



International Valuation Standards Council

Annual Report 2009/2010



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Introduction

Welcome to the International Valuation Standards Council's (IVSC) 2009-2010 Annual Report. Over the past year we have made significant progress with a number of initiatives, most notably the publication of an Exposure Draft for the proposed new International Valuation Standards (IVS). The global economic crisis has led to much debate surrounding the scope and effect of international financial regulation, and in response to this the proposed new IVS will for the first time include a standard for financial instruments.

It is also vital that the new IVS, as well as other IVSC initiatives, are effectively promoted within the international financial community. This Report sets out how strong links continue to be made in this arena through direct meetings, round tables and formal presentations.

2010 Key Achievements

- Publication of Exposure Draft for new International Valuation Standards, followed by round tables in Asia, Europe and North America
- Introduced to senior officials of European Central Bank, International Monetary Fund, World Bank and the US's Securities and Exchange Commission
- Invited to present during the 35th Annual Conference of the International Organization of Securities Commissions in Montreal
- Presented a session at the 2010 World Congress of Accountants in Kuala Lumpur
- Commenced a collaborative project with the IAASB to develop a paper on external auditors' use of valuation experts
- Significant appointments made to the IVSC Board of Trustees, including first trustee from the banking sector
- Appointment of new Chairs to both the International Valuation Professional Board and International Valuation Standards Board, and creation of new role of IVSC Technical Director
- Growth of IVSC membership and sponsorship contributions

Message from the Chairman, IVSC Board of Trustees



Michel Prada
Chairman IVSC Board of Trustees

Broadening the IVSC's Global Reach

Now more than ever, standardised valuation across all business sectors is vital for reducing investment risk, adding confidence to financial reporting and providing a consistent approach to portfolio and asset valuation. The ambition of the IVSC is clear – to provide standards and guidance that improve the quality and reliability of valuations globally, leading to greater confidence in the valuation process. Over the last year we have made significant steps towards achieving this.

Raising our Profile

In the past twelve months I have continued the programme of introducing the IVSC to senior officials of several global organisations, including meetings with the President and members of the Board of the European Central Bank, the General Secretary of the Bank for International Settlements, and the Deputy to the Secretary General and Senior Advisor to the Financial Stability Board. I have also met with the Managing Director of the International Monetary Fund (IMF) and with staff from the IMF Monetary and Capital Markets Department, as well as the Vice President and Controller of the World Bank.

In February 2010, following the Board of Trustees meeting in Washington DC, the IVSC met with key officials from the Securities and Exchange Commission (SEC), including Chairman Mary Schapiro, Commissioner Kathleen Casey (who is also chair of IOSCO's Technical Committee) and Chief Accountant Jim Kroeker. This meeting was followed by one with Lael Brainerd, Under Secretary of the US Treasury for international affairs.

In June, the IVSC was invited to present during the 35th Annual Conference of the International Organization of Securities Commissions (IOSCO)

in Montreal. At this conference Roel Campos, Vice Chairman of the IVSC Board of Trustees and a former Commissioner with the US Securities and Exchange Commission, discussed the role of the IVSC and introduced the recently released Exposure Draft of proposed new International Valuation Standards (IVS) to members of the IOSCO Executive and Technical Committees and to the Emerging Markets Advisory Board. This meeting was an opportunity to discuss with the Chairs, and other senior representatives from some fifty national securities commissions, the work that the IVSC is doing to establish high-quality global standards for the performance of valuations. The IVSC looks forward to a continuing relationship with IOSCO and its standing committees. I have also had the opportunity to give a presentation to the Committee of European Securities Regulators (CESR). The IVSC will seek to develop a working relationship with CESR and its successor, the European Securities and Markets Authority (ESMA), particularly as it instigates its mandate from the European Commission on implementing measures from the Alternative Investment Fund Managers Directive.

In October, I chaired a very productive meeting between IVSC representatives and members of the International Private Equity and Venture Capital (IPEV) Valuation Board, with whom we are now

developing a Memorandum of Understanding. I was also pleased to meet with the Asset Management and Investors Council of the International Capital Market Association (ICMA AMIC) at the beginning of December having previously spoken at one of their meetings, and I look forward to much closer cooperation at a technical level with the AMIC Valuation of Assets Working Group.

It is very encouraging that so many influential organisations are seeking meetings with the IVSC.

Relations with Accounting Bodies

In September 2009 I was delighted to join with the President of the International Federation of Accountants (IFAC) in signing a Memorandum of Understanding between IFAC and IVSC. Frank Bollmann, a member of the International Valuation Standards Board (IVSB), now attends the consultative advisory group of the International Auditing and Assurance Standards Board (IAASB) on behalf of the IVSC. In September, I was invited to give a presentation to the Board of IFAC. In November, the IVSC presented a session at the 2010 World Congress of Accountants held in Kuala Lumpur. In the report by the Chairman of the International Valuation Professional Board (IVPB), there are details of an important collaborative project between the IVSC and IAASB to develop a paper on external auditors' use of valuation experts.

The IVSC was approached by the Public Interest Oversight Board (PIOB) who thought it would be useful to meet to exchange ideas, and for the PIOB to explain its oversight activities and discuss issues of common interest. Sir Bryan Nicholson, a PIOB member, joined the Board of Trustees at its June meeting for a discussion. The PIOB was formally established in February 2005 to oversee IFAC's auditing and assurance, ethics, and education standard-setting activities as well as its Member Body Compliance Program.

The IVSC continues to have a good working relationship with staff at the IASB. After more than a year of global consultation, the IFRS Foundation Trustees have announced a number of changes to its Constitution, one of which expands the bodies with which the IASB is expected to establish and maintain liaison with, such as standard setters from outside the accounting field. The IVSC will be discussing with the IASB ways to improve, and possibly formalise, the communication between the two organisations under this new mandate.

