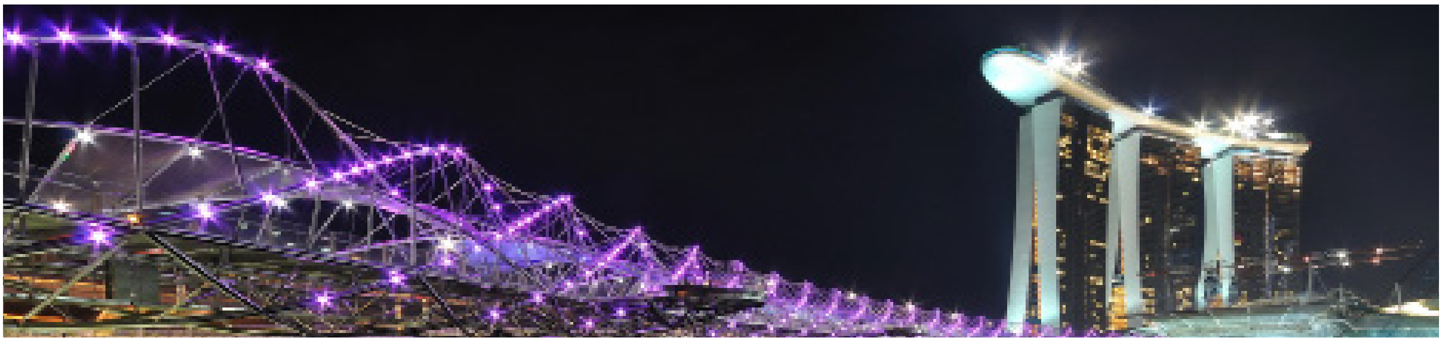
Brand Finance®



Singapore 100 2015

The Brand Finance Top 100 Singapore Brands Report 2015
on Singapore's intangible assets and brands

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Foreword

David Haigh
Chief Executive Officer
Brand Finance plc

Brand Finance is dedicated to using brand valuation as an input for strategic decisions and driving organizational performance

The transition into an intangible driven economy has never been as prominent as it is today. Companies at the forefront of innovation have been the biggest winners in this years' Global 500. Seven of the top ten Most Valuable Global Brands (Apple, Samsung, Google, Microsoft, Verizon, AT&T and amazon.com) are in technology related industries, where investment in brand and R&D is important in staying relevant to consumers. The speed of technological change has resulted in a raft of companies which have become irrelevant and include the likes of Blackberry, Garmin, Kodak, Nokia, and Sony. For the second time, the brand value of Apple climbed above US$100bn, assisted by rising confidence in the developed world.

The quantitative easing policies by central banks in Europe, Japan and the United States have helped in the economic recovery. Excess cash on the balance sheet of companies and cheaper borrowing costs has resulted in greater M&A activity, especially in pharmaceutical, retail and technology. We expect this to continue towards the end of 2015, however, things could change dramatically if the slowdown in China is faster than expected. Despite the strong credentials of many technology heavyweights, some commentators are concerned about the overvaluations on the smaller to medium sized end of the technology industry. The NASDAQ is only 18% off the highs reached during the technology boom of 2000.

Over the past decade, Brand Finance has been dedicated in helping companies track and measure their investments in their intangible asset portfolio.

Certain steps can be undertaken to ensure that an economic value driven strategy occurs throughout the organization, mush after the deals are done.

1. Accountability – ensure that all invested funds are accounted for through returns on investment analysis

2. Credibility – ensure that investments are linked to organizational objectives

3. Empowerment – ensure that teams are empowered to make their own decisions with strong justification

4. Strategy planning – ensure that all levels of the organization are consulted, especially when undertaking market insight.

5. KPI's setting - Economic returns based marketing ROI becomes extremely critical to assess the success of marketing contribution to the bottom line, in hard dollar value terms vs. softer qualitative KPIs currently measured.

Valuations is a great tool to evaluate the returns on investments, aid in monitoring and tracking in the long term performance of your investments.

Foreword

Samir Dixit
Managing Director,
Brand Finance Asia Pacific

We are in the ideas economy. The economy of intangibles. The balance between tangibles and intangibles has changed dramatically over the past 50 years as corporate performance is increasingly driven by exploitation of ideas, information, expertise and services rather than physical products.

Intangibles make up for a significantly large value of an enterprise. Yet, it's an area of least focus amongst the management. While marketers do not measure or care much about the intangible assets, the discrepancy between market and book values shows that investors do.

Brand Finance has been researching intangible assets with an emphasis on brands to help corporations understand brand strength and value. Against the current economic backdrop, our 2015 study aims to examine the performance of Singapore's intangible assets and brands.

Brand Finance published brand rankings are the world's only published ranking of ISO compliant brand values. Brands and brand equity affect all stakeholder groups and can confer considerable advantages, such as building customer loyalty, enabling a price premium for the branded product, influencing the perceptions they have of the branded business, their preference or loyalty to that organisation and their behaviour. Consumers and customers buy more, for longer, at higher prices, while suppliers offer better terms of business and finance providers invest at lower cost. These and other stakeholder behaviour affect business value drivers to give higher revenues, lower costs and greater capital value.

higher revenues, lower costs and greater capital value.

Brand managers need to understand how these brand equity attributes impact on the branded business and need to develop marketing strategies to optimise brand-switching behaviour.

As such, the valuation of brands is an important function, to provide tangible, financial evidence of their status as assets and an indication of the value generated through the investment in brand equity.

We use quantitative market data, detailed financial information and expert judgement to provide reliable Brand Ratings and Brand Values. Such an analysis needs to be conducted by product, geographic and demographic segment to maximise brand value. While such detailed metrics and financial analysis are beyond the scope of the current point in time brand valuations included in this year's league table, however, they are the next natural step in understanding and developing brand value.

We have also observed that a number of brand valuation consultancies produce brand value league tables using methods that do not stand up to technical scrutiny or to the ISO Standards for Brand Valuation. We use methods that are technically advanced, which conform to ISO Standards and are well recognised by our peers, by various technical authorities and by academic institutions.

This annual report pits the best Singapore brands against one another in the most definitive list of brand values available. The Brand value accorded to each brand is a summary of its financial strength. Each brand has also been given a brand rating, which indicates its strength, risk and future potential relative to its competitors.

This report provides an opinion regarding the point in time valuations of the most valuable Singapore brands as at 31st December 2014. The sheer scale of these brand values show how important an asset these brands are to their respective owners. As a result, we firmly believe that brand valuation analysis can offer marketers and financiers critical insight into their marketing activities and should be considered as a key part of the decision making process.

Introduction

The balance between tangibles and intangibles has changed dramatically over the past 50 years as corporate performance is increasingly driven by exploitation of ideas, information, expertise and services rather than physical products.

Intangible assets have traditionally tipped the scales over tangible assets to create value for companies and the global economy. They now make up for a significantly large value of an enterprise. Yet, it's an area of least focus amongst the management

Whilst accountants do not measure intangible assets, the discrepancy between market and book values shows that investors do.

Brand Finance has been researching and tracking the role of intangible assets since 2001 as part of its annual Global Intangible Finance Tracker (GIFT™) with an emphasis on helping corporations understand brand strength and value.

Brand Finance has found that intangible assets play a significant part in enterprise value generation. The GIFT™ is a study that tracks the performance of intangible assets on a global level.

The GIFT™ is the most extensive study on intangible assets, covering 120 national stock markets, more than 58,000 companies, representing 99% of total global market capitalisation. The analysis goes back over a fourteen-year period from the end of December 2014.

Currently, 52% of global market value is vested in intangible assets. There is just a marginal decrease as compared to last year. However, the management paradigm is yet to shift in tandem with large proportion and the importance of intangible assets.

In this year's GIFT™ 2015 report , the Enterprise Value of the companies covered has increased by $40.3 trillion since the end of 2001: of that increase, $22.2 trillion has been an increase in Net Tangible Assets, $7.7 trillion an increase in disclosed intangible assets (including goodwill) and $10.5 trillion an increase in 'undisclosed value'.

The fact that most of the intangible value is not disclosed on company balance sheet further illustrates how poorly understood intangibles still are by investors and management alike – and how out of date accounting practice is.

Such ignorance leads to poor decision-making companies and systematic mis-pricing of stock by investors.

Purpose of study

To this end, our study aims to examine the performance of Singapore's intangible assets and brands.

For the intangible asset study, the total enterprise value of corporate Singapore is divided into four components shown below.

Undisclosed Value	Disclosed Goodwill
The difference between the market and book value of shareholders' equity, often referred to as the premium book value	Goodwill disclosed on balance sheet as a result of acquisitions
Disclosed Intangible Assets	**Tangible Net Assets**
Intangible assets disclosed on balance sheet including trademarks and licences	Tangible net assets is added to investments, working capital and other net assets

Report Card on Intagible Assets

SINGAPORE'S INTANGIBLE ASSETS INCREASED BY US$25 BILLION IN 2014 AS COMPARED TO A US$50 BILLION INCREASE IN 2012

By the end of 2014, total enterprise value increased by US$36 billion as compared to last year. This was driven by an increase tangible net assets of US$25 billion and with an slight increase in intangible assets of US$21 billion.

In 2014, intangible assets value made up 32% of enterprise value, a decrease of 9% from 2012. This result is significantly lower than the global average where the intangible asset % of enterprise value is 53%.

SPOTLIGHT ON SECTORS

Total Enterprise value of the Top 10 Sectors in Singapore is worth US$434 billion
The ten largest sectors for Singapore are Banking & DFS, Telecommunications, Food, Real Estate, Transportation, Semiconductor, Engineering & Construction, Distribution/Wholesale, Holdings/Group Companies and Agriculture.

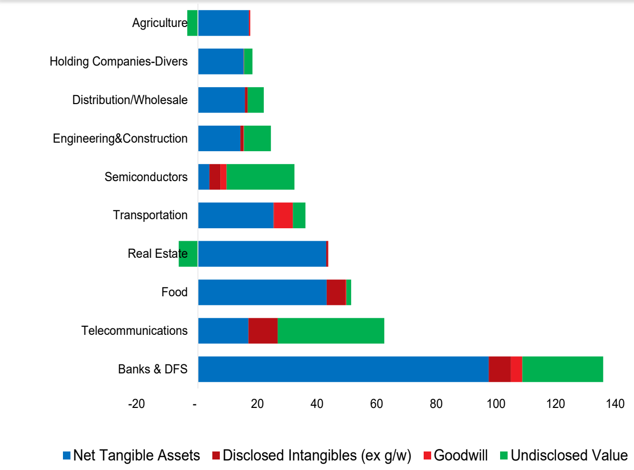
These account for Singapore's total enterprise value and are worth about US$434 billion. It is Comparison to last year, it is not surprising that the Top 10 companies has a slight increase in enterprise value relative to other markets such as Europe and the United States. It could be a sign that cautious investors are sitting on the side lines and assessing the Chinese fundamentals.

Banking & DFS Sector has the highest enterprise value
The banking & DFS sector retained their number 1 position for the highest Enterprise Value of US$136 billion. Telecom sector became number 2 with an Enterprise Value of US$63 billion. The food sector maintained at number 3 with an Enterprise Value of US$51 billion. Real Estate sector has the fourth highest Enterprise Value of US$37 billion amongst the top 10. Agriculture is the newest sector that has climb into the top 10 with an Enterprise Value of US$14 billion.

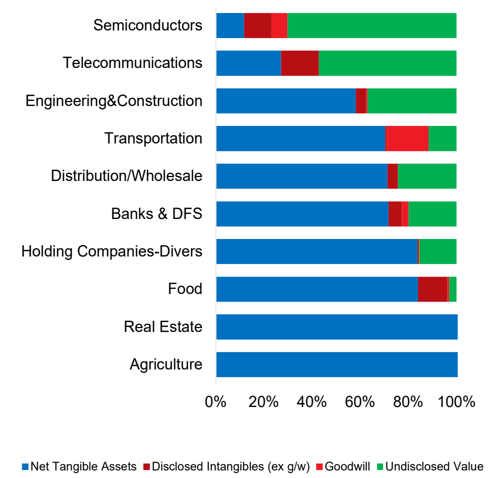
Telecom Sector continues with the highest intangible value
The telecom sector maintained their number 1 position for the highest Intangible Value of US$46 billion followed by banking sector at number 2 with a total Intangible Value of US$38 billion.

SINGAPORE	US$BN	%
ENTERPRISE VALUE	$541 billion	100%
NET TANGIBLE ASSETS	$368 billion	68%
DISCLOSED INTANGIBLE ASSETS (Exc Goodwill)	$37 billion	7%
DISCLOSED GOODWILL	$16 billion	3%
"UNDISCLOSED VALUE"	$120 billion	22%

TOP 10 SECTORS BY ENTERPRISE VALUE SPLIT (VALUE) 2014 (US$ BILLION)



TOP 10 SECTORS BY ENTERPRISE VALUE SPLIT (% AGE) 2014 (US$ BILLION)



Should Singapore be concerned with intangible asset value?

Singapore as an IP hub of Asia

While this is not an impossible task and objective, it would not be an easy journey given the relative footprint of the industries here compared to other Asian economies.

