# Upside

DUFF & PHELPS

Valuation and Corporate Finance Advisors

## Summer 2015

**Will Vampire Companies Suck the Lifeblood out of UK PLC?**

Page 9



Paul Williams

Phil Duffy

# Welcome

## Welcome to this new and revised edition of Upside. We believe we have something for everyone.

You will no doubt notice a few changes to the layout and a few new faces in the team line up. We have been busy growing our business and the service lines which we now offer to our clients, in particular with the exciting acquisition of the Kinetic Partners and American Appraisal businesses earlier this year.

Kinetic Partners | A Division of DUFF & PHELPS

American Appraisal | A Division of DUFF & PHELPS

Our UK and Ireland team now spans six offices with over 400 professional staff.

In this edition of Upside we look at the phenomena of the vampire companies that are sucking the lifeblood out of the UK economy, hampering productivity. We also look at the challenges faced by the dairy sector after the abolition of the EU milk quota system as well as the changes to the healthcare sector by the introduction of the Care Act. We also provide an insight into a few of the new service lines that we have to offer to our clients including, transfer pricing, regulatory and compliance and disputes and investigations.

It's hard to believe that this time last year we were looking forward expectantly to a summer of sporting glory for England in the World Cup, Murray winning Wimbledon and McIlroy winning the Open. Whilst the English did not perform well in Brazil and the Scot could not quite manage the heroics of 2013, at least the Northern Irishman came through.

So what does the remainder of this year have in store? We can at least hope that the English rugby team do a little better than their footballing counterparts, when we host the Rugby World Cup later this year. Will England regain the Ashes or McIlroy retain the Open?

What about the UK economy? Will it follow the same mercurial path as UK sport? The volatility of the oil markets suggests so. However, given the unprecedented period of low interest rates and the environment of forbearance, things look likely to remain steady for some time to come.

Whatever the economic outlook we remain ready to assist our clients in providing practical and proactive advice on how to best deal with the challenges that they face.

We hope you enjoy this issue and we look forward to continuing to work with you.

**Paul Williams**
Managing Director, Restructuring Advisory (London)
+44 (0)207 089 4780
paul.williams@duffandphelps.com

**Phil Duffy**
Managing Director, Restructuring Advisory (Manchester)
+44 (0)161 827 9003
phil.duffy@duffandphelps.com

James Cook

Paul Teuten

# Challenging Times for the Oil Industry

The oil industry may be notorious for its volatility and cyclicality, however, the speed of developments over the last six months have taken many people by surprise, with energy companies across the sector facing substantial challenges caused by the current price fluctuations.

The challenge for many companies, investors and other stakeholders, therefore, will be finding a way to limit the damage in the short-term and go on to create value from the unique opportunities caused by the down cycle.

A recent Duff & Phelps energy webinar sought to help with the above, with its oil and gas experts, including: John McNabb, CEO and Chairman of Wilbros and senior adviser to Duff & Phelps; Jim Rebello, the company's Global Head of Energy M&A; and Paul Teuten, a managing director on the London M&A team and a specialist in the Energy sector

### Key points to emerge from the discussion included:

**Oil prices and geopolitics:** A likely cause for rapid oil price decline was the imbalance in supply and demand, caused principally by production growth from Russia, Iraq and the U.S., where shale production has created an opportunity for U.S. energy independence, and Saudi Arabia's unwillingness to be the swing producer in response to this production growth. What is less clear is the future path of prices, particularly in light of the supply-side risks created by growing instability in the Middle East. There is currently an acceptance within the industry that prices will broadly remain in the $60-70 per barrel range for the foreseeable future.

**Impact on the M&A market:** This price uncertainty has caused a general sense of paralysis in global M&A in the oil sector and we are aware of a number of existing deals that have been put on indefinite hold. There is also a significant gap between the bid and ask price on potential deals. Whilst there is huge investor interest and vast sums of money ready to be put to work in the sector, buyers are having trouble pulling the trigger on opportunities due to the risk of the unknown. There are also few sellers of high-quality businesses at the moment as owners, if not faced with signs of extreme distress, are still trying to work out what their business is going to look like in the mid-term.

**The UK:** The UK continental shelf is amongst the most vulnerable to lower oil prices. Whilst there are still 23bn barrels of oil available for extraction from the North Sea, the average costs of production have increased by 400 per cent in the last ten years and there was an aggregate cash loss for producers in 2014 of €5bn, before the full effect of the recent price fall had kicked in.

**Going forward:** With regard to navigating the storm and creating value in current market conditions, companies and investors need to be proactive but defensive. Key areas of focus should initially be:

- **Liquidity issues and cost reduction to match demand.** Companies should 'right-size' their business base due to revenue and margin pressure in the current oil price environment, rather than the hope of price increases in 2015;
- **Treat customers as partners.** Companies should build stronger relationships with their best customers, entering into longer-term contracts and offering bundled services/offerings to increase customer retention;
- **Lender management.** Leveraged businesses need to talk to lenders early and be realistic about how the business is likely to perform;
- **Financial flexibility.** Companies should look at alternative sources of capital rather than rely on existing lenders.

Once a clear path to financial stability has been established, companies should go on the offensive. For those seeking to take smaller steps, there is an opportunity to recruit high-quality personnel as a result of the large number of talented people who have been victim of industry-wide headcount reductions.

Firms should also consider geographical and service diversification to spread risk and increase opportunities through acquisitions. Over the next couple of years we expect an increase in M&A as companies seek to take advantage of weakness in the sector.

In the current climate it is vital that businesses and owners take advice early to help maximise the number of options available.

**James Cook**
Managing Director, Restructuring Advisory (London)
+44 (0)207 089 4865
james.cook@duffandphelps.com

**Paul Teuten**
Managing Director, M&A (London)
+44 (0)207 089 4840
paul.teuten@duffandphelps.com

Sarah Bell

# Care Sector Update:
# **Market Oversight and Provider Failure**

The Market Oversight and Provider Failure (Market Oversight) regime is one of the many provisions that have been, and are in line to be, introduced throughout 2015 and 2016 by the Care Act 2014, which received Royal Assent on 14 May 2014.

The scheme, which was developed as a result of public outcry following the 2011 collapse of Southern Cross, the largest adult social care provider in the UK, came into force on 6 April 2015. It supports the requirement for extra checks and balances that may need to be in place in respect of those providers who are deemed 'hard to replace', or, in perhaps more familiar parlance, 'too big to fail'.

According to the Department of Health (DoH), 'hard to replace' care providers are those who, due to their size, concentration or specialism, would be difficult to replace if they were to fail. Additionally, the scheme aims to minimise the risks to Local Authorities.

