AUGUST 2016

the ift NEWS & REVIEWS

Swift

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SPECIAL EDITION

Dr. Pippa Malmgren advises investors and governments worldwide

BRITAIN'S FUTURE IS BRIGHTER THAN THE BRITISH KNOW

NATIONAL CONFERENCE

8 SEPTEMBER LONDON

CHAIRMAN'S MESSAGE

This edition of Swift marks the end of my two year term as Chairman, and more importantly represents an opportunity to reflect on the achievements of our outgoing CEO, Christine. When Christine joined the organisation it was enthusiastically run by practitioners – keen amateurs – if you will, dependent for survival on the services provided by R3. In order to thrive, it needed the attention of a professional manager, and Christine has brought those skills in spades. We are now a larger, completely independent Membership Institute with a busy calendar of high quality events, sound mechanisms for maintaining professional standards and a good pipeline of new talent coming through. Equally importantly, Christine leaves us having developed a sound strategy for the next stage of our development – with strengthened Regions, new Special Interest Groups and a re-invigorated Fellowship. She has been a driving force in establishing both the Asia Transformation & Turnaround Association (ATTA) with which we now enjoy reciprocal membership, and The IFT Academy, which has become a mainstay for the next generation's practitioners. We owe Christine a great debt of gratitude for a job extremely well done, and she goes onto her next opportunity with our very best wishes.

As my term ends, let me also thank the Board for their commitment to your Institute. In particular, we record our appreciation for Kevin Hewitt, Duncan Parkes and Bill Reeves for their loyal service as they step down after serving their two terms in office. At the AGM in September, you will be asked to endorse Graham Rusling as the new Chairman, having served as Deputy Chairman for the past two years. Graham brings great experience, enthusiasm and commitment to the role, as well as the full endorsement of the Board. So the Autumn will see a new Chairman, a new CEO (whose appointment we hope to announce shortly) and a refreshed Board – we are well set to continue the development of the IFT as the definitive voice of turnaround and transformation.

Richard Pennycook, *Chairman*

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Swift Editorial 2016 – Review Edition

In this special edition, we look back on some of the highlights of The IFT Year and preview what will have changed by the end of 2016 – for us and in the part of the world that we mostly occupy. With an economy hanging, it seems, on Article 50, profound and radical change is in the air – and that is where The IFT membership excels.

Strategy Review

Following the intensive consultation process last year, which led to our refreshed purpose and direction, we have made real progress on implementing the key changes:

Regional Chairmen

We agreed a new Board composition to include membership for all Regional Chairmen and new Company Secretarial resource has recruited. An EGM earlier in the year approved our new Articles nem con.

Fellowship

Deliberations about the Fellowship's future role concluded positively, with a new Fellows' Committee leading the way. There are more details in this edition.

Special Interest Groups and new region

The Special Interest Groups (SIG's) are underway in response to priorities that members have chosen. Our working party formulated plans for a new London & South Region, and a transition committee is being chaired by Brendan McGeever, Gateley plc, who is an experienced former Midlands Region Chair. Information about the groups and programmes, once confirmed, have been published in the members' area of The IFT website.

Five Special Interest Groups (SIGs) have emerged as those with most support from our members and are up and running – you can read more in the article and following on from 'Manufacturing SIG promotes The IFT'.

The IFT Branding

As a result of members' and partners' insightful feedback on The Institute's positioning and market perceptions, we developed a crisper corporate identity to reflect both professionalism and the flexibility of roles and language that members advocated. We will simply be known as 'The IFT', with the focus that became clear during the consultation: creating value, saving jobs. Our website address is: www.the-ift.com and this new identity has been rolled out with new membership literature plus a redesigned pin badge for 2016 renewals. The new logo and related insignia are available on the same basis as before.

Digital Engagement

We have set up a small working group to develop recommendations on how we can best capture and appropriately share, knowledge for members' benefit; and how best to streamline our data, which we use to showcase members' skills to the outside world and through our executive introduction service. It was clear from the in-depth strategy consultation last year that for understandable reasons, we have a spectrum of magnificent information silos, whose power could be channelled in new and useful ways.

Lecture

The 2015 lecture was delivered by Tony Collins, former Chief Executive of Virgin Trains.During his time as CEO at the then £1billion turnover Virgin Trains (2004 - 13), Tony Collins faced and overcame many challenges, leaving us with a with a wealth of examples and anecdotes of what works, and what doesn't; one notable experience being the Grayrigg, Cumbria derailment, a fatal accident involving one of his trains in 2007.

This year, we had an unprecedented duo, Jon Moulton whose forensic intellect, humour and drive through Better Capital and his many other activities, both commercial and charitable, are the stuff of legend; paired with Kevin Rowan, former Head of Employment at the TUC and now with the wider brief, Head of Organisation and Services. They debated employee communication and engagement in organisations facing radical change or potential insolvency - and it was unmissable.

Conference

"Best ever conference" we were told – and this was supported by feedback that rated our speakers as either 'above average' or, predominantly, 'well above average'. All of our respondents would recommend the event to other people.

2016 Conference is well launched, with international economist Dr. Pippa Malmgren and IFT Fellow David Hoare as keynote speakers, and many compelling panellists and speakers to engage you.

Professional Development CPD

With the advent of the SIG's and help from keen advocates on our regional committees, under the wing of Professional Development Committee, the CPD programme continues to thrive and we are always keen to hear from members and partners prepared to share their knowledges from current cases and learnings.

IFT Academy

The IFT Academy, in which several members and partners participate, will enter its fourth year and third programme cycle. It is encouraging to know that one of its alumni recently secured a plum position, working for a dynamic business growth group. If you know someone who would benefit from attending, Kate Norris will be glad to send a credentials pack.

Practising Certificates

The PC has been refocused as a tool for professional credentials and the Professional Development Committee will be consulting on its proposals before introducing an implementation plan.

Awards

We had a totally fully house on November 24 (2016 is already booked on the Thursday, same date) and you can read more about the superb winners and those short-listed, in this edition. Entries are now being sought for this year's awards – they may be imitated but they are never bettered!

The venue moves to The Landmark by Marylebone and a top quality evening awaits you.

ATTA

It has also been encouraging to see several members opting for the reciprocal membership with the Asia Transformation and Turnaround Association, which is offered to you at no extra cost.

Corporate partners

We were delighted to start our year by sharing the news that Better Capital and Alvarez & Marsal (A&M) have renewed their corporate partnerships with us. At the end of last year, Better Capital announced the sale to Alcumus, for £47m, of Santia Consulting Limited, one of the UK's leading providers of integrated health & safety and environment risk management services.

Towards the end of 2015, Macfarlanes and FRP Advisory joined us, with JLT, HSBC, RBS and AlixPartners recently renewing. Our partners' long term support is hugely important to The IFT, and much appreciated.

Why The IFT Matters

Welcome, Readers, to this ***Swift*** *Special Edition, kindly supported by AlixPartners and by Sullivan & Cromwell.*

2015 was a landmark year for The IFT and as we go to press, initiatives developed through our strategic review with our members, are bearing fruit. The Special Interest Groups have generated huge interest and a partnership with the Association of Colleges. The IFT and its members are changing to meet market needs and personal goals, and this is a wholly healthy response to the new economic and social norms. Turbulence is brewing in many countries and communities; and with that disruptive reality, come responsibilities and opportunities.

There is a satisfying point known to many transformation and turnaround professionals, where they can look back on the crisis that threatened to engulf the organisation, knowing that it once again has a future. There may be much still to do, but the team is rebuilding on firm foundations. That is how to create value from a situation where none seemed likely to exist.

The same can be true of most companies, whether SMEs, FTSE 250, public sector, private, or not-for-profit and charities. What it takes are people who can objectively assess the organisation, look at it with depth of experience, from a new perspective and work with management to move the company from where it is to where it realistically can be. IFT-accredited members – you can't just join - take responsibility by becoming company directors and they are there for the company, for all its stakeholders.

Over the years as the IFT's chief executive, I have seen countless examples of how to transform organisations at risk of under-performance. Our national conference platform included Ann Budge, Owner, CEO and Chairwoman of Heart of Midlothian FC. In May 2014, Ann completed her takeover of Heart of Midlothian Football Club, thereby saving it from liquidation and expulsion from the Scottish Football League. The existing entity was preserved and Hearts started the 2014/2015 season free from further football sanctions, leaving its financial future in the hands of its loyal supporter base.

Last year, I led a national consultation and discussion process with IFT members and corporate partners, the results of which shaped our national strategic purpose and plan. We concluded that IFT should be the professional body of choice for organisations at risk of under-performance that urgently need the support of independent-minded, proven experts to achieve their goals and potential.

The IFT aspires to be the UK's leading source of knowledge, education and best practice in turnaround and transformation and an outward-looking membership organisation that engages, connects, networks, and benefits our members, partners and participants, in the UK and internationally. Our announcement of a strategic alliance with the Asia Transformation & Turnaround Association supports this aim.

Our members and our partners need us to be a trusted brand displaying the highest standards, recognising their expertise. Each and every member has a vocation to follow this challenging career and to meet its exacting requirements. It is individuals who comprise the IFT brand and that is one reason for insisting on Continuing Professional Development and annual reporting. Trust is not a given, it is earned and validated over the passage of time. Part of IFT's promise is to provide access to capable people, with proven credentials; and to be an impartial influencer, a policy think tank and educator

What IFT members do matters to the economy - by saving jobs, boosting productivity, growth and protecting the interests of customers, employees, shareholders and the wider general public – and that, surely, is creating sustainable value and very often, a wider social dividend.

Christine Elliott, Chief Executive, The IFT.

IFT Conference 2015

Ann Budge, Hearts FC.

Adam Gallagher, Freshfields.

Jat Bains, Macfarlanes

Sir Denis O'Connor

IFT Awards 2015

Sullivan & Cromwell won Awards for both Towergate Insurance Group (IFT Adviser of the Year) and Zim Integrated Shipping Services Ltd. (IFT Financial Restructuring)

Nick Winks garnered a Commendation in The IFT SME Award, for Electranet UK Ltd.

H2 Equity Partners won The IFT Investor of the Year for Eurocell plc.

Andy Leeser won the Professional of the Year award.

When it really matters

AlixPartners is a leading global business advisory firm of results-oriented professionals who specialize in creating value and restoring performance at every stage of the business life cycle. We thrive on our ability to make a difference in high-impact situations and deliver sustainable, bottom-line results.

The firm's expertise covers a wide range of businesses and industries whether they are healthy, challenged, or distressed. Since 1981, we have taken a unique, small-team, action-oriented approach to helping corporate boards and management, law firms, investment banks, and investors respond to critical business issues. For more information, visit www.alixpartners.com.

AlixPartners. When it really matters.

Simon Freakley- the right person at the right time

***'Swift'** in conversation with AlixPartners' Chief Executive Officer*

As the person who was this year appointed to lead a globally significant organisation, Simon Freakley appears disarmingly relaxed. Absent too, is any visible trace of false modesty, though he is incisive about the scale of the challenge he has signed up to. This might not be what we ordinary mortals, and business rivals want to hear, especially when you factor in the charitable work and dedication to his family.

Simon is Chief Executive Officer of AlixPartners and Business Unit Leader of EMEA, which includes being a member of the firm's Board of Directors. Before joining the firm, he was CEO of Zolfo Cooper Europe from 2008 to 2015 and previously, CEO of Kroll Inc., a $1 billion turnover global company. Personal recent case credits include developing and implementing a financial and operational restructuring for Stemcor, the world's largest independent steel trader; being Chief Restructuring Officer (CRO) for hibu plc (formerly, Yell); and CRO of SNORAS, Lithuania's largest national bank.

Who does what?
On January 1 2016 Simon Freakley became the firm's sole CEO. Fred Crawford remains a member of the Board and has taken on a new role within the firm.

At the outset, Simon split his time between the London and New York offices, which must be quite civilised compared to when he spanned 65 offices in 33 countries. That may change, given that AlixPartners is a global firm too, with a strategy to deploy the skills brought with the Zolfo Cooper Europe merger in expanding both service offerings and geographic reach. The simple aim is, 'to help clients solve critical problems'.

Back to the future
The IFT has a longstanding connection with Simon, who interviewed the founding members of the Institute's forerunner, STP (Society of Turnaround Professionals) and was a great supporter while on the Council of R3. "Back in the day, the banks called all the shots and the environment was unduly creditor-friendly. We saw then that the future should look different and that there had to be a sea change in the way that restructurings were done", said Simon, "and in the late 90's, in a world market for money, the new, incoming sources of capital made it clear that they wanted the UK to have a forum for debtors. The IFT came about at the right time – people may forget that before then, there wasn't a real sense of community and validation of its attributes and contribution to the wider world, or standards in best practice, or the national education apparatus we now have."

The market for restructuring services
"I first met the firm when Al Koch was thinking of going into Europe. That was in Detroit in 1996 and there were 50 people; now we are 1800.Currently, EMEA contributes more than a third of global revenues, from a business that has been built from scratch in 13 years. There have only been two acquisitions in that time, Zolfo and a small US data analytics business. It's almost all organic growth.

"In my view, there are significant opportunities to grow the offices we already have including those like Germany, where we are the most recent addition to the market. You don't have to have a buoyant market to grow your business and that applies to us just as much as to our clients and future clients. The market is fragmented enough, and standards are variable enough, to give plenty of scope. There probably isn't a big restructuring that we wouldn't at least be considered for… and if a growth surge comes, that is turbo."

Big job, big honour
Simon has been in professional services for 33 years and says his perspective is how to continue to grow a best-in-class professional services practice. "I'm somebody that has a long term view", he says, "and I enjoy leadership, working with talent, notwithstanding the tricky decisions. I have always had a partnership approach, inasmuch as a good team outperforms individuals, no matter how gifted.

"The culture I find here is what I expected – I'm delighted by the collective standard of the people, they are real professionals who derive personal fulfilment from getting great results…and that is very similar to the Zolfo culture".

Pressures in success
Maintaining and improving standards, developing the people, growing the business, have an extra dimension when a firm holds itself out as a top expert in the world. Does the firm apply the same thinking and disciplines to itself as it instils in client companies? According to Simon, the way that the CEO succession process was handled was in absolutely the same way as a client project would have been run. AlixPartners is well known for its extensive psychometric testing and collegiate decision making when recruiting.

Professionals in restructuring are themselves under intense pressure and away from home, sometimes for extended periods and not unusually, overseas. To support its people, the firm has a rotation system for assignments, so that individuals get a break and can return to their roles refreshed and operating optimally. There is also a buddy system, pairing colleagues with someone who is neither in the reporting line nor involved in appraising. Notwithstanding, the firm, "tends to recruit people who enjoy working hard – and are resilient".

Competitors keenly watched recent departures from Alix to EY and wondered if they were a portent. However, when quizzed, Simon explained, "The colleagues who left saw a special opportunity for themselves at EY and were attached to an individual view of legacy AlixPartners. They are talented professionals and I wish them well."

Partnership and brand
"People want to wake up feeling able to make a difference. For us to get momentum, we know that financial success is a consequence of having a collective vision of what is possible, not a driver in itself. If you have that sense of mission in place, there will be perpetual forwards motion. It's that collective ethos and shared persona which enables a firm to build and project its brand."

"I see the restructuring marketplace like a marathon, with a clump of world class athletes leading the field. There is a number that are world class and so my aim is, on any given day, to win more races than I lose!"

"To succeed, AlixPartners needs to differentiate itself, which seems to flow quite naturally from the people we hire and how we work – placing smaller and more senior teams in assignments. Depending on the type of assignment, our mantra is that the client should always get a team suited to 'when it really matters'. Once they use us in that way, they tend to continue to do so…because others can't execute with the same certainty, at speed. Our clients have a right to expect and to receive, the best outcomes – and to enjoy the working relationships that develop on the journey."

'JENGAGATE' ? A TOWERING TURNAROUND

BACKGROUND

Towergate is the U.K.'s largest independently owned insurance intermediary, generating more than £3 billion of pro forma gross written premiums across its companies and employing over 5,000 people across more than 100 U.K. offices, many of which were formerly local brokerages rebranded under the Towergate banner. By building critical mass, the company was able to drive higher discounts on client policies from underwriters. It continues to be a very successful business model.

As the company rapidly expanded it often made acquisitions without being able to integrate them, and as a result it operated multiple IT platforms and duplicated other administrative and back-office functions. Although the company had started to make sensible efforts to streamline its administrative functions, centralise costs, integrate new operating systems and re-focus the business, it had to simultaneously manage a regulatory investigation conducted by the UK Financial Conduct Authority (the FCA) and contend with the increased competitive threat posed by web-based services. As the business struggled to turnaround operationally, regulatory fines and restitution loomed large, profitability eroded and the exclusivity periods of key sales staff derived from historic acquisitions started to roll off. As a result its prized commodity of experienced sales professionals became increasingly susceptible to offers from competing brokers and other market participants.

Towergate began discussions with its creditors in November 2014, after a decline in earnings left the company on the verge of breaching covenants on its revolving credit facilities (RCF). In its Q3 trading statement Towergate also announced that its board had received approaches from parties interested in potentially acquiring the Group and that the company was undertaking a formal sales process. At that time, it had pre-restructuring debt estimated at more than £1 billion, of which c£731 million was senior secured debt (senior secured notes (SSNs) and the RCF) with the balance comprised of senior unsecured notes (SUNs). Inevitably, the SSNs and SUNs had started to trade – with the SSNs then held by a combination of original par holders, debt trading funds, and other credit and distressed funds (some of whom were starting to adopt a possible loan to own strategy), and with the SUNs then held by speciality equity opportunity funds and private equity orientated funds that adopt a full loan to own strategy. The initial corporate and capital structure is illustrated on Figure 1.

By the end of November 2014, the larger senior creditors had organised into an ad hoc committee (the AHC) and had instructed legal counsel and financial advisers. The SUNs were already ahead of the game and had commenced detailed due diligence and restructuring negotiations with the company. With trade buyers also engaging with the company and its advisers under the company's M&A process and the FCA now exercising increased supervisory scrutiny, the stage was set for a complex and dynamic restructuring process.

The Initial SSN Restructuring Strategy

Confronted with a possible scenario where a trade buyer could offer a purchase price inside the quantum of the senior secured debt or the SUNs could propose an over-leveraged structure whereby the senior secured creditors (if disorganised) would be exposed to a reactive acceptance of a roll-over of their debt, the AHC made a pre-emptive credit-bid on Christmas Eve 2014, which valued the Group at a price equal to the entirety of the senior secured debt. The AHC constituted a group of secured creditors holding c60% of the secured debt and in effect they became "price-drivers" who could shape the restructuring and the bids of other stakeholders and interested trade and financial buyers. The credit bid was made pre-emptively to motivate the highest possible bids from trade and financial buyers and to avoid the SSN's being disorganised and coerced into a deal by the SUNs as "price-takers", when otherwise they would have had no credible alternative option of their own.

As the M&A process closed without clearing the senior secured debt, the AHC developed its initial credit-bid into a fully-fledged lock-up agreement for a "senior creditor only scheme" with the company (incorporating comprehensive restructuring terms, new money and a governance and implementation structure) which was signed on February 2nd 2015, whereby a new holding structure consisting of TopCo, MidCo and FinCo would be put in place and the company's assets would be transferred to FinCo pursuant to an administration sale. This transaction would not have affected the claims of the unsecured creditors whose claims as "out-of-the-money" creditors would have remained stranded in the existing group. The secured creditors would have received – in proportion to their stakes in the existing claims – a part of GBP375m of new FinCo issued senior secured notes paying an 8.5% coupon, as well as GBP150m of subordinated MidCo-issued 12% PIK notes. They would also own 100% of the TopCo's equity, while receiving the right to participate in GBP 75m of new 2019 FRNs issued by the FinCo.

The Twin-Track Scheme Structure

Immediately following the execution of the SSN lock-up agreement the SSN's (prompted by the company), commenced negotiations with the SUNs regarding a possible "composite restructuring", on mutually acceptable terms, which would enable the SUNs to retain an ongoing economic interest in the group. Following accelerated and highly constructive negotiations on the part of all stakeholders, a consensual composite restructuring was agreed. In exchange for all their GBP731m of claims, the senior secured creditors received a pro-rata share of a new GBP425m senior secured 2020 note, GBP250m of cash (as a de facto purchase of the SSNs equity in the group) and c19.4% of the ongoing equity in the new group. Towergate received an additional GBP 75m of liquidity in the form of a super-senior secured note (the SSSNs) provided by the existing SSNs, while another GBP50m – back-stopped by the existing SUNs, would be contributed as new cash equity.

