

From: De Nahlik, Christopher [<mailto:Chris.de-Nahlik@warwick.ac.uk>]
Sent: 12 February 2016 18:24
To: Rita Carolan <r.carolan@frc.org.uk>
Subject: Comment on FRC's proposed projects and activities in 2016/17

Dear Rita,

Following the very interesting Open Meeting on Wednesday, and the question that I asked then, I have drafted a more complete comment/question, below, on the Draft Plan.

Regards,

Chris de Nahlik.

Re: Drafts Plan & Budget and Levy Proposals 2016/17.

Table Questions for Open Meeting, Wednesday 10 February and
Invitation to Comment by 12 February, 2016

Comment on FRC's proposed projects and activities in 2016/17.

Comment on Draft Plan – Consultation Question 3;

In elaboration of my question to the FRC Open Meeting on 10 February, may I add the following comment in relation to the Draft Plan:

Amongst the FRC's 250 company reviews the extractive industries are to be prioritised including, one assumes, the reporting of those companies' (intangible) assets - the long-term values of which seem currently uncertain.

Would this not an appropriate moment to reopen the subject of Intangible Assets in general?

For investors analysing companies, the medium- and high-technology sectors, being of increasing interest and potential economic value, also merit some priority. For companies in these sectors, resources in the form of Intangible Assets (IA) should be particularly material in any evaluation - the Intellectual Property (IP) element of which (as separate from Goodwill) arguably has the greatest influence on sector companies' long-term profitable viability through sustainable competitive advantage.

Hence, the FRC Lab's work on Business Model guidance, and thence strategy, could beneficially include consideration of, and/or be followed by, guidance for voluntary disclosure on the quantitative and qualitative value of companies' internally generated IP, using logically derived KPIs including metrics for the generation of IP through both research and development. This, particularly when integrated with reported results, could also foster sector specific investment through continuous improvement in fostering a culture of transparency as well as aiding comparative analysis, especially of smaller and AIM listed companies.

This holistic approach would contribute towards meeting the recommendations for improved metrics and models in the BIS, Research Paper 190, of October 2014, which followed the Kay Review of UK Equity Markets.

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12 February, 2016