



The case for brand value reporting

**Brand Finance
City Research 2000**

Highlights:

- 73% of analysts and 72% of companies thought that public companies should publish more information on brand values
- 77% of analysts and 77% of companies believe that branding will become more important in the next five years
- 68% of analysts and 68% of companies believe that branding is becoming more important in M&A activity
- Skandia achieved the highest score in the Brand Finance Report 2000 with a total ranking of 90%. WPP was second with Securitas third
- Burmah Castrol was rated as having the strongest and most successful product brands. Benetton and EMAP were second and third respectively
- The accounting of brand values amongst the FTSE350 has dropped despite a strong increase in the amount of companies capitalising goodwill following FRS10

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Foreword by David Haigh, Chief Executive of Brand Finance plc

Whilst financial reporting has never purported to bridge the gap between disclosed book values and market values the gap between them has now become unacceptable. It is making a mockery of financial accounting in that the users of financial statements are rightly querying the usefulness of financial accounts, particularly where valuable intangible assets go completely unreported. Consider, for example, the financial accounts of Glaxo-Wellcome Plc where neither the pharmaceutical brands nor its internally created drug patents, the mainstay of their business, are disclosed on its balance sheet. This example is by no means an unusual case in disclosure practices.

The disclosure of financial metrics will always be an imperfect medium by which to capture the totality of business reality. But a financial picture of reality, imperfect though it is, which excludes many intangible assets, wilfully denies the every day evidence of a changing society where the real wealth creators are often the intangible assets. One can speculate that in a world where everyone has access to the latest technology and the best managerial philosophies, the future critical success factors will lie in a company's intangible assets such as its brands.

The Accounting Standards Board *Statement of Principles* (1999) document refers to information needs of investors being the 'defining class' of user (p25) in determining the objectives of financial statements. To a large extent, the interests of many City investors are looked after by Financial Analysts, yet it is clear from our survey that their information needs are not fully addressed by financial information alone. We have a picture to paint in this report which shows that far from rising to the challenge in the disclosure of brands and underpinning financial and marketing metrics, the accounting profession, through its FRS10 document, is actually withdrawing from such disclosures.

We have split this report into five sections. The first part addresses the marketing information needs of financial analysts and the second part companies views on marketing disclosure. In the third part we analyse individual companies performance in the field of marketing and marketing disclosure whilst part four looks at the actual accounting policies adopted by companies in this area. In particular, we assess the impact of the FRS10 document on *Goodwill and Intangible Assets* by reference to the summary results of a longitudinal survey into brand accounting practices. Part five looks at auditor independence, and its implications on intangible asset valuation and disclosure.

Part One – The financial analyst responses to the survey

We sent the Brand Finance questionnaire to 1568 sell-side Financial Analysts and received 292 responses (18.5% response rate). The wide distribution of responses between what we have classified as ‘branded’ (122 analysts), ‘semi-branded’ (99 analysts) and ‘non-branded’ (71 analysts) is probably representative of London Stock Exchange listings. An analysis of the industrial/commercial sectors is presented in table one.

This is the fourth year that Brand Finance plc has conducted Financial Analyst research on marketing disclosure. Where possible we have included comparable results from our previous studies to provide readers with an historical pattern of attitudinal trends.

Table 1: Representation of analysts in sample by sector

Branded		Diversified Industrials	1
Banks	20	Engineering & Machinery	8
Beverages	12	Forestry & Paper	3
Food & Drug Retailers	4	Health	4
Food Producers & Processors	5	Investment Companies	6
General Retailers	20	Mining	8
Household Goods & Textiles	2	Real Estate	3
Information Technology Hardware	11	Steel	1
Insurance	16	Semi-Branded	
Leisure, Entertainment & Hotels	17	Electronic & Electrical Equipment	1
Media & Photography	18	Miscellaneous	6
Restaurants, Pubs & Breweries	1	Oil & Gas	14
Telecommunications	12	Pharmaceuticals	20
Tobacco	2	Small Companies	4
Transport	11	Software & Computer Services	4
Non-Branded		Speciality & Other Finance	3
Aerospace & Defence	9	Support Services	8
Chemicals	10	Technology	3
Construction & Building Materials	12	Utilities	10
Distributors	3	Total	292

We asked a series of questions that aimed to provide us with an understanding of the marketing information needs of Financial Analysts.

We sought responses to ten, marketing metrics, many of which are considered by academics to constitute brand equity. These metrics were attached to the following question: How useful do you think the following performance measures are when making investment decisions? The results of this question are displayed in table 2 and figure 1.

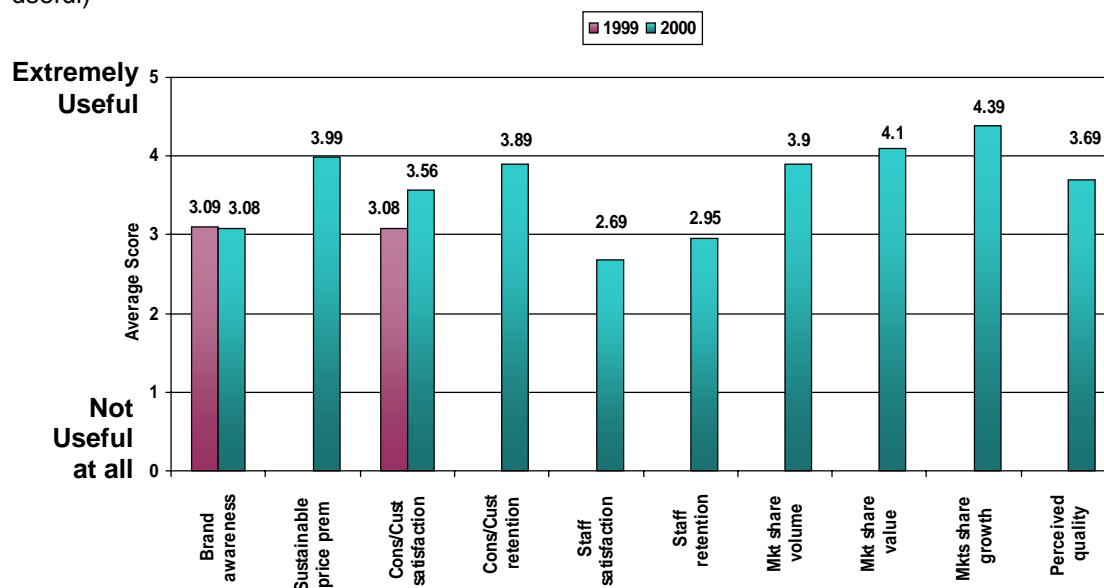
Table 2: How useful do you think the following performance measures are when making investment decisions on a scale of 0-5? (0 means not useful at all and 5 means extremely useful)

Respondents	1999		2000	
	Total Number	% of total responses	Total Number	% of total responses
Brand awareness				
Not at all useful	5	3%	10	4%
Of limited use	6	4%	23	8%
Quite useful	22	14%	50	18%
Useful	66	43%	87	31%
Very useful	44	29%	82	29%
Extremely useful	11	7%	29	10%
	154	100%	281	100%
Sustainable price premium				
Not at all useful			1	0%
Of limited use			6	2%
Quite useful			14	5%
Useful			45	16%
Very useful			120	43%
Extremely useful			92	33%
			278	100%
Consumer/customer satisfaction				
Not at all useful	5	3%	1	0%
Of limited use	11	7%	9	3%
Quite useful	28	18%	29	10%
Useful	58	38%	81	29%
Very useful	41	27%	109	39%
Extremely useful	11	7%	50	18%
	154	100%	279	100%
Consumer/customer retention rates				
Not at all useful			1	0%
Of limited use			4	1%
Quite useful			14	5%
Useful			67	24%
Very useful			113	41%
Extremely useful			79	28%
			278	100%

Respondents	1999		2000	
	Total Number	% of total responses	Total Number	% of total responses
Staff satisfaction				
Not at all useful			12	4%
Of limited use			27	10%
Quite useful			70	25%
Useful			111	40%
Very useful			52	19%
Extremely useful			9	3%
			281	100%
Staff retention rates				
Not at all useful			7	2%
Of limited use			22	8%
Quite useful			51	18%
Useful			116	41%
Very useful			70	25%
Extremely useful			15	5%
			281	100%
Market share (volume)				
Not at all useful			2	1%
Of limited use			4	1%
Quite useful			26	9%
Useful			46	16%
Very useful			112	40%
Extremely useful			89	32%
			279	100%
Market share (value)				
Not at all useful			2	1%
Of limited use			5	2%
Quite useful			12	4%
Useful			32	11%
Very useful			118	42%
Extremely useful			111	40%
			280	100%
Market share (growth)				
Not at all useful			0	0%
Of limited use			2	1%
Quite useful			7	3%
Useful			24	9%
Very useful			91	33%
Extremely useful			156	56%
			280	100%
Perceived quality				
Not at all useful			1	0%
Of limited use			4	1%
Quite useful			20	7%
Useful			87	31%
Very useful			113	40%
Extremely useful			55	20%
			280	100%

(nb. Figure have been rounded)

Figure 1: How useful do you think the following performance measures are when making investment decisions on a scale of 0-5? (0 means not useful at all and 5 means extremely useful)



On average the Financial Analysts indicated that the marketing metrics associated with ‘sustainable price premium’, ‘consumer/customer satisfaction and retention rates’, ‘market share volumes, values and growth’, and ‘perceived quality’ were considered to be very useful, whilst ‘brand awareness’ and ‘staff satisfaction and retention rates’ were considered to be useful. This indicates that marketing metrics are useful to investors when making investment decisions.

With such a positive response to the need for marketing metrics by Financial Analysts in making investment decisions, we felt it appropriate to ask some related questions. We considered whether Financial Analysts agree that companies currently provide adequate market related information to investors (as measured by eight identified marketing metrics).

In respect of those eight, identified metrics we asked for a simple yes, no, don’t know response to the following question: Do you think that public companies in your sector should publish more information on? The eight responses were summarised in table 3: Where possible we have included the comparable results from previous studies.

Table 3: Do you think that public companies in your sector should publish more information on:

Respondents	1997		1998		1999		2000	
	Total Number	% of total responses	Total Number	% of total responses	Total Number	% of total responses	Total Number	% of total responses
Future market trends								
No							144	50%
Yes							141	48%
Don't Know							5	2%
							290	100%
The value of their intangible assets								
No							76	26%
Yes							194	67%
Don't Know							20	7%
							290	100%
The value of their brands								
No	18	38%	30	30%	35	23%	63	22%
Yes	28	58%	66	66%	110	71%	210	73%
Don't Know	2	4%	4	4%	9	6%	16	5%
			100	100%	154	100%	289	100%
Marketing expenditure								
No	12	23%	20	20%	32	21%	106	36%
Yes	39	74%	80	80%	115	75%	169	58%
Don't Know	2	4%	0	0%	7	5%	16	6%
	53	100%	100	100%	154	100%	291	100%
Advertising expenditure								
No	12	23%	21	21%	40	26%	96	33%
Yes	40	75%	78	78%	106	69%	183	63%
Don't Know	1	2%	1	1%	8	5%	12	4%
	53	100%	100	100%	154	100%	291	100%
Discounts given/pricing strategy								
No	19	36%	32	32%	53	34%	98	34%
Yes	26	49%	65	65%	90	58%	176	60%
Don't Know	8	15%	3	3%	11	7%	17	6%
	53	100%	100	100%	154	100%	291	100%
New product development								
No							197	68%
Yes							76	26%
Don't Know							17	6%
							290	100%
Channel and distribution strategy								
No							152	52%
Yes							112	39%
Don't Know							26	9%
							290	100%

(nb. Figure have been rounded)

It is notable that 'No' responses to several of the performance measures have increased over the 4 year period. This is because the sample mix has changed over the 4 year sample period to include Financial Analysts from sector with less interest in traditional marketing techniques. However across all 4 years the demand for brand value reporting has consistently risen.