Setting New Standards

Following the calls from global and national regulators for the standards of international valuation practice to be raised, the IVSC continued its project to improve its standards with the publication of an Exposure Draft for the new International Valuation Standards (IVS).

It has been encouraging to see mention of the exposure draft in, for example, a paper issued by the UK Financial Services Authority in August 2010 entitled "The prudential regime for trading activities". The reports by the chairs of the two technical Boards follow my report and it is very clear to see that the work of the two Boards represents a significant increase in IVSC activity and the demands on the IVSC are expected to grow even more.

New Appointments

Over the last year there have been a number of new appointments, including two significant appointments to the IVSC Board of Trustees. Malcolm Knight, non-executive Vice Chairman of Deutsche Bank and April Mackenzie, Global Head of Public Policy and External Affairs for Grant Thornton International, joined the Board in March. April has extensive experience in standard setting and a full understanding of the broader issues facing capital markets, whilst Malcolm is our first trustee from the banking sector and will therefore provide a new perspective to the Board's work.

We also welcomed new Chairs of the IVPB and IVSB at the October 2010 AGM. Jean-Florent Rérolle, Managing Director and European co-head of Financial Advisory Services at Houlihan Lokey, has become Chair of the IVPB and Steven J. Sherman, Chair of KPMG's Global Valuations practice, will chair the IVSB.

Jean-Florent has extensive valuation experience and will be a huge asset to the IVPB's work as it seeks to support the global valuation profession in delivering quality services. Equally, Steve's global knowledge will help the IVSB meet the challenge of developing a comprehensive set of International Valuation Standards. I am delighted that two such eminent professionals share the IVSC's ambition and are prepared to accept the responsibility to chair the technical Boards.

Jean-Florent and Steve will be ably supported by Greg Forsythe as the new IVPB Vice Chair, and Frank Bollmann the new IVSB Vice Chair. I would also like to thank Brad Wagar and Chris Thorne for their hard work as the previous IVPB and IVSB Chairs.



The Montreal Convention Centre

In June, the IVSC was invited to present during the 35th Annual Conference of the International Organization of Securities Commissions in Montreal. At this conference Roel Campos, vice-chairman of the IVSC Board of Trustees, discussed the role of the IVSC and introduced the recently released Exposure Draft of proposed new International Valuation Standards. This meeting was an opportunity to discuss the work that the IVSC is doing to establish high-quality global standards for the performance of valuations ●

The Board of Trustees is committed to building the staff structure of the IVSC to support the volunteer efforts of Board members and enable a timely delivery of IVSC objectives. In October Chris Thorne took up his appointment to the newly created role of Technical Director. With more than fifteen years of experience in valuation standard setting both nationally and internationally, and after serving as the Chair of the IVSB for the past two years, Chris is one of the world's experts on issues relating to valuation standard setting and we are delighted to have him on board.

IVSC Membership

IVSC membership continues to grow and we were pleased to welcome the following into our membership

Belarusian Society of Valuers

Fédération Française des Experts en Evaluation

Institute of Cost and Works Accountants of India

Republican Chamber of Appraisers of Kazakhstan

Korea Association of Property Appraisers

Taqeem (Real Estate Appraisal Centre), Dubai Land Department

The State University – Higher School of Economics, Institute for Real Estate Economics, Moscow, Russian Federation

IVSC membership now stands at 67 from 50 countries.

Stakeholder Engagement

Stakeholder engagement is very important to the IVSC. IVSC members meet in an advisory forum once a year, providing an opportunity to discuss issues of common concern, as well as provide support and advice to the IVSC Boards. I am grateful to John Martin from Australia who chairs this forum and has given so much time to guiding the development of it in its early days. The Trustees held the first of what will become regular meetings with IVSC sponsors in February 2010 to both report on the activities of the IVSC and receive their input on the IVSC's strategic direction and work plans. Without our sponsors, the IVSC would not be able to achieve its ambitious objectives. It is only right that the Trustees report to the sponsors on the delivery of IVSC services and engage in discussion to ensure that work priorities are in accordance with their needs as far as possible.

As part of the development of the new International Valuation Standards, the IVSC conducted a consultation process that was unprecedented in its global outreach with the holding of round tables in Asia, Europe and North America. However, the Trustees are aware that more needs to be done to ensure the appropriate involvement of all relevant stakeholders in the development of international valuation standards and guidance. To this end, we will be looking at establishing a User Advisory Forum during the coming year.

Providing the Necessary Resources for a Growing Workload

One of the major responsibilities of the Trustees remains securing the necessary resources to operate the organisation effectively. In 2010 we expanded staff resources prudently to respond to growing requirements. We are only able to fund our operations through financial commitments made by a number of organisations listed later in this Report. An additional five organisations have agreed to provide sponsorship to the IVSC in the past twelve months, bringing the number of IVSC sponsors to fifteen. Their support is absolutely key 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.

A formal agreement to share office space with the International Centre for Financial Regulation (ICFR) at 41 Moorgate, London EC4 has now been entered into and the City of London Corporation has confirmed that it will provide funding to meet the costs associated with the office for 2010/2011 and 2011/2012.

Warmest Thanks

The IVSC depends on the contributions and efforts of many people and organisations. To date we have achieved much with limited resources. We are currently supported by a small secretariat, and that time is given freely by professionals who are at the top of their game in various disciplines and industries. I would like to thank my fellow Trustees and the members of the two IVSC operational boards, who generously give their time and expertise. I would also like to thank the IVSC Executive Director, Marianne Tissier, for the support she gives to enable the IVSC to meet its goals.

Report of the Chairman of the International Valuation Professional Board



Brad Wagar

Chairman International Valuation Professional Board

Enhancing Valuation Practice

It is a pleasure to present this second annual report on the activities of the International Valuation Professional Board (IVPB).