Currently Singapore is ranked 23rd in the global rankings of the "2014 Top Country Brands" rankings published by Brand Finance. The starting point for the journey to be the IP hub of Asia should ideally begin with the Brand Singapore itself and the analysis of the contribution from the various brand value drivers.

Singapore is behind the peers such as Indonesia, Malaysia and Thailand in the Brand Finance 2015 GIFT (Global Intangible Financial Tracker) Study. Clearly the Singapore companies are more driven by the tangibles over intangibles. This is not an ideal mix towards the journey of being the IP hub of Asia. Singapore therefore needs to both actively participate and fundamentally change the ways in which both Singapore and the companies in Singapore manage their IP.

Singapore's full convergence to international financial reporting standards by end 2012

The full convergence to IFRS by 2012 was a critical step in a bid to put Singapore on the same footing as other nations and strengthen its role as an international centre of commerce.

Having a standardised accounting standard means that the value of disclosed intangible assets is likely to increase in the future. Strong advocates of 'fair value reporting' believe that the changes should go further. Specifically, all of a company's tangible and intangible assets and liabilities should regularly be measured at fair value and reported on the balance sheet, including internally generated intangibles such as brands and patents. This is provided the valuation methods and corporate governance adopted is sufficiently rigorous. This is likely to be less of a concern going forward due to the ISO standards announced for valuation in October 2010, which is fast becoming a gold standard in valuation.

Some go as far as to suggest that 'internally generated goodwill' should be reported on the balance sheet at fair value, meaning that management would effectively be required to report its own estimate of the value of the business at each year end together with supporting assumptions. However, the current international consensus is that internally generated intangible assets generally should not be recognised on the balance sheet. Under IFRS, certain intangible assets should be recognised, but only if they are in the "development" (as opposed to "research") phase. However, there are conditions on, for example, technical feasibility, the intention and ability to complete and use the asset. 'Internally generated goodwill' including internally generated "brands, mastheads, publishing titles, customer lists and items similar in substance", may not be recognised.

Getting a grip on intagibles

Bryn Anderson
Chief Operating Officer, Brand Finance UK

Getting a grip on intangibles

Intangible assets make up nearly half the value of quoted companies around the world. Yet intangibles remain poorly understood and managed.

Intangible assets including brands have never been more important. Survey after survey shows that brands and other intangibles typically account for between 30 per cent and 70 per cent of a company's market value, and in certain sectors, such as luxury goods, this figure can be even higher.

Research from Brand Finance, the 2015 BrandFinance Global Intangible Financial Tracker (GIFT) report is the most extensive research ever compiled on intangible assets. Over the past thirteen years, GIFT has tracked the performance of more than 58,000 companies quoted in 120 over countries and it shows that in 2014, intangibles across the world accounted for 52 per cent of the value of quoted companies, continuing the increase since the global economic downturn in 2008. The proportion of intangible assets not recognised on the global balance sheet is up from 32 per cent to 37 per cent comparing from the year before. The increase can be attributed strong stock prices in the biotechnology and technology sector, in particular those highly geared towards servicing the internet. A number of analysts believe that a potential stock market bubble has formed, and a correction is underway.

The balance between tangible to intangible assets has changed dramatically over the past 50 years, as corporate performance has become increasingly driven by the exploitation of ideas, information, expertise and services rather than physical things. Yet despite the rise in intangible value, the fact that most of it is not disclosed on company balance sheets highlights how poorly understood intangibles still are by investors and management alike — and how out of date accounting practice is. Such ignorance leads to poor decision making by companies and systematic miss-pricing of stock by investors.

Overall, the 2015 GIFT study shows that the value of the top 58,000 companies in the world has recovered from the 'double drip' result in 2011. The total Enterprise Value of corporates under the scope of the study was $71 trillion as at the end of 2014. Of this value, $33.5 trillion represented Net Tangible Assets (NTA), $11 trillion disclosed intangible assets and $26.5 trillion 'undisclosed value'.

Categories of intangible assets under IFRS 3

1. Rights. Leases, distribution agreements, employment contracts, covenants, financing arrangements, supply contracts, licences, certifications, franchises.

2. Relationships. Trained and assembled workforce, customer and distribution relationships.

3. Intellectual property. Patents; copyrights; trademarks; proprietary technology (for example, formulas, recipes, specifications, formulations, training programmes, marketing strategies, artistic techniques, customer lists, demographic studies, product test results); business knowledge — such as suppliers' lead times, cost and pricing data, trade secrets and knowhow.

But a fourth category, 'undisclosed intangible assets', is usually more valuable than the disclosed intangibles. The category includes 'internally generated goodwill', and it accounts for the difference between the fair market value of a business and the value of its identifiable tangible and intangible assets. Although not an intangible asset in a strict sense — that is, a controlled 'resource' expected to provide future economic benefits (see below) — this residual value is treated as an intangible asset in a business combination when it is converted into goodwill on the acquiring company's balance sheet. Current accounting practice does not allow for internally generated brands to be disclosed on a balance sheet. Under current IFRS only the value of acquired brands can be recognised, which means many companies can never use the controlled 'resource' of their internally generated brands to their full economic benefit. For example, they can't take out a loan against the asset and potentially bolster their balance sheet.

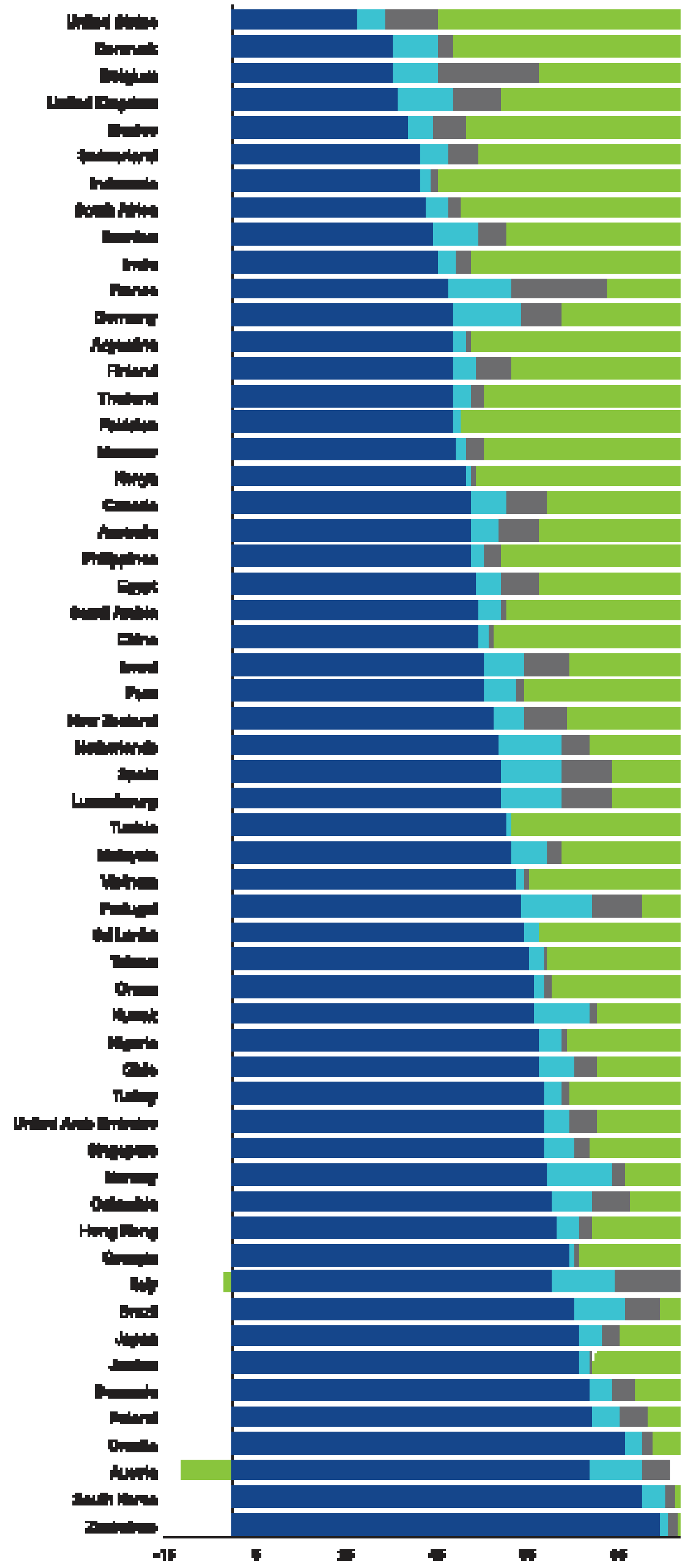
In accounting terms, an asset is defined as a resource that is controlled by the entity in question and which is expected to provide future economic benefits to it. The International Accounting Standards Board's definition of an intangible asset requires it to be non-monetary, without physical substance and 'identifiable'.

In order to be 'identifiable' it must either be separable (capable of being separated from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves 'separable'). Therefore, intangible assets that may be recognised on a balance sheet under IFRS are only a fraction of what are often considered to be 'intangible assets' in a broader sense.

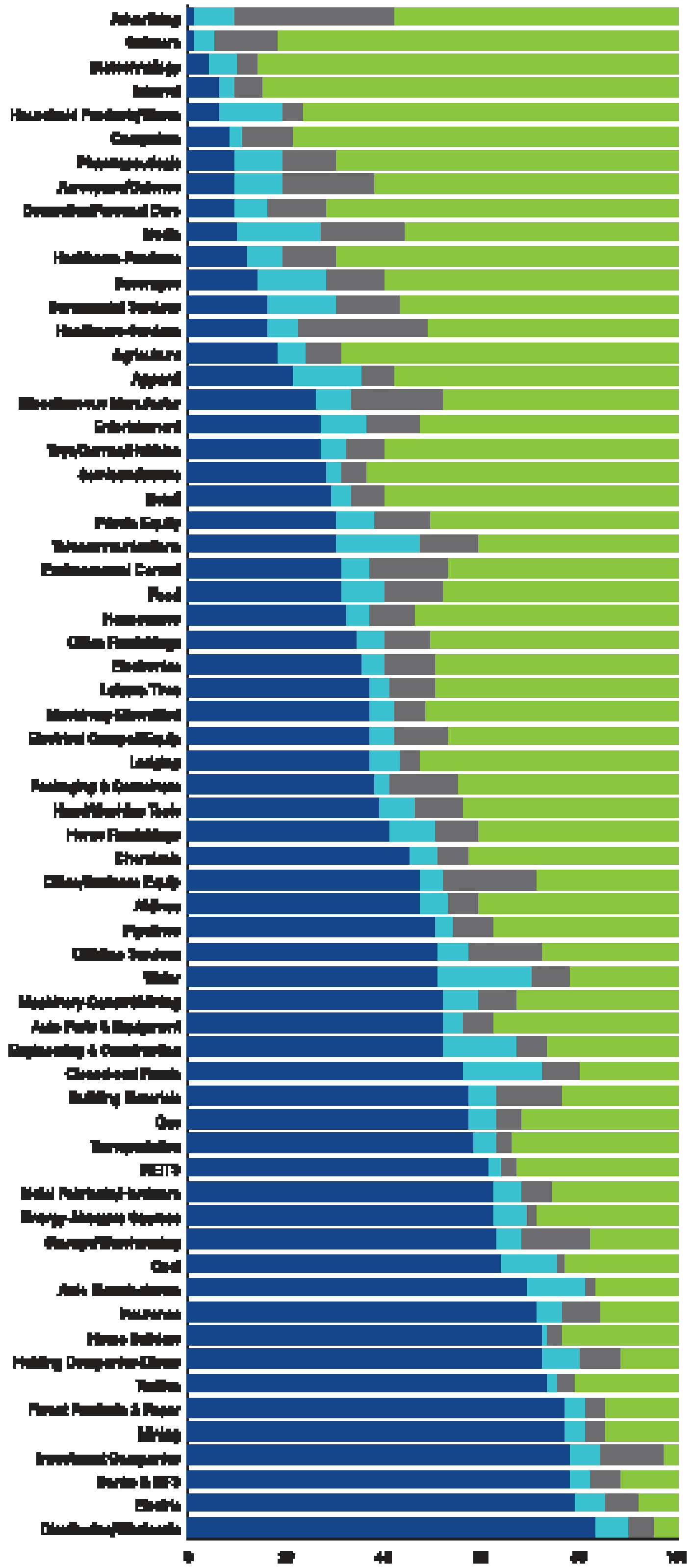
However, the picture has improved since 2001, when IFRS3 in Europe, and FAS141 in the US, started to require companies to break down the value of the intangibles they acquire as a result of a takeover into five different categories — including customer-and market related intangibles — rather than lumping them together under the catch-all term 'goodwill' as they had in the past. But because only acquired intangibles, and not those internally generated, can be recorded on the balance sheet, this results in a lopsided view of a company's value. What's more, the value of those assets can only stay the same or be revised downwards in each subsequent year, thus failing to reflect the additional value that the new stewardship ought to be creating.

