

An Introduction to Brand Finance plc

Technical intangible asset valuations for tax purposes

Tax valuations, transfer pricing and commercial advice delivered
with speed, accuracy and in-depth technical knowledge

Introduction to Brand Finance plc

Brand Finance plc is a leading independent consultancy founded in the UK in 1996 with 17 offices worldwide including New York, London, Paris, Amsterdam, Madrid, Geneva, Bangalore, Singapore and Sydney. It is a specialist in tax-related valuations and transfer pricing reviews, with experience of valuing enterprises and intangible assets of all kinds, including trademarks, patents and other forms of intellectual property. Over the past eleven years, we have provided expert advice to support the following areas:

Valuations

Tax-authority defensible fair-market valuations of intangible assets, businesses or shares for transactions between related parties or for commercial reorganisations

Transfer pricing

Economic analysis and advice on royalty rates for licensing agreements, and management charges for marketing services between related parties.

Brand & IP management companies

Feasibility studies, advice and support to implement commercial and tax efficient vehicles.

Expert witness reports

For disputes with tax authorities or between brand owners.

Our clients, partners and reviewers

Our clients include international brand owners Standard Chartered, Vodafone, Shell, Groupe Danone and SABMiller, tax authorities including Her Majesty's Revenue and Customs, the Internal Revenue Service and the Australian Tax Office, IP lawyers and investment banks. Our work is frequently peer-reviewed by the Big 4 audit practices and our approach has also been accepted by the UK Takeover Panel.

Two-step approach

Our significant point of difference with mainstream accountancy and tax practices is that in addition to high quality technical work, we also specialise in understanding and leveraging the value of intangible assets. We frequently advise clients on how to grow earnings streams generated by intangibles, optimise licensing terms and enhance tax efficiencies.

We are well placed to offer this insight and expertise because our team consists of experienced and qualified accountants, marketers and licensing experts.

This is what our clients and partners say about us:



"Brand Finance has advised SABMiller on internal licensing agreements and the determination of appropriate royalty rates. I have

found them to be knowledgeable and efficient and would be happy to use them for similar projects in future."

Group Tax Manager



Internal Revenue Service

DEPARTMENT OF THE TREASURY

"I have found Brand Finance to be skilled, effective and thoroughly professional in their approach and am fully satisfied with their work which has enabled us to achieve very favorable settlements in very difficult cases."

Chief Legal Counsel



"Our experience of working with Brand Finance is that they have been a professional and responsive organisation and we look forward to working with them in the future."

Director, Ernst & Young



I have found them to be thorough and intelligent in their approach and I would be happy to use them for similar projects in the future."

Head of Intangible Asset Valuations

Some of our tax related clients

Leading international bank

Brand Finance conducted a valuation of intellectual property owned by a major international bank during a re-organisation of its IP ownership and management structure, together with economic analysis and documentation to support royalty rates for internal licence agreements:

- The transfer pricing analysis was conducted in accordance with OECD guidelines
- The key deliverables of the project were:
 - A valuation of the IP into perpetuity and on the basis of a 10 year licence granted by the bank
 - Transfer pricing reports providing the economic analysis to substantiate the royalty rates being charged to local tax authorities
 - Advice relating to the appropriate organisational structure of the IPCo to maximise the commercial benefits for the group



The merger of SAB plc and The Miller Brewing Company created the world's second largest brewer. After valuing the Miller Brewing Company's portfolio of brands for balance sheet recognition, Brand Finance advised SABMiller on a variety of tax related issues, including:

- Valuation of IP during the due diligence phase of a potential acquisition in Russia to quantify the potential benefits of tax planning related to the deal.
- Recommendations to the Transfer Pricing Committee regarding an appropriate royalty rate range for its premium international beer brands to optimise tax efficiencies.
- Advice on a systematic approach to setting internal royalties for global brands that took account of the strength of the brand and trading conditions.