Figure 2: Do you think that public companies in your sector should publish more information on the value of their intangible assets:

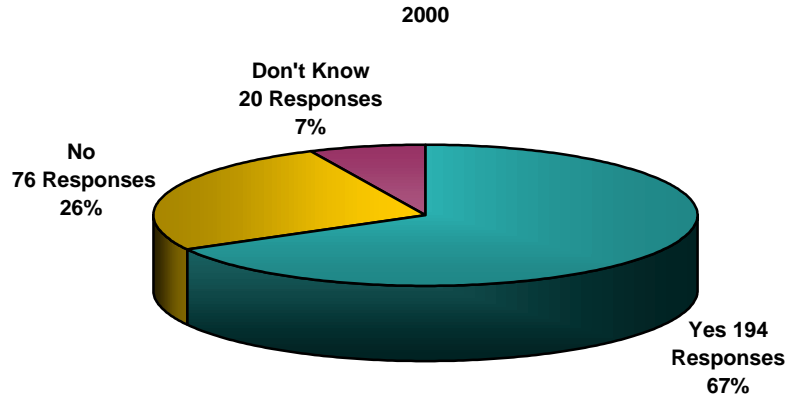
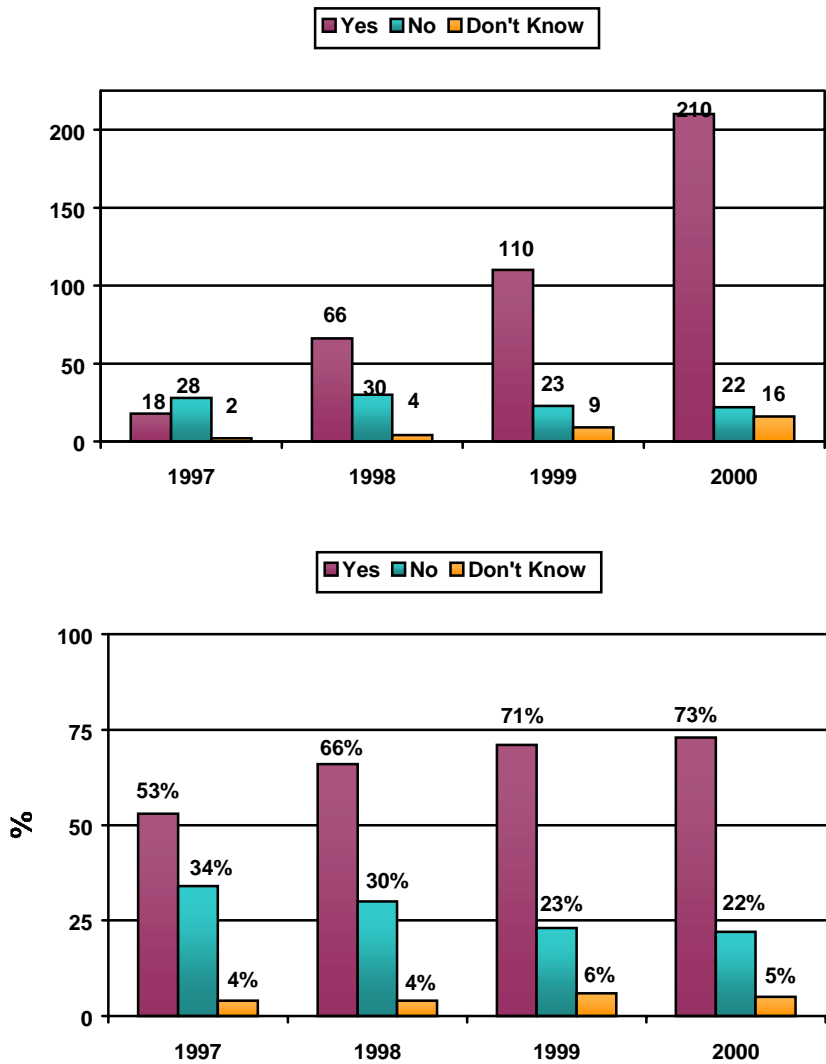


Figure 3a & 3b: Do you think that public companies in your sector should publish more information on the value of their brands:



Figures 2, 3a reveal that in our year 2000 survey 67% of analysts would like to see companies publish information on intangible assets whilst 73% believe that companies should publish more information on brand values. Over the four years of investigation the demand for the disclosure of brand values has increased year on year, starting at 53% in 1997 and reaching 73% in the year 2000. Clearly this shows the increased importance of brand values in financial reporting. We can conclude that analysts would like companies to provide more information on their intangible assets. With regard to the next three metrics consider figures 4, 5 and 6:

Figure 4: : Do you think that public companies in your sector should publish more information on the Marketing expenditure

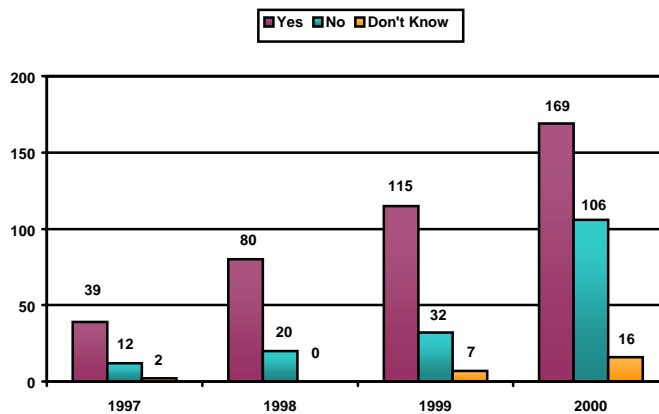


Figure 5: : Do you think that public companies in your sector should publish more information on the Advertising expenditure

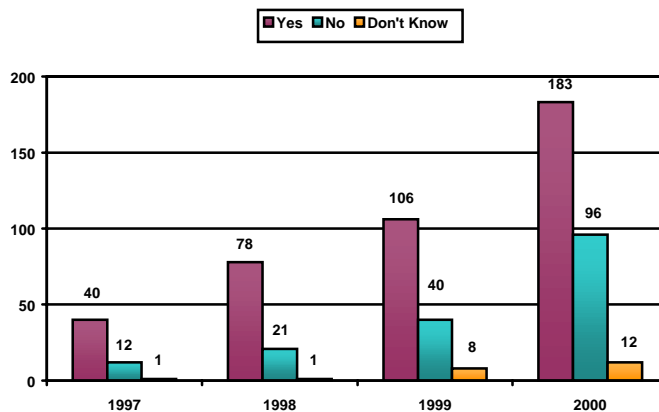
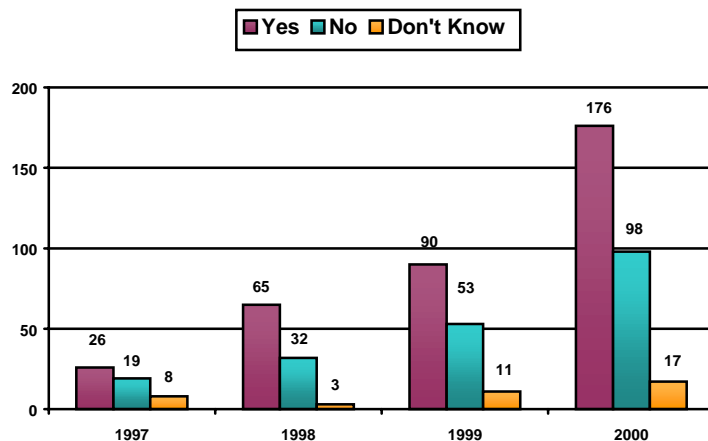


Figure 6: Do you think that public companies in your sector should publish more information on the Discounts given/pricing strategy



Figures 4,5 and 6 reveal that between 58 and 63% of Financial Analysts in the year 2000 study would like companies to provide more information on marketing and advertising expenditure and pricing strategy. Over the four years of investigation the support for disclosure of these metrics has declined in percentage terms because of the changing sample mix. However the majority of analysts have always been in favour of disclosure and in absolute terms the number of analysts seeking more information has continued to rise. This proves that companies do not provide adequate information in these areas. With regard to the three remaining metric consider figures 7, 8 and 9.

Figure 7 Future market trends

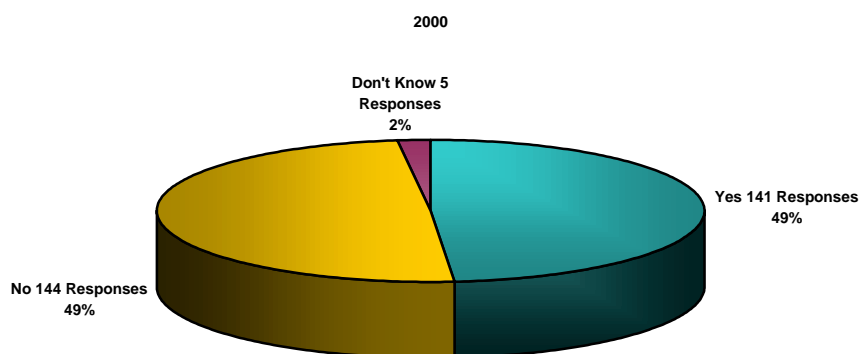


Figure 8 New product development activity

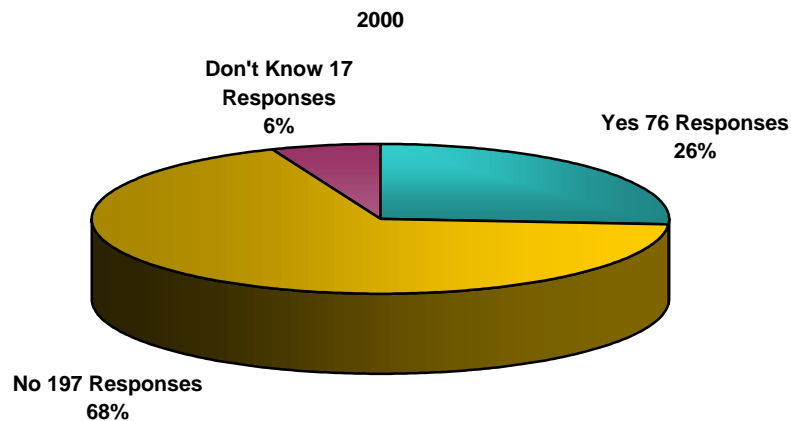
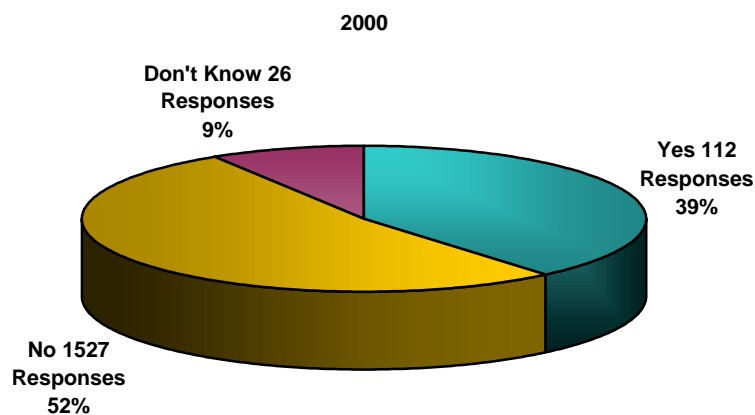


Figure 9: Channel and distribution strategy



The first graph showed that the financial analysts were ambivalent toward the need for more information about future market trends (50/50 split). Though speculative, it seems likely that analysts would have their own opinions on such matters rather than relying on the company for such information. The remaining two graphs showed that the majority of Financial Analysts feel they already have adequate information in respect of 'new product development' and 'channel & distribution strategies'.

In summary, there is clear evidence that Financial Analysts want more information from the accounting profession on intangibles in general and brands in particular. This demand has increased consistently over our four years of investigation but as part four of this report will show analysts demands are not being met, with fewer companies reporting intangible assets in their balance sheets and annual reports.

Since we have demonstrated over a number of years that there is a need for more marketing related information in respect of intangibles and brands in

particular, we were interested to know why the Financial Analysts might want it. In this regard we asked seven questions, three of them Internet related, that break down as follows:

Non-Internet related

- Branding will become more important in the next five years.
- Brands are becoming more important in merger and acquisition activity.
- Brands are more important in lending decisions.
- Brands are becoming more important in tax planning.