A key activity of the IVPB is the development of guidance for valuers, particularly guidance designed to improve the consistency with which the International Valuation Standards (IVS) are applied, and by doing so enhance the quality of valuation practice. This has been a challenge during a year in which the IVS themselves have been the subject of a major improvements project. As a result, the IVPB concentrated its efforts on reviewing some of the guidance within the existing IVS that will not be carried forward into the new Standards. Work is at an advanced stage on exposure drafts of two new Technical Information Papers (TIPs): The Depreciated Replacement Cost and The Discounted Cash Flow Method – Real Property and Business Valuations will be released in Q1 2011. A further exposure draft TIP on the Valuation of Investment Properties under Construction will be issued later in the year.

Working with The Appraisal Foundation

We were also pleased to have the opportunity to work with The Appraisal Foundation in the United States respecting the “internationalisation” of its Monograph on “The Identification of Contributory Assets and the Calculation of Economic Rents”. The Monograph has been reviewed for application in an international context and an exposure draft containing proposed changes will be issued by the IVSC early in 2011. The IVPB not only appreciated the opportunity to develop The Appraisal Foundation’s inaugural Monograph into international guidance, but we are enthusiastic about contributing to the working groups developing the “Measurement of Control Premiums” and “Valuation of Customer

Relationships” Monographs that are currently in progress. These activities were punctuated by the signing of a Memorandum of Understanding at the IVSC Annual General Meeting in Miami, Florida in October 2010 which formalizes the process of exchanging input received on both the national and international versions of this work. Collaborative efforts such as these reaffirm the objectives of the Appraisal Foundation and IVSC Madison Agreement (signed in 2006), as well as the importance of valuation standard setting organisations working together to ensure consistent valuation best practice.

In a similar vein, the IVPB has been working with and seeking input from the International Auditing and Assurance Standards Board (IAASB) to assist the IVSC in publishing non-authoritative guidance

with respect to auditors using the work of valuation experts. This guidance paper will attempt to identify and articulate a variety of valuation and auditing issues, expectations and suggested approaches for members of both the valuation and auditing professions. It is hoped the outcome of this guidance will translate into practitioners from both professions gaining a greater understanding of each others' scope of work including the necessary processes, responsibilities and undertakings, and in so doing enhance the reliability and transparency of valuation assignments completed for financial reporting purposes. The working group, populated by members of both professions, is working to ensure this guidance dovetails with and supports the objectives of International Standards on Auditing 620 (ISA 620). This guidance paper will be published in early 2011, and we would like to thank both the International Federation of Accountants and the IAASB for the insights and assistance received from staff and volunteers.

Looking forward, working groups are being established to continue the IVPB's efforts on a variety of subjects, including guidance on: Fairness Opinions; Valuation of Intangible Assets; Mass Appraisal; Highest and Best Use; and the development of a Glossary of Valuation Terms. Key to this work is input from valuation professional associations, valuation educators, valuation practitioners, users of valuation services and the public. In the coming year the IVPB will place particular emphasis on engaging in dialogue with key stakeholders. One such stakeholder is the IVSC Advisory Forum, which brings together IVSC member bodies, and it is envisioned that much input will either originate from or be supplied through this Forum. The IVPB looks forward to working with the Forum but also with IVSC sponsors and others such as the International Private Equity and Venture Capital (IPEV) Valuation Board and the Asset Management and Investors Council of the International Capital Market Association (ICMA AMIC), who have both expressed interest in working with the IVSC.

Representing the Global Valuation Profession

The IVPB has continued to represent the public interest when commenting on material published by other organisations that directly relates to valuation matters. We provide comments on behalf of the IVSC and have contributed a number of responses including:

- Hong Kong Exchanges and Clearing Ltd, Consultation Paper on New Listing Rules for Mineral and Exploration Companies

- IASB Exposure Draft 2010/1, Measurement of Liabilities in IAS 37, proposed amendments
- IASB Exposure Draft 2010/7, Measurement Uncertainty Analysis, Disclosure for Fair Value Measurements

Developing the Global Valuation Profession

The perception that the role of valuers and indeed the valuation profession is not well understood by stakeholders led to the IVPB developing a definition of a "Professional Valuer", which was released for exposure in July 2010. The definition was built on the basis of the following core competency framework:

- Specific skills required;
- A recognition of different valuation specialties; and
- Credentials, education and training requirements.

At the same time the IVPB also issued for exposure a proposed model 'Code of Ethics'. The responses are being evaluated prior to final documents being issued and these will form the basis for further work by the IVPB regarding the development of benchmark guidance to improve the standards of valuation education around the world.

Thanks

On behalf of the IVSP, I would like to publicly thank Ion Anghel, Brian Glanville and Julio Torres Coto for their dedication and service to the IVSC over the years, and more recently to the IVPB over the last two years. Their terms as members of the IVPB may have come to an end, but we know their passion for the valuation profession continues.

The IVPB's leadership is also changing. Jean Florent Rérolle has assumed the role of Chair and Greg Forsythe has been appointed Vice Chair. I would like to congratulate them and wish them well in their new roles. I know the IVPB members look forward to moving ahead under their leadership.

Finally, it has been an honour and my pleasure to serve as founding Chair of the IVPB. The enthusiasm of Professional Board members to develop meaningful valuation guidance has been tireless. So too has been the commitment of the International Valuation Standards Board members, the leadership of the Board of Trustees and the dedication of Marianne Tissier, the IVSC's Executive Director. I thank them all for the support they have extended to me while chairing the IVPB, as well as for their friendship.