The Care Quality Commission (CQC) will operate the Market Oversight scheme, which means that it will have the power to regularly assess the financial status of providers. The governing body will therefore be responsible for giving early warning to the relevant Local Authorities, where it believes there could be a danger of failure. However, it is the Local Authority that will have the legal responsibility and a temporary duty to ensure that the needs of people who are in care continue to be met. Interestingly, this responsibility extends to all those people receiving care, not just those funded by the Local Authority.


In the guidance for providers document, issued by the CQC in March 2015, the organisation anticipated that there would be approximately 40 providers in the scheme. The CQC website, which provides a schedule of the providers, currently lists 43 providers. Whilst it would appear unlikely that the scheme will impact many people on a professional level, it may, however, have a personal impact for some. Plus, should the scheme prove successful, it might be extended. So what does that mean for providers?

Anyone who interacts regularly with the care sector will be aware that Local Authorities deal diligently and expediently in relation to the closure of small single or small group providers, but can be overwhelmed when faced with the possibility of dealing with larger providers that are deemed hard to replace.

Whilst there is logic behind the 'early warning system', it appears unclear as to what constitutes a belief that failure is likely to happen – and what remedies are available to the CQC, the Local Authorities and the providers to ensure that is doesn't. The answer, at present, seems to be not a lot. The powers granted to the CQC are largely in relation to information gathering and the subsequent analysis of such information through their own six-stage protocol, with or without the requirement for an independent business review.

Whilst the sixth stage of the process is the notification to Local Authorities, it would appear that the premise of the scheme is to allow the providers time to provide and implement a Risk Mitigation Plan (RMP), possibly in conjunction with their lenders, other stakeholders and insolvency practitioners, as necessary.

To strengthen this proposal, the CQC has stated that, where necessary and appropriate, it will consider the prioritisation of new registrations and that it will use its discretion where difficult scenarios (frequently to be found upon formal insolvency) to act in relation to regulatory matters. This would seem to reflect an already pragmatic approach adopted in the vast majority of cases by the CQC, and hopefully will provide sufficient flexibility when embarking on restructuring, to ensure that the stated objective of the scheme can be achieved.

In short, it is still too early to call. However, the objectives are laudable and it can be argued that it would be in the interests of all the stakeholders to give the scheme support and time to evolve.

**Sarah Bell**
Managing Director, Restructuring Advisory (Manchester)
+44 (0)161 827 9041
sarah.bell@duffandphelps.com

Ian Corfield

Owen Walker

# Dairy Market Update:
# **A Future Without EU Milk Quotas**

## At the beginning of the year we highlighted the unprecedented challenges facing the UK dairy market.

Farmers have for some time had to endure squeezed milk prices in part due to an ongoing and arduous supermarket price war, with supermarket chains using this basic consumer product to drive footfall in what is already a highly competitive market.

As a result, a major cooperative, First Milk Ltd, announced that it was going to have to delay payments to approximately 1,000 farmers. Furthermore, there was a public outcry against the purchasing policies of some of the UK's major supermarkets, as well as the discount challengers.

Recently however, there has been a development in regulation. On 31 March 2015, after more than three decades of intervention in the market, the EU milk quota was abolished, in a bid to enable EU dairy suppliers to compete with international rivals and supply to emerging markets such as Asia and Africa.

However, this measure has received a mixed response within the UK, with some commentators warning of increased volatility and a return to the 'milk lakes' and 'butter mountains' of the late 1970s.

Nonetheless, the removal of quotas presents an opportunity for dairy businesses providing them with the potential to respond to international demand. In particular, larger businesses which are able to operate on low margins and have room for innovation could benefit by developing new, added-value products, or utilising their distribution capabilities for other products.

While there has not been an over quota position in the UK for more than a decade, UK farmers fear that some of their European counterparts will rapidly increase output without an end market for these goods. This is particularly the case for producers in Germany, Ireland and the Netherlands, where the quota system is viewed as artificially restricting production.

Consequently the National Farmers Union (NFU) has urged all 28 EU member states to act with caution going forward in order to prevent the boom and bust price volatility which could follow. Rob Harrison, NFU Dairy Board Chairman, believes that the withdrawal of the milk quota could have a detrimental effect on the industry. 'With milk prices yet to show any strong signs of recovery, this [quota abolition] could push farm gate milk prices down further in the EU, and stall any recovery in the dairy market. It's vital that expansion in any Member State is planned in accordance with available market opportunities,' he said.

> On 31 March 2015, after more than three decades of intervention in the market, the EU milk quota was abolished.

Additionally, the variations and fluctuations in exchange rates are also a concern for UK farmers, who fear that these may make UK dairy exports uncompetitive at the commoditised end of the international export market.

While it is too early to predict what impact removing milk quotas will have on both UK dairy businesses and the wider EU market, it is clear that the change in regulations, in what is already a challenging industry, could prove to exacerbate market volatility.

**Ian Corfield**
Managing Director, Restructuring Advisory (London)
+44 (0)207 089 4705
ian.corfield@duffandphelps.com

**Owen Walker**
Director, Restructuring Advisory (London)
+44 (0)207 089 4758
owen.walker@duffandphelps.com

Oliver Collinge

# Financial Assistance Scheme Can Spread the Cost of Redundancies

It is a paradox of the distress cycle that those businesses who would benefit most from a redundancy programme are often the least able to afford it.

The Financial Assistance Scheme, operated by the Redundancy Payments Service (part of DBIS), can mitigate the cash flow burden created by redundancies, allowing financially distressed businesses to rationalise their cost base and create a step-change in performance.

**The key criteria for acceptance are:**

1. The redundancies are necessary to preserve the employment of the remaining workforce
2. The business (and any associated companies) lack the funds to carry out the redundancies
3. The business will be able to repay the costs of the redundancies within an agreed timeframe

Drawing on the skills and methodology developed in our Tax Arrears Solution team, which has successfully agreed over 900 Time-to-Pay (TTP) arrangements with HMRC, we have helped a number of businesses take advantage of the scheme.

## Case Study

A client's turnaround strategy was underpinned by the closure of one of its sites. The case for closure was clear-cut in terms of medium term profitability and cash generation, but the business could not afford the one-off cash flow impact of making the redundancies (compounded by a long-serving workforce).

We supported the client in preparing a successful application for financial assistance to spread the cost over a twelve-month period, allowing the business to press ahead with its operational turnaround plan.

## The Process

The Redundancy Payment Service (RPS) aims to make a decision within three to four weeks from receipt of the application. The information requirement is more onerous than in a TTP scenario, however, our experience with the scheme enables us to quickly assess the merits of a proposal and prepare an application which should be viewed favourably by the RPS.

Working with management to develop a robust strategy and financial forecasts, we liaise with the RPS to agree on a sustainable repayment basis for the costs of the redundancy payments; this can be as much as twelve to eighteen months.