Internet related

- Established off-line brands are being under-valued.
- Established off-line brands will recover ground on-line from new Internet brands.
- Marketing costs to create new Internet brands will become insupportable.

The responses were presented on a Likert scale ranging from 0 (strongly disagree) to 5 (strongly agree). The results are displayed in table 4 and figures 10 – 16. Where possible previous years results are included.

Table 4: How strongly do you agree with the following statements on a scale of 0-5? (0 means disagree strongly and 5 means agree strongly)

Respondents	1999		2000	
	Total Number	% of total responses	Total Number	% of total responses
Branding will become more important in the next 5 years				
0 Strongly Disagree	3	2%	4	1%
1	3	2%	10	4%
2	11	7%	16	6%
3	36	23%	53	19%
4	65	42%	108	39%
5 Strongly Agree	36	23%	87	31%
	154	100%	278	100%
Established off-line brands are being under-valued				
0 Strongly Disagree			10	4%
1			14	5%
2			42	15%
3			102	37%
4			75	27%
5 Strongly Agree			34	12%
			277	100%
Established off-line brands will recover ground on-line from new Internet brands				
0 Strongly Disagree			10	4%
1			19	7%
2			42	15%
3			97	35%
4			73	27%
5 Strongly Agree			33	12%
			274	100%

The case for brand value reporting

Marketing costs to create new Internet brands will become insupportable				
0 Strongly Disagree			14	5%
1			21	8%
2			59	21%
3			79	29%
4			64	23%
5 Strongly Agree			39	14%
			276	100%
Brands are becoming a more important issue in M&A activity				
0 Strongly Disagree	1	1%	6	2%
1	6	4%	11	4%
2	8	5%	31	11%
3	50	32%	79	29%
4	52	34%	108	40%
5 Strongly Agree	37	24%	38	14%
	154	100%	273	100%
Brands are becoming a more important issue in lending decisions				
0 Strongly Disagree	2	1%	14	5%
1	20	13%	27	10%
2	32	21%	64	24%
3	64	42%	120	44%
4	29	19%	36	13%
5 Strongly Agree	7	5%	10	4%
	154	100%	271	100%
Brands are becoming a more important issue in tax planning				
0 Strongly Disagree			37	14%
1			48	18%
2			74	28%
3			85	32%
4			17	6%
5 Strongly Agree			4	2%
			265	100%

(nb. Figure have been rounded)

The answer to these questions are displayed in graph format in figures 10-16.

Figure 10: Branding will become more important in the next five years

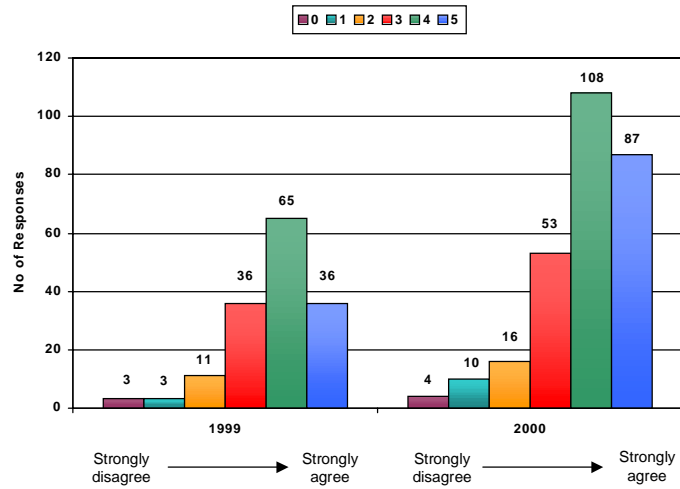


Figure 11: Brands are becoming more important in merger and acquisition activity

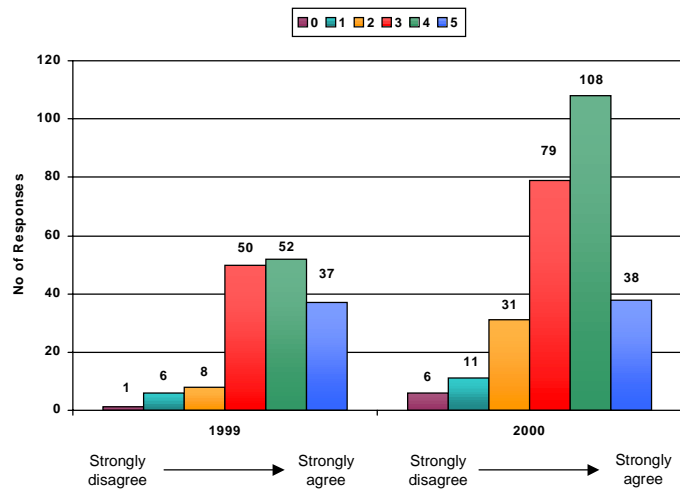


Figure 12: Brands are becoming more important in lending decisions

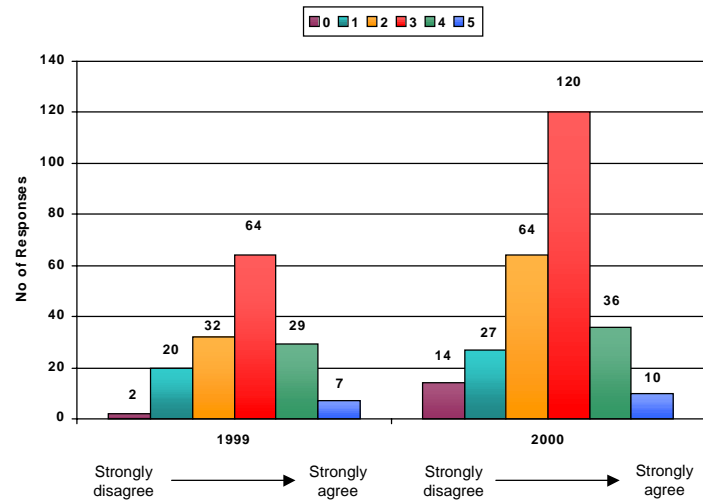
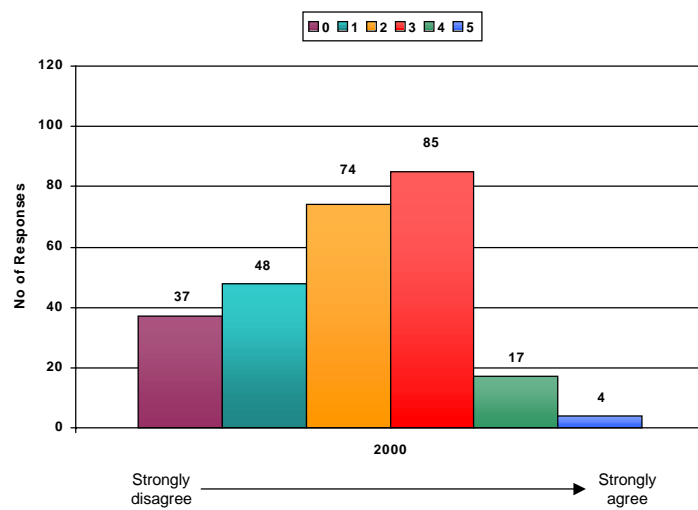


Figure 13: Brands are becoming more important in tax planning



Accounting profession take note that there is substantial support for the notion that branding will become more important in the next five years with its use in merger and acquisitions being a major focus. Certainly we have seen brands become a major consideration in M&A activity in the last year both for those companies making an acquisition and for those defending a hostile take-over.

Though speculative, we believe that since brands are not a significant feature of tax planning in this country yet, the response to the question relating to the importance of brands in this area was based upon a lack of knowledge. Particularly in respect of royalty payments and related transfer pricing.

This is the first time we have asked questions relating to Internet branding. A number of recent domain name piracy cases, such as Harrods v UK Network Services Ltd (1997) and Marks & Spencer v One In A Million (1997), have highlighted the importance of branding on the Internet. The fierce competition in the fragmented and global online market place and the demise of Boo.com also highlight the importance of brands online. Our questions relating to Internet branding are laid out in figures 14, 15 and 16.

Figure 14: Established off-line brands are being under-valued

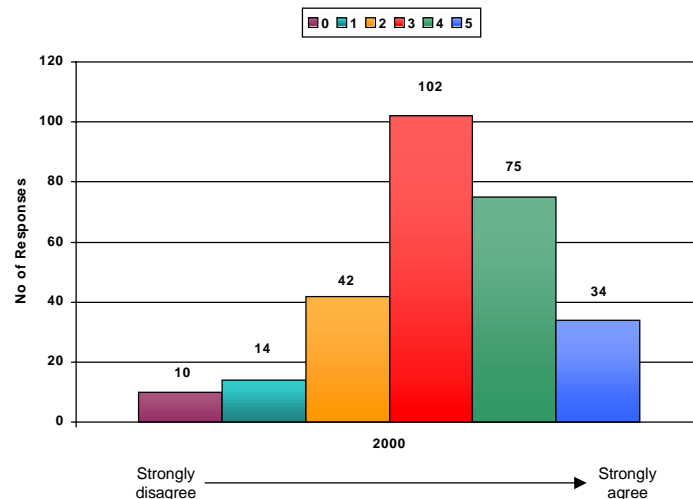


Figure 15: Established off-line brands will recover ground on-line from new Internet brands

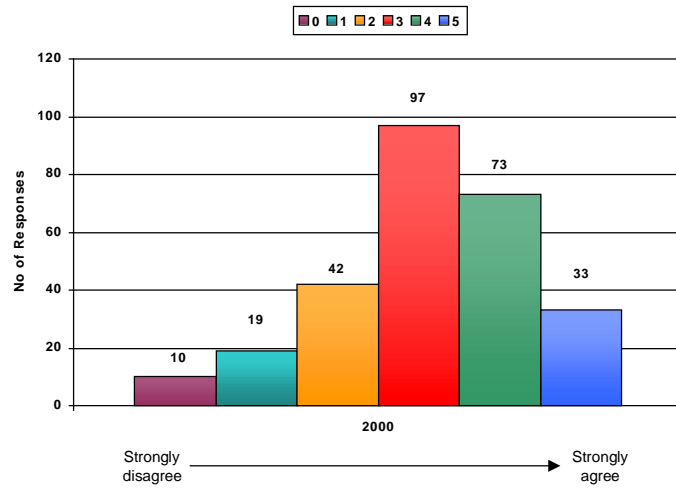
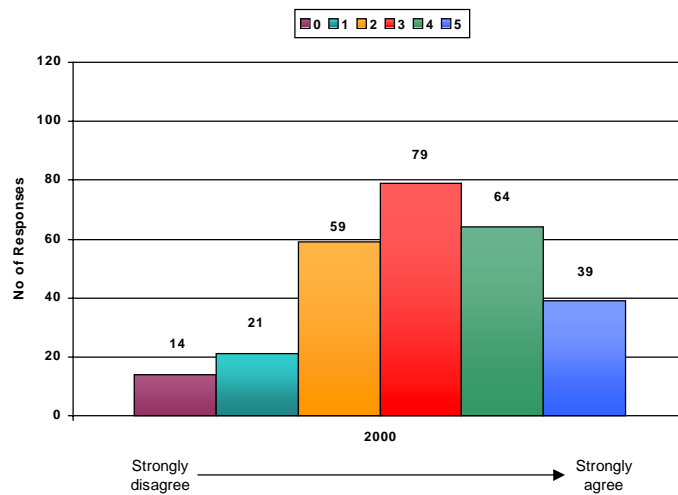


Figure 16: Marketing costs to create new Internet brands will become insupportable



The responses suggest that Financial Analysts support moves towards branding on the Internet, however, there are clear concerns over the marketing costs involved in creating new Internet brands. There is also clearly a belief that the market will readjust with offline bricks and mortar brands, currently undervalued according to the analysts, recovering some ground lost to new Internet brand stocks.

Given the high expectations (and market values) and current low profit margins of many Internet companies, the Financial Analysts concerns in this regard may well be justified. The important feature is not necessarily that a company's Internet-driven channels are operating efficiently but that people are aware of the Internet site in the first place, and then use it. Branding becomes a critical success factor with companies like Yahoo! enjoying prominent brand name awareness.