The composite restructuring (which was initially subject to an interim composite lock-up agreement agreed in only 7 days) was implemented in just over 10 weeks pursuant to an administration of Towergate Finance plc and separate schemes of arrangement of both the secured debt (SSN's and the RCF lenders) and the SUN indebtedness. The restructuring shaved approximately five turns of leverage off the group, leaving the new restructured group operating under a newly formed holding company, with a manageable net leverage ratio of c4x. New equity and governance terms were also agreed.

The schemes were particularly innovative because they incorporated a so-called "twin-track" structure which enabled the initial secured creditor only (previously agreed in the February 2nd lock-up agreement) to be implemented as a fallback if the key milestones to the composite restructuring (an FCA financial regulatory clearance and competition authority approvals) could not be met or if the composite restructuring could not implemented by a long-stop date. The secured creditors were therefore fully protected and retained the ability to implement both the "senior-secured-only" restructuring and the joint composite restructuring. The schemes achieved overwhelming support from creditors, with the senior creditors voting unanimously in favour of the restructuring plan and the approval rate of the SUNs reaching 98.8% in number and 99.9% in value. Fig 2 shows the corporate and capital structures of both the "senior creditor only scheme" (edged in blue) and the composite restructuring" (edged in green).

Interesting Learning Points

- Towergate is an exemplar of the strategic importance of making a pre-emptive credit bid to drive the restructuring process, and then quickly documenting that bid into a binding "lock-up".

- The case shows that an accelerated process is still achievable in bond restructurings. The entire restructuring took less than 18 weeks and the period from lock-up to scheme sanction was only 10 weeks.

- Approval of the new SSSNs and recognition of the schemes of arrangement from the U.S. Bankruptcy Court under Chapter 15 of the US Bankruptcy Code was achieved on scheme sanction.

- The restructuring process was designed so that the SSNs were "public" (i.e only in receipt of public non-price-sensitive information) on the Towergate credit for the entire period of the restructuring, save for 10 days when they negotiated the key restructuring terms and they received "private" information that could have prevented them trading their notes - this was a combined result of the terms of the AHC appointment and its organisation, its documented relationship with the company, the overall negotiated disclosure strategy and the features of the appointment of the AHC's counsel and financial advisers who "fronted" large parts of the restructuring negotiations.

- Key components of the restructuring were negotiated using strawman terms and a strawman structure with actual economic terms and "numbers" only included during the 10 day "private period" when the SSN's received the private information. That private information was pre-agreed and then featured in a press release to make it "public" so as to enable continued trading by the SSNs.

- No 10(b)(5) disclosure letter was given in the transaction (this is a letter from U.S. counsel, sometimes referred to as a due diligence opinion, generally based upon an investigation of specified facts and addressing the accuracy and completeness of an official statement made by an issuer of securities). Instead, the backstop purchasers of the SSSNs and the trustee/security agent received validity opinions from UK, US, and Jersey counsel regarding the issue of the SSSNs and the security.

- The new SSNs and Topco equity were issued without U.S. registration in reliance on the Section 3(a)(10) U.S. Securities Act exemption, which allows under certain circumstances the unregistered issuance of securities in exchange for other securities, claims or other property (including loan interests). To satisfy this exemption, a notice of intention to rely on Section 3(a)(10) was included in the explanatory statement and scheme submissions to the English court in connection with the schemes of arrangement. The US Securities and Exchange Commission (the SEC) has previously indicated that an English scheme provides a hearing with adequate notice and effectively approves the fairness of the terms and conditions of the exchange, fulfilling the requirements of Section 3(a)(10).

- Debt securities issued in reliance on Section 3(a)(10) are not exempt from the U.S. Trust Indenture Act (TIA). Therefore, the SSN indenture was required to be TIA qualified, which is not typical on an issue of unregistered securities outside the US. One consequence of TIA-qualification was that the required level of consent for any amendment to the indenture governing the SSNs regarding payment of principal or interest had to be 100% instead of the European market standard of 90% .

- The opportunity to buy new SSSNs was offered to the existing senior secured creditors within the US in reliance on a private placement exemption from registration under the Securities Act (and to those not in the US in reliance on SEC Regulation S). To permit general solicitation and general advertising while maintaining a private placement exemption , qualification for Rule 506(c) of SEC Regulation D was preserved, which allows general solicitation/advertising so long as each purchaser is an accredited investor and the issuer has taken reasonable steps to verify the investors' status as such. To that end, subscribers to the new SSSNs were required to make representations as to their accredited investor status.

- In relation to the equity structure and to ensure that the SSN's 19.4% equity had substantive value (so the SSN holders could achieve a return equal to or in excess of the par value of their pre-restructured notes), extensive minority rights and in particular anti-dilution protections were negotiated in relation to the SSN's equity interest.

- Coordinating multiple exchanges of notes and the issue of new regulated securities in the context of a restructuring through a UK scheme, through a multitude of completion steps, involving a diverse range of regulated US funds in turn holding their notes through multiple custodians, information agents and brokers was highly challenging. This was managed through a variety of techniques such as the use of back-stoppers, escrow arrangements and DVP settlement for certain US funds (a settlement process that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security).

Sullivan & Cromwell won the IFT Adviser of the Year 2015 award for Towergate Insurance Group.

see diagrams →

'JENGAGATE' ?
A TOWERING
TURNAROUND
BACKGROUND

Fig 1. Initial corporate and capital structure

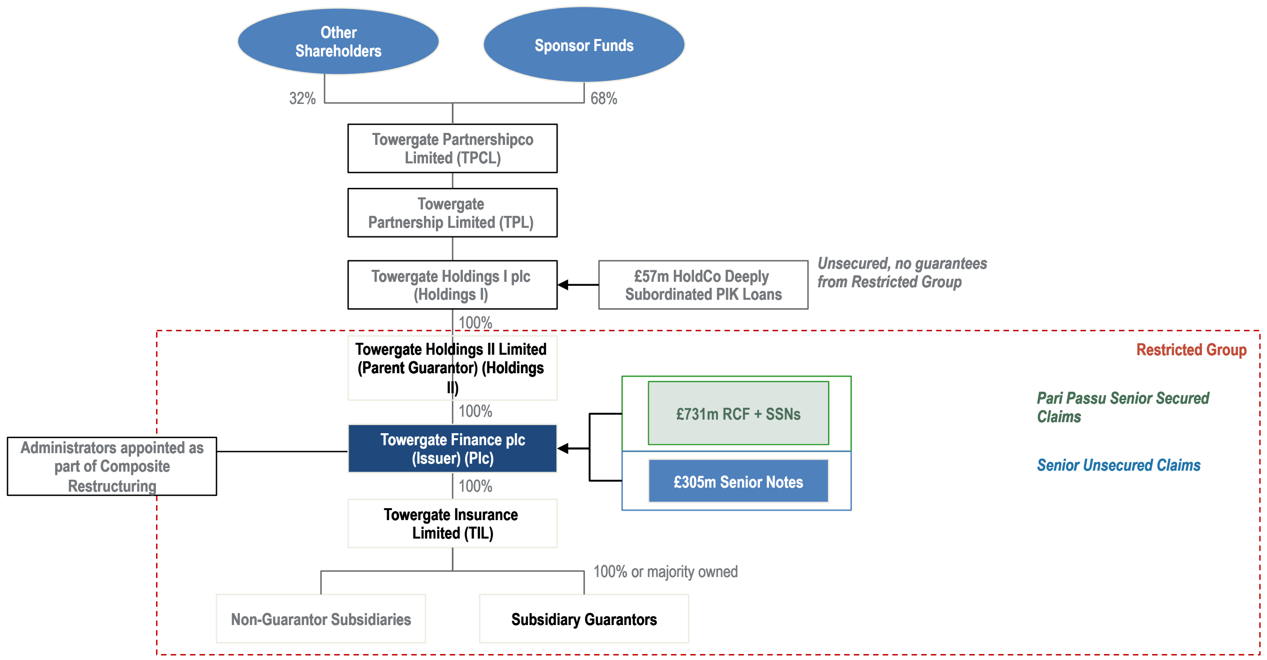
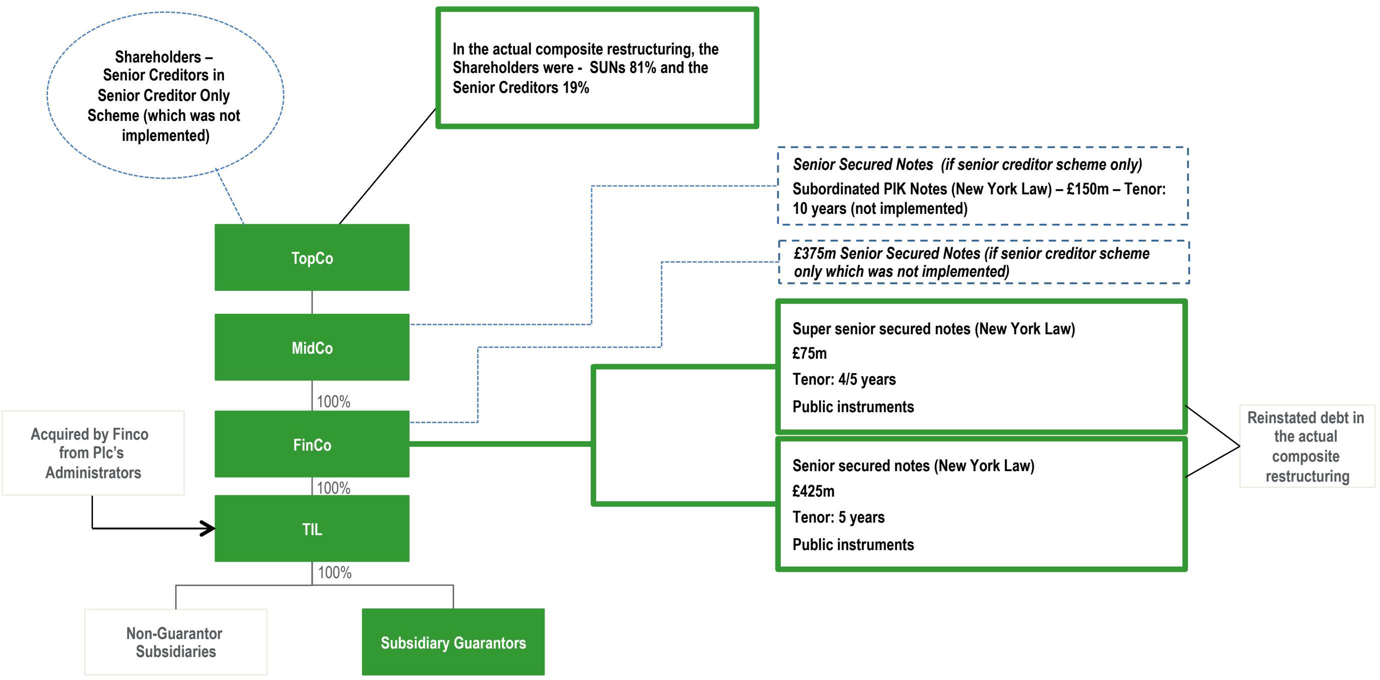


Fig 2. Post-implementation corporate and capital structure



MARKETS

HOW TO EQUITY CROWDFUND

Sacha Bright, CEO of crowdfunding aggregator platform **Business Agent**, explains.

So what is equity crowdfunding? It's a way of raising funds by selling shares in much the same way the London Stock exchange works or AIM. Thousands of people (The Crowd) could buy shares from as little as £10 to finance an early stage company through an equity crowdfunding website.

Firstly let me just say that Equity crowdfunding is not the easy option - a loan is often far more achievable. At Businessagent.com we receive lots of enquires from entrepreneurs thinking they can do a quick video, put a random valuation on a business and pocket £250k to start their business in weeks. This is very rarely the case. On average it will take a minimum of 3 months but to be safe allow 6. If you need the money sooner rethink your funding plan.

Equity crowdfunding provides a route to finance when the traditional avenues have been exhausted, are limited or don't appeal to the entrepreneur. It may also allow the entrepreneur to raise more funds than a bank may be prepared to lend, although this cannot be guaranteed as the crowd chooses who to invest in after all.

The advantages are:

- As an entrepreneur it is cash that does not require a repayment plan.
- You may be able to raise more than a bank is prepared to lend.
- You can get support from investors.
- You may not need two years' accounts which makes equity Crowdfunding a more suitable option for start-ups
- Equity Crowdfunding educates and prepares you for future funding rounds

The disadvantages are:

- You have investors that you will need to report to.
- Your investors can sometimes dictate the direction of your business.
- It can take several months to raise the money.
- Your campaign may not be successful.
- You need shareholder's agreements.

So why does it take so long to raise the funds?

It can take 3 months just to get the business plan ready then 3 months' worth of pitching.

You need a plan which includes the following:

- A 1 page investor memorandum - this is a short sharp pitch which defines the problem, the solution, how much you are looking for and what the anticipated return will be. It is the interest arouser and what will help an entrepreneur get through "the door".
- A clear Vision and Mission that is full of context about what you're going to become and who you are. For example Business Agent's vision and mission is that we are creating the alternative finance marketplace. We help businesses get the funding they need and help Investors make more money. Everything we do fulfils that vision and mission.
- A 10 page slide deck for presentations and a very well researched business plan which will include:
  - o A description of the business model
  - o Market Size
  - o Team Overview
  - o A competitor analysis
  - o A S.W.O.T analysis of every product you have (Strengths, Weaknesses, Opportunities, Threats)
  - o A marketing plan
  - o A projected cash flow
  - o A projected profit and loss
  - o Your exit strategy

- You will also need a professional video about the business.

All the above requires detailed research as each investor will stress test it in their own way. In my experience, this a minimum of 3 months' work and can cost thousands.

After this, you are investment ready.You have a detailed plan, a video and you're ready to pitch to the Crowdfunding site. Yes, you even have to pitch them! 19 out of 20 pitches are rejected. We were declined on three separate occasions. An equity Crowdfunding site lives from its reputation and is recommending you to their investors so do not be surprised if you get turned down.

There could be a number of reasons for decline including: they feel they don't have the right investors for your business or they have tried your business model before and it was not popular, to they have three similar businesses on the platform or they just don't like it.

Once approved this is when the work really begins. Get your lead investors on board in advance, nobody likes being the first to invest and I have seen perfectly good businesses go by the wayside because they had no lead investors. Ideally you want at least 30% of your funds secured before you go on the platform. Not many crowdfunding sites will advertise that as they need you to believe they will secure the funds for you. The platform facilitates the process of taking the money but it's also up to you to help deliver the traffic to make your pitch successful. That means you need a marketing plan for your investment.

Tell everyone, Mum, Dad and the world. Create an email database, post on Facebook, Twitter, YouTube and every social network you can find; blog and speak to the newspapers. Also attend every Angel club you can. This will start the ball rolling and once you hit 60% of your fund the crowd will start to follow.

Equity Crowdfunding helps entrepreneurs navigate the equities market and provides a stepping soon to future financing. Businessagent.com runs a discover crowdfunding course and a 6 week incubator program to get you investment ready.
• Email info@businessagent.com if you want to know more or
• Go to our Raise Finance page if you require a loan or are investment ready for equity Crowdfunding - https://businessagent.com/raisingfinance
• Watch our YouTube video if you would like to learn more on what is equity Crowdfunding.
• Go to Nesta to find out more about alternative finance http://www.nesta.org.uk/

Why did NUMIS invest in Crowdcube and Rothschild in Seedrs?
Seedrs received an investment from Neil Woodford's Patient Capital Trust and Rothschild-backed Augmentum Capital. Crowdcube received an investment from Numis. So why have these City firms invested in Equity Crowdfunding?

There are an estimated 5.2 million businesses in the UK which employ 25.2 million people, and have a combined turnover of more than £3,500 billion. Small firms account for 99.3 per cent of all private sector businesses in the UK. http://www.fsb.org.uk/stats The possibilities for small firms raising capital by selling shares through equity crowdfunding are endless.

AIM, the alternative investment stock market, was set up for smaller businesses and has raised more than £24 Billion for over 3500 firms since 1995, but it comes with a cost. According to experts, to set up an AIM listed company could cost an estimated £500,000.

For many SME's this is out of reach but a good equity crowdfunding campaign could cost nothing more than hard work and a success fee paid to the crowdfunding site if you hit your target, however it rarely costs nothing. A good campaign could set you back around £5000 but it's still far cheaper than going to AIM.

In the world of AIM and the LSE you have hundreds of brokers representing investors. In my experience what happens on the ground is replicated on the internet. Seedrs and Crowdcube are leading the way in the equity crowdfunding market but there are several competitors biting at their heels and more being established everyday with serious investors such as Jon Moulton backing Investing Zone.

Syndicate room, Angels' Den and Venture founders are increasing in size month by month and are keeping up with the growth rate of the bigger players.

At businessagent.com we are being approached on a weekly basis by newly established sites, in keeping with my prediction that this is not a one horse race. The diversity of the market calls for a variety of offerings and the need for an independent regulated marketplace is being reinforced every day.

The City isn't the first and certainly won't be the last industry to be affected by the power of social networking and the internet. The insurance market, the travel industry and the music business have all changed dramatically as a result. Already some smaller companies in AIM are looking towards Equity Crowdfunding as a more efficient way to raise funds.

It appears City professionals are in denial, like their counterparts in Music and Travel before them, arguing against the viability of equity crowdfunding, yet it is expanding at over 400%. Yes there will be mistakes, there will be upsets, but in my opinion the future of stock markets includes equity crowdfunding.

So why has Numis invested in Crowdcube and Rothschild in Seedrs? Both companies are correctly predicting the change from traditional markets to equity crowdfunding and have recognised the industries vast potential. Change is coming to the finance sector, and they aren't about to be left behind.