Brand Finance has carried out over 70 assignments for Shell during an eight-year period. This includes advice on issues relating to the transfer of its brands to Shell Brands International in Switzerland. Our project work has included:

- A peer review of the valuation work conducted by a 'Big 4' valuation team of the trademarks transferred to Switzerland
- A study into brand decay rates in support of CGT analysis.



Brand Finance is a roster expert witness and has handled valuations of trademarks and other intangible assets for several major Section 482 transfer pricing cases:

- Valuation of a portfolio of food and drinks brands for major litigation over transfer of acquired brands to foreign domicile.
- Assessment of applicable royalty rates by French licensee of US component manufacturers trade name.
- Support to IRS claim against insurance transfer pricing agreement.
- A transfer pricing dispute with a major blue chip pharmaceutical company relating to the profit split between the parent and the subsidiary in relation to trademarks and patents.

Opinion on related issues including the determination of appropriate royalty rates and the significance of licence agreement terms, including exclusivity vs. non-exclusivity.



Brand Finance is a roster expert witness for the HMRC and has advised on several high value cases, including:

- A US company restructured its UK subsidiary in the snack food sector that resulted in a transfer of assets, including the trademarks to Switzerland. HMRC disputed the value transferred out of the UK.
- Brand Finance conducted an independent business and brand valuation for the UK subsidiary, which was presented as expert witness testimony in the transfer-pricing dispute between the HMRC and the US taxpayer. The case is ongoing.

Major oil and gas group

Brand Finance undertook a tax review for a major oil and gas group:

- The exercise had two key objectives:
 - Determination of an appropriate arm's length charge for the use of the brand by the profitable North Sea exploration and production business unit in order to reduce the taxable profits of this operation
 - Calculation of an indicative value for the brand globally to establish the potential benefit of effecting Schedule 29 FA 2002 planning and also for the benefit of the marketing department



- easyGroup reorganised intellectual property rights within the group prior to the easyJet IPO.
- Brand Finance provided easyJet with an expert opinion as to whether the proposed assignment and licensing of IP rights resulted in a transfer of value from easyJet to easyGroup.
- Our advice was used to structure the agreements between group companies in a tax effective manner and to inform the directors of any resulting changes in value.



Brand Finance advised Double Eagle Brands ('DEB'), the owner of Ketel One vodka, in relation to a value of their intellectual property:

- The group transferred the company from Holland to Curacao in 1999; Brand Finance valued the brands on exit from Holland
- Brand Finance advised on appropriate royalty rates for use of the trademark and recipe
- Brand Finance worked closely in co-operation with DEB's tax advisors for this project

Major utilities company

Brand Finance conducted a transfer pricing review for a major utilities company:

- The exercise had two key objectives:
 - Determination of appropriate arm's length royalty rates for the use of the brand by other UK group companies for compliance with UK-UK transfer pricing legislation
 - Calculation of an indicative value for the brand to establish the potential benefit of effecting Schedule 29 FA 2002 planning

Examples of other client work

The following summaries are intended to demonstrate our breadth of experience across a range of applications:

ABN Amro

Impact on the debt markets of re-branding subsidiaries, including identifying areas of value creation and destruction.

Anglian Water

Valuation of trademarks for licensing to divested affiliate and for use by third parties in non-core applications.

Austin Reed

Valuation of Austin Reed and Country Casuals trademarks and branded businesses for use in a take-over defence document.

British American Tobacco

Development of transparent brand strength scoring and discount rate determination model for use in periodic, marketing oriented, internal brand valuations.

BT Group

Segmented valuations of the BT and other BT Group brands for marketing, acquisition, IPO, international JV and tax purposes.

Club Med

Segmented global brand and branded business valuations for internal and investor relations purposes.

Co-operative Bank

Valuation of the Cooperative brand and branded business for brand architecture planning.

Courtaulds Textiles

Royalty relief and economic use trademark and branded business valuations of Courtaulds, Aristoc, Dim, Gossard, Berlei and George Rech brands for inclusion in take over defence document. Approved by The Takeover Panel.