Clearly, therefore, whatever the requirements of accounting standards, companies should regularly measure all their tangible and intangible assets (including internally-generated intangibles such as brands and patents) and liabilities, not just those that have to be reported on the balance sheet. And the higher the proportion of 'undisclosed value' on balance sheets, the more critical that robust valuation becomes.

Global intangible and tangible value by country (%)



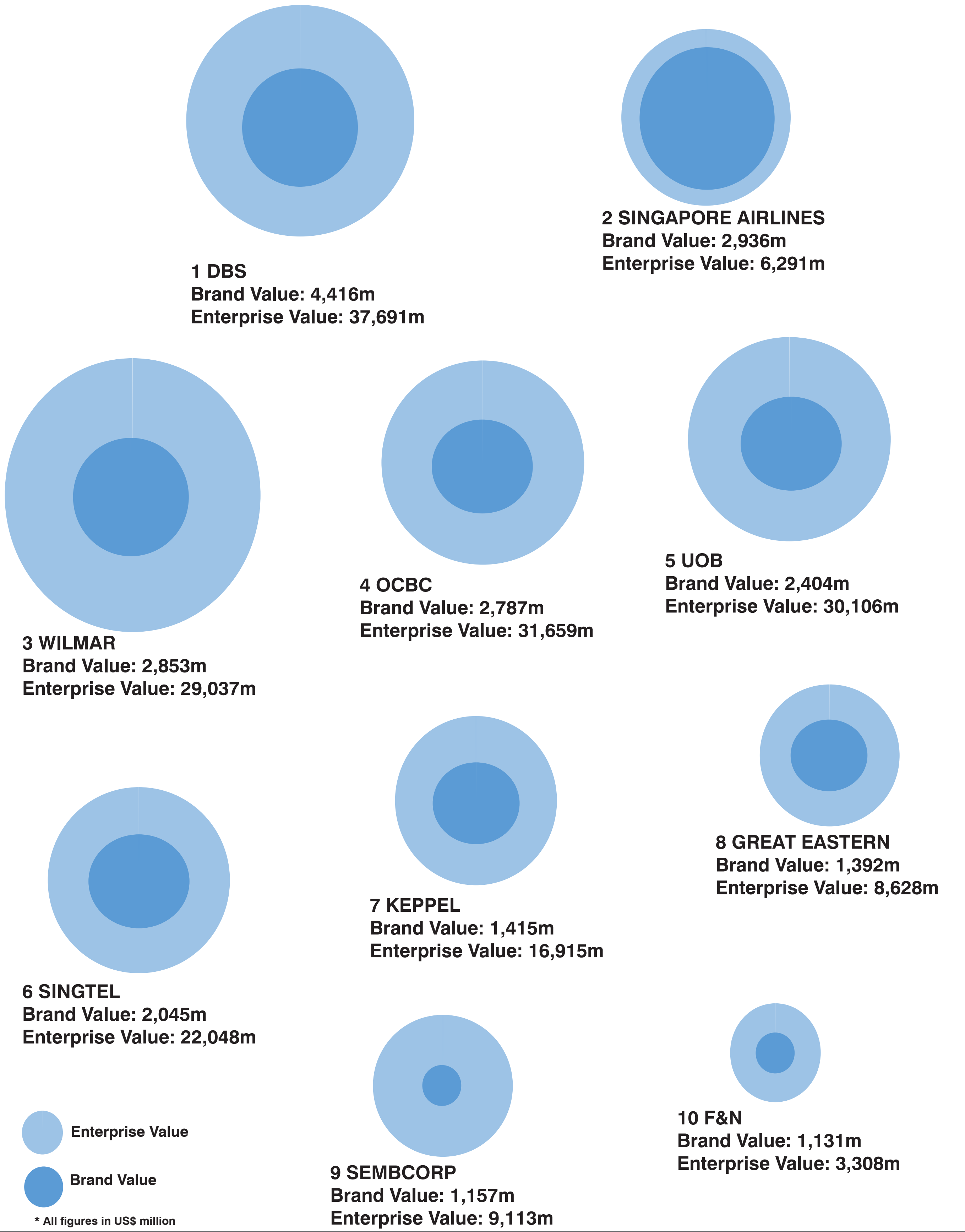
Global intangible and tangible value by sector (%)



Categories of Intangible Asset under IFRS 3

MARKETING-RELATED INTANGIBLE ASSETS	• Trademarks, tradenames • Service marks, collective marks, certification marks • Trade dress (unique colour, shape or package design) • Newspaper mastheads • Internet domain names • Non-competition agreements
CUSTOMER-RELATED INTANGIBLE ASSETS	• Customers lists • Order or production backlog • Customer contracts and related customer relationships • Non-contractual customer relationships
CONTRACT-BASED INTANGIBLE ASSETS	• Licensing, royalty, standstill agreements • Advertising, construction, management, service or supply contracts • Lease agreements • Construction permits • Franchise agreements • Operating and broadcast rights • Use rights such as drilling, water, air, mineral, timber, cutting and route authorities • Servicing contracts such as mortgage servicing contracts • Employment contracts
TECHNOLOGY-BASED INTANGIBLE ASSETS	• Patented technology • Computer software and mask works • Unpatented technology • Databases • Trade secrets, such as secret formulas, processes, recipes
ARTISTIC-RELATED INTANGIBLE ASSETS	• Plays, operas and ballets • Books, magazine, newspaper and other literary works • Musical works such as compositions, song lyrics and advertising jingles • Pictures and photographs • Video and audio visual material, including films, music, videos, etc

Singapore's Top 10 Most Valuable Brands



Singapore's Top 10 Most Valuable Brands

1 DBS

SINGAPORE'S MOST VALUABLE BRAND 2015

Brand Value
$4,416

Enterprise Value
$37,691m

Company:
DBS Group Holdings Ltd
notes:
Includes POSB
Industry:
Bank
Year Formed:
1968

DBS was established in 1968 and is a leading financial services group in Asia with over 280 branches across 18 markets. It is the largest bank in Singapore and Southeast Asia and has a growing presence in the Greater China, Southeast Asia and South Asia. DBS strives to be Asia's safest and best bank. It believes in providing its customers with a safe, dependable and joyful banking experience via the 'one-bank' model which allows it to offer its most relevant products and services to every customer. DBS aims to be a 'university' of banking talent, providing its 21, 000 employees a place to learn and grow. DBS provides a full range of services in consumer banking, wealth management and institutional banking. It is also a well-regarded custodian for institutional investors and provider of wealth management products for individuals. DBS strives to create a competitive brand and has maintained their 1st position on The Brand Finance Top 100 Singapore Brands 2015.

2 SINGAPORE AIRLINES

Brand Value
$2,936m

Enterprise Value
$6,291m

Company:
Singapore Airlines Ltd
notes:
Includes airlines & subsidiary operations. Exclude ancillary services.
Industry:
Airlines
Year Formed:
1947

Singapore Airlines (SIA) has come a long way since the founding in 1972, evolving from a regional airline to one of the most respected travel brands around the world with the Singapore Girl as the internationally-recognisable icon providing high standards of care and service that customers have come to expect of SIA. SIA has always been leading the way and developed a reputation for being an industry trendsetter. It maintains a modern fleet of 104 aircraft. As of 1 September 2015, the average age of its fleet makes it one of the world's youngest and most fuel efficient. As an international airline, SIA also recognises the importance of contributing to the environment. During the FY2014/15, SIA is the exclusive airline partner for the Harapan Rainforest Initiation which is a ground-breaking project aimed at conserving and protecting over 100, 000 hectares of one of the most biodiverse rainforests in the world. SIA believes that operating a successful airline involves contributing actively to the communities in which people work and live. As part of SIA commitment to the community, it supported various community projects in countries it operates, such as supporting a community project for senior children from difficult family backgrounds in Zurich. SIA has won many awards internationally and has lived to its reputation to "A Great Way To Fly".

Singapore's Top 10 Most Valuable Brands

3 Wilmar

Brand Value
$2,853
Enterprise Value
$29,037m

Company:
Wilmar International Ltd
notes:
Total portfolio
Industry:
Agriculture
Year Formed:
1991

Founded in 1991, Wilmar International Limited is headquartered in Singapore. Today, it is Asia's leading agribusiness group and is ranked amongst the largest listed companies by market capitalisation on the Singapore Exchange. Wilmar's business activities include oil palm cultivation, oilseeds crushing, edible oils refining, sugar milling and refining, specialty fats, oleochemicals, biodiesel and fertilisers manufacturing and grains processing. It has over 300 manufacturing plants and an extensive distribution network in more than 50 countries, including countries in Asia, Europe, Africa and the Middle East and the North and South Americas. The Group is supported by a multinational workforce of about 92,000 people. In their endeavour towards achieving brand and business excellence, Wilmar remains a firm advocate of sustainable growth of its brand through environmental stewardship, community development and corporate philanthropy. These have instigated Wilmar's expanding brand footprint in the agribusiness industry globally. In 2015, Wilmar was ranked 252nd position in Fortune Global 500 and was also ranked 5th by Fortune Magazine as the World's Most Admired Company in the Food Production Industry category.

4 OCBC

Brand Value
$2,787m
Enterprise Value
$31,659m

Company:
Oversea-Chinese Banking Corporation Ltd
notes:
Total portfolio
Industry:
Bank
Year Formed:
1932

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. OCBC Bank operates its commercial banking business in 15 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Vietnam, Brunei, Japan, Australia, the United Kingdom and the United States. Since the time of the founders, OCBC have always understood the financial needs of the customers and developed financial solutions that meet their needs. To address increasingly diverse needs across different communities and geographies, OCBC Bank has expanded and acquired businesses beyond the realm of commercial banking. OCBC operate the banking business as OCBC Bank, Bank OCBC NISP and Bank of Singapore in over 15 countries, and have strategic stakes in other financial services businesses operating under independent brands such as Great Eastern, Lion Global Investors, OCBC Securities and Bank of Singapore Securities. In February 2011, OCBC announced New Horizons III, the 5 year strategy for 2011 to 2015. Under the New Horizons, OCBC focuses on balanced business scorecard, customer experience, deeper overseas presence and leveraging on Group synergies. It improved market position in Singapore and Malaysia, and strengthened presence in Indonesia and China. It has also expanded its wealth management franchise across multiple product and distribution platforms and customer segments. OCBC Bank has been ranked by Global Finance as the World's Top 50 Safest Banks 2014.

5 UOB

UOB 大華銀行

Brand Value
$2,404
Enterprise Value
$30,106m

Company:
United Overseas Bank Ltd
notes:
Exclude UOB-Kay Hian
Industry:
Bank
Year Formed:
1935

UOB was founded in 1935 and is now a leading bank in Asia with a network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America. It has a well-established regional presence, particularly in Asia where they have banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and China. United Overseas Bank Limited (UOB) is committed to providing quality products and excellent customer service. With strong foothold in the region, UOB understand the Asian corporate culture and business mindset and are well-placed to create opportunities by linking the customers to their counterparts in Asia. UOB also has diversified interests in travel and property management. Many unique initiatives have been pursued to distinguish UOB from the other brands, including the introduction of Southeast Asia's first 'metal' Visa card and the UOB PRVI Miles Platinum American Express Card. UOB recognises the importance of community involvement. Its current Corporate Social Responsibility focus is on Children, Education and the Arts as the Bank believes not only in feeding the mind, but also feeding the soul. UOB has also won several notable awards in 2015 such Best Foreign Retail Bank in Thailand by The Asian Banker and Channel Excellence in Internet Banking- Overall by Retail Bank International (RBI). With breakthrough product suites, industry-leading customer segmentation and invaluable talents, UOB continues to make its mark to become the industry-leading brand of Asia.

6 SINGTEL

Brand Value
$2,045m
Enterprise Value
$22,048m

Company:
Singapore Telecommunications Ltd
notes:
Exclude Optus
Industry:
Telecommunications
Year Formed:
1879

The Singtel Group is Asia's leading communications group. The Group provides a diverse range of services including fixed, mobile, data, internet, TV, infocomms technology (ICT) and digital solutions. Headquartered in Singapore, SingTel has more than 130 years of operating experience and has played a pivotal role in the Singapore's development as a major communications hub. Today, the Group has over 550 million mobile customers around the world and is the largest listed Singapore company on the Singapore Exchange by market capitalisation. SingTel is a major communications player in Asia and Africa through the strategic investments in five regional mobile operators, namely Telkomsel (Indonesia), Globe Telecom (the Philippines), Advanced Info Service (Thailand) and PBTL (Bangladesh). SingTel is a long term strategic investor and work closely with associates to grow the business by leveraging the scale in networks, customer reach and extensive operational experience. The Group employs more than 23,000 staff worldwide. As part of its sustainability effort, the Singtel Touching Lives Fund (STLF) which is a philanthropy programme introduced since 2002 is dedicated to help children and young people with special needs in Singapore.