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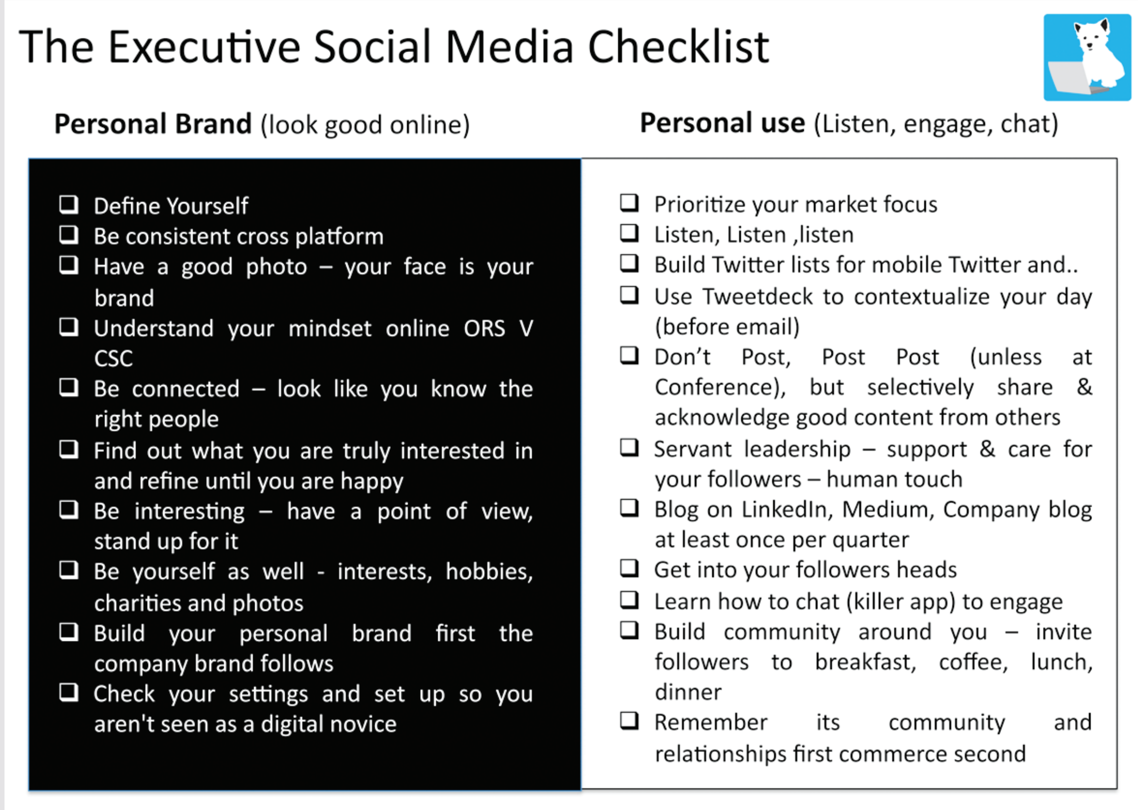
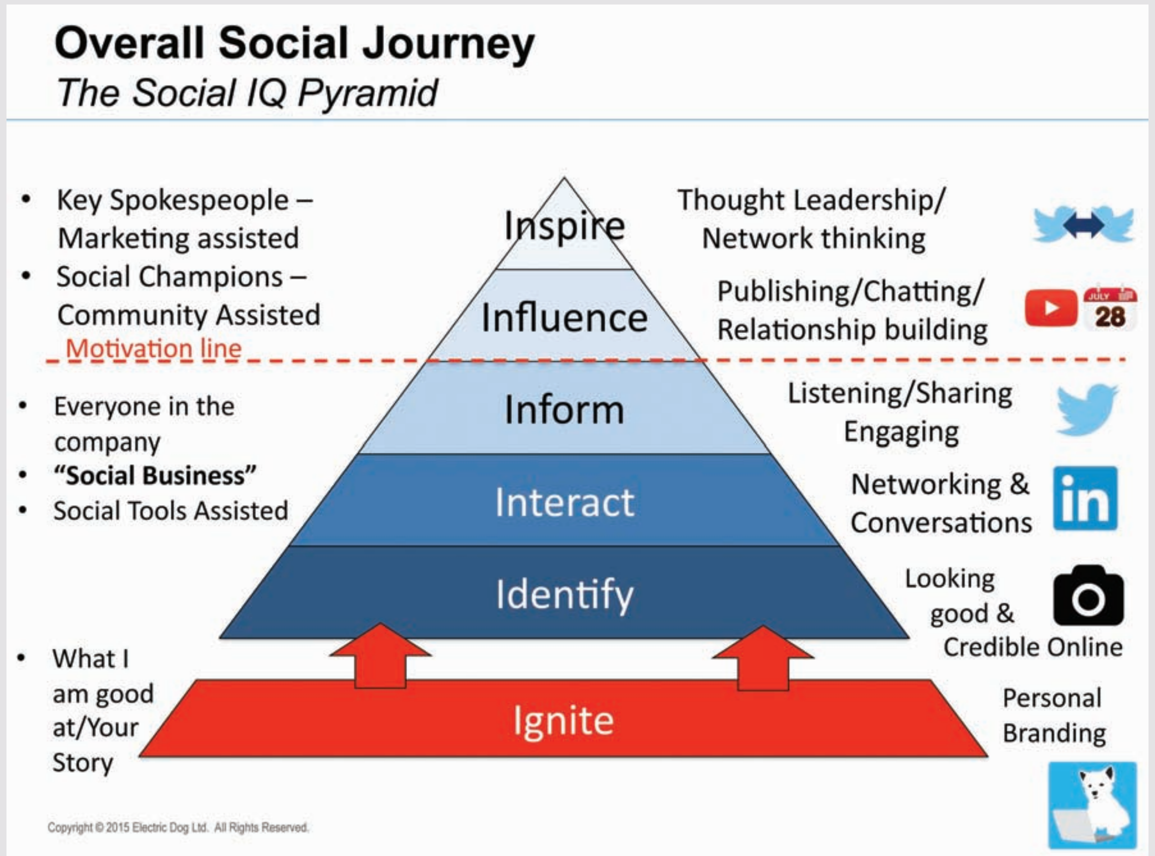
The Executive Social Media Checklist

Thomas Power





Enjoying' the buzz'
Phillip Sykes, RSM

I really like working here," said **Phillip Sykes** before ***Swift*** could get a question in edgeways. "Now that Baker Tilly has become RSM, we're one of the 'Challenger Three' accountancy firms, along with GT and BDO. Having achieved critical mass, we have real resource and a big restructuring practice that covers the whole range from £30+ million."

"Despite the scale, the firm remains collegiate – and it's a buzzy place to work, with energising, positive colleagues. I've seen most colours of corporate and professional life in my career and here at RSM we have a central management absolutely capable of delivering an international brand across the globe."

Phillip has specialised in corporate restructuring since 1980. He has a tremendous depth of experience across multiple sectors, including retail, property and construction, financial services, insurance, manufacturing, commodities and international trade, engineering and agriculture. As well as an extensive caseload in Great Britain and Northern Ireland, Phillip has also worked on international projects in USA, Bermuda, BVI, Cayman, Romania, Latvia, France, Germany, Austria, Spain, Thailand and Indonesia.

Some of his more memorable cases include working with the Indonesian Bank Restructuring Agency, acting as the trustee in bankruptcy for Kevin Maxwell, the administrator of Reader's Digest UK and liquidator for the members' voluntary (solvent) liquidation of LOCOG (the London Organising Committee of the Olympic Games and the Paralympic Games).

Overlap with IFT

"For those who are prepared to adapt, the world is full of opportunity. There's been such a change in the funding market and a lot of people are looking to invest. So, if I'm asked to look at a business, the answer is not necessarily insolvency – it may be a re-fi and reorganisation building to growth or a disposal. RSM needs people to help businesses such as that.

"IFT members' calling card is an ability to work quickly to assess your business, identify its potential, get the stakeholders aligned and actively engage an deliver on the plan – and of course, dealing with the challenges that inevitable get thrown in the path of progress."

R3 Presidency

Phillip, who recently served as R3 President, said,
"R3 and IFT – or STP, as it was, have a lot of shared history and I'm delighted to see our memberships collaborating on events and with education and policy work.

"Insolvency practitioners carry out an incredibly important role in the economy; in my year as president, I have been focusing on how the profession can go above and beyond its statutory duties to demonstrate its value and integrity to creditors, policymakers, and the wider public."

"The UK insolvency regime is one of the world's most effective in returning money to creditors, pursuing fraudsters, and helping insolvent businesses and individuals back to their feet. I want to make sure it stays that way and that we work to support the profession to help creditors engage with the insolvency process.
.
"There have been significant recent changes in the legislation governing Insolvency Practitioners (IP's). The list is extensive and includes the regulatory impacts of the Graham Report. The new pre-pack pool is one example; a new mechanism for setting fees; and many of the insolvency-related clauses from the Small Business Bill came into effect from October at the same time as new rules on bankruptcy and Debt Relief Orders (DRO).

"On top of all that, there is the long-running battle with government insolvency's exemption from no-win-no-fee legal reforms and a government consultation on how to address the inherent conflicts that exist within employment legislation and insolvency law. Situations such as the directors of City Link only serve to brighten the spotlight on that particular issue."

Phillip's experience at Reader's Digest, which collapsed into administration in 2010 after plans to deal with its pensions liability fell through, brings authority to dilemmas at the junction of insolvency and employment law.

The core of the problem is that current legislation on collective redundancies - where an employer proposes to make 20 or more employees redundant - is clear but often difficult, if not impossible, to implement in some insolvencies.

Under the Trade Union and Labour Relations (Consolidation) Act 1992, consultation must start as soon as there is a 'clear intention' to make redundancies and begin at least 30 days before the first dismissal takes effect. This is an almost impossible task in many administrations when the business is "shot to pieces" and there is little, if any, money left to pay employees while a full consultation is carried out.

Phillip Sykes

FINANCE

CO-OP CEO PAY CUT SHOWS ETHICAL LEADERSHIP

The BBC and other media recently reported that The IFT Chairman* **Richard Pennycook,** who is Chief Executive of the Co-operative Group, has asked for a 40% cut to his base salary because the job has become easier.

Richard Pennycook says the business is now back "in calmer waters" and the reduction reflects the revised demands of the current job. He told the BBC the pay cut was "by no means the main news", which was the Co-op's recovery, for which he credited his 70,000 staff's "dedication".

His base salary will fall from £1,250,000 to £750,000.The pay cut extends to 60% once his bonus payments are factored in. Mr Pennycook was finance director of the group, but took over as chief executive in 2014 when the former boss Euan Sutherland resigned after 10 months in the job. His total pay package - including salary and bonuses - was reported to be £3m. The Co-op is undergoing a three-year plan to steady the business after deep problems emerged in 2013 with its bank, which it has since largely sold off.

Food and funerals

The news on Mr Pennycook's pay came as the Co-operative Group - which includes 2,800 food stores, 1,000 funeral homes and financial services - reported its financial results for 2015.
Profit was £23m for the year, down from £124m last year, when the figure was boosted by a one-off gain of £121m from selling parts of its business. Underlying profit before tax was £81m, up from £73m last year.

The Co-op said it had made progress, with sales at both its food and funeral home businesses growing. Sales in its 2,800 food stores grew 1.6%, to give a £250m profit. The Co-op said its convenience stores were outperforming the UK grocery market, because people's shopping habits were changing as they made more frequent trips to buy food.

Earlier, grocery research firm Kantar reported that the Co-op's sales had risen at their fastest rate since it bought rival Somerfield in 2011, climbing by 3.9%. At its funeral homes business, which is the largest chain in the country, profits were £78m and sales rose by 9.9%. It plans to open another 200 funeral homes in the next three years, which will increase the size of its estate to more than 1,100 homes.

*The IFT Chairmanship is a pro bono role.

UK leads Europe in disruptive finance market

According to a study by the University of Cambridge and EY earlier this year, the UK's online alternative finance market, encompassing different types of crowdfunding and peer-to-peer lending, is worth more than 15 times the next largest comparative market in Europe. The study showed that the alternative finance industry in the UK was valued at €2.34 billion last year, and makes up nearly 75% of the total value of the online alternative finance market in Europe.

In total Europe's alternative finance market was valued at €2.96bn in 2014, up from €1.21bn in 2013 and is on track to exceed a valuation of €7bn in 2015 if there is no radical change in market fundamentals.

However, separately, the FCA cautioned that most investment-based crowdfunding platforms it assessed in a regulatory review stressed many of the benefits of investments via their platform but without also giving "a prominent indication of risks". It also said it had seen examples of "cherry-picking" of information about investments being displayed on the platforms and warned this could lead "to a potentially misleading or unrealistically optimistic impression of the investment".

IFT members have been engaged by peer-to-peer platform sponsors for a number of reasons - to assess potential investments, to work on business plans and to assist companies that are at risk of under-performance. Internet alternative finance is moving to the mainstream, with institutional investors starting to invest and diversify through those online platforms and banks getting involved with peer-to-peer or ‘marketplace’ lending. The online alternative finance market has helped nearly 10,000 European businesses in the past three years.

Whilst the UK alternative finance market is the dominant one in Europe, the report highlighted sharp growth in comparative markets elsewhere in Europe, including France, Germany, the Netherlands, Spain and the Nordic countries. In France, the online alternative finance market has grown from €23m in 2012 to €154m last year. The market in Germany grew from €31m in 2012 to be worth €140m last year.
Outside of the UK in Europe the largest value model for online alternative finance is peer-to-peer consumer lending, worth €275m last year. The next largest value models were reward-based crowdfunding ($120m), peer-to-peer business lending ($93m) and equity-based crowdfunding ($83m), according to the report.
.

Regulation is likely to remain a concern. The default rate on transactions has been negligible so far. That may change if retail investors who may not be fully aware of the risks, lose their money. It could even trigger a reaction such as that seen in the Farepack 'Christmas hamper' scandal of 2011, when 140,000 low income families lost their savings. 62% of equity crowdfunding investors surveyed by Nesta and the University of Cambridge (Nesta 2014) described themselves as retail investors with no previous investment experience of early stage or venture capital investment". Conversely, 45% of the 190 online alternative finance platforms surveyed in the study said that existing or proposed legislation in the European country they operate in is "excessive and too strict" although 20% of platforms said there were no specific regulations in the country they operate in for alternative finance platforms and 15% said specific regulations are required.

The FCA has expressed concerns about risks being "overlooked" as a result of "negative comments" left by investors on platform forums being deleted. It said that "the risks to capital" and the lack of protection for consumers under the Financial Services Compensation Scheme need to be explained to prospective investors in mini-bonds, and that platforms must not "compare their interest rates with those obtainable from savings accounts where investors’ capital is not at risk".

With thanks to Pinsent Masons for additional research

WhatSIP?!

A intriguingly named service that for once, deserves the label 'unique' launched this July. WhatSIP is a collaboration between IFT member Jamie White, Dermot Power (who recently retired from BDO) and Mike Power from Adepto.

It is aimed at IP's to ensure they comply with the new SIP 16 requirements and relevant to IFT members who are in situ when a co is going to run an accelerated mergers and acquisitions process (AMA) in order to ensure full transparency and exposure to the market.

Founder Dermot Power commented,
"The UK corporate insolvency regime is subject to new reform in a new consultation paper issued by BIS (now the Department of Energy, Business and Industrial Strategy) in May 2016.

In his foreword, the Rt. Hon Sajid Javid, then Secretary of State was clear in his aims and aspirations looking forward:
- The UK must have a credible and effective restructuring offering when times are tough
- the mark of a mature and robust economy is that it can deliver transparent and predictable restructuring outcomes
- that all classes of creditors and employees are protected
- to ensure that the UK Corporate insolvency regime is and remains best in class by benchmarking it against international standards.

When Vince Cable was BIS Secretary of State, he was adamant that business rescue is a key element of the UK corporate insolvency regime. When commissioning Theresa Graham CBE to prepare a report into pre-pack administrations, he commented that stakeholders need confidence and transparency that the best outcome for all creditors has been achieved in a pre-pack deal.

Ms. Graham observed that pre-packs sometimes lacked transparency and that the marketing of distressed businesses was insufficient.

The proposed remedy, at least in part, was to observe the following best practices in the future;
- broadcast (rather than narrowcast)
- justify the media used (and the marketing strategy)
- Ensure independence
- publicise rather than simply publish
- connectivity
- comply or explain

These recommendations were subsequently adopted in their entirety into the November 2015 revision of SIP 16. It is clear that government has been looking closely at the UK corporate insolvency regime.

Where an enterprise is not viable, the main thrust of the law should be the swift and efficient realisation of assets to maximise recoveries for the benefit of all creditors. Transparent marketing of the business cost effectiveness and speed of process will be key features.

WhatSIP has been established to ensure that IPs can discharge their obligations and comply with the new Sip16."

www.whatsip.co.uk

WHY PRIVATE EQUITY INVESTORS LIKE ROLLING CASHFLOW FORECASTS

The 13 week rolling cashflow forecast report is a familiar sight (and perhaps chore) for all treasurers. We seek to project with reasonable accuracy where we expect cash balances to end up on a weekly basis for the foreseeable future, despite the need in some cases for uncertain estimates around sales and other variables. Most companies update on a weekly basis, some on a daily basis, depending on the sophistication of internal systems and practices.

Different companies face different dynamics dependent upon the industry they are in. For example engineering companies with long term contracts will find their cashflows impacted by costs on individual contracts and the need to hit specific milestones. Retailers however are more likely to be impacted by working capital requirements, particularly around specific trading seasons such as Christmas.

In addition to this enterprises will place importance on a variety of lead indicators. Committed orders and forward order books might be relevant to some companies, stock levels and aged debtor analysis might be more important for others. The Board of Directors probably relies on a limited number of forward-looking key performance indicators to enhance its view of trading prospects in addition to normal historical management accounts processes. The rolling cashflow forecast has the advantage of incorporating these various assessments into a single easily-understood measure, namely the amount of cash the enterprise is expected to have at various points in the future, and by implication whether it is generating or absorbing cash.

The private equity perspective
As a CFO the 13 week rolling cashflow forecast is one of the most important tools in my toolbox, and one which I religiously review regardless of what else is going on in the business. In a private equity environment however, how closely do shareholders take an interest in such projections, and why?

“Cash is the life blood of any private equity-backed business. Knowing where the business is and its direction of travel is essential for all of the stakeholders” says Bill Priestley, partner at Electra Partners.

Julie Fabris, Group Treasurer of Britax (and formerly of Iglo, owners of Birds Eye) agrees with this sentiment. “As PE companies are highly geared, the demonstration of cash generation is key to maintaining adequate liquidity and keeping the lenders happy. In line with good treasury practice is the regular update and reconciliation of the short term cash forecast in order that any potential shortfalls are duly monitored and reported to the Board.”

Balancing across the investment portfolio
Different private equity firms operate in different ways. Many raise large funds which they aim to deploy across a portfolio of investments, others raise funds on a deal-by-deal basis dependent upon individual transactions. The core thrust of their activities is however quite similar. They aim to invest funds, normally by a combination of equity investments and shareholder loans, in enterprises which are in additional financed by significant levels of loans from banks and other debt providers. In some cases additional funding may be provided as the owners seek to take advantage of new growth opportunities. They seek to generate returns by strategic developments (such as by acquisitions and mergers) and operational improvements (such as by more efficient management of costs, launch of new products, investments in productive capacity, penetration of new markets and tighter management of working capital) in order to create economic value. This value can be realised by the private equity shareholders over time by a variety of means including the receipt of dividends (sometimes achieved by refinancing of the larger business to release cash) and the sale to new owners.

“Cash is our stock-in-trade” says John Arney, Managing Partner of Arle Capital Partners. “Cash is a scarce resource and we want to manage its allocation optimally across our various investments. Consequently we would be very concerned if the management teams in our portfolio companies did not have a very high degree of focus on this matter” he added.

Other considerations – financial covenants
One other area which can be highly relevant is the financial covenants which the entity is subject to and the degree of headroom it potentially has based upon its most recent forecasts. Packages of financial covenants do change over time dependent upon market conditions and lender appetites. Recent market conditions, given the low interest rate environment experienced in many countries, have led to the provision of funding with very flexible financial covenants in exchange for healthy margins over benchmark rates as the banking community and debt investors seek a higher return in exchange for accepting higher levels of risk. This appetite changes over time and many treasurers will recall other periods when risk appetites have been much more constrained and financial covenant protections consequently harsher.

It is quite common to find financial covenants structured around some form of ratio linked to net debt divided by EBITDA. Monitoring the projected headroom over such covenants is a key concern of private equity investors as the cost of addressing any covenant breaches can be significant and inevitably impacts on their investment returns. Consequently having a sound cashflow projection discipline in place which can help provide an early warning of any narrowing of headroom over financial covenants is of value to the investor base (who may be called on to invest additional equity funds to cure a possible default) as well as to the management team.

Speed of decisions
Private equity-owned companies can also be extremely dynamic at times when opportunities present themselves, as the shareholders are actively involved in assessing and implementing decisions and can more rapidly. “Knowing the short term cash position for a private equity owner is absolutely vital for the business” says Fabris. She adds “The company needs to respond quickly for any refinancing, change in ownership and mergers and acquisitions, which require the treasurer to know exactly where the cash is going to be to satisfy

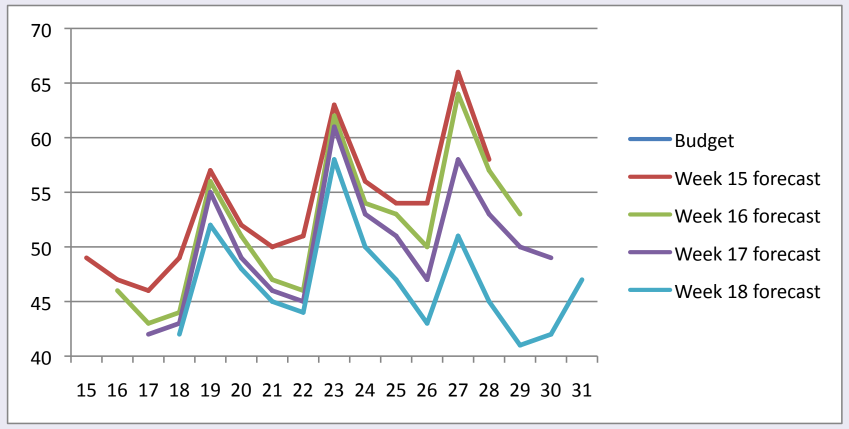
the (usually) large funds flow that result. These can happen within one or two months so typically liquidity is kept short and trapped cash kept to a minimum."

As an example of this Innovia Group entered 2014 knowing we had to complete a refinancing by the end of March 2015. We took the decision in the first week of January 2014 that we should launch a refinancing immediately given the favourable market conditions. We went on to close a €342m high yield bond in the third week of February 2014, at which point we repaid some of our previous facilities and subsequently repaid various shareholder loans. Knowing where the cash was in the group, particularly as we needed to establish new legal entities and route funds appropriately in the group, was key to us closing the refinancing on time.

Some final words

"If I came to you and asked you what the balances was in your personal bank account I would expect you to roughly know" says Preistley. He adds "I want the management teams of my portfolio investments to roughly know how much cash they have and whether they are broadly on track. That goes for the whole team including sales, marketing, manufacturing etc. If the CEO has to ask the CFO and suggests cashflow is a finance problem then that is a real concern as the CFO is not responsible for all the levers which drive cashflow."