Courvoisier

Segmented global branded business valuation for investment/ divestment decision-making.

Ericsson

Trademark and branded business valuations for internal marketing planning and benchmarking purposes.

Guardian / Observer

Trademark and branded business valuations for strategic decision making and budget allocation purposes.

Liberty

Valuation of trademarks, design rights, customer lists and other IP for use in take over defence documents and negotiations.

L'Oreal

Expert witness report relating to the brand management of Laura Ashley.

MasterCard

Pan European brand valuation for marketing budget allocation and brand planning.

Orange

Review of internal licensing model and royalty rates.

Philips

Categorisation of marketing spend and product portfolio valuations to aid marketing planning, ROI and marketing mix modelling.

PPP Healthcare

Post acquisition valuation of PPP brand to identify the positive or negative value shift from switching to AXA branding.

Royal Mail Group

Trademark and branded business valuations of the Post Office, Royal Mail, Parcelforce and Consignia. Creation of brand scorecard and advice on appropriate royalty rates and licensing terms for external licensing of RM Group trademarks.

Royal & SunAlliance

Segmented trademark and branded business valuation of leading UK insurer for marketing budget allocation and brand architecture.

Shell

Over sixty projects during a five-year period, including the development of a brand tracking model, Ferrari sponsorship evaluation and advice on internal licensing agreements.

Standard Chartered Bank

Valuation work on the SCB brand internationally.

Vodafone

Post acquisition brand valuation and synergy analysis for the migration of acquired European brands to the Vodafone corporate brand.

Analysis of the potential uplift in enterprise value from a dual branding strategy in a number of Vodafone partner markets.

Senior Personnel



David Haigh, Chief Executive

David set up Brand Finance in 1996 to help companies to manage their brands more intelligently for improved business results.

He is an advisory panel member of the Shares Valuation Division of Her Majesty's Revenue and Customs, specialising in trademarks and brands, and has advised the Internal Revenue Service on matters relating to Intangible Assets since 1998. David is a representative in the ISO Project Committee on Brand Valuation

David has authored publications and commented on brand valuation and equity issues on CNN, Sky, BBC and Bloomberg TV. He frequently presents at conferences around the world on understanding the financial value of brands and brands on the balance sheet.

Prior to founding Brand Finance, David was Director of Brand Valuation at Interbrand. Having qualified as a Chartered Accountant with Price Waterhouse in London, he worked in international financial management then moved into the marketing services sector, firstly as Financial Director of The Creative Business and then as Financial Director of WCRS & Partners. David left to set up a financial marketing consultancy, which was later acquired by Publicis, the pan European marketing services group, where he worked as a director for five years.



Michael Rocha, Managing Director

Michael joined Brand Finance in 2001 as a Brand Valuation Director. He is now Group Managing Director.

He manages brand valuation projects to support tax planning, due diligence, joint ventures, private equity, marketing strategy setting and performance tracking for clients in the FMCG, telecoms, media, oil and gas sectors.

Michael has written articles on tax implications for managing brands and has spoken at branding conferences and workshops in Spain and the UK.

Prior to joining Brand Finance he was a Commercial Manager at Cable & Wireless, providing commercial advice to bid teams in contract negotiations. Following his Masters degree in Economics from Cambridge University, he qualified as a Chartered Accountant with Arthur Andersen. Michael worked as a Corporate Tax Consultant at AA, advising predominantly on international taxation issues for media, oil and gas clients. He was also seconded to Kazakhstan to support the growing tax consulting department there.

Brand Finance is the leading, independent intangible asset valuation and brand strategy firm, helping companies to manage their brands more intelligently for improved business results.

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Brand Finance also has offices in New York, Toronto, Sydney, Sao Paulo, Singapore, Colombo, Moscow, Dubai, Bangalore, Paris, Barcelona, Madrid, Amsterdam, Zagreb, Istanbul and Geneva.

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