Spinners Well Kinnersley Manor Reigate Surrey RH2 8QJ{PRIVATE} Tel. 01293 771315

11 September 2001

Mr. Timothy S. Lucas Director of Research Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116 Letter of Comment No: OF File Reference: 1123-001
Date Received: 911101

Dear Tim,

FASB project on information disclosure about Intangible Assets not recognized in Financial Statements

I am writing in my capacity as chairman of the European High-Level Expert Group on the Intangible Economy. The group was set up in January 2000 in response to a request by the European Commission Directorate-General for Enterprise, with a brief to examine the influence of business intangibles on corporate performance and productivity.

The main purpose of this letter is to register our support for the proposed intangibles' disclosure project as a Board agenda item. I enclose a report entitled "The Intangible Economy - Impact and Policy Issues", which lays out a conceptual framework and a strategy for making progress with this issue. With respect, I would draw your attention to the material in section BIII, which was instrumental in formulating certain of the Brookings proposals and the FASB Statement 142 proposals, and was cited in Wayne Upton's report.

Briefly, our opening position is that the current ad-hoc and fragmented systems for disclosing company performance information to the various market interest groups are anachronistic. Moreover, fundamental weaknesses that exist in the existing corporate reporting system are being highlighted daily as the trading conditions deteriorate around the world. Given that these issues are currently not a priority for the IASB, and that no other standards body of substance is addressing the need for convergence of standards worldwide, I believe it is essential that this item is included in the Board's agenda.

I also support the contention that the final objective, or vision, of the project should be a comprehensive disclosure of intangible investments rather than just a list of information items. Such disclosure should build on the Statement 142 framework (an important step in the right direction), and address the key concerns of financiers, institutional investors and the legitimate corporate governance community regarding internally-generated intangibles, as well as providing the basis for a long-overdue revamp of the national accounting system in respect of the 'hidden' intangible goods sector.

Timothy S. Lucas 11 September 2001

Page 2

In conclusion, I strongly support the adoption of the intangibles disclosure project and believe it should be given a high priority on the FASB agenda. We are at your disposal to supply further details of our research, or if we can be of further assistance - perhaps contributing to a working group of outside experts or being one of the interviewees - we would be very honoured to help. My direct line in the UK is +44 1293 771315 or e-mail: Clark.Eustace@lineone.net.

Kindest regards, Yours sincerely,

Clark G. Eustace Encl.