are becoming ever more frequent. This is the space that the IVSC must capture.”

Sir David Tweedie
Chairman of the IVSC Board of Trustees

IVSC FINANCIAL SUPPORTERS

The IVSC is grateful to the following organisations for their financial support:

- 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
- EY
- 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

MEMBERS OF THE IVSC BOARD OF TRUSTEES 2012–2013

- **Sir David Tweedie (Chairman)** – Chairman of the International Accounting Standards Board (IASB) and CEO of the Foundation 2001 – 2011. President of the Institute of Chartered Accountants of Scotland 2012 – 2013
- **Patrick Gounelle (Vice Chairman)** – former Global Managing Partner, EY
- **Roel Campos (Vice Chairman)** – Partner with the law firm Locke Lord LLP; former commissioner of the US Securities and Exchange Commission between 2002 – 2007
- **Nicholas Brooke** – Chairman of Professional Property Services Ltd, Hong Kong; past President, RICS
- **Brad Dalgliesh** – former Senior Partner of KPMG's Canadian and Global Valuation Services Practice. Past President (1984) of the Canadian Institute of Chartered Business Valuators (CICBV)
- **Lee Hackett** – Executive Vice President, Global Operations, American Appraisal Associates Inc
- **Malcolm Knight** – advisor, Deutsche Bank Global Group; member of the Board, Swiss Re; visiting Professor in Finance, London School of Economics and Political Science; former General Manager of the Bank for International Settlements (2003 – 2008)
- **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 of PricewaterhouseCoopers (PwC), Denmark; Former trustee and executive member of the International Accounting Standards Committee Foundation (IASCF)
- **John Smith** – former Partner in the US National Office of Deloitte and Touche. Part-time member of the IASB 2002 – 2007. Following his retirement from D&T, reappointed as a full-time member of the IASB 2007 – 2012
- **Frank Vettese** – Managing Partner & Chief Executive, Deloitte Canada. Member of the Deloitte Global Executive Committee
- **Akihiro Watanabe** – Representative Director, GCA Savvian Group Corporation and Managing Director of GCA Savvian Corporation. He is a founding Partner of GCA and the founder of GCA's predecessor company, Global Corporate Advisory

MEMBERS OF THE PROFESSIONAL AND STANDARDS BOARDS 2012-2013

Members of the International Valuation Professional Board 2012-2013

- **Greg Forsythe (Chairman)** – Director, Business Valuation practice, Deloitte Financial Advisory Services LLP, USA
- **Roy Farthing (Vice Chairman)** – Partner, Valuation and Business Modelling, EY, Australia, and leader of the Capital Equipment Group
- **Mauro Bini** – Professor at Bocconi University, Milan, Italy and Chairman of the Management Board of the Organismo Italiano di Valutazione (OIV)
- **David Faulkner** – Regional Director, Consultancy and Valuation, Colliers International, Hong Kong
- **Doug McPhee** – Partner, Corporate Finance, KPMG London and Global Head, Valuation Services
- **Nick French** – Professor of Real Estate in the Department of Real Estate and Construction at Oxford Brookes University, UK
- **Chris Mercer** – Founder and CEO of Mercer Capital, USA
- **Marianna Todorova** – Director in the Office of Professional Practice, Duff & Phelps LLC in New York
- **Jiang Wei** – Professor and Head of the Department of Finance in the College of Economics at Shenyang University, PR China

Members of the International Valuation Standards Board 2012-2013

- **Steven J Sherman (Chairman)** – Managing Director and head of Loop Capital's Financial Consulting Services business, USA
- **Frank Bollmann (Vice Chairman)** – Managing Director of Vossius & Partner, Germany
- **Thomas Boyle** – Chief Appraiser, Senior Vice President, U.S. Bank Real Estate
- **Ana Castañeda-Ortega** – CEO, InterMoney Valora Consulting S.A., Spain
- **Jim Eales** – Global Head, EY Valuation and Business Modelling Group, UK
- **Paul Hawkes** – Chief Financial Officer Weisshorn Re, Switzerland
- **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
- **Chris Stanley** – Director, Telfer Young, New Zealand



5TH JUNE 2013 – MEETING OF THE STANDARDS BOARD



7TH JUNE 2013 – MEETING OF THE PROFESSIONAL BOARD

IVSC MEMBER ORGANISATIONS (AS AT OCTOBER 2013)

