

CASE STUDY

Allied Domecq plc



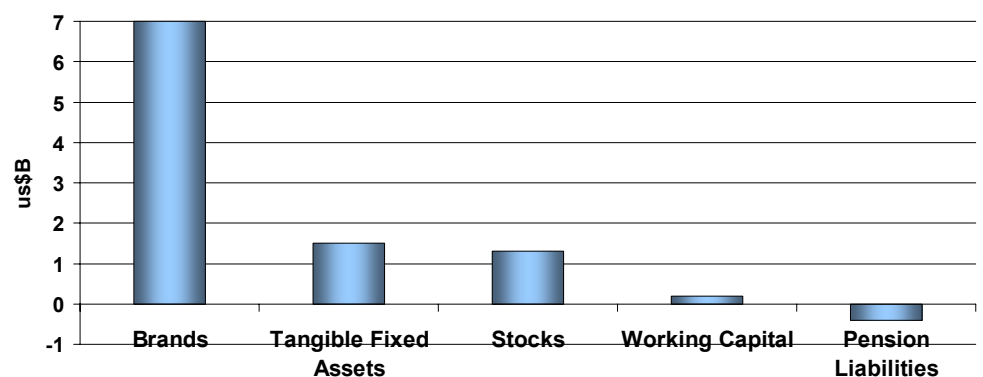
Brief

With the move to IFRS reporting standards in 2004/05, Allied Domecq decided to implement IFRS3, Business Combinations, retrospectively for all acquisitions from 1986. To our knowledge, Allied Domecq was the only quoted company in Europe to take advantage of the opportunity to apply IFRS3 in this way and it did so primarily in order to be able to value its brands and report that value on its balance sheet. Intangible Business Ltd was engaged to determine the appropriate fair value adjustments for all acquisitions, and to calculate subsequent movements year by year in order to arrive at a set of adjustments to be applied to Allied Domecq's opening IFRS balance sheet.

Approach

Intangible Business had previously prepared brand and other intangible asset valuations under USGAAP. These valuations were reviewed and restated in accordance with IFRS 3. Fair value adjustments for other asset categories, particularly fixed assets and inventories, were also reviewed and restated. Fair value adjustments for fifteen major acquisitions, plus numerous smaller ones, were modelled in multiple currencies and rolled forward year by year to 2004. The total of historic fair values of assets acquired exceeded £2bn.

Allied Domecq Assets at Fair Value



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We constructed a database of contemporaneous profit forecasts from the client's archives from which we were able to carry out the necessary goodwill impairment tests as at each year end from 1986 onwards, for both the Spirits and Wine Sector and for the Quick Service Restaurant business.

All of our work was supported by technical papers setting out the basis of application of IFRS3 and a full audit trail of all the adjustments. We worked closely with Allied Domecq's auditors to ensure a smooth audit of the results.

Outcome

Fair valuations of all acquired assets were prepared and rolled forward to 2004. Goodwill impairment tests carried out for both business sectors for and each year up to 2004. All outputs were agreed with the client and the auditors. However, the acquisition of Allied Domecq by Pernod Ricard and Fortune Brands in July 2005 meant that the accounts of the group, prepared under IFRS, were never published.



INTANGIBLE
BUSINESS

Service
Brand valuation
Financial reporting

Territory
Worldwide

Sector
Alcoholic beverage
Food Retail

Intangible Business Ltd