If approved the RPS then makes the payments on behalf of the company, aiming to get the cash to employees within two to three weeks of redundancy.

The Financial Assistance Scheme can play a key role in a solvent restructuring scenario. If you have clients for whom an application may be appropriate we are happy to meet them on a no-obligations basis to discuss the scheme in more detail.

Recommending our involvement may prevent the costs of the process falling upon the existing funder by default, or may enable much-needed redundancies to be effected which would otherwise have been prohibitively expensive.

**Criteria:**
Where redundancies are contemplated and the criteria below are met, the Redundancy Payments Service (RPS) will agree to make the redundancy payments on the employer's behalf subject to having first agreed a repayment plan for the aggregate liability.

1. The company (and other group companies) lacks the funds to meet the statutory redundancy payments.
2. The company's existing funders have declined to fund the redundancies.
3. The action will save a significant number of jobs and / or secure the solvency of the business.
4. The business will be able to repay the money within an agreed timeframe.

**Oliver Collinge**
Director, Restructuring Advisory (Leeds)
+44 113 366 3076
oliver.collinge@duffandphelps.com

Benjamin Wiles

# Food Standard Agency Flexes its Muscle as a 'Super Creditor'

Increasing regulation is impacting many of our clients at Duff & Phelps, including lenders and companies, in unintended ways.

The Food Standards Agency (FSA) regulates over 822,000 food and feed establishments in the UK with over 1,200 staff and a £70m budget, giving it considerable statutory powers. What you may not know is that it also has the power to impose fines or criminal convictions for breaches of its Articles.

We have recently been appointed as Joint Administrators for an abattoir, which, before our involvement was fined more than £100,000 by the FSA for breaches of its Articles. The company was unable to settle the judgment in full and instead had to negotiate deferred payment terms. A Tomlin Order was subsequently entered into and the FSA's original judgment was stayed to allow the company to make monthly repayments of the arrears over a defined period of time.

A pre-packaged disposal of the business and assets was completed by the Joint Administrators following appointment. The approval granted by the FSA for the company to operate as an abattoir was not capable of being transferred to the purchaser. Therefore, the purchaser was required to make a separate application to the FSA for a new approval to be issued to ensure that there was no interruption in trading.

The Joint Administrators subsequently received correspondence from the FSA requesting that the statutory moratorium under the administration be lifted. Due to the company's failure to adhere to the terms of the Tomlin Order, the FSA required the Joint Administrators to sign a consent order to re-establish the remainder of the balance due under the original judgment. This was in order to allow the FSA to rank as an unsecured creditor in the administration. The residual balance due under the judgment at this time was c£75,000 (the 'Judgment Debt').

The FSA, as a result of having re-established the Judgment Debt, invoked its powers under the Meat (Official Controls Charges) Regulations 2009.

- Section 4 states that where a judgment has been previously entered into, the FSA can refuse to exercise any further official controls at those premises until judgment has been satisfied.

As a result, it required that the purchaser pay the Judgment Debt, otherwise it would refuse to allow it to trade from the premises.

- The FSA provided the purchaser with 14 days' notice that it intended to withdraw all official controls from the premises, inclusive of any FSA personnel, health marking equipment and FSA certification.

- This would effectively cease operations and throw into doubt the viability of the business as a going concern, as the delivery of meat for human consumption is illegal without the requisite FSA controls in place.

As a consequence, the FSA became a 'super creditor' with the ability to attach the Judgment Debt outstanding from the company to the purchaser. In doing so, the FSA ensured it was paid ahead of anyone else. The lesson here is to be particularly aware when dealing with entities regulated by the FSA, as any fines imposed by the regulator may have a detrimental effect on a lender's security if the business needs to be sold as a going concern.

**Benjamin Wiles**
Managing Director, Restructuring Advisory (London)
+44 (0)207 089 4770
benjamin.wiles@duffandphelps.com

Steve Clancy

# How do you get the most out of HMRC?

Recent economic indicators seem pretty positive: rising GDP, falling unemployment and low inflation have all contributed to a sense that we have turned a corner and there is a brighter future ahead. Nevertheless, we're still very much in a period of recovery.

The UK's benchmark interest rate has been held at a record low of 0.5 per cent in order to foster the environment required to achieve sustained and robust growth. And, it looks like it's here to stay in the short-term. In its latest inflation report, The Bank of England (BoE) indicated that the base rate is likely to remain at this historically low level until mid-2016 – a necessary move if the UK is to deal with likely headwinds that may lie in store.

Businesses across a range of sectors remain vulnerable and have been unable to implement improvements in productivity or increase their financial performance, as many are still carrying high levels of legacy debt. As a result, many are struggling to make the necessary investments in capital expenditure (capex) and working capital in order to make real progress. Strategic changes to their business model and debt structure will therefore be needed to remedy this situation.

The low interest rate environment has certainly assisted business, but a culture of support has developed amongst all stakeholders during the recession as well. HM Revenue and Customs (HMRC) has played a prominent role by providing a supportive framework to assist those companies with tax arrears. In fact, we see many situations where HMRC's willingness to provide extended support has given a business a lifeline, where otherwise it might have had to contemplate insolvency.

Duff & Phelps can advise companies and their stake-holders on tax arrears, as well as the most appropriate ways to present a case to HMRC. Whilst many organisations claim to provide this type of service, only a few have our depth of knowledge and experience in this area. The firm's approach is based on taking the time to properly understand a business' current financial position, its future trading prospects and its ability to manage cash flow. We also ensure management has the appropriate funding lines in place to help deliver the plan.

Our independence and experience ensures a high percentage of successful plans are put in place. The company is not only well versed when it comes to understanding HMRC's operating structure, but also how its different departments interact in their enforcement processes.

Whilst HMRC may initially show more rigour in order to control the collection of taxes when they first fall due, it has been known to be pragmatic and seek to redeem the position when arrears are in place, without recourse to formal enforcement action.

> Businesses across a range of sectors have been unable to implement improvements in productivity or increase their financial performance.

Duff & Phelps continues to provide a valuable Time To Pay (TTP) service, which will remain in demand as many companies negotiate this recovery phase. Ring fencing a tax arrears issue is always required when seeking to refinance a business, and is essential when undergoing a turnaround exercise.

As always, it is best to identify the issue early and seek help promptly. Companies often wait too long to seek out this type of assistance, which can restrict the likely outcomes, but it is never too late to ask for help.

**Steve Clancy**
Managing Director, Restructuring Advisory (Manchester)
+44 (0)161 827 9021
steve.clancy@duffandphelps.com


Shiv Mahalingham

# Getting your Transfer Pricing Policy Right

An incorrect transfer pricing policy can lead to tax adjustment, interest and penalties. However, an aggressive – and incorrect – pricing policy can also result in significant reputational damage for a business.