Singapore's Top 10 Most Valuable Brands

7 KEPPEL

Brand Value
$1,415
Enterprise Value
$16,915m

Company:
Keppel Corporation Ltd
notes:
Brand portfolio excludes Keppel Land & Keppel Telecommunications & Transport
Industry:
Holding Companies
Year Formed:
1968

Founded from its modest background of a local shop repair yard in 1968, Keppel Group has progressed to be one of the largest conglomerates in Singapore. With a global footprint in over 30 countries, Keppel Corporation leverages its international network, resources and talents to grow its key businesses. It aims to be the Provider of Choice for Solutions to the Offshore & Marine Industries, Sustainable Environment and Urban Living, guided by its key business thrusts of Sustaining Growth, Empowering Lives and Nurturing Communities. The Keppel Group of Companies includes Keppel Offshore & Marine, Keppel Infrastructure, Keppel Telecommunications & Transportation (Keppel T&T) and Keppel Land, among others. Keppel Offshore & Marine is the leader in offshore rig design, construction and repair, ship repair and conversion and specialised shipbuilding. Its Near Market, Near Customer strategy is bolstered by a global network of 20 yards and offices in the Asia Pacific, Gulf of Mexico, Brazil, the Caspian Sea, Middle East and the North Sea regions. Keppel Infrastructure will drive the Group's strategy to invest in, own and operate competitive energy and related infrastructure. Keppel T&T is a leading service provider in the Asia-Pacific and Europe with businesses in logistics and data centres. Reputed for its quality and innovation hallmark, Keppel Land is committed to develop properties that harmonise with the urban and natural landscape for desirable live-work-play environments and with enduring value for the community.

8 GREAT EASTERN

Brand Value
$1,392m
Enterprise Value
$8,628m

Company:
Great Eastern Holdings Ltd
notes:
Total portfolio
Industry:
Insurance
Year Formed:
1908

Founded in 1908, Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With S$61.8 billion in assets and around 4.7 million policyholders, it has three successful distribution channels - a tied agency force, bancassurance, and a financial advisory firm, Great Eastern Financial Advisers. It was named Life Insurance Company of the Year at the Asia Insurance Industry Awards in 2011 and 2013 by Asia Insurance Review. In 2012, Great Eastern refreshed its brand purpose to be a LIFE company, going beyond the traditional role of an insurance company to actively help customers live healthier, better and longer. This is supported by an integrated health and wellness Live Great programme - which provides wellness tools, mobile apps, health tips, workshops and events as well as exclusive privileges - that helps and rewards customers in their journey to better health. The Group's wholly-owned subsidiary, Overseas Assurance Corporation (OAC), which was founded in 1920, is the oldest composite insurer in Singapore handling both life and general insurance. OAC also distributes a wide range of commercial and personalised general insurance products through brokers, agents, bancassurance and direct channels. Great Eastern is a subsidiary of OCBC Bank, the second largest financial services group in Southeast Asia by assets. It is one of the world's most highly-rated banks, with an 'Aa1' rating from Moody's and was also ranked by Bloomberg Markets as the world's strongest bank in 2011 and 2012.

Singapore's Top 10 Most Valuable Brands

9 SEMBCORP INDUSTRIES

Brand Value
$1,157
Enterprise Value
$9,113m

Company:
Sembcorp Industries Ltd
notes:
Total portfolio
Industry:
Engineering & Construction
Year Formed:
1988

Sembcorp Industries is a Singapore-listed company formed in 1998 with assets totalling more than S$17 billion. The Group is a leading energy, water and marine group operating across six continents worldwide. In the long run, Sembcorp visons to be a global company, a leader in our industry sectors by responsibly operating and excelling in sustainable businesses that support development, improve the quality of life and deliver long-term value and growth. It operates in 15 countries with an established presence in Asia and a strong growing presence in emerging markets around the world. The company is primarily involved in the 3 businesses involving utilities, marine and urban development. The marine business has a strong global reputation and a 50-year proven track record. It provides a full spectrum of integrated solutions from ship repair, ship conversion and rig building to offshore engineering and construction. The urban development business owns, develops markets and manages urban development's comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia. Sembcorp had achieved many significant activities in the year of 2015. Sembcorp had won several awards in the last year and is ranked 3rd in The Business Times and the Centre for Governance, Institutions and Organisations' Governance & Transparency Index for 2012-2014. It also won the "Best Managed Board" Gold Award 2014 and the "Best Investor Relations" Silver Award 2015 at the Singapore Corporate Awards.

10 F&N

Brand Value
$1,131m
Enterprise Value
$3,308m

Company:
Fraser and Neave Ltd
notes:
Total portfolio
Industry:
Holding Companies
Year Formed:
1883

Fraser and Neave, Limited ("F&N" or the "Group") had its origins, more than a century ago, is now one of the region's most established and successful homegrown companies with expertise and prominent standing in the Food & Beverage and Publishing & Printing industries. Listed on the Singapore stock exchange, F&N ranks as one of the most established and successful companies in the region with an impressive array of renowned brands that enjoy strong market leadership. F&N is present in 12 countries spanning Asia Pacific, Europe and the USA, and employs close to 9,000 people worldwide. In the next five years, F&N targets to be the largest and most profitable beverage company in Southeast Asia, differentiated through innovation by developing beverages that meet consumers' evolving needs and preferences. It also aims to be amongst the top 3 players in our markets, focusing on the following core brands for the non-alcoholic beverages: 100PLUS, F&N Nutrisoy, EST and Oishi.

Top 100 Brands

Rank 2015	Rank 2014	Brand	Parent Company	2015 Brand Value (US$m)	2015 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)	2014 Brand Value (US$m)	2014 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)
1	1	DBS	DBS GROUP HOLDINGS LTD	4,416	AAA-	37,691	12%	4,011	AA+	32,359	12%
2	2	Singapore Airlines	SINGAPORE AIRLINES LTD	2,936	AAA	6,291	47%	3,250	AAA-	7,009	46%
3	3	Wilmar	WILMAR INTERNATIONAL LTD	2,853	AA	29,037	10%	2,887	A+	38,785	7%
4	4	OCBC Bank	OVERSEA-CHINESE BANKING CORP LTD	2,787	AA+	31,659	9%	2,333	AA+	27,077	9%
5	5	UOB	UNITED OVERSEAS BANK LTD	2,404	AA	30,106	8%	2,185	AA	25,721	8%
6	7	Singtel	SINGAPORE TELECOMMUNICATIONS LTD	2,045	AA-	22,048	9%	1,902	AA+	17,823	11%
7	6	Keppel	KEPPEL CORP LTD	1,415	AA-	16,915	8%	2,064	AA-	22,241	9%
8	8	Great Eastern	GREAT EASTERN HOLDINGS LTD	1,392	AA	8,628	16%	1,608	AA-	6,532	25%
9	10	Sembcorp Industries	SEMBCORP INDUSTRIES LTD	1,157	A+	9,113	13%	1,426	AA-	8,178	17%
10	9	Fraser And Neave	FRASER AND NEAVE LTD	1,131	AA-	3,308	34%	1,515	A+	3,863	39%
11	14	Jardine Cycle & Carriage	JARDINE CYCLE & CARRIAGE LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
12	11	Genting Singapore	GENTING SINGAPORE PLC	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
13	13	ComfortDelGro	COMFORTDELGRO CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
14	12	SPH	SINGAPORE PRESS HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
15	18	StarHub	STARHUB LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
16	17	Sembcorp Marine	SEMBCORP MARINE LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
17	15	HPH Trust	HUTCHISON PORT HOLDINGS TRUST	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
18	20	Hong Leong Asia	HONG LEONG ASIA LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
19	19	Olam	OLAM INTERNATIONAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
20	16	ST Engineering	SINGAPORE TECHNOLOGIES ENGINEERING LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
21	21	CDL	CITY DEVELOPMENTS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
22	23	APL	NEPTUNE ORIENT LINES LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
23	27	CapitaLand	CAPITALAND LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
24	40	UOL	UOL GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
25	22	M1	M1 LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
26	34	CapitaMalls Asia	CAPITAMALLS ASIA LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
27	25	SIA Engineering	SIA ENGINEERING COMPANY LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
28	24	SMRT	SMRT CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
29	28	Global Logistics Properties	GLOBAL LOGISTIC PROPERTIES LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
30	26	SATS	SATS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
31	29	SingPost	SINGAPORE POST LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
32	38	CWT	CWT LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
33	32	OSIM	OSIM INTERNATIONAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
34	36	STATS ChipPAC	STATS CHIPPAC LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
35	39	SingLand	SINGAPORE LAND LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
36	30	Millennium Hotels	CITY DEVELOPMENTS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
37	56	Hyflux	HYFLUX LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
38	45	SGX	SINGAPORE EXCHANGE LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
39	54	a-reit	ASCENDAS REAL ESTATE INV TRUST	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
40	46	BreadTalk	BREADTALK GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
41	37	SBS Transit	SBS TRANSIT LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
42	50	Guocoland	GUOCOLAND LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
43	41	Ascott	CAPITALAND LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
44	31	Super	SUPER GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
45	52	Sim Lian	SIM LIAN GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
46	49	The Hour Glass	THE HOUR GLASS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
47	42	Copthorne Hotels	CITY DEVELOPMENTS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
48	67	Suntec	SUNTEC REAL ESTATE INV TRUST	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
49	44	Mapletree	MAPLETREE LOGISTICS TRUST MGMT LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
50	47	Aspial	ASPIAL CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒

Top 100 Brands

Rank 2015	Rank 2014	Brand	Parent Company	2015 Brand Value (US$m)	2015 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)	2014 Brand Value ($m)	2014 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)
51	48	The Straits Times	SINGAPORE PRESS HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
52	51	Cortina Holdings	CORTINA HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
53	62	YEO'S	YEO HIAP SENG LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
54	35	UIC	UNITED INDUSTRIAL CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
55	63	Food Empire	FOOD EMPIRE HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
56	55	Raffles Medical	RAFFLES MEDICAL GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
57	71	Valuemax	VALUEMAX GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
58	53	Banyan Tree	BANYAN TREE HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
59	59	Petra Foods	PETRA FOODS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
60	43	Tigerair	TIGER AIRWAYS HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
61	New	Pacc Offshore	PACC OFFSHORE SERVICES HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
62	75	Amara	AMARA HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
63	65	Popular Holdings	POPULAR HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
64	58	UOBKayHian	UOB-KAY HIAN HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
65	64	GP	GP BATTERIES INTERNATIONAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
66	57	Eu Yan Sang	EU YAN SANG INTERNATIONAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
67	72	Challenger	CHALLENGER TECHNOLOGIES LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
68	60	Biosensors International	BIOSENSORS INTERNATIONAL GRO	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
69	33	Wing Tai	WING TAI HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
70	68	SWIBER	SWIBER HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
71	61	Cityspring Infra	CITYSPRING INFRASTRUCTURE TRUST	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
72	New	Pacific Radiance	PACIFIC RADIANCE LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
73	69	Her World	SINGAPORE PRESS HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
74	73	Lianhe Zaobao	SINGAPORE PRESS HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
75	66	Stamford	STAMFORD LAND CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
76	70	Metro	METRO HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
77	76	Kingsgate Hotels	CITY DEVELOPMENTS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
78	77	Kingsmen	KINGSMEN CREATIVE LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
79	83	HB Lands	HO BEE INVESTMENT LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
80	New	Sph Reit	SPH REIT	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
81	74	Hotel Grand Central	HOTEL GRAND CENTRAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
82	86	Aztech	AZTECH GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
83	89	Far East Orchard	FAR EAST ORCHARD LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
84	82	Nuyou	SINGAPORE PRESS HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
85	78	Wee Hur	WEE HUR HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
86	New	(B) Akira	TT INTERNATIONAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
87	79	MoneyMax	MONEYMAX FINANCIAL SERVICES LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
88	81	Stamford Tyres	STAMFORD TYRES CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
89	84	Raffles Education	RAFFLES EDUCATION CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
90	New	Oue Hospitality	OUE HOSPITALITY TRUST	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
91	88	Tiger Balm	HAW PAR CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
92	87	Neo Group	NEO GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
93	85	Lorenzo International	LORENZO INTERNATIONAL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
94	New	Haw Par	HAW PAR CORP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
95	91	Creative	CREATIVE TECHNOLOGY LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
96	94	HTL	HTL INTERNATIONAL HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
97	92	OUE	OUE LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
98	97	FJ Benjamin	FJ BENJAMIN HOLDINGS LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
99	95	NSL	NSL LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
100	90	Soup Restaurant	SOUP RESTAURANT GROUP LTD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒

Background On Intangible Asset Value

There are different definitions of 'intangible assets'. According to Singapore Financial Reporting Standard (FRS) 38 'Intangible Asset', an intangible asset is 'an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes'. According to FRS 38 the definition of an intangible asset requires it to be:

A) Non-monetary
B) Without physical substance
C) 'Identifiable'

In order to be 'identifiable' it must either be separable (capable of being separated from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves 'separable').

Intangible assets can be broadly grouped into three categories:

1. Rights: leases; distribution agreements; employment contracts'; covenants'; financing arrangements; supply contracts; licenses; certifications; franchises.

2. Relationships: trained and assembled workforce; customer and distribution relationships.

3. Intellectual property: trademarks; patents; copyrights'; proprietary technology (e.g. formulas; recipes; specifications; formulations; training programs; marketing strategies; artistic techniques; customer lists; demographic studies; product test results; business knowledge – processes; lead times; cost and pricing data; trade secrets and know-how).