Report of the Chairman of The International Valuation Standards Board



Chris Thorne,
Chairman International Valuation Standards Board

Improving Standards to Meet New Challenges

In my report last year I highlighted the IVSB's project to rewrite and improve the International Valuation Standards (IVS). While there are also many other matters competing for attention on the agenda, the Board has taken the view that we first need to address the basics of the structure and scope of the standards, so that we have a robust foundation on which to build for the future. I am pleased to report that in spite of the task being every bit as large as initially envisaged, and the unexpected intervention of an Icelandic volcano causing the cancellation of a Board meeting at a critical point, the Exposure Draft was released in line with the timetable announced in Madrid last November.

This required much dedication from various IVSB members in reviewing and commenting on multiple working drafts. I also must make particular mention of Mary Jane Andrews, who was appointed as the technical author for the project and who never ceased to amaze with her efficiency and enthusiasm. The Board could not have met our deadlines without her.

The release of the Exposure Draft of the IVSB's proposals at the beginning of June 2010 is only part of the story. The comment period has produced the largest and most diverse range of responses ever to an IVSC draft. Again with the invaluable assistance of Mary Jane Andrews, the Board has now commenced the task of considering the comments and finalising the new standards. As part of this process we undertook three "round table" discussions during November in New York, Hong Kong and London, to which various respondents and other identified stakeholders were invited so that some of the more contentious issues arising

from the comments received could be further debated.

One thing that has become clear from the consultation process so far is that the IVSB was absolutely right to make the rewrite its first priority. The responses show that in future the standards have to be of relevance to a far wider constituency than those of the past, and that in most respects the current standards do not meet requirements of this new constituency. Until the new standards are settled it will not be possible to progress other projects being undertaken by the IVSB, or the various Technical Information Papers being prepared by the International Valuation Professional Board. For this reason the IVSB intends to keep to a challenging timetable with a view to publishing the new IVS by the end of the second quarter of 2011.

Some respondents expressed concern that we are going too fast and have called for further drafts and rounds of consultation. However, although the

Board has not ruled out possible further exposure of any parts, if it believes it necessary to make a significant change to or introduce something that was not included in the Exposure Draft, it is determined to keep as close as possible to the stated timetable. If the work of the IVSC is not to grind to a halt it is important to get workable standards into the public domain as quickly as possible.

In spite of our best efforts, no standards will ever be perfect; nor will they set in stone. The standards will continue to evolve to meet new challenges presented by the markets and the needs of valuation users. If we adopted a policy of desisting from publication until everyone, everywhere was 100% happy that every problem they thought they were ever likely to encounter with valuation was addressed, we would never actually publish anything.

Due Process

Early in 2010 the Board of Trustees approved the Due Process document prepared by the IVSB, which sets out the various steps that will be taken or considered in the conduct of its business. This ranges from the criteria for including a project in our work programme, through the establishment of ad-hoc expert groups to advise the Board, to the requirements for the exposure of drafts and consultation. This document can be downloaded from the IVSC web site.

Our intention is to improve the visibility of all our processes to all our constituents. This paper is an important step, but we are aware that we can and should do more to improve communication, transparency and equality of access as the organisation develops. The speed and extent with which we can develop our processes is dependent on the speed and extent at which our resources develop, but we are always interested in suggestions as to how we can improve.

Financial Instruments Expert Group

In mid 2009 the IVSC set up an Expert Group to advise on the issues that had led to a loss of confidence by investors and regulators in the valuation of many types of instrument. This Expert Group has had input into the development of a high level standard in the IVS Exposure Draft which relates the general principles of transparency and disclosure to the valuation of financial instruments, identifies the major value affecting characteristics of different instruments and the principal valuation methods used. The Group also had a major input

into the uncertainty discussion paper. Projects that will eventually lead to technical guidance on identifying and valuing liquidity premia and credit valuation adjustments are under development.

Uncertainty Project

One of the themes common to many of the responses to the financial crisis made by the G20 and others were calls for the better identification and disclosure of valuation uncertainty. In my report last year I advised that the IVSB had approved a project to consider if amendments were required to the standards or if additional guidance was required. The first step was to produce a discussion paper, but this proved to be a longer process than anticipated due to the need to consider parallel projects being undertaken by the IASB and FASB. Our paper was finally published in September 2010 and the comments received are under consideration by the Board.

