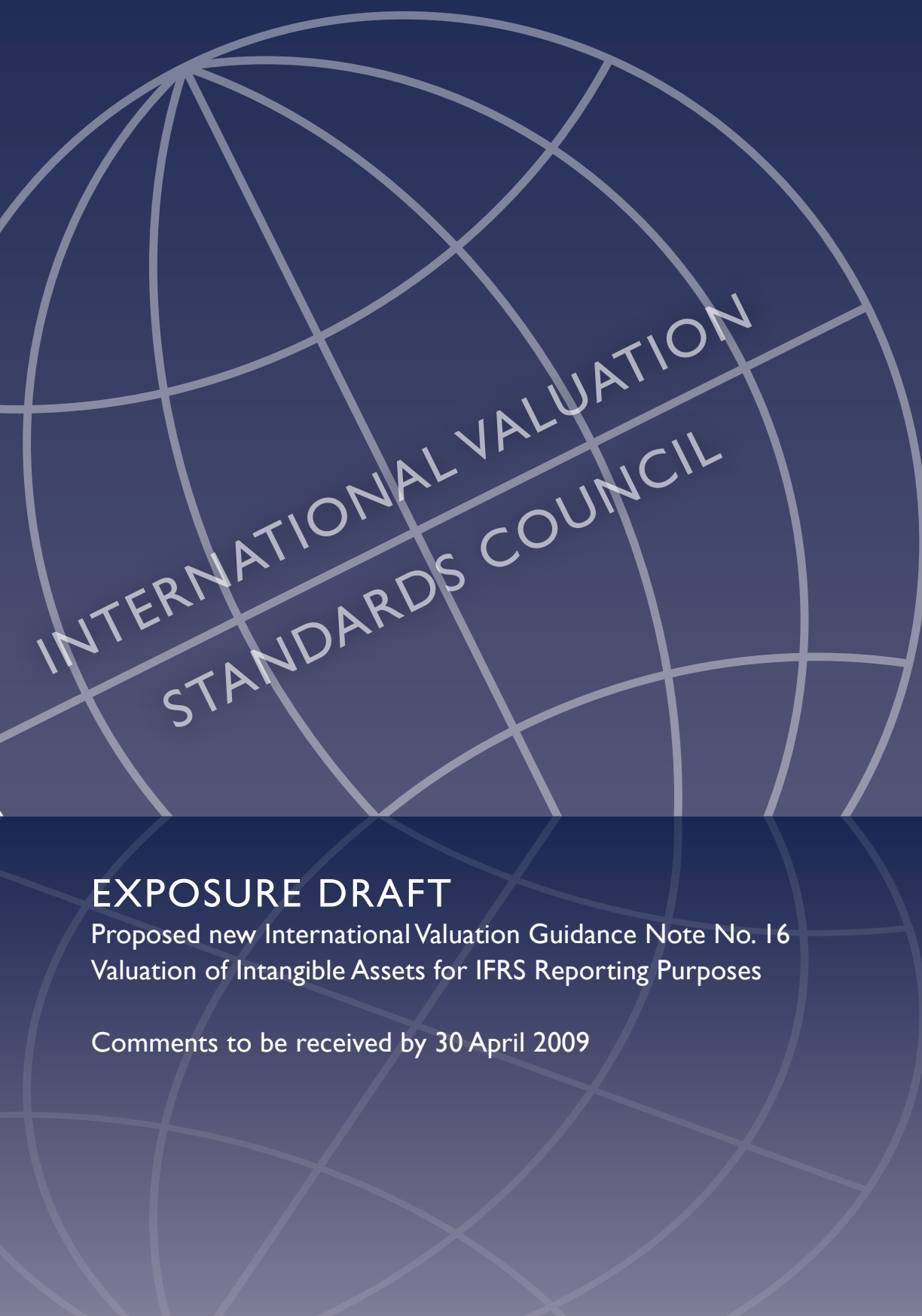


January 2009



INTERNATIONAL VALUATION STANDARDS COUNCIL

EXPOSURE DRAFT

Proposed new International Valuation Guidance Note No. 16
Valuation of Intangible Assets for IFRS Reporting Purposes

Comments to be received by 30 April 2009



EXPOSURE DRAFT OF PROPOSED NEW INTERNATIONAL VALUATION GUIDANCE NOTE NO. 16 VALUATION OF INTANGIBLE ASSETS FOR IFRS REPORTING PURPOSES

(published January 2009)

This Exposure Draft is published by the International Valuation Standards Board for comment only. The International Valuation Standards Board is the independent standard-setting body of the International Valuation Standards Council.