In addition, there is what is sometimes termed 'Unidentified Intangible Assets', including 'internally generated goodwill' (or 'going concern value'). It is important to recognise the distinction between internally-generated and acquired intangible assets. Current accounting standards only allow acquired intangible assets to be recognised on the balance sheet. However, this is provided that they meet the above-mentioned criteria i.e. internally generated intangibles of a company cannot be explicitly stated on its balance sheet.

This results in what is sometimes described as 'internally generated goodwill'. This is the difference between the fair market value of a business and the value of its identifiable net assets. Although this residual value is not strictly an intangible asset in a strict sense (i.e. a controlled "resource" expected to provide future benefits), it is treated as an intangible asset in a business combination when converted into goodwill on the acquiring company's balance sheet.

Intangible assets that may be recognised on a balance sheet under FRS 38 are typically only a fraction of the total intangible asset value of a business, with the remaining value continuing to be classified as 'goodwill'. Brands, if acquired, can be identified under these rules and added to the balance sheet. This results in an unusual situation where internally-generated brands of the acquiree may be recognised on the acquirer's balance sheet but the acquirer's own internally-generated brands may not. For this reason, Brand Finance thinks there is a strong case for the inclusion of internally generated brands on the balance sheet.

Brands fulfil the definition of intangible assets above, in that they are controlled by management, provide future economic benefits and are identifiable and therefore can be sold, transferred or licensed as appropriate. We are increasingly seeing companies taking advantage of this transferability by moving brands (including trademarks and other associated intellectual property, such as design rights and other marketing collateral) to special purpose vehicles, such as brand holding companies, for the purpose of raising finance and tax planning.

VALUE CHARACTERISTICS OF DEFINITION OF INTANGIBLE ASSETS

Valuation of intangible assets requires an understanding of their characteristics and the role that they play in the entire value chain. The following attributes of intangible assets have important value implications:

- **Absence of efficient trading markets:**
  Unlike tangible assets, the absence of efficient trading markets for intangible assets makes the market approach to valuation by using transaction price not possible.

- **Lack of a linear relationship between investment and returns:**
  This limits the use of the cost approach to valuation, except for easily replicable assets.

- **Poor non-financial metrics to measure the quality of intangible asset:**
  Nevertheless, useful valuation insights can be gained from sources such as market research, intellectual property audits and business plans.

- **Value is derived from interactions with other assets (both tangible and intangible):**
  This results in a complex value chain, and thus calls for the need of value maps to explore the interactions between them.

- **Specific bundle of rights (legal and otherwise):**
  There are rights associated with the existence of any intangible asset.

- **The need for convenient identification:**
  For valuation purposes, the intangible assets must be readily identifiable and capable of being separated from the other assets employed in the business. It is sometimes necessary to group complementary intangibles for valuation purposes.

- **The need for a detailed and precise definition of the asset:**
  This is particularly important where this consists of a bundle of rights. The components should be broken down in terms of specific trademarks, copyright, design rights, formulations, patents, and trade secrets.

FRS 103: ALLOCATING THE COST OF A BUSINESS COMBINATION

In Singapore, the Financial Reporting Standard (FRS) 103 'Business Combination' is consistent with IFRS 3 in all material aspects. At the date of acquisition, an acquirer must measure the cost of the business combination by recognising the acquiree's identifiable assets (tangible and intangible), liabilities and contingent liabilities at their fair value. Any difference between the total of the net assets acquired and the cost of acquisition is treated as goodwill (or negative goodwill).

The classifications of intangible assets under FRS 103 include:

- Artistic-related intangible assets

- Marketing-relating intangible assets • Technology-based intangible assets

- Customer-related intangible assets • Contract-based intangible assets

Goodwill: After initial recognition of goodwill, FRS 103 requires that goodwill be recorded at cost less accumulated impairment charges. Whereas previously goodwill was amortised over its useful economic life, it is now subject to impairment testing at least once a year. Amortisation is no longer permitted.

Negative Goodwill: Negative goodwill arises where the purchase price is less than the fair value of the net assets acquired. It must be recognised immediately as a profit in the profit and loss account. However, before concluding that "negative goodwill" has arisen, FRS 103 requires that an acquirer should "reassess" the identification and measurement of the acquired identifiable assets and liabilities.

FRS 36: IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

Previously an impairment test was only required if a 'triggering event' indicated that impairment might have occurred. Under the revised rules, FRS 36 'Impairment of Assets', there is requirement for an annual impairment test. The test is required for certain assets, namely:

- Goodwill acquired in a business combination.

- Intangible assets with an indefinite useful economic life (e.g. strong brands) and intangible assets not yet available for use. The recoverable amount of these assets must be measured annually (regardless of the existence or otherwise of an indicator of impairment) and at any other time when an indicator of impairment exists. brands are one major class of intangible assets that are often considered to have indefinite useful economic lives. Where acquired brands are recognised on the balance sheet post acquisition, it is important to establish a robust and supportable valuation model using best practice valuation techniques that can be consistently applied at each annual impairment review. There is also new disclosure requirements, the principal one being the disclosure of the key assumptions used in the calculation. Increased disclosure is required where a reasonably possible change in a key assumption would result in actual impairment.

IFRS 13: FAIR VALUE MEASUREMENT

IFRS 13 Fair Value Measurement applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and require disclosures about fair value measurement. The Standard defines fair value on the basis of an ‘exit price’ notion and uses a ‘fair value hierarchy’, which results in a market based, rather than entity-specific, measurement.

IFRS 13 was originally issued in May 2011 and applies to annual periods beginning on or after 1 January 2013. The objective of IFRS 13 is to set out a single IFRS framework for measuring fair value.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a ‘fair value hierarchy’. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. [IFRS 13:72]

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement). [IFRS 13:73]

- **Level 1 inputs:** Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. [IFRS 13:76]

- **Level 2 inputs:** Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. [IFRS 13:81]

- **Level 3 inputs:** Level 3 inputs are unobservable inputs for the asset or liability. [IFRS 13:86]

IMPACT ON MANAGEMENT AND INVESTORS

Management

Perhaps the most important impact of new reporting standards has been on management accountability. Greater transparency, rigorous impairment testing and additional disclosure will mean more scrutiny both internally and externally. The requirement of the acquiring company having to explain at least a part of what was previously considered as “goodwill” should help analysts to analyse deals more closely and gauge whether management have paid a sensible price. The new standards will also have a significant impact on the way companies plan their acquisitions. When considering an acquisition, to assess the impact on the consolidated group balance sheet and profit and loss post-acquisition, a detailed analysis of all the target company’s potential assets and liabilities is recommended.

Companies need to pay close attention to the likely classification and useful economic lives of the identifiable intangible assets in the target company’s business. This will have a direct impact on the future earnings of the acquiring group. In addition to amortisation charges for intangible assets with finite useful economic lives, impairment tests on assets with indefinite useful economic lives may lead to one-off charges. This is particularly so if the acquired business falls short of expectations post-acquisition. The requirement for separate balance sheet recognition of intangible assets, together with impairment testing of those assets and also goodwill, is expected to result in an increase in the involvement of independent specialist valuers in valuations and appropriate disclosure.

Investors

The requirement for companies to attempt to identify what intangible assets they are acquiring as part of a corporate transaction may provide evidence as to whether a group has overpaid in a deal. Subsequent impairment tests may also shed light on whether the price paid was a respectable one for the acquiring company’s shareholders. Regular impairment testing is likely to result in a greater volatility in financial results. Significant one-off impairment charges may indicate that a company has overpaid for an acquisition and have the potential to damage the credibility of management in the eyes of the investment community. Analysts and investors are often sceptical about disclosed intangible assets. In the case of brand (and other intangible asset) valuation, where a high degree of subjectivity can exist, it is important to demonstrate that best practices have been applied and that the impairment review process is robust.

TAX AND INTANGIBLE ASSETS: IPCO ASPECT

Other than M&A, strategic planning and ROI analysis, the rise in the importance of marketing intangibles can often mean that there is a strong business case for setting up a central intellectual property (IP) holding company (IPCo). Locating and managing an IPCo from one central location, potentially in a low tax jurisdiction, makes a compelling commercial case, particularly where a group is active in a number of different territories.

The size and authority of the IPCo are variable and dependent on the requirements of the group in question. The benefits include greater IP protection and consistency and improved resource allocation. It is important that genuine commercial drivers for the establishment of IPCo can be demonstrated.

Examples of established IPCo’s by global companies include:

- BATMark (in UK, US, Switzerland & Netherlands)

- Shell Brand International AG (Switzerland)

- Société des Produits Nestlé (Switzerland)

- Philip Morris Products SA (Switzerland)

- Marvel Characters, Inc (USA)

Commercial benefits of central IPCo’s include:

- Better resource allocation.

- Higher return on brand investment.

- Tax savings under certain circumstances.

- Clarity of the strength, value and ownership of the IP will ensure that full value is gained from third party agreements.

- Internal royalties result in greater visibility of the true economic performance of operating companies improved earnings streams from external licenses.

- More effective and efficient IP protection will reduce the risk of infringement or loss of a trademark in key categories and jurisdictions.

- Internal licenses should be used to clarify the rights and responsibilities of the IPCo and operating units. The adoption of consistent and coherent brand strategy, marketing investment and brand control improves brand performance.

This can have the following results:

- Accumulation of profits in a low tax jurisdiction.

- Tax deductions in high tax jurisdictions.

- Tax deductions for the amortisation of intangibles in IPCo.

- Depending on double tax treaties, the elimination or reduction of withholding taxes on income flows resulting from the exploitation of the IP.

The Singapore government has several IP friendly tax policies for IP rights holders to establish Singapore as an attractive country to manage their IP. There are a variety of IP tax incentives, deduction, benefits and grants to encourage the creation, ownership, protection and exploitation of IP in Singapore. For instance:

- Unilateral tax credit scheme is available for royalty income received in Singapore.

- Single tax deduction for patent costs.

- Patent application fund (PAF) Plus, Initiatives in New Technology (INTECH) and several IP grants.

- Automatic written down allowance for five years for the capital expenditure incurred by a Singapore company in acquiring any intellectual property rights for use in that trade or business.

- Reported in Singapore's 2010 Budget, the Productivity and Innovation Credit will provide significant tax deductions from 2011 onwards for investments in a broad range of activities along the innovation value chain. These activities include R&D, registrations of IP rights, acquisition of IP rights, and investment in Design.

There are also government assistance programmes that help companies develop and manage their brands better. Some of these schemes include:

- BrandPact, a multi-agency programme that seeks to increase companies' awareness of brand development through training, brand assessment, and incentives.

- Design Engage, a programme that seeks to build up the design capabilities of Singapore companies.

- SCOPE IP, a diagnostic programme that aims to audit the pool of intangible assets available in a company and whether sufficient measures are adopted to protect, develop and exploit the intangible assets for the company's benefit.

More information is available from www.sedb.gov.sg, www.ipos.gov.sg, www.iesingapore.gov.sg, www.spring.gov.sg and www.iras.gov.sg.

Trademarks and Other Intangibles

Outlook, Importance, Challenges & Opportunities

Samir Dixit
Managing Director, Brand Finance Asia Pacific

1. Importance of Intellectual Property for the country?

• The IP industry drives significant contribution to the economies. It has increased by US$ 40 trillion since 2001. Of these, over US$ 18 trillion were intangibles.

• Current global Enterprise Value in GIFT is US$ 71 trillion, of which US$ 33.1 trillion is the TANGIBLES.

• The global intangibles are therefore upwards of US$ 38 trillion to be more precise. (US$11 trillion is disclosed and US$26.5 trillion is undisclosed value).

• Singapore wants to be the IP hub of Asia. Let's see if they are on track?

- Singapore have a total intangible value of about US$ 173 billion.

- ASEAN total is about UD$ 956 billion

- Singapore represents about 18% of the ASEAN value amongst 6 countries.

- As a most intangible nation, Singapore is ranked last in ASEAN and is 43rd globally. Indonesia being ranked 7th globally.

2. Importance of IP for the Businesses?

• Intangibles form a large part of the business value - 53% globally and 32% in Singapore.

• Depending on the type of business and the geographic penetration, the value of Intangibles and how it contributes to the business success varies.

• This is recognised by the shareholders and investors but unfortunately, the marketing fraternity and the management seldom pays attention to the Intangibles. This is demonstrated by the fact that most companies would not even know the value of their most important intangible – The BRAND.

- Currently, 53% of all companies' value is in the Intangibles – disclosed & undisclosed.

- A very large number not to know anything about or to ignore from managing it as a business asset.

3. Importance of trademarks (Brand) for the business?

• Depending on the type of business and the geographic penetration, the value of Intangibles and how it contributes to the business success varies.

• While trademarks or brands are one of the many forms of IPs, Trademark/Brand is one of the most important and highest value contributing vs. others forms of Intellectual Property. There are however differences for B2B and B2C companies.

- Brand is estimated to be 50-70% of the total value of the intangibles for a brand driven business – Singapore airlines e.g. has an EV to BV of over 40%.