Other Projects

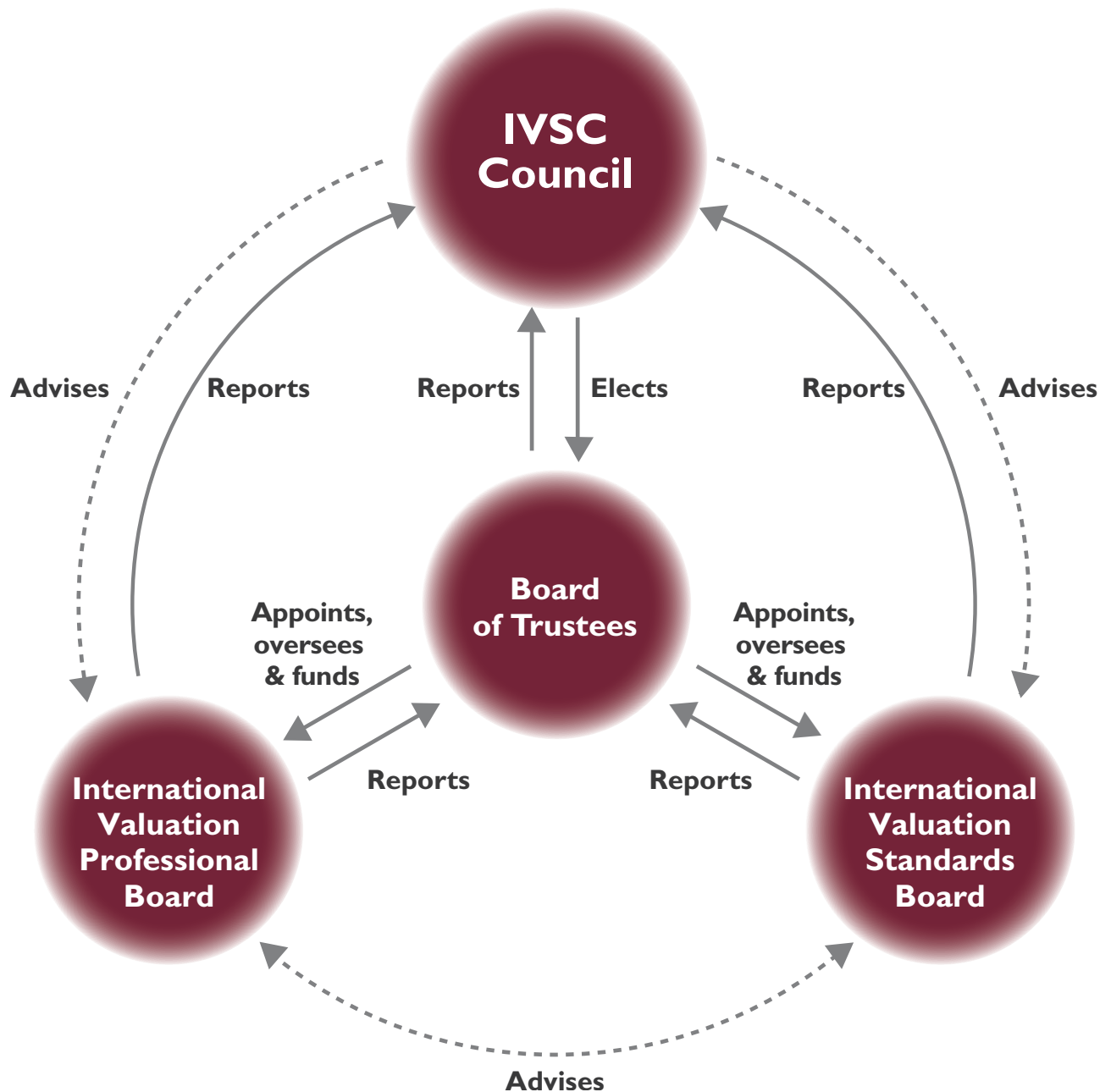
Because the primary focus has been on the Standards Improvement Project, progress on other projects has been limited. The IVSB has approved projects to consider the development of standards for valuations in the Extractive Industries, Forestry Assets and Liabilities. The speed at which these can be progressed and the number of new projects that can be considered is dependent on the funding that can be attracted.

Thanks

I would like to record my thanks to my fellow Board members who have all provided valuable insight and contributions to the task of reshaping the IVS. Lest we forget, they are all volunteers and manage to find the time to undertake research, produce documents and make other essential contributions to the work of the IVSB and the wider IVSC. I would particularly like to thank Arvind Nandan who is retiring by rotation this year and who is not seeking re-election.

Finally, this is my last report as Chairman of the IVSB as I too am stepping down, although as you will have heard from Michel Prada this is to become even more involved with IVSC. I would like to offer my successor, Steven Sherman, my congratulations on his appointment and every success in his stewardship of the Standards Board. I look forward to working with the chairs of both Boards and the Trustees in taking the IVSC forward in my new role as Technical Director.

The IVSC at a Glance



How the IVSC structure works

The IVSB and the IVPB both bring together experienced valuation professionals who are selected on the basis of technical competence and experience. Professional and geographic diversity is also 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. The IVSC 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 play an important role in advising the two boards on technical matters, work priorities and emerging issues.

Communicating with Stakeholders

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

Bank for International Settlements , Basel, Switzerland	AGM of International Council of Securities Associations , Istanbul, Turkey
Bank of England	International Federation of Accountants board meeting , Paris, France
Canadian Institute of Chartered Business Valuations/ American Society of Appraisers Advanced Business Valuation Conference , Miami, USA	International Monetary Fund , Washington DC, USA
China Appraisal Society conference , Beijing, China	International Private Equity and Venture Capital Valuation Board (IPEV) , London, UK
European Central Bank , Frankfurt, Germany	IOSCO Annual Conference , Montreal, Canada
Accounting Committee of the European Banking Federation , Brussels, Belgium	IOSCO Technical Committee meeting with Industry Stakeholders , Madrid, Spain
Board meeting, The European Group of Valuers of Fixed Assets	KPMG Global Financial Reporting and Valuation Conference , Miami, USA
Chair, European Parliament's Economic and Monetary Affairs Committee	London Society of Chartered Accountants Financial Reporting Group
European Public Real Estate Association Reporting and Accounting Summit , Brussels, Belgium	25th Pan-Pacific Congress of Real Estate Appraisers, Valuers and Counselors , Bali, Indonesia
Committee of European Securities Regulators , Brussels, Belgium	OECD Centre for Tax Policy and Administration , Paris, France
FASB Valuation Resource Group , Norwalk, USA	RICS Conference Paris: évaluation des actifs immobiliers
Financial Services Authority , London, UK	The Russia Forum 2010 , Moscow
Financial Stability Board , Basel, Switzerland	US Securities and Exchange Commission , Washington DC, USA
Financial Times , London, UK	US Department of the Treasury , Washington DC, USA
Global Public Policy Committee of the Big 6 , London, UK	US Valuation Study Group
IASB Fair Value Measurement Roundtable , London, UK	The World Bank , Washington, DC, USA
Instituto de Censores Jurados de Cuentas de España , Madrid, Spain	World Congress of Accountants , Kuala Lumpur, Malaysia
International Capital Market Association, Asset Management and Investors Council , London, UK	World Federation of Exchanges Annual Meeting , Paris, France

IVSC Meetings, Miami, October 2010



The IVSC 2010 Annual General Meeting and October Board meetings were held in Miami to coincide with the Business Valuation Conference jointly organised by the Canadian Institute of Chartered Business Valuators and American Society of Appraisers. The photographs are of Board members and the many who attended the Board meetings as observers.