Comments on this Exposure Draft are invited by 30 April 2009. All replies may be put on public record unless confidentiality is requested by the respondent. Comments may be sent as email attachments to CommentLetters@ivsc.org, or by post to International Valuation Standards Board, 12 Great George Street, Parliament Square, LONDON SW1P 3AD, United Kingdom.

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Material for this Exposure Draft is drawn from the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB). IFRSs comprise individually numbered standards. Those originally published before 2004 are denoted IASs (International Accounting Standards) 1-41. Those published subsequently are prefixed as IFRSs. Extracts from IFRSs are reproduced in this Exposure Draft with the permission of the IASB.

The approved text of the IFRSs is that published by the IASB in the English language, and copies may be obtained directly from the IASB, 30 Cannon Street, London, EC4M 6HX, United Kingdom. E-mail: publications@iasb.org.uk

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Note for respondents

In August 2007 the International Valuation Standards Committee published a discussion paper “*Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes*”. This invited responses on both the scope of any future guidance and the accuracy of the technical content. Following analysis of the responses received, a Round Table meeting held in New York in May 2008 and further consultations with other respondents and interested parties, the outgoing Committee recommended that the project should move forward as follows:

- That the existing GN4 *Intangible Assets* should be revised and updated to reflect the discussion paper and the responses.
- That a new GN 16 *Valuation of Intangible Assets for IFRS Reporting Purposes* should be developed.
- That the newly formed International Valuation Professional Board be asked to consider developing an educational paper examining the application of some of the principles discussed in the new Guidance Notes, with reference to examples.

The new International Valuation Standards Board has accepted this recommendation.

This Exposure Draft of the new GN 16 is intended to identify the situations for which intangible assets may need to be valued under IFRS and to give guidance to valuers and those commissioning valuation on the valuation criteria to adopt. It also highlights any valuation reporting requirements that are specific to IFRSs. It does not identify or discuss valuation approaches or methods; these are discussed in GN 4 *Intangible Assets*, a proposed revision of which is released for exposure concurrently.

Questions for respondents

- 1 Some respondents to the discussion paper consider that because IAS 38 only permits intangible assets for which there is an active market to be carried at their revalued amount, and that the definition in IAS 38 of an active market includes a requirement that the assets traded are homogenous, or identical, it is necessary to further define the characteristics of assets that are “identical, similar and different”. They argue that because IAS 38 effectively directs that the fair value of qualifying identical assets is based on prices that are available to the public, valuers need guidance for which assets a valuation technique other than a straight forward price x quantity calculation may be used when valuing intangible assets under other IFRSs. The Board’s view is that there is little scope for confusion as the adjectives in question are used in IAS 38 with their normally understood meaning, and any attempt to draw clear lines between classes of intangible assets based on prescriptive definitions is not only unnecessary but also a source of potential anomalies.

Do respondents consider that further explanation of the characteristics of identical, similar and different intangible assets is required?

- 2 IAS 38 contains a precise definition of an “active market”, which describes not only the characteristics of the market but also the nature of the assets traded, i.e. they must be homogenous. This has led some commentators to the view that markets that either do not meet the criteria in IAS 38 or involve heterogeneous assets should logically be termed “inactive markets”. Others consider that this is misleading, as activity in markets is not dependant upon whether the goods being traded are similar, but upon supply and demand and the extent to which either is elastic. They point to the fact that there are many active markets involving assets that are not homogeneous.