David Tilston was until recently CFO at Innovia Group and was a member of the BVCA Management Team of the Year in 2014



Evolution of PE investor thoughts

Week 15 – chart suggests performance is broadly in line with budget

Week 16 – chart suggests performance is broadly in line with budget, and variances probably within the range of normal volatility

Week 17 – query whether we are beginning to see some variance from plan towards the end of the forecast period

Week 18 – a problem has emerged. What is it, what corrective actions are the management team taking, and are they reacting fast enough?

CREDIT UNIONS – what they are, why they fail and how IFT members may be able to prevent this

The comprehensive text on which this article is based is available to members and partners as an IFT Briefing paper by logging into the-ift.com or contacting IFT Central.

Alternative finance is still the talk of the town but there is a form of 'Cinderella funding' that is overlooked, not well understood, and less mainstream in the UK than in many other economies – the Credit Union. Barry Epstein, Barry Epstein I-CUDE (International Credit Union Development Educator – World Council of Credit Unions Inc) Co-Trustee, ICULD&E Foundation/Co-Director ICULD&E Co Ltd., who is a legend in his lifetime in this market, explains what they are and why they might interest IFT members.

"Much is written and spoken about credit unions; most of this is by individuals who are not owner-members of one and have definitely never run nor had any responsibility for a co-operative community."

What is the definition of a UK credit union

• It is a mutually owned (one member one vote) "firm".

• A "firm" is a designated name given by the Bank of England to all those organisations authorised to receive and hold funds given by third party depositors.

• A credit union is co-operatively run through duly elected committees drawn from its owner-members only.

• An owner-member must come from a legally defined "field of membership", historically called a "Common Bond".

• The reason for the constraint on the owner-member catchment is threefold:
i. Historically it was thought that, theoretically, the owner-members who knew each other would trust each other.
ii. Since the setting up of the first credit unions in Germany in 1864, the banking lobbies everywhere have worked to constrain obvious competitors.
If credit unions, who are authorised deposit takers in their own right, aspired to be full deposit takers or full clearing banks, they would have to acquire or have at outset the full amount of capital adequacy reserves.

• The Financial Conduct Authority ensures that the credit union is run professionally to protect the interests of its owner-members.

• A credit union must mandatorily place all its liquid funds with an authorised deposit taker listed by the Bank of England.

• Credit unions (unlike other small firms) must undergo a full annual audit and make unaudited quarterly returns (very comprehensive) as well as annual ones to the Regulator.

• purposes as those in the UK, but with their trading values based upon stimulating co-operative enterprise (often call a social "non-external profit" enterprise), have developed into multi-purpose co-operative enterprises. It is thought that this could be a key reason for their lack of growth in the UK.

What credit unions are not

1. Originally they were set up to deal with hunger and exploitation of poor farmers in Germany and credit unions still deal with this in other parts of the world.

2. The romantic view of what all credit unions should do is embedded in the thinking of industry leaders and through them, politicians in the UK.

3. It has been a romantic view of leading politicians using credit unions as their agents, through over-funded, low return projects, to cure both poverty (with many complex causes) and financial illiteracy and awareness single handed and it just doesn't make sense.

4. It is this misguided view, coupled with and endorsed by all sorts of commentators and the way that many credit unions present themselves and their activities do not appeal to all consumers, that has constrained their growth in the UK. In the UK there are, thankfully, considerably more people who "have more" rather than those who "have less", although they are a significant number.

5. Credit unions in other parts of the developed world (say whole of North America; island of Ireland etc) and the developing world serve consumers from across the socio-economic piece as a norm, as more and more consumers of financial services are beginning to see that the mutually owned, co-operatively run "model" is the best one.

What should a credit union do?

1. A key legal objective (in the 1979 Credit Union Act) of what a credit union should do is to "educate is (owner) members in the wise use of money so that they can better manage their financial affairs".

2. Most credit unions have failed to deliver on this objective for 37 years. It has been suggested that in the next round of legislation for credit unions that this "objective" is changed to an "obligation" that is statutory and audited to be so.

3. Credit unions are permitted to charge for ancillary activities on a "cost only" basis.

4. In this way credit unions should act as agents for both economic stimulation - they can lend for any "prudent and provident purpose" – that includes for businesses owned by owner-members and social empowerment – in the right cases overturning the "computer says No" automated decisions by other lenders.

So why and how do credit unions fail?

There are seven deadly sins set out below for members of The IFT.

1. External dependency

• Credit unions are authorised and regulated firms and so must be financially viable and structurally sound from outset and ongoing.

• Many work based credit unions were set up by enlightened employers and some even after many years still provide free or subsidised accommodation and services; the true cost of these do not appear as a note on the audited accounts, thus concealing the true actual cost and vastly understating the true cost of running the credit union, that can affect its declared audited strength and profitability.

• Credit unions and their lay leaders and managers have a deeply ingrained culture of welfarism, external support funding, expectations of it, entitlement to it and dependency on it.

• A very big community and work-based credit union in the north west of England had a very good Chief Executive Officer. The council providing support for the credit union and requiring a purely social outcome for its continued financial support endeavoured to remove this "good" Chief Executive from post. The Regulator had to step in.

2. Opaque financial information

- The true historical (bad) and contemporary trading state of "the firm", its trading stock in money coming in and out its underlying strength – its capital can be concealed for a variety of interlocking reasons, one of which is light touch audits .This failure is compounded by many auditors not applying their duty of care.

3. Uncompetitive products and services

• Historically and even contemporarily credit unions have been developed in areas of low economic and social attainment, primarily as the reason for setting them up came from benefactors who wished to cure these ills.

• This legacy thinking has been carried over into geographic areas where many people living/working in them are in the "have more", not "have less" classifications. It can be seen that in other parts of the world, credit union owner-membership is not confined to social-economic groupings – proved sadly as when the Twin Towers were destroyed on Wall Street, so were the offices of three credit unions
.

• Most consumers, who are inclined to be cash rich, time poor, leisure orientated, more or less technologically sophisticated (handheld devices) and reasonably financially aware, expect
- An unbiased "one stop shop" that can satisfy all their remote and direct enquiries;
- And to do so on a 24/7 365 basis (Xmas Day was a record day for online shopping)

• Even the most sophisticated computerised credit unions that are staffed offer a limited hours service, others staffed by volunteers even less so.
• Credit unions and their investing owner-members do not enjoy the legitimate tax breaks and allowances available to other types of enterprises and their investors in other "firms", particularly in the social economy.

• Another strange irony is that now credit unions are permitted to charge higher rates of interest on loans, many are doing so for all loans regardless, making them uncompetitive, particularly during a time of record low interest rates for unsecured loans in the UK.

• The trading image and style of credit unions in the UK looks and appears to be "just like a bank". This is because the growth of multi-purpose credit union (very common in both the developed and developing credit union world) is virtually unknown in the UK. This is a credit union serving as an enterprise hub for all sorts of micro, small and medium sized enterprises, operated by owner-members.

4. Poor public image

• Since the growth of the co-operative movement in the UK, it has set a tatty utilitarian image; elsewhere in the co-operative world there's exactly the adverse stance.

• Most marketing is confined to leaflet distribution that is non product specific by nature, for which there is no follow-up, so is indistinguishable in type to all the leafleting done by food take-aways, restaurants, double glaziers, etc.

• The media have cottoned on to this poor image with glee, particularly the social commentators who do so in a patronising manner.
A common denominator of all failing credit unions can be a scruffy image or a trophy asset, premises, equipment, staff livery concealing a zombie business.

5. Undisciplined fiscal operations

• There is overlap here, with undisciplined fiscal operations.

• All credit unions must have a strategic business plan from outset to gain recognition from and permission to trade by the Regulator subsequent to gaining its consent and maintain it thereafter.

• Many credit unions use the plan as an "unnecessary tool" to leverage grant funding and to keep the Regulator happy; so these plans are often written by professional practices engaged for the process and paid a fee or by auditors and not by the people responsible for running and the care and custody of the business – the Board of Directors, with it delegated to and written by senior management.
A large community credit union in the North East failed as there was too much planning and not enough doing; three in the South because there was no planning or doing, two large live and work ones in the North West, the other in the North East had immaculate Strategic Business Plans, superb performance figures on paper but the actual figures were cosmetic.

6."Cookie Cutter" Loan Analysis

• Historically and even contemporarily credit unions adopted a single loans policy, underwriting criteria, rate of interest charged, period of qualifying owner-membership before a loan application could be submitted and a prescribed amount of historic savings required.

• Quite often the loan underwriters meeting as a "credit committee" would only meet monthly, once a week or fortnightly if you were lucky.

• This negative attitude is carried still further as analysis of ill performing loans and their causes is undertaken and reviewed, but not well performing ones, their sources, connectivity etc.

• This has led to most UK credit unions being overly liquid, which at times of low inflation and rates of interest paid on deposits, renders this liquidity "dead money", earning nothing for the credit union.
These opinions are personal, based on credit union observations and the latest statistics on credit union activity that can be viewed on the Bank of England website.
http://www.bankofengland.co.uk/pra/Documents/regulatorydata/creditunionquarterlystatisticsjune2015.pdf and
http://www.bankofengland.co.uk/pra/Documents/regulatorydata/explanatorynotesforcreditunionstatistics3.pdf

7. Social Philosophy ranking before the application of sound business sense

• This could and should be the first sin, but it is put last as it is an amalgam of summary of all of this that came before. The lesson here is for the UK credit union movement in its entirety to aspire to be the equivalent to the John Lewis Partnership. Why? Credit unions are wholesalers of money collected from its owner-members and retailers of it on a leveraged basis back to these owner-members – very simple!

Why and what could be of interest to qualified members of the IFT?

1. First of all, just applying the law of averages, some will have a written down or spiritual code of corporate social responsibility in their businesses.

2. All members of the IFT will possess the proven inter-personal skills to deal with fraught situations where employers face trading difficulties threatening their future and employees face a loss of livelihood.

3. Credit unions that are "non external profit" "firms" face exactly the same problems, other than the lay leaders and managers often lack the courage and vision to call for help when required, e.g. having to admit publically their joint and several failure to protect and run this firm successfully and the shame of having to admit to the owner-members their general ignorance and lack of basis business skills.

4. Failure of external auditors to issue regular warning letters to Boards of Directors about their poor conduct of the credit union members on behalf of the owner-members. When these letters are issued, only once in over nearly a quarter of a century has the writer ever heard of these letters being mentioned by an auditor in the report given to the Annual General Meeting. Cynical or avaricious behaviour or what?

Directors and managers are fully aware that the deposited shares of each owner-member are protected up to £75,000 under the Financial Services Compensation Scheme.

5. So what happens to any ailing, failing credit union? The Regulators can gauge that this is happening from the mandatory Quarterly Returns that must be made to it. Credit unions can be and are fined for late submissions.

6. When these Returns show a depletion of reserves to below the mandated level caused by escalating trading losses, meaning that a share of an owner-member with a face value of £1 is worth less than that and a series of warning letters have been sent and not responded to with planned and executed actions to restore solvency, then the authorising body is called in, who instruct the credit union to appoint an administrator/liquidator.

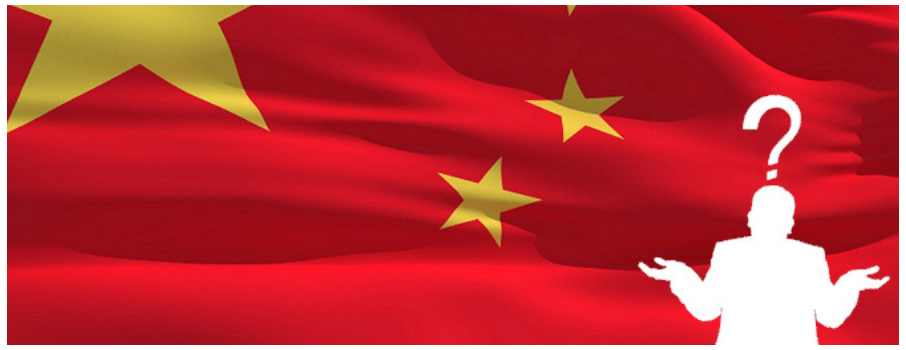
7. So it can be recommended to members of the IFT with the right values, skill sets and inclination that they join a credit union as part of their own financial planning and as an owner-member, find out how they work, what they do (they are all different) by becoming a volunteer and then progressing to standing for office.

This input and injection of business skills could invigorate credit unions generally and provided there were no conflicts of non and pecuniary interests – corporate governance – could be beneficial to all parties.

8. The name and location of your nearest credit union can be found here:
http://www.findyourcreditunion.co.uk/home

Who knows, could it be that an IFT members credit union group could be established?

UNCERTAINTIES IN CHINA DREAM BIG OR BE AVERSE TO RISK



The concept of "Uncertainties in China" from a business perspective can reflect on uncertainties in several fields, including unpredictable government policy changes, dictatorship of the legislation system, business ethic problems, huge increasingly wealthy population with dramatically rapid consuming trend changes and rocketing e-commerce and social media adoption happening in China. This article mainly focuses on macro-economy trend and SMEs' market entry strategies.

China GDP Exceeds USA?

A popular topic is how soon the GDP of China will exceed that of the US. Some analysts even assert that the real GDP of China has closed to or equated with that of the US. The achievement of GDP growth of China was amazing in these past twenty years, so does the discussion about the GDP surpassing expectation prove the China market would keep growing and be a wonderful place to do business? Following MNCs, should SMEs dream big and head towards the China market?
There are some negative factors that need to be considered carefully.
The previous advantages which support China economic development such as demographic dividend, low labour cost and market economy liberalisation, seem no longer to exist. Adversely, these factors even would or have become obstacles to its development.

The concept of "low cost" in China has been out of date for some while. Living expenses in China's first and second tier cities have been skyrocketing. Heavy taxes would be one of the reasons driving business cost increase in China. Once you start to hire local employees, you face high employer cost because a large proportion of income paid to your employees is cut by Individual Income Tax and compulsory social benefit payment. Once you start your business in China before earning any profit, you have to tolerate 17% sales VAT or 6% service VAT for any deal. Later on, if you enjoy profit from your Chinese business, 25% Enterprise Income Tax will be imposed. The high consuming taxes drive consuming goods expensive, because the tax is imposed on not only luxury goods, but also some basic commodities, such as gasoline. Some public services which are dominated or even monopolised by State-owned companies also drive these services' fee up, like telecommunication and internet service fees for commercial usage.

Source

The one-party government may be able to manipulate market and social factors to minimise these impacts, such as by abandoning the one-child policy, and delaying the retired age. However, heavily planned economic practices like China that have an instinct for control, may increase uncertainties and cause more problems, consequently damaging market economy liberalisation.

China Social Insurance and Housing Fund

Particulars	Pension	Medical	Unemployment	Maternity	Injury	Housing Fund
Company contributions	12%-22%	5%-12%	0.2-2%	0.5%-1%	0.5-2%	5%-20%
Individual contributions	8%	0.5%-2%	0-1%	N/A	N/A	5%-20%

Will the Chinese Economy Hit a Wall?
So, is China still a good place to invest? The Chinese economy has kept growing despite the doubts for many years, and currently China still possesses several competitive advantages. These advantages may overcome or offset the negative factors mentioned before, to maintain its fast growth. Especially for foreign companies, the China market is still very attractive.

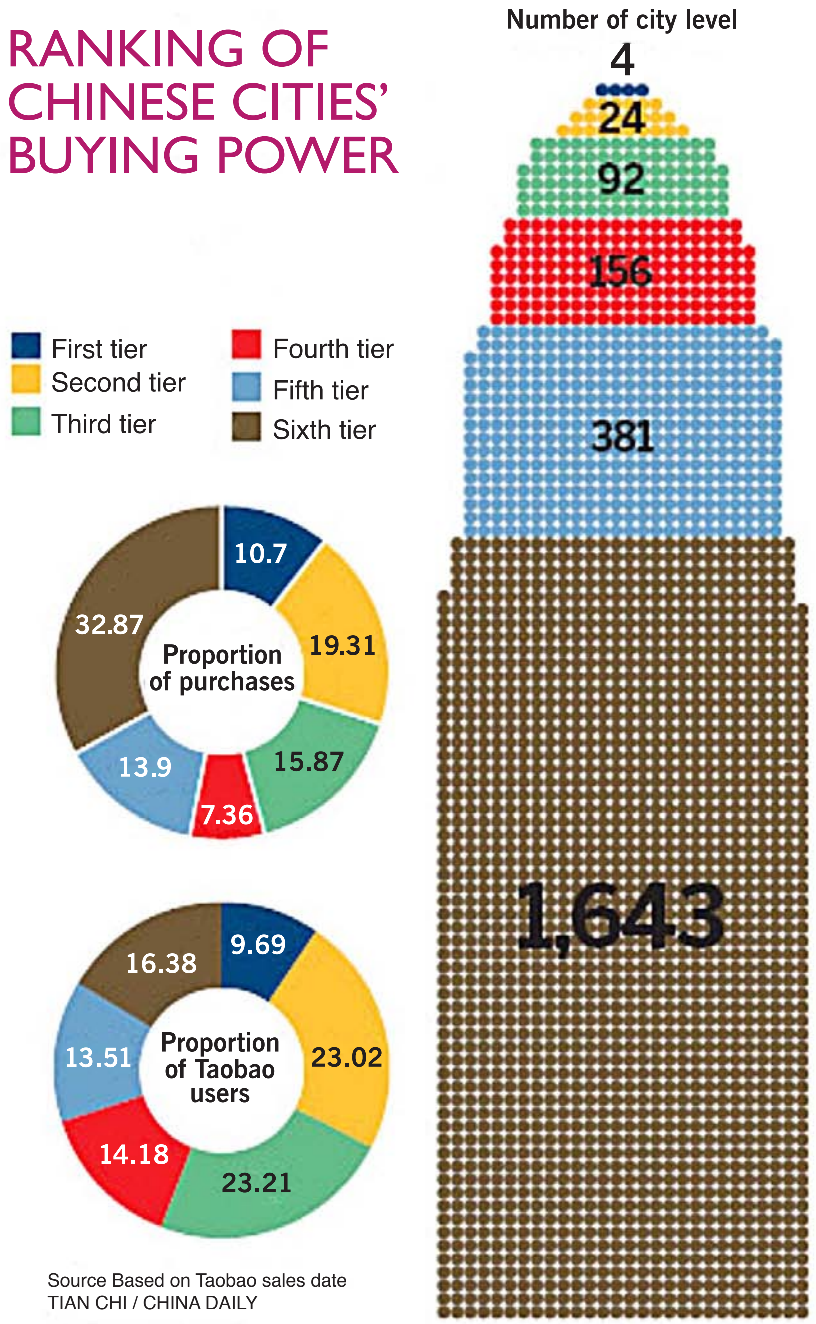
The first advantage in the China market is increasing domestic demand and massive e-commerce development, which lead to sales in China enjoying efficiency and the advantage of economies of scale. Rather than celebrating increasing export, now China enjoys its domestic sales. Alibaba achieved US$ 9.3 billion Singles' Day sales through its Tmall e-commerce platform on 11/11/2014. The attractiveness of this mega market with 1.3 billion people, who are becoming increasingly wealthy, is tremendous.

The second advantage would be eagerness to adopt new technologies and preference for foreign designed products. Rather than prefer local products, Chinese tend to buy foreign products and be willing to pay more. In some fields, foreign brand commodities have dominated the China market.

The third advantage would be the diversification of channels to sell products. The large difference of consumer preference, living style and industry structure between north and south China, and among first, second and third-tier cities makes it possible that foreign companies find niche market for their products. For example, some unknown foreign cosmetics brands face fierce competition in first-tier cities, but they sell very well in second-tier cities. The social media application in China makes it possible to promote your products with limited budgets if you do it right.

The Right Things to start Business in China
The reason for coming to China has shifted from a great place to produce and serve overseas markets, to a full-of-opportunities-and–uncertainties mega market for selling domestically in China. If you have good products and do the right things, you can start immersing to this even "nothing is impossible" world, and might encounter unexpected problems and meanwhile witness marvellous sales result coming in a surprise.

Sources:
1.Payroll Processing across Asia, January and February 2014 issue of Asia Briefing Magazine
2.http://www.reuters.com/article/2014/11/11/us-china-singles-day-idUSKCN0IV0BD20141111
3.http://www.chinadaily.com.cn/china/2012-07/19/content_15598594.htm



Do the Right Things:

- Do your homework to know your competitive and technological advantage or how complementary your products are to the industry
- Find proper channels and partners to help you to expose your products to your target customers and have good implementation
- Start with "light" investment
- Have a strong team in HQ to lead and monitor Chinese sales activities

Vincent Hu Deputy General Manager, PTL Group
Vincent has over 10 years of management experience in leadership positions of logistic companies. He has an engineering background and an MBA from Melbourne Business School in Australia. In his role as Deputy General Manager his focus is on building effective support, communications and process controls between PTL's departments as well as following up with internal improvement projects, KPIs, and business strategies.