Given the importance of brands for both old and new economy companies the external disclosure of internally created and competitor sensitive marketing information may have a damaging effect on a company's competitive position. To measure analysts' fears about the competitive effects of marketing disclosure we asked the following question using a five point Likert scale. How much do you think the disclosure of detailed marketing information would compromise the competitive position of public companies in the sector you cover? The responses are shown in table 5 and figure 17.

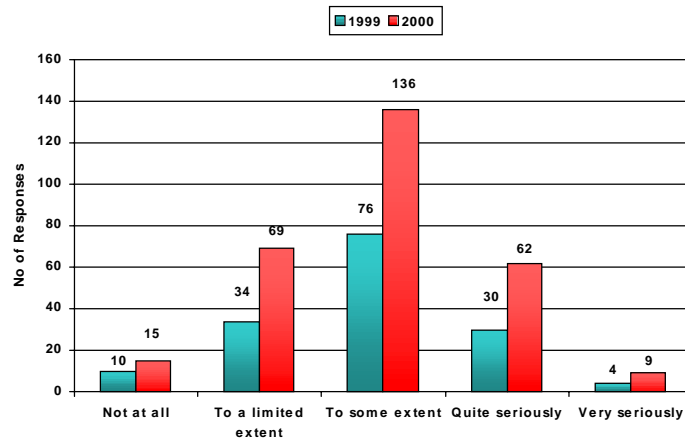
Table 5: How much do you think the disclosure of detailed marketing information would compromise the competitive position of public companies in the sector you cover?

Respondents	1999		2000	
	Total Number	% of total responses	Total Number	% of total responses
Detailed marketing information compromising competitive positioning				
Very seriously	4	3%	9	3%
Quite seriously	30	19%	62	21%
To some extent	76	49%	136	47%
To a limited extent	34	22%	69	24%
Not at all	10	6%	15	5%
	154	100%	291	100%

(nb. Figure have been rounded)

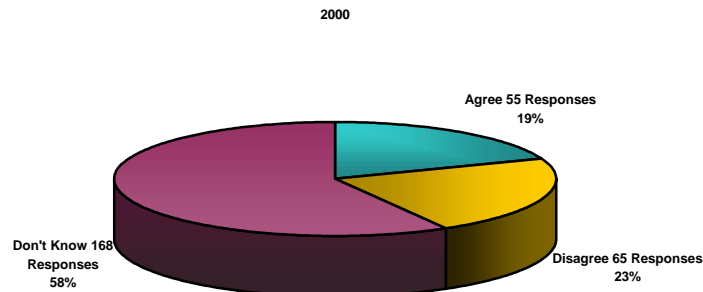
The results were normally distributed so that the mid range response of 'to some extent' dominated in the response by the Financial Analysts. The respondents indicated that there were some competitive costs in the disclosure of marketing information. However, what is not clear from the research is that if all companies were required to disclose the same marketing information whether the competitive costs of disclosure would, to some extent, cancel each other out within and across each market sector.

Figure 17: How much do you think the disclosure of detailed marketing information would compromise the competitive position of public companies in the sector you cover?



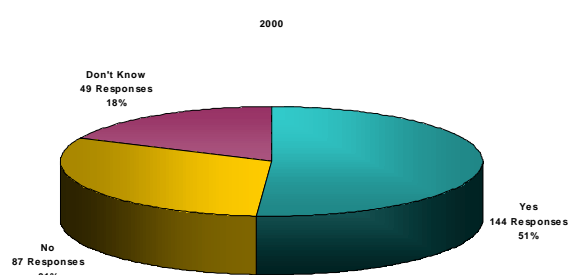
We wonder, as a counter balance to any potential rise in the competitive costs of disclosure, whether those companies which do disclose marketing information tended to outperform the FTSE index. We asked the research question: Do you agree with the following statement – “companies that consistently disclose more marketing related information tend to outperform the FTSE index.” Not surprisingly, a clear majority of financial analysts responded that they did not know. With the benefit of hindsight it, perhaps, would have been more appropriate to ascertain the answer to this question by reference to some quantitative measure in relation to the FTSE itself, rather than being based upon the opinion of the respondents. The results are presented in figure 18.

Figure 18: Companies that consistently disclose more marketing information tend to outperform the FTSE index:



We were keen to know whether Financial Analysts thought more highly of those companies that extensively disclosed marketing information. Given the historical and current results of our questions relating to analysts desire to see further marketing disclosures it seemed likely that the answer would be affirmative but we needed to be sure. We asked the following question to which an 'agree', 'disagree' or 'don't know' response was required: I rate companies that provide extensive disclosure of marketing information more highly than those which don't.

Figure 19: I rate companies which provide extensive disclosure of marketing information more highly than those which don't



The majority of Financial Analysts indicated that the extensive disclosure of marketing information was a positive step and rated it 'more highly'. In the belief that financial analysts would desire more marketing information we were interested to know what would be the most appropriate medium for the communication of that information. We asked the question: If more detailed marketing information were to be disclosed what would be the most appropriate medium? Respondents were asked to choose one of the options presented in table 6:

Table 6:

Respondents	1999 Total Number	1999 % of total responses	2000 Total Number	2000 % of total responses
Notes to the annual Financial Accounts	47	31%	46	11%
Operating & Financial Review within Accounts	29	19%	58	14%
Separate review of marketing performance	20	13%	70	17%
Analysts presentations	47	31%	232	56%
Others	9	6%	10	2%
	152	100%	416	100%

(nb. Figure have been rounded)

It can be seen that, Financial Analysts place presentations to them by companies as the primary medium for the disclosure of marketing related information. However there is strong support for disclosures to be made within the annual report. It is interesting to see a strong growth in the amount of analysts calling for a separate review of marketing performance. In 1999 this was the least supported option beside “others” whilst in the 2000 study it is the second highest supported option after analysts presentations. We can conclude from this that analysts feel that marketing is continuing to grow in importance and as such should have its on review.

Summary observation and comment: There is a clear need for more marketing related disclosures particularly in respect of brands and other intangibles. These metrics are considered useful for investors when making investment decisions helping provide guidance on the state of the market and the future prospects of the company. This information would help give investors an understanding of the key drivers of the business beyond the statutory financial information provided by companies.

The call for brand value reporting has grown since our corresponding study last year. As intangible assets become increasingly important in corporate activity (as suggested by analysts) the call for brand value disclosure will undoubtedly increase.

Part Two – The company responses to the survey

The person responsible for investor relations at all constituent member companies of the FTSE 350, as of December 31st 1999, were sent questionnaires. 47 company responses were received.

It is possible for us to repeat the same analysis here as was conducted in part one with respect to the responses from companies. We think there is little to be gained from this since the message is similar in many respects. We, therefore, highlight here the principal differences between the two sets of responses.

The main fundamental shift to note in the 2000 company results in comparison to those received in 1999 is the shift in Companies attitudes towards disclosure. Companies' support for disclosing marketing metrics increased considerably over the last year. For example support for the disclosure of brand values increased from 25% to 72%. This is a considerable increase reflecting the recognition of brands internally within companies. These results may also reflect a more fundamental shift in companies attitudes to financial reporting and disclosure.

We find it to be highly pertinent that, as with the Financial Analysts survey, the two highest indicated scores in respect of the company need for more information was directed at intangible assets and brands.

Company respondents rated those companies who provide marketing information more highly than those which don't.

The distribution of the responses to the ten marketing metrics used in investment decisions is similar between data sets. Also, there were similar responses between the data sets with regard to the 'brands becoming more important' and 'Internet branding' questions.

Companies were more concerned than the Financial Analysts with the competitive costs of disclosure of marketing information in terms of compromising its competitive position. 90% of company respondents (71% analysts) indicated that it would compromise the competitive position of the company to some extent or even more seriously. It is clearly a problem in that, whilst regulatory compliance in the provision of marketing information might cancel out any competitive edge on a national basis, business is nowadays far more global than it used to be. Adverse disclosure in one country might be sufficient reason for the migration of business to another where perhaps the marketing metrics are less transparent. The other point to make is that market and marketing data are usually available from specialist data providers and research agencies. Therefore the end result of secretive annual reports and presentation is that investors often receive less information about their company than inquisitive competitors.

Not surprisingly, the favoured means of communicating marketing information for analysts is their own presentations, whilst for companies it is the operating and financial review within the annual financial accounts.

Let us now finally consider the results of question six of the survey that examines the internal communication and branding strategies of companies. The results are displayed in figures 20 and 21.

Figure 20: Taking specific companies in your sector/your company how strongly do you agree with the following statements

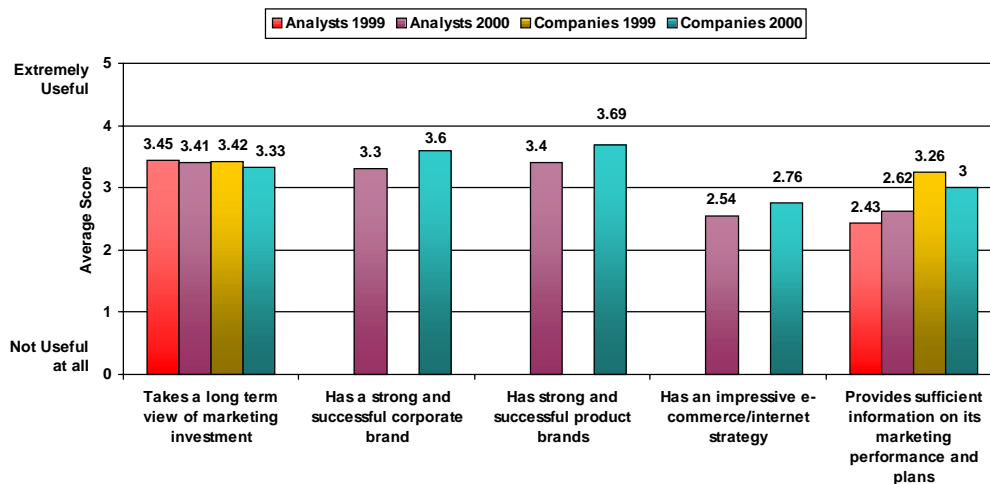
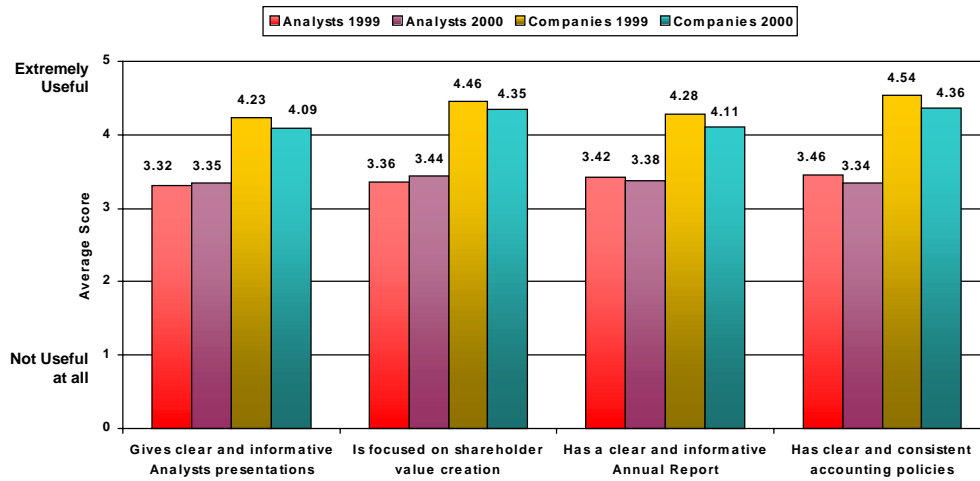


Figure 21: Taking specific companies in your sector/your company how strongly do you agree with the following statements



Part Three – Company performance

In this section we analyse the performance of individual companies based on the views of the analysts that follow those stocks. We have reviewed best and worst performance against our 11 criteria although not all of those criteria are discussed in this report. We have also analysed performance by sector but again this is not displayed here.