IVS does not have a single definition of a market, although in discussion under “Concepts Fundamental to Generally Accepted Valuation Principles” (p21 IVS 2007) it is described simply as an environment in which goods and services are exchanged through a price mechanism. Although market concepts are discussed throughout IVS, no need has previously been identified to categorise and define different types of market.

Do respondents consider that in order to improve consistency of intangible asset valuations prepared for use under IFRSs it is necessary for IVS to explore and define what is meant by a “market” and by sub descriptions such as “active”, “inactive”, “accessible”, etc?

- 3 This draft is intended to provide valuers with a briefing of the valuation objectives under various IFRSs. It is not intended to be a guide to the accounting requirements. Consequently, only selected extracts from relevant IFRSs documents have been referred to, and elsewhere the IFRSs requirements have been paraphrased or précised.

Do respondents consider that this guidance contains sufficient references to IFRSs to enable a valuer to understand the valuation objectives and criteria necessary to produce valuations that are suitable for use by a reporting entity in preparing its financial statements, or is more background material on IFRSs required?

Exposure Draft

Proposed New International Valuation Guidance Note 16

Valuation of Intangible Assets for IFRS Reporting Purposes

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1 Introduction and scope

- 1.1 The International Valuation Standards Board (the “Board”) issues Guidance Notes (GNs) to guide experienced valuers on the application of the fundamental principles of the International Valuation Standards (IVS) to a specific asset type or for a specific valuation purpose. A GN is also intended to provide information to those who commission or rely on valuations and their professional advisors on the generally recognised principles that a valuer should follow and of the principal techniques and methods that may be used. Because of the range of asset types and of purposes for which valuations are required, a GN cannot provide authoritative guidance for every valuation situation and departure from the principles described may be justified in certain situations. A GN does not provide instruction on how to value nor detailed discussion on the merits of different valuation techniques.
- 1.2 GN 4, ‘*Valuation of Intangible Assets*’, provides guidance on the main recognised methods used for the valuation of intangible assets. This guidance note provides additional guidance for valuations undertaken for inclusion in financial statements prepared in accordance with International Financial Reporting Standards, ‘IFRSs’.
- 1.3 This guidance note addresses each IFRS under which valuations of intangible assets are required or permitted and considers for each of these IFRSs:
- The appropriate bases of valuation;
 - appropriate valuation methods;
 - specific issues arising, for example the degree of aggregation to be assumed;
- and
- cross-checks that are specifically relevant.
- 1.4 IFRSs currently in force and that require or permit the valuation of intangible assets include:
- IFRS 3, ‘Business Combinations’ and IAS 38, ‘Intangible Assets’, in respect of initial recognition of intangible assets arising from a business combination;
 - IAS 36, ‘Impairment of Assets’, in respect of intangible assets measured at fair value less costs to sell for impairment testing purposes;
 - IFRS 5, ‘Non-current Assets Held for Sale and Discontinued Operations’, in respect of intangible assets whose carrying amount is intended to be recovered principally through a sale transaction rather than through continuing use; and
 - IAS 38 in respect of intangible assets carried under the revaluation model.
- 1.5 The objective of this guidance note is to draw the attention of valuers and those commissioning valuations for use in financial statements to the principal accounting requirements under which the valuations are prepared and to give guidance on the appropriate valuation response. It is not intended as a guide to the relevant accounting standards. In some cases it will be necessary for the valuer, the entity preparing the accounts or its auditors to consult over the scope and presentation of the required valuation advice.

