

MAKE INTELLECTUAL ASSETS INTO A
MORE TANGIBLE / TRADEABLE
FORM

Intangible assets and Intellectual capital

- INTANGIBLE ASSETS

Long-term assets which are not linked directly with any tangible object. For a long time IA were considered to include any assets for which no place had been found among other “normal” assets.

• INTELLECTUAL CAPITAL

- This concept (IC) is used essentially by managers in the administration of personnel and intangible assets, in creating a favourable image of the company with the aim of attracting investment, and in valuing a knowledge-based business with a view to sale or purchase.
- Broader than the usual concepts of “intellectual property” (IP) and “intangible assets” (IA).

Traditional balance sheets leave out much valuable information. Even though intellectual capital is the precursor for the growth of financial capital, it does not fit within conventional accounting models.

Over recent years IP and other types of intangible are being recognised as vital corporate assets.

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE 'F'

FIXED ASSETS

Rs. in crores

Description	Gross Block as at April 1, 2004	Additions	Deletions	Exchange Difference	Gross Block as at March 31, 2005	Accumulated Depreciation as at April 1, 2004	Depredation for the year	Deletions	Exchange Difference	Accumulated Depreciation as at March 31, 2005	Net book value as at March 31, 2005	Net book value as at March 31, 2004
(Refer Note 1)												
FREEHOLD LANDS	176.39	33.38	—	—	209.77	—	—	—	—	—	209.77	176.39
LEASEHOLD LANDS	18.68	29.04	—	—	47.72	(0.25)	(0.63)	—	—	(0.88)	46.84	18.43
FREEHOLD BUILDINGS	63.71	370.60	(2.83)	—	431.48	(0.70)	(23.98)	0.01	—	(24.67)	406.81	63.01
LEASEHOLD BUILDINGS	0.92	25.47	(6.63)	(0.01)	19.75	—	(3.23)	0.09	0.04	(3.10)	16.65	0.92
LEASEHOLD IMPROVEMENTS	—	18.11	—	—	18.11	—	(2.18)	—	—	(2.18)	15.93	—
COMPUTER EQUIPMENT	14.27	227.50	(31.30)	(0.40)	210.07	—	(74.34)	1.90	0.39	(72.05)	138.02	14.27
MOTOR CARS	0.28	43.46	(3.20)	0.02	40.56	—	(9.23)	0.54	—	(8.69)	31.87	0.28
OFFICE EQUIPMENT	4.02	95.82	(12.24)	(0.07)	87.53	—	(20.61)	0.36	0.13	(20.12)	67.41	4.02
ELECTRICAL INSTALLATIONS	—	73.95	(1.47)	—	72.48	—	(14.18)	0.25	—	(13.93)	58.55	—
FURNITURE AND FIXTURES	3.72	35.53	(6.03)	(0.04)	33.18	—	(10.44)	0.09	0.04	(10.31)	22.87	3.72
TOTAL	281.99	952.86	(63.70)	(0.50)	1170.65	(0.95)	(158.82)	3.24	0.60	(155.93)	1014.72	281.04
PREVIOUS YEAR	226.27	55.72	—	—	281.99	(0.11)	(0.84)	—	—	(0.95)	281.04	—
CAPITAL WORK-IN-PROGRESS (including Capital Advance Rs. 34.51 crores) (March 31, 2004: Rs. 2.07 crores)											124.05	2.07
GRAND TOTAL											1138.77	283.11

IP RIGHTS IN BALANCE SHEET

Schedules forming part of the Balance Sheet

SCHEDULE 'F' FIXED ASSETS

(₹ crores)