Besides the two year stay to pursue his MBA in Australia, Vincent has a lot of overseas travelling experience from Southeast Asia to Europe and the US. These experiences have allowed Vincent to appreciate different cultures and lead a diverse team from different backgrounds, but mutual goals and values.

If you're interested in the cultural differences between the West and East, Vincent is a good resource to get insights and share experiences. In his spare time, he enjoys studying psychology and dedicating himself to leading a peaceful existence by practicing Zen meditation.

First mover advantage in Asia – IFT members fast to sign up

The IFT and the Asia Transformation and Turnaround Association (ATTA) recently signed a Strategic Partnership agreement which offers reciprocal membership and membership benefits between the Institute and the Asia Transformation and Turnaround Association. Both membership organisations offer the skills of accredited professionals who take responsibility for delivering major change in organisations facing significant challenges. Close on 50 IFT members have already signed up for the additional benefits, which are offered gratis and for which there is a simple registration process.

Since its inception, ATTA has modelled its principles and practices on IFT and like IFT, it aims to be the leading 'go-to' organisation in its Asia geographies, for transformation and turnaround expertise. Some IFT members were already ATTA members and vice versa, but this strategic alliance will bring further together all members. The agreement takes account of the membership structures of both organisations and also their mutually reviewed and agreed membership processes. Such criteria and process have allowed both IFT and ATTA to build up a combined membership base that grows when suitably high quality individuals are identified. The Codes of Ethics and Disciplinary Codes of IFT and ATTA will apply in the relevant jurisdictions.

For members, benefits could include, especially for those willing to travel, access to a much more frequent flow of work opportunities; a reliable, ready-made network of like-minded professionals to assist with internationalisation; financial and operational management expertise both in financially challenged organisations and those requiring step change; market intelligence and professional information and news, as well as privileged prices for meetings and special events.

Richard Pennycook, Chairman of The IFT said that, "with our members becoming more and more involved in international assignments involving Asia, the strategic alliance with ATTA provides a combined membership platform for sharing of knowledge, regional expertise and capabilities".

Russell Brown OBE, ATTA Chairmen, said that "ATTA was founded to create a platform for transformation and turnaround specialists based in Asia, and was based upon consultation at the time with IFT on the model and structure. As more and more of their projects that our members are involved in are linked with other countries outside of Asia, and particularly UK and Europe, the signing of a strategic alliance with IFT is natural progression in our development, and I think it will be of great benefit to all our members."

The ATTA network can best be accessed through our **The IFT Connect Service.** Contact any member of the home team to see how we can help you.

SIERRA LEONE: A COUNTRY TEETERING ON THE BRINK

Three years ago, says IFT Member Nigel Bridle, I wrote an article for this magazine describing how Sierra Leone was emerging from its dim and distant past to become one of Africa's success stories. With economic growth of 15 per cent per annum , a burgeoning iron ore mining sector and a democratically re- elected President in late 2012, prospects seemed to be on the up.

How things have changed! Two events have served to enfeeble the country both politically and economically. The first being the eighteen month long Ebola epidemic. This deadly disease has so far killed more than 3,000 people in Sierra Leone and over 10,000 across West Africa as a whole.

The second lesser known calamity has been the near collapse in the price of iron ore on world markets which has all but killed off its two local AIM listed mining giants.

I have lived and worked in the country for nearly five years and have watched these harrowing events unfold. A country that was only two years ago clawing its way out of the oblivion of civil war and seemed to have plenty of promise for the future has now fallen back into the twin shadows of poverty and ruin. There is no doubt that the twin events of the Ebola outbreak and falling iron ore prices have now taken the country back to the abyss. In the last six months the country's economy has contacted by nearly a quarter to £4.2 billion. Unemployment and social unrest are now rife in the country. Sierra Leone's economy is now largely being kept afloat by loans from the IMF and World Bank.

The Ebola epidemic started in Guinea in late 2013. It spread uncontrollably through that country and then neighbouring Sierra Leone and Liberia during 2014. The spread of this disease can largely be attributed to unsafe sex amongst the population, particularly in rural areas, and hazardous burial practices for the families of those struck down by Ebola. The spread of the disease highlighted the lack of effective local government in rural and urban areas in all three countries to combat the disease. Only help from outside NGO bodies such as the World Health Organisation , Medecins Sans Frontieres and the British government have helped stem this modern day 'black death'.

In Sierra Leone Ebola has now been largely brought under control and only a few new cases are now being reported. The country has to go more than 42 days without a person contracting Ebola for the country to be declared free of this disease.

It has not all been gloom and doom. For some have made a great deal of money out of this human misery in the last eighteen months. Hoteliers in particular have seen their occupancy rates soar as NGO health workers moved in. One newly opened hotel, which is part of an international hotel chain, was so completely full during this period that it paid for its initial capital costs of building the hotel within six months of opening.

The second major calamity affecting the country has been the near collapse in the price of iron ore on world markets. Inspired by falling demand in China, the price of iron ore has fallen by nearly 70 per cent since June last year to just above $50 per tonne. For low cost iron ore producers in Australia and Brazil, who can mine iron ore at below $40 a tonne, falling prices have provided them with a heaven sent opportunity to drive out of world markets the more marginal high cost producers such as Sierra Leone whose costs of extraction range between $70-$85 a tonne.

Being a high cost producer, Sierra Leone has fared badly in the face of falling iron ore prices. Its two leading iron ore producers, African Minerals plc and London Mining plc, have both gone into administration in the last twelve months leaving their shareholders and lenders stranded with worthless claims on these companies. African Minerals has now been taken over by a major Chinese steel concern who are content to sit on their new found iron ore deposits and wait for prices to recover before engaging in any large scale mining activity. Similarly London Mining has been taken over by a London based group led by an entrepreneur who is busily trying to raise funds to continue operations.

Sierra Leone is often referred to as the "Land of Iron and Diamonds" and is traditionally well endowed with mineral resources. The mining industry in 2013 provided 150,000 jobs and 60 per cent of government revenues. Thus the loss of iron ore exports has had a hugely detrimental effect on tax revenues and royalties paid to the Government of Sierra Leone. Tax receipts are down by some 75 per cent in 2015 compared to 2014. Tax revenues from other private sector companies and individuals are similarly reduced in 2015. This has placed huge pressure on government spending on health and education which have seen big reductions. Health spending in particular has been hard hit by the Ebola outbreak as resources have been diverted to combatting this disease leaving other areas of health care underfunded or even abandoned.

The Sierra Leone people have been stoical in the face of these problems. Many Sierra Leoneans experience first hand the trauma of unemployment, the poor state of their health care service and the general lack of public services particularly transport. The President of Sierra Leone, Ernest Koroma, was re-elected in 2012 by popular acclaim for a further five year term. Now he is regarded as a highly unpopular figure whose main goal in life is to accumulate as much money as he can during his five year term of office.

Since the Presidential election, Sierra Leoneans have become contemptuous of their government and view most politicians as being highly corrupt who are mainly interested in 'lining their own pockets'. Yet there have been no widespread demonstrations, riots or acts of public revolt against the government so far. Most of the public outrage has been confined to murmurings amongst small groups of people at their workplace or on street corners. Sierra Leoneans have not openly protested so far as they fear retribution from the police who have a well-deserved fearsome reputation. Few want a return to the days of civil war. There is, in their view, an unhealthy vacuum in the political leadership of the country. Their politicians need to grasp this nettle before events get out of hand.

Sierra Leoneans are by nature friendly people and have a strong desire to advance themselves and the nation. Many look forward to a better tomorrow and hope that more aid will be forthcoming from the wealthy donor countries of the world. Sierra Leone has always been seen as 'client' state of the UK being a former British colony. In times of dire need, Britain has always stepped up to the plate and delivered. British troops have been sent to Sierra Leone to quell the activities of the rebels during the recent civil war in the 1990s. The Royal Navy has in the past parked its warships off the coast to evacuate UK citizens during periods of insurrection in the country. Financial aid has been provided for agricultural projects and business ventures by DEFRA. The recent Ebola outbreak has seen British troops operating medical facilities for victims of this disease. The UK is perceived as a friendly nation who did a good job running the country during its period as a British colony and since independence have been more than willing to provide aid and assistance, particularly of the military kind, when required.

China has also emerged as a significant donor nation to Sierra Leone. The Chinese government is committed to providing medical and technical assistance which they claim will be on a grand scale running into many hundreds of millions of US dollars. The Chinese have a large number of personnel on the ground in Sierra Leone who seem well qualified and motivated to carry out their aid projects. Cynical observers locally question their motives and wonder whether their ultimate game is to secure control of the country's considerable mineral assets through the back door. The Chinese are not noted in this part of the world for giving things away for nothing.

My assignment in Sierra Leone with Cape Lambert Resources, an exploration and mine development company based in Perth Australia, has now drawn to a close after nearly five years here. My overwhelming impression is that over this period, the living standards of the average Sierra Leonean have deteriorated immeasurably and that their daily lives are much harder now. With the demise of the mining industry for the foreseeable future, there are fewer job opportunities and many jobs in the rest of the private sector have simply disappeared altogether. Combined with poor public health services and low educational standards, their lot cannot be called a happy one.

So what is to be done? Sierra Leone, with its considerable store of minerals, is far too important a country to let it drift into economic oblivion or even another civil war. The West needs to provide considerably more aid than hitherto it is doing right now and this needs to be directed towards health and education in particular.

This is a country that needs help. Without greater investment, progress on renewing the county will be slower and the people will become more impatient. Therein lies the greatest danger for the future of this part of Africa. Whilst other parts of Africa are enjoying an economic renaissance and attracting foreign investment on a pretty massive scale, Sierra Leone seems to be lagging behind its peers. Already the third poorest country in the world, it does not need to compound its present poor status with yet more periods of dismal economic performance. The Government of Sierra Leone needs to step in and adopt a more business friendly attitude to investors. In many circles, the government is seen as highly corrupt, autocratic and bound by 'red tape' and bureaucracy. The perceived view amongst the government bureaucracy is that it's ' too easy to tax the foreigners as they have plenty of money'. Fortunately many senior government bureaucrats now realise that Sierra Leone is but one country investors can come to and they have to compete with others to secure their share of seed capital for the future. Let us hope this attitude permeates through the rest of the government.

I have no doubt that in four to five years Sierra Leone will be back on its feet and will be a thriving country again. Its considerable mineral wealth, much of which remains to be tapped at this stage, will eventually guarantee its place as a leading producer of precious and bulk minerals. Hopefully the average Sierra Leonean will benefit as well.

Nigel Bridle

PROFESSIONAL PRECTICE

HITTING THE FURTHER EDUCATION TRANSFORMATION TRAIL

Jo Wright

This Government has embarked on a mission to transform the Further Education (FE) sector, driven principally by funding cuts, apprenticeship reforms and Area Reviews. The pressure to significantly improve the health of this sector is further exacerbated by the reduction in the 16-18 year old population, inherent ambiguity surrounding government policy and a further uncertainty following the Brexit decision.

"The programme to transform the FE sector is necessary, however we are concerned about the underlying practical elements that will be essential in the successful outcome of this vision." **Jo Wright,** Managing Director De Novo Advisory.

The overall aim of this initiative is double faceted - improve the financial health of UK colleges whilst ensuring that local education and economic needs are met. We consider, what does this transformation actually mean for the management teams expected to deliver it, and do they have the requisite skills to take on the challenge?

Jo continues "Managing the complex stakeholder matrix is absolutely crucial to success. In particular, lender appetite has changed leaving a sense of unease regarding financial exposure. Continued lender support remains critical, and to secure this, it is essential that a clear, fully costed and robust business plan is delivered, which not only encompasses a realistic merger timetable, but also provides clarity on how any merger is likely to impact the financial stakeholders. IFT members have many years' experience of stakeholder management and we recognise their demands can at times be overwhelming, especially when interests are not wholly aligned. Having the right expertise to effectively manage the stakeholder matrix is another key element."

A credible forward plan is essential not only for incumbent lenders considering their ongoing position, but also for applications to the recently formed Transaction Unit. Whilst restructuring is beneficial in the medium to long term, it will inevitably attract short term costs, which may not necessarily be fundable through existing lending facilities. In cases where funding cannot be secured from elsewhere, there is now a Restructuring Facility (within the Transaction Unit) available to support the implementation of recommendations from the Area Reviews.

The guidance on applications to the facility emphasises the one off nature of the restructuring of the FE sector, and makes it abundantly clear that no further EFS (Exceptional Funding Support) will be available to colleges post implementation of the Area Review recommendations.

"Basically, colleges have one shot at it. The other point to note is that this is not a 'fund', rather a lending facility ie repayment is generally expected on commercial terms, with interest, supported by security. As with traditional lenders, applications will be subject to a stringent approval process, hence the importance of a credible and robust plan, which is where our experience can be invaluable. Management teams must recognise that not only is it critical to have clarity around the numbers, but it is also imperative that stakeholders are satisfied there is an appropriate skill set within the management team to actually deliver the transformation. In our experience, this is an area where many colleges would benefit from help. The nature and mix of skills must evolve and adapt in line with the structure of institutions changing, and as funding is reallocated. Frequently management teams are facing this type of challenge for the first time. Merging and integrating institutions, as with businesses more generally, requires specialist skills and experience, that do not naturally form of the "day job". Management teams should look to engage with us early in the process, and leverage our expertise in helping them manage successfully through the change process; specifically, timely help with applications to the new Facility is fundamental." advises Jo.

Doing nothing is a recipe for disaster, as is clear from the one off nature of the Facility and also the fact that an insolvency process is currently being drafted to deal with failing colleges. The draft consultation states that the insolvency regime is being designed in a way which will:

- protect learners from disruption to their courses
- help the rehabilitation of a college, where possible
- provide an orderly wind-up procedure if a college becomes insolvent

The new legislation is expected to be presented in Parliament towards the end of the Area Review process next year, although would not actually come into force until some time later. The potential use of the new insolvency mechanism should not be underestimated; it is being introduced for a reason. Experienced help in managing through the changing landscape can help colleges avoid becoming an early statistic in the new insolvency regime.

On a positive, amid the turmoil in the sector, there is some scope to seek financial help to support the unavoidable restructuring and transformation. The guidance from the Unit encourages early applications, directly following output from the Area Reviews, and gives clarity on the criteria required to support an application.

Colleges can benefit from our support to ensure their plans are robust and have the best prospects of securing the financial help sought. The expectations for the standard of applications is high, and are broadly aligned to those of traditional lenders. Extensive knowledge and understanding of the lenders and their demands can be a vital ingredient in securing a positive outcome to an application.

Colleges that lack the skills and resources essential to facilitate a credible application, as well as the skills more broadly required in managing through the transformation process, must seek help before time runs out. As the facility also includes provision for professional fees, this expense in itself should not be a barrier to engaging the right expertise at the right time if long term viability is to be secured.

Jo concludes "Whether it's help with an application for funding, stakeholder management, business planning, merger or integration, taking action now and embarking on the road to transformation, will afford time to agree a managed and considered way forward, and avoid the fire fighting and crisis that some colleges are sadly already facing."

Interested?
Join the IFT Education SIG

Ralls Builders Ltd (In Liquidation) – A definitive guide to wrongful trading

This case centres on Section 214 of The Insolvency Act 1986 which deals with making directors (and shadow directors) personally liable for wrongful trading. The Judge in this case clearly sets out the position that many Companies show a balance sheet deficit from time to time, but nevertheless have a real prospect of trading out of that position. The negative balance sheet position detailed above is held by the Judge to be very different from the position where the directors knew or ought to have concluded there was no reasonable prospect of avoiding insolvent liquidation. He goes on to say that the fact that a company is insolvent and carries on trading does not automatically mean that a director will be liable for wrongful trading if the company fails to survive. In short, if you can show that you have a rational belief, supported by credible evidence (ideally in writing), that the sun will come out again, you can carry on trying to turn the business around.

It was also stated that if a director took every step he ought to have taken, with a view to minimising losses, he avoided liability under Section 214(1), even if he didn't succeed in his objective of rescuing the business. It is clear that that directors must be able to show that not only was continued trading designed to reduce the net deficiency, but also that it was designed to minimise the risk of loss to individual creditors. Directors therefore need to be ensuring that if trading continues, consideration is given to whether existing creditors are being paid at the expense of new creditors. If it looks as though that will happen it is vital to seek independent professional advice about your position. And for that advice to be put in writing.

This Ralls case is particularly useful because it summarises almost all previous cases on wrongful trading and although, ultimately, the court refused to make a declaration requiring the directors to make a contribution to the company assets in respect of losses caused, there was criticism of their conduct. That criticism makes useful reading and it was at its harshest in relation to a failure to spot the point of no return.

In Ralls, the Court decided on the basis of evidence provided, that the directors ought to have concluded there was no reasonable prospect of the Company avoiding insolvent liquidation when it became clear that the businessman who was promising to inject a large, and vital sum of money was not actually going to put in the cash.

The directors argued that right until the end the bank was not putting pressure on them and that the summer trading was going quite well. BUT they had to admit that if they didn't get in the large cash injection the company would have to go into a formal process. They were guilty of wrongful trading from the day when it should have been obvious to them that promises of money were not going to be honoured.

The arguments about what, if any contribution they should pay to the creditors in this particular case focused on the net deficiency for the Company, the dates when this occurred, and also the level of extra losses which could be attributed to the Company going into liquidation (which could not be laid at the directors' door). Arguments were put forward about new credit being obtained during the period after the directors should have realised the Company could not avoid insolvent liquidation and the Company going into a formal insolvency process. While the court criticised the directors for their actions relating to new credit being obtained, the case was decided by reference to what was the net deficiency of the Company and whether it was increased between the date they should have pulled the plug and the actual date of death.

The court criticised the low calibre of expert information provided at the trial, which saw experts unable to agree whether the continued activity made the creditors' position worse, improved the overall position or whether the position stayed the same! As there was no definite quantifiable loss for the period between the date the directors ought to have concluded the Company could not avoid insolvent liquidation and the death of the Company i.e. a loss attributable to their wrongful trading, no order could be made against the directors for a contribution. They were rather fortunate.

It is evident that while in this particular case the Directors were not required to make a contribution to the assets of the Company, the bigger picture that all turnaround practitioners acting as directors need to be aware of is:
1. Being balance sheet insolvent is wholly different in law from the company being in a position where it cannot avoid insolvent liquidation or insolvent administration.
2. That in the event of being unable to avoid insolvent liquidation (or administration) and continued trading, directors will be expected to show that they have taken all steps to minimise losses AND that they have designed their plan to minimise risk to creditors and have considered the position regarding new creditors AND that they recorded their decisions and have taken expert independent advice.
3. Failure to consider all of these points, and to document matters adequately will leave directors open to attack under Section 214 and another recent case called Brooks v. Armstrong (2015) holds that the onus is on the directors to show that they did take the right steps, rather than on the liquidator to show that they didn't.

John Pennie. Bond Dickinson

PROTECTED DISCLOSURES BY WORKERS

Guy Guinan, Partner in Gateley plc, clarifies 'whistleblowing'

1. Introduction
1.1 The Public Interest Disclosure Act 1998 (PIDA') came into force on 2 July 1999.

1.2 It was introduced against the background of a series of scandals and disasters notably the Zeebruge ferry disaster, the rail crash at Clapham Junction, the explosion on Piper Alpha and the financial scandals involving BCCI, Maxwell, Barlow Clowes and Barrings.

1.3 In the subsequent investigations it soon became apparent that staff were well aware of the risk of serious physical and financial harm but were frightened to raise their concerns or did so in the wrong way or with the wrong person.

1.4 PIDA introduced legislation that provided protection to workers who made 'protective disclosures'. It became known as whistleblowing as a reference to a policeman or referee who blows a whistle to draw attention to some wrongdoing in the street or sports field.

2. What can the disclosure be about?
2.1 For a disclosure to be protected it must contain information which shows, in the reasonable belief of the worker, that one of the following has occurred, is occurring, or is likely to occur:
• A criminal offence.
• Breach of any legal obligation.
• Miscarriage of justice.
• Danger to the health and safety of any individual.
• Damage to the environment.
• The deliberate concealing of information about any of the above.

2.2 A disclosure made on or after 25 June 2013 will only be a qualifying disclosure if the worker reasonably believes that the disclosure is *"in the public interest".*

2.3 Prior to this the only reference to public interest had been in the title of PIDA! It was an omission that had led to some claimants using the special protection given to whistleblowers to support their complaints about non-payment of bonus or other contractual breaches.