2 **IFRSs Definitions**

The following definitions from IFRSs are used in this Guidance Note

- 2.1 An *active market* in intangible assets is one in which all of the following conditions exist:
- the items traded in the market are homogeneous;
 - willing buyers and willing sellers can normally be found at any time; and
 - prices are available to the public;
- IAS 38, paragraph 8*
- 2.2 A *cash-generating unit* is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets;
- IAS 36, paragraph 6.*
- 2.3 *Costs of disposal* are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense;
- IAS 36, paragraph 6.*
- 2.4 The *fair value* of an asset is the amount for which that asset could be exchanged between knowledgeable, willing parties in an arm's length transaction;
- IAS 38, paragraph 8.*
- 2.5 An intangible asset is *identifiable* if it is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligation;
- IAS 38, paragraph 12.*
- 2.6 An *intangible asset* is an identifiable non-monetary asset without physical substance;
- IAS 38, paragraph 8.*
- 2.7 *Fair value less costs to sell* is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties, less the costs of disposal;
- IAS 36, paragraph 6.*
- 2.8 The *recoverable amount* of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use;
- IAS 36, paragraph 6.*
- 2.9 *Value in use* is the present value of the future cash flows expected to be derived from an asset or cash-generating unit;
- IAS 36, paragraph 6.*

3 *Valuation requirements specific to IFRSs*

- 3.1 Valuation requirements under IFRSs are often described using words or terms commonly used in valuation practice, but often these have a more specific meaning in the particular context than generally is understood by valuers. This section highlights differences between the use of terms in IFRSs and their use generally in IVS that are relevant to the valuation of intangible assets.
- 3.2 The definitions of fair value in IFRSs use a form of words that are either identical or very similar to the definition of fair value in IVS 2 “*Bases other than Market Value*”. In IVS 2, *Fair Value* in general use is clearly distinguished from Market Value. However, statements in various IFRSs pronouncements make it clear that fair value is the estimated price at which an asset could be transferred between willing market participants. It is to be determined having regard to market evidence; in all material respects it is synonymous with *Market Value*. The Board therefore considers that a valuation undertaken on the basis of *Market Value* as defined in IVS 1, *Market Value Basis of Valuation*, will meet the objective of fair value measurement under IFRS and the terms may be regarded as interchangeable. (see also IVA 1 *Valuations for Financial Reporting*.)
- 3.3 In IFRSs the definition of an intangible asset is restricted to “identifiable” assets. *Goodwill* (see GN 4 *Intangible Assets*) is treated separately from other intangible assets under IFRSs.
- 3.4 Under IAS 38 only intangible assets for which fair value can be determined by reference to an “active market” may be carried on the balance sheet under the revaluation model. The definition of an active market under IAS 38 is very specific; see “IFRSs Definitions” above. The requirement for the intangible assets to be homogenous, for buyers and sellers to be found at any time at prices available to the public excludes most types of intangible asset. If such an asset is encountered, a valuation exercise is superfluous as the entity can only include the asset in its statement at the price publicly quoted on the balance sheet date to comply with the “revaluation” model under IAS 38. References to an active market in discussions elsewhere in IVS do not have the same restricted meaning as under IFRSs.

4 *Intangible assets arising from a business combination recognised in accordance with IFRS 3 and IAS 38*

Relevant requirements of IFRS 3 and IAS 38

- 4.1 An amended version of IFRS 3 was issued in January 2008. The amendments are effective for accounting periods beginning on or after 1 July 2009, but early application is permitted. This GN reflects the amended version of IFRS 3 together with consequential amendments made to IAS 38.
- 4.2 IFRS 3, paragraph 13, and IAS 38, paragraph 34, requires that intangible assets arising from a business combination are recognised at their fair value at the acquisition date irrespective of whether the assets had been recognised by the acquiree before the business combination. The key issue is whether the definition of a separately identifiable intangible asset as set out in Section 2 of this document and IAS 38 is satisfied. In practice, insignificant separately identifiable assets may not need to be separately valued.
- 4.3 IAS 38 suggests that that if an intangible asset arises from a business combination, then sufficient information will exist for the fair value of the intangible to be reliably measurable. The standard also notes that when there is a range of possible outcomes in the estimates used to measure fair value, uncertainty enters into the measurement of fair value. However, the standard makes clear that just because an intangible asset may be difficult to value that does not mean it should not be recognised at fair value.
- 4.4 Appropriate methods for the valuation of intangible assets are set out in GN 4. The valuation inputs to be used in whichever valuation approach is adopted should reflect those that would be made by market participants.