Description	Gross Block as at April 1, 2010	Additions	Deletions / Adjustments	Gross Block as at March 31, 2011	Accumulated Depreciation / Amortisation as at April 1, 2010	Depreciation / Amortisation for the year	Deletions / Adjustments	Accumulated Depreciation / Amortisation as at March 31, 2011	Net book value as at March 31, 2011	Net book value as at March 31, 2010
(a) TANGIBLE FIXED ASSETS										
FREEHOLD LAND	315.95	-	-	315.95	-	-	-	-	315.95	315.95
LEASEHOLD LAND	64.46	28.04	-	92.50	(9.40)	(1.62)	-	(11.02)	81.48	55.06
FREEHOLD BUILDINGS	1358.22	252.35	-	1610.57	(218.34)	(64.05)	0.17	(282.22)	1328.35	1139.88
FACTORY BUILDINGS	1.21	0.30	-	1.51	(0.77)	(0.06)	-	(0.83)	0.68	0.44
LEASEHOLD BUILDINGS	9.81	-	-	9.81	(5.88)	(0.97)	0.02	(6.83)	2.98	3.93
LEASEHOLD IMPROVEMENTS	393.74	98.54	(4.64)	487.64	(202.35)	(53.83)	2.95	(253.23)	234.41	191.39
PLANT AND MACHINERY	10.88	0.02	-	10.90	(10.71)	(0.16)	-	(10.87)	0.03	0.17
COMPUTER EQUIPMENT	1525.45	490.29	(31.94)	1984.80	(1062.14)	(271.34)	30.87	(1302.61)	682.19	464.31
MOTOR CARS	18.66	2.90	(2.84)	18.72	(10.61)	(2.49)	2.27	(10.83)	7.89	8.05
OFFICE EQUIPMENT	532.64	115.64	(0.57)	647.71	(193.52)	(59.28)	0.59	(252.21)	395.50	339.12
ELECTRICAL INSTALLATIONS	371.48	85.64	(0.43)	456.69	(136.07)	(43.52)	0.29	(179.30)	277.39	235.41
FURNITURE AND FIXTURES	255.00	68.11	(1.38)	321.73	(248.19)	(38.01)	1.40	(284.80)	36.93	6.81
(b) INTANGIBLE ASSETS										
INTELLECTUAL PROPERTY / DISTRIBUTION RIGHTS	12.71	1.89	(1.97)	12.63	(12.71)	(0.32)	1.97	(11.06)	1.57	-
RIGHTS UNDER LICENSING AGREEMENT	-	59.00	-	59.00	-	(2.17)	-	(2.17)	56.83	-
Total	4871.21	1202.72	(43.77)	6030.16	(2110.69)	(537.82)	40.53	(2607.98)	3422.18	2760.52
Previous year	4359.24	571.42	(59.45)	4871.21	(1690.16)	(469.35)	48.82	(2110.69)	2760.52	
Capital Work-in-Progress (including Capital Advances ₹ 272.51 crores. (March 31, 2010 : ₹ 219.73 crores))									1345.37	940.72
Grand Total									4767.55	3701.24

Infosys annual report 2011-12

2.7. Fixed assets

in ₹ crore, except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2011	Additions during the year	Deductions / Retirement during the year	As at March 31, 2012	As at April 1, 2011	For the year	Deductions during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets :										
Land : Freehold	407	18	–	425	–	–	–	–	425	407
Leasehold	146	140	–	286	–	–	–	–	286	146
Buildings ⁽¹⁾	3,626	242	1	3,867	978	249	1	1,226	2,641	2,648
Plant and equipment ⁽²⁾	910	87	147	850	537	171	155	553	297	373
Office equipment ⁽²⁾	376	79	44	411	202	76	35	243	168	174
Computer equipment ⁽²⁾	1,331	315	260	1,386	1,069	267	243	1,093	293	262
Furniture and fixtures ⁽²⁾	675	87	131	631	415	121	128	408	223	260
Leasehold improvements	95	37	–	132	50	36	(8)	94	38	45
Vehicles	7	2	1	8	3	2	1	4	4	4
	7,573	1,007	584	7,996	3,254	922	555	3,621	4,375	4,319
Intangible assets :										
Goodwill	916	175	–	1,091	–	–	–	–	1,091	916
Intellectual property rights	12	37	–	49	12	5	–	17	32	–
Land use rights	–	58	–	58	–	1	–	1	57	–
	928	270	–	1,198	12	6	–	18	1,180	916
Total	8,501	1,277	584	9,194	3,266	928	555	3,639	5,555	5,235
Previous year	7,839	1,146	484	8,501	2,893	854	481	3,266	5,235	

⁽¹⁾ Buildings include ₹ 250/- being the value of five shares of ₹ 50/- each in Mittal Towers Premises Co-operative Society Limited.

⁽²⁾ During the years ended March 31, 2012 and March 31, 2011, certain assets which were old and not in use having gross book value of ₹ 570 crore and ₹ 488 crore respectively, (net book value nil) were retired.

SOURCE: <http://www.infosys.com/investors/reports-filings/annual-report/annual/documents/infosys-ar-12.pdf>

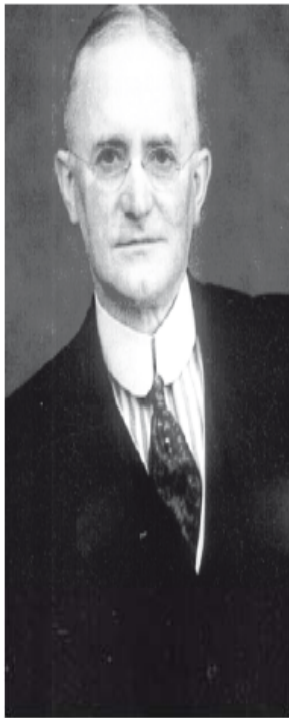
Raising finance from intellectual assets

Case Study: *Eastman Kodak Co*

- Until the 1990s Kodak was the one of the world's top five most valuable brands.
- **JAN 2012 - Eastman Kodak files for bankruptcy**

Kodak's announcement in January that it is filing for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code to reorganize its business.