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 Avaliadores

Bulgaria

Chamber of Independent Appraisers in Bulgaria

Canada

Appraisal Institute of Canada

Canadian Institute of Chartered Business Valuators

China, PR

China Appraisal Society

Columbia

Registro Nacional de Avaluadores

Croatia

Croatian Society of Valuers

Egypt

The Egyptian Association of Real Estate Appraisers

Finland

Finnish Association for Real Estate Valuation

Georgia

Association of Professionals on Land and Realty

Expertise Institute for Valuation of Assets of Georgia

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 Auctioneers and Valuers

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 Republica Mexicana, A.C

Montenegro

Association of Valuers of Montenegro

Namibia

Namibian Institute of Valuers

The Netherlands

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

New Zealand

Property Institute of New Zealand

Nigeria

Nigerian Institution of Estate Surveyors and Valuers

Norway


Norges Takseringsforbund

Philippines

Institute of Philippine Real Estate Appraisers

Poland

The Polish Federation of Valuers' Associations

Romania 
The National Association
of Romanian Valuers

Russian Federation 
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
Sociadades 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

Bulgaria 
Chamber of
Professional Valuers


France 
Fédération Française des
Experts en Evaluation

India 
Institute of Cost and Works
Accountants of India

Italy 
Consiglio Nazionale dei
Dottori Commercialisti e
degli Esperti Contabili


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
Property Valuers Profession

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

Sri Lanka 
Sri Lanka Accounting
Standards Monitoring
Board

United Arab Emirates 
Department of Municipal
Affairs, Emirate of Abu Dhabi

Taqeem (Real Estate
Appraisal Centre) Dubai
Land Department


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

Russian Federation 
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

IVSC AROUND THE GLOBE

CANADA – FEBRUARY 2013

Sir David Tweedie spoke at seminar jointly organised by Appraisal Institute of Canada, Canadian Institute of Chartered Business Valuators and RICS

UNITED KINGDOM – JULY 2013

Sir David Tweedie delivered keynote address to ICAEW Annual Valuation Conference

OCTOBER 2013

Sir David Tweedie addressed IFRS Advisory Council

SPAIN – JUNE 2013

IVSC represented at IOSCO Stakeholders Meeting

USA – JUNE 2013

IVSC meeting, hosted by IMF, with national valuation standard setting valuation bodies to discuss promoting wider adoption of IVSs. Second meeting held Chicago, October 2013

JULY 2013

Standards Board chairman, Steve Sherman, and Board member, Tom Boyle, spoke at Appraisal Institute Annual meeting

BRAZIL – APRIL 2013

Translation of IVSs into Portuguese launched

FRANCE – OCTOBER 2013

French translation of IVS 2013 launched at 4th Journée de l'Evaluation organised by the Compagnie Nationale des Commissaires aux Comptes and sponsored by IVSC member, La Fédération Française des Experts en Evaluation. Sir David Tweedie and IVSC Technical Director Chris Thorne spoke at conference

NIGERIA

The Financial Reporting Council of Nigeria Act established a Directorate of Valuation Standards which is required to liaise with the IVSC on the development and application of IVSs

BULGARIA – JANUARY AND APRIL 2013

IVSC technical director and Standards Board member, Frank Bollmann, spoke about IVSC

LATVIA — MARCH 2013

Permission given to Latvian Association of Appraisers to translate IVSs

RUSSIA — SEPTEMBER 2013

Sir David Tweedie gave keynote address to International Conference on the Valuation of Plant, Machinery and Equipment, St Petersburg

SLOVENIA — SEPTEMBER 2013

Permission granted to Slovenian Institute of Auditors to translate IVSs

CHINA — MARCH 2013

Sir David Tweedie met with President and Secretary General, China Appraisal Society

OCTOBER 2013

IVSC Executive Director spoke at 2013 China Valuation Forum

PHILIPPINES — JANUARY AND APRIL 2013

IVSC trustee, Nick Brooke, at meeting of Advisory Group on APEC Financial System Capacity Building

September 2013, revised guidelines on property valuations issued by the Philippines Securities and Exchange Commission take effect. New rules require the valuer to indicate whether or not the International Valuation Standards were used, including the year and edition

HONG KONG — JUNE 2013

IVSC trustee, Nick Brooke spoke at IFRS Regional Policy Forum

SINGAPORE — JULY 2013

Sir David Tweedie spoke at Institute of Certified Public Accountants of Singapore conference on 'Building a Global Valuation Profession'