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 Valuers
- China Appraisal Society
- Deloitte Touche Tohmatsu Ltd
- Duff & Phelps, LLC
- Ernst & Young, LLP
- Grant Thornton
- Houlihan Lokey Howard and Zukin, Inc
- KPMG, LLP
- Royal Institution of Chartered Surveyors
- The City of London Corporation has given financial support to the establishment of the IVSC headquarters in London

Members of the International Valuation Standards Council: Board of Trustees

- **Michel Prada (Chairman)** – formerly Chairman of the Autorité des Marchés Financiers, France; member IASB/FASB Financial Crisis Advisory Group; President, Conseil de Normalisation des Comptes Publics
- **Roel Campos (Vice Chairman)** – Partner in charge of the Washington DC office of law firm Cooley Godward Kronish, and former commissioner of the US Securities and Exchange Commission between 2002 – 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 Dalglish** – retired Senior Partner of KPMG’s Canadian Valuation Services Practice and currently senior counsel to the firm
- **Lee Hackett** – Executive Vice President, Global Operations, American Appraisal Associates Inc
- **Malcolm Knight** – non-executive Vice Chairman of Deutsche Bank; 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
- **Carlos Arenillas Lorente** – Former Vice-Chairman of the Spanish Securities and Exchange Commission (CNMV)
- **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 in PricewaterhouseCoopers (PwC), Denmark; Former trustee and executive member of the International Accounting Standards Committee Foundation (IASCF)

Members of the International Valuation Professional Board

- **Jean-Florent Rerolle (Chairman)** – Managing Director and European co-head of Financial Advisory Services at Houlihan Lokey Howard & Zukin, France, and lecturer at the Institut d'Etudes Politiques de Paris
- **Greg Forsythe (Vice Chairman)** – Director, Business Valuation practice, Deloitte Financial Advisory Services LLP, USA
- **Roy Farthing** – 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
- **Doug McPhee** – Deputy Chair of KPMG's Global Valuation Services business, UK
- **Marianna Todorova** – Director, Valuation Advisory Services, Duff & Phelps LLC, USA
- **Brad Wagar** – President, Bradford Real Estate Services, Canada

The terms of office of the following concluded in 2010: Ion Anghel, Brian Glanville and Julio Torres Coto

Members of the International Valuation Standards Board

- **Steven J Sherman (Chairman)** – Partner, KPMG. Chair KPMG Global Valuations Committee, USA
- **Frank Bollmann (Vice Chairman)** – Managing Director, 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
- **Siu Yu Nova Chan** – Partner in the Advisory Division of PricewaterhouseCoopers, China
- **Bob Connolly** – Director, Bolton Connolly Opteon Property Advisory Services, Australia
- **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

The terms of office of the following concluded in 2010: Arvind Nandan and Chris Thorne

Independent Auditors' Report

Board of Trustees
International Valuation Standards Council
Chicago, Illinois

We have audited the accompanying statement of financial position of the International Valuation Standards Council (the Council) as of March 31, 2010 and 2009 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Valuation Standards Council as of March 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk & Abrams, Ltd.

Ostrow Reisin Berk & Abrams, Ltd.
9 October 2010

Statement of financial position

MARCH 31

	2010	2009
ASSETS	\$	\$
Cash	409,548	475,244
Receivables:		
Sponsorships (Note 3)	250,000	
Other	2,044	7,226
Inventory	1,646	5,314
Prepaid expenses:		
Technical writer fees for future release of next edition of International Valuation Standards	51,100	82,421
Total assets	714,338	570,205
LIABILITY AND NET ASSETS		
Liability:		
Accounts payable	126,877	49,252
Net assets:		
Unrestricted	337,461	520,953
Temporarily restricted (Note 4)	250,000	
Total net assets	587,461	520,953
Total liability and net assets	714,338	570,205

See notes to financial statements

Statement of activities

YEARS ENDED MARCH 31

	2010	2009
	\$	\$
Changes in unrestricted net assets:		
Revenues:		
Contributions:		
Donations and sponsorships (Note 5)	455,240	600,000
Donated services	12,700	
Membership subscription fees	145,138	119,474
Publication sales, net	29,285	40,948
Royalties	10,462	15,354
Interest income	526	683
Total revenues	640,651	789,159
Expenses:		
Program expenses:		
Valuation standards	453,539	174,891
Professional development	56,160	27,207
Total program expenses	509,699	202,098
Office and administrative, including restructuring costs of \$8,267 in 2010 and \$36,412 in 2009	306,427	260,868
Fundraising	8,017	7,825
Total expenses	824,143	470,791
Increase (decrease) in unrestricted net assets	(183,492)	318,368
Changes in temporarily restricted net assets: Sponsorships (Notes 4 and 5)	250,000	
Increase in temporarily restricted net assets	250,000	
Increase in total net assets	66,508	318,368

See notes to financial statements

Statement of changes in net assets

	Total	Unrestricted	Temporarily Restricted
	\$	\$	\$
Balance, March 31, 2008	202,585	202,585	
Increase in total net assets	318,368	318,368	
Balance, March 31, 2009	520,953	520,953	
Increase (decrease) in total net assets	66,508	(183,492)	250,000
Balance, March 31, 2010	587,461	337,461	250,000

See notes to financial statements

Statement of cash flows

YEARS ENDED MARCH 31

	2010	2009
	\$	\$
Operating activities:		
Increase in total net assets	66,508	318,368
Adjustments to reconcile above to cash provided by (used in) operating activities:		
(Increase) decrease in operating assets:		
Sponsorships receivable	(250,000)	
Other receivables	5,182	502
Inventory	3,668	8,346
Prepaid expenses	31,321	(13,425)
Increase in operating liability:		
Accounts payable	77,625	8,213
Cash provided by (used in) operating activities	(65,696)	322,004
Increase (decrease) in cash	(65,696)	322,004
Cash, beginning of year	475,244	153,240
Cash, end of year	409,548	475,244

