

IVSC BVB May 2024 Update

This IVSC Update highlights preliminary decisions of the IVSC Business Valuation Board (“BVB” or “Board”). Projects affected by these decisions can be found on the ***IVSC Publication Schedule***. The Board's final decisions on IVS® Standards and Amendments as set out in the ***IVSC Standards Review Board Due Process and Working Procedures***.

The Board met physically in **London on 13th, 14th and 15th May 2024**.

13 May 2024

1. Update from the CEO
2. Guest Speaker: Adrian Nicholls, EY
3. Record of previous meeting notes.
4. Opening remarks by the Chair
5. BVB Discussion
6. Discussion with Alexander Aronsohn
7. Guest Speaker: Matt Tilling, UKEB
8. Guest Speaker : Dennis Jullens, “*The Footnotes Analyst*”
9. Internal discussion

14 May 2024

10. Internal discussion
11. Guest Speaker: Haydn Jones, Kroll
12. BVB Internal discussion

15th May 2024

13. Guest speaker: Andreas Ohl, PWC.
14. Guest Speakers: IASB Team.
15. Conclusion of Business

The Board was asked if there were any conflicts of interest in relation to the proposed topics and no conflicts were declared.

13 May 2024

Start of proceedings at 09:15

1. Update from the CEO

- a. The CEO gave the BVB members an update on recent developments of the IVSC including:
 - i. The generally good reception to the new IVS.
 - ii. The state of the discussions between the IVSC and IOSCO
 - iii. A cursory update on the IVSC's financial performance during FY 2022-23.
 - iv. The arrival of new Sponsors and members
 - v. Progress of the IVSC's Investor Forum
 - vi. Possible new office openings for the IVSC
 - vii. The state of business valuation in the UK
 - viii. Importance of the relationship between IVSC and IASB, whose representative will be a guest speaker on 15th May.
- b. Next steps:
 - i. None.

2. Guest Speaker: Adrian Nicholls, EY

- a. Adrian Nicholls is EY's Valuation, Modelling & Economics Global & UKI Leader -specialist in business and intellectual property valuation
- b. Adrian Nicholls discussed various themes pertaining to the valuation profession.
- c. He noted the resilience of the profession, in the face of constant change.
- d. He noted the emergence of Artificial Intelligence, which is a "paradigm shift". While its progress will be cyclical, it will eventually make a big difference. It will enable a shift away from the more mundane aspects of valuation.
- e. Adrian Nicholls expects that more people will enter the valuation profession. This makes standards and professionalism indispensable.
- f. Adrian Nicholls discussed the consequences of ESG / Sustainability reporting on Valuation.
- g. Adrian Nicholls discussed the emergence of digital Assets on Valuation.
- h. Finally, Adrian Nicholls encouraged board members to communicate that valuation is an exciting subject.
- i. Next steps:
 - i. None.

3. **Record of previous meeting notes.**
 - a. The TD asked attendees if they had any remarks on the record of the previous BVB meeting that had been previously circulated.
 - b. Board members present acknowledged they had received the comments and had no comments.
 - c. Next steps:
 - i. None.
4. **Opening remarks by the Chair**
 - a. The Chair greeted the attendees and stated that he wanted to focus the meeting on getting the new members to get acquainted with the BVB.
 - b. Next steps:
 - i. None.
5. **BVB Discussion**
 - a. The BVB discussed various matters pertaining to its remit, including:
 - b. The challenges to education and professional development in the valuation profession posed by AI. The emergence of AI risks stunting the apprenticeship period for valuation professionals. Ideally, AI should be a “pilot” to help development.
 - c. The BVB discussed the need for a perspective paper on AI. Part of the paper should aim to dispel misunderstandings around nomenclature: AI, Automation, AVM...
 - d. The BVB discussed other relevant topics, including:
 - i. Valuation ranges
 - ii. Cryptocurrencies and digital assets
 - iii. Sustainability.
 - e. Next steps:
 - i. None.
6. **Discussion with Alexander Aronsohn**
 - a. AA gave a brief overview of the work of the SRB and TAB.
 - b. AA also updated the BVB on the upcoming agenda consultation.
 - c. Next steps:
 - i. None.
7. **Guest Speaker: Matt Tilling, UKEB**

- a. Matt Tilling is Project Director - Research Lead at UK Endorsement Board. He explained that the UKEB enjoys a delegated authority from the UK Secretary of State for financial reporting standards.
 - b. As such, the UKEB engages with many constituencies, including Investors.
 - c. Matt Tilling appraised the IVSC BVB of the various projects, including on intangible assets.
 - d. Next steps:
 - i. None.
8. **Guest Speaker : Dennis Jullens, "*The Footnotes Analyst*"**
- a. Dennis Jullens is lecturer in Accounting and Finance in the Accounting & Control Group of the Amsterdam Business School, University of Amsterdam. The Footnotes Analyst is a blog that aims to inform investors and analysts about financial reporting, equity analysis and equity valuation.
 - b. Dennis Jullens discussed:
 - i. the dynamics affecting the fund management industry,
 - ii. the prevalence of non-GAAP earnings
 - iii. current valuation practices on the Equities sell side, including common mistakes.
 - c. Dennis Jullens discussed recent articles published on the Footnotes Analyst, including the implementation of IFRS 18 and Complex Capital Structures.
 - d. No other decision was taken, nor any vote held on this topic.
9. **Internal discussion**
- a. The BVB discussed the themes put forth by the speakers.
 - b. The BVB discussed the use of IVS among investors, and in litigation.
 - c. The members of the BVB agreed that further efforts should be done to continue exchanges with the CFA Institute and to initiate contacts with CAIA.
 - d. Next steps:
 - i. None.