Measurement of goodwill

- 4.5 Under IFRS 3, the initial measurement of the goodwill arising from a business combination is the difference between A and B as shown below.
- 4.6 “A” comprises:
- the consideration transferred¹, the fair value of any equity issued as consideration and any liabilities or obligations assumed;
 - the amount of any non-controlling interest in the acquiree, calculated as set out at paragraph 4.7 below; and
 - the acquisition-date fair value of the acquirer’s previously-held interest in the acquiree, if any.

¹ The “consideration transferred” is the total amount of cash plus the fair value of any assets used as consideration

“B” comprises:

- the net sum of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed.

4.7 The reporting entity can choose to measure the amount of any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

- If the amount of the non-controlling interest is measured at fair value, it will include any goodwill attributable to the non-controlling interest.
- If the amount of the non-controlling interest is measured at the proportionate share of the acquiree’s identifiable net assets, it will exclude any goodwill attributable to the non-controlling interest.

4.8 Thus, there is a choice as to whether goodwill is recognised in the balance sheet at:

- the full amount of goodwill relating to both the stake the acquirer has purchased and the stake, if any, that the acquirer has not purchased and remains as a non-controlling interest; or
- the acquirer’s share of the goodwill, i.e. that relating only to the stake in the acquiree that the acquirer has purchased.

Aggregation of intangible assets for valuation purposes

4.9 IAS 38, paragraphs 36 and 37, addresses the circumstances in which it is appropriate to combine certain tangible and intangible assets for the purposes of determining their fair value following a business combination.

4.10 IAS 38, paragraph 36, notes that it is appropriate to combine an intangible asset with another intangible asset or with a tangible asset, if the underlying intangible asset is not separable and its fair value is not reliably measurable. The paragraph cites:

- as an example of intangible assets that may not be separable individually, a magazine’s publishing title and its subscriber database; and
- as an example of a tangible and intangible asset that may not be separable individually, a trademark for a natural spring water and the spring itself.

- 4.11 IAS 38, paragraph 37, considers the term ‘brand’. It notes that this term is a general marketing term that is often used to refer to a group of complementary assets such as a trademark and its related trade name, formulas, recipes and technological expertise. The paragraph notes the following.
- “The acquirer recognises as a single asset a group of complementary intangible assets comprising a brand if the individual fair values of the complementary assets are not reliably measurable”. This is a required aggregation of the underlying assets.
 - “If the individual fair values of the complementary assets are reliably measurable, an acquirer may recognise them as a single asset provided the individual assets have similar useful lives.” This is a permitted aggregation of the underlying intangible assets.
- 4.12 The guidance in paragraphs 36 and 37 of IAS 38 is used extensively in practice. The consequence of applying these paragraphs is that the number of intangible assets that must be valued following a business combination is reduced. In practice, these paragraphs are generally applied in the case of different, rather than similar or identical, intangible assets. For instance, the individual component intangible assets comprising a brand are different, as are a magazine title and its subscriber database. The effect of aggregating the intangible assets is that a new intangible asset that is different from its component parts is created.
- 4.13 IAS 38 does not, specifically, address whether similar or identical intangible assets should be aggregated for the purpose of initial measurement. In practice, certain types of similar intangible assets that together form a portfolio of similar intangible assets are frequently aggregated for ease of valuation.
- 4.14 Examples of intangible asset that might be acquired and that form portfolios are customer contracts and customer relationships, which are individually likely to be similar or occasionally identical to one another. The groupings are likely to comprise all intangible assets that share particular attributes – e.g. all rental contracts with a three-year term for the same piece of software, or all rental contracts with a five-year term for the same piece of software.
- 4.15 The aggregation of portfolios of intangible assets such as these allows cancellations, renewals and default levels on contracts to be assessed on a portfolio basis rather than at an individual asset level. In this way, historical patterns for a portfolio can be used to predict future expectations. This is likely to lead to more robust assumptions than trying to predict patterns without using portfolio evidence.
- 4.16 The valuer should take account of the extent to which the individual intangible assets share the same characteristics in deciding how this aggregation should be effected. Any such aggregation, the nature of the underlying assets, and the characteristics of the underlying assets rendering aggregation appropriate for valuation purposes should be documented in the Valuation Report.