See notes to financial statements

Notes to financial statements

I. Organization

Organization:

The International Valuation Standards Council (the Council), was incorporated on April 1, 2004 as an Illinois Not-for-Profit Corporation. The Council succeeded a former international organization which was formed in 1981. The objectives and purpose of the Council include but are not be limited to:

- 1) Creating and ensuring an independent and transparent international valuation standards setting process;
- 2) Developing and maintaining a highly effective comprehensive set of high quality international valuation standards that are understandable, practical to implement and which protect the public interest;
- 3) Identifying where local or regional standards differ from the international valuation standards and working toward greater compatibility and harmonization between local or regional requirements and the *International Valuation Standards*.
- 4) Contributing to the development of the global valuation profession and protecting the public interest by encouraging high quality best practices by the global valuation profession; and
- 5) Being the international voice of the valuation profession.

The Council publishes *International Valuation Standards* for its members and the general public. The Council derives its revenue from donations and sponsorships from leading companies and organizations who support the development of high quality global valuation standards, from membership subscription fees and from sales of the *International Valuation Standards* publication.

The Council is membership based. Effective February 2008, membership in the Council can be by national professional valuation institutes, users and preparers of valuations and academic bodies.

The Council has its principal office of the Corporation in Chicago, Illinois and its operational headquarters in London, England.

Restructuring:

During the year ended March 31, 2007, the members of the International Valuation Standards Committee approved an initiative to restructure the organization to create the International Valuation Standards Council. Following a transition period, the restructured organization became operational in January 2009. The governance structure of the Council includes an independent global Board of Trustees responsible for the governance, overall strategic direction and funding of the Council and two independent technical Boards – the International Valuation Standards Board (IVSB) and the International Valuation Professional Board (IVPB). The IVSB's role is to define global standards for the undertaking and reporting of valuations, in consultation with providers, users, other standard setters and regulators worldwide. The IVPB's role is to assist in the development of high quality professional practices in tandem with the world's valuers and to support the growth of the profession worldwide.

Contributions:

During the year ended March 31, 2009, the Council sought voluntary contributions from organizations with an interest in valuation standard setting to support the Council during the transition period and for the initial three years of operation of the restructured organization. Organizations have committed to providing contributions during the initial three-year restructuring period subject to an annual internal review. For the years ended March 31, 2010 and 2009, the Council raised voluntary contributions totaling \$705,240 and \$600,000, respectively. The Board of Trustees continues to seek additional sponsorship for the Council while at the same time beginning consideration of the longer term funding arrangement for the Council.

Notes to financial statements (continued)

2. Summary of significant accounting policies

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting.

Financial statements:

The financial statement presentation follows the FASB Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at March 31, 2010 and 2009.

The U.S. dollar is the monetary measurement used to present the financial statements.

Income tax status:

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.

Cash credit risk:

The Council maintains its cash in a bank account which, at times, may exceed federally-insured limits. The Council has not experienced any losses in such account and believes that it is not exposed to any significant credit risk on cash.

Contributions and contributed services:

The financial statement presentation follows the Codification for *Accounting for Contributions Received and Contributions Made*. Under the Codification, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted contributions depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the restriction. Temporarily restricted contributions expended in the year received are reported as temporarily restricted contributions and net assets released from restrictions. There were no permanently restricted contributions received for the years ended March 31, 2010 and 2009.

The Council records the fair market value of contributed services if the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. The Council received donated occupancy and bookkeeping services from the Appraisal Institute of \$12,700 for the year ended March 31, 2009. These donated services were measured by allocable cost of salaries, related benefits and use of facilities. The Council paid \$15,350 for such occupancy and bookkeeping services in the year ended March 31, 2010.

Inventory:

Inventory consists of unsold *International Valuation Standards* publications and is stated at the lower of cost, determined by the first-in, first-out (FIFO) method or market.

Prepaid expenses:

Prepaid expenses consist of costs incurred for development of professional research papers which will be included in the next edition of the *International Valuation Standards*.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Sponsorships receivable

Sponsorships receivable represent unconditional promises to give. At March 31, 2010, sponsorships receivable are expected to be collected during the next year. Management has determined that sponsorships receivable are fully collectible; therefore, no allowance for uncollectible amounts is considered necessary at March 31, 2010.

During the period from April 1, 2010 through October 9, 2010, the Council collected \$250,000 in sponsorship revenue representing the balance in sponsorships receivable at March 31, 2010.

4. Temporarily restricted net assets

At March 31, 2010, temporarily restricted net assets totaled \$250,000, which is temporarily restricted until collected from the sponsors.

5. Major contributors

Approximately 54% of revenues represent sponsorships and subscriptions received from five donors for the year ended March 31, 2010. Approximately 38% of revenues represent sponsorships and subscriptions received from three donors for the year ended March 31, 2009.

6. Subsequent events

Management of the Council has reviewed and evaluated subsequent events from March 31, 2010, the financial statement date, through October 9, 2010, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.