There are two important considerations that businesses need to be aware of in the current climate, as these can provide significant earnings benefits without breaching regulations or moral sensitivities.

First, there are some situations in which transfer pricing design built around commercial change can lead to supportable savings for the business. It's often helpful to think of these commercial changes as ABC triggers: Acquisitions/mergers, Business expansions and Carve outs.

**These triggers will lead to one or more of the following situations being relevant**

- Distinct transfer pricing policies coming together in the same markets/jurisdictions
- One group with a transfer pricing policy being combined with a group that was historically exempt from transfer pricing (e.g. due to a de minimis exemption)
- Distinct transfer pricing policies coming together across different markets/jurisdictions
- A newly carved-out group facing the requirement for a fresh governance structure and transfer pricing policy for the first time
- The requirement to operate in new jurisdictions with unfamiliar transfer-pricing regulations

In all of these scenarios, the transfer pricing policy will have to change under local regulations. The impacted group(s) can choose to react to the above changes on a case-by-case basis or seize the opportunity to create a single, efficient and commercial structure that will add non-fiscal and fiscal benefits to the group going forward. There is a significant body of international case law, local case law, local legislation and guidance that frames the continued opportunity for groups to design efficient structures around commercial change in this manner.

The second consideration relates to commercial issues. In addition to the tax issues that may necessitate a review of transfer pricing, there are substantial commercial issues that can arise as a result of an incorrect transfer pricing policy, including:

**M&A:** A company (the acquirer) purchases another company's subsidiary (the target). The acquirer overpays for the target because the target's historic profits are artificially inflated since its transfer prices with its parent are not priced at arm's length (e.g. not being allocated a fair share of head office service costs).

**Management Investment Decisions:** A business division that is undercharged for HQ support and/or royalties for technology or intellectual property may appear to be highly profitable, prompting management to make a misguided investment in the division.

**Bank Employee Compensation:** A bank has a non-banking broker-dealer subsidiary, each with employees who regularly interact regarding the bank's clients. Because the bank's clients pay only the bank, the broker-dealer employees provide services to the bank's clients without receiving remuneration. This affects year-end bonuses (positively for the bank and negatively for the broker-dealer) that are determined using profitability metrics (e.g. gross margin) for the respective branches. This leads to employee attrition and generally discourages cooperation between the groups.

**Misaligned Company and Subsidiary Interests:** A fixed transfer pricing policy between two manufacturing subsidiaries results in the intra-group transfer of commodities above the current market price, thereby increasing the margins of the selling entity artificially and decreasing the margins of the purchasing entity. This incorrectly causes management to view the selling entity as efficient and the buying entity as inefficient. As a result, this can influence the purchasing entity to buy commodities on the open market, rather than from its related party, to achieve higher margins.

**Unnecessary Audit Risk:** A non arm's length transfer pricing policy causes a local operating company to regularly book losses and be treated as a growing concern by a revenue authority, thus creating an unnecessary regulatory burden for the company.

An incorrect transfer pricing policy can create significant downside within a business, beyond traditional tax costs. This downside can include commercial issues, including artificial investment decision and employee demotivation/attrition, as well as missed opportunities to create an efficient new model after the business has undergone commercial change. The Organisation for Economic Co-operation and Development (OECD) and local taxing authorities continue to accept a commercially based and non-aggressive transfer pricing structure that creates fiscal and non-fiscal benefits for multinational groups.

**Shiv Mahalingham**
Managing Director, Transfer Pricing (London)
+44 (0)207 089 4790
shiv.mahalingham@duffandphelps.com

Steve Billot

# Will Vampire Companies Suck the Lifeblood out of UK PLC?

Countless column inches have already been dedicated to the impact that the recent UK Government election could have for the economy and, in particular, the challenges that many of the so-called 'living dead' companies will now face.

History has much to teach us about how new governments face up to economic challenges. With a five-year fixed term, the Conservatives now have a specific window in which to operate. Whilst the European referendum and increased Scottish agitation will dominate the political agenda, we must not lose sight of the fact that the economy still requires attention, with an increasing number of under-performing businesses potentially facing difficult challenges.

The almost unspoken issue facing the economy is the poor level of productivity and why it has come to the fore. Whilst there might be many reasons, one clear cause has been the lack of investment being made by UK PLC. This is because high employment levels, combined with low wages and wage inflation, have enabled businesses to get by without investing. There have also been fewer catalysts for business change than previously.

Whilst interest rates have traditionally gone up in times of recession, the UK is now experiencing a prolonged period of historic lows, with interest rates remaining at 0.5%– unchanged since March 2009. Banks, which have either been part nationalised, stigmatised by historical errors, or criticised in all forms of the media, are now competing to win back customer trust and loyalty by offering to Treat Customers Fairly (TCF).

In addition, HMRC has become a tool for governmental management of the economy. Prior to 2007, the idea of a Time to Pay (TTP) agreement, whereby arrears of Tax and Value-Added Tax (VAT) could be repaid over time, was a non-starter. However, since the beginning of the recession, TTP has become the model for many, with billions in tax revenue going uncollected – peaking at £25bn in March 2010.

In March 2014, there was still £13.3bn uncollected, according to the National Audit Office. As a result, as the banks have reduced their lending, the 'bank of HMRC' has risen in prominence. However, since 2010, HMRC has decided to tackle the issue head on, and there has been a harder approach on collections, with a rise in enforcement actions through late 2014.

These changes in HMRC attitudes are not easy to see or track. Whilst they will want to be consistent, in the transitional period, we are likely to see some offices taking hard stances and rejecting TTP applications, whilst others may allow them.

However, the question remains, what is HMRC's policy likely to be now that there is a majority government in place? We expect that, for many good reasons, HMRC will begin to reapply harsh collection terms, firstly because of the level of uncollected tax. The Conservatives have said they will improve the tax collections, and whilst some of this will be by changing tax structures and schemes for multinational entities, it would be foolish to ignore the billions currently unpaid by UK PLC.

The second reason for any changes will be to help improve productivity. There are many reasons why the UK's investment is being held back, but one is the fact that the 'living dead', or as we like to think of them, the 'vampire companies', survive by trading for cash, not profit. They will price work to get the cash in, which then has a deflationary drive. This has been reflected in the last few years and is a real concern to economists. No one wants to see the economy stagnate due to perpetual low investment and low wages. A harsh approach from HMRC to flush out those who cannot, or rather, will not, pay their taxes as they fall due, will have a direct benefit on productivity in the long-term.

> The question remains, what is HMRC's policy likely to be now that there is a majority government in place?

Many have discussed the concept of 'creative destruction' as a way the economy can be regenerated. However, this policy will bring with it uncomfortable short-term consequences. We believe that such an approach will cause more companies to fail and increase unemployment.