Cross checking the valuation

- 4.17 Prior to performing any valuation of the intangible assets in a business combination, it is common practice to value the whole of the acquired business. This will necessitate forecasting cash flows for the business and discounting them at a suitable cost of capital to reflect the risks specific to the acquired business. If the cash flows are discounted at the weighted average cost of capital of the acquired business, the net present value arising from the DCF exercise represents the 'enterprise value' of the business.
- 4.18 The value of the equity in the acquired business is determined by deducting the net debt from the enterprise value. This should be compared with the price paid for the equity purchased.
- 4.19 If the two figures are relatively close, the projections and the discount rate used in the valuation of the business are effectively supported by the price paid for the acquisition. In this case the projections and the discount rate can be used as starting points in the determination of the corresponding valuation inputs in the valuation methods applied to the intangible assets. In the case of the discount rate, adjustments will be required, to make the discount rate suitable for intangible assets rather than the business as a whole.
- 4.20 If the DCF-derived value for equity and the price paid for the combination are not relatively close, this would suggest that one or more of the following has occurred:
- the projections used to value the business were not realistic;
 - the discount rate used to value the business was not realistic;
 - the price paid for the business was low and a bargain purchase has been achieved; or
 - the price paid for the business was high and the purchase may have been made at an overpayment. Unless the price reflected synergies arising from the combination.
- 4.21 In this case, judgement has to be used to determine whether the projections and/or discount rate should be adjusted before using them as starting points for the determination of the corresponding valuation inputs in the valuation of the intangible assets.
- 4.22 The internal rate of return implicit in the acquisition of the business or the weighted average return on assets could be also be used to provide support for both the projections and the discount rate used in the valuation.

5 *Valuations in accordance with IAS 36, ‘Impairment of Assets’*

Relevant requirements of IAS 36

- 5.1 IAS 36 requires that intangible assets are carried in the balance sheet at no more than their recoverable amount. IAS 36 sets out a test, ‘the impairment test’, which reporting entities must perform in order to ensure that their goodwill and identifiable intangible assets are not carried in the balance sheet at more than their “recoverable amount”.
- 5.2 IAS 36 requires:
- identifiable intangible assets with an indefinite life, and hence which are not amortised, to be tested for impairment annually;
 - purchased goodwill to be tested for impairment annually; and
 - identifiable intangible assets with a finite life, and hence which are amortised over that finite life, to be tested for impairment only when one or more indicators of impairment as defined by IAS 36 are present.
- 5.3 The recoverable amount is defined as the higher of fair value less costs to sell or value in use. If the basis of value measured results in a value at least as high as the carrying value of the asset, the impairment test is passed. The difference between these valuation approaches is now discussed.

Testing intangible assets for impairment by reference to their fair value less costs to sell

- 5.4 IAS 36, paragraph 25, notes ‘*the best evidence of an asset’s fair value less costs to sell is a price in a binding sale agreement in an arm’s length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset*’. Thus, if there is a binding contract in place for sale of an asset, either individually or as part of a group of assets, that price is normally taken as evidence of value and no valuation techniques are required.
- 5.5 IAS 36, paragraph 26, notes “if there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset’s market price less the costs of disposal.” Thus, for (those rare) intangible assets traded in an active market for which there is no binding sale agreement, fair value less costs to sell will be measured by reference to the market price. By definition, this will be available at the individual asset level for an asset traded in an active market.