The 11 criteria were;

- A) takes a long term view of marketing investment
- B) has a strong and successful corporate brand
- C) has strong and successful product brands
- D) has an impressive e-commerce/Internet strategy
- E) provides sufficient information on its marketing performance and plans
- F) gives clear and informative analysts presentations
- G) is focused on shareholder value creation
- H) has a clear and informative annual report
- I) has clear and consistent accounting policies
- J) the CEO is impressive at communicating future marketing strategy
- K) the CFO is impressive at communicating future financial strategy

The sample in each table represents the number of analysts, who commented on that company. The % is a conversion of the total score received by that company from commentating analysts.

Those companies employing a long-term focus on marketing investment will hopefully see a greater return from that investment. Part of this return will be measured by the strength of the corporate and product brands. Benetton was rated by analysts as number one when it comes to taking a long-term view of marketing investment. By no coincidence it comes second in our product brand league table and third in our corporate brand league table. Clearly for Benetton its brands have, in analysts opinions, been successful as a result of its long-term investment in marketing.

Table 7

2000 Position (212)	Company	Sample	Sector	%
Has a strong & successful corporate brand				
1	BMW	5	Automobiles	100%
2	Burmah Castrol	3	Chemicals	100%
3	Benetton	3	General Retailers	100%
4	Nokia	4	Information Technology	100%
			Hardware	
5	3i Group	4	Investment Trusts	100%
6	Securitas	3	Support Services	100%
7	Shell	7	Oil & Gas	97%
8	AXA	4	Insurance	95%
9	Munich Re	4	Insurance	95%
10	Tesco	7	Food & Drug Retailers	94%

Table 8

2000 Position (212)	Company	Sample	Sector	%
Has strong & successful product brand(s)				
1	Burmah Castrol	3	Chemicals	100%
2	Benetton	3	General Retailers	100%
3	EMAP	5	Media & Photography	100%
4	GWR	3	Media & Photography	100%
5	Hennes & Mauritz	4	Household Goods & Textiles	95%
6	Nokia	4	Information Technology Hardware	95%
7	Williams	4	Support Services	95%
8	Marshalls	3	Construction & Building Materials	93%
9	Capital Radio	3	Media & Photography	93%
10	Saatchi & Saatchi	3	Media & Photography	93%

Two companies featured in the top ten of corporate brands also feature in the product brand top ten (Burmah Castrol and Nokia). Burmah Castrol is in the course of being acquired by BP Amoco so that BP can have strong brands in the lubricant field that it is currently lacking.

Table 9

2000 Position (212)	Company	Sample	Sector	%
Provides sufficient information on its marketing performance and plans.				
1	Skandia	3	Life Assurance	87%
2	Freeserve	3	Software & Computer Services	80%
3	WPP	7	Media & Photography	77%
4	BSkyB	11	Media & Photography	76%
5	Iceland	4	Food & Drug Retailers	75%
6	Nokia	4	Information Technology Hardware	75%
7	Foreign & Colonial	4	Investment Trusts	75%
8	BP Amoco	8	Oil & Gas	75%
9	Tesco	7	Food & Drug Retailers	74%
10	Daimler Chrysler	3	Automobiles	73%

A theme throughout this report is the need to disclose marketing information to increase investors knowledge and improve share performance. Analysts clearly believe that companies should begin to disclose more marketing information. It is interesting to present those companies that analysts feel have taken the precedence in this area and listened to investors underlying demands.

In table ten we see the best performers as measured against all 11 criteria. We believe that a strong performance across all 11 criteria would provide a strong indication of the health of a company and it likely future performance.

Table 10

2000 Position (212)	Company	Sample	Sector	%
Total score in the Brand Finance survey 2000				
1	Skandia	3	Life Assurance	90%
2	WPP	7	Media & Photography	86%
3	Securitas	3	Support Services	85%
4	Nokia	4	Information Technology	85%
5	Freeserve	3	Hardware Software & Computer Services	84%
6	Tesco	7	Food & Drug Retailers	83%
7	3i Group	4	Investment Trusts	82%
8	BP Amoco	8	Oil & Gas	82%
9	Saint-Gobain	3	Household Goods & Textiles	81%
10	Pearson	11	Media & Photography	80%

Skandia come top overall with the CFO coming second, and the CEO third in those respective league tables. Skandia comes top in the focussed on shareholder value section, top for analysts presentations, and top for providing sufficient information on its marketing performance and plans. Overall it is clearly highly rated in all the areas that we measured.

WPP and Tesco continued their strong performance from last year and Pearson rose 41 places to enter the top ten, no doubt due to the leadership of the dynamic CEO Majorie Scardino (who comes 6th in the CEO league).

Four of the top ten are TMT stocks, but it is interesting to see Tesco and BP Amoco particularly having strong performances.

Finally in this report we present those companies and their CEO's and CFO's that are considered impressive at communicating marketing and financial strategy, respectively. This is important because change is typically driven from the top and if, as a company, we are to effect change in the widespread use of marketing information by the financial community, we need to highlight current best practice as perceived by financial analysts and companies alike.

Thomas Berglund CEO of Securitas was rated best CEO whilst his colleague at the company Hakan Winberg was voted best CFO.

Table 11

2000 Position (212)	Company	Sample	Sector	%
The CFO is impressive at communication future financial strategy:				
1	Securitas	3	Support Services	100%
2	Skandia	3	Life Assurance	93%
3	Freeserve	3	Software & Computer Services	93%
4	3i Group	4	Investment Trusts	90%
5	CRH	5	Construction & Building Materials	88%
6	BP Amoco	8	Oil & Gas	88%
7	Holderbank	3	Banks	87%
8	Akzo Nobel	3	Chemicals	87%
9	Lafarge	3	Construction & Building Materials	87%
10	Marconi	3	Information Technology Hardware	87%

Half of the CFO's featured in the top ten head continental companies, whilst only BP Amoco is a traditional UK based blue chip.

Table 12

2000 Position (212)	Company	Sample	Sector	%
The CEO is impressive at communicating future marketing strategy:				
1	Securitas	3	Support Services	100%
2	QXL.com	4	General Retailers	95%
3	Skandia	3	Life Assurance	93%
4	Freeserve	3	Software & Computer Services	93%
5	Capita	3	Support Services	93%
6	Pearson	11	Media & Photography	93%
7	Nokia	4	Information Technology Hardware	90%
8	Centrica	7	Gas Distribution	89%
9	WPP	7	Media & Photography	89%
10	Shire Pharmaceuticals	7	Pharmaceuticals	89%

It is interesting that the Internet stocks, Freeserve and QXL feature highly. This reflects the speculative nature of such stocks and the imperative to communicate future rather than current performance.

Part Four: Assessing the impact of FRS10 on the accounting disclosure of Goodwill, Brands & Other Intangibles.

Part four of our report looks at what companies are actually doing in terms of reporting brand values on their balance sheets. To this end we are pleased to present research undertaken at Middlesex University Business School and sponsored by Brand Finance. It has analysed the accounting disclosure of intangible assets since 1993 using a static sample of the largest UK Plc's based upon turnover, which is diminishing because of the effects of take-overs, mergers, buy-outs, currency changes and so on. Summary findings in respect of the implementation of FRS10 are presented here. The 1999 figures may be subject to minor amendments for late disclosures, however, it is the trend that matters in arriving at a summary observation and comment on the following tables:

Table 13 shows the change in the number of Plc's within the survey sample:

Table 13

	1993	1994	1995	1996	1997	1998	1999
Opening balance	227	227	225	222	210	200	188
Take-overs and Mergers	-	(1)	(2)	(11)	(9)	(8)	(13)
Deleted (private co., \$ listing, receivership, etc)	-	(1)	(1)	(1)	(1)	(4)	(1)
Closing balance	227	225	222	210	200	188	174

Table 14 show the number and type of intangibles disclosed.

Table 14

	1993	1994	1995	1996	1997	1998	1999
Goodwill	5	7	7	6	8	79	131
Brands	8	9	10	10	10	8	6
Other Intangibles	41	38	36	34	35	31	32
Total	54	54	53	50	53	118	169

Within this sample the value (£m) of intangible asset disclosures, and in percentage relationship to total net assets, is presented in table 15:

Table 15:

	1993	1994	1995	1996	1997	1998	1999
Goodwill (£m)	113	1541	1506	1426	2439	12334	40870
Brands (£m)	6431	7686	9992	9659	9306	8797	9287
Other Intangibles (£m)	12773	13460	14767	12165	11886	4456	5547
Total (£m)	19317	22687	26265	23250	23631	25587	55704
% of Total Net Assets	4.32%	4.99%	5.50%	4.99%	5.28%	7.48%	14.19%

There has been a substantial percentage increase in the 1998 and 1999 figures due primarily to the post FRS10 capitalisation of purchased goodwill.

According to the Statement of Standard Accounting Practice No.22 (SSAP22) on Goodwill and Intangible Assets (ASC, revised 1989) there are two ways of accounting for purchased goodwill. Firstly, one can write it off to reserves in

the year of acquisition which was, by far and away, the most common practice in the UK (96-98% of surveyed companies) or, secondly, one can recognise it as an asset and capitalise it. Survey sample companies who, in 1997, capitalised purchased goodwill were BP Plc, Cowie Plc, Esso UK Plc, Reuters Plc, Shorts Plc, Shell Transport and Trading Plc, SmithKline Beecham Plc and 3M Plc. With effect from 23rd December 1998, all UK companies are now required to capitalise purchased goodwill. The minority option under SSAP 22 is now the only method allowable under Financial Reporting Standard No.10 (FRS10) (ASB, 1997) subject to various accounting practices in respect of amortisation.

Respectively, of the 79 and 131 sample companies who in 1998 and 1999 capitalised purchased goodwill (see Table 14 & 15) only 8 of them capitalised all their goodwill, past and present. In most cases the prior year capitalisation was substantial, GEC Plc, for example, amounting to over £3.2bn. The only company to adopt the FRS10 option of capitalising post FRS7 goodwill was Pilkington Plc, that is, from 1995 onwards. The overwhelming majority of companies did not reverse the goodwill previously written-off to reserves and commenced capitalisation and amortisation from approximately 1998 onwards. A small number of companies, for example, Lex Plc, Kingfisher Plc, were prepared to retain part or all of their purchased goodwill subject to annual review, that is, without regular amortisation charges. However, the most common accounting policy option was to capitalise purchased goodwill over its 'useful economic life' up to a maximum of 20 years (though two companies adopted the US option of amortising over 40 years).

There is no regulatory requirement to disclose cumulative goodwill written-off to reserves. However, table 16 indicates the extent of cumulative purchased goodwill disclosure within the survey sample.

Table 16:

	1993	1994	1995	1996	1997	1998	1999
No. of companies reporting cumulative goodwill	197	198	198	189	181	169	152
Total No. of companies	227	225	222	210	200	188	174
% of companies reporting cumulative goodwill	87%	88%	89%	90%	91%	90%	87%
Cumulative goodwill written-off to reserves £bn	72.43	78.31	96.13	101.76	113.49	105.23	94.9
Average cumulative goodwill written-off per goodwill reporting company £bn	0.368	0.396	0.486	0.539	0.627	0.622	0.624
Total Net Assets £bn	446.8	454.6	476.8	466.1	447.3	342.0	392.6
Average Total Net Assets per company £bn	1.968	2.021	2.148	2.220	2.236	1.819	2.256
Average cumulative goodwill/Av. TNA %	18.7%	19.6%	22.6%	24.3%	28.0%	34.2%	27.7%

Table 16 has to be used with caution, particularly in respect of that information which is not disclosed by companies. Some companies, for example, are able to capitalise all purchased goodwill previously written-off to reserves (eg.

Wolseley Plc back to 1958). Some declare it to be too impractical or too costly to determine (eg. FKI Plc). Many companies appear to have an arbitrary starting point, typically starting in the 1980's. The point here is that one is not strictly comparing like with like and one has to rely upon year on year consistency in cumulative goodwill reporting (87% min. to 91% max. of sample size over seven years) and the overall trend in any analysis. In this latter regard the figures are, perhaps, better presented as annual averages, as expressed in bottom line percentage terms in table 16.