This was obviously something the previous coalition was not prepared to endorse at the start of its term, when it was facing potential economic meltdown. As such, a policy that helps companies to survive was introduced and the TTP became a lifeboat for many. As a consequence, there has been insufficient 'creative destruction', and therefore, the economy continues to limp along, as productivity dwindles.

With a clear majority, a mandate for austerity and a firm hand on the tiller, is it possible that HMRC may now be given a firm steer, which would mean TTP's days are numbered? If this were the case, then we believe that we will not see an overnight change, but rather an initial inconsistency, with some businesses allowed TTP deals whilst others are rejected. Nevertheless, we feel that over the next six months there will be an evident trend.

Lenders and advisors should therefore be aware that HMRC might not be as lenient as it once was, and we could see the return of pre-2007 rules, where VAT and tax have to be paid on time. In any case, we will keep a close eye on any public statements from the Government over the next six months about its plans to improve tax receipts and productivity, as well as the stance that is adopted by HMRC.

These will give us a clear indications as to whether or not the corporate vampires will continue to suck the lifeblood, or rather cash, out of UK PLC, or if George 'Van Helsing' Osborne is out to hunt them down.

**Steve Billot**
Managing Director, Restructuring Advisory (London)
+44 (0)207 089 4849
steve.billot@duffandphelps.com

# Selling a Business with Employee Benefit Trusts (EBTs)


Jimmy Saunders

## With tax avoidance increasingly making headline news, EBTs have come under close scrutiny.

HM Revenue and Customs (HMRC) has already demonstrated its intent by issuing accelerated payment notices (APNs) with respect to a number of DOTAS tax schemes. A further 21,000 APNs are expected to be issued by March 2016, and HMRC continues to work through a backlog of tax cases which are being tested in the courts.

The uncertainty now surrounding these historic schemes could well prevent a business from expanding or being sold if funders and purchasers feel uncomfortable. At its worst, some point in the future there could be a 90 day demand for full payment of the disputed tax liability from HMRC; at best, business owners may get frustrated with having to spend time and resource dealing with a potential tax liability, rather than running the business.

There is an option to de-risk a sale transaction from a funder or purchasers' perspective. Instead of a share sale, a business and asset sale can be facilitated, thus leaving the legal entity behind as a cash shell. This, after paying its creditors, can subsequently be wound down via a solvent liquidation – a Members Voluntary Liquidation (MVL). The advantages of this include:

1. The purchaser has certainty, as the EBT issue remains with the cash shell
2. Entrepreneurs can obtain a tax relief (10 per cent tax rate on distributions up to £10m)
3. HMRC has to deal with the EBT issue, as there is a finite period in which to agree claims
4. Funders are more willing to fund the purchase if the uncertainty is removed

This approach can also be used in a scenario whereby a business is being passed on to junior family members. The Newco is set up with the successor shareholders and purchases the business and assets from the Oldco – subject to independent valuation for both the business and the assets. The Oldco now becomes the cash shell and the MVL process is used to dissolve it. It is important to note, however, that tax advice is required for both sellers and buyers, and counsel's opinion may be required on the EBT.

The cost of an MVL is small in comparison to the lost opportunity of missing out on the entrepreneur's relief or allowing a business to wither due to the uncertainties of the EBT. It is likely that there will soon be further changes implemented – possibly for the worse. Therefore, now is the time to maximise use of the current limits.

**Jimmy Saunders**
Director, Restructuring Advisory (Manchester)
+44 (0)161 827 9014
jimmy.saunders@duffandphelps.com

Julian Korek

# Global Regulatory Outlook: **Duff & Phelps Compliance and Regulatory Services**

In January 2015 Duff & Phelps acquired Kinetic Partners, a leading global professional services firm focused on the financial services industry. As a result of the acquisition, Duff & Phelps has launched a dedicated Compliance and Regulatory Consulting practice, based on Kinetic Partners' recognised leadership and expertise in this area.

For the third year running Kinetic Partners has launched its Global Regulatory Outlook (GRO) report. The report includes findings from their research with nearly 300 financial services professionals globally to explore perceptions and expectations of key regulatory developments, as well as guidance and practical recommendations to assist firms respond to the changing regulatory landscape.

### The impact of regulation on market stability

The 2015 GRO report revealed that whilst the financial services sector may have a love-hate relationship with regulation, more than one-third (39%) of senior executives believe that regulation is promoting stability in the financial world.

This softening in attitudes could reflect numerous factors, including growing confidence in the system over the past year. Nevertheless, there is still scepticism about how much regulation can achieve. In spite of the belief that regulation is adding to stability, just 2% of executives believe changes to regulation since the crisis have been adequate enough to mitigate another market crash. More than half of those polled (54%) think the risk has only been partly addressed.

### Key regulatory focus areas

As last year's GRO report anticipated, another factor that is likely to be tempering firms' concerns is the regulators' and industry's move away from debating and drafting legislation to implementing and enforcing it. Of course, that is not without difficulties for firms. Survey respondents felt that the key focus areas for regulators are likely to be market abuse (44%), tax-related issues (22%), high-frequency trading (18%), and anti-money laundering issues (14%).

The flipside, however, is that firms are increasingly operating in a post-implementation environment. There is less worry about the regulation and more focus on how to meet the requirements in place. In short, firms have greater certainty. There is even some support for making executives criminally responsible for the actions of firms, although the majority (40%) of survey respondents still believe this would have a negative impact on the industry.

When asked what was the most important internal factor to get right to avoid regulatory problems, more than half (53%) of executives cited the culture of the company. Compliance is no longer enough – regulators want to see a new common culture within organisations, as well as effective governance, systems and controls that militate against abusive behaviour.

Externally, most executives consider principles-based regulation (30%) to be the most important factor. Consistency across borders was the second most cited, with a quarter of senior executives calling for single global regulatory standards. Industry collectives such as the International Organization of Securities Commissions (IOSCO) and the Cross-Border Regulation Forum (CBRF) have also pushed for global initiatives fostering international regulator coordination to improve financial stability and increase consumer access.

### Trading places

If rules are to be coordinated, however, the question arises as to whose standards will dominate. According to those polled, 59% and 38%, said that New York and London, respectively, were the leading financial centres in the world. In five years' time the two cities are still expected to dominate (with 46% and 28%, respectively). The leading emerging market centre in five years is expected to be Shanghai (53% of respondents).

While the Western centres dominate today and the industry can learn to live with regulation, there's little toleration of uncertainty and things can change quickly. In the debate and development of global standards, governments, regulators and firms in those centres should not assume theirs will remain the only voices for long.