SAUDI ARABIA — MAY 2013

Permission granted to Saudi Authority for Accredited Valuers to translate IVSs into Arabic

BANGLADESH — SEPTEMBER 2013

The Bangladesh Securities and Exchange Commission is to make it mandatory to follow IVSs while conducting revaluation of assets for listed entities

SRI LANKA

Draft Guidelines on Property Valuation for the purpose of Financial Reporting issued by the Institute of Accountants of Sri Lanka expect valuers to follow IVSs

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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OFFICERS AND PROFESSIONAL ADVISERS

FOR THE YEAR ENDED 31 MARCH 2013

COMPANY REGISTRATION NUMBER

FC030067

BOARD OF TRUSTEES MARCH 2013

Sir David Tweedie
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 W Madison Street
Suite 1500
Chicago, Illinois
60606, USA

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 2013

The Trustees present their report and financial statements for the year ended 31 March 2013

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 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 Clark Whitehill LLP has indicated its willingness to be reappointed.

Approved and authorised for issue on 8 November 2013 by the Trustees and signed on its behalf by:



Sir David Tweedie
Chairman

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2013

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 in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all situations, a fair presentation will be achieved by complying with all applicable IFRSs. In preparing these financial statements, the Trustees are also required to:

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

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Council 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 TO THE BOARD OF TRUSTEES OF INTERNATIONAL VALUATION STANDARDS COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of The International Valuation Standards Council (the Council) for the year ended 31 March 2013 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 14.

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 ACCOUNTS

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 Annual Report 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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF INTERNATIONAL VALUATION STANDARDS COUNCIL (continued) FOR THE YEAR ENDED 31 MARCH 2013

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 2013 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
Statutory Auditor
London



INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013	2012
		\$	\$
Income		1,366,693	1,455,807
Standard-setting and professional development		(1,185,688)	(1,003,693)
Publications and associated costs		(148,643)	(205,811)
OPERATING SURPLUS	4	32,362	246,303
Other non-operating income		30	42
SURPLUS BEFORE TAX		32,392	246,345
Tax expense		–	–
SURPLUS FOR THE YEAR		32,392	246,345

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Retained surplus
	\$
Balance at 1 April 2012	760,256
Total recognised surplus for the year	32,392
Balance at 31 March 2013	792,648

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013	2012
		\$	\$
ASSETS			
NON CURRENT ASSETS			
Fixtures, fittings and equipment	6	4,815	12,036
CURRENT ASSETS			
Inventories		18,610	7,511
Trade and other receivables	10	114,135	387,747
Prepayments	11	16,159	–
Cash and cash equivalents	12	858,729	730,358
		1,012,448	1,137,652
EQUITY			
ISSUED CAPITAL AND RESERVES			
Retained profits	14	792,648	760,256
CURRENT LIABILITIES			
Deferred income	13	71,931	191,666
Trade and other payables	13	147,869	185,730
		219,800	377,396
TOTAL EQUITY AND LIABILITIES		1,012,448	1,137,652

The financial statements on pages 7 to 10 were approved by the Trustees and have been authorised for issue on 8 November 2013 and were signed on its behalf by:

Sir David Tweedie, Chairman
Company registration number: FC030067

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012
	\$	\$
Total operating surplus	32,392	246,345
Interest income	(30)	(42)
Depreciation	7,221	6,017
Increase in inventory	(11,099)	(6,997)
(Increase)/decrease in trade and other receivables	257,453	(213,630)
Increase/(decrease) in trade and other payables	(157,596)	179,534
Cash generated from operations	128,341	211,227
Tax paid	–	(9,094)
CASH FLOWS FROM OPERATING ACTIVITIES	128,341	202,133
Interest income	30	42
CASH FLOWS FROM INVESTING ACTIVITIES	30	42
NET INCREASE IN CASH AND CASH EQUIVALENTS	128,371	202,175
Cash and cash equivalents as at 1 April 2012	730,358	528,183
CASH AND CASH EQUIVALENTS AS AT 31 MARCH 2013	858,729	730,358

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The Council's financial statements for the year ended 31 March 2013 were authorised for issue and the statement of financial position signed on the Council's behalf by Sir David Tweedie. The International Valuation Standards Council was incorporated on 1 April 2004 as a not-for-profit corporation in Illinois, USA.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

2. ACCOUNTING POLICIES (continued)

Royalties

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

Foreign currency exchange

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

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

Tax

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

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

Fixtures, fittings and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

2. ACCOUNTING POLICIES (continued)

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.