- Brand finance has been tracking performance of strongly branded companies since 2007 and it is proven that companies with stronger brands perform better financially.

- Even a country as a brand contributes to the success of the Singapore based businesses. The "GREAT" campaign from Britain and several other success stories of using country brand to drive economic and business success are proven examples.

- Singapore as a nation brand is ranked 23rd globally (up from 24th) however, this IP advantage of the superior "country brand" does not seem to be exploited very efficiently by the business in Singapore. This is evident from the decreasing overall intangible contribution by Singapore businesses to the overall ASEANs intangible value. Currently Singapore only contributes to 18% to ASEANs intangible value, down from an all-time high of 33% in 2009.

4. Trademarks vs. patents.

Business Need

We have always talked about patents which of course are important. However, in the overall IP universe, the brand importance and their value contribution far exceeds the business contributions from the patents.

Patents usually have to be bundled together with other forms of IP and offered as a "branded benefit" which is critical for their commercial success.

Therefore it is safe to say that a company usually needs a strong brand to exploit the full value and potential of a patent and drive its commercial success. But a strong brand does not necessarily require a patent to drive success.

- A patent always needs a brand

- A brand does not always require a patent.

Useful economic life of patents vs brands.

• Unlike brands, patents have a significantly lower useful economic life.

• The usefulness gets further shortened with fast pace of technological changes and further improvements of patents by others.

• Trademarks or Brands on the other hand have an infinite useful economic life as long as they are managed and invested into and continue to provide the competitive advantage which gets enhanced over time through effective management.

Depreciating vs. appreciating IP value.

Patents and trademarks as two important forms of IP for the businesses have a uniquely opposite characteristic.

While patents are a depreciating IP due to the limited useful economic life, a brand is an appreciating IP.

Volume vs. Value Contribution

Patents are short term volume drivers. With patents, companies can make drive quick sales volume and monetary gains in a short period of time. Brands or trademarks on the other hand require investment & nurturing and are long term value drivers for any business.

So to conclude, if Singapore wants to have stronger Intellectual Property dominance and contribution in ASEAN (& ASIA), it needs to have just as much focus on the Trademarks as it currently has on Patents. It needs to shift gears from short term gains to long term value creation.

New International Standard On Brand Valuation

David Haigh
CEO, Brand Finance plc

In 2007, the International Organisation for Standardisation ('ISO'), a worldwide federation of national standard setting bodies, set up a task force to draft an International Standard ('IS') on monetary brand valuation.

After 4 years of discussion and deliberation ISO 10668 – Monetary Brand Valuation – was released in 2010. This sets out the principles, which should be adopted when valuing any brand.

THE NEW ISO APPLIES TO BRAND VALUATIONS COMMISSIONED FOR ALL PURPOSES, INCLUDING:

- Accounting and financial reporting
- Insolvency and liquidation
- Tax planning and compliance
- Litigation support and dispute resolution
- Corporate finance and fundraising
- Licensing and joint venture negotiation
- Internal management information and reporting • Strategic planning and brand management

THE LAST OF THESE APPLICATIONS INCLUDES:

- Brand and marketing budget determination
- Brand portfolio review
- Brand architecture analysis
- Brand extension planning

Under ISO 10668 the brand valuer must declare the purpose of the valuation as this affects the premise or basis of value, the valuation assumptions used and the ultimate valuation opinion, all of which need to be transparent to a user of the final brand valuation report.

REQUIRED WORK STREAMS IN AN ISO COMPLIANT BRAND VALUATION?

ISO 10668 is a 'meta standard' which succinctly specifies the principles to be followed and the types of work to be conducted in any brand valuation. It is a summary of existing best practice and intentionally avoids detailed methodological work steps and requirements.

As such, ISO 10668 applies to all proprietary and non-proprietary brand valuation approaches and methodologies that have been developed over the years, so long as they follow the fundamental principles specified in the meta standard.

ISO 10668 specifies that when conducting a brand valuation the brand valuer must conduct 3 types of analysis before passing an opinion on the brand's value.

These are Legal, Behavioural and Financial analysis. All three types of analysis are required to arrive at a thorough brand valuation opinion. This requirement applies to valuations of existing brands, new brands and extended brands.

MODULE 1 - LEGAL ANALYSIS

The first requirement is to define what is meant by 'brand' and which intangible assets should be included in the brand valuation opinion.

ISO 10668 begins by defining Trademarks in conventional terms but it also refers to other Intangible Assets ('IA') including Intellectual Property Rights ('IPR') which are often included in broader definitions of 'brand'.

International Financial Reporting Standard ('IFRS') specifies how all acquired assets should be defined, valued and accounted for post-acquisition. It refers to five specific IA types, which can be separated from residual Goodwill arising on acquisition.

These are: technological, customer, contractual, artistic and marketing related IA.

ISO 10668 mirrors this classification by defining brands as marketing related IA, including trademarks and other associated IPR. This refers inter alia to design rights, domain names, copyrights and other marketing related IA and IPR which may be included in a broader definition of 'brand'.

The brand valuer must precisely determine the bundle of IA and IPR included in the definition of 'brand' subject to valuation. He may include names, terms, signs, symbols, logos, designs, domains or other related IPR intended to identify goods and services and which create distinctive images and associations in the minds of stakeholders, generating economic benefits for the branded business.

The brand valuer is required to assess the legal protection afforded to the brand by identifying each of the legal rights that protect it, the legal owner of each relevant legal right and the legal parameters influencing negatively or positively the value of the brand.

It is vital that the brand valuation includes an assessment of the legal protection afforded to the brand in each geographical jurisdiction and product or service registration category. These legal rights vary between legal systems and need to be carefully considered when forming the brand valuation opinion. For example, the legal rights protecting brands exist at a national (UK), supra-national (EU) and global (WIPO) level and have different characteristics.

Extensive due diligence and risk analysis is required in the Legal analysis module of an ISO 10668 compliant brand valuation. It should be noted that the Legal analysis must be segmented by type of IPR, territory and business category.

The brand valuation opinion may be affected positively or negatively by the distinctiveness, scope of use or registration (territory and business category), extent of use, notoriety of the brand, risk of cancellation, priority, dilution and the ability of the brand owner to enforce such legal rights.

MODULE 2 - BEHAVIOURAL ANALYSIS

The second requirement when valuing brands under ISO 10668 is a thorough behavioural analysis. The brand valuer must understand and form an opinion on likely stakeholder behaviour in each of the geographical, product and customer segments in which the subject brand operates.

To do this, it is necessary to understand:

- Market size and trends - determined by conducting a critical review of predicted trends in distribution channels, customer demographics, market volumes, values and margins.
- Contribution of brand to the purchase decision - determining the monetary brand contribution in the geographical, product and customer segments under review.
- Attitude of all stakeholder groups to the brand - to assess the long-term demand for the brand, any risks to the branded business and the appropriate cost of capital.
- All economic benefits conferred on the branded business by the brand - to assess the sustainability of future revenues and profits.

The brand valuer needs to research brand value drivers, including an evaluation of relevant stakeholders' perceptions of the brand in comparison with competitor brands. Measures commonly used to understand brand strength include awareness, perceptual attributes, knowledge, attitude and loyalty. The brand valuer needs to assess the brand's strength in order to estimate future sales volumes, revenues and risks.

MODULE 3 - FINANCIAL ANALYSIS

The third requirement when valuing brands under ISO 10668 is a thorough financial analysis.

ISO 10668 specifies three alternative brand valuation approaches - the Market, Cost and Income Approaches. The purpose of the brand valuation, the premise or basis of value and the characteristics of the subject brand dictate which primary approach should be used to calculate its value.

Brand Valuation Approaches		
Market Approach	**Cost Approach**	**Income Approach**
Based on an estimate of the price expected to be realised if the brand were to be sold in an open market.	Based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace or reproduce an asset of similar utility.	Based on estimating the expected future, after-tax cash flows attributable to the brand then discounting them to a present value using an appropriate discount rate.

Market approach

The market approach measures value by reference to what other purchasers in the market have paid for similar assets to those being valued. The application of a market approach results in an estimate of the price expected to be realised if the brand were to be sold in the open market. Data on the price paid for comparable brands is collected and adjustments are made to compensate for differences between those brands and the brand under review.

As brands are unique and it is often hard to find relevant comparables, this is not a widely used approach.

Cost approach

The cost approach measures value by reference to the cost invested in creating, replacing or reproducing the brand. This approach is based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace or reproduce an asset of similar utility.

As the value of brands seldom equates to the costs invested creating them (or hypothetically replacing or reproducing them), this is not a widely used approach.

Income approach

The income approach measures value by reference to the economic benefits expected to be received over the remaining useful economic life of the brand. This involves estimating the expected future, after-tax cash flows attributable to the brand then discounting them to a present value using an appropriate discount rate.

As the value of brands stems from their ability to generate higher profits for either their existing or potential new owners, this is the most widely accepted and utilised brand valuation approach.

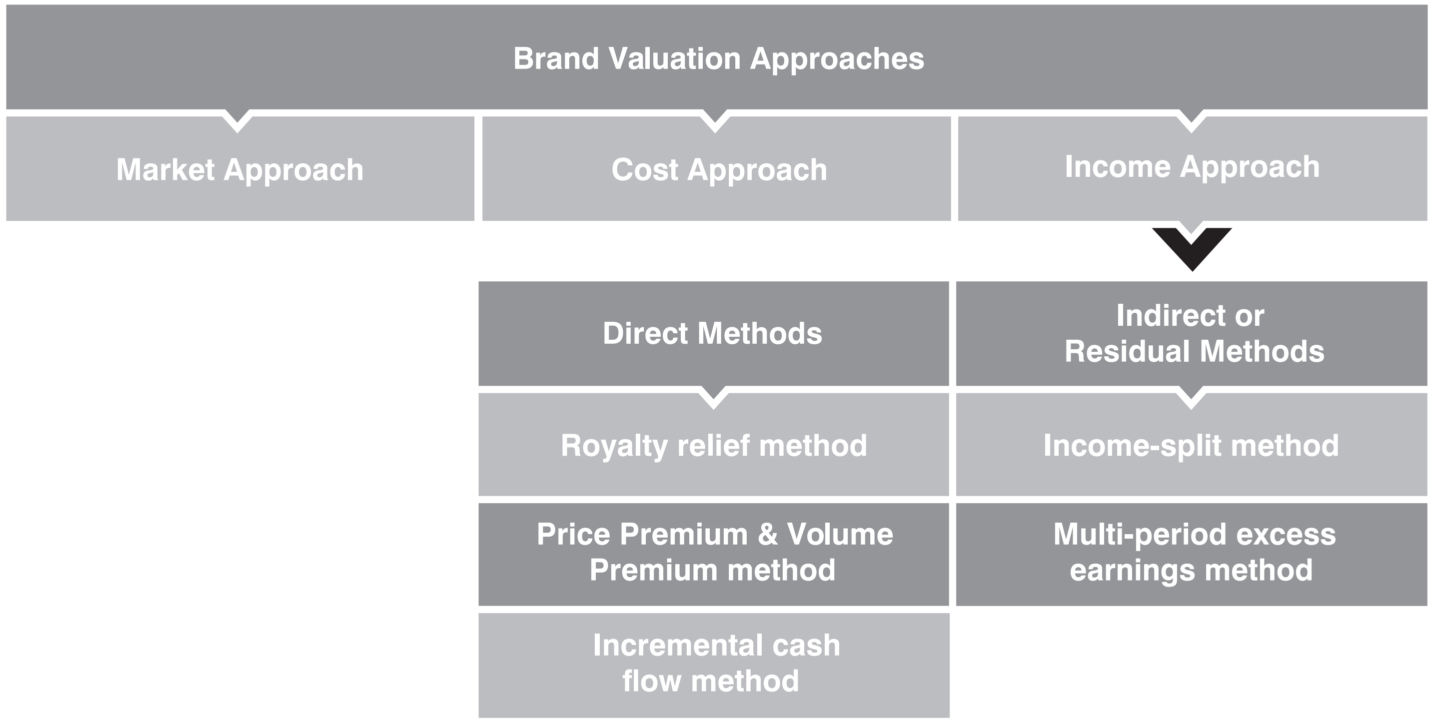
When conducting a brand valuation using the income approach, various methods are suggested by ISO 10668 to determine future cash flows.

Royalty relief method

This is the most widely used method used to determine brand cash flows. This method assumes that the brand is not owned by the branded business but is licensed in from a third party. The value is deemed to be the present value of the royalty payments saved by virtue of owning the brand.

The royalty rate applied in the valuation is determined after an in-depth analysis of available data from licensing arrangements for comparable brands and an appropriate split of brand earnings between licensor and licensee, using behavioural and business analysis.

The Royalty Relief method is widely used because it is grounded in commercial reality and can be benchmarked against real world transactions.



Price premium and volume premium methods

The Price Premium method estimates the value of a brand by reference to the price premium it commands over unbranded, weakly branded or generic products or services. In practice it is often difficult to identify unbranded comparators. To identify the full impact on demand created by a brand, the Price Premium method is typically used in conjunction with the Volume Premium method.