3. Who should the disclosure be made to?
3.1 Internal disclosures are protected as PIDA encourages disclosure to the employer as the primary method of whistleblowing.

3.2 An external disclosure may be protected in some circumstances for example where the worker reasonably believes a third party such as a client or supplier is responsible for the wrongdoing, they can report it to that third party without telling the employer.

3.3 Parliament has also approved a list of ***"prescribed persons"*** to whom workers can make disclosures, provided the worker believes the information is substantially true and concerns a matter within that person's remit. There is no need to tell the employer first.

3.4 Prescribed persons include HMRC, the Health and Safety Executive, the Office of Fair Trading, the Charity Commission, Members of Parliament and many industry regulators.

3.5 Workers employed by a person or body appointed under statute can report matters to the relevant minister or member of the Scottish Executive.

3.6 Workers can disclose matters to their legal adviser in the course of obtaining advice.

3.7 Disclosure to anyone else is only protected if the worker believes the information is substantially true and does not act for gain. Unless the matter is "exceptionally serious", they must have already disclosed it to the employer or a prescribed person, or believe that, if they do, evidence would be destroyed or they would suffer reprisals. Disclosure to that person must also be reasonable.

3.8 Clearly it will help the employer if it is encouraging the reporting of these matters through internal channels. It may help avoid serious accidents, fraud, regulatory breaches, financial scandals and adverse publicity.

3.9 It's a good reason to implement a whistleblowing policy setting out procedures by which staff can confidentially report concerns about illegal, unethical or otherwise unacceptable conduct.
However it should ensure that it enables the worker to bypass the level of management at which the problem may exist.

3.10 To be effective it will be equally important to publicise the policy internally and train management in its principles and operation. It will also help to make it clear that victimisation of a whistleblower will lead to disciplinary action.

3.11 In a listed company, it is part of the obligation under the UK Corporate Governance Code to maintain a sound system of internal control

4. What is the protection given?
4.1 Protection against dismissal. The dismissal of an employee will be automatically unfair if the reason, or principal reason, is that they have made a protected disclosure.

4.2 The same applies if the employee is constructively dismissed or selected for redundancy by reason of the disclosure.

4.3 There is no qualifying minimum period of service. Employees will usually need to have at least two years continuous service before they can bring a claim for unfair dismissal.

4.4 There are also no upper limits on the amount of compensation that can be awarded by the Employment Tribunal. The current normal limit is £78,335 though that is due to rise from 6 April 2016 to £78,962.

4.5 It is also unlawful for an employer to subject one of its workers to a detriment including threats, disciplinary action, loss of work or pay, or damage to career prospects on the ground that they have made a protected disclosure.

5. Who can claim protection?
5.1 The concept of a ***"worker"*** in the whistleblowing legislation is broad and includes, among others, agency workers, freelance workers, seconded workers, homeworkers and trainees, as well as employees.

Gateley plc hosted and spoke at an IFT members' meeting earlier this year.

The Modern Slavery Act 2015

All Turnaround executives need to ensure compliance with this legislation this Autumn to ensure transparency in supply chains.

Summary
From October 2015, commercial organisations with a turnover of £36 million or more carrying on business in the UK will have to prepare a Slavery and Human Trafficking Statement each financial year, stating the steps they have taken to ensure their business and supply chains are slavery free. The Statement will have to be published on the organisation's website and a failure to comply can lead to an injunction and to the loss of sales opportunities.
The Modern Slavery Act 2015 (the Act) is intended to tackle modern slavery by consolidating various offences relating to human trafficking and slavery. It also includes a provision for transparency in supply chains that will require all businesses with an annual turnover of £36 million or more to disclose in an annual Slavery and Human Trafficking Statement on their website what steps they have taken during the financial year to ensure their business and supply chains are slavery free.

Which businesses will be covered?
Commercial organisations that supply goods or services and have a minimum total turnover of £36 million will be covered. "Commercial organisations" means companies (both listed and private) and partnerships, wherever they are incorporated or formed, that carry on a business or part of a business in any part of the UK and will therefore include foreign businesses. "Business" includes a trade or profession. As the obligation applies to suppliers of goods or services, it is not limited to manufacturers and retailers; neither is it limited to any particular sector.

What is meant by slavery and human trafficking?
Essentially it is conduct that constitutes the offences of slavery, servitude, forced or compulsory labour and human trafficking, or would constitute an offence if the conduct took place in the UK.

The turnover threshold for disclosure
The threshold has been set at £36 million, which will apply to global turnover, not just UK turnover, and is expected to include subsidiaries. Regulations will be published that will specify how the total turnover is to be determined. According to the consultation paper, total turnover will be the total net turnover of the commercial organisation, meaning the total amount of revenue derived from all sources, after deduction of trade discounts, VAT and any other taxes based on the amounts so derived. The Home Office believes that larger businesses have the resources to undertake due diligence and take action on the results. They also have the purchasing power to exert real influence on supply chains.

Content of the Statement
The Statement will have to include an account of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its business. Alternatively, the organisation can state that it has taken no such steps. All sane businesses are unlikely to use the second option which was only included to cover a situation where through ignorance or oversight the organisation had failed to comply but still needed legally to say something.

Approval of the Statement
Where the organisation is a company, the Statement must be approved by the board of directors and signed by a director. In the case of limited liability partnerships, the Statement must be approved by the LLP members and signed by a designated member. A partner must sign the statement for all other types of partnership.

Publication of the Statement
The statement must be published on the organisation's website and a link to it must appear in a prominent place on the homepage. The consultation paper states that, if a subsidiary also exceeds the turnover threshold, it will have to prepare a Statement in its own right. If the turnover threshold applies to both the parent company and a subsidiary, they can produce one Statement as long as it covers both businesses and appears on both websites.

Enforcement
The Home Secretary can enforce the duty to prepare the Statement by way of an injunction in the High Court, requiring the organisation to comply. It would be surprising if the Home Secretary made such an application without significant prior warning to an organisation. However, it is likely that if enforcement action is taken it will be against a high profile organisation since this will attract greater publicity, which will be regarded as helpful in securing wider compliance with the Act. No IFT member would want to be at the helm of such an organisation.

Timing
This provision comes into force this October. The Government has stated that transitional provisions will apply so that Statements are not required where the financial year end of a business is within close proximity to the date on which the duty comes into force.

Why Bother?
It is generally conceded that however worthy the legislation, a company will only try to comply if it is afraid of the "punishment" for non-co-operation. The Act can appear toothless at first sight BUT it is highly likely that in the next year or so all purchasing by all National and Local Government entities in the UK will be prohibited unless the company from whom the goods or services are being bought can demonstrate that it is fully compliant with the Act. In short, therefore, if as an IFT member you are turning round a business which is caught by the Act you need to ensure it is compliant for fear that otherwise the routes to a large part of the market for its goods or services will be strangled. Also, banks lending to a business will probably need to be satisfied it is compliant, as will any prospective purchasers of it, or would be investors.

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How do you find out what your clients really think of your business services if you're an independent or boutique SME?


Noshir Desai


Duncan Parkes

Any forward thinking business needs to know what their clients think of their products and services to continually improve, develop and stay ahead of the competition. If you're a larger corporate organisation with higher staffing levels you may be able to allocate some of your people to undertake customer service feedback reviews or hire in larger consulting firms to do this on your behalf but how about if you're a smaller organisation or "one man band"?

What does an SME management team need to know?

An SME may want feedback on a number of issues including:
1. What are the main reasons clients choose your business?
2. How well do you understand the needs of your clients and what they want?
3. How happy are your clients with the services you provide and why?
4. What do your clients like most / least about the services you provide and why?
5. What value do you provide to their business and how is this assessed?
6. What more could your business do to improve its service offer?
7. Would your clients recommend you and if so, what would they say?

These questions are just a small sample of the areas where you might want honest feedback but how do you make the time to get this information? The simple answer is most small businesses don't have the time or resource to get feedback themselves due to the numerous other demands on their time. So what are the choices for the independent SME? Well, you can either do nothing, create some time to do this, or consider bringing in an independent specialist to do this for you.
The benefits of receiving objective and regular client feedback can be extremely powerful but you need to find someone you can trust, who will take time to understand your business and create a positive impression on your clients.

Duncan Parkes of DDS Advisory has worked with Noshir Desai to this effect. "I've known Noshir for some years and he has taken the time to get to know my business well. In 2015, he undertook a number of customer relationship reviews with my clients, designed to help me get actionable feedback regarding the services I provide and areas for future improvement. He initially spent time with me to understand my clients and the areas where I wanted to focus, adopting a thorough, professional and pro-active approach. He then designed client questionnaires and following my initial introduction, liaised directly with my clients to set up and undertake feedback calls which were well received. He quickly built rapport and following the client calls, provided useful and succinct summary feedback (both written and verbal) together with recommendations which have been very helpful. I would be happy to recommend him to SMEs who are looking to get meaningful client feedback."

Noshir Desai Consulting was set up by Noshir with a view to helping people and businesses succeed. Noshir Desai Consulting can support independents and SMEs as follows:
1. Identifying specific areas for review with the SME owner
2. Agreeing target clients to approach and reviewing the existing relationship
3. Designing client questionnaires
4. Setting up and undertaking client reviews
5. Producing individual client feedback reports
6. Producing a summary feedback and recommendations report
7. Presenting findings to the SME owner

If you think your business could benefit from this type of service, do get in touch with Noshir for a free, no obligation initial consultation.

Noshir's background and experience includes 30 years in business, having worked both in the UK and internationally. He has a strong relationship management background and is good with people. He retired at the end of 2012 and since then, has undertaken voluntary work with a number of charities, provides mentoring services locally to SMEs and young people and has set up a successful small business.

POINTY STICK

WHY THE DAYS OF MEGABUCK-PAYOUTS ARE DRAWING TO A CLOSE

Stephen Hazell-Smith aka 'City Grump', founder of AIM and PLUS, Chairman of BusinessAgent, lets off steam

Do you remember when banks you know wrote, no bonuses into their contracts of employment and that "at no time should individuals, departments or divisions be awarded bonus payments when the holding or group company does not make a profit".

Is this laughably unrealistic today and in the future?

Research in the FT and elsewhere (such as the High Pay Centre) regularly highlights the widening pay gap between the top executive and the rest.

Over the last 150 years, financial-sector pay relative to the rest of the private sector was roughly at parity. This changed to 1.7 times in the run-up to the crash of 1929 and again it hit 1.7 in 2006, just as sub- prime mania was climaxing.

But in a world of technological change and globalisation, you need bright highly skilled bankers right? Wrong. In a splendid de bunking of this nonsense, the researchers point out "the technological development of the past 40 years (with IT in particular) should have disproportionately increased efficiency", noting that in companies such as Walmart, efficiency has reduced wages.

Researchers calculate that at least half the relative pay jump in the financial sector represents skimming off fees, not innovation.

Changes in the remuneration models at the likes of Goldman Sachs, Morgan Stanley and JP Morgan Chase were the first signs that pay could be on a slow-but-sure journey back to historic parity.

There are obviously the high-profile political casualties such as Hester, Goodwin and (perhaps) Philip Green, but at the more workaday level, financial companies and their stakeholders are beginning to realise that there is an almost endless supply of bright young graduates who would be only too pleased to learn how to step into the shoes of those who complain they can't get by on £200k per annum.

Global financial institutions keep their wheels turning by making sure their employees conform to strict routines. They are "worker bees", not successful financial entrepreneurs. Hence maintaining pay scales at anywhere near 1.7 times the private sector average is, quite simply, unsustainable. Not that the boards many FTSE100 companies have quite twigged this yet.

No doubt Simon Walker, outgoing director-general of the Institute of Directors, would describe my article as yet another example of "anti-business hysteria". Deep down he probably knows that many of his FTSE 100 directors also cannot hope to carry on being paid well over the odds for just being "upstairs employees" of their regular-as-clockwork companies.

Modern capitalism needs to be about high rewards for successful entrepreneurs. Those who can do nothing better with their lives than attach themselves to Megacorp will find that the days of megabucks are drawing to a close.

MEMBER & PARTNER NEWS

RBS RESTRUCTURING PARTNERS WITH THE IFT

RBS Restructuring is a leading team of turnaround and restructuring specialists. We support commercial, corporate and institutional customers experiencing financial distress. RBS led many of the most complex and high profile corporate restructurings and rescues after the financial crisis, including Thomas Cook, the Co-op Group and Dubai World.

Our purpose is to protect the bank's capital by working constructively with customers to promote and support viable turnaround and recovery strategies, enabling a return to mainstream banking wherever practicable. In cases where businesses are not viable, we work to recover capital in a way that is fair and efficient. Our team has supported thousands of businesses since the financial crisis.

The shape of RBS Restructuring has been transformed over recent years to align with the bank's strategic direction, the improved economic backdrop, customer needs and regulatory requirements. Today we are smaller, simpler and better integrated within the bank in order better to support customers. Under our new operating model, business customers in financial distress retain their frontline Relationship Manager (RM) from the customer facing businesses – these RMs will continue to provide banking services, working alongside Restructuring colleagues who will provide specialist support and be responsible for all aspects of credit stewardship. Customers benefit from the continuity of relationship management while the bank ensures consistency of service and reduces the operational complexity, cost and risk that come from moving customer accounts between departments.

We are proud to support the Institute for Turnaround's and British Banking Association's Principles for UK Business Support Units of Banks.

RBS Restructuring is led by Laura Barlow, who has over 22 years of experience in restructuring and turnaround, working with businesses from SMEs to multi-national corporations. She joined RBS in 2010 from AlixPartners, where she undertook advisory and interim management roles for companies in financial difficulty.

***Laura Barlow** was the winner of a prestigious IFT Rising Star Award in 2008*

ENERGETIC NEW AGENDA FOR THE IFT FELLOWS

For any of us to succeed we must first fail, often many times. It is only by learning the lessons of our failures that we can build for success.

Sadly there is a cultural resistance to broadcasting our failures, so in many walks of life, successful individuals and organisations appear to evolve seamlessly from one success to another. However we all know that such appearances are a chimera and are never the case in the real world.

Take the example of that cohort of the IFT, the Fellows. In the last three years the number of Fellows has fallen by 40% and now stands at just 25. Fellows rarely meet as a body. There is no connection between them and the governance or strategy of the IFT. They have no role, no identity and they lack purpose.

In short, the idea of the IFT having Fellows, notwithstanding any earlier success, has failed.

I recently agreed to accept the newly constituted role of Chairman of the Fellows' Committee because I believe we can learn from the failure of the Fellows. We can put in place a reinvigorated body that is attractive to Members who wish to be Fellows, and gives the Fellows themselves a purpose within IFT, and a distinct voice in the governance of IFT.

Key changes
The key changes to the Fellows group within IFT are as follows:

- A Fellows' Committee consisting of three Fellows and two Members. The inaugural Committee was formed from the members of a working group set up by the board of IFT to examine the options for the Fellows' cohort within IFT. No Member or Fellow on this Committee may serve more than three years after which their replacements will be chosen by Fellows, or Members, by way of election.

- The main roles of the Committee are to look after the interests of the Fellows and to coordinate the appointment of new Fellows. For the first time there is to be an open procedure for the admission of new Fellows. Members may nominate themselves and complete a simple application process before being interviewed by three Fellows.

- Fellows will be expected to play an active role within IFT. They will sign an annual declaration showing what IFT events, CPD or governance bodies they have attended in the previous year. It is important that the Fellows, who are pre-eminent in their profession, are seen to be active participants in all things IFT.

In summary, this is a rehabilitation for the cohort of Fellows within IFT. We, the Fellows' Committee, are looking to recruit this year about twenty Members to transition to being Fellows. So, if you are pre-eminent in Turnaround and believe in playing a significant role within IFT, please do apply. There will be details on the website and from the IFT Executive so there is no reason to delay.

The Fellows idea may have failed recently but we have learnt some of the lessons of the last few years. However, without new blood, new Fellows, the transition to a successful future cannot succeed.

I look forward to seeing your application to join the IFT Fellows very soon.

Nick Winks

Prime Minister honours IFT Fellow Award for his socially enterprising charities work on MCR Pathways.

IFT Fellow and former IFT Chairman Dr. **Iain MacRitchie** was chosen to receive a 'Points of Light' award from Prime Minister David Cameron. The honour was for 'Inspiring a Generation', Iain's MCR Pathways project, which has helped over 200 disadvantaged young people match with mentors to improve their life chances.

Iain MacRitchie received The IFT's prestigious Foundation Award for his socially enterprising charities work on MCR Pathways.

Prime Minister David Cameron said:
"Iain has shown a fantastic dedication to making sure that all young people have the same opportunities, no matter what start they have had in life. By inspiring hundreds of people to give their time to mentor young people across Glasgow, Iain has made a real difference to hundreds of lives. I am delighted to recognise Iain's service by making him the UK's 438th Point of Light."

Iain said:
"It is fantastic for the volunteering commitment and passion of Glasgow to be recognised in this collective award. It is a privilege to be working with so many likeminded and positively determined people in the Education Authority, schools, organisations and businesses, all driven to personally make a difference for the young people of the city. The momentum being created will ensure that every disadvantaged young person in Glasgow has the opportunity and support to find, grow and use their talents."

Lord Dunlop, Minister for Scotland, said:
"This award recognises Iain's tireless efforts over the past decade to unlock the talents and potential of young people living in difficult circumstances. Iain's work represents Scottish entrepreneurialism at its very best, giving back to the local community and helping others to become mentors. The example he sets is a truly inspiring one."

ADRIAN DOBLE OWN BRAND

Adrian Doble, one of the original founder members of IFT, has formed a new business dedicated to developing leadership roles in private companies.

Adrian has led three companies to international turnaround awards and was voted Turnaround Professional of 2015 at the Insolvency & Rescue Awards in October last year.

Commenting on his decision to create his new vehicle, Adrian said "I noticed how, for operators, the turnaround model in the UK nowadays favours performance improvement. Funds want individuals who can create step change improvements in EBITDA. This needs different skill sets to traditional working capital management and cash management that is now mainstream for many business leaders. Likewise, financial restructuring has become the preserve of restructuring lawyers and the Insolvency Practitioner community. The traditional role of the company doctor has moved on and I want to capture this trend for my clients' benefit."

Adrian Doble
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Riverhill Shows Versatility With $1.25bn Fund Management Mandates

Best known for their restructuring advice and following two lead restructuring roles in 2015, in May Riverhill Partners completed a very different sort of mandate for a long term client the Emerging Africa Infrastructure Fund ("EAIF"). Having advised this senior debt-provider since 2006, Riverhill were appointed in early 2015 by the Boards of EAIF and sister fund GuarantCo (a local currency guarantee provider) as sole financial adviser for the retender of their fund management contracts. With funds under management of US$1.3bn EAIF and GuarantCo are part of the Private Infrastructure Development Group, a group of government donors which mobilises private sector investment to assist African and emerging market countries in providing long term infrastructure vital to boosting their economic growth and combating poverty. These funds represent a significant part of overseas aid provided by the UK.

Riverhill launched global retender processes under EU procurement rules attracting bids from fund managers across Africa, North America and Europe. Riverhill led the negotiations throughout, from market testing to concluding final offers (including the operational transition of all staff and data), design of the procurement structure, documentation, scoring systems and a bespoke fee structure to reward the manager for achieving both financial and development-related targets. The process concluded in May 2016 with the concurrent appointments of Investec Asset Management and Cardano Development BV. The Board of both funds are delighted with the outcome crediting Riverhill for their excellent performance during this 'Sisyphean task'.

Peter Collini

Lawrence Chapman

Lawrence Chapman of Riverhill Partners LLP commented: *"The process had to be extremely thorough and focused, with crystal clear communication across a broad stakeholder group over nearly 18 months. Our job was to condense a huge amount of information and issues into distinct recommendations for both clients, understand the objectives of the shareholder governments, whilst ensuring our clients achieved the best financial outcome available. Features common with a typical restructuring!"*

Baker Tilly became RSM and rolled out global brand in 110 countries

In the year past, Baker Tilly adoptec the name RSM, uniting under a sing common brand with RSM audit, tax and consulting firms across the world. Baker Tilly is one of the UK's leading audit, tax and consulting advisers, with 3,400 partners and staff operating from 32 offices around the country.

The now established UK RSM logo and brand positioning - 'The power of being understood' - is ubiquitous in all of the firm's 35 UK locations, as well as across the entire RSM network, comprising 37,500 people in 730 offices across more than 110 countries.