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.

Trade and other payables

Trade and other payables are measured at amortised cost.

Standards in issue not yet adapted

The financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective on 1 April 2012. 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 2013

3. INCOME

	2013	2012
	\$	\$
Donations and sponsorships	1,037,554	1,045,014
Membership subscription fees	249,824	265,967
Publications	44,810	101,908
Royalties	25,719	29,310
Delegate fees	4,100	13,608
IVS Services	2,328	-
Miscellaneous income	2,358	-
	1,366,693	1,455,807

4. OPERATING SURPLUS

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

	2013	2012
	\$	\$
Depreciation of fixtures, fitting and equipment	7,221	6,017
Net foreign currency differences	34,195	16,280
Inventory recognised as an expense	17,383	24,960
Rental expense	58,918	46,271
Auditor's remuneration - audit services	15,617	15,987

	2013	2012
	\$	\$
<i>Included in standard-setting and professional development:</i>		
Employee benefits expense	462,746	458,550
Depreciation and amortisation	7,221	6,018
Net foreign currency exchange	34,195	16,280

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

5. EMPLOYEE EXPENSES

	2013	2012
	\$	\$
Wages and salaries	383,130	347,444
Post employment expense for defined contribution plans	28,337	26,309
Social security costs	51,279	84,797
	462,746	458,550

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

	2013	2012
	No.	No.
Management	1	1
Technical	1	1
	2	2

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

6. FIXTURES, FITTINGS AND EQUIPMENT

At 31 March 2013

	Computer Equipment
	\$
Cost	
At 1 April 2012	21,664
Depreciation	
At 1 April 2012	(9,628)
Charge for the year	(7,221)
At 31 March 2013	(16,849)
Net book value	
At 1 April 2012	12,036
At 31 March 2013	4,815

At 31 March 2012

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

7. 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.

8. FINANCIAL ASSETS AND LIABILITIES

	<i>Carrying amount</i>		<i>Fair value</i>	
	2013	<i>2012</i>	2013	<i>2012</i>
	\$	<i>\$</i>	\$	<i>\$</i>
Financial assets				
Cash and cash equivalents	858,729	<i>730,358</i>	858,729	<i>730,358</i>
Trade and other receivables	130,294	<i>387,747</i>	130,294	<i>387,747</i>
Financial liabilities				
Deferred income	(71,931)	<i>(191,666)</i>	(71,931)	<i>(191,666)</i>
Trade and other payables	(147,869)	<i>(185,730)</i>	(147,869)	<i>(185,730)</i>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

9. RELATED PARTY TRANSACTIONS

Key management compensation

The Chairman received remuneration of \$31,774 (2012:Nil) for the year ended 31 March 2013.

The previous chairman received a stipend of \$50,000 for the year ended 31 March 2012.

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.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
Receivable from sponsors and members	50,879	270,920
Other receivables - VAT	17,200	-
Accrued income	46,056	116,827
	114,135	387,747

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:

	2013	2012
	\$	\$
0-30 days	10,158	82,018
30-60 days		102,630
60-90 days		50,139
Greater than 90 days	40,721	36,133
	50,879	270,920

11. PREPAYMENTS

	2013	2012
	\$	\$
Current		
Prepayments	16,159	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2013

12. CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at bank	858,729	730,358

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

13. TRADE AND OTHER PAYABLES

	2013	2012
	\$	\$
Payable to suppliers	83,346	123,759
Other payables	18,227	–
Accrued liabilities	25,982	34,572
Tax payable – PAYE & NI	20,314	27,399
	147,869	185,730

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 activities of the Council.

CONTACTING THE IVSC

EXECUTIVE STAFF:

April Mackenzie, Chief Operating Officer
Marianne Tissier, Executive Director
Danuta Wotjowicz, Administrative Manager

Telephone:

+44(0)203 178 7807

Email:

contact@ivsc.org

Website:

www.ivsc.org

Address:

IVSC
1 King Street,
London,
EC2 8AU

TECHNICAL STAFF:

Chris Thorne, Technical Director
Sean Thomson, Technical Manager