KEY EVENTS



George Eastman, Kodak founder

1880 - George Eastman begins commercial production of dry plates for photography in a rented loft of a building in Rochester, N.Y.

1888 - The name "Kodak" is born and the Kodak camera is marketed with the slogan, "You press the button, we do the rest"



1929 - The company introduces its first motion picture film



1935 - Kodachrome film is introduced and becomes the first commercially successful amateur colour film

1962 - The company's US consolidated sales exceed \$1 billion for the first time. Its work force tops 75,000

1972 - Five pocket-size Instamatic cameras that use smaller cartridges are launched. More than 25 million cameras sell in less than three years

1981 - Company sales surpass the \$10 billion revenue mark



1992 - Launches a writeable CD

2008 - Begins mining its patent portfolio, which generates nearly \$2 billion in fees over three years



2011, June - Begins shopping around its 1100 digital-imaging patents

2011, December - Judge extends camera patent dispute into 2012

1900 - The first Brownie camera is introduced. Selling for \$1 and using film that costs 15 cents a roll, it brings hobby photography within financial reach



1951 - The low-priced Brownie 8mm movie camera is introduced, followed by Brownie movie projector in 1952



1963 - Kodak introduces a line of easy-to-use Instamatic cameras with cartridge-loading film (selling more than 50 million by 1970)



1975 - Kodak invents the world's first digital camera. The toaster-size prototype captures black-and-white images at a resolution of 0.01 megapixels

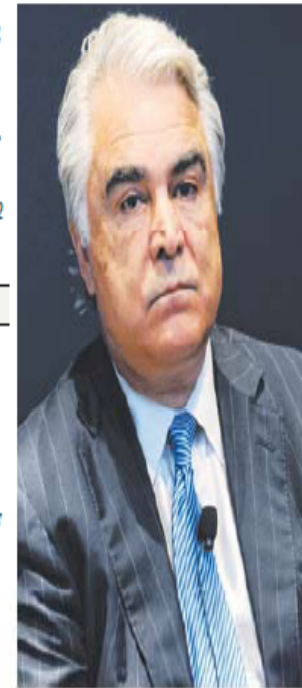


1984 - Kodak enters the video market with the Kodavision Series 2000 8mm video system and introduces Kodak videotape cassettes in 8mm, Beta and VHS formats, along with a line of floppy disks for computers

2004 - Kodak begins digital makeover, the same year it gets ejected from the 30-stock Dow Jones Industrial Average. It cuts tens of thousands of jobs as it closes factories and changes businesses



2010 - Sues Apple and Research in Motion before the US International Trade Commission, claiming the smartphone makers are infringing its 2001 patent for technology that lets a camera preview low-resolution versions of a moving image while recording still images at higher resolutions. Global employment falls to 18,800



Antonio Perez, present chairman and chief executive

- In a bid to raise cash, the company has since June been “exploring strategic alternatives” including sale for its digital imaging patent portfolios to take advantage of increased demand for intellectual property. It said it had over 1,100 U.S. patents that are fundamental to the digital imaging industry.