**To download the full GRO 2015 report, please visit:**
www.kinetic-partners.com/global-regulatory-outlook-2015

**Julian Korek**
Business Unit Leader – Compliance and Regulatory Consulting (London)
+44 (0)207 862 0802
julian.korek@duffandphelps.com

Ian Corfield

# Investing in the Market: **Duff & Phelps Welcomes Ian Corfield**

In February this year Duff & Phelps was delighted to announce the appointment of Ian Corfield as a managing director to its already substantial UK Restructuring Advisory practice.

After 25 years' experience in the restructuring and insolvency marketplace, gained first at a Big 4 advisory firm and more recently as a partner in major international accountancy practice, people want to know…

### Why Duff & Phelps?

**Ian Corfield:** That's simple – the opportunity to work in a rapidly growing, global professional services firm alongside an entrepreneurial team was and remains compelling.

The recent acquisitions of American Appraisal and Kinetic Partners are a prime example of our ambition, and one of the reasons I joined Duff & Phelps. Our clients are genuinely interested in our investment, enlarged footprint and wider offering.

### What kind of work do you enjoy?

**IC:** When I started in this industry, pretty much the only work streams were liquidation or administrative receivership, so clearly a lot has changed. However, what was true then is also true now – I am lucky that as a restructuring professional I get to work across such a diverse range of industries whether it is construction, asset on-hire, retail/wholesale, care homes or hotels to name but a few. And that could just be in one day!

The most important thing for me is that the work I do leads to positive change. I like a 'blank piece of paper' approach, which is to listen to the competing challenges of a business and seek to unlock an insightful path that delivers the best available outcome.

Whether this simply fixes a problem there and then, or whether a more eloquent solution is required is irrelevant. More and more these solutions are multi-disciplinary, indeed knowing when to introduce specialists is the difference between average advice and excellent customer service. On one of my recent assignments, this entailed working alongside seven different service lines including an external sector specialist.

### What does the future hold for the industry?

**IC:** When a game changes, the players need to evolve and this gives rise to many euphemisms – back in the mid-nineties the phrase 'Restructuring' with a capital 'R' was borne, more recently 'Transformation' has become more populist. The word 'insolvency' is used less and less nowadays.

In reality of course, for some time insolvency processes have been only one of the tools we use to achieve that optimum outcome, and whilst it is generally the option of last resort, there will always be a need for a mechanism to grab a business in a more executive fashion and salvage what one can. So, I prefer to see myself as a general advisory professional that can deliver solutions throughout the lifecycle.

### Career highlights?

**IC:** That's a tough question after all this time, remembering that I've hopefully got another 20 years or so to go!

- It sounds obvious, but it's the people. Whether I sit next to them, work with them, counsel them, or sit on opposite sides of the negotiation, it's the people that make our work colourful and interesting. I won't name them here!
- The Stone Firms administration, which saw the business recommence and all employees reinstated following its closure three months earlier (nominated for Business Rescue of the Year in 2008).
- There are many stories and many assignments, most of which I cannot refer to for obvious reasons of confidentiality. It is a shame that the only ones I can mention tend to be formal appointments, but clearly being appointed over high-profile cases such as Threshers, La Tasca and the Hilton Manchester stand out.

### Hopes for 2015?

**IC:** On a personal level, England to win the Rugby World Cup (but I think 2019 is a more realistic prospect!). On a more professional basis, I have a number of hopes including:

- Better recognition for our work. There continues to be significant scrutiny of the restructuring arena often without any recognition of the good that is done, such as the thousands of jobs protected each year.
- The political agenda to stop overriding the commercial agenda, and let us get one with supporting UK PLC. Oh, and of course to continue to be busy!

**Ian Corfield**
Managing Director, Restructuring Advisory (London)
+44 (0)207 089 4705
ian.corfield@duffandphelps.com


Nick Matthews

# Disputes and Investigations in UK and Europe

Since the Duff & Phelps acquisition of Kinetic Partners in January 2015, we have boasted a UK and European Disputes and Investigations team to complement our Restructuring, Valuation Advisory and M&A teams. The Disputes and Investigations (DI) team was further bolstered with the advent of another managing director, Dominic Wreford, on 1 May 2015.

This comes at a time when expectations on UK corporates in all sectors are becoming increasingly strict. Most recently, on 3 May 2015, part 45 of the Serious Crime Act 2015 came into force, making it an offence to participate in the criminal activities of an organised crime group.

"Organised crime group" is defined as a group of three or more persons with the purpose of criminal activity. Importantly, according to the Home Office fact sheet, "participation" may be as apparently innocuous as:

- delivering a package
- renting warehouse space
- writing a contract

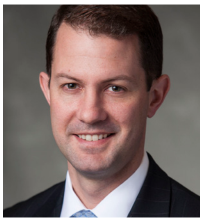
if the person knows or reasonably suspects that the activities in which he participates are criminal activities of an organised crime group or helps an organised crime group to carry on criminal activities.

The Serious Crime Act sits alongside other important UK legislation such as the Proceeds of Crime Act and the Bribery Act in requiring corporates and individuals to be ever more vigilant in ensuring that they, their employees and their associates are not involved in criminal activities. In addition, since 2014, prosecutors have had deferred prosecution agreements (DPAs) in their arsenal, intended for use where corporates have been involved in serious criminal offences such as fraud or corruption. The Duff & Phelps DI team can assist in investigating incidents and working with legal advisors and law enforcement or regulators to mitigate the potential impact.

The former Kinetic Partners team, led by Nick Matthews, draws on deep financial product and regulatory expertise as well as working closely with the restructuring colleagues in the Cayman Islands, New York and London. Recent cases have included disputes or investigations arising from major financial collapses and Ponzi schemes such as Madoff, SPhinX, Petters and MF Global. The team is currently engaged on one of the largest commercial disputes before the Cayman Islands court, a $9.2billion claim brought by the Saudi Arabian family business of Ahmad Hamad Algosaibi and Brothers Company ("AHAB"). Despite the Kinetic Partners team's focus on the financial services sector, the disputes and investigations practice is equipped to handle matters from all industries.

The London-based DI team provides a full suite of disputes and investigations services, including expert witness and litigation support for commercial litigation and arbitrations, shareholder disputes, damages claims and offshore fund litigation. The team also handles fraud, financial crime and accounting investigations, asset tracing and recovery, bankruptcy and insolvency related fraud investigations, as well as offering digital forensic services and e-discovery.

**Nick Matthews**
Managing Director, Disputes and Investigations (London)
+44 (0)207 089 4813
nick.matthews@duffandphelps.com



Ryan McNelley

# AIFMD Valuation Requirements:
## What Fund Managers Need to Know

Since 22 July 2014, alternative investment fund managers (AIFMs) have been subjected to tougher regulations due to the implementation of the Alternative Investment Fund Managers Directive (AIFMD or the directive).

Previously, hedge and private equity funds had been blamed for contributing to the global financial crisis as a result of their lack of regulation. The AIFMD was created in order to readdress what was perceived to be a gap in regulation.