RSM International is the seventh largest global network of independent audit, tax and consulting firms. In 2014, it was the fastest growing top 10 global network posting an 18 per cent increase in revenue to $4.4bn for the year ending 31 December 2014.

Laurence Longe, RSM's UK Managing Partner, said,
'Uniting under a common brand presented a unique opportunity for RSM to truly become the first choice adviser to middle market leaders, globally.

"Clients using an RSM firm now have much greater confidence that they will receive the same high quality of professional service for their audit, tax and consulting needs wherever they do business in the world.

"By coming together under a common brand, we are better able to draw on local knowledge and global expertise from across the network and this will help us to help our clients be successful wherever and whenever they expand the international reach of their business. But even though our name has changed, we are staying true to our roots and we are committed to serving the needs of all of our clients both nationally and internationally.'

"The move has considerably strengthened our UK position as a leading provider of global audit, tax and consulting services focused on the middle market. The middle market is a critical part of the UK and global economy generating more than one third of private sector UK GDP and employing nearly 40 per cent of the UK private sector workforce.

"We will stay true to our roots and continue to maintain the core essence and legacy of the Baker Tilly brand. Adopting RSM as our name is simply accelerating our path to a recognised unified global brand and strategy. It will reinforce our focus on becoming the leading adviser to the middle market by ensuring that our clients receive consistent global services, irrespective of international borders. Adopting the RSM name enables us to work even more effectively in all countries around the world."

McGladrey, the RSM US member firm, is the leading US provider of audit, tax and consulting services focused on the middle market with 8,000 professionals and associates in 80 cities nationwide.

Laurence Longe
After qualifying as a chartered accountant with a now Big Four firm, Laurence joined RSM in October 1987. Since July 1996 Laurence has been a senior member of the management team of RSM, overseeing our growth to become a leading mid-tier firm of chartered accountants in the UK market. He is now managing partner on the management board. Laurence takes an active role in the risk management issues facing the firm and monitors closely the quality assurance procedures in all the RSM offices and faculties.

RSM

RED CLOVER, GREEN SHOOTS

Red Clover Partnership, which was co-founded by Robert Griffiths and Philip Smith, scored a first in the Midlands Dealmakers Awards towards the end of 2015, when it was short-listed and a hot contender for Turnaround Team of the Year.
Bespoke and sustainable solutions

Red Clover is a leading advisory boutique providing bespoke restructuring and performance improvement solutions to stakeholders in a variety of business situations.Stakeholders who typically engage our services include shareholders, management teams, regulators, governing bodies, banks and other lenders or equity providers.

The team is well regarded in the market for their practical hands-on approach, wealth of skill and knowledge gained through the execution of numerous projects and their professional services backgrounds.Red Clover has a national presence with the team based in London, Birmingham and Manchester.

This was a real breakthrough, being the first time that practitioners rather than accountancy firms had made it through to the finals.

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STEPHENS EUROPE FAST OFF THE BLOCKS

With offices in London and Frankfurt, Stephens Europe Limited (Stephens Europe) was established in September 2014 and works closely with Stephens in the US to provide independent financial advice based on deep sector knowledge and expertise. he firm's roots in the US stretch back to the Great Depression of the 1930's, when W.R. Stephens founded the firm.

Stephens Europe director Shaun Holmes said, "When we launched the business, we declared our intention of becoming a leading independent financial adviser in Europe and of broadening our initial coverage of the consumer, industrials, media and transport sectors. Since then we have appointed a further three managing directors: in January 2015 Hugh Elwes arrived to set up a financial services group and in June I joined to establish a restructuring and special situations practice and was followed by Andrew Lynn to set up a debt advisory practice. To support our capabilities further in the restructuring and debt advisory areas, we have also recruited Tomás Lynch as an associate director.

"In London we now have a senior team of eight managing directors: Simon Eccles-Williams, Patrick Wilson, Graham Paton, Dan Clague, Hugh Elwes, Shaun Holmes, Andrew Lynn and Dominic Wallis; we had all previously worked together at Hawkpoint. In total we now have 22 people in the London office and expect to make some further appointments in due course.

"We have recently completed our first two transactions (an asset disposal and some strategic advice in the media and educational sectors respectively) and are busy with a broad range of mandates.

"In line with our intention to expand our coverage in Europe, I am also delighted to announce that on 1 July we opened an office in Frankfurt and we are very pleased that Gerhard Gleich and Philipp von Grawert have joined Stephens Europe. Gerhard, who is an experienced industrials banker, was formerly head of Canaccord Genuity's Frankfurt office and will now head our German office and Philipp was a director with Canaccord Genuity with a particular focus on business services and adjacent sectors; they have been joined by four of their former colleagues. We believe that there is strong demand in the German speaking market for a relationship driven advisory business, with deep sector knowledge and outstanding US connections which is led by an experienced team that is committed to providing our clients with senior involvement throughout a transaction."

Shaun Holmes, Managing Director,
Stephens Europe Limited

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GATELEY PLC: A ONE OF A KIND TRANSFORMATION

Chris Radford, **partner at Gateley Plc, gives his insight into the transformation the business went through when it became the first UK commercial law firm to float on the London Stock Exchange and its performance in its first year as a Plc.**

National law firm Gateley Plc, has been through a significant and successful transformational change as a business. In June 2015, it became the first UK commercial law firm to float on the London Stock Exchange when it successfully floated on AIM, raising £30M.

Gateley has recently reported its results for its maiden year. The firm has posted a 12.2 per cent rise in profit before tax to £11M and revenues have increased by 10.2 per cent to £67.1M. During the same period Gateley's employee numbers have increased from 606 to 638, Gateley has acquired Gateley Capitus Limited and the firm has opened a new office in Reading.

Through its floatation Gateley has achieved first mover advantage in its industry, and significantly enhanced the firm's public profile in the UK and internationally. A key driver behind the move was the rapidly changing legal landscape in the UK. The mid-market in particular is highly competitive and whilst Gateley had been profitable and grown its market share over the last ten years, it saw its floatation as a way of distinguishing itself from its competitors.

Gateley strongly believes that the components for value creation are to differentiate, diversify and incentivise. Its strategy is to continue to grow organically and by acquisition. The float has assisted in achieving this through creating a market valuation for the business in a tradable form and providing access to funds through the equity market. Another important feature of the float is that it has assisted in the recruitment, incentivisation and retention of key management and employees through share participation. This has created a more flexible career structure with earlier equity ownership, aligning its employees' interests with those of the firm.

Gateley acquired Gateley Capitus Limited in April 2016, funding the acquistion out of the Gateley's existing cash resources and the issue ordinary shares in Gateley Plc. This is a specialist tax incentives advisory business which advises institutional and professional investors on their commercial property transactions. The acquisition of Gateley Capitus Limited was consistent with Gateley's growth strategy to acquire businesses offering complementary professional and other specialist services to clients in Gateley's target markets. Gateley plans to continue to successfully acquire legal businesses offering niche services, sector specialisms or geographic expansion and non-legal businesses offering complementary business services, thus enabling cross-selling to existing clients and representing a stronger sales proposition for potential new clients.

Gateley joined the AIM market with a strong shareholder register, comprising both growth and income funds. The IPO also received strong support from employees, partners and significantly from Gateley clients, with approximately 10% of gross placing proceeds being investments in the firm by Gateley clients. Through this, Gateley can offer something that no other British law firm can, which is the ability to give client investors a share of its profits. The new structure means that the overall performance of Gateley is not only in the interest of a few, but for its wider employees and clients who have invested in the firm as well.

Gateley's experience means that it fully understands the intricacies involved in this type of change from both advising clients in this area and having dealt with it themselves.

Chris Radford

NEW IFT REGION CHAIRS

Midlands – Ian Parker
Ian is a widely experienced commercially orientated independent CEO/MD who has led seven SME engineering/industrial product businesses under corporate, private, MBO and private equity ownership. He became an Associate Member of the IFT in 2006, a Member of the IFT in 2010 and in May 2016 took on the Chairmanship of the IFT Midlands Region and the IFT Manufacturing and Supply Chain SIG. He is an Associate Member of the EEF and has an MBA from Cranfield School of Management.

North - Allan Kelly
Across 25 years, Allan has gained diverse and varied experience across corporate finance and the corporate restructuring industry. He has held a number of interim roles as CFO, during turnaround or high growth company assignments, in renewable energy, aerospace, engineering and software. He is chairman for the Association of Business Recovery Professionals (R3) North East England and is a member of the R3 policy group. These wide ranging roles have given him a breadth of experience to draw upon and identify opportunities or solutions which may not be obvious. He works alongside management in developing and implementing restructuring and turnaround plans and also advises stakeholders including banks, investors, ABL's and private equity houses.

West & Wales - Bob Frost
Bob Frost is the new Chairman of the West & Wales region of The IFT. Bob joined IFT in 2006 and is a staunch supporter of our Institute. During his corporate career, Bob was a Finance Director in large international companies but, irrespective of his job title, he was always the trouble shooter of the team – buying and selling companies, fixing broken ones and managing large transformational projects. His independent turnaround career started in 2004 and two independent turnaround directors, Bill Reeves and Chris Howell, persuaded him to join The IFT. In 2008 Bob formed Arca Group and now works with 4 other turnaround directors. He also started BPO Solutions which outsources client back office operations to its shared service centre in Witney, Oxfordshire. He is now part of the Chipping Norton set and lives there with his wife Nikki. Motorcycling around the Cotswolds is his hobby.

NEW TEAM MEMBERS AT THE IFT

We are delighted to introduce newer members to The IFT team: Ruby Fitzpatrick, Louisa Jones and Kate Norris

Ruby Fitzpatrick – *Research and Membership Executive*
Ruby Fitzpatrick's background lies in investigative and customer support roles and has worked for such organisations as Amazon UK and The Home Office. Ruby joins the team as our Research and Membership Executive focusing upon providing excellent membership support and aftercare. She has already demonstrated a ready grasp of the inner intricacies of The IFT accreditation process and has been refreshing a range of member benefits and credentials collateral.

Contact me – Rfitzpatrick@the-ift.com

Louisa Jones – *Team Executive*
Louisa Jones previously worked for 'The London Magazine' as Subscriptions Manager and was also directly involved with sales, marketing and event planning. She has joined The IFT to become immersed in the world of Transformation and Turnaround and is now the point of contact for many events we organise, from CPDs to SIGs and Members' Meetings. She brings with her an enthusiastic, collaborative attitude and is ready to enhance her knowledge of the Professional Membership world.

Contact me – Ljones@the-ift.com

Kate Norris – *Operations Executive*
Kate's experience lies mainly in the non-profit and customer service sectors. Before moving to Paris to learn French through immersion in a small business where she was the CEO's right hand person, she was involved with a youth organisation in Ireland, She continues to volunteer with charities in London, working in a homeless shelter in her spare time. Kate brings her interpersonal skills and dynamism to her role as Operations Executive in The IFT where she enjoys being part of a unique and fascinating institution.

Contact me – Knorris@the-ift.com

Your IFT Academy

"The leadership and guidance was first class" – Senior Director, FTI.

The IFT set up The Academy to provide educational sessions on all aspects of turnaround and transformation and this September will be its third consecutive cycle.

Crafted and delivered by Programme Director Shaun O'Callaghan and with guest speakers who include IFT Members and Partners also delivering lectures and case studies, The Academy brings alive the key concepts of leading profound and radical change, through a compelling mix of experiential and classroom interactions. With preparatory work and project-based assignments, there is ample opportunity for learning – even IFT members can gain insights into markets, techniques and the latest cases. The practical workshops and lively debate are set in stimulating surroundings such as The Clarence Centre at London Southbank University and The Møller Centre in Cambridge.

Another great benefit is the growing network of alumni and presenters – all part of our approach to link up the knowledge within the Institute: IFTConnect™

Module 1: 26th to 27th September 2016 – London

Module 2: 14th to 15th December 2016 – London

Module 3: 28th Feb to 1st March 2017 – Cambridge

Module 4: 25th to 26th April 2017 – London

Module 5: 4th to 5th July 2017 – Birmingham

Module 6: 5th to 6th September 2017 – London

Our current delegates come from companies such as HSBC, PwC, Grant Thornton and KPMG to name but a few and come from a variety of sectors. If you'd like to know more, or think The Academy could be beneficial to you and you would like to participate, please contact Kate Norris at KNorris@the-ift.com.

NEW MEMBER PROFILES

The IFT recently accredited several new members, who introduce themselves to *Swift* in their own words:

Pramod Philip
Pramod Philip qualified as a Chartered Accountant, having trained with Deloitte and Touche in the early 1990s. Also a qualified PRINCE2® Project Management Practitioner and MSP Programme Management Practitioner, Pramod specialises in delivering transformational change projects and programmes mainly in the government, technology, research and higher education sectors.

Recent assignments have included project-managing the acquisition of a 65-person business unit of a university, an Interim FD role for a telecoms company, and advising on the spin-out of a national scientific research institute.

Pramod is active in The IFT's recently formed SIG (Special Interest Group) covering Education.

Roy Eden
A certified Israeli lawyer, entrepreneur, investor and athlete, Roy holds an LLB in criminal taxation and a BA in Entrepreneurship from the Inter Disciplinary Centre in Hertzelia, Israel. In 2008, Roy co-founded Bravo Management (UK) Ltd, trading as Bravo Investment House Ltd., a London based Real Estate investment and management firm. Bravo is focused on acquiring and turning around real estate into successfully operating businesses. Roy's track record is consistent not only in turning around distressed real estate, but also in identifying and maximising property opportunities.

Bravo Investment House Ltd offers a fully comprehensive service with dedicated departments in finance, planning and construction, legal compliance, sales and marketing, and HR, with an efficiently operational commercial culture. Bravo's expertise extends across the turnaround of residential properties (PRS model), office towers, serviced apartment blocks, hotels and aparthotels around London and Greater London. The Company has an impressive portfolio of extremely successful case studies in West Hampstead, Wembley and Watford to name a few, with a further two assets in Swiss Cottage and Croydon due to be launched in 2016/2017.

Additionally, since 2004, Roy owns international patent-designs and Trademarks in the fitness industry to manufacture, market, and promote a fitness gym glove known as GRIPAD. After ensuring the success of this venture and operating for over 10 years, Roy sold his share holdings in GRIPAD USA LLC in March 2015.

Roy is a huge advocate for an innovative and healthy, yet practical lifestyle – an ethos which is showcased in all his business ventures. He believes that the same discipline, consistency and focus required from an athlete should apply to his business, especially when aiming for transformation.

John Wood
John is an experienced Interim CEO and Non-Executive Chairman who specialises in the turnaround, transformation and growth of PE and owner-managed SME businesses. Sector experience includes manufacturing, engineering, retail, distribution, media and the creative industries.

He has a technical manufacturing background and combines strong commercial, financial and operational skills with an enthusiasm for developing high performing leadership teams.

He is currently the Non-Executive Chairman of Celtic Media Group, an Irish Regional Newspaper Group, following a successful turnaround and MBO, and Crowle Wharf Engineering, a provider of safety critical and demanding solutions to the Rail and Energy sectors. Recent assignments include Interim CEO of Design Objectives Limited (craft products) and Non-Executive Chairman of Clearview Traffic Group, a distributor of traffic management systems. Previously he was Managing Director of Diam UK Limited, a POS display designer and manufacturer, and A&R Carton UK Limited.

Antony Berg

Antony is an experienced finance professional who has spent the most recent part of his career taking executive appointments to deliver turnarounds and implementing growth strategies on behalf of key stakeholders.

Antony is currently CFO of a Care Home Group, Silverline Care and Finance Director of BAM Healthcare which provides strategic advice and asset management services in the healthcare sector.

Prior to that, Antony spent over 3 years as Head of Finance and Commercial Director of a renewable energy group where he delivered a successful turnaround including overseeing a management buyout and growing its non-core operations into a core part of the group's profitability bringing a significant return to shareholders.

Antony qualified as an accountant at KPMG and spent over 8 years in KPMG's financial restructuring department where he was an Associate Director delivering on multiple restructurings across Europe in a variety of sectors including healthcare, energy and services' sectors. Whilst at KPMG, Antony spent over a year on secondment at a major lender where he acted as the lender representative on the Southern Cross plc restructuring.

Neil Ellis

Neil Ellis is an independent Finance Director specialising in corporate turnaround and transformation projects. He takes on interim FD roles in businesses going through change. He also acts as a crucial partner for turnaround Chairmen or Chief Executives, ensuring that all financial matters are dealt with effectively.

After graduating with a First from the LSE, Neil qualified as a Chartered Accountant with Arthur Andersen, where he managed the audits of fast growing companies and conducted due diligence projects on IPOs and major acquisitions.

In 2002 he founded Neil Ellis Consulting and went on to provide critical financial management input in the turnarounds of a major retailer, a food manufacturer and a consulting firm in the construction sector. In each case the financial stakeholders received returns well in excess of their expectations.

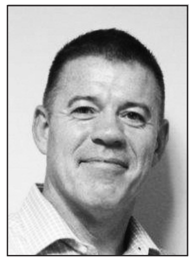
Neil has taken the financial leadership role in challenging situations, ensuring tight financial control, motivating and developing staff and managing the expectations of internal and external stakeholders. His sector experience ranges from hi tech start-ups to major manufacturers and retailers. Neil has particular skills in driving cash flow improvement, financial modelling and forecasting and developing and mentoring finance teams. He has direct experience of securing new debt funding and is highly skilled in communicating financial issues to external stakeholders. He also has substantial experience of dealing with the complex tax issues.Neil is a Fellow of the Institute of Chartered Accountants and also holds an MBA from Manchester Business School.

Alex Edmondson

Alex is a corporate partner in the cross-departmental Restructuring and Insolvency Group at Macfarlanes LLP law firm. He specialises in restructuring and turnaround work and has extensive experience of advising company boards, distressed borrowers, investors and lenders on restructuring transactions, both nationally and in the London market.

Alex's practice extends from advising company boards at the onset of financial difficulty on managing risk and their personal responsibilities whilst continuing to operate the business effectively through to turning the business around, whether organically or through a formal restructuring. In particular, Alex specialises in advising distressed companies and stakeholders in relation to formal restructurings of capital and operational structures and implementing new manage incentive schemes, often utilising highly bespoke solutions to address stakeholders' particular commercial, tax or regulatory sensitivities. These mandates require an in-depth knowledge of the applicable laws and regulations, the ability to apply that knowledge in practice in a commercial context and project management skills to bring together multiple stakeholders and advisers, frequently with differing ultimate goals, to achieve a mutually satisfactory result.

Alex is a trusted lead adviser and has recently been heavily involved in the restructurings, followed by successful sales, of Avant Homes, Kew Green Hotels and LA Fitness and the turnaround sale of the Walkabout Bar chain, as well as spending nine months on secondment at Candlewick Asset Management (jointly owned by Goldman Sachs and TPG Special Opportunities) helping to restructure and turnaround a portfolio of c. 40 distressed companies.



Vincent Bradbury

Vincent is an operational and people turnaround specialist who is engaged mainly within areas of Facilities Management, Support Services, Compliance and the "Built Environment". He started his work-life as an Officer within the Royal Navy and on leaving found a niche in innovation within service industries; of particular note is his expertise in FM and Support Services. He extremely technically minded, where needed, due to his experience and qualifications. He has over twenty years of commercial experience in operational and people environments.

Vincent has worked within various corporate and SME environments prior to embarking on a consulting and turnaround career. He is comfortable with all aspects of operational turnaround and organizational restructuring.

Vincent has a history of restructuring with G4S, Connaught PLC and other UK based SME's. He was part of the recent turnaround team for the Opal group (KPMG). He is a retained consultant for a number of investment companies.

Chris Viles

Chris is the director at Consortio Professional Services Ltd. He is a Chartered Accountant with 20 years' experience working with SME businesses across a broad range of industries. Chris formed Consortio in February 2015 having spent six years with an International restructuring practice, during which time he was involved in a number of high profile cases across the healthcare, automotive and financial services industries. He now spends his time working with SME owners, assisting them to achieve their business goals whilst using his practical experience from the restructuring profession to help them avoid the common pitfalls of a growing business.

Chris has significant experience of working with banks and Asset Based Lenders and understands their concerns and requirements when their clients get into distress. This experience enables him to work with directors to identify the key issues affecting their business and his hands-on approach allows him to add real value by working with management teams to devise and implement appropriate recovery solutions.

Robert Insall

Rob has over 10 years' experience in restructuring and insolvency across a range of sectors with a strong focus on turnaround. Having trained and qualified as a solicitor at Linklaters he worked on some of the biggest international restructurings and insolvencies including Eurotunnel, Enron, Lehman Brothers, European Directories, Truvo and McCarthy & Stone.