IVSC Member Organisations

Valuation organisation members

Argentina

Instituto Argentino de Tasaciones

Australia

Australian Property Institute
Institute of Foresters of Australia

Belarus

Belarusian Society of Valuers

Brazil

Instituto Brasileiro Avaliacoés

Canada

Appraisal Institute of Canada
Canadian Institute of Chartered Business Valuers

China

China Appraisal Society

Columbia

Registro Nacional de Avaluadores

Egypt

The Egyptian Association of Real Estate Appraisers

Finland

Finnish Association for Real Estate Valuation

France

Fédération Française des Experts en Evaluation

Georgia

Association for Protection of Landowners Rights
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

The Society of Chartered Surveyors in the Republic of Ireland
The Irish Auctioneers and Valuers Institute

Italy

Consiglio Nazionale Geometri

Japan

Japanese Association of Real Estate Appraisal

Kazakhstan

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

Kenya

Institution of Surveyors of Kenya

Korea

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 Institution of Surveyors, Malaysia

Mexico

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

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

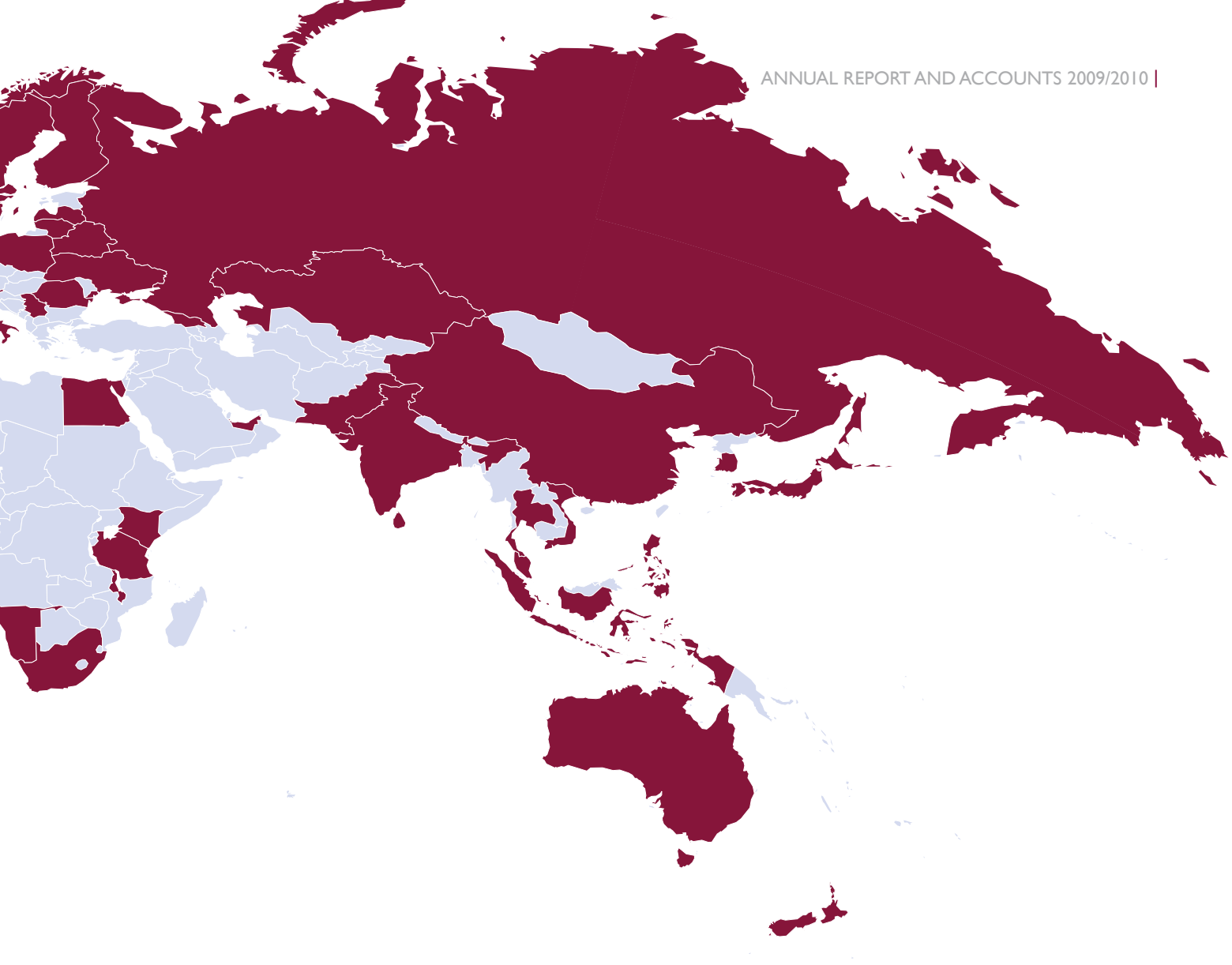
The Polish Federation of Valuers' Associations

Romania

The National Association of Romanian Valuers

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 Sociadades de Valoración

Sweden

ASPECT – Association for Chartered Surveying, Property Evaluation and Transactions

Tanzania

Tanzania Institution of Valuers and Estate Agents

Thailand

Thai Valuers Association

Ukraine

Ukrainian Society of Appraisers

United Kingdom

Royal Institution of Chartered Surveyors

USA

American Society of Appraisers
Appraisal Institute

Venezuela

Asociación Profesional de Sociadades de Valoración

Academic members**Russia**

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

Corporate members**Hong Kong, PRC**

Greater China Appraisal Ltd, Hong Kong, PRC

Japan

Japan Valuers Company Ltd

Malaysia

Khong & Jaafar, Sdn Bhd, Malaysia
International Association of Consultants, Valuers and Analysts

Institutional members**India**

Institute of Cost and Works Accountants of India

Lithuania

Auditing, Accounting and Property Valuation Institute of the Republic of Lithuania

Namibia

Ministry of Lands and Resettlement, Namibia

Pakistan

Securities and Exchange Commission of Pakistan

South Africa

South African Council for Property Valuers Profession

Sri Lanka

Sri Lanka Accounting Standards Monitoring Board

United Arab Emirates

Taqeem (Real Estate Appraisal Centre), Dubai Land Department

USA

National Council for Real Estate Investment Fiduciaries (NCREIF)

Vietnam

Price Control Dept, Ministry of Finance, Vietnam

Contacting the IVSC



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