AIFMs are now subject to the full provisions of AIFMD, irrespective of whether they were formally authorised under the provisions of AIFMD. While authorisation signals an AIFM's compliance with most aspects of the directive, compliance may be a matter of perspective in the more subjective areas. Complying with the directive's Art.19 valuation provisions, or more specifically the requirement for independence in the performance of the valuation function, is one such key area.

Addressing investor, auditor and other stakeholder concerns around the issues of subjectivity, transparency and judgment that are inherent in the valuation of illiquid investments, is a focal point in the directive's valuation requirements.

The directive allows for valuations to be performed either internally by the AIFM or externally by a suitably qualified 'external valuer'. Whether performing the valuation internally or engaging an external valuer, the directive makes it clear that the AIFM must take steps to ensure that the valuation is 'functionally independent' from portfolio management. The text of the directive gives little guidance, however, on the specifics of what constitutes a sufficiently independent valuation function. Interestingly, the directive knowingly creates an inherent conflict by allowing for the outsourcing of the ultimate determination of fair value to an external valuer even though the AIFM is ultimately responsible for the assertions provided in their financial statements.

Nonetheless, some, and most notably those who have set up third-party AIFM management companies, with no, or limited, independent valuation capabilities internally, have outsourced the valuation process to an external valuer.

Many, however, have chosen to address the independence requirement by supplementing their internal process with a third-party valuation review by engaging – as the FCA puts it – a 'valuation advisor'. In this set-up, the AIFM retains the ultimate valuation decision, while the use of a third party in a review capacity demonstrates the independence that is not only required by the directive, but is also demanded by investors.

In either case, the directive is fairly ambiguous when it comes to incorporating the critical knowledge that portfolio management can, and should, provide in the valuation process. As a result, industry participants have expressed concern about whether their intended valuation process will run afoul of the UK Financial Conduct Authority's (FCA) and other regulators' interpretation of the law.

To address such concerns for UK AIFMs and AIFMs who are marketing alternative investment funds to UK investors, the FCA published consultation paper CP15/8 on 6 March 2015, which (among other things) addresses the most common questions that have arisen from the AIFM community in the UK. The consultation paper was open for public comment until May 2015 and confirmed that the person making the final determination of an individual portfolio asset's value is considered to be undertaking the valuation function. That person is permitted to draw upon advice, data and opinion from other parties, such as price providers or valuation advisors but is not bound by the information provided.

Moreover, those involved in portfolio management may provide input into the valuation process, so long as the person undertaking the valuation function is not bound to accept the input, and that he or she makes reasonable efforts to independently verify and competently challenge these recommended values. The consultation paper also makes it clear that the AIFM is ultimately responsible for valuation estimates. In addition, the paper also clarifies that the calculation of the Net Asset Value (NAV) is not considered part of the valuation function, which addresses concerns raised by the fund administration community, who didn't want to find themselves inadvertently acting as external valuers.

*Continued from page 14*

While larger investment managers often deploy dedicated staff resources and engage an independent valuation advisor to enhance the independence of their internal valuation process, they know it is necessary to rely on the judgement and input of their deal teams as part of the valuation determination. They also often establish a valuation committee to review and approve valuation conclusions, to ensure that conflicts of interest are mitigated and undue influence is prevented. In contrast, smaller AIFMs may not have the personnel resources to fully establish an independent internal valuation process in-house.

Complying with the FCA's interpretation of the directive will not be a one-size-fits-all proposition. Large and small managers alike will probably retain the valuation function in-house, which will allow critical valuation information to be obtained from portfolio managers who have the relevant knowledge of investments. Yet to comply with the directive, the FCA's paper effectively provides a middle ground where valuation independence can be enhanced through incorporating a qualified and experienced valuation advisor in the valuation process, as part of an independent third-party review, thus mitigating the need to outsource the valuation through the appointment of an external valuer.

The FCA's consultation paper goes a long way towards addressing the AIFM community's uncertainties around the implementation and enforcement of many of the aspects of the directive's valuation expectations, in particular that the AIFM is ultimately responsible for valuation conclusions. While continued dialogue between the FCA and industry is to be expected, the consultation paper makes it clear that the FCA is open to pragmatic solutions to address the question of independence in valuation.

**Ryan McNelley**
Managing Director, Alternative Asset Advisory (London)
+44 (0)207 089 4822
ryan.mcnelley@duffandphelps.com

John Potts

Paul Smith

## London

Since the last issue of Upside, The Shard has become a lot busier with new colleagues joining us through the acquisitions of Kinetic Partners and American Appraisal. You may be surprised to hear that once the integration of our London office is complete, we will have 250 professionals based in The Shard, offering client solutions in Valuations, M&A Advisory, Disputes and Investigations, Restructuring Advisory, Compliance and Regulatory and Tax Services.

It has been a busy first half of the year in London with a number of high-profile restructuring cases coming to a successful conclusion, such as TAG Group, the £206m Apart-Hotels group and most recently Crow TV.

Not all of our new colleagues come through the recent acquisitions. We also welcome new managing directors - Ian Corfield to London Restructuring Advisory, Dominic Wreford to lead European Disputes and Investigations and congratulate Ryan McNelley on his promotion to Managing Director of Alternative Asset Advisory solutions within the Valuations team, plus a Transfer Pricing team headed up by Managing Director Richard Newby.

We wish to congratulate Darran Griffiths, Dominic Reason, Kelsey Hedgecock and Mark Hickford on passing their final ACA exams and therefore are now fully qualified.

On a more charitable note, in May, three of our colleagues from the Restructuring team decided it would be a good idea to ride their bikes between the Duff & Phelps London office and the Paris office in the aid of charity! Owen Walker, Lewis Brooker and Jake Oldaker rode off at 5 p.m. on a Friday night arriving at our Paris office at 3 p.m. local time, so taking 22 hours in total raising money for 'Mind'.

**John Potts**
Director, Restructuring Advisory (London)
+44 (0)207 089 4820
john.potts@duffandphelps.com

## Manchester

Manchester remains a hub of activity in Restructuring Advisory for Duff & Phelps with the first six months of this year not disappointing. Most notably we were involved in the restructuring of Sceptre Leisure which was successfully sold, enabling over 300 jobs to be protected.

On the advisory front we are seeing more and more businesses looking to source additional funding or to refinance. We have been engaged in a number of pre lend reviews for businesses locally, one key project which has just completed being the successful refinancing of a wholesale business with total facilities of £18 million.

As you will have noticed reading Upside, negotiating Time to Pay agreements with the HMRC remain at the top of a number of clients' agendas for us. We are seeing some good results, typically achieving agreements between 12 – 18 months.