Looking at the bottom line in table 16 one can see that the year on year percentage increase peaks in 1998. Since, post FRS10, purchased goodwill is no longer to be written-off to reserves these figures will now decline as total net assets are swelled by capitalised goodwill and the goodwill on disposals is written-back, year on year, to the profit and loss account (the majority accounting practice). If one wants to see how this trend would have developed were it not for FRS10 then one would need to add back to 'cumulative purchased goodwill' and deduct from the 'total net assets' the goodwill now capitalised on the balance sheet. Also, one would also need to make adjustments in respect of amortisation charges, prior year adjustments and for those companies who consistently capitalised goodwill pre-FRS10. Roughly, the effect of such adjustments would be that the 1998 and 1999 'average cumulative goodwill to average total net assets percentage' would be restated at approximately 40% and 45%, respectively. The year on year restated percentage increase is not entirely unexpected given the substantial number of acquisitions that have occurred recently.

The final table to be presented in this section, table 17, is in respect of brand asset disclosure since this is the primary focus of our research. The accounting recognition of brands as assets, brand assets, can occur in three ways: firstly, as the result of a transaction for the outright purchase or licensing of a brand. Secondly, as an extraction from the transaction for the purchase of goodwill and thirdly, as the result of a managerial decision to include internally created brand assets on the balance sheet. In all survey sample instances brand asset recognition occurred as an extraction from purchased goodwill, to be capitalised separately from it (fair value references in the accounting policies indicating the brand is part of an acquisition or alternatively, an acquisition note linking the acquisition to a disclosed brand name). In other words, no goodwill meant no separable disclosure of brands as assets. The movement in the number and value of sample companies recognising brand assets (excluding mastheads and trademarks that are inseparable from generic intangible asset headings) on their balance sheets is shown in table ten.

Table 17:

	1993	1994	1995	1996	1997	1998	1999
	£m	£m	£m	£m	£m	£m	£m
Cadbury Schweppes Plc	446	522	1689	1547	1575	1561	1656
Grand Metropolitan Plc *	2924	2782	3840	3884	-	-	-
Guinness Plc *	1395	1395	1395	1395	-	-	-
Ladbroke Plc	377	277	277	277	277	277	277
London International Grp	40	40	36	32	32	32	-
Reckitt & Colman Plc	682	1296	1273	1145	1135	1187	1489
United Biscuits Plc	217	248	251	211	138	-	-
WPP Plc	350	350	350	350	350	350	350
SmithKline Beecham Plc		776	751	688	652	644	640
Dalgety Plc			130	130	130	-	-
Diageo Plc (*merger)					4995	4727	4875
Inchcape Plc					22	19	-
Totals	6431	7686	9992	9659	9306	8797	9287
Number of Companies	8	9	10	10	10	8	6

In assessing the impact of FRS10 on brand asset accounting it is important to know the reason for companies withdrawing from such disclosure in 1998 and 1999. Particularly so, if this is the start of a future trend towards the complete removal of brand assets from UK balance sheets. Of the four brand accounting withdrawals during this period Dalgety Plc was the result of a de-merger of its group of companies. Inchcape Plc was the result of a disposal of a subsidiary and with it the formerly capitalised brand. The London International Group Plc was the result of a prior year amortisation charge that effectively wrote-off its brands. Whilst the introduction of FRS10 was clearly a driving force in this and other related decisions only United Biscuits Plc specifically cite FRS10 as the reason for a change in brand accounting policies and practices.

Some observations and comments

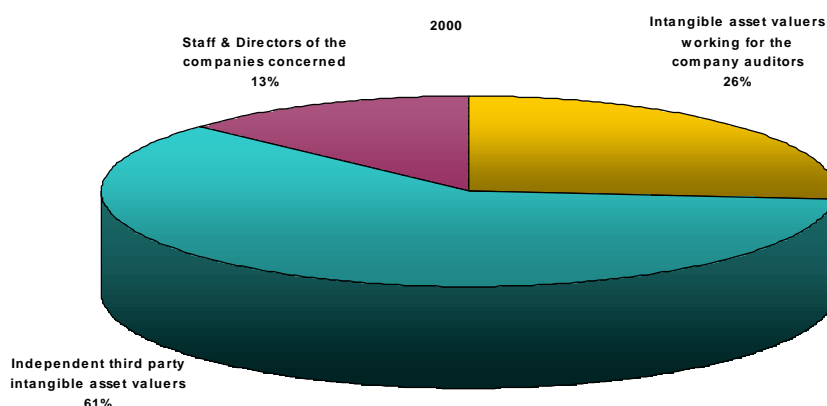
1. The significant increase in the post FRS10 capitalisation and disclosure of purchased goodwill, if continued, means, without doubt, that it is set to become a prominent and increasingly large feature of UK balance sheets. This is an 'asset', at least from a disclosure viewpoint, which the Accounting Standards Board states somewhat surprisingly *is not in itself an asset* (FRS10, p3). They state it is part of a larger asset, the investment, for which management remains accountable. Indeed, management will be accountable but for something that has an indeterminate nature and is operationally defined by accountants as an SSAP22/FRS10 arithmetic 'difference'. Evidence from the US suggests that in some cases purchased goodwill will come to dominate the balance sheet. This makes life difficult for FD's who may have to explain the returns from and the utilisation of an 'asset' the nature of which is described kindly by some as 'will-o-the-wisp' and emotively by others as 'a steamy heap'.

2. The general trend in 'other intangible asset' disclosure, in terms of the number of disclosures and the amount (£m), has been downwards and whilst FRS10 has had some effect in consolidating disclosures under the heading of goodwill it has not been universal in application. Companies, such as Invensys Plc, have taken the opportunity write-off intangible assets 'that do not meet the strict criteria for separation from goodwill under FRS10 (and therefore) have been reclassified as goodwill and written off as a prior year adjustment.' Also, Invensys Plc's intangible software development costs have now been transferred to tangible fixed assets. This type of reclassification and transmutation, respectively, is not unique. Consider, for example, the capitalisation of exploration costs, which often transmute in the same way. However, what it appears to highlight is the lack of any conceptual basis to the recognition of the nature of intangible assets in preference for an internally focused and entirely pragmatic approach towards their interpretation of accounting standards.
3. As brands and other intangible asset valuers we have clear views on the type of intangibles that should be recognised on the balance sheet. We feel that the accounting profession has eliminated one problem, that is, excessive reserve depletion caused by large purchased goodwill write-offs (SSAP22) and replaced it with another, namely, a goodwill asset (FRS10) that few are able to comprehend the nature of other than in abstract terms. Given the observed upward trend in goodwill disclosures it is simply a matter of time before the problem becomes transparent. It is therefore with regret that we observe the decline in the number of brand accounting companies within the sample, albeit that such disclosures are as an extraction from purchased goodwill which continues to be shown on the balance sheet. We would argue, that the linkage of brand accounting to purchased goodwill is conceptually unfounded. It, for example, leads to an artificial distinction between internally created and purchased intangible asset disclosures.
4. Any decision not to capitalise brands on the basis that they cannot be measured with sufficient reliability (eg. United Biscuits Plc, 1998 report and accounts) is dubious because the criticism can also be levelled at so-called reliable assets like hotels and other buildings. For example, anyone with a long memory of the substantial Queens Moat Properties Plc property devaluation, in 1992, on so-called reliable assets like hotels will realise that the issue of sufficient reliability in asset measurement affects all assets, not just intangibles. In contrast, as the earlier Glaxowellcome Plc example showed, what is patently ludicrous is that their drug patents and pharmaceutical brands are not shown at all on the balance sheet. The accounting profession can sweep the issue of the separable disclosure of brands and other intangible assets under the goodwill carpet on the basis of 'insufficient reliability' in their measurement. However, the reality of our technologically driven society is that the pile of dust will simply get bigger (see table 16). And it is our intention to pull the carpet back to reveal the pile of dust!

Part Five – Auditors Independence

As our research shows, and has shown historically, analysts support the inclusion of brand values in annual reports. However as part four of our research report indicates while goodwill is an increasing feature of balance sheets the reporting of individual intangible assets is in decline. Our belief is that accurate valuations of individual intangibles will become an issue over the next four years as the need to explain 'goodwill' grows both to investors and taxation authorities. This will result in a growing requirement for genuinely independent intangible asset valuation. At present there is strong anecdotal evidence that directors with assistance from their auditors, are valuing balance sheet intangibles. This automatically raises the question of how auditors can help conduct valuations and then audit those same values. This brought up the subject of auditor independence a subject we felt needed investigation from a public interest point of view.

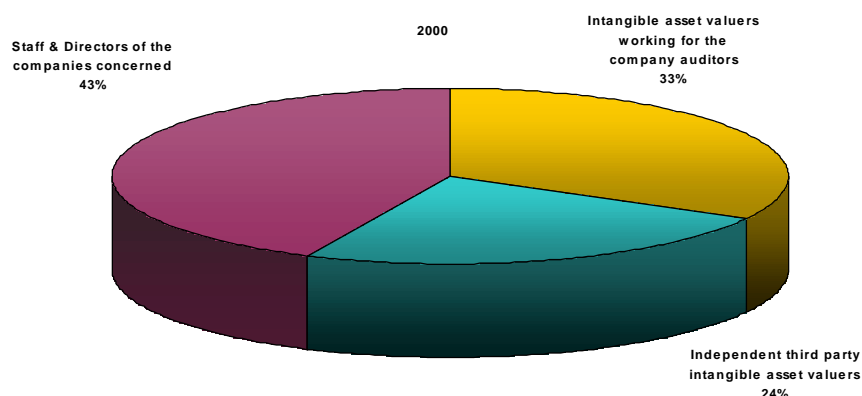
Figure 22: Intangible asset values, included in annual financial accounts should be prepared by (Analysts views):



61% of analysts questioned felt that independent third party intangible asset valuers should prepare any such valuations for financial reporting purposes. This clearly shows that analysts and investors are concerned about the independence of valuers and the expertise of those conducting the valuations.

Interestingly, only 24% of company personnel agreed with the analysts, demonstrating the apparent lack of management concern.

Figure 23: Intangible asset values, included in annual financial accounts should be prepared by (Companies views):



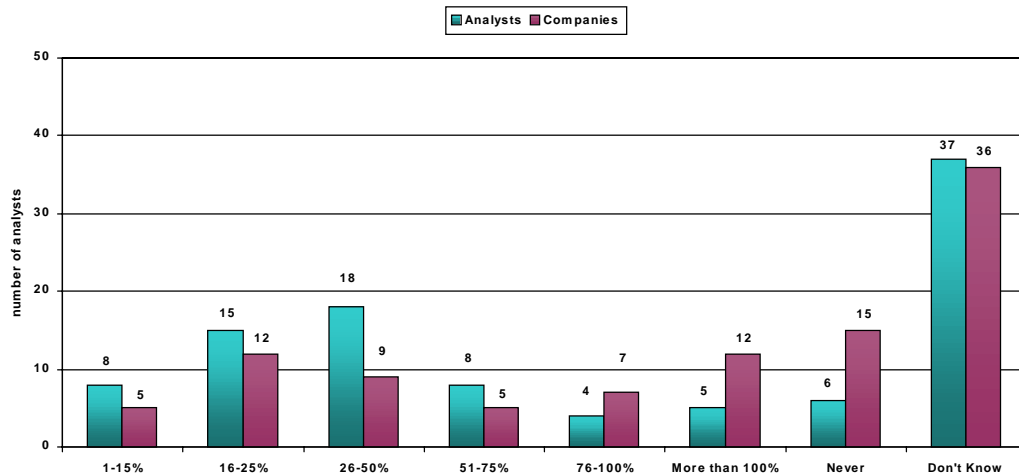
A large proportion of companies felt that valuations should be conducted internally by staff and directors. This suggests that the skills and experience required for complex intangible asset valuations are underestimated by companies.

Analysts are also concerned that the acceptance of non-audit fees by auditors is likely to result in the independence of the audit being compromised. 94% of analysts stating an opinion believe that significant non-audit fees are likely to compromise audit independence. 76% of companies stating an opinion felt that auditor independence is likely to be compromised where significant non-audit fees are received from audit clients.