- 5.6 IAS 36, paragraph 27, notes *“if there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the balance sheet date, from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry.”*
- 5.7 The valuation inputs to be used are therefore those that would apply to market participants. Appropriate methods of valuation are set out in GN 4. The costs of disposal will include not only the transaction costs, eg any advertising, commissions or legal fees, but also any directly consequential costs, eg costs involved in separating the asset or cash generating unit from the remainder of the business.
- 5.8 As recent transactions must be considered when assessing fair value, the level of aggregation implicit in those transactions should be considered and compared to the appropriate level of aggregation to be used in estimating the fair value of the subject asset or assets.
- 5.9 As set out in IAS 36, in some cases, fair value less costs to sell may be determined for the cash generating unit of the reporting entity that contains the subject intangible asset. In such cases, the techniques used to value the cash-generating unit should be those appropriate to valuing a business. These are described in IVS Guidance Note 6, ‘Business Valuation’. Valuation inputs used in the business valuation should again be consistent with those that would be used by market participants.
- 5.10 IAS 36 requires that where impairment is tested by reference to a cash-generating unit (CGU) the fair value less cost to sell determined for the CGU should be compared with the sum of the carrying values of the assets in the CGU. Care should be taken that comparisons are performed on a consistent basis so that, for instance, if debt is deducted in valuing the CGU, debt is also deducted in determining the carrying value of the CGU.

Testing intangible assets for impairment by reference to their value in use

- 5.11 Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal. An appropriate discount rate is then applied to those future cash flows. IAS 36 para 30 provides that the following elements shall be reflected in the calculation of an asset's value in use:
- an estimate of the future cash flows the entity expects to derive from the asset;
 - expectations about possible variations in the amount or timing of those future cash flows;
 - the time value of money, represented by the current market risk-free rate of interest;
 - the price for bearing the uncertainty inherent in the asset; and
 - other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.
- 5.12 The value in use of the asset is then determined using DCF techniques. IAS 36, paragraph 33 et seq., provides guidance on how the cash flows should be forecast and how the discount rate should be determined. In summary, the inputs to the cash flow model should reflect the entity's expectations of the income to be earned from use of the asset, but that those expectations should not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified. Neither should they reflect any possible restructuring or investment that might improve the assets performance. IVS GN 9 gives guidance on DCF techniques.
- 5.13 The recoverable amount has to be estimated for the individual asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs has to be determined. IAS 36, para 65 et seq. and Appendix C, provides guidance on how to identify the CGU to which an identifiable intangible asset or goodwill belongs.

6 *Valuations in accordance with IFRS 5, Assets Held for Sale and Discontinued Operations*

- 6.1 Under IFRS 5, intangible assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use, are recognised in the balance sheet at "fair value less costs to sell". There are specific requirements set out in IFRS 5, especially paras 6 et seq. and 16 et seq., that provide further guidance on determining when an asset's carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use.

- 6.2 As fair value less costs to sell requires market participant inputs for the valuation input parameters, the appropriate level of aggregation in the measurement of intangible assets carried at fair value less costs to sell is the level at which fair value less costs to sell can be measured for market participants.
- 6.3 Appropriate methods for the valuation of such intangible assets are set out in GN 4. The valuation inputs to be used are those that would apply to market participants.
- 6.4 In certain situations, an intangible asset is not classified as held for sale on its own but in conjunction with other assets and liabilities. In such cases, the intangible asset is part of a “disposal group” as described in IFRS 5 at para 4 and fair value less costs to sell should be determined for the disposal group containing the intangible asset rather than the intangible asset alone.
- 6.5 The techniques set out in GN 6, ‘Business Valuation’, should be followed for determining the fair value of a disposal group.

7 *Revaluations of intangible assets in accordance with IAS 38, Intangible Assets*

- 7.1 Under IAS 38, intangible assets may be carried in the balance sheet under either the cost model or, provided certain conditions are met, the revaluation model.
- 7.2 The revaluation model may only be used for those assets for which fair value can be determined by reference to an “active market”. This is a very restrictive condition; see the definition in Section 2 of this GN. IAS 38 requires that, if the revaluation model is used, all other assets in the same class must also be revalued unless there is no active market for those assets.
- 7.3 In practice, it is rare for intangible assets to come from an active market and extremely rare for intangible assets to be revalued to fair value in the balance sheet, and since only assets with quoted prices may be carried at current value, valuation techniques are redundant.

8 *Reporting the Valuation*

- 8.1 A valuation report should be prepared in accordance with IVS 3 *Valuation Reporting*.

9 *Effective Date*

- 9.1 This International Valuation Guidance Note is effective from [x] 2009.