Our teams remain as committed as ever to being effective in the market. We would like to note that Andrew Knowles has returned to the Manchester office following a successful secondment at The Co-operative Bank, Gary Hargreaves continues his secondment with Santander and Stephen Haggerty is currently on secondment at Investec.

Some of the Manchester managing directors are off on a bike ride - Paul Smith, Steve Clancy and David Fleming are raising money for 'The Christie' by taking part in the 60 mile Manchester to Blackpool cycle in July.

**Paul Smith**
Managing Director, Restructuring Advisory (Manchester)
+44 (0)161 827 9164
paul.smith@duffandphelps.com


John Whitfield


Keith Marshall

## Birmingham

I forwarded an article from The Financial Times on Thursday to my colleagues in Manchester (for healthy competition purposes of course) titled ‘Foreign Investors lured to Birmingham’, which read *“Birmingham beat its rival Manchester to be the most popular destination for foreign investment last year outside London, according to figures published on Friday by UK Trade and Investment”*.

The interest in the Birmingham market from investors is opening doors for businesses looking for growth, however as a knock on effect the door may be closing somewhat for smaller business who are not ready for the competitive landscape that is developing. What it is doing though, is making the Birmingham business market an interesting place to be.

From our side all sign of this are true and we are seeing the level of work appreciate locally, especially from our Business Consulting teams’ perspective as you would expect. In keeping with this publication, you will hopefully have taken the time to read the industry ‘Market Oversight and Provider Failure’ focusing on the Care sector. The care homes sector seems to be an area that has been keeping us busy over the last six months. As you may expect given the size and depth of the Birmingham Leisure and Building and Construction sectors, these are proving to be industries with a relatively high level of activity so far this year.

On a lighter note, our Birmingham client event will be held on the 8 October so we are looking forward to welcoming you all to this evening and will be sending invitations soon.

**John Whitfield**
Managing Director, Restructuring Advisory (Birmingham)
+44 (0)121 214 1122
john.whitfield@duffandphelps.com

## Leeds

The Leeds office is now firmly established having opened in Spring 2013. We are seeing an increasing number of businesses which have been with their current lender for a relatively short period of time and it appears that, whilst corporate insolvencies numbers are still in year-on-year decline, lenders are being more competitive in what they lend against in order to grow client numbers. This in turn should transfer into an increasing requirement for advisory-led restructuring expertise.

During April we acted on two Administration appointments in the North East within the carbon trading segment of the Green Energy sector. This sector has experienced rapid growth and is relatively unproven in showing longevity of profitability. Our experience on these cases suggests that rigorous lending criteria and monitoring are essential to safeguard against losses on funds advanced.

We are also continuing to see introductions to support management teams in addressing HMRC arrears. TTPs continue to be a key tool in much of the advisory work we undertake. Our TTP offer is an attractive ‘value-added’ proposition for management teams and when we are introduced to support HMRC negotiations we are also able to develop a wider understanding of other performance issues within the business.

Finally, our congratulations to Oliver Collinge on his well-deserved promotion to director.

**Keith Marshall**
Managing Director, Restructuring Advisory (Leeds)
+44 (0)113 366 3008
keith.marshall@duffandphelps.com

Declan Taite

David Farrell

## Dublin

Duff & Phelps Ireland is approaching the end of its first year as a part of the global valuation and corporate finance advisors and it has been a busy twelve months.

The team has continued on its path as a leading advisor with a strong reputation for providing a broad array of high-quality turnaround, corporate recovery and property asset management services to local, regional and global businesses throughout Ireland and internationally.

Recently we have featured in the Irish press having been appointed as joint receivers of Irish Pride, reported to be the 6th largest Irish manufactured grocery brand in the retail market in Ireland, which employs 340 people across 23 depots, making over 2,000 deliveries daily across Ireland. The Duff & Phelps team will continue to trade the business with the aim of maintaining the supply of produce to the market whilst looking to secure a new owner.

Aside from the Corporate Restructuring Advisory, we have also taken a further step forward in offering wider Corporate Finance services to our clients through the appointment of Aidan Flynn. Aidan previously worked for a boutique infrastructure M&A advisory firm on a variety of sell-side mandates. He is experienced in international markets having worked for with Mizuho Bank in Sydney and with AIB in both Dublin and Australia. With Aidan on board, the Irish business is able to strive further in offering M&A advice to clients along with our already established Restructuring, Insolvency and Property Asset Management solutions.

**Declan Taite**
Managing Director, Restructuring Advisory (Dublin)
+353 (0) 1 472 0740
declan.taite@duffandphelps.com

## Longford

With the Central Bank estimating that 25% of SME loans are in default 'Restructuring Your Debt' has been the focus of the Longford office and our Regional Restructuring team.

With this topic in mind, the team has been working with the 'Irish Small & Medium Enterprises Association (ISME) on their Alternative Sources of Finance roadshows. Presenting at roadshows across Dublin, Kilkenny, Cork, Limerick, Sligo, Dundalk and Galway; the Duff & Phelps team has been busy answering questions from some of the 9,500 members attending on the subject of debt.

Our message is that in our experience clients across Ireland are being distracted from the essential task of sustaining and growing their businesses and are unaware of the direction to take. As availability of credit from traditional and alternative providers improves, there are increasing options available, particularly if your business has strong underlying assets and/or trading fundamentals regardless of the debt level. This is especially relevant if your loans have recently been sold by your bank.

In association with ISME, Duff & Phelps Ireland has been travelling the country to educate businesses on their options. A warm reception has been received on the subject, given we have been able to share our considerable success in this area as a specialist in restructuring businesses for sustainable growth, developing credible refinancing propositions and matching this with the best funding solutions available for businesses.

**David Farrell**
Senior Manager, Restructuring Advisory (Longford)
+353 (0) 43 3344610
david.farrell@duffandphelps.com

DUFF & PHELPS

Valuation and Corporate Finance Advisors


London

The Shard
32 London Bridge Street
London SE1 9SG
+44 (0)20 7089 4700

Dublin

Molyneux House
Bride Street
Dublin 8, Ireland
+353 (0) 1 472 0700

Manchester

The Chancery
58 Spring Gardens
Manchester M2 1EW
+44 (0)161 827 9000

Longford

2 Church Street
Longford
Co Longford, Ireland
+353 (0) 43 334 4600

Birmingham

35 Newhall Street
Birmingham B3 3PU
+44 (0)121 214 1120

Leeds

1 City Square
Leeds LS1 2ES
+44 (0)113 366 3070


## For more information about our global locations and services, please visit:

## www.duffandphelps.co.uk

### About Duff & Phelps

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, dispute and legal management consulting, M&A, restructuring, and compliance and regulatory consulting. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world.

*M&A advisory and capital raising services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory and capital raising services in the United Kingdom and Germany are provided by Duff & Phelps Securities Ltd., which is authorised and regulated by the Financial Conduct Authority.*