83% of analysts who expressed an opinion believe objectivity is threatened even when the non-audit fee is less than the audit fee.

Companies also showed in significant numbers concerns that auditor independence could be compromised even where a low fee relative to the audit fee is involved.

Figure 24: The acceptance of significant non-audit fees, at what level do you think auditor Independence is likely to compromised:



Fears of auditor independence being compromise differ greatly according to the type of non-audit work conducted by the auditor.

A significant percentage of respondents believe that audit independence would tend to be breached where the audit firm was involved in asset valuation, corporate finance, management consulting, treasury management and accounting outsourcing.

Figure 25: Do you think that any of the following services, If provided by accounting firms to their clients, would tend to compromise auditor independence and judgement:

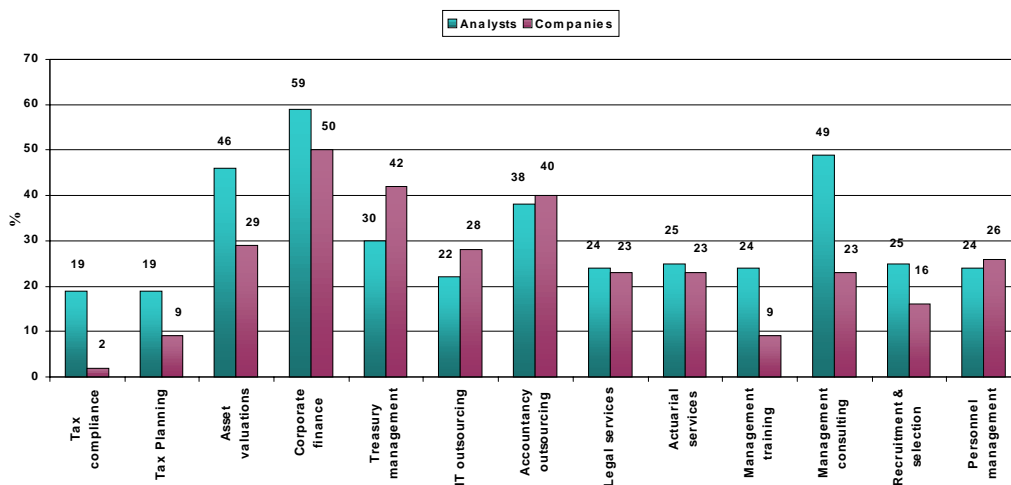


Figure 26: Do you think it would tend to compromise auditor independence if partners or staff in audit firms held shares in their de-merged consulting business (Analysts views):

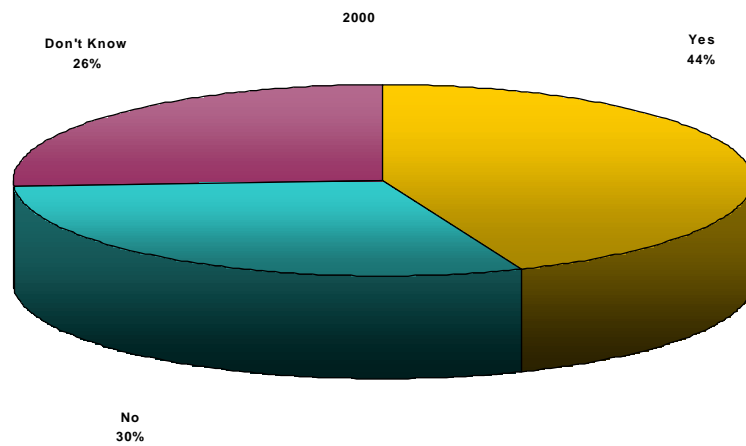


Figure 27: Do you think it would tend to compromise auditor independence if partners or staff in audit firms held shares in their de-merged consulting business (Companies views):

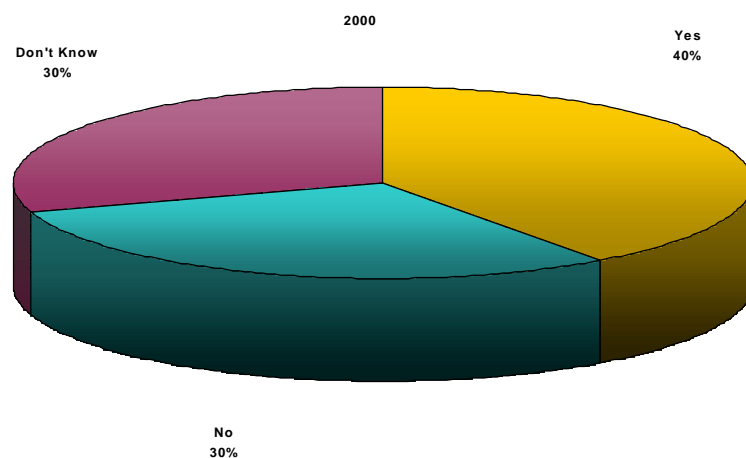


Table 18: Audit and non-audit fees 2000

Auditor	Audit	Split %	Non-Audit	Split %	%
PriceWaterhouseCoopers	123.839	34	241.564	66	195
Ernst & Young	46.298	43	62.536	58	113
KPMG	90.393	41	130.283	59	144
Arthur Andersen	20.068	45	24.556	55	122
Deloitte & Touche	25.875	45	31.303	55	120
Other Auditors	9.055	54	7.710	64	85
Totals	315.528		497.952		
Weighted Average		38.8		61.2	158

Table 19: Audit and non-audit fees 1999

Auditor	Audit	Split %	Non-Audit	Split %	%
PriceWaterhouseCoopers	121.823	28	314.599	72	258
Ernst & Young	41.188	40	62.996	60	153
KPMG	80.449	35	148.004	65	184
Arthur Andersen	16.819	39	26.019	61	154
Deloitte & Touche	28.371	42	39.266	58	138
Other Auditors	7.414	49	7.745	51	104
Totals	296.064		598.629		
Weighted Average		33.1		66.9	202

Brand Finance plc has analysed the 1999 year end accounts of the FTSE350 constituents as available on the 2nd June 2000. (N.B. FTSE 350 constituents as of 31st December 1999). The results are presented here:

Our analysis shows that the Big Five, with the exception of Deloitte & Touche, received less from audit work than in our 1998 year end study.

Non-audit fee receipts amongst the FTSE350 audit clients showed only a small increase from 1998 with the exception of PWC where non-audit fee receipts increased by over £50 million. Non-audit fees represent 66.9% of total fees received by auditors. The corresponding figure in 1998 was 61.2%.

The Big Five have taken steps to reduce the threat to audit independence from non-audit work by announcing divestment plans for their consultancy businesses.

Some analysts are concerned that the divested consultancies will continue to represent a threat to independent audit if audit partners own equity in the divested businesses. 44% of analysts and 40% of companies' believe that audit independence would tend to be compromised if partners or staff in audit firms continue to hold equity in de-merged consulting businesses.

Fig 28: Non-audit fees 1998-1999

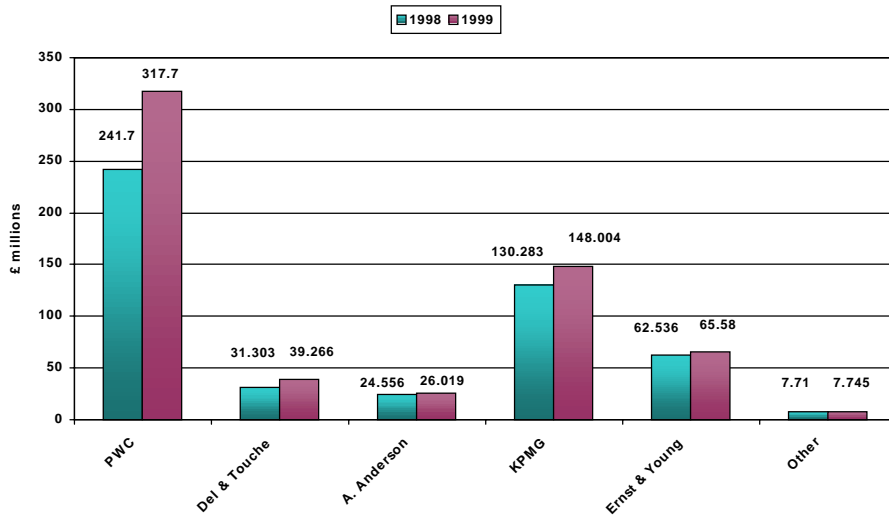
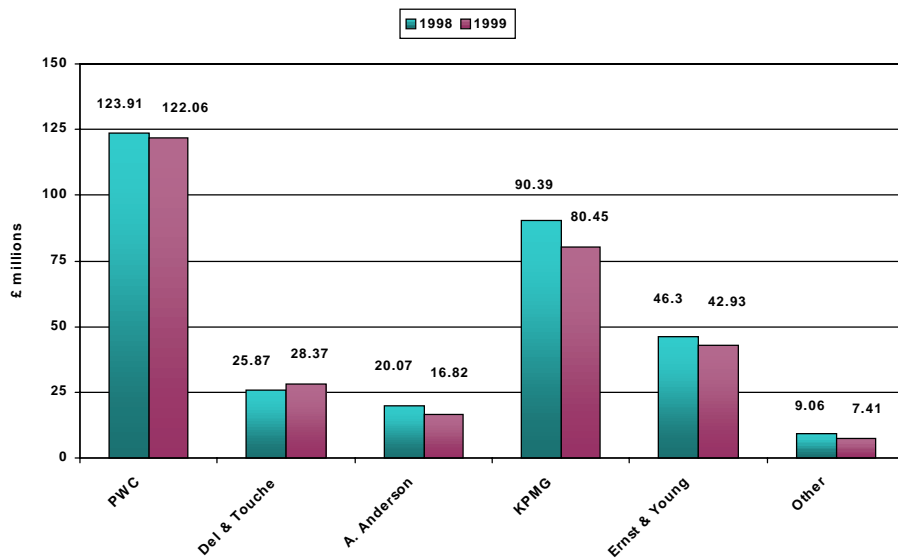


Fig 29: Audit fees 1998-1999



Appendices

Appendix 1: Participation of investment companies in analysts sample

ABN AMRO	HSBC
Albert E Sharp Securities	Ing-Baring securities Limited
Bear Stearns	Investec Henderson Crosthwaite Securities
Beeson Gregory	J.P Morgan
Bell Lawrie White	Keith Bayley Rogers
Blankstone Sington Limited	Lehman Brothers
BNP Paribas	Marshall Securities Limited
BWD Rensburg	Merrill Lynch
CCF Charthouse Securities	Morgan Stanley Dean Witter
Charles Stanley	Nomura
Charterhouse Securities Europe	Paribas
Collins Stewart	Peel Hunt
Commerzbank Global Equities	Prudential-Bache Ltd
Credit Lyonnais Securities Europe	Raphael Zorn Hemsley Ltd
Credit Suisse First Boston	Rathbones
Daiwa	Salomon Smith Barney
Deutsche Bank	Schroders
Donaldson Lufkin & Jenrette	Seymour Pierce
Dresdner Kleinwort Benson	SG Securities
Flemings	Teather & Greenwood Ltd
Gilbert Eliot & Co	Warburg Dillon Read
Goldman Sachs	West LB Panmure
Greig Middleton & Co	Williams de Broe
Henry Cooke	Wise Speke

Appendix 2: Participation of FTSE companies

Aggreko	Marshalls
Alliance & Leicester	National Power
Anonymous	Next
Arcadia	Northern Rock
Atkins (WS)	Pennon
Beazer	Photobition Group plc
Boots	Rolls Royce
British Airways	Severn Trent
British Energy	Signet Group
BSkyB	SmithKline Beecham
BTG	South African Breweries
CMG	SSL International
Computacenter	Stagecoach
Courts	Tate & Lyle
Diageo	Telewest
Eurotunnel	Thames Water
Hewden-Stuart	Ultra Electronics
J.Rothschild Assurance plc	Unigate
Johnson Matthey	Unilever
Johnston Press	United Utilities
Kingston Communications	Whitbread
Lasmo	Wiggins Group
Lex Service	Yates Brothers
Lloyds TSB	