He then moved to Barclays Bank where he worked in the legal team providing legal advice to the Barclays Business Support (BBS) Team until in July 2011 he took on the role of a Case Director in BBS. He was then responsible for managing a diverse portfolio ranging in aggregate value of between £500m-£1bn of the Bank's loans to companies experiencing financial stress or distress. The role required extensive stakeholder management, negotiation of financial restructurings including leading bank syndicates, refinancings, debt for equity swaps and debt/asset sales or acquisitions to help deliver successful turnarounds wherever possible. Rob enjoyed particular successes in sectors including property (residential & commercial development and investment facilities), care homes, social housing, hotels, major international retailers, and PFI, recruitment and student accommodation.

Richard Thomson

Richard is a specialist credit investor and turnaround shareholder with experience managing difficult stressed and distressed situations through restructuring to operational overhaul. Richard has a strong secondary investing track record with top decile / mid-double digit IRR, and no losses since 2011. Skillset combines technical creativity and strong leadership in order to drive implementation of restructuring and subsequent turnaround, whilst also acting as a mentor and coach to management teams facing, at times, acute pressures. Previous roles including leading restructurings and ownership situations at Alcentra, and prior to that Richard was a senior member of the debt advisory and restructuring team at Rothschild.

Ian Guthrie
Ian has over 25 years of banking experience in Europe, having previously held a number of executive positions at Lloyds and HBOS. During his time in the corporate restructuring and workout environment, he has overseen more than £20bn of transactions across a number of asset classes including commercial real estate, hotels, housebuilders, healthcare and pubs. He was most recently Managing Director of Lloyds' Real Estate Business Support Unit, where he was responsible for managing a significant part of Europe's largest non-core real estate portfolio, and a member of the real estate Executive Committee of Lloyds' non-core bank. From 2001 to 2009 he worked at HBOS, where his roles included Head of Impaired Assets, Head of Equity Origination, Head of Integrated Partnerships, Regional Head of Acquisition & Integrated Finance and he also sat on the Bank's Private Equity Board.

Since leaving Lloyds in December 2014, Ian has taken on several senior advisory roles including SVP Global, Jones Lang LaSalle, Topland (a London based family office) and a large privately owned investment company. Working with SVP, a global distressed investment firm with c..$5bn assets under management, Ian is an external member of their global Advisory Council and is primarily involved in furthering their European franchise. His most recent appointment, as a Senior Advisor to JLL, involves him working across their capital markets, alternatives and residential businesses.

Simon Smith
Simon has over 30 years' experience in the retail and fashion industry. He has served in the capacity of CEO/Managing Director on the main boards of Sabotage Limited (Fly53), WDT - World Design and Trade Company Limited (owners of: Firetrap, Fullcircle and Sonneti), Blues Filobranca (major licensee holder in the UK) Jefferson International Limited (major supplier to the High Street department store multiples).

Simon has led a number of fashion brands profitably into multi-channel retail trading businesses, including WDT, where he trebled EBITDA to £8m. Core skills are identifying a retailer or brand's DNA, strategising, business restructuring, negotiation, retail image, retail merchandising, product design and development, and business plan implementation. Implementing across trading channels from traditional wholesale, on line wholesale, department store retailing, retail concessions, retail stand alone, outlet stores and own brand on line retail.

In recent years Simon has established his own consultancy (Discern Consulting) advising and acting on behalf of leading investors, retailers and brands with regard to acquisition, business re-structuring, business transformation, business development and investment opportunities. Amongst recent work is the overseeing and redevelopment of a major Dublin Department Store, Blanco Spain fashion retail restructuring for a successful sale, the sale of the fashion chain Republic and Chief Restructuring Officer at Ben Sherman.

Mike Morfill
Following on from a successful corporate career (including being a plc director of a multinational company) Mike has over 15 years' experience in Turnaround / Interim roles - particularly in family owned SME's where he can "tiptoe" through the family politics and still deliver results. Unlike many Turnaround professionals, Mike also is a Chartered Engineer of over 30 years standing.

Mike specialises in "getting in, getting his hands dirty and doing the actual job" as opposed to advising from the side-lines. His particular skill is re-motivating disillusioned and underperforming teams to ones that deliver exceptional performance on a sustained basis. Mike has been referred into assignments by Banks such as Barclays, RBSIF - major accounting firms such as KPMG, Baker Tilly and PE companies such as Emerisque, GoldCrest Finance. He has worked throughout the UK and also in the USA, Canada & Europe - in sectors such as food, manufacturing, engineering, logistics, pharma, importers and resellers, chemicals - amongst others, and is also a successful NX Chairman where those roles are appropriat

Mark Coetzee
A proven track record of formulating, advising and assisting in execution of chosen strategy resulting in high impact performance improvement and company turnaround engagements around the globe including Europe, Africa, Asia Pacific and North America, with a leaning to the service industry.

Over 25 years has led multicultural teams within start up, mid-sized, and large/multinational organisations – including start up, growth or merger and/or acquisition and/or international expansion

Sought after advisor and experienced in working with Private Equity and Private Equity type environments in South Africa, USA, Canada, Ireland & UK. In addition to "hands on" performance improvement engagements, well established lecturer on strategy formulation and execution, service excellence & high impact sales.

The IFT Candidate

Ryan Short
Ryan is a Programme Manager for BT in their Cost Transformation Team. Ryan has an Engineering background, holding an MEng from Bristol University with global operational management, project management and transformation experience in construction (Taylor Woodrow Construction), downstream oil and gas (Shell), shipbuilding (as a consultant with Newton Europe) and now media and telecoms.

In his current role, Ryan partners with senior executives from Group CFO to business unit COO, leading programmes with direct impact on EBITDA - both revenue growth and unit cost reduction. He is currently successfully supporting the President of BT Security to deliver against ambitious revenue growth targets through a range of operational efficiency and sales effectiveness projects.

A results driven, 'hands on' operator, Ryan achieves success by engaging with stakeholders across all levels in a business and helping them to reshape and reprioritise their organisation. Key skills include strategy and people development, utilising root cause analysis and associated operational metrics with a commercial focus to support teams in sustainable growth or cost reduction.
Ryan lives in Manchester and is a Man Utd. season ticket holder (shock horror!). Through involvement with The IFT, Ryan is looking to grow his network in Turnaround and Transformation, build on his current skill set and experience and develop his understanding of what a career in Turnaround looks like.

Karen Davies
Karen Davies is a commercially experienced and driven International HR Director who ensures key HR activities enable the business to achieve its goals, especially through brand delivery, sales and profit targets and enhancing the customer experience.

Has main board experience within the leisure, food, drink and accommodation sectors, both in plc and VC/PE cultures. Strong project management skills that lead innovation and drive business strategies. Specific expertise in organisational redesign, culture change, talent management and managing mergers, acquisitions and company sale, in multi-site organisations.

With more than 25 years' successful experience, Karen is proud to say, 'I have witnessed, resolved and managed most issues an HR Director can ever have to encounter'.

Now with The People Factor, Karen is actively involved in retail, hospitality, engineering, construction, marketing and design businesses, as an Interim/Consultant HRD and NED, providing outsourced HR services to assist customers to maximise their talent in their organisations throughout the UK and Europe.

The IFT International Members

Martin Steidl
Over the last 13 years Martin has conducted more than 15 turnaround and restructuring projects, mostly in Germany. He has broad experience as CEO, CRO and CFO in listed companies and also has operational experience as managing director in the automotive and the rail industry, in mechanical engineering and in the metals and plastics industry. Examples for his various projects are STI Group (Surface Technologies International), HAUGG Holding, and Berkenhoff. At Berkenhoff, a well-known wires producer, Martin held the roles of CRO and CTO.

His main focus is on analysing a company's situation, developing a turnaround concept and realising this concept. Apart from medium-sized companies, where Martin is working alone, he usually is working with teams, formed both from outsiders and from employees of the target company. The added value through project work under one roof led to sustainable positive results e.g. for Merkel Freudenberg Fluidtechnic, VMG Group, and for Purus.

In complex cases e.g. mass dismissals, Martin has gained significant experience in negotiation with works councils and unions, and in some insolvency projects like Teppichwerk Neumünster, Hermann Stock Maschinenfabrik and Waggonbau Niesky, he supported the respective insolvency administrator in getting the company back into operation and in preparing it for a sale to an investor.

Martin had graduated in engineering and economics, both from Aachen University.

THE IFT AWARDS EVENING 2016
Thursday November 24, The Landmark

STILL TIME TO NOMINATE!

Email: knorris@the-ift.com



IFT Corporate Partners

IFT corporate partners represent the best in law, accountancy, corporate banking and finance, private equity and other experts involved in the field. **We value their support.**

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Graham Rusling, Chairman Evolute360 Consulting Limited

Bob Wiggins, Founding Director, Hertford Partners

Jitesh Mistry, Membership Management Executive at The IFT, and proud young father, with his son Quito (who has already been on a couple of visits to IFT Central!)

Manufacturing Special Interest Group promotes The IFT

Ian Parker, **Chairman of The IFT's Special Interest Group (SIG) for Manufacturing, has reached out to businesses in the Midlands, offering to open up a conversation about answers to the short term vs long term dilemma that SME owners and managers face.**

In an article in the Birmingham Post, this August, he described a familiar scenario that every SME owner and manager will recognise: "You have to focus on the short term headline numbers because that's what keeps the business running day-to-day. But at the same time you know you aren't spending as much time as you should on the longer term strategy of the business that will help you achieve the next stage of growth."

In many cases the result is a business that is plateauing or even stagnating. The solution, argues Ian Parker, is to source additional resource and expertise to help you address the issue. But that's easier said than done. Who do you trust with a business that has taken years to build up and you're emotionally and even financially invested in?

Of course, the IFT has the answer, being the professional body for business turnaround and transformation executives with a track record in delivering change in organisations. Its 400 members are all accredited so you can be certain their track record is everything they say it is.

IFT members go into a business for as long as is needed. They have no rigid way of working because they know that every business is unique and faces unique challenges. However, it is likely they will use strategies that have been proven to deliver sustainable change: assessment, vision, leadership, urgency, communication, empowerment and sustainment.

Many of the executives who are members of The IFT help companies in all business sectors but many choose to specialise. Those specialists are often members of one of The IFT's Special Interest Groups (SIGs). Particularly relevant to Midlands businesses is the Manufacturing and Supply Chain Special Interest Group. Its members meet regularly to share best practice and learn from each other.

Nigel Dolby, the owner of Clarity Business Partners and a member of The IFT and its Manufacturing and Supply Chain SIG, comments, "SMEs recognise that targeting every day aspects of their business is the best way to increase profit and improve cash flow in the short term. I help them focus on what's important and implement the necessary solutions."

"For example, I recently worked with one company to solve the problem they had with inadequate stock levels on fast moving lines yet rising stock levels overall. Our work improved fulfilment rates by 10% and released £500,000 of cash from stock. We then focused on the longer term strategy of the business, identifying sales trends, launching new products, forecasting stock levels and warehouse capacity to meet demand and highlighting future cash requirements."

SIG News

There has been a high level of activity amongst the Groups, which were formed directly as a result of The IFT's 2015 research-based strategy review. All the groups work closely with the Institute's Executive, which provides administrative support and can initiate or manage key projects in conjunction with group committees and members.

The **Complex Situations** SIG, chaired by Simon Beale of Macfarlanes, is engaged in refining its research about private equity firms that are well aligned with The IFT's membership and partners and is also planning an autumn meeting with a high-profile speaker from Lazards.

Healthcare, which also covers the wider care market (public and private), continues to be ever more relevant a group in the current challenging political and economic environment. Pelham Allen arranged a Chatham House Rule dinner with the newly merged Regulator NHS Improvement, for which there was a waiting list, such was the level of interest. Iain Lynam followed up by chairing another well attended open

gathering, hosted by KPMG and looking at constraints and opportunities for Turnaround Directors in the NHS.

Our **Education** SIG, chaired by Steve Benger, most recently went on a half-day visit to Hadlow College, where the redoubtable and multi award-winning Mark Lumsdon-Taylor led a presentation on the Hadlow Group, a decidedly successful and entrepreneurial public-private venture whose portfolio covers Higher Education, Further Education (FE), and Commercial Partnerships.

Led by our CEO, The IFT has established a strategic Alliance with the Association of Colleges (AoC), the leading membership organisation for FE colleges. The AoC and we will be doing a programme of joint marketing designed to introduce The IFT members' skills at an earlier stage, that is, before a crisis develops. With £2bn of lender capital at risk and a massive government review still underway on an area basis, the FE landscape is set for a fundamental restructuring. The IFT has been working with the Department of Business, Innovation and Skills (now Business, Energy and Industrial Strategy) on turnaround and transformation planning for the sector, with much appreciated advice and support from the Education leadership team at Barclays.

Retail and Leisure SIG enjoyed a lively talk and debate led by IFT member Gavin George of Alteri. Having considered the group's members' needs and interests, it was agreed that there should be a division into two groups covering respectively, each of the markets. Plans forthcoming in the autumn.

THE IFT NATIONAL CONFERENCE 2016
CREATING VALUE, SAVING JOBS

Keynote - Dr. Pippa Malmgren, Top economist, entrepreneur and former US Presidential Adviser

"Britain's Future is Brighter than the British Know"
Dr. Philippa Malmgren helps companies, investors, policymakers and the public better understand the interplay between politics, policy, geopolitics and economics. She is a regular commentator and guest anchor on CNBC, BBC, Bloomberg and Sky News. She served as financial market advisor to the President in the White House and on the National Economic Council from 2001-2002 and on several advisory boards including the British Ministry of Defence Working Group on Global Strategic Trends, She was a member of the President's Working Group on Financial Markets and the Working Group on Corporate Governance through Enron and 911. Having a military history background, she was asked to work on terrorism risks to the economy after 911. She was the Deputy Head of Global Strategy at UBS and the Chief Currency Strategist for Bankers Trust. She headed the Global Investment Management business for Bankers Trust in Asia. In 2000 The World Economic Forum in Davos named Dr. Malmgren a Global Leader for Tomorrow.

Opening Keynote - David Hoare, IFT Fellow, former Chairman of Ofsted

"Turning Around Education in England"
David is a business man with 30 years' experience, 10 as a Chief Executive and 15 as a Chairman of a wide range of companies including V Ships, Target Express, Virgin Express, Paragon Group, Laura Ashley, Investors in Education Ltd, Cope Allman and Ofsted.

Petar Cvetkovic, Chief Executive of DX Group

"People Create Value, Not Processes"
DX Group is a leading independent logistics and parcel distribution company. Petar has held numerous senior roles in the industry including CEO of Target Express, managing director of City Link and UK MD of Norbert Dentressangle.

David Buchler, IFT Member, Deputy Chairman, English National Opera

"At risk as the Fat Lady Sings"
David's career spans 35 years and he is recognised as a leading practitioner in the field of corporate turnaround and restructuring. He is a Member of the Academy of Experts, a Member of The IFT and a Fellow of the Institute of Chartered Accountants in England and Wales. He is also Trustee of Syracuse University and was a producer of the London International Opera Festival from 1985-1993.

Andy Leeser, Member and The IFT Professional of the Year 2015 Award winner

"Saving Jobs and Recovering Value"
Andy is an experienced Turnaround and Business Recovery professional who won at The IFT 2015 Awards evening for his restructure of LA Fitness. Following a competitive process, the repositioned business was sold to Pure Gym less than 12 months after the restructure date.

Keynote - John Lowry, Fellow of The IFT

"Cyber Security as a Board Issue"
John began his career with premier companies, but has since spent over 20 years in the start-up, financing, operational transformation, regeneration, merger and acquisition of private and public, technology and technology enabled businesses with turnovers from £2 million to €1 billion, in Europe and the USA, specialising in technology based or enabled businesses.

Jessica Lennard, TalkTalk Director of Corporate Affairs and Regulation

"The Aftermath of the Highly Publicised Attack on TalkTalk"
Ms Lennard entered politics in 2008 as a member of the shadow energy and climate change team and worked at Conservative campaign HQ, managing the party's 'Climate Campaign'. She subsequently led the energy lobbying practices for two leading consultancies (Hanover Communications and Edelman, London), before becoming head of corporate affairs at OVO Energy, then moving to TalkTalk.

Neil Hampson, UK Cyber Security Leader at PwC
Prior to joining the UK Cyber Security practice, Neil was the UK Strategy leader. His focus was to help clients achieve their objectives with robust corporate and business strategies. His experience includes restructuring, mergers and acquisitions, market entry and exit analysis, profit and cost saving strategies, and due diligence. Neil now helps clients understand their cyber security risks, responsibilities and opportunities.

Jat Bains, IFT Member, Partner, Restructuring & Insolvency & Simon Beale, IFT Member, Senior Counsel & Head of Insolvency, Macfarlanes LLP

"Complex Situations in Restructuring"
Recent collaborative success stories, the restructuring of 'Kew Green Hotels' and 'OpCapita', highlight Simon and Jat's expertise. Jat is known as a confident and articulate speaker and Simon is the celebrated author of Insolvency and Restructuring Manual, together they are sure to deliver a presentation not to be missed.

Gary Squires, Managing Director at AlixPartners

"The Twilight Zone" - DB Pension schemes in Corporate Turnarounds
Gary has over 20 years' experience in corporate restructuring and creditor advisory roles whereby he advises trustees and scheme sponsors in the complex and developing area of employer covenant. Gary's expertise covers the areas of scheme-specific funding reviews, mergers and acquisitions, financial distress and restructuring, covenant monitoring, negotiation support, and serving as an expert witness in regulatory and court proceedings.

Keynote - Julianne Ponan, Owner and CEO of Creative Nature Superfoods

"The Story Behind The Guardian's Leader of the Year and What it Takes to go from Losses to Profit"
An entrepreneur who took on struggling food retailer Creative Nature when she was just 22, within 18 months Julianne had taken the £56k loss into profit. The company is now a supplier to Ocado and to Tesco and into its transformation phase.

Britain's Future Is Brighter Than The British Know

Dr. Pippa Malmgren advises investors and governments worldwide and says the Midlands and the Midwest have emerged as the world's cutting edge centres of manufacturing.

Britain is the world's favoured destination for FDI because of the relatively favourable tax regime, trusted rule of law, excellence in education.

The Kings Cross, Oxford, Cambridge triangle is second only to the US in high tech.

This is one reason why the Chinese and many emerging market investors are deploying so much capital to the UK, especially in infrastructure such as HS2, Manchester and Birmingham airports.

Brexit will improve Britain's competitiveness further: it's been selling too much to a part of the world that's not growing. Now Britain will do more business with the US, Asia, India, LatAm and more.

As more countries weaken or sever their ties with the EU, new other exits on Continent will occur, thus opening new business opportunities for the UK.

The Future of the British economy is only in doubt in Britain.

THE IFT NATIONAL CONFERENCE
CREATING VALUE, SAVING JOBS
THURSDAY 8th SEPTEMBER 2016
Bishopsgate Institute,
230 Bishopsgate, London, EC2M 4QH

The IFT National Conference echoes the mood music from markets and members, with a focus on 'Creating Value, Saving Jobs'. A dynamic programme of high-profile business leaders, thought-provoking presentations and unrivalled case studies & learning from leading professionals in turnaround and transformation.

Don't miss the competitive benefits - it's "not over till the fat lady sings"!

BOOKINGS HOTLINE: +44 (0)20 3668 0420 (09:00 - 17:00 BST)
If you have an IFT login, book on the website: http://www.the-ift.com/user/login?type=event&destination=node/69173
Or email: IFTEvents@the-ift.com

Up & Coming IFT Events 2016
CPD Workshops and IFT Members' Meetings

Thursday 8th September	**National Conference**
Thursday 24th November	**The IFT Annual Awards & Gala Evening**

September 2016

Thursday 15th September	**West & Wales Region Meeting** – Bristol – 1hr CPD
Tuesday 20th September	**CPD Workshop – Delivering Efficient Operations** – Paul Dowell, RSM – RSM St.Philips Point, Temple Row, Birmingham B2 5AF
Tuesday 27th September	**London Members' Meeting** – EY, London – 1hr CPD

October 2016

Thursday 20th October	**CPD Workshop – Protecting Reputations** – Sarah Pinch, Pinchpoint Communications – KPMG, One Snowhill, Snow Hill Queensway, Birmingham B4 6GH

November 2016

Wednesday 2nd November	**London Members' Meeting** – Macfarlanes LLP, London – 1hr CPD

December 2016

Thursday 8th December	**West & Wales Region Meeting** – Bristol – 1hr CPD

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For more information and how to book please visit the IFT website at **www.the-ift.com**
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