The Volume Premium method estimates the value of a brand by reference to the volume premium that it generates. Additional cash flows generated through a volume premium are determined by reference to an analysis of relative market shares. The additional cash flow generated by an above average brand is deemed to be the cash flow related to its 'excess' market share. In determining relevant volume premiums, the valuer has to consider other factors which may explain a dominant market share, such as legislation which establishes a monopoly position for one brand.

Taken together, the Price Premium and Volume Premium methods provide a useful insight into the value a brand adds to revenue drivers in the business model. Other methods go further to explain the value impact of brands on revenue and cost drivers.

Income-split method

The income-split method starts with net operating profits and deducts a charge for total tangible capital employed in the branded business, to arrive at 'economic profits' attributable to total intangible capital employed. Behavioural analysis is then used to identify the percentage contribution of brand to these intangible economic profits. The same analysis can be used to determine the percentage contribution of other intangible assets such as patents or technology. The value of the brand is deemed to be the present value of the percentage of future intangible economic profits attributable to the brand.

Multi-period excess earnings method

The multi-period excess earnings method is similar to the income-split method. However, in this case the brand valuer first values each tangible and intangible asset employed in the branded business (other than the brand). He uses a variety of valuation approaches and methods depending on what is considered most appropriate to each specific asset.

Having arrived at the value of all other tangible and intangible assets employed in the branded business, a charge is then made against earnings for each of these assets, leaving residual earnings attributable to the brand alone. The brand value is deemed to be the present value of all such residual earnings over the remaining useful economic life of the brand.

Incremental cash flow method

The incremental cash flow method identifies all cash flows generated by the brand in a business, by comparison with comparable businesses with no such brand. Cash flows are generated through both increased revenues and reduced costs.

This is a more detailed and complex approach, which tends not to be used in technical brand valuations but is extremely useful for strategic, commercial purposes such as when Virgin negotiates a new brand license with a new licensee. The incremental value added to the licensee's business form's the starting point for the negotiation.

Discount rate determination

Under the income approach, risks that are not already reflected in future cash flows must be considered in the discount rate.

The discount rate used for discounting future expected cash flows attributable to a brand is usually derived from the Weighted Average Cost of Capital ('WACC') of the business.

HOW SHOULD INTERNATIONAL BRANDS APPROACH THE VALUATION OF EXISTING MARKS?

ISO 10668 was developed to provide a consistent framework for the valuation of local, national and international brands both large and small. The primary concern was to create an approach to brand valuation which was transparent, reconcilable and repeatable. In the wake of the standard's launch, it is expected that many businesses will either value their brands for the first time or revalue them compliant with the standard.

HOW SHOULD COMPANIES APPROACH THE QUESTION OF BRAND DIVERSIFICATION VERSUS ENTRENCHMENT?

Common commercial applications of brand valuation are brand portfolio and brand architecture reviews. The first considers whether the right number of brands and sub-brands are in the portfolio. The second considers whether individual brands are too fragmented and extended.

A good example of both applications at work can be found in Unilever's 'Path to Growth' strategy. In 2000, Niall Fitzgerald announced a plan to increase Unilever's annual revenue growth rate to 5-6% with margins of 16%.

To achieve this, Unilever's 1600 brands were to be valued, reviewed and rationalised down to 400 power brands. The a priori assumption was that many smaller, local brands were sub-optimal and offered slower growth prospects than the global brands. Within 2 years, 1200 under-performing local and regional brands were sold or starved of investment to feed the growth of the 400 global power brands.

In many respects the Unilever policy made sense. For example, Dove has been turned into a global power brand with diversification into many product lines and market segments, rapid volume growth, and revenues and profits measured in billions of dollars.

However, the strategy sacrificed many new or developing brands in countries like India because they could not be turned into global brands quickly. Local brand owners enthusiastically bought the divested brands or exploited the gap created by starving local Unilever brands of investment.

In this case, internal brand valuation teams were used to evaluate and prioritise the brand portfolio. Unilever is a leading edge company which follows best practices represented by ISO 10668.

Rationalisation and extension was supported by Legal Analysis to establish the strength and extendibility of its brands. Extensive Behavioural Analysis was applied throughout its portfolio and Financial Analysis was conducted by a cadre of internal marketing finance analysts.

If any mistakes were made, it merely demonstrates that brand valuations are a mechanism for decision making which are driven by data, analysis and assumptions that may prove to be incorrect. The ISO standard insists that sensitivity analysis showing a range of values, based on different assumptions, should be included in an opinion, not just a single value.

A brand valuation is an opinion at a point in time. Brand valuation models need to be updated and reviewed on a regular basis, and management decisions need to change in the light of changing conclusions flowing from them.

Brand valuation is a technique to support management, which is why it is vital that the technique should be consistent, transparent and reproducible as required by ISO 10668.

HOW DO YOU VALUE AN EXISTING BRAND, THEN EXTEND THE ANALYSIS TO MEASURE THE POSITIVE AND NEGATIVE IMPACT OF ADDITIONAL TRADEMARKS/BRAND EXTENSIONS TO THE EXISTING BUSINESS/MARKS?

Dove is a good example of a Unilever brand, which was prioritised in the 'Path to Growth' strategy. It has been extended into many product categories and each extension was rigorously valued.

The Dove brand was launched in the US in 1955, as a cleansing soap bar with moisturising properties, which had been developed to treat burn victims during the Korean war. In 1957, the basic Dove soap bar formula was refined and developed into the "Original Dove Beauty bar". It was launched as a beauty soap, clinically proven to be milder on dry and sensitive skins. In 1979, an independent clinical dermatological study proved Dove "Beauty bar" was milder than 17 leading bar soaps. The phrase "cleansing cream" was replaced with "moisturiser cream" in its marketing materials.

Dove was launched in the UK in the 1990s. In 2001, Dove made its first foray into antiperspirant deodorant lines. Hair care products followed in 2003. Dove was launched in the soap category but has always been positioned without referring to it as "soap". It is always referred to as a "beauty bar" with 25% cleansing cream. Positioning the brand this way has allowed it to extend into antiperspirants, deodorants, body washes, beauty bars, lotions, moisturisers, hair care and facial care products globally. It is now a global brand with a variety of sub-brand ranges (Original, Go Fresh, Intensive Care, Supreme, Summer Care).

To become a global brand, Dove needed wide appeal, across cultural, racial and age boundaries. In 2004, it therefore launched the Campaign for Real Beauty, which highlighted the brand's commitment to broadening definitions of beauty. Dove launched the Self Esteem Fund in 2005, which acts as an agent of change to educate and inspire young girls on a wider definition of beauty. It aims to boost the self-confidence of young girls and women, enabling them to reach their full potential in life. In 2007, Dove also launched Pro*Age, a range of skin care, deodorant and hair care specifically designed for mature skin.

Dove's apparently effortless success makes brand extension look easy. But the Unilever marketing team could have stumbled at many points. They needed a clear and universally appealing brand proposition... simple, natural, caring, feminine, healthy, inclusive, multi-cultural, unpretentious, good value. They then needed a strong and memorable brand name that could be registered and defended in all likely product categories and geographical jurisdictions. They needed defensible sub-brand names. They needed a logo (a simply drawn dove), trade dress (predominantly white packaging), compelling copyright (advertising and collateral) and they needed a compelling trade sales force and campaign.

Having gone global in many SKUs, a valid question now hangs over the Dove brand. Has it reached the limits of its capacity to extend? There is a danger that if Dove is extended any further into fragrance, personal care or household products, its brand equity with consumers will become diluted and confused. Its brand value may decline.

IF BRANDS DIVERSIFY, WHAT CHALLENGES DOES THIS CREATE FOR TRADEMARK COUNSEL?

Brand valuations following the ISO 10668 standard help to alert management to all manners of opportunities and threats. They consider the Legal ability of the brand to win protection in new categories, the financial attractiveness of extending into any new categories, the risks posed by new extensions and above all the Behavioural response of consumers to further brand extension.

CONCLUSION

A robust brand valuation can help avoid the fate which befell the Pierre Cardin brand, which was extended and diluted to such an extent that over extension is now referred to as 'Cardinisation'.

The role of trademark counsel in this process is vital.

- Firstly, to keep up with marketing management keen to extend and extend.
- Secondly, to advise whether and how brands and sub-brands can be registered.
- Thirdly, providing advice on the cost efficiency of ever extending trademark protection; some global brands find that they have tens of thousands of trademarks which require huge financial and management support. Trademark counsel working within the brand valuation team help to answer the question of whether this is a value enhancing strategy.

ISO 10668 will help integrate Trademark Counsel into a multi-disciplinary brand management team. Trademark Counsel will no longer be working in their own technical silo.

In my view, ISO 10668 is a major breakthrough, which will help further professionalise the business of brand management.

Transparency in Brand Valuation

Alfredo Chandra
Director, Brand Finance Asia Pacific

There is less regulation of the valuation profession in comparison to the accounting, auditing and legal fraternity. Whilst there are standards which provide a guide to valuers such as those set by the International Valuation Standards Council, many professionals can conduct valuations without any accreditation from a governing body. Organisations requiring valuation services are thus left to choose from a pool of valuers who are mostly unregulated. Whilst the valuation fraternity works towards accreditation and recognition on both a country and global basis, the importance in any valuation exercise is to ensure that valuers are independent from the business being valued.

Valuation is an art, not a just a science. Brand valuations are no different from the valuation of buildings, equipment, pension assets and liabilities, shares, bonds, patents, art, wine and many other assets. If you ask two expert valuers for an asset valuation opinion in any asset class you will inevitably get different answers. Even if they use identical methods and similar assumptions they may come to different conclusions. However, if the calculations are entirely transparent it is possible to form a balance view on the validity of the valuer's opinion. It also helps to know that the valuer reached their opinion independently and objectively. Why might the valuer's independence be compromised?

1. Self-interest – having an interest in the outcome of the brand valuation.

2. Self-review – both creating the asset and forming a valuation opinion of it.

3. Advocacy – compromising an arm's length opinion to promote the client's interest.

4. Familiarity – becoming too familiar with the management of the company under review.

5. Intimidation – letting commercial or other threats affect the result of the brand valuation.

6. Process application – brand valuations should ideally be ISO certified under ISO 10668 as it provides a complete framework which includes bringing in financial, legal, and marketing perspectives that is not regularly done by valuers.

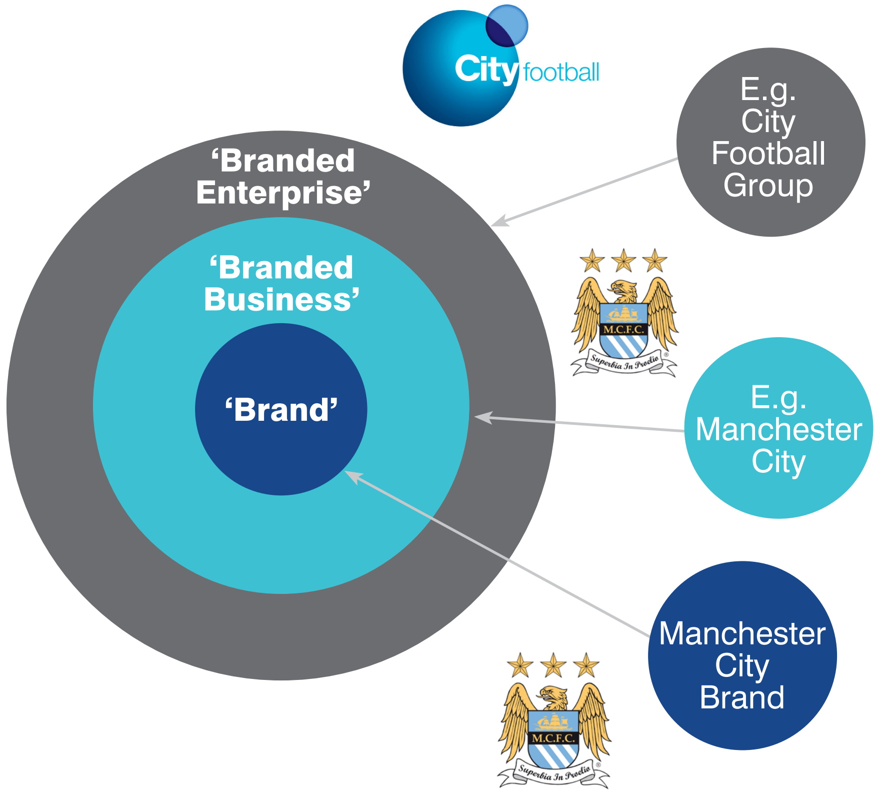
Valuers must be objective and present values that reflect all information at their disposable, without having a predetermined outcome. There is a strong and growing body of opinion that it is impossible for a consultancy to provide genuinely independent brand valuation opinions on brands that they, or their parent company, built in the first place. Brand Finance plc continues to promote the Campaign for Independent Brand Valuation, which promotes strict guidelines on the conduct of brand valuers to avoid actual and perceived threats to their independent judgement.

Unfortunately, Interbrand and Milward Brown are both wholly-owned subsidiaries of marketing services giants (Omnicom and WPP respectively), which make millions of dollars building the very brands their subsidiaries then value Indeed, Interbrand's strapline is 'Creating and managing brand value.'