Appendix 3: Company positions based on analysts ratings across all 11 criteria measured

Position		Company	Sample	Sector	%
2000	1999				
1	-	Skandia	3	Life Assurance	90
2	4	WPP	7	Media & Photography	86
3	-	Securitas	3	Support Services	85
4	-	Nokia	4	Information Technology Hardware	85
5	-	Freeserve	3	Software & Computer Services	84
6	12	Tesco	7	Food & Drug Retailers	83
7	-	3i Group	4	Investment Trusts	82
8	5	BP Amoco	8	Oil & Gas	82
9	-	Saint-Gobain	3	Household Goods & Textiles	81
10	51	Pearson	11	Media & Photography	80
11	-	GKN	10	Automobiles	80
12	-	Centrica	7	Gas Distribution	80
13	39	Colt Telecom	4	Telecomms	80
14	-	Capital Radio	3	Media & Photography	79
15	11	Vodafone Airtouch	7	Telecomms	79
16	7	Glaxo Wellcome	13	Pharmaceuticals	78
17	-	Burmah Castrol	3	Chemicals	77
18	-	Marshalls	3	Construction & Building Materials	77
19	-	Capita	3	Support Services	77
20	-	Selfridges	3	General Retailers	76
21	10	EMAP	5	Media & Photography	76
22	79	Shell	7	Oil & Gas	76
23	-	Hays	4	Support Services	76
24	15	SmithKline Beecham	12	Pharmaceuticals	76
25	-	Bowthorpe	3	Electronics & Electrical Equipment	76
26	-	Adecco	3	Support Services	76
27	44	Iceland	4	Food & Drug Retailers	75
28	-	AXA	4	Insurance	75
29	-	Akzo Nobel	3	Chemicals	75
30	-	GWR	3	Media & Photography	75
31	-	Randstad	3	Support Services	75
32	-	Daimler Chrysler	3	Automobiles	75
33	6	Boots	12	General Retailers	74
34	13	BSkyB	11	Media & Photography	74
35	-	CRH	5	Construction & Building Materials	74
36	-	Lex Service	3	Distributors	74
37	-	Endesa	3	Electricity	74
38	-	Scottish Power	7	Electricity	74
39	23	AstraZeneca	13	Pharmaceuticals	74
40	-	Benetton	3	General Retailers	73
41	-	Rage Software	3	Leisure, Entertainment & Hotels	73
42	-	Energis	3	Telecomms	73
43	14	Dixons	3	General Retailers	73
44	-	Holderbank	3	Banks	73
45	16	Granada	10	Leisure, Entertainment & Hotels	73
46	48	Daily Mail	4	Media & Photography	73
47	54	Rio Tinto	6	Mining	73
48	2	Lloyds TSB	12	Banks	73
49	1	Cadbury Schweppes	5	Food Producers & Processors	72

Appendix 3: Continued

Position		Company	Sample	Sector	%
2000	1999				
50	-	DSM	3	Chemicals	72
51	-	Marconi	3	Information Technology Hardware	72
52	21	Barclays	14	Banks	72
53	-	Compass	11	Restaurants, Pubs & Breweries	72
54	-	Valeo	3	Automobiles	72
55	-	BBA	9	Engineering & Machinery	72
56	-	BASF	4	Chemicals	71
57	-	ABB	3	Electronics & Electrical Equipment	71
58	-	QXL.com	4	General Retailers	71
59	32	Legal & General	9	Life Assurance	71
60	-	Yates Brothers	6	Restaurants, Pubs & Breweries	71
61	27	Cable & Wireless	5	Telecomms	71
62	34	Smiths Industries	11	Aerospace & Defense	71
63	22	Hilton	8	Leisure, Entertainment & Hotels	70
64	-	Wetherspoon (JD)	11	Restaurants, Pubs & Breweries	70
65	-	Danone	3	Food Producers & Processors	70
66	9	HSBC	10	Banks	70
67	-	Shire Pharmaceuticals	7	Pharmaceuticals	70
68	40	BG	6	Gas Distribution	70
69	-	Continental	3	Automobiles	70
70	-	Ericsson	4	Information Technology Hardware	70
71	-	First Choice	4	Leisure, Entertainment & Hotels	70
72	19	Next	14	General Retailers	69
73	-	Philips	3	Electronics & Electrical Equipment	69
74	33	British Airways	3	Transport	69
75	38	Hanson	6	Construction & Building Materials	69
76	-	Foreign & Colonial	4	Investment Trusts	69
77	8	Reuters	11	Media & Photography	69
78	-	Saatchi & Saatchi	3	Media & Photography	68
79	-	Total Fina	3	Oil & Gas	68
80	62	Debenhams	5	General Retailers	68
81	-	Henkel	3	Chemicals	68
82	20	Kingfisher	14	General Retailers	67
83	52	BOC	5	Chemicals	67
84	-	Lafarge	3	Construction & Building Materials	67
85	-	Hennes & Mauritz	4	Household Goods & Textiles	67
86	104	Billiton	7	Mining	67
87	-	Renault	5	Automobiles	67
88	-	Inchcape	3	Distributors	67
89	60	Woolwich	10	Banks	66
90	72	Bass	15	Restaurants, Pubs & Breweries	66
91	-	Matalan	3	General Retailers	66
92	-	Canal Plus	3	Media & Photography	66
93	-	Black (P)	3	Personal Care & Household Products	66
94	24	Reckitt Benckiser	3	Personal Care & Household Products	66
95	-	BNP Paribas	3	Banks	66
96	25	BAE Systems	9	Aerospace & Defense	65
97	65	Wolseley	4	Construction & Building Materials	65
98	-	Old Mutual	4	Life Assurance	65

Appendix 3: Continued

Position		Company	Sample	Sector	%
2000	1999				
99	-	Banco Bilbao Vizcaya Argentaria	3	Banks	65
100	-	JSB Software	3	Software & Computer Services	65
101	18	Unilever	7	Food Producers & Processors	65
102	108	Invensys	9	Electronics & Electrical Equipment	64
103	-	FKI	3	Engineering & Machinery	64
104	77	Norwich Union	6	Life Assurance	64
105	-	Cordiant Communications	3	Media & Photography	64
106	-	Enterprise Inns	3	Restaurants, Pubs & Breweries	64
107	75	Halifax	11	Banks	64
108	-	Sanofi Synthelabo	9	Pharmaceuticals	64
109	-	Heineken	4	Beverages	64
110	-	Nestle	5	Food Producers & Processors	64
111	-	Swiss Re	3	Insurance	64
112	-	Aggregate Industries	4	Construction & Building Materials	63
113	42	ICI	5	Chemicals	63
114	-	ING	5	Insurance	63
115	-	Peugeot	4	Automobiles	63
116	90	EMI	9	Media & Photography	63
117	-	Deutsche Bank	6	Banks	62
118	-	Barratt Developments	3	Construction & Building Materials	62
119	-	Nycomed Amersham	4	Health	62
120	-	Commerz Bank	3	Banks	62
121	71	TI Group	7	Engineering & Machinery	62
122	-	Repsol	3	Oil & Gas	62
123	17	Bank of Scotland	9	Banks	62
124	69	Blue Circle	7	Construction & Building Materials	62
125	-	National Grid	6	Electricity	62
126	-	Novatis	3	Pharmaceuticals	61
127	-	Croda	3	Chemicals	61
128	-	Scottish & Southern Energy	6	Electricity	61
129	-	Bayer	4	Chemicals	61
130	-	Travis Perkins	4	Construction & Building Materials	61
131	-	Millenium & Copthorne Hotels	4	Leisure, Entertainment & Hotels	61
132	35	BT	8	Telecomms	61
133	43	CGU	11	Insurance	61
134	-	Mayflower	5	Automobiles	61
135	74	Carlton Communications	11	Media & Photography	61
136	-	Hypovereins Bank	3	Banks	61
137	-	Berkeley	3	Construction & Building Materials	61
138	-	ENI	3	Oil & Gas	61
139	37	BAA	3	Transport	61
140	-	Rentokil Initial	4	Support Services	60
141	-	Williams	4	Support Services	60
142	45	Diageo	9	Beverages	60
143	-	House of Fraser	3	General Retailers	60
144	-	Sun Life & Provincial	4	Life Assurance	60
145	-	National Express	3	Transport	60
146	47	Royal Bank of Scotland	10	Banks	60
147	-	Bodycote	4	Engineering & Machinery	60

Appendix 3: Continued

Position		Company	Sample	Sector	%
2000	1999				
148	82	WH Smith	4	General Retailers	60
149	36	Prudential	12	Life Assurance	60
150	84	Thames	8	Water	60
151	73	Scottish & Newcastle	13	Restaurants, Pubs & Breweries	59
152	-	Accor	3	Leisure, Entertainment & Hotels	59
153	66	Sainsbury	5	Food & Drug Retailers	59
154	-	Whitbread	15	Restaurants, Pubs & Breweries	59
155	-	Airtours	5	Leisure, Entertainment & Hotels	59
156	-	Cobham	6	Aerospace & Defense	59
157	-	Roche	10	Pharmaceuticals	59
158	-	BMW	5	Automobiles	59
159	-	Standard Chartered	8	Banks	58
160	-	Glynwed International	3	Engineering & Machinery	58
161	30	Reed International	9	Media & Photography	58
162	-	Smith & Nephew	3	Health	58
163	28	Abbey National	11	Banks	57
164	94	Stagecoach	4	Transport	57
165	-	Alcatel	3	Telecomms	57
166	-	Wolverhampton & Dudley	6	Restaurants, Pubs & Breweries	57
167	85 (Br Steel)	Corus	3	Steel & Other Metals	56
168	115	P & O	3	Transport	56
169	-	PowerGen	7	Electricity	56
170	-	Lonmin	4	Mining	55
171	89	Allied Domecq	9	Beverages	55
172	63	Coats Viyella	3	Household Goods & Textiles	55
173	-	BPB	4	Construction & Building Materials	55
174	-	IMI	4	Engineering & Machinery	55
175	-	Allianz	4	Insurance	55
176	-	Celltech Group	4	Pharmaceuticals	55
177	-	Greene King	7	Restaurants, Pubs & Breweries	55
178	50	Rolls Royce	11	Aerospace & Defense	55
179	-	Fiat	4	Automobiles	55
180	-	Pilkington	3	Construction & Building Materials	55
181	100	United News & Media	6	Media & Photography	55
182	-	Aegon	4	Life Assurance	54
183	64	Alliance & Leicester	10	Banks	53
184	-	Electricidade de Portugal, S.A	3	Electricity	53
185	-	United Utilities	7	Water	52
186	-	Aventis	8	Pharmaceuticals	52
187	-	Allied Zurich	9	Insurance	52
188	-	Rank Group	6	Leisure, Entertainment & Hotels	51
189	-	FirstGroup	3	Transport	51
190	87	Severn Trent	6	Water	51
191	-	Metro	3	General Retailers	50
192	109	Anglian	4	Construction & Building Materials	50
193	-	Schering	4	Pharmaceuticals	50
194	-	British Energy	5	Electricity	49
195	-	Britannic	3	Life Assurance	49

Appendix 3: Continued

Position		Company	Sample	Sector	%
2000	1999				
196	-	Northern Rock	7	Banks	49
197	103	Marks & Spencer	14	General Retailers	49
198	-	RMC	6	Construction & Building Materials	48
199	91	Great Universal Stores	9	General Retailers	48
200	101	Associated British Foods	3	Food Producers & Processors	48
201	-	Volkswagon	5	Automobiles	48
202	-	Anglo American	7	Mining	47
203	-	National Power	7	Electricity	46
204	80	Railtrack	3	Transport	46
205	55	Safeway	4	Food & Drug Retailers	45
206	68	Royal & Sun Alliance	12	Insurance	44
207	-	South African Breweries	3	Beverages	44
208	-	Dresdner Bank	3	Banks	42
209	102	Pennon	3	Water	42
210	-	Enterprise Oil	3	Oil & Gas	40
211	-	Lasmo	3	Oil & Gas	40
212	-	Munich Re	4	Insurance	34