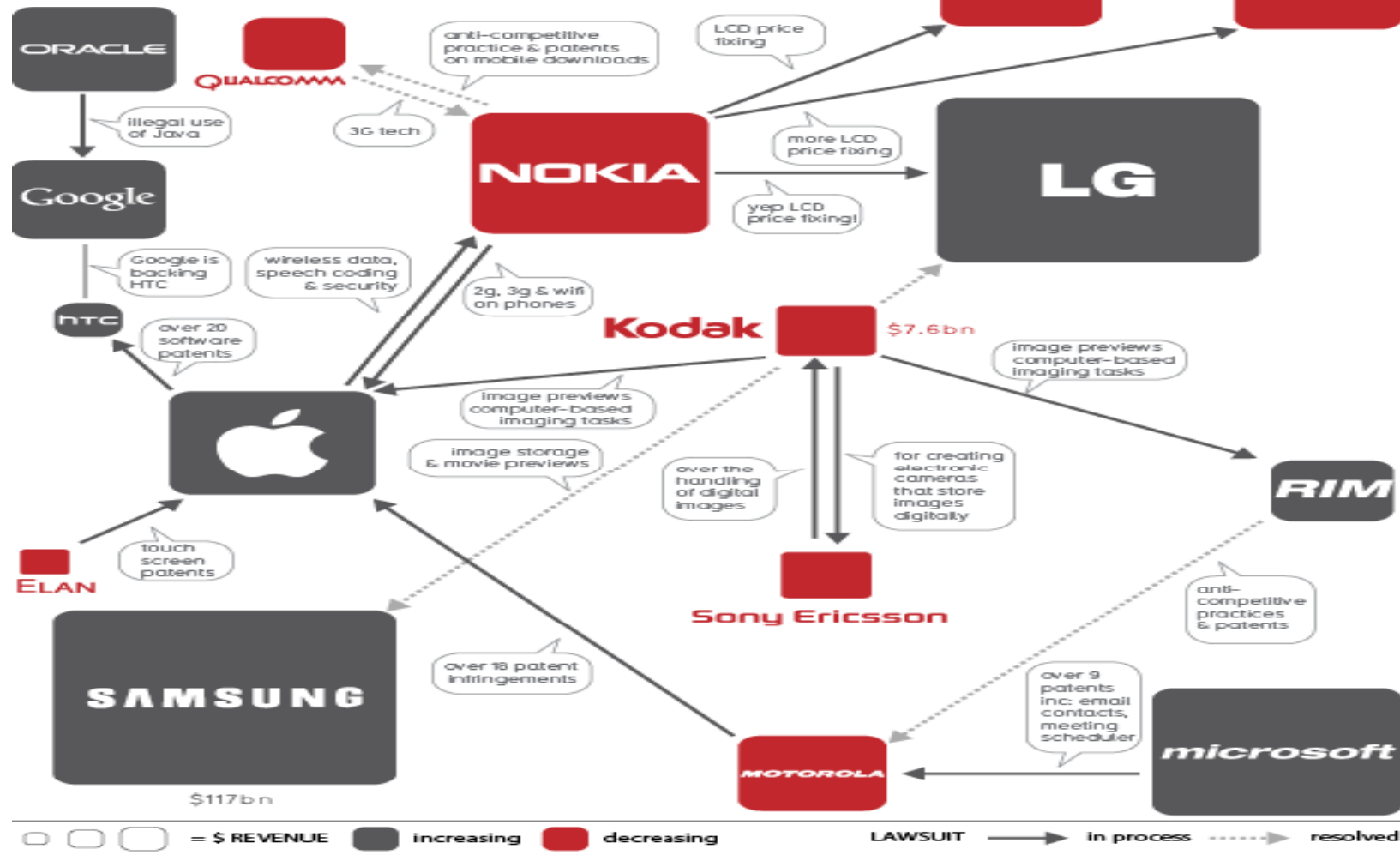
U.S. Bankruptcy Court for the Southern District of New York

- The court granted Kodak the right to sell these patents "free and clear" of the two companies' claims at the auction, subject to the applicable provisions of the U.S. Bankruptcy Code.
- Judge has approved the sale of a collection of over 1,100 of Kodak's patents in spite of Apple's attempts to block the auction on the grounds that it has a claim on some of the intellectual property.
- The bankruptcy court has also authorized Kodak to alternatively sell the patents subject to Apple and FlashPoint's claims, if mutually agreed between Kodak and the winning bidder.

- Over the last few years, the perception of “capital” itself has changed.
- No longer are buildings, furniture, factory capacity and number of bodies the deciding factors in the size, longevity or value of an organization.
- While legally protected *intellectual assets* have been bought and sold for many years, today companies with large patent portfolios are throwing open their doors and creating a new, sustainable flow of revenue.

Who's Suing Whom?

Major court cases in the telecoms world



David McCandless & James Key // v1.2// Oct 10

InformationIsBeautiful.net

idea: Guardian Tech, NY Times /data: bit.ly/sosueme

source: Bloomberg, BBC, DigitalTrends.com

only highlights or summaries of lawsuits

- A group comprised of Apple, Microsoft, Research in Motion, Ericsson, Sony, and EMC joined together to bid of \$4.5 billion for 6,000 patent filings from Nortel . (<http://www.seobythesea.com/2011/07/google-acquires-ibm-patents-in-july/>)
- Kodak evidently wants to take advantage of the frenzy to buy patents in the tech industry

REFERENCES

- <http://www.trg-inc.com/resources/ValuingIntellectualCapital.pdf>
- <http://www.unece.org/fileadmin/DAM/ie/industry/documents/valuationpub.pdf>
- <http://www.seobythesea.com/2011/07/google-acquires-ibm-patents-in-july/>)
- http://siteboat.com/wp-content/uploads/2010/10/whos_suing_whom.png