14 May 2024

10. **Internal discussion**
- a. The BVB discussed the forthcoming perspective paper on Customer related assets, which also conclude the series of papers on Intangible Assets.
 - i. The TD noted the feedback and estimated that another draft would be ready by mid-June 2024 for submission to the SRB for final approval.

- b. The BVB discussed possible locations for forthcoming Board meetings in 2025.
 - i. Board meetings are scheduled to be held in February and May 2025.
 - ii. The TD endeavoured to disclose these projects to the SRB.
- c. Next steps:
 - i. None.

11. Guest Speaker: Haydn Jones, Kroll

- a. Haydn Jones Haydn Jones is a Managing Director and Global Head of Blockchain and Cryptocurrency Solutions at Kroll.
- b. Haydn Jones gave a presentation including:
 - i. Introduction to Cryptocurrency
 - ii. Policy and Regulatory Frameworks
 - iii. The Law and Digital Assets
 - iv. Taxation of Cryptocurrency
 - v. Litigation and Disputes
 - vi. Other Areas of Interest
- c. The BVB engaged Haydn Jones with a wide array of questions.
- d. Meeting ended at 1202.
- e. Next steps:
 - i. None.

12. BVB Internal discussion

- a. McCarthy Interview: The TD disclosed that the edited interview of Dan McCarthy had been accessed 4,281 times through the IVSC website.
 - i. IVSC LinkedIn posts have received a further 644 clicks (to navigate the PDF on the LinkedIn platform) and has so far achieved 2,660 impressions.
 - ii. These metrics probably understate the real reach of the paper.
- b. The BVB noted the need to address the issue of Transfer Pricing.
- c. The BVB discussed valuation risk.
- d. The BVB discussed Digital Assets and Cryptocurrencies.
- e. The BVB discussed the upcoming Agenda consultations and themes such as Valuation risk, currently being addressed by various working groups.

- f. The Chair noted that the next day would be taken up by two guest speakers. He asked if there was any other business to address. No topic was submitted for discussion.
- g. Next steps:
 - i. None.

15th May 2024

13. **Guest speaker: Andreas Ohl, PWC.**

- a. Andreas Ohl is the PwC Global Sustainability Technical Leader.
- b. Andreas Ohl discussed various projects pertaining to intangible assets undertaken by global financial reporting standard settings.
- c. Andreas Ohl also spoke about the collaboration of ISSB and IASB on two projects:
 - i. Biodiversity and
 - ii. Human capital
- d. Finally, Andreas Ohl addressed the issue of integrating sustainability reporting into valuations
- e. Next steps:
 - i. None.

14. **Guest Speakers: IFRS - Rika Suzuki, Tim Craig, Deborah Bailey and Richard Brown ("IASB Team").**

- f. Rika Suzuki is a member of the IASB. She is responsible for the relationship between the IASB and the IVSC.
 - i. Other members present:
 - 1. Tim Craig,
 - 2. Deborah Bailey, and
 - 3. Richard Brown
- g. The IASB team that they had embarked on a comprehensive review of the accounting requirements for **intangibles assets**.
 - i. Initial research aims to define:
 - 1. the problem that needs to be solved
 - 2. the scope of the project
 - 3. how best to stage work to deliver timely improvements
 - ii. The next milestone is to review the research in H2 2024.
 - iii. The IASB team said that stakeholders, especially users, rated a project on intangible assets as high priority. Users need better information about

recognised and unrecognised intangible assets. IAS 38 is an old accounting standard that needs to be modernised.

iv. The IASB team reported that so far, there has been mixed feedback on solutions:

1. **Recognition** and measurement would reconsider the prohibition on the recognition of many internally generated intangible assets.
2. **Disclosure** would be a more common starting point to find a solution. This would include disaggregation of expenses on intangible items, including future-oriented expenditure.

v. The IASB team presented several project topics, including

1. Scope of the project and of IAS 38
2. Definitions and properties of intangible assets,
3. Recognition
4. Measurement and
5. Presentation and disclosure.

h. The IASB team that they had embarked on a comprehensive review of the accounting requirements for **Business Combinations, Disclosures, Goodwill and Impairment (BCDGI)**.

i. The objective of the Exposure Draft is to improve information provide about business combinations, at a reasonable cost.

ii. This package of proposals includes changes to IFRS 3 (Business Combinations) and IAS 36 (Impairment of Assets)

iii. The IASB team disclosed that:

1. Investors receive insufficient information about an acquisition's performance – investors sometimes use information from impairment test as a proxy to assess an acquisition's success, and
2. Impairment losses on goodwill sometimes recognised too late. Impairment test complex and costly

iv. Proposed changes to IFRS 3 include disclosing information used by key management personnel about performance of strategic business combinations:

1. Key objectives, targets in year of acquisition
2. Performance against key objectives, targets in subsequent periods

v. The IASB team discussed improving disclosures about business combinations.

1. These include disclosure around the performance of business combinations; quantitative information about expected synergies; applicable exemptions.
 2. The information to be disclosed includes key objectives and targets, and subsequent performance against the targets.
 3. Business combinations include strategic business combinations,
 4. An exemption will be granted for commercially sensitive information.
- vi. Furthermore, the IASB team discussed proposed changes to the impairment test.
1. These changes aim to reduce shielding and prevent management over-optimism.
 2. They also entail changes to the calculation of Value-in-Use by disclosing in which reportable segment a CGU containing goodwill is included.
- vii. Finally, it is important to stress that the IASB decided to retain the impairment-only model to account for goodwill.
- i. Next steps:
- i. None.
15. **Conclusion of Business**
- j. There was no other business.
- k. The Chair ended the proceedings.
- l. Next steps:
- i. None.

[END OF MEETING 1145]