



The Corporate Reporting Users' Forum

Sir David Tweedie  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

1 August 2007

Dear Sir David

### **Intangible Assets**

At the meeting on 22 January between the IAS Board and members of the Corporate Reporting User Forum, we discussed with you how best to get in early to influence the IASB agenda and to ensure that it will be more focussed on the issues of most importance to investors.

One issue mentioned at that meeting was the work being undertaken by the Australian Accounting Standards Board on Intangible Assets, following which the IAS Board will make a decision in December 2007 on whether the project should be added to your active agenda.

We have discussed this question and do not believe that the Board should add this project to its active agenda as we do not believe that the information that would result from the project would be sufficiently relevant to operating performance and thus valuable to us as investors to warrant further work. We believe that our opinions are widely shared within the investment community – a belief that is supported by the recently published “Measuring Assets and Liabilities” (PwC, March 2007) where 74% of the respondents describe intangible assets as “not useful” for their purposes.

It is clear from price-to-book ratios in the market, academic research, and analyst comments, that the current accounting framework fails to capture the value of many intangibles, but market practice is not to seek to determine the values of individual intangibles when valuing a business. Instead the value of intangibles is implied from the valuation process for the whole business (and in practice, the value of many individual intangibles is rarely considered at all except for IFRS 3 purposes). It is the impact that intangibles have on operating performance that matters to us. This means that whilst accounting for intangibles is an intellectually interesting debate, devoting valuable resources to moving the debate forward is likely to provide answers to questions that are not being asked by users. The information will not be decision-useful.

Reporting on intangibles is much more suited to the management commentary than the balance sheet and we are keen to support the Board in its efforts in this area.



The Corporate Reporting Users' Forum

We appreciate that this may be disappointing to some. We believe, however, that decisions by the Board not to take on projects which do not command sufficient support among users would be seen by our community as a sign of strength rather than weakness, as they would indicate openness to the views of market participants.

We would prefer it if the Board concentrated its scarce staff resource on other areas which are of more interest to most users (e.g. financial statements presentation, pensions accounting and lease accounting). We are also keen to see substantial progress on the Conceptual Framework at a swifter rate than that currently timetabled.

We would be happy to discuss the reasons behind our views in more detail if this would be helpful. Please contact Susannah Haan at Fidelity International in the first instance.

### **About the Corporate Reporting Users' Forum (CRUF)**

As you will be aware, the CRUF came together in 2005 as a discussion forum to help its participants in their approach to the debate on current and future corporate reporting requirements. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters such as the IASB. CRUF participants come from all around the world, including individuals from both buy- and sell-side institutions, and from both equity and fixed income markets.

The CRUF is a discussion forum. The chairmanship of the CRUF rotates at each meeting and different individuals take leadership in discussions on different topics and in the initial drafting of representations. It does not seek to achieve consensus views, though at times some or all of its participants will agree to make joint representations to standard setters or to the media. It would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

CRUF participants take part in discussions and joint representations as individuals, not as representatives of their employer organisations. The participants in the Forum that have specifically endorsed this response are listed below.

Yours sincerely

Susannah Haan  
Associate Director, Public Affairs  
Fidelity International

Crispin Southgate  
Pentangle Pensions Consulting



The Corporate Reporting Users' Forum

Nick Anderson  
Head of Research  
Insight Investment

Sarah Deans  
Head of Accounting & Valuation  
European Corporate Research  
J.P. Morgan Securities Ltd

Peter Elwin  
Head of Accounting & Valuation Research  
Cazenove Equities

Dr Thomas Kaiser  
Head of Accounting & Valuation  
Equity Research  
LBBW

Paul Lee  
Director  
Hermes Pensions Management Ltd

Richard Mathieson  
Senior Portfolio Manager  
Barclays Global Investors

Paul Munn  
Commercial Director - Governance &  
Engagement  
Hermes

Lindsay Tomlinson  
Vice Chairman  
Barclays Global Investors

Jed Wrigley  
Dir – Intl Accounting & Valuation  
Investment Mngt Srvs Grp  
Fidelity Bus Srvs India Pvt. Ltd.