In the 1980s and 1990s such threats led accountancy bodies and regulators to discourage audit firms from providing consulting and valuation services to their audit clients. We believe the same restriction should apply to the valuation of brands by companies whose primary role is to build them to ensure greater independence and transparency.

Methodology

What do we mean by 'brand'?



Definitions

+ **Enterprise Value** – the value of the entire enterprise, made up of multiple branded businesses

+ **Branded Business Value** – the value of a single branded business operating under the subject brand

+ **Brand Value** – the value of the trade marks (and relating marketing IP and 'goodwill' attached to it) within the branded business

Definition of 'Brand'

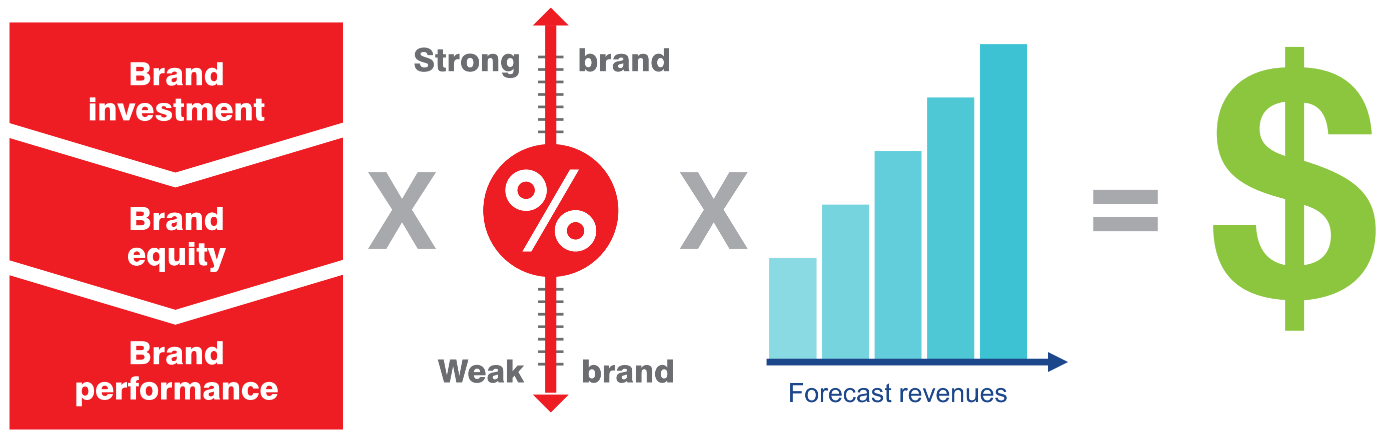
In the very broadest sense, a brand is the focus for all the expectations and opinions held by fans, players, staff and other stakeholders about a club. However when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required. Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as "a marketing related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value"

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management as well as success on the pitch. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with fans, customers, staff and other stakeholders), which includes on-pitch success, and finally the impact of those on business performance. Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

Methodology

Brand strength index (BSI)	Brand 'Royalty rate'	Brand revenues	Brand value



Brand strength expressed as a BSI score out of 100.	BSI score applied to an appropriate sector royalty rate range.	Split revenue into separate streams for each service area. Royalty rates applied to forecast revenues to derive brand values	Post-tax brand revenues are discounted to a net present value (NPV) which equals the brand value.

The Valuation Process

Brand Finance calculates the values of the brands in its league tables using the 'Royalty Relief approach'. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand if it were not already owned.

1 Calculate brand strength on a scale of 0 to 100: the BSI captures the ability of clubs to drum up popular interest and then convert interest into support and custom. The BSI covers three broad topics of brand investment, equity in the form of emotional connection harboured by a brand, and bottom line commercial performance.
2 As brand has differing effects on each source of income, we then split revenues down into three streams: match-day, broadcasting and commercial. As brands have differing effects on different revenue streams, these will each have their own respective royalty rate applicable to them. The royalty rates are derived by looking at comparable agreements and through in-house analysis.
3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.
5 Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
6 Apply the royalty rate to the forecast revenues to derive brand revenues.
7 Brand revenues are discounted post tax to a net present value, equal to the brand value.

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Glossary of Terms

Brand

Trademarks and trademark licenses together with associated goodwill

ßrandßeta®

Brand Finance's proprietary method for determining the strength, risk and future potential of a brand relative to its competitor set

Branded Business

The whole business trading under a particular brand or portfolio of brands, the associated goodwill and all the intangible elements at work within the business

Brand Rating

A summary opinion, similar to a credit rating, on a brand based on its strength as measured by Brand Finance's 'Brand Strength Index'

Brand Value

The net present value of the estimated future cash flows attributable to the brand (see Methodology section for more detail)

Discounted Cash Flow (DCF)

A method of evaluating an asset value by estimating future cash flows and taking into consideration the time value of money and risk attributed to the future cash flows

Discount Rate

The interest rate used in discounting future cash flows

Enterprise Value

The combined market value of the equity and debt of a business less cash and cash equivalents

Fair Market Value (FMV)

The price at which a business or assets would change hands between a willing buyer and a willing seller, neither of whom are under compulsion to buy or sell and both having reasonable knowledge of all relevant facts at the time

Holding Company

A company controlling management and operations in another company or group of other companies

Intangible Asset

An identifiable non-monetary asset without physical substance

Net Present Value (NPV)

The present value of an asset's net cash flows (minus any initial investment)

Tangible Value

The fair market value of the monetary and physical assets of a business

Weighted Average Cost of Capital (WACC)

An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds, and other debts, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure

About Brand Finance

Brand Finance is the world's leading independent brand valuation and strategy consultancy. Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For almost 20 years we have helped companies to connect their brands to the bottom line, building robust business cases for brand decisions, strategies and investments. In doing so, we have helped finance people to evaluate marketing programmes and marketing people to present their case in the Board Room.

Independence
Brand Finance is impartial and independent. We access and help to manage brands, but we do not create or own them. We are therefore able to give objective, unbiased advice because we have no vested interest in particular outcomes of a project and our recommendations are entirely independent. We are agency agnostic and work collaboratively with many other agencies and consultancies.

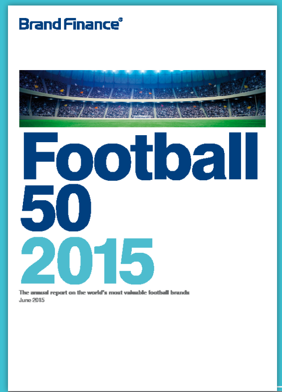
Technical credibility
Brand Finance has high technical standards. Our work is frequently peer-reviewed by the big four audit and our work has been accepted by tax authorities and regulatory bodies around the world. We are one of the few companies certified to provide brand valuation that is fully compliant with ISO 10668, the global standard on monetary brand valuations.

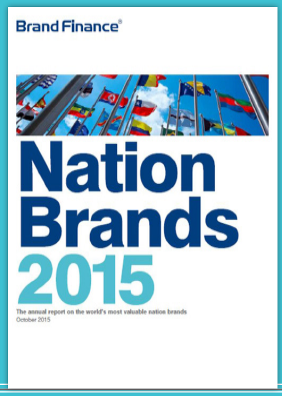
Transparency
There are no black boxes. Our approach is to work openly, collaboratively and flexibly with clients and we will always reveal the details of our modelling and analysis. This means our clients always understand what lies behind 'the number'.

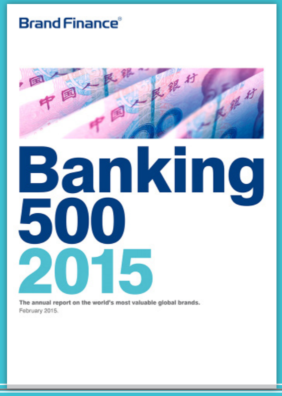
Expertise
We possess a unique combination of skills and experience. We employ functional experts with marketing, research and financial backgrounds, as well as ex-client-side senior management who are used to 'making things happen'. This gives us the mindset to think beyond the analysis and to consider the likely impact on day-to-day operations. We like to think this differentiates us because our team has real operational experience.

For more information, please visit our website: **brandfinance.com**

Brand Finance puts thousands of the world's biggest brands to the test every year, evaluating which are the most powerful and most valuable. The Vietnam 50 is just one of the many annual reports produced by Brand Finance. Visit **www.brandirectory.com** to access all the sectors and countries report.







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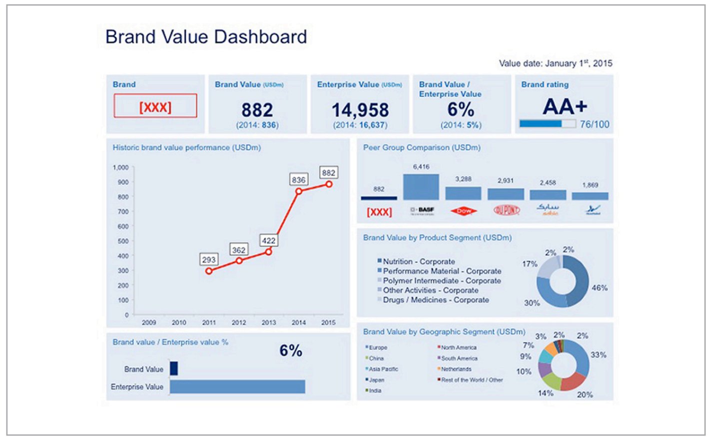
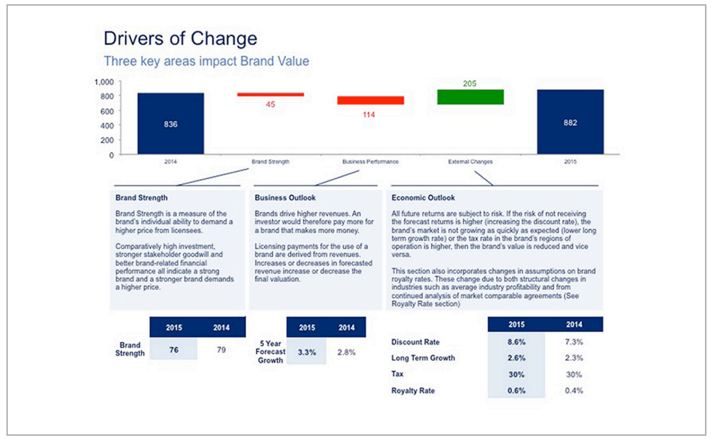
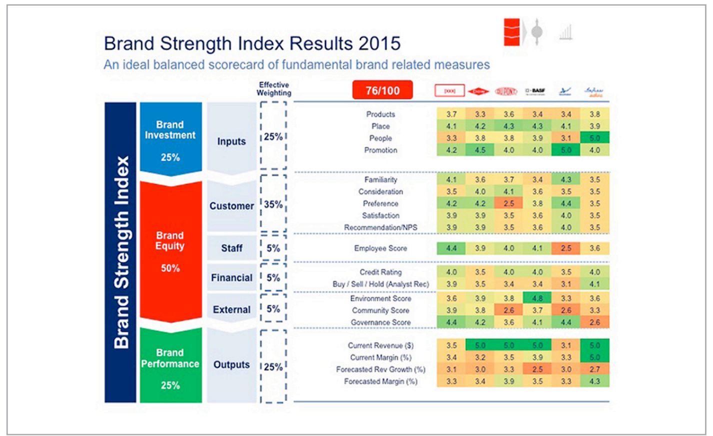
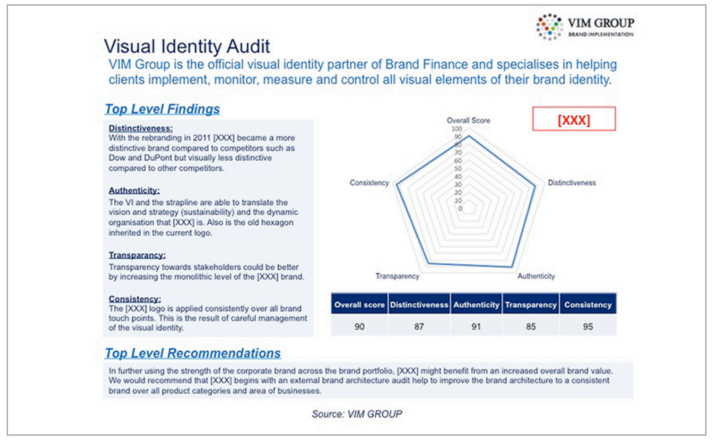
Understand Your Brand's Value









A League Table Report provides a complete breakdown of the assumptions, data sources and calculations used to arrive at your brand's value. Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

A full report includes the following sections which can also be purchased individually.

Brand Valuation Summary

Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

Brand Strength Index

A breakdown of how the brand performed on various metrics of brand strength, benchmarked against competitor brands in a balanced scorecard framework.

Royalty Rates

Analysis of competitor royalty rates, industry royalty rate ranges and margin analysis used to determine brand specific royalty rate.

Cost of Capital

A breakdown of the cost of capital calculation, including risk free rates, brand debt risk premiums and the cost of equity